

## CHAPTER-I INTRODUCTION

### 1.1 Budget profile

There are 39 departments and 49 autonomous bodies/authorities in the State. The position of actual expenditure by the State Government during 2011-16 is given in **Table 1.1**.

**Table 1.1: Budget and expenditure of the State Government during 2011-16**

(₹ in crore)

| Particulars                    | 2011-12      |              | 2012-13       |              | 2013-14       |              | 2014-15          |                 | 2015-16          |                  |
|--------------------------------|--------------|--------------|---------------|--------------|---------------|--------------|------------------|-----------------|------------------|------------------|
|                                | BE           | A            | BE            | A            | BE            | A            | BE               | A               | BE               | A                |
| <b>Revenue expenditure</b>     |              |              |               |              |               |              |                  |                 |                  |                  |
| General Services               | 6146         | 5904         | 7240          | 6649         | 7618          | 7851         | 8539.66          | 9041.58         | 10620.69         | 10408.76         |
| Social services                | 11860        | 10477        | 13360         | 11456        | 15806         | 14282        | 18751.57         | 15388.85        | 21285.62         | 16339.35         |
| Economic services              | 5844         | 5560         | 7072          | 8012         | 10736         | 9756         | 17918.85         | 14152.22        | 20755.71         | 16052.54         |
| Grant-in-aid and contributions | 619          | 687          | 748           | 854          | 856           | 970          | 980.70           | 978.64          | 1067.78          | 900.41           |
| <b>Total (1)</b>               | <b>24469</b> | <b>22628</b> | <b>28420</b>  | <b>26971</b> | <b>35016</b>  | <b>32859</b> | <b>46190.78</b>  | <b>39561.29</b> | <b>53729.80</b>  | <b>43701.06</b>  |
| <b>Capital expenditure</b>     |              |              |               |              |               |              |                  |                 |                  |                  |
| Capital outlay                 | 5077         | 4056         | 7190          | 4919         | 7230          | 4574         | 8347.47          | 6544.25         | 11000.25         | 7945.01          |
| Loans and Advances disbursed   | 1187         | 1269         | 1964          | 1889         | 1924          | 1319         | 171.85           | 88.32           | 282.87           | 164.73           |
| Inter State Settlement         | 00           | 04           | 00            | -1           | 00            | 05           | 0.10             | 1.22            | 0.00             | 0.49             |
| Repayment of Public Debt       | 1043         | 853          | 1247          | 1039         | 933           | 690          | 1229.53          | 1336.73         | 1082.87          | 1250.18          |
| Contingency Fund               | 40           | 00           | 40            | 00           | 40            | 00           | 00               | 0.00            | 0.00             | 0.00             |
| Public Accounts disbursements  | 63386        | 32940        | 85875         | 38527        | 95330         | 43434        | 91976.59         | 49933.47        | 92244.88         | 54000.89         |
| Closing Cash balance           | 00           | 2701         | 00            | 2117         | 00            | 2735         | -1964.87         | 1218.38         | -181.23          | 2833.72          |
| <b>Total (2)</b>               | <b>70733</b> | <b>41823</b> | <b>96316</b>  | <b>48490</b> | <b>105457</b> | <b>52757</b> | <b>99760.67</b>  | <b>59122.37</b> | <b>104429.64</b> | <b>66195.02</b>  |
| <b>Grand Total (1+2)</b>       | <b>95202</b> | <b>64451</b> | <b>124736</b> | <b>75461</b> | <b>140473</b> | <b>85616</b> | <b>145951.50</b> | <b>98683.66</b> | <b>158159.44</b> | <b>109896.08</b> |

(Source: Annual Financial Statements and Explanatory Memorandum of the State Budget)

(BE = Budget Estimates, A = Actuals)

### 1.2 Application of resources of the State Government

As against the total outlay<sup>1</sup> of the budget of ₹74,340 crore, total expenditure<sup>2</sup> was ₹51,811 crore in 2015-16 in the consolidated fund of the State. The total expenditure of the State increased by 85 per cent from ₹27,957 crore to ₹51,811 crore during 2011-16, the revenue expenditure of the State Government increased by 93 per cent from ₹22,628 crore to ₹43,701 crore in 2011-16. Non-Plan revenue expenditure increased by 84 per cent from ₹12,624 crore to ₹23,172 crore and capital expenditure increased by 96 per cent from ₹4,056 crore to ₹7,945 crore during the period 2011-16.

