

CHAPTER-I

INTRODUCTION

1.1 About this Report

This Report of the Comptroller and Auditor General of India (C&AG) relates to matters arising from performance audit of selected programmes and activities and compliance audit of various departments of State Government.

Compliance audit refers to examination of the transactions relating to expenditure 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 competent authorities are being complied with. On the other hand, performance audit, besides conducting a compliance audit, also examines whether the objectives of the programme/activity/department are achieved economically and efficiently.

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 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 so as also to frame policies and directives that will lead to improved financial management of the organisations, thus, contributing to better governance.

This chapter, in addition to explaining the planning and extent of audit, provides a synopsis of the significant deficiencies in performance of selected programmes, significant audit observations made during the compliance audit and follow-up on previous Audit Reports. Chapter-II of this report contains findings arising out of performance audit of selected programmes/activities/departments. Chapter-III contains observations on the compliance audit in Government Departments.

1.2 Audited entity profile

The Accountant General (General and Social Sector Audit), Gujarat conducts audit of the expenditure under the General and Social Services incurred by 15 Departments in the State at the Secretariat level and 146 autonomous bodies. The Departments are headed by Additional Chief Secretaries/Principal Secretaries/Secretaries, who are assisted by Directors/Commissioners/Chief Engineers and subordinate officers under them.

The summary of fiscal transactions during the years 2011-12 and 2012-13 is given in **Table 1** below –

Table 1 : Summary of fiscal transactions

(₹ in crore)

| Receipts | | | Disbursements | | | | |
|--|--------------------|--------------------|---------------------------------|--------------------|------------------|------------------|--------------------|
| | 2011-12 | 2012-13 | | 2011-12 | 2012-13 | | |
| | | | | | Non- Plan | Plan | Total |
| Section-A: Revenue | | | | | | | |
| Revenue receipts | 62,958.99 | 75,228.53 | Revenue expenditure | 59,744.46 | 47,145.69 | 22,512.80 | 69,658.49 |
| Tax revenue | 44,252.29 | 53,896.69 | General services | 21,480.52 | 23,167.93 | 960.34 | 24,128.27 |
| Non-tax revenue | 5,276.52 | 6,016.99 | Social services | 24,545.79 | 16,230.47 | 13,298.50 | 29,528.97 |
| Share of Union taxes/duties | 7,780.31 | 8,869.05 | Economic services | 13,518.37 | 7,585.01 | 8,253.96 | 15,838.97 |
| Grants from Government of India | 5,649.87 | 6,445.80 | Grants-in-aid and Contributions | 199.78 | 162.28 | - | 162.28 |
| Section-B: Capital | | | | | | | |
| Misc. Capital receipts | 10.00 | 0.00 | Capital Outlay | 13,811.70 | 75.49 | 21,151.03 | 21,226.52 |
| Recoveries of Loans and Advances | 165.44 | 46.90 | Loans and Advances disbursed | 605.34 | 586.68 | 295.57 | 882.25 |
| Public Debt receipts | 17,534.76 | 19,497.19 | Repayment of Public Debt* | 5,275.19 | ** | ** | 6,536.52 |
| Contingency Fund | 0.66 | 80.50 | Contingency Fund | 80.50 | - | - | 0.00 |
| Public Account receipts | 79,653.14 | 50,046.35 | Public Account disbursements | 77,160.79 | ** | ** | 46,537.61 |
| Opening Cash Balance | 14,986.80 | 18,631.81 | Closing Cash Balance | 18,631.81 | - | - | 18,689.89 |
| Total | 1,75,309.79 | 1,63,531.28 | Total | 1,75,309.79 | 47,807.86 | 43,959.40 | 1,63,531.28 |
| Source: Finance Accounts for the years 2011-12 and 2012-13. | | | | | | | |
| * Excluding net transactions under ways and means advances and overdrafts. | | | | | | | |
| ** Bifurcation of Plan and Non-plan not available. | | | | | | | |

1.3 Authority for Audit

The authority for audit by the C&AG is derived from Articles 149 and 151 of the Constitution of India and the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. C&AG conducts audit of expenditure of the Departments of Government of Gujarat under Section 13¹ and audit of accounts of stores and stock under Section 17 of the C&AG's (DPC) Act. C&AG is the

