

CHAPTER-I

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 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 programme, 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 programme/ activity/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 13 Departments in the State at the Secretariat level and 119 autonomous bodies. In addition, two Departments (Panchayats, Rural Housing and Rural Development & Urban Development and Urban Housing) and 27 autonomous bodies under these Departments are audited by the Accountant General (General and Social Sector Audit), Gujarat for which separate Report on Local Bodies is presented in the State Legislature. 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 2012-13 and 2013-14 is given in **Table 1** as follows –

Table 1: Summary of fiscal transactions

(₹ in crore)

Receipts			Disbursements				
	2012-13	2013-14		2012-13	2013-14		
					Non- Plan	Plan	Total
1	2	3	4	5	6	7	8
Section-A: Revenue							
Revenue receipts	75,228.53	79,975.74	Revenue expenditure	69,658.49	51,365.15	23,893.39	75,258.54
Tax revenue	53,896.69	56,372.37	General services	24,128.27	25,707.44	1,112.93	26,820.37
Non-tax revenue	6,016.99	7,018.31	Social services	29,528.97	17,372.10	15,009.68	32,381.78
Share of Union taxes/duties	8,869.05	9,701.93	Economic services	15,838.97	7,959.94	7,770.78	15,730.72
Grants from Government of India	6,445.80	6,883.13	Grants-in-aid and Contributions	162.28	325.67	0.00	325.67
Section-B: Capital							
Misc. Capital receipts	0.00	0.00	Capital Outlay	21,226.52	166.67	22,510.70	22,677.37
Recoveries of Loans and Advances	46.90	140.69	Loans and Advances disbursed	882.25	52.05	551.17	603.22
Public Debt receipts	19,497.19	19,343.04	Repayment of Public Debt*	6,536.52	-	-	6,203.91
Contingency Fund	80.50	0.00	Contingency Fund	0.00	-	-	0.11
Public Account receipts	50,046.35	52,019.52	Public Account disbursements	46,537.61	-	-	50,039.25
Opening Cash Balance	18,631.81	18,689.89	Closing Cash Balance	18,689.89	-	-	15,386.48
Total	1,63,531.28	1,70,168.88	Total	1,63,531.28			1,70,168.88
(Source: Finance Accounts for the respective years)							
* Excluding net transactions under ways and means advances and overdrafts.							

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 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 and under Section 15 of the said Act, where any grant or loan

- 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.
- 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 any body 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.

is given for any specific purpose from the Consolidated Fund of India or the State. Principles and methodologies for various Audits are derived from the Regulations on Audit and Accounts, 2007 and the Auditing Standards 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 (Senior/Deputy Accountants General, heading different distinct groups of Social or General Sector Audit). The groups are manned by Senior Audit Officers and Assistant Audit Officers who conduct the Audit in the field.

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 2013-14, in the General and Social Sector Audit Wing, 6,433 man-days were utilised to carry out Compliance Audit of total 245 units and Performance Audit. The Audit plan covered those units/entities which were vulnerable to significant risk as per our assessment.

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.

Performance Audit on Procurement Activities Department

The present report contains one Performance Audit and eleven Compliance Audit paragraphs. The highlights are given in the following paragraphs.

Protection and Welfare of Girl Child

The Constitution of India through the Fundamental Rights and Directive Principles protects the rights of children and directs the State to ensure that the children are protected from abuse, and are provided early childhood care and education. The Performance Audit on “Protection and Welfare of Girl Child” was conducted for the period 2009-14 during April and September 2014 which revealed some positive features like bicycles being provided to 3.10 lakh girl children studying in secondary education belonging to Scheduled Caste (SC)/Scheduled Tribes (ST)/Developing Caste. Also, sufficient infrastructural facilities were made available in majority of the test-checked Children’s Homes. However, some of the areas of concern relating to the protection and welfare of the girl child are highlighted below -

- Gujarat State Child Protection Society (GSCPS) had not formulated the State Child Protection Policy and State Plan of Action, as a result of which the State Government failed in setting goals and principles, and articulating responsibility and accountability of the concerned Departments for child protection and welfare services.
- As per census 2011, the trend of overall sex ratio of the State had declined (from 920 to 919) though all-India ratio had improved (from 933 to 943) as compared to Census 2001. Audit also observed that sex ratio at birth in 15 out of 26 districts in the State declined in 2013 as compared to 2012 as per data of Civil Registration System.
- As against 70.95 lakh pregnancies registered (2009-14) in the e-Mamta portal in the State, deliveries registered were only 57.66 lakh, leaving a difference of 13.29 lakh and the district authorities had not properly investigated the reasons for difference.
- Out of 181 offence cases registered under Pre-Conception and Pre-Natal Diagnostic Techniques (PC&PNDT) Act, only 49 cases were finalised and only six delinquents could be convicted. Audit observed that though the Hon’ble Supreme Court had directed (March 2013) to finalise the cases within six months, the pending cases had not been finalised; the pendency period of these cases ranged from one to 12 years.
- Only 14 successful sting operations had been carried out in the State by district Appropriate Authorities since implementation of the PC&PNDT Act (1994), which indicated lack of monitoring on the part of district Appropriate Authorities.
- Out of 659 complaints of child marriages received during 2009-14, court cases were filed in only 15 cases and not a single person was convicted in the State during the review period.
- Specialised Adoption Agencies (SAAs) had not been established in 12 districts resulting in deprivation of protection and care to orphaned, abandoned or surrendered children in these districts.