<sup>1</sup> Includes original grants of ₹67,546 crore and supplementary grants of ₹6,794 crore

<sup>2</sup> Total expenditure includes revenue expenditure, capital expenditure, loans and advances and Inter-State settlement

The revenue expenditure constituted 80 to 85 *per cent* of the total expenditure during the years 2011-16 while capital expenditure constituted 12 to 15 *per cent*. During this period, the increase in total expenditure ranged between 12.16 *per cent* and 22.21 *per cent* whereas growth of revenue receipts ranged between 8.36 *per cent* and 16 *per cent*.

### 1.3 Persistent savings

In 11 cases (10 grants), there were persistent savings of more than ₹10 crore in each year during the last five years as per the details given in **Table-1.2**.

**Table-1.2 List of grants having persistent savings during 2011-16**

(₹in crore)

| Sl. No.              | Number and name of the Grant/Appropriation |   | Amount of Savings ( <i>per cent</i> to total Grant in brackets) |                   |                     |                     |                     |
|----------------------|--|---|---|-------------------|---------------------|---------------------|---------------------|
|                      |  |   | 2011-12   | 2012-13           | 2013-14             | 2014-15             | 2015-16             |
| <b>Revenue Voted</b> |  |   |   |                   |                     |                     |                     |
| 1                    | 10   | Forest  | 39.06<br>(6.19)   | 73.40<br>(10.93)  | 73.09<br>(9.98)     | 57.65<br>(7.34)     | 105.70<br>(11.62)   |
| 2                    | 20   | Public Health Engineering                                       | 13.16<br>(4.19)   | 30.78<br>(10.26)  | 54.68<br>(16.89)    | 90.03<br>(19.21)    | 50.24<br>(12.80)    |
| 3                    | 41   | Tribal Area Sub-Plan  | 641.76<br>(20.31)   | 629.07<br>(17.03) | 1,072.97<br>(22.82) | 2,393.70<br>(28.82) | 3,146.19<br>(32.93) |
| 4                    | 44   | Higher Education  | 139.25<br>(35.12)   | 146.54<br>(33.72) | 140.49<br>(26.47)   | 186.97<br>(32.90)   | 132.05<br>(22.20)   |
| 5                    | 55   | Expenditure pertaining to Women and Child Welfare               | 141.60<br>(20.79)   | 156.44<br>(21.16) | 115.87<br>(17.78)   | 229.20<br>(28.01)   | 286.11<br>(31.51)   |
| 6                    | 64   | Special Component Plan for Scheduled Castes                     | 397.67<br>(34.22)   | 284.43<br>(23.49) | 398.96<br>(26.98)   | 932.09<br>(30.94)   | 1,148.10<br>(34.79) |
| 7                    | 79   | Expenditure pertaining to Medical Education Department          | 60.89<br>(24.77)  | 56.11<br>(21.69)  | 84.63<br>(25.94)    | 68.11<br>(18.85)    | 66.00<br>(16.96)    |
| <b>Capital Voted</b> |  |   |   |                   |                     |                     |                     |
| 8                    | 41   | Tribal Area Sub-Plan  | 592.70<br>(40.33)   | 734.34<br>(37.91) | 626.73<br>(31.00)   | 808.73<br>(41.50)   | 686.97<br>(29.19)   |
| 9                    | 42   | Public works relating to Tribal Area Sub-Plan-Roads and Bridges | 232.71<br>(58.54)   | 234.80<br>(51.05) | 185.03<br>(40.78)   | 81.59<br>(19.48)    | 372.00<br>(47.59)   |
| 10                   | 67   | Public Works-Buildings  | 263.74<br>(72.35)   | 149.14<br>(42.88) | 124.31<br>(31.30)   | 56.81<br>(15.21)    | 125.66<br>(20.55)   |
| 11                   | 68   | Public works relating to Tribal Area Sub-Plan-Buildings         | 57.10<br>(45.14)  | 74.24<br>(40.71)  | 67.02<br>(36.29)    | 46.83<br>(20.21)    | 20.87<br>(10.15)    |