¹ Audit of (i) all transactions from the Consolidated Fund of the State, (ii) all transactions relating to the Contingency Fund and Public Accounts and (iii) all trading, manufacturing, profit and loss accounts, balance sheets and other subsidiary accounts.

sole auditor in respect of autonomous bodies which are audited under Sections 19 (2)², 19 (3)³ and 20 (1)⁴ of the C&AG's (DPC) Act. In addition, C&AG also conducts audit of other autonomous bodies, under Section 14⁵ of C&AG's (DPC) Act, which are substantially funded by the Government. Principles and methodologies for various audits are prescribed in the Auditing Standards and the Regulations on Audit and Accounts, 2007 issued by the C&AG.

1.4 Organisational structure of the Office of the Accountant General (G&SSA) Gujarat

Under the directions of the C&AG, the Office of the Accountant General (General and Social Sector Audit) Gujarat conducts audit of Government Departments/ Offices/Autonomous Bodies/Institutions under the General and Social Sector which are spread all over the State. The Accountant General (General and Social Sector Audit) is assisted by four Group Officers.

1.5 Planning and conduct of Audit

Audit process starts with the assessment of risks faced by various departments of Government based on expenditure incurred, criticality/complexity of activities, level of delegated financial powers, assessment of overall internal controls and concerns of stakeholders. Previous audit findings are also considered in this exercise. Based on this risk assessment, the frequency and extent of audit are decided.

After completion of audit of each unit, Inspection Reports containing audit findings are issued to the heads of the departments. The departments are requested to furnish replies to the audit findings within one month of receipt of the Inspection Reports. 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 Reports, which are submitted to the Governor of the State under Article 151 of the Constitution of India.

During 2012-13, in the General and Social Sector Audit Wing, 5,094 party-days were allocated to carry out compliance audit of total 589 units and Performance Audits. The audit plan covered those units/entities which were vulnerable to significant risk as per our assessment.

² Audit of the accounts of Corporations (not being Companies) established by or under law made by the Parliament in accordance with the provisions of the respective legislations.

³ Audit of accounts of Corporations established by law made by the State Legislature, on the request of the Governor.

⁴ Where the audit of the accounts of anybody or authority has not been entrusted to the CAG by or under any law made by Parliament, he shall, if requested so to do by the Governor of a State, undertake the audit of the accounts of such body or authority on such terms and conditions as may be agreed upon between him and the Government.

⁵ (i) Audit of all receipts and expenditure of a body/authority substantially financed by grants or loans from the Consolidated Fund of the State and (ii) all receipts and expenditure of any body or authority where the grants or loans to such body or authority from the Consolidated fund of the State in a financial year is not less than ₹ one crore.

1.6 Significant audit observations

In the last few years, Audit has reported on several significant deficiencies in implementation of various programmes/activities through performance audits, as well as on the quality of internal controls in selected departments which impact the success of programmes and functioning of the departments. Similarly, the deficiencies noticed during compliance audit of the Government departments/organisations were also reported upon.

1.6.1 Performance audits of programmes/activities/departments

The present report contains three performance audits and six compliance audit paragraphs. The highlights are given in the following paragraphs.

1.6.1.1 Management of Prisons

The prisons are meant to confine offenders and keep the prisoners in safe custody. The management of prisons is governed by the Prisons Act, 1894. The Home Department of Government of Gujarat is responsible for the management and administration of prisons and reformation of prisoners. The performance audit of Management of Prisons was conducted for the period 2008-13 during December 2012 to June 2013 and the following deficiencies were noticed -

- The Gujarat State Police Housing Corporation Limited (GSPHCL) receives grants from the Home Department of the State for construction and repairs of prisons. The system for maintaining work records in IGP office and GSPHCL was inadequate. GSPHCL truncated the scope of work of construction of yard walls of hardcore cells at Sabarmati Central Prison without consent of the Prison authorities.
- Lapses in security led to excavation of a tunnel at Sabarmati Central Prison.
- Due to deficient planning in construction of new prisons, some prisons were overcrowded while some other prisons were underutilised among the test-checked prisons. The occupancy percentage in Sabarmati Undertrial Prison was 253 and in Lajpore Central Prison it was only 52 against the available capacity as on March 2013. Delays were also observed in commencement of newly created Prisons.
- Door Frame Metal Detectors, Close Circuit Television systems and mobile phone jammers installed at the test-checked prisons were found ineffective.
- There were no watch towers outside Sabarmati Central Prison and the elevation of watch towers at Palara Special Prison was reduced due to Air Defence protocols. In contravention of the Bombay Jail Manual, high-rise buildings were constructed within the prohibited distance of Navsari Sub Prison.