- Not a single Specialised Adoption Agency (SAA) was nominated as Cradle Baby Reception Centre in the State to rescue abandoned baby girls. There were 216 abandoned baby girls found dead during 2009-14. Had the SAA nominated as Cradle Baby Reception Centre, some of these deaths could have been avoided.
- The percentage of in-country and inter-country adoption of the girl child was 55 and 54 respectively during 2009-14. Adoption procedure in respect of 43 girls was delayed for a period up to 1,175 days due to delay in issue of 'legally free for adoption' certificate by the Child Welfare Committees.
- Children's Homes in the State were found under-utilised as the overall percentage of utilisation of sanctioned capacity decreased to 43 (2012-13) from 56 per cent (2009-10). Non-rationalisation of Children's Homes led to deprivation of benefits to needy children and increased overhead expenditure in running these Children's Homes.
- Audit observed that girls with special needs were accommodated with other girls in two Children's Homes. Children of various age groups were found accommodated in a single home instead of accommodating in separate homes as per Juvenile Justice Rules.
- The Sponsorship programme under Integrated Child Protection Scheme and Palak Mata-Pita Yojana was not implemented in 17 and nine districts respectively, depriving the benefits of the schemes to the girl children of these districts.
- After-care facility was not provided to girl children who left Children's Homes after attaining age of 18 years which could lead to difficulty for the child to adapt to the challenges in the society.
- Audit observed that cases of kidnapping and abduction and cases of rape in the State had increased during 2009-14.
- Monitoring of schemes for protection and care of children at the State and district level was found deficient.

(Paragraph 2.1)

1.6.2 Compliance Audit of Transactions

Implementation of Educational Scheme in Selected Rural District

Government of India (GoI) enacted the Right of Children to Free and Compulsory Education Act, 2009 (RTE Act) in April 2010 which provided that every child in the age group of 6-14 years should have a right to free and compulsory education in a neighbourhood school till completion of elementary education by March 2013.

Various educational schemes are being implemented by the Central and State Government to upgrade the educational levels and skills with special focus on children belonging to Scheduled Tribes (ST). The key objective of RTE Act was universalisation of elementary education which encompasses three major aspects *i.e.* access, enrolment and retention of children in the age group of 6-14 years. The principal objectives of these schemes were also to increase enrolment and retain the students (including ST students) in educational institutions for reducing the dropout rates. Audit was conducted with the

objective of deriving an assurance about the efficacy of implementation of educational schemes in five selected tribal dominated districts. On scrutiny of records for the period 2011-14, the following deficiencies were noticed –

Audit observed that the annual plan under Sarva Siksha Abhiyan (SSA) and Annual Work Plan & Budget under Mid-Day-Meal (MDM) and Rashtriya Madhyamik Siksha Abhiyan (RMSA) schemes were prepared without assessment of actual requirement at grassroot level. Though the funds from the Central and State level were released with bifurcation of general and Tribal Sub Plan (TSP) grants, no separate accounts of expenditure incurred under general and TSP grants (except for MDM scheme) were maintained at State and district level. Funds of ₹ 89.55 crore allotted to implementing agency as advance under RMSA were shown as expenditure and incorrect expenditure figures were reported to Government of India (GoI).

In test-checked districts, Pupil-Teacher Ratio of 40:1 and 35:1 in Primary Schools (PSs) and Upper Primary Schools (UPSs) respectively were not maintained in 156 PSs and 2,535 UPSs. School buildings were not having basic facilities such as separate toilet for girls, playground, separate Library Room, etc. The computers provided to 1,368 schools in the test-checked districts were lying idle due to non-appointment of computer teachers/co-ordinators. In Panchmahal district, Audit noticed that transportation facility though it was envisaged in SSA framework 2011, was not provided to 13 eligible young students who came to school every day in a boat by rowing themselves through Mahi river.

