

CHAPTER- I: OVERVIEW

1.1 About this Report

This Report of the Comptroller and Auditor General of India (CAG) contains matters arising from Performance Audit of selected programmes/schemes and Compliance Audit of transactions of various Departments of the Government of Chhattisgarh pertaining to General, Social and Economic (PSU and Non-PSU) Sectors. The primary purpose of this Report is to bring to the notice of the State Legislature, significant results of audit. The findings of audit are expected to enable the Executive to take corrective action, to frame appropriate policies as well as issue directives that will lead to improved financial management of organisations and contribute to better governance. This Chapter explains the planning and coverage of audit, response of Departments and Government to audit findings, preparation of audit reports and follow-up action on previous Audit Reports.

1.2 Profile of General, Social and Economic Sectors

A summary of the expenditure incurred by the Departments of Government of Chhattisgarh falling within the General, Social and Economic Sectors during the three-year period 2016-17 to 2018-19 is given in **Table 1.1**.

Table 1.1: Expenditure incurred by various departments in the State under General, Social and Economic sectors

(₹ in crore)

Sl. No.	Name of the Department	Expenditure		
		2016-17	2017-18	2018-19
A	General Sector			
1	General Administration	296.54	360.27	533.80
2	Home Department (Police)	2656.07	3117.03	3558.87
3	Jails Department	123.57	138.11	135.77
4	Finance Department	4694.85	4990.73	6646.53
5	Law & Legislative Affairs Department	225.62	235.71	297.62
6	Planning, Economic & Statistics Department	19.82	26.80	24.51
7	Public Relations Department	131.47	153.66	248.44
8	Parliamentary Affairs Department	34.72	38.76	39.35
	Total	8182.66	9061.07	11484.89
B	Social Sector			
1	Sports & Youth Welfare Department	42.52	54.41	39.56
2	Labour Department	39.08	46.19	61.50
3	Public Health & Family Welfare Department	2876.95	3525.24	3421.95
4	School Education Department	10752.95	11502.61	12073.40
5	Panchayat & Rural Development Department	5873.57	5715.81	4041.73
6	Scheduled Tribe and Scheduled Caste Welfare Department	647.75	684.18	584.73
7	Social Welfare Department	2270.38	2557.83	1918.77
8	Technical Education Department	193.29	183.08	161.80
9	Food, Civil Supplies & Consumer Protection Department	3258.94	3460.63	4106.49
10	Culture and Archaeology Department	38.31	41.32	44.07
11	Public Health Engineering Department	1739.70	1810.47	1071.92
12	Housing & Environment Department	1276.46	3287.76	2408.24
13	Higher Education Department	569.24	730.83	683.49
14	Manpower Planning Department	180.96	208.81	165.63
15	Women and Child Welfare Department	681.47	705.26	535.79
16	Medical Education Department	415.32	482.65	335.43

Sl. No.	Name of the Department	Expenditure		
		2016-17	2017-18	2018-19
17	Urban Administration and Development Department	2360.43	1992.61	1763.35
	Total	33217.32	36989.69	33417.85
C	Economic Sector			
1	Commerce & Industry Department	144.92	200.09	159.62
2	Energy Department	2099.79	3580.24	2802.55
3	Agriculture Department	1809.46	3556.20	9360.90
4	Cooperation Department	416.33	231.42	3276.19
5	Public Works Department	4825.05	5555.76	5849.98
6	Water Resources Department	2413.41	2213.55	2155.81
7	Tourism Department	49.46	23.11	19.47
8	Animal Husbandry Department	355.36	421.67	399.75
9	Fisheries Department	76.00	88.81	74.89
10	Electronics and Information Technology Department	79.05	72.29	266.01
11	Aviation Department	15.35	24.59	2.42
12	Village Industries Department	241.05	233.74	186.62
	Total	12525.23	16201.47	24554.21
	Total (A+B+C)	53925.21	62252.23	69456.95

(Source: Appropriation Accounts and Finance accounts of Government of Chhattisgarh for the respective years)

1.3 Office of the Principal Accountant General (Audit)



Under the directions of the Comptroller and Auditor General of India (CAG), Office of the Principal Accountant General (Audit), Chhattisgarh conducts audit of 44 Departments¹ and Local Bodies/ Public Sector Undertakings/Autonomous Bodies there under in the State of Chhattisgarh. Out of these, 37 Departments are covered under General, Social and Economic Sectors Audit.

