

# Chapter 1

## Introduction

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### 1.1 About this Report

This Report of the Comptroller and Auditor General of India (C&AG) relates to matters arising from compliance audit of the transactions of the Civil and Works departments of the Government of Chhattisgarh, Centrally sponsored and State plan schemes and audit of autonomous bodies of the State, including performance audit of selected schemes and departments.

The primary purpose of the Report is to bring to the notice of the State Legislature, important results of audit. Auditing standards require that the materiality level of reporting should be commensurate with the nature, volume and magnitude of transactions. The findings of audit are expected to enable the Executive to take the corrective action as also to frame policies and directives that lead to improved financial management of the organisations, thus contributing to better governance.

Compliance audit refers to examination of the transactions relating to expenditure, receipts, assets and liabilities of the audited entities to ascertain whether the provision of the Constitution of India, applicable laws, rules and regulations and various orders and instructions issued by the competent authorities are being complied with.

Performance audit is an independent assessment or examination of the extent to which an organisation, programme or scheme operates economically, efficiently and effectively.

This Chapter provides the audited entity profile, the planning and extent of audit and follow-up on Audit Reports. Chapter 2 of this Report deals with the findings of performance audit, Chapter 3 contains results of Chief Controlling Officer (CCO) based audit of Horticulture and farm Forestry and Public Health Engineering Departments and Chapter 4 deals with compliance audit in the various departments and autonomous bodies.

### 1.2 Audited entity profile

There are 36 departments at the Secretariat level, headed by Additional Chief Secretaries/Principal Secretaries/Secretaries who are assisted by Special Secretaries, Deputy Secretaries, Directors and subordinate officers and 30 autonomous bodies which are under the audit jurisdiction of the Accountant General (Audit), Chhattisgarh.

The comparative position of expenditure of the Government during 2011-12 and in the preceding two years is given in Table 1.

**Table 1: Comparative position of expenditure for the period 2009-12**

(₹ in crore)

Particulars	2009-10			2010-11			2011-12		
	Non-plan	Plan	Total	Non-plan	Plan	Total	Non-plan	Plan	Total
<b>Revenue Expenditure</b>									
General Services	4305	45	4350	5211	36	5247	5829	75	5904
Social Services	2875	5149	8024	2807	5503	8310	3381	7096	10477
Economic Services	2824	1600	4423	2582	2509	5091	2727	2833	5560
Grants-in-aid	444	25	469	686	21	708	687	0	687
<b>Total (1)</b>	<b>10448</b>	<b>6818</b>	<b>17265</b>	<b>11286</b>	<b>8069</b>	<b>19356</b>	<b>12624</b>	<b>10004</b>	<b>22628</b>
Capital Outlay (2)	0	2745	2745	01	2951	2952	01	4056	4056
Loans and Advance disbursed (3)	--	--	897	--	--	567	10	1259	1269
Inter-State Settlement (4)	--	--	03	--	--	02	--	--	04
Payment of Public Debt (5)	--	--	652	--	--	691	--	--	852
<b>Total disbursement out of Consolidated Fund (1+2+3+4+5)</b>	<b>10448</b>	<b>9563</b>	<b>21562</b>	<b>11287</b>	<b>11020</b>	<b>23567</b>	<b>12634</b>	<b>15319</b>	<b>28810</b>
Contingency Fund	--	--	--	--	--	--	--	--	--
Public Account Disbursement	--	--	23879	--	--	26896	--	--	32940
<b>Total</b>	<b>10448</b>	<b>9563</b>	<b>45441</b>	<b>11287</b>	<b>11020</b>	<b>50464</b>	<b>12635</b>	<b>15318</b>	<b>61749</b>

### 1.3 Authority for audit

Authority for audit by C&AG is derived from Articles 149 and 151 of the Constitution of India and the C&AG's (Duties, Powers and Conditions of Service) Act, 1971. Accountant General (Audit) conducts audit of expenditure of civil and works departments and autonomous bodies under sections 13, 14, 15, 19 and 20 of the C&AG's (Duties, Powers and Conditions of Service) Act, 1971. The principles and methodology for compliance audit are prescribed in the manuals issued by C&AG.