It was found that the prescribed quantum of inspection of MDM centres was not carried out by some authorities in test-checked districts. MDM authorities had not visited 33 schools at all, out of the 40 schools jointly visited by Audit. Micronutrient supplementation and de-worming were not being done in any of the schools in the test-checked districts.

Though funds for construction of RMSA school buildings had been released by GoI to State Project Director, construction work of only 27 schools had started out of 51 schools in test-checked districts. Audit observed during joint inspection of an RMSA school that students were accommodated on the floor in the verandah. Due to non-construction of 40 teachers' quarters approved in July 2011 (29 for test-checked districts), the proposal for construction of other 142 quarters was rejected by the Programme Approval Board with consequential loss of additional central assistance of ₹ 6.79 crore. Meetings of district level monitoring committees were grossly inadequate in the tribal districts to provide a feedback loop for improvements in implementation of various schemes. These are important areas needing urgent attention of the State Government.

(Paragraph 3.1)

Function in blood

A well organised National Blood Transfusion Service is responsible for ensuring the provision of an adequate supply of safe blood for all patients requiring transfusion. World Health Organisation (WHO) says all patients requiring transfusion should have reliable access to safe blood products,

including whole blood, blood components and plasma-derived medicinal products, appropriate to their clinical needs, provided in time and safely administered. Blood Bank (BB) is a place, organisation, unit or institution for carrying out all or any of the operations for collection, aphaeresis, storage, processing and distribution of blood drawn from donors and/or preparation, storage and distribution of blood components. The Government of India (GoI) formulated (April 2002) National Blood Policy (NBP) for elimination of transfusion transmitted infection and for provision of safe and adequate blood transfusion services to the people through voluntary and non-remunerated blood donors. The NBP was also intended to bring about a “comprehensive, efficient and a total quality management approach” to the functioning of BBs throughout the country to ensure easy access to adequate and safe blood. Human blood, as a substance is intended to be used in the diagnosis, treatment mitigation or prevention of any disease or disorder in human beings and thus is covered under the definition of ‘drugs’ under Section 3(b) of the Drugs and Cosmetics Act, 1940 (D&C Act). To review the functioning of BBs in the State, Audit examined the records of 32 BBs (out of total 136 operating in the State) in seven districts covering the period 2011-14.

Audit observed that the achievement against the target set for collection of blood units by the Blood Banks (BBs) in the State was appreciable. However, following deficiencies noticed during the course of Audit needs urgent attention of the State Government for remedial action -

Government BBs were not available in eight out of 26 districts (31 per cent), 194 out of 224 talukas (87 per cent) and below taluka level in the State. In Narmada district, there was no BB, either in Government sector or in the Charitable/Private sector. Blood Storage Centres were not set-up in 83 out of 126 Community Health Centres identified by the State Government; this might result in non-availability of timely access to safe blood and blood products as envisaged in the National Blood Policy. As of March 2014, 11 Government BBs, 34 Charitable BBs and nine Private BBs were functioning without renewal of License. The BBs in the State were not covered under network facilities till March 2014 and 0.73 lakh units of blood were discarded by all BBs in the State due to non-utilisation of the same within the specified period of 35 days. Quality of blood was not ensured as calibration of equipment was not done at regular intervals. Some BBs recovered service charges from Thalassaemia and Haemophilia patients though it was required to be supplied free of cost and some BBs recovered service charges at a rate higher than that fixed by the National Aids Control Organisation for other patients for blood products. Functioning of BBs in the State was not satisfactory as adequate staff and equipment were not available. Instances of deficient functioning of BBs were noticed due to lack of inspection and monitoring by the State Government. Monitoring of Blood Donation Camps was inadequate.

(Paragraph 3.2)

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Lapses during investigation and non-release of confiscated vehicles though ordered by the Hon'ble High Court of Gujarat resulted in avoidable penalty of ₹ 25.00 lakh

to compensate the loss suffered by the exporter for non-release of goods.

(Paragraph 3.3)

Unfruitful expenditure and loss on purchase of DG set

Commencement of work without obtaining administrative approval from the Government for development of Gujarat National Law University campus and purchase of DG set before completion of civil works resulted in unfruitful expenditure of ₹ 1.30 crore and consequential loss of ₹ 0.61 crore.