1.4 Authority for audit

The CAG's authority for audit is derived from Articles 149 and 151 of the Constitution of India and CAG's (Duties, Powers and Conditions of Service) Act, 1971 (DPC Act). The CAG audits the Departments in General, Social and Economic Sectors of the Government as per the following provisions of the DPC Act:

- Audit of expenditure is carried out under Section 13 of the DPC Act;
- Audit of autonomous bodies is conducted under sections 19(2)², 19(3)³ and 20(1)⁴ of the DPC Act;
- Local bodies are audited under Section 20(1) of the DPC Act;

¹ Including those pertaining to Revenue Sector.

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 (not being companies) established by or under law made by the State Legislature in accordance with the provisions of respective legislations.

⁴ Audit of accounts of any body or authority on the request of the Governor, on such terms and conditions as may be agreed upon between the CAG and the Government.

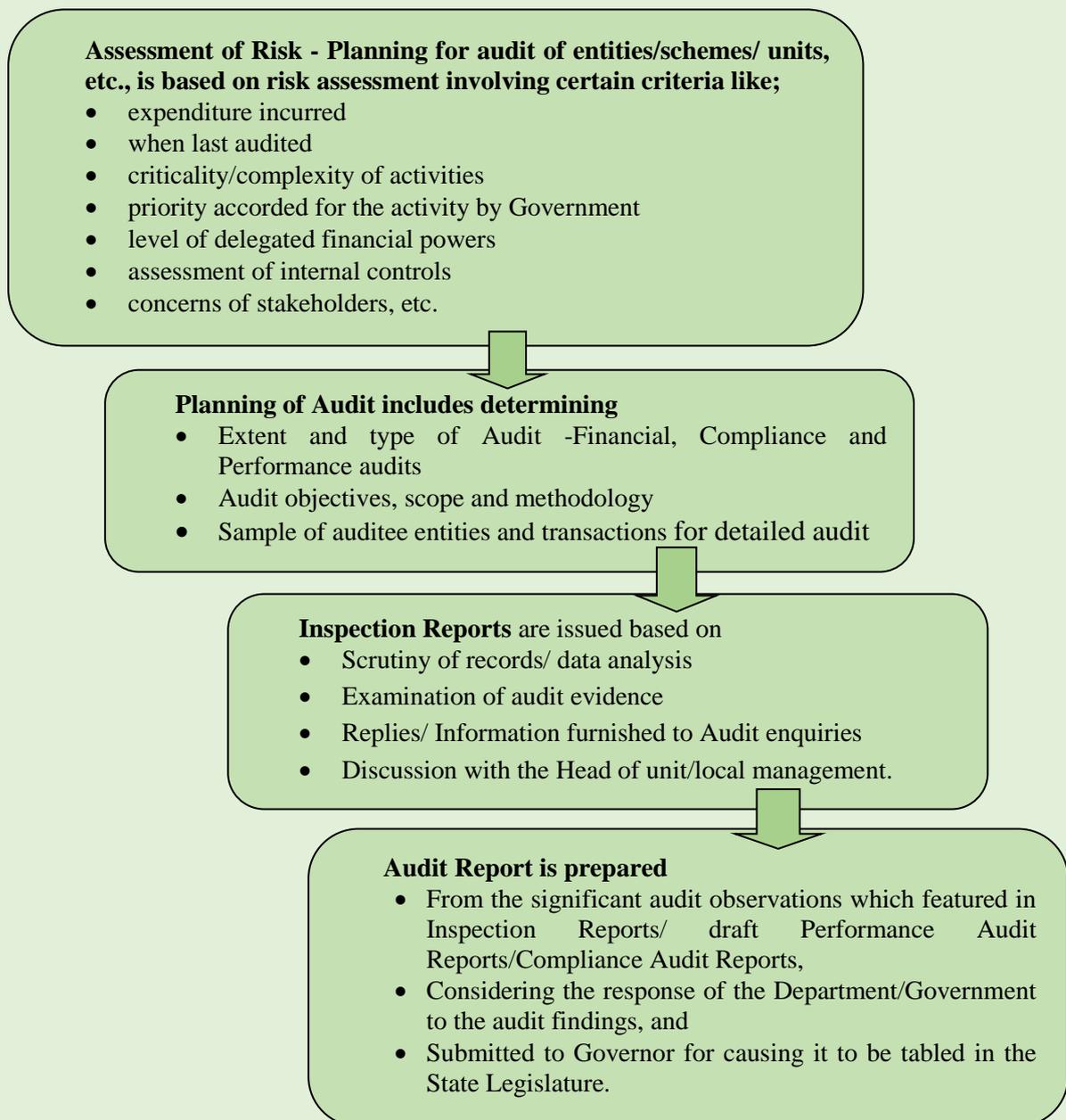
- In addition, CAG also conducts audit of other autonomous bodies, which are substantially funded by the Government under Section 14⁵ of the DPC Act.