### 1.4 Organisational structure of the office of the Accountant General (Audit), Chhattisgarh

Under the directions of C&AG, the Accountant General (Audit), Chhattisgarh, conducts audit of Government departments/ Offices/ autonomous bodies and institutions under General, Social and Economic (Non-PSUs) Sectors which are spread all over the State. The Accountant General (Audit) is assisted by two Group officers.

## 1.5 Planning and conduct of audit

The audit process commences with the assessment of risk of various Government departments/organisations/autonomous bodies and schemes/projects etc., based on expenditure, criticality/complexity of activities, level of delegated financial powers, assessment of internal control and the concerns of stakeholders. Previous audit findings are also considered in this exercise.

After completion of audit of each unit, Inspection Reports containing audit findings are issued to the head of the unit/department. The units are requested to furnish replies to the audit findings within one month of receipt of the Inspection Report. Whenever replies are received, audit findings are either settled or further action for compliance is advised. The important audit observations arising out of these Inspection Reports are processed for inclusion in the Audit Report.

During 2011-12, 1,481 party-days were utilised to carry out audit of 212 units out of 3,056 units of various departments/organisations. During the year, 40 audit parties conducted compliance audit of 212 units under various civil and works departments of the State Government, autonomous bodies, externally aided projects etc.

## 1.6 Significant observations arising out of Performance Audit and CCO based audits

Performance Audit is undertaken to ensure whether the Government programmes have achieved the desired objectives at the minimum cost and given the intended benefits. CCO based audit is conducted with a view to make a comprehensive appraisal of a department's functioning, identifying systemic issues that need to be addressed at the appropriate higher levels.

This report contains the results of Performance Audit (PA) on "Working of Chhattisgarh Housing Board"; PA of "Mahatma Gandhi National Rural Employment Guarantee Scheme", audit of "Procurement and distribution of paddy by Chhattisgarh Marketing Federation" and "Acquisition and Allotment of Land" and Chief Controlling Officer based audit of Horticulture and Farm Forestry department and Public Health Engineering department.

The salient findings of these audits are discussed below:

### 1.6.1 Performance Audit on "Working of Chhattisgarh Housing Board"

The Performance Audit of the working of Chhattisgarh Housing Board disclosed that the Board had not prepared any Perspective plan and Annual Action Plan for taking up the construction activities in a planned manner. It had also not utilised the allotted funds in a time bound manner which had resulted in persistent savings. Norms for allotment of land for Economically Weaker Section (EWS) under housing schemes were not adhered to. The land allotted for EWS was utilised for construction of commercial complex and houses for higher and middle income groups. The houses constructed for EWS were not handed over to the beneficiaries due to failure in arranging loans for

the poor families. The projects were not implemented economically due to preparation of inflated estimates, payment of inadmissible advances, excess payment etc.

### ***1.6.2 Performance Audit on MNREGS***

The State Government notified the Mahatma Gandhi National Rural Employment Guarantee (MNREG) Act in March 2006. The Performance Audit of the scheme revealed that there were significant number of vacancies in key positions at *Zila* and *Janpad Panchayat* level which would adversely affect effective implementation of the scheme. Though Annual Action Plans were prepared, the Perspective Plan detailing the priority of the works for long term employment generation and sustainable development was not prepared. Persistent shortfall in utilisation of the available fund was noticed. Door to door survey was not conducted to ensure the coverage of the eligible beneficiaries. The objective of the scheme to provide 100 days of the employment was not achieved as only nine *per cent* households were provided employment of 100 days. Though the *Gram Panchayats* failed to provide employment to the beneficiaries within the prescribed period of 15 days, unemployment allowance was not paid to the beneficiaries. Despite non payment of wages in time, compensation admissible under payment of wages Act was not paid.