- Out of 1,540 prisoners who had escaped, 567 prisoners were yet to be traced (March 2013).
- There was acute shortage of man power. Personnel of Gujarat Industrial Security Force was assigned security task.
- Medical facilities available in prisons were inadequate.
- State Advisory Board and Prisons Development Board as envisaged in Model Prison Manual, 2003 were not formed.
- Preparation of revised Gujarat Jail Manual initiated in 2004 remained incomplete (September 2013). There was no Internal Audit Manual codifying the procedures and scope of audit of prisons.

(Paragraph 2.1)

1.6.1.2 Preservation and Conservation of Monuments and Antiquities

Gujarat has a vast cultural heritage and many historical monuments and antiquities. There are 361 State protected monuments and 18 museums in Gujarat. Department of Archaeology (DOA) is engaged in the archaeological survey, excavation, preservation and conservation of State protected monuments while the Department of Museums (DOM) is engaged in establishment and maintenance of the museums. The performance audit of Preservation and Conservation of Monuments and Antiquities was conducted for the period 2008-13 during December 2012 to June 2013 and the following deficiencies were noticed –

- There were deficiencies found in the manner in which preservation of monuments was being carried out. Survey, excavation and research works was almost negligible. There was no long term plan for preservation and conservation of monuments. Projects taken up for conservation of monuments were not completed resulting in funds remaining unutilised.
- No monuments were identified for State protection (2008-13) and the last monument taken under protection was in June 2007. Periodical inspection for timely identification of damage, deterioration, encroachment, vandalism, *etc.* was not done. Two important monuments were found to be closed to public. Two monuments were found to have been encroached upon. Two groups of Budhhist caves had not been excavated despite these having been declared as protected monuments.
- The excavated sites were not being developed as centres of archaeological interest. Amenities such as drinking water, toilets, ramps for physically challenged persons, notice boards, *etc.* for the visitors visiting the monuments were not available.

- The management of antiquities found during excavations was improper as some were found dumped in spaces available in offices. New museum building/Galleries had not been opened as the works were incomplete. The lighting arrangement at the Baroda Museum and Picture Gallery was not effective.
- Key posts were found to be lying vacant in both, the DOA and DOM. The security of monuments and antiquities was not ensured as no watch and ward staff were posted.

(Paragraph 2.2)

1.6.1.3 Functioning of Food, Civil Supplies and Consumer Affairs Department

The performance audit on functioning of Food, Civil Supplies and Consumer Affairs Department for the period 2008-13 was conducted during January 2013 to July 2013 and the following deficiencies were noticed -

- There were savings out of Budget provisions in capital head ranging from two to 76 per cent.
- Ration cards were found to have been issued to more number of families than those identified under Below Poverty Line (BPL) category by Government of India (GOI). Issuance of Bar Coded Ration Cards was found to have been delayed.
- Food grains allotted by GOI were not fully lifted by the Department resulting in loss of GOI subsidy.
- Prescribed inspections of Fair Price Shops had not been carried out to rectify the deficiencies and irregularities at Fair Price Shops.
- Implementation of schemes namely “Annapurna Yojana” and “Annam Brahman Yojana” was deficient as the Department failed to identify maximum beneficiaries for extending benefits of the Yojana.
- The distribution of fortified wheat flour in place of wheat under Antyodaya Anna Yojana in Ahmedabad City was discontinued by State Government though the use of fortified wheat flour was cost effective and increased intake of micronutrients.
- Vehicles and equipment provided by GOI were not appropriately utilised. Office buildings constructed for Consumer Grievance Redressal Forum at Dang, Dahod, Porbandar and Narmada were not utilised.
- State Consumer Welfare fund remained unutilised and Consumer protection was deficient as large number of consumer cases was pending with the Commission and District Fora.