(Source: Appropriation Account of respective years)

Persistent savings in a substantial number of grants over the years was indicative of over assessment of requirement of fund by the Government in Appropriation Act repeatedly without taking into account the previous years' trends and adequately scrutinising the need and examining the flow of expenditure.

#### 1.4 Grants-in-Aid from Government of India

The Grants-in-aid received from the GoI during the years 2011-12 to 2015-16 have been given in **Table-1.3**.

**Table-1.3: Grants-in-aid from GoI**

| Particulars  | (₹ in crore)   |                |                |                |                |
|--|----------------|----------------|----------------|----------------|----------------|
|  | 2011-12        | 2012-13        | 2013-14        | 2014-15        | 2015-16        |
| Non-Plan Grants                                    | 1545.07        | 1227.29        | 1415.78        | 1568.28        | 2328.79        |
| Grants for State Plan Schemes                      | 1930.51        | 2112.69        | 2121.47        | 6435.44        | 4775.83        |
| Grants for Central Plan Schemes                    | 61.75          | 107.28         | 43.34          | 131.73         | 91.37          |
| Grants for Centrally Sponsored Schemes             | 1238.88        | 1263.07        | 1145.57        | 852.35         | 865.60         |
| <b>Total</b>                                       | <b>4776.21</b> | <b>4710.33</b> | <b>4726.16</b> | <b>8987.80</b> | <b>8061.59</b> |
| Percentage of increase/decrease over previous year | 7.24           | (-) 1.38       | 0.34           | 90.17          | (-)10.31       |
| Total grants as a percentage of Revenue Receipts   | 18.46          | 15.93          | 14.75          | 23.66          | 17.50          |
| Revenue Receipts                                   | 25867          | 29578          | 32050          | 37988          | 46068          |

(Source: Finance Accounts of the respective years)

During 2015-16, Grants-in-Aid from GoI was ₹ 8,061.59 crore, a decrease by 10.31 *per cent* over ₹ 8,987.80 crore in 2014-15. This was due to decrease in the Grants for State and Central Plan schemes over the previous year.

#### 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 criticality/complexity of activities, level of delegated financial powers, internal controls, concerns of stakeholders and previous audit findings. Based on this risk assessment, the frequency and extent of audit are decided and an Annual Audit Plan is formulated.

Audit conducts a periodical inspection of Government departments by test-check of transactions and verifies the maintenance of important accounting and other records as per the prescribed rules and procedures. After completion of audit, Inspection Report (IR) containing audit findings is issued to the head of the office inspected, with a copy to the next higher authority, 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. The 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 submitted to the Governor of Chhattisgarh to be laid in the Legislative Assembly under Article 151 of the Constitution of India.

During 2015-16, compliance audit of 221 drawing and disbursing officers of the State and two autonomous bodies was conducted by the office of the Accountant General (Audit), Chhattisgarh. Besides, eight Performance/Compliance Audits were also conducted.

## 1.6 Lack of responsiveness of Government to Inspection Reports

The Accountant General (Audit), Chhattisgarh conducts periodical inspection of Government Departments by test-check of transactions and verifies the maintenance of important accounting and other records as per the prescribed rules and procedures. These inspections are followed by issue of Inspection Reports (IRs). When important irregularities etc. detected during audit inspection are not settled on the spot, IRs are issued to the heads of offices inspected, with a copy to the next higher authorities.

The heads of offices and next higher authorities are required to report their compliance to the Accountant General (Audit) within four weeks of receipt of IRs. Additionally, four meetings of the Audit Committee were held in which 150 IRs and 540 paragraphs were discussed out of which 58 IRs and 301 paragraphs were settled during 2015-16.