There were deficiencies in execution of works such as execution of inadmissible works, irregular sanction of WBM roads, payment to vendors for MIS work, sanction of works without approval of *Gram Sabha*, execution of works without measurement and wasteful expenditure on works etc. Muster rolls were not properly maintained. The objective of the scheme to empower rural women was not fully achieved as the employment provided to women in the State was between 47 and 49 *per cent*.

The monitoring mechanism was weak as prescribed registers were not maintained properly, records were not maintained regarding inspections and monitoring done under the scheme and the online MIS was incomplete. No internal audit was carried out during 2007-12.

### ***1.6.3 Long paragraph on “Acquisition and Allotment of Land”***

The implementation of the Land Acquisition Act and proceedings thereunder suffered from flaws and lapses. In the absence of a centralised database at Government level, the status of land acquired and allotted could not be monitored. Government land was allotted at lower rates leading to short recovery of premium, lease rent and service charges of ₹ 48.83 crore. Land acquired for industries was not utilised for intended purpose. Timely payment of compensation to the land owners was not ensured. The affected families have not been rehabilitated as per the Rehabilitation policy 2005 (as amended in 2007) for displaced land owners.

**1.6.4 Long paragraph on “Procurement and distribution of paddy by Chhattisgarh Marketing Federation (MARKFED)”.**

MARKFED routinely incurs losses in procurement and distribution of paddy as it runs its business by taking interest-bearing loans from the banks. Hence, it is imperative that it adopts sound management practices. Steps taken by MARKFED to minimise its interest burden were inadequate due to non-finalisation of accounts and delayed submission of loss claim cases to the State Government, resulting in delayed release of funds by the Government. We noticed inadequate efforts in getting receivables from Food Corporation of India (FCI) and *Nagarik Aapurti Nigam* (NAN), recovery at lower rates from millers in respect of gunny bags left over with them and blocking of funds with FCI and Director General Supplies and Disposal (DGS&D). Delayed submission of claims for incidental charges to GoI incurred in excess of that admissible resulted in delay in finalisation of final cost sheet.

**1.6.5 Chief Controlling Officer based audit of Horticulture and Farm Forestry Department.**

The Horticulture and Farm Forestry Department was set up to promote horticulture by motivating farmers for taking up horticulture instead of traditional farming, distribution of good quality seeds and planting materials, adoption of latest technology, providing training to farmers etc., and to oversee implementation of various Central and State schemes. Though Strategic Action Plan for the period 2010-11 to 2014-15 was prepared, no such plan was prepared for the period 2005-06 to 2009-10 by the State Horticulture Mission. Internal audit, a vital component of the internal control mechanism, was absent. Except for medicinal and aromatic crops and flowers, achievement of targets under area expansion in respect of other horticulture crops was encouraging. Lack of proper monitoring by the Department led to excessive mortality of horticulture crops under National Horticulture Mission (NHM). Mechanism for collecting reliable and realistic data for assessment of horticultural production was not developed. Non-adherence to rules/regulations/instructions by the Departmental authorities led to irregular expenditure, diversion of funds, non-adjustment of temporary advances and extensive drawal of funds through Simple Receipt bills, unwarranted procurement etc.

**1.6.6 Chief Controlling Officer based audit of Public Health Engineering Department.**

Public Health Engineering Department is responsible for monitoring and managing various water resources for extending safe drinking water facilities to the rural/urban population of the State. We noticed deficient planning in execution of schemes as Village Action Plans and District Water Security Plans were not prepared and thus could not form part of the Annual Action Plan. The Department did not conduct detailed habitation survey since 2003. There was unfruitful expenditure of ₹ 133.39 crore due to non-completion of projects. Failure of the Department to comply with the provisions of Unified Schedule of Rates and agreement led to extra cost and undue aid to the contractors. The Department had not established State level and sub-divisional

level laboratories for conducting quality test of water sources. Non-distribution of field testing kits/reagents and its subsequent expiry resulted in wasteful expenditure.