Principles and methodologies for various audits are prescribed in the Auditing Standards and the Regulations on Audit and Accounts, as well as other guidelines, manuals and instructions issued by or on behalf of the CAG.

1.5 Planning and Conduct of audit

The following flowchart depicts the process of planning, conduct of audit and preparation of Audit Reports:

Chart-1.1: Planning, conduct of audit and preparation of Audit Reports



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

After completion of audit of each unit, an Inspection Report (IR) containing audit findings is issued to the Head of the unit with a request to furnish replies within one month of receipt of the IR. Whenever replies are received, audit findings are either settled or further action for compliance is advised. Significant audit observations pointed out in these IRs, which require attention at the highest level in Government, are issued as draft paragraphs to the Government for their responses, before possible inclusion after due consideration of the responses, in the Audit Reports. In addition, draft Compliance Audits and Performance Audits on specific themes, topics or schemes are also issued to the Government for their responses, before possible inclusion in the Audit Reports. These Audit Reports are submitted to the Governor of Chhattisgarh under Article 151 of the Constitution of India for causing them to be laid on the Table of the State Legislature.

1.6 Response of Departments to audit findings

1.6.1 Response to previous Inspection Reports

Heads of Offices and next higher authorities are required to respond to the observations contained in IRs and take appropriate corrective action. Audit observations communicated in IRs are also discussed at periodical intervals in meetings at District/State levels by officers of the Accountant General's office with officers of the concerned Departments. As of 31 December 2020, 4,520 IRs containing 22,565 paragraphs pertaining to previous years were pending settlement as detailed in **Table 1.2**. Of these, first replies have not been received in respect of 905 IRs (7467 paragraphs).

Table 1.2: Position of Outstanding Paragraphs

Year	Number of IRs/Paragraphs pending settlement as of 31December 2020		IRs/Paragraphs where even first replies have not been received as of 31December 2020	
	IRs	Paragraphs	IRs	Paragraphs
Up to 2014-15	3,096	12,081	20	163
2015-16	241	1,529	132	1,006
2016-17	472	3,580	273	2,333
2017-18	423	3,257	276	2,269
2018-19	288	2,118	204	1,696
Total	4,520	22,565	905	7,467

Lack of action on IRs and audit paragraphs is fraught with the risk of perpetuating serious financial irregularities pointed out in these reports. It may also result in dilution of internal controls in the governance process, inefficient and ineffective delivery of public goods/ services, fraud, corruption and loss to public exchequer. State Government therefore, needs to institute an appropriate mechanism to review and take expeditious action to address the concerns flagged in these IRs and audit paragraphs.

1.6.2 Response of Government to audit observations

All Departments are required to send their responses to draft audit paragraphs proposed for inclusion in CAG's Report, within six weeks of their receipt. During the year 2019-20, a total of 19 draft compliance audit paragraphs pertaining to 11 Departments were forwarded to the Additional Chief Secretaries/ Principal Secretaries/Secretaries of the Departments concerned, drawing their attention to the audit findings and requesting them to send their response within six weeks. It was brought to their personal attention

that these paragraphs were likely to be included in the Audit Report of the CAG of India, which would be placed before the State Legislature and it would be desirable to include their comments/responses to the audit findings. Despite this, four Departments⁶ did not furnish reply to seven draft compliance audit paragraphs as on the date of finalisation of this Report. The responses of the Government, wherever received, have been appropriately incorporated in the Report.

