

# **CHAPTER-I**

## **INTRODUCTION**



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## 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 important results of Audit to the State Legislature. 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 169 autonomous bodies. In addition, two Departments (Panchayats, Rural Housing and Rural Development & Urban Development and Urban Housing) and 57 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 2015-16 and 2016-17 is given in **Table 1** -

Table 1: Summary of fiscal transactions

(₹ in crore)

Receipts			Disbursements				
	2015-16	2016-17		2015-16	2016-17		
					Non- Plan	Plan	Total
1	2	3	4	5	6	7	8
<b>Section-A: Revenue</b>							
<b>Revenue receipts</b>	<b>97,482.58</b>	<b>1,09,841.81</b>	<b>Revenue expenditure</b>	<b>95,778.54</b>	<b>67,185.61</b>	<b>36,709.22</b>	<b>1,03,894.83</b>
Tax revenue	62,649.41	64,442.71	General services	32,876.05	34,312.51	1,491.84	35,804.35
Non-tax revenue	10,193.52	13,345.66	Social services	42,119.90	22,092.05	22,833.97	44,926.02
Share of Union taxes/duties	15,690.43	18,835.39	Economic services	20,223.86	10,365.10	12,383.41	22,748.51
Grants from Government of India	8,949.22	13,218.05	Grants-in-aid and Contributions	558.73	415.95	0.00	415.95
<b>Section-B: Capital</b>							
Misc. Capital receipts	0.00	240.05	Capital Outlay	24,169.44	53.41	22,301.98	22,355.39
Recoveries of Loans and Advances	125.46	165.77	Loans and Advances disbursed	675.79	62.35	415.21	477.56
Public Debt receipts	23,486.19	27,668.31	Repayment of Public Debt*	6,194.26			9,073.17
Contingency Fund	14.16	3.75	Contingency Fund	3.75			0.00
Public Account receipts	65,131.92	58,958.90	Public Account disbursements	61,936.12			56,388.19
Opening Cash Balance	21,076.47	18,559.48	Closing Cash Balance	18,559.48			23,248.93
<b>Total</b>	<b>2,07,316.78</b>	<b>2,15,438.07</b>	<b>Total</b>	<b>2,07,316.78</b>			<b>2,15,438.07</b>

(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.

### 1.4 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, to be caused to be laid on the table of the State Legislature.

During 2016-17, in the General and Social Sector Audit Wing, 12,738 man-days were utilised to carry one Performance Audit and Compliance Audits of total 444 units. The Audit Plan covered those units/entities which were vulnerable to significant risk as per our assessment.

## **1.5 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. The present report contains one Performance Audit and 11 Compliance Audit paragraphs. The highlights are given in the following paragraphs.

### **1.5.1 Performance Audit**

#### **1.5.1.1 Working of select Government Medical Colleges and attached Teaching Hospitals**

The mission of the Health and Family Welfare Department of Government of Gujarat is to increase life expectancy through various health and medical interventions contributing to overall improvement in Human Development Index of Gujarat to a level comparable with developed countries. The vision of the department is to improve physical quality of life of people of Gujarat so that they attain the highest level of physical, mental and spiritual health and contribute towards the development of the State. The main objectives of the department are reducing maternal and child mortality, and creating adequate infrastructure and educational facilities for medical and para-medical education to produce medical manpower to provide quality healthcare services.

For providing equitable access to affordable, accountable and quality healthcare to the citizens, adequate healthcare infrastructure with trained medical human resource is a pre-requisite. Medical education is meant to make available services of doctors in Government as well as private hospitals of the State to cater to the health needs. As of March, 2017, there are six Government Medical Colleges (GMCs) with an annual intake capacity of 1,080 and 750 for Under Graduate (UG) and Post Graduate (PG) courses respectively.