## **1.7 Significant observations of Compliance Audit**

Audit observed significant deficiencies in critical areas, which impact the effectiveness of the State Government. Some important findings arising out of compliance audit (14 paragraphs) are featured in the Report. The major observations relate to:

- Non-compliance with rules and regulations;
- Audit against propriety and cases of expenditure without adequate justification;
- Failure of oversight/governance; and
- Persistent and pervasive irregularities.

### ***1.7.1 Non-compliance with rules and regulations***

For sound financial administration and control, it is essential that expenditure conforms to financial rules, regulations and orders issued by the competent authority. This helps in maintaining financial discipline and prevents irregularities, misappropriation and frauds. This section on non-compliance with rules and regulations brings out observations involving ₹ 5.99 crore, as discussed below:

*Non-compliance of departmental instructions led to irregular execution of extra Granular Sub Base (GSB) work of ₹1.65 crore and extra expenditure of ₹3.28 crore.*

***(Paragraph 4.1.1)***

*Execution of earthwork after completion of Granular Sub Base (GSB), Water Bound Macadam (WBM), Hard Shoulder (HS) and Bituminous (BT) works and payment thereof indicates doubtful expenditure of ₹1.06 crore.*

***(Paragraph 4.1.2)***

### ***1.7.2 Audit against propriety and cases of expenditure without adequate justification***

Authorisation of expenditure from public funds has to be guided by the principles of propriety and efficiency of public expenditure. Authorities empowered to incur expenditure are expected to enforce the same vigilance as a person of ordinary prudence would exercise in respect of his own money. Audit scrutiny revealed instances of impropriety and extra expenditure amounting to ₹ 14.50 crore. Some of the important audit findings are as under:

*Award of work without detailed survey, proper assessment and preparation of unrealistic estimate resulted in extra cost of ₹1.34 crore.*

***(Paragraph 4.2.4)***



*Failure of the State Government to implement the scheme even after preparation of Detailed Project Report (DPR) resulted in infructuous expenditure of ₹ 83.14 lakh.*

**(Paragraph 4.2.6)**

*Failure of the Government to sanction the set up of medical and other staff for Super Speciality Hospital for police personnel led to idle investment of ₹ 7.21 crore.*

**(Paragraph 4.2.1)**

*Extra cost of ₹ 1.48 crore was incurred due to inflated designing and execution of Cement Concrete lining beyond the specified height in free board.*

**(Paragraph 4.2.3)**

*Excess payment of ₹ 35.25 lakh was made to the contractors due to incorrect determination of rates for WBM.*

**(Paragraph 4.2.7)**

### **1.7.3 Failure of oversight/governance**

Government has an obligation to improve the quality of life of the people in the area of health, education, development and upgradation of infrastructure, public services, etc. Audit noticed instances where the funds released by the Government for creating public assets, remained unutilised/ blocked or proved unfruitful/ unproductive due to indecisiveness, lack of administrative oversight and concerted action at various levels. Cases of failure of oversight/governance noticed in audit amounted to ₹ 27.27 crore. Some important findings are as under.

*Lack of coordination and deficient monitoring at the Government and district level had resulted in blocking of Central funds of ₹ 7.38 crore for 2008-09 in the bank account, non-deposit of ₹ 9.45 crore in the bank even after lapse of one year and non-release of GoI funds for the subsequent years under “Incentive to Girls for Secondary Education” Scheme.*

**(Paragraph 4.3.1)**

*Injudicious planning and issue of work orders prior to acquisition of land and subsequent arbitrary termination of contract resulted in avoidable payment of ₹ 8.15 crore towards decretal dues.*

**(Paragraph 4.3.2)**

*Undue financial benefit of ₹ 36.97 lakh was extended to the text book printers due to non-recovery of cost of excess paper supplied by CTBC.*