Despite the above procedure, 14,310 paragraphs having financial implication of about ₹23,170.56 crore relating to 3,521 IRs were outstanding for want of reply as on 30 September 2016 as detailed in **Table 1.4**.

**Table-1.4: Outstanding Inspection Reports/Paragraphs**

| Sl. No.      | Name of Sector | Inspection Reports | Paragraphs   | Amount involved (₹ in crore) |
|--------------|----------------|--------------------|--------------|------------------------------|
| 1            | General        | 437                | 1444         | 2503.31                      |
| 2            | Social         | 1815               | 7209         | 12044.46                     |
| 3            | Economic       | 1269               | 5657         | 8622.79                      |
| <b>Total</b> |                | <b>3521</b>        | <b>14310</b> | <b>23170.56</b>              |

(Source: Information compiled by Audit)

The year wise position of these outstanding 3,521 IRs and 14,310 paragraphs is detailed in **Appendix-1.1** and types of irregularities in **Appendix-1.2**.

The departmental officers submitted initial replies in respect of only 3,387 IRs consisting of 13,294 paragraphs against 3,521 IRs consisting of 14,310 paragraphs outstanding. They failed to take action on observations contained in IRs within the prescribed time frame resulting in erosion of accountability.

It is recommended that the Government may look into the matter to ensure prompt and proper response to audit observations.

## 1.7 Follow-up on Audit Reports

According to the Rules of procedure for the internal working of the Committee on Public Accounts, the Administrative departments are to initiate, *suo motu* action on all Audit Paragraphs and Performance Audits featuring in the Comptroller and Auditor General's Audit Reports (ARs) regardless of whether these are taken up for examination by the Public Accounts Committee or not. They are also required to furnish detailed notes, duly vetted by audit indicating the remedial action taken or proposed to be taken by them within six months of the presentation of the ARs to the State Legislature.

The position regarding receipt of Action Taken Notes (ATNs) on the paragraphs included in the ARs up to the period ended 31 March 2016 as on 30 December 2016 is given in **Table 1.5**:

**Table-1.5: Position regarding receipt of ATNs on the paragraphs included in the ARs**

| Audit Reports                        | Year    | Departments | ATNs pending as of 31 August 2016 | Date of presentation in the State Legislature | Due date by which the ATNs were to be received |
|--------------------------------------|---------|-------------|-----------------------------------|---|--|
| Social, General and Economic Sectors | 2011-12 | 14          | 00                                | 17 July 2013                                  | 16 November 2013                               |
|                                      | 2012-13 | 14          | 00                                | 25 July 2014                                  | 24 November 2014                               |
|                                      | 2013-14 | 14          | 00                                | 25 July 2015                                  | 24 November 2015                               |
|                                      | 2014-15 | 10          | 09                                | 31 March 2016                                 | 30 July 2016                                   |
| State Finances                       | 2011-12 | 39          | 00                                | 22 March 2013                                 | 21 July 2013                                   |
|                                      | 2012-13 | 39          | 00                                | 25 February 2014                              | 24 June 2014                                   |
|                                      | 2013-14 | 39          | 35                                | 26 March 2015                                 | 25 July 2015                                   |
|                                      | 2014-15 | 39          | 62                                | 31 March 2016                                 | 30 July 2016                                   |

(Source: Information compiled by Audit )

### **1.8 Government response to significant audit observations (Draft paragraphs/Reviews)**

In the last few years, Audit has reported on several significant deficiencies in implementation of various programmes/activities as well as on the quality of internal controls in selected departments, which have negative impact on the success of programmes and functioning of the departments. The focus was on auditing the specific programmes/schemes and to offer suitable recommendations to the executive for taking corrective action and improving service delivery to the citizens.