- Reconciliation of remittances was not done. There was acute shortage of staff. Internal audit was deficient and there was no proper monitoring mechanism.

(Paragraph 2.3)

1.6.2 Compliance audit of Transactions

1.6.2.1 Implementation of Vidyalaxmi Scheme

The State Government launched (June 2002) a scheme named “Vidyalaxmi” with the objective to improve female literacy rate in the State by providing financial assistance of ₹ 1,000 (revised to ₹ 2,000 from 2012-13) to girl students enrolled in Standard-I belonging to the villages with female literacy below 35 *per cent* and BPL category in urban areas. The benefit of the scheme (₹ 2,000) was extended (June 2007) to girl students enrolled in Standard-VIII belonging to BPL category. During audit scrutiny of records at test checked District Primary Education Offices (DPEOs) and District Education Offices (DEOs), following deficiencies were noticed –

There were instances of irregularities in implementation of the scheme for the girl students defeating the objectives of the scheme to that extent. Unspent grants were kept in the PLA of DDO in contravention of provision of grant release order. Instances of purchase of multiple bonds for a single beneficiary and for ineligible beneficiaries were noticed. Eligible beneficiaries were also deprived of the benefit under the scheme due to non-submission of the list of students by subordinate offices and non-inclusion of names in the list by the DPEOs and DEOs. In Banaskantha district, 2,39,773 original bonds were transferred to TDOs and school authorities in contravention to the scheme guidelines and the bonds were also found missing from the custody of TDOs in some cases. There were number of cases of non-disbursement of benefits as amount realised by encashment of bonds were lying in the PLAs of DDOs, DEOs and TDOs.

(Paragraph 3.1)

1.6.2.2 Procurement of Machinery and Equipment for Government Engineering Colleges and Polytechnics

The Education Department (ED) provides technical education through 16 Government Engineering Colleges (GECs) (37 Degree Engineering courses) and 30 Government Polytechnics (GPs) (26 Diploma Engineering courses). The annual intake capacity for Degree and Diploma courses in the State was 8,970 and 20,220 seats respectively (June 2013). During audit scrutiny of records at office of the Commissioner of Technical Education (CTE) and test checked GECs and GPs, the following deficiencies were noticed –

Grants released for purchase of machinery and equipment were not adequately utilised. CTE failed to complete purchase procedure in time which resulted in parking of funds with other agencies. There were shortcomings in technical scrutiny which led to purchase of equipment with variation in specifications as mentioned in tender documents. Deficiencies in compliance of contract obligations were also noticed. Software was purchased though there was no demand/requirement. Instances of equipment lying idle due to non-availability of trained staff were also noticed.

(Paragraph 3.2)

1.6.2.3 Functioning of Gujarat Building and Other Construction Workers' Welfare Board

The State Government constituted (December 2004) the Gujarat Building and Other Construction Workers' Welfare Board (the Board) to carry out welfare schemes for construction workers. During audit scrutiny of records at Board office, Labour and Employment Department and two Regional Offices of Industrial Safety and Health (ISH), the following deficiencies were noticed –

The Board was constituted (December 2004) after a delay of eight years from the enactment of the Act. The cess was not collected between December 2004 and January 2006 due to delay in issuance of notification for collection of the cess. The cess collected (₹ 540.88 crore) was not transferred to the Board's account. Building and Other Construction Workers' (BOCW) Welfare Fund was not constituted due to non-transfer of receipts by the State Government to the Board. The State Government had not conducted any survey for identification and registration of establishment and construction workers. The Board had not prepared any long term perspective plan or annual plan to ensure proper implementation of the welfare schemes. Only 17.43 *per cent* registered workers were extended assistance under various schemes. The statutory scheme of pension for workers was not formulated. The Board had not maintained a centralised database of construction workers registered under the Act. Monitoring and internal control mechanism was also not effective.