**(Paragraph 4.3.4)**

### **1.7.4 Persistent and pervasive irregularity**

An irregularity is considered persistent if it occurs year after year. It is deemed pervasive when prevalent in the entire system. Recurrence of irregularities, despite being pointed out in earlier audits, is indicative of slackness on the part of the executive and lack of effective monitoring. This in turn encourages



wilful deviations from observance of rules/regulations and results in weakening of administrative structure. Audit observed that:

*Failure of the Department to initiate timely action to adjust/recover the advances given to Sarpanches for various civil works resulted in blocking of ₹84.99 lakh and irregular retention of Government money by the Sarpanches.*

**(Paragraph 4.4.1)**

## **1.8 Response of the departments to the Performance audits, CCO based audit and audit paragraphs**

The draft performance reviews and audit paragraphs are forwarded to the Additional Chief Secretaries/Principal Secretaries/Secretaries of the concerned departments drawing their attention to the audit findings and requesting them to send their responses within six weeks. It is brought to their personal attention that in view of likely inclusion of such paragraphs in the Audit Reports of the C&AG, which are placed before Chhattisgarh State Legislature, it would be desirable to include their comments in the matter. They are also advised to have meetings with the Accountant General (Audit) to discuss the performance reviews/draft audit paragraphs, proposed for the Audit Report.

The Performance Audits, CCO based audits and draft paragraphs were forwarded demi-officially to the Additional Secretaries/Principal Secretaries/Secretaries of the concerned departments between June and September 2012 requesting them to send their responses within six weeks. Replies to 13 out of 15 draft paragraphs were received from the Government. The response of the Government has also been obtained for one Performance Audit, two CCO based audits and two long paragraphs during discussion held in August 2012 and March 2013. The exit conference for the Performance Audit on 'Working of Chhattisgarh Housing Board' could not be held. Responses of the Government have been suitably incorporated in the Report.

## **1.9 Follow-up on Audit Reports**

Action Taken Note (ATNs) on all Paragraphs/ Performance Audits, that have appeared in Audit Reports, were required to be submitted by the Government to the Public Accounts Committee, duly vetted by Audit, within six months from the date of laying of the Reports in the State Legislature. A review of the outstanding ATNs on Paragraphs/Performance Audits included in the Reports of the C&AG pertaining to various Departments revealed that 12 ATNs<sup>1</sup> were

<sup>1</sup>

<b>Year</b>	<b>Paras</b>
1998-99 (3)	3.5, 3.23, 3.6
1998-99 (4)	5.1.8.1
2001-02	5.31, 5.33, 5.35
2004-05	3.1, 4.2.7, 4.4.1
2005-06	5.1
2008-09	2.21
<b>Total</b>	<b>12</b>

pending from the Departments as of March 2013.

### **1.10 Corrective action/recoveries at the instance of Audit**

Executive Engineers of five<sup>2</sup> Programme Implementation Units (PIU), *Pradhan Mantri Gram Sadak Yojna* (PMGSY) provided (February 2006 to March 2009) an amount of ₹ 21.75 crore and ₹ 16.12 crore as mobilisation advance and equipment advance respectively to contractors in 59 agreements. However, only ₹ 10.27 crore (₹ 7.08 crore mobilisation advance + ₹ 3.19 crore equipment advance) out of these advances were recovered by the concerned EEs within the due time. Thus, due to non-recovery of advance in due time an amount of ₹ 6.80 crore as interest (upto January 2013) was recoverable from the contractors. However, the concerned EEs recovered only ₹ 19 lakh (October 2010). On this being taken up by audit (July to November 2010), an amount of ₹ 1.39 crore (January 2013) was further recovered. The balance of ₹ 5.21 crore (as of January 2013) was still pending for recovery.

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<sup>2</sup> Bilaspur, Jagdalpur, Kawardha, Raipur and Rajnandgaon.