As per the provision of Comptroller and Auditor General of India's Regulations on Audit and Accounts, 2007, the departments are required to send their responses to draft Performance Audit reports/draft paragraphs proposed for inclusion in the Comptroller and Auditor General of India's Audit Reports within six weeks. It is brought to their personal attention that in view of likely inclusion of such paragraphs in the Reports of the Comptroller and Auditor General of India, to be placed before the State Legislature, it would be desirable to include their comments in the matter. They are also advised to have meeting with the Accountant General to discuss the draft reports of Performance Audits and draft audit paragraphs. These draft reports and paragraphs proposed for inclusion in the Report are also forwarded to the Additional Chief Secretaries/Principal Secretaries/ Secretaries concerned for seeking their replies. For the present Audit Report, draft reports on eight Performance Audit/ Compliance Audit and seven Audit Paragraphs were forwarded to the concerned Administrative Secretaries. Against these, Government replies have been received in eight Performance Audits/ Compliance Audits and five Audit Paragraphs.

### **1.9 Status of placement of Separate Audit Reports of Autonomous Bodies in the State Assembly**

There are 24 Autonomous Bodies<sup>3</sup> in the State of which audit of accounts of two Autonomous Bodies have been entrusted to the Comptroller & Auditor General of India. The status of entrustment of audit and rendering of accounts by the Autonomous Bodies are given in **Table 1.6**.

<sup>3</sup> General sector – 1; Social sector – 13 and Economic sector - 10

**Table-1.6: Position of submission of accounts**

| Sl. No. | Name of the Body                                      | Period of entrustment by the entity | Period for which accounts rendered | Period upto which separate audit report (SAR) is issued | Placement of SAR in the Legislature |
|---------|---|-------------------------------------|------------------------------------|---|-------------------------------------|
| 1       | Chhattisgarh State Legal Services Authority, Bilaspur | 2007-08 to 2011-12                  | 2011-12                            | 2011-12   | Not placed yet                      |
| 2       | Chhattisgarh State Housing Board, Raipur              | 2007-08 to 2011-12                  | 2009-10                            | 2009-10   | Not placed yet                      |

(Source: Information compiled by Audit)

There were inordinate delays in submission of accounts and presentation of Separate Audit Report (SAR) to the State Legislature. This resulted in delays in scrutiny of the functioning of these autonomous bodies, where Government investments are made. Besides, this also delayed in initiating necessary remedial action on financial irregularities.

### 1.10 Recoveries at the instance of Audit

The audit findings involving recoveries that came to notice in the course of test audit of accounts of departments of the State Government are referred to various departmental Drawing and Disbursing Officers (DDOs) for confirmation and further necessary action under intimation to audit.

Against recovery of ₹ 16.86 crore pointed out in 29 cases during the year 2015-16, total recovery of ₹ 5.87 crore was made in 19 cases, as detailed in

**Table 1.7:**

**Table-1.7: Recoveries pointed out by audit and accepted/recovered by the departments**

(₹ in crore)

| Name of Sector  | Recoveries pointed out in Audit and accepted by the departments during 2015-16 |                 | Recoveries effected during 2015-16 (includes recoveries pertaining to previous years) |                 | Name of the department  | Particulars of recoveries noticed  |
|-----------------|--|-----------------|---|-----------------|---|--|
|                 | Number of cases  | Amount involved | Number of cases   | Amount involved |   |  |
| General Sector  | 04   | 0.05            | 02  | 0.001           | Public Relation and Home (Police) Department                                  | Irregular payment of house rent, Outstanding advance salary  |
| Social Sector   | 09   | 5.34            | 06  | 4.35            | Panchayat & Rural Development, Medical Education and SC&ST welfare Department | Irregular payment of HRA & other allowances, Tuition fee not deposited, Penalty forfeited from contractor not deposited, Excess payment to NGOs, Excess payment of escalation to contractors   |
| Economic Sector | 16   | 11.47           | 11  | 1.52            | Fisheries, Co-operative, Aviation, Public works Department                    | Excess payment for purchase of fish seeds, Delayed recovery of audit fee and temporary advance, Irregular payment, penalty for delay, execution of below specification work, lack of quality control of materials in road work, royalty, cost of bitumen |
| <b>Total</b>    | <b>29</b>  | <b>16.86</b>    | <b>19</b>   | <b>5.87</b>     |   |  |

(Source: Information compiled by Audit)