“Working of select Government Medical Colleges and attached Teaching Hospitals (THs)” was taken up in audit between March and August 2017, for their performance from the year 2012 to 2017. Audit revealed that important areas of medical education and delivery of quality healthcare services in the attached teaching hospitals required immediate attention of Government and prompt remedial action for augmentation of medical education and quality healthcare. A few instances have been highlighted below –

- State Government could not avail of central funds of ₹ 750 crore for establishment of five new medical colleges in the State under Centrally Sponsored Scheme due to delay in submission of proposals by the State Government.
- Targets set (2012-15) for increasing the intake capacity of UG, PG and Super-Specialty courses has been partially achieved as of March 2017.
- In test-checked GMCs, prescribed infrastructure and other facilities for proper teaching was found deficient. Lecture theatres were not equipped for virtual class lecture. Due to inadequate capacity in the hostels, students were found accommodated on floor beds and four to five students in a room.
- Central Casualty Department of Civil Hospitals (CHs), Jamnagar and Surat were functioning without Intensive Care Units (ICUs) and had lesser number of beds than prescribed by Medical Council of India (MCI). Number of beds in ICUs of test-checked CHs was less than those prescribed by Indian Public Health Standards. The ICUs were not fully equipped to handle critical cases. The bed capacity of test-checked CHs attached with GMCs remained unchanged despite increase in number of indoor patients during 2012-17.
- Objectives of Pradhan Mantri Swasthya Surakhsha Yojana (PMSSY) to augment medical education and to strengthen the healthcare facilities were only partially achieved due to non-procurement of equipment by B. J. Medical College, Ahmedabad under the project.
- Norms prescribed by MCI for teaching, clinical postings and exposure of students to clinical units and training centres were not adhered to by the test-checked GMCs.
- Medical Education and healthcare suffered due to shortage in the cadre of teaching staff. Instances of en-masse transfer of teachers from one Medical College (MC) to the other MCs, prior to inspection of MCI for retaining the licence of the college were noticed in Audit.
- State Government had not framed any guidelines for promotion of research in Medical colleges. Research aspirants in the State have not received any financial assistance for research activities since 2014-15.
- Monitoring of education imparted in GMCs was found deficient.

**(Paragraph 2.1)**

## **1.5.2 Compliance Audit of Transactions**

### **1.5.2.1 Implementation of Right of Children to Free and Compulsory Education (RTE) Act, 2009**

The RTE target was to achieve the objective of providing free and compulsory education to all children in the age group of six to 14 years through proper identification, enrolment and retention. Though, there was marginal improvement during the last five years, however, the RTE target was not achieved by 12.80 to 15.11 *per cent* during 2012-17. Similarly, the prescribed pupil teacher ratio in the State was not achieved in 1,156 Primary Schools (PSs) and 3,098 Upper Primary Schools (UPSs) as on 31 March 2017.

It was seen that training had not been provided to 27 *per cent* of the identified Out of School Children (OoSC) in the State for their mainstreaming to regular schooling in appropriate class during 2012-17. The State Government did not print and provide Braille books to visually impaired students in the State during 2014-16. Only 63 *per cent* of hearing impaired students in the State had been provided with hearing aids during 2012-17.

The department allotted targets to all districts and Municipal Corporations for admission under 25 *per cent* RTE Quota without considering the total number of seats available for admission in Class I. The targets allotted were observed to be much lower than the actual seats available for admission in the State. Instances of denial of admission to eligible children and allotment of admission in different medium/school not opted for by the applicants were also noticed.

The State Government could not provide basic infrastructure facilities in majority of the Government Schools even after a lapse of seven years of implementation of the RTE Act. The Government of India (GoI) and State Government's share of ₹ 3,635.57 crore (34 *per cent*) was short released due to under utilisation of funds for implementation of the RTE Act. The monitoring mechanism was weak as Block Resource Centre Coordinators (BRCCs)/Cluster Resource Centre Coordinators (CRCCs) had not conducted the prescribed number of inspections of schools and the State Advisory Council met only twice against 16 meetings to be held during 2013-17.

The above deficiencies indicated that the key objectives of the RTE Act, 2009 of universalisation of elementary education could not be fully achieved.

**(Paragraph 3.1)**

### **1.5.2.2 Fraudulent and irregular payment under Member of Parliament Local Area Development Scheme (MPLADS)**

Injudicious awarding of works under MPLADS to an Non-Government Organisation (NGO) without inviting tenders resulted in irregular payment of ₹ 5.93 crore including fraudulent payment of ₹ 84.53 lakh to the NGO.