(Paragraph 3.4)

Financial management in Gujarat Water Supply and Sewerage Board

The Gujarat Water Supply and Sewerage Board (GWSSB), established in April 1981 under the GWSSB Act, 1978 (Act), is responsible for providing water supply and sewerage services in the State. GWSSB operates various bulk/regional/group/individual water supply schemes and water drawn from sources are treated and supplied to end users. The Central and State Government provide substantial financial assistance to GWSSB for taking up activities related to water supply. To ascertain whether the overall financial management in GWSSB was economic and efficient, Audit test-checked the records of GWSSB during July to September 2014, covering the period 2009-14 and following deficiencies were noticed –

Audit observed a decreasing trend in percentage of expenditure against the total available Plan funds which resulted in increase in closing balance from ₹ 2,553.28 crore (2009-10) to ₹ 3,256.38 crore (2013-14). Eleven water supply projects taken up by GWSSB between March 2003 and June 2010 were found incomplete due to delay in completion of statutory formalities. All 91 underground drainage projects and 18 out of 21 water supply projects of Urban Development Department entrusted by the State Government to GWSSB during 2009-14 were still under execution. As against the increase in revenue expenditure, the revenue income did not keep pace and in absence of sufficient Non-Plan grants to meet the revenue expenditure, GWSSB had diverted ₹ 1,198.70 crore from Plan funds meant for capital projects during 2009-14 to Non-Plan for meeting the same. There was an operational loss of ₹ 1,301.75 crore during 2009-14. Outstanding dues of cost of raw water increased to ₹ 622.67 crore (2013-14) from ₹ 485.18 crore (2009-10). The income from supply of water indicated a decreasing trend which led to arrears in collection of revenue to the tune of ₹ 538.39 crore as of March 2014. Recovery of income from supply of water needs to be increased so as to meet the outstanding cost of raw water. Water Audit needs to be taken up to find the extent of Non-Revenue Water which is the revenue loss that takes place on account of loss of water due to leakage, thefts, etc.

(Paragraph 3.5)

□□□□ *Non-recovery of cost of unaid pipe and liquidated damages*

Failure to seize the unused material brought to site and failure to renew the bank guarantee before termination of contract resulted in non-recovery of material cost of ₹ 0.90 crore and liquidated damages of ₹ 1.50 crore, besides infructuous expenditure of ₹ 10.24 crore.

(Paragraph 3.6)

□□□□ *Infructuous expenditure of ₹ 5.63 crore on a water supply scheme and non-achievement of objective*

Injudicious decision to start construction of Elevated Storage Reservoir without acquiring the land resulted in infructuous expenditure of ₹ 5.63 crore, besides depriving the targeted beneficiaries from quality potable water.

(Paragraph 3.7)

□□□□ *Infructuous expenditure of ₹ 5.10 crore on water supply scheme due to non-finalisation of water source*

Imprudent decision to award the work of Dabhoi Water Supply Scheme without ascertaining the source of water and abandonment by the contractor due to failure to pinpoint off-take of canal by GWSSB resulted in infructuous expenditure of ₹ 5.10 crore.

(Paragraph 3.8)

□□□□ *Unfruitful expenditure due to non-completion of a water supply project*

Failure to complete the work by engaging a new agency after abandonment of work resulted in unfruitful expenditure of ₹ 1.90 crore and non-commencement of water supply to 16 villages.

(Paragraph 3.9)

□□□□ *Undue financial favour to the contractor*

Failure of the Executive Engineer, Public Health Works Division, Dahod to recover dues from the Running Account Bills of the contractor resulted in non-recovery of ₹ 1.44 crore.

(Paragraph 3.10)

□□□□ *Idle investment of ₹ 2.69 crore*

Imprudent decision of awarding contract before approval of final design of Multi-Purpose Cultural Complex resulted in idle investment of ₹ 2.69 crore.

(Paragraph 3.11)

1.7 Lack of responsiveness of Government to Audit

Inspection Report 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 Departments requesting them to furnish the replies expeditiously on the outstanding paragraphs in the IRs.

As of 30 September 2014, 3,155 IRs (10,201 paragraphs) were outstanding against 13 Departments under the General and Social sector. Year-wise details of IRs and paragraphs outstanding are given in **Appendix-I**.

Response of Department to the Audit paragraph

One draft Performance Audit report and eleven draft Compliance Audit paragraphs were forwarded to the Additional Chief Secretaries/Principal Secretaries/Secretaries of the concerned administrative Departments between June 2014 and October 2014 with a request to send their responses within six weeks. The Departments replied to one draft performance audit and two out of eleven draft Compliance Audit paragraphs featured in this Report. Entry and exit conferences were also held with the concerned Departments on the audit findings included in the draft report of the Performance Audit. The replies of the Departments and the views expressed by them have duly been considered while finalising this report.

Follow up on Audit report

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 18 Departments⁶ as detailed in **Appendix-II** had not submitted DEs for 46 paragraphs for the period 2003-04 to 2012-13 as of 31 October 2014.

Paragraph to be discussed in the Public Account Committee

Details of paragraphs pending discussion by the Public Accounts Committee as of 31 October 2014 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