1.6.3 Response of Government to audit paragraphs that featured in earlier Audit Reports

Administrative Departments are required to submit Explanatory Notes on paragraphs and reviews included in Audit Reports, after their presentation to State Legislature duly indicating action taken or proposed to be taken. For this purpose, the Departments are not required to wait for any notice or call from the Public Accounts Committee. Explanatory Notes were yet to be received from two Departments viz. Urban Administration and Development Department and Panchayat and Rural Development Department in respect of 19 paragraphs/performance audit review that featured in the Audit Reports for the years upto 2016-17 as of 31 December 2020.

1.6.4 Response of Government to recommendations of the Public Accounts Committee

Administrative Departments are required to submit Action Taken Notes (ATNs) on recommendations of Public Accounts Committee (PAC) within six months from the date of receipt of recommendations. As of 31 December 2020, 19 ATNs in respect of 13 Departments were yet to be received.

1.7 Significant audit observations

This Report contains findings of audit in respect of Performance Audit of (i) Pradhan Mantri Awaas Yojana- Gramin, (ii) Construction of State Highways and Major District Roads and (iii) Integrated Child Development Services and compliance audit observations from a test-check of accounts and transactions of Departments and PSUs of Government of Chhattisgarh during 2017-19.

Significant results of audit that featured in this Report are summarised below.

PART-I

1.7.1 Performance Audit of Programmes/Activities/Department

Performance Audit is concerned with the audit of economy, efficiency and effectiveness in receipt and application of public funds. It focuses on inputs, processes, including planning and preparedness, outputs, outcomes, and results. The analyses in Performance Audit is distinct from, and goes beyond, compliance issues, and seeks to provide new

⁶ Water Resources Department, Public Works Department, Culture and Archaeology Department and Panchayat and Rural Development Department.

information, analysis or insights on the actual benefit of the activity undertaken by the entity.

Performance Audit of Pradhan Mantri Awaas Yojana- Gramin (PMAY-G)

Chhattisgarh Government completed the construction of 7,43,484 houses (94 *per cent*) against the target of 7,88,235 houses and 98 *per cent* of programme funds were utilised for disbursement of assistance to beneficiaries during the period 2016-19. Although the progress in construction of houses was good, there were issues of non-compliance with the scheme guidelines.

State Government did not prepare State specific policy framework in line with strategic goals with housing security. The scheme covered only 65 *per cent* of eligible beneficiaries as 35 *per cent* of additional beneficiaries identified by the Department remained outside the Permanent Wait List (PWL) as of September 2020. Funds received from the GoI were transferred with delays (6 to 225 days) to the State Nodal Account and funds of ₹896.22 crore were short released by State Government during the three year period 2016-19. 43,930 beneficiaries (15.19 *per cent*) were not paid full amount of assistance despite completion of houses. There were instances of delay in release of first instalment to beneficiaries ranging up to 812 days after sanction of houses and transfer of assistance in wrong bank account.

There were instances of constructed houses being used for commercial purposes and incomplete houses being shown as completed. Further, several completed houses were not provided with basic amenities due to lack of convergence with other social sector schemes. Lack of monitoring and inspection by the Departmental officials resulted in inability to identify/detect lacunae/ deficiencies at ground level.

(Paragraph 2.1)

Performance Audit of Construction of State Highways and Major District Roads

The overall length of road network in the State increased by 857 km during the period 2014- 19. Government of Chhattisgarh has upgraded 3,820 km of State highways and major district roads (MDR) by construction, strengthening, widening and renewal during the period 2015-19.

Although the Government outlined a PWD Road Policy of Chhattisgarh in 2002, it was not adopted as of the date of audit. The department lacked a transparent system of prioritization of roads for selection, funding and execution by various executing agencies. In the absence of a road database and non-establishment of Road Management System, comprehensive planning for undertaking road works was yet to be established. Road works were awarded without prior clearance of the forest department and without obtaining permissions from required agencies in some cases.

There were instances of misclassification of funds, and inclusion of works in the budget without obtaining administrative approval, irregularities in sanction of variation and grant of time extension. Deficiencies in the preparation of estimates, non-compliance with

Indian Road Congress specifications and instances of undue favour to contractors were also noticed. Road Safety