**(Paragraph 3.2)**

### ***1.5.2.3 Mukhyamantri Amrutum (MA) Yojana and Mukhyamantri Amrutum Vatsalya (MAV) Yojana***

The department could enroll only 54.54 *per cent* of Below Poverty Line (BPL) families in the State under the scheme as on 31 March 2017. No empanelled hospital was available in 10 out of 33 districts in the State. Only four districts in the State had empanelled hospitals for all clusters, which forced the beneficiaries to move to other districts for availing treatment mainly for cancer, cardiac and paediatric. Seventy eight *per cent* of beneficiaries preferred to get treatment at private hospitals due to lack of adequate infrastructure and non-availability of specialist doctors in Government hospitals.

The department had not followed the enrolment procedure and opted for bulk printing of MA cards for BPLs already registered under Rashtriya Swasthya Bima Yojana (RSBY) scheme. These cards lacked vital information such as photographs, fingerprints, age, relationship, *etc.* which posed difficulties to the beneficiaries in getting immediate medical treatment.

Enrolment process at kiosks was also found deficient. Instances of non-monitoring of the work of Taluka Kiosk Executive (TKE) and authentication of the enrolment by Taluka Verification Authority (TVA) without verification of the records were also noticed. System to identify duplication in enrolment was not implemented which resulted in getting more than one active card by the beneficiaries.

Non-revision of financial limit available under scheme despite increase in package rates twice led to lesser benefits being available to beneficiaries. Instances of charging money by the empanelled hospitals were noticed which defeated very purpose of providing cashless treatment to the beneficiaries.

**(Paragraph 3.3)**

### ***1.5.2.4 Unfruitful expenditure of ₹ 1.59 crore***

Trauma Care Centre established at a cost of ₹ 1.59 crore could not be put to use due to non-appointment of Medical and Para-Medical Staff.

**(Paragraph 3.4)**

### ***1.5.2.5 Irregular payment of ₹ 4.36 crore to agencies***

Guru Gobind Singh Government Hospital, Jamnagar awarded contract of housekeeping services in contravention of State Government instructions which resulted in irregular payment of ₹ 4.36 crore to two agencies.

**(Paragraph 3.5)**

### ***1.5.2.6 Loss of revenue of ₹ 68.64 lakh***

Supervisory lapses on the part of the hospital authorities of Civil Hospital, Ahmedabad in initiating the tender procedure before expiry of the contract and getting the premises vacated in time, resulted in loss of revenue of ₹ 68.64 lakh besides undue favour to the old Agency.

**(Paragraph 3.6)**

### ***1.5.2.7 Enforcement of Factories Act in Gujarat***

Audit observed that Director, Industrial Safety and Health (DISH) had not ensured that all the factories in the State had been registered under the Factories Act as the number of factories registered with DISH was less than those registered with Employees Provident Fund Organisation (EPFO) in respect of textiles and diamond factories. Consequently, unregistered factories escaped the enforcement provisions of the Act for safeguarding the interest of the factory workers.

There was a shortfall in inspection by the factory inspectors ranging between 43 and 55 *per cent* against the norm during 2012 to 2015. After introduction (March 2016) of the system of joint inspection, the number of factories planned for inspection by DISH was also found below the prescribed norms during 2016-17. Inspection remarks issued by inspecting officers were mostly of general nature and not based upon industry specific issues. Further, compliance of remarks was also not ensured through follow-up.

Certifying Surgeons (CSs) appointed by the department had not conducted prescribed medical examination of workers during 2013 to 2016 as the shortfall in examination of workers against the norms was 78 *per cent*. CSs had not issued any fitness certificates to workers of factories performing dangerous operations. Against the requirement of 753 full-time Factory Medical Officers (FMOs) in 485 factories in the State performing hazardous/dangerous process with more than 200 workers, only 342 full-time FMOs (45 *per cent*) were available in the factories. Laboratory Assistants (LAs) of Industrial Hygiene Laboratories (IHLs) have visited fewer numbers of factories and the results of samples analyzed for identifying environmental risks at work place were not provided to concerned factories for taking corrective actions.

There were 1,194 cases of fatal accidents in Gujarat in the last five years. DISH had not completed detailed investigation in 88 fatal cases and had not initiated prosecution in five fatal accident cases though they were liable for prosecution. Accidents of similar nature occurred in Alang-Sisoya Ship Breaking Yard due to non-enforcement of workers' safety by DISH. The DISH had not initiated any prosecution against the factory occupiers in respect of 9,520 non-fatal accidents occurred during 2012 to 2016, thus, resulting in compromising the safety of workers. Though no provision for withdrawal of prosecution cases for violations of safety standards was provided in the Act, the State Government had withdrawn 35 court cases for fatal accidents on the plea of having paid compensation to the dependants of the deceased workers.