(Paragraph 3.3)

1.6.2.4 Procurement and Commissioning of Water Purifiers in Rural Government Schools under Jalmani programme

Government of India (GOI) launched (September 2008) Jalmani programme with the aim to install simple Stand Alone Water Purification System (SAWPS) in rural government schools to enable school children to get safe drinking water. In Gujarat State, the programme was implemented from November 2008. Following deficiencies were noticed during audit scrutiny of records at Water and Sanitation Management Organisation (WASMO) head office and test checked districts, talukas and schools –

As against 31,324 schools identified, only 11,674 schools were covered under the scheme. On discontinuance of the scheme by the GOI, no action plan was prepared by WASMO to cover the remaining 19,650 identified schools from State funds. Inflated utilisation certificates were submitted to GOI for an amount of ₹ 3.85 crore. Ultra Violate Radiation Systems (UVs) were supplied against the requirement of Reverse Osmosis Systems (ROs) in 178 schools of Rajkot district. Schools in Dahod district were not covered under the scheme. Out of 11,024 UVs supplied, 1,848 UVs were not commissioned and in test checked districts, 792 UVs out of 4,386 UVs were not commissioned due to non-availability of pre-requisite infrastructure. Instances of payments made on fictitious commissioning reports were also noticed.

(Paragraph 3.4)

1.6.2.5 Undue favour to contractors due to non-recovery/short recovery/refund of Labour Welfare Cess

Failure to enforce the provisions of the Cess Act, 1996 and the Cess Rules, 1998 resulted in loss of ₹ 1.28 crore to Gujarat Water Supply and Sewerage Board (GWSSB) and undue favour to the contractors of ₹ 2.76 crore due to non-recovery/short recovery/refund of Labour Welfare Cess.

(Paragraph 3.5)

1.6.2.6 Undue financial favour to an agency

Based on audit observation, Executive Engineer, GWSSB, Bhavnagar recovered rebate offered by an agency amounting to ₹ 55.35 lakh. However, subsequent decision of the Tender and Purchase Committee of GWSSB to reimburse the recovered amount resulted in undue financial favour to the agency by ₹ 55.35 lakh.

(Paragraph 3.6)

1.7 Lack of responsiveness of Government to Audit

1.7.1 Inspection Reports outstanding

The Hand Book of Instructions for prompt Settlement of Audit Objections/ Inspection Report issued by the Finance Department in 1992 provides for prompt response by the Executive to the Inspection Reports (IRs) issued by the Accountant General to ensure rectificatory action in compliance with the prescribed rules and procedures and accountability for the deficiencies, omissions, *etc.*, noticed during the inspections. The Heads of Offices and next higher authorities are required to comply with the observations contained in the IRs, rectify the defects and omissions promptly and report their compliance to the Accountant General within four weeks of receipt of the IRs. Periodical reminders are issued to the Head of the Department requesting them to furnish the replies expeditiously on the outstanding paragraphs in the IRs.

As of 31 December 2013, 9,230 IRs (37,487 paragraphs) were outstanding against 15 departments under the General and Social sector. Year-wise details of IRs and paragraphs outstanding are given in **Appendix-I**.

1.7.2 Response of departments to the audit paragraphs

Three draft performance audit reports and six draft compliance audit paragraphs were forwarded to the Additional Chief Secretaries/Principal Secretaries/Secretaries of the concerned administrative departments between June 2013 and August 2013 with a request to send their responses within six weeks. The departments replied to three draft performance audits and two out of six draft compliance audit reports featured in this Report. Entry and exit conferences were also held with the concerned departments on the audit findings included in the draft reports of the performance audits. The replies of the departments and the views expressed by them have duly been considered while finalising this report.

1.7.3 Follow-up of Audit Reports

Rule 7 of Public Accounts Committee (Rules of Procedure) 1990 provides for furnishing Detailed Explanation (DE) to the observations which featured in Audit Reports by all the departments of Government, within 90 days of their being laid on the Table of the Legislative Assembly.

The administrative departments did not comply with these instructions and 28 departments⁶ as detailed in **Appendix-II** had not submitted DEs for 54 paragraphs for the period 1999-2000 to 2011-12 as of 31 December 2013.

1.7.4 Paragraphs to be discussed by the Public Account Committee

Details of paragraphs pending discussion by the Public Account Committee as of 31 December 2013 are detailed in **Appendix-III**.

⁶ This includes audit of departments transferred to Accountant General (E&RSA), Gujarat, Ahmedabad after restructuring with effect from 1 April 2012.