The enforcement of the Act in the State was deficient resulting in failure to achieve the objectives of the Labour and Employment Department which included provisions of various social security measures.

**(Paragraph 3.7)**

### ***1.5.2.8 Unfruitful expenditure of ₹ 5.57 crore***

Imprudent decision of awarding contract for laying and joining water supply pipelines between Anjar-Chandroda, before obtaining Right of Use permission by Gujarat Water Supply and Sewerage Board (GWSSB) resulted in hasty

procurement of 4,740 running metres pipes worth ₹ 2.73 crore for land yet to be acquired, which further rendered 4.5 kilometres pipeline laid in the prefixed section infructuous, at a cost of ₹ 2.84 crore.

**(Paragraph 3.8)**

***1.5.2.9 Idle investment of ₹ 4.42 crore***

Idle expenditure of ₹ 4.42 crore by GWSSB on developing web based online management system for ground water utilities by Planning and Research on Urban Development Affairs (PRUDA) deprived itself of a comprehensive database for a sustainable water supply and sanitation services in rural Gujarat since March 2014.

**(Paragraph 3.9)**

***1.5.2.10 Avoidable expenditure of ₹ 1.02 crore on payment of Central Excise duty on purchase of pipes***

Water and Sanitation Management Organisation (WASMO) failed to use the extant provision of Central Excise exemption for pipes and pipe fittings used as integral part of water supply projects which resulted in avoidable expenditure of ₹ 1.02 crore.

**(Paragraph 3.10)**

***1.5.2.11 Development of Infrastructure and promotion of sports activities in Gujarat***

State Government established Sports Authority of Gujarat (SAG) in 1993 to promote sports activities but the State Sports Policy was declared only in March 2016. Even after lapse of one year since the declaration of Sports Policy, neither the Commissioner nor the SAG had made any planning for achieving the goals envisaged in the policy.

Out of 33 districts in Gujarat, SAG could provide only 20 Sports complexes in 17 districts. The sports complexes established lacked infrastructural facilities for major sports disciplines which resulted in inadequate coaching facilities to sports persons. Out of 10 Sports hostels in the State, there was no occupancy in four hostels during 2012-17. In test-checked districts, the infrastructure in the sports complexes were not being utilised due to poor maintenance.

Khel Mahakumbh is an important programme for identifying sports talents. The objective of grooming its winners for participation in higher level competitions was not achieved as SAG and senior coaches of test-checked districts did not ensure imparting further coaching to the winners. Further, there were vacancies in the posts of Coaches. The performance of Swarnim Gujarat Sports University (SGSU) in attracting the aspiring sports persons for taking up sports education was found sub-optimal as it failed in arranging campus interviews for placement of students. It could provide placement to only 41 students out of 819 students enrolled during 2013-17. The above deficiencies indicated that the strategies adopted leave room for improvement in achievement of objectives enshrined in the State Sports Policy.

**(Paragraph 3.11)**

## 1.6 Lack of responsiveness of Government to Audit

### 1.6.1 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 Departments requesting them to furnish the replies expeditiously on the outstanding paragraphs in the IRs.

As of 31 December 2017, 3,281 IRs (7,494 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**.

### 1.6.2 Response of departments to the audit paragraphs

A draft Performance Audit report and 11 draft Compliance Audit paragraphs were forwarded to the Additional Chief Secretaries/Principal Secretaries/ Secretaries of the concerned administrative departments between June 2017 and October 2017 with a request to send their responses within six weeks. The departments replied to a Performance Audit Report and three Compliance Audit Reports till date (February 2018). 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 department and the views expressed by them have duly been considered while finalising this report.

### 1.6.3 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 17 Departments<sup>1</sup> as detailed in **Appendix-II** had not submitted 54 DEs for the period 2003-04 to 2015-16 as of 31 December, 2017.

### 1.6.4 Paragraphs to be discussed by the Public Accounts Committee

Details of paragraphs pending for discussion by the Public Accounts Committee as of 31 December 2017 are shown in **Appendix-III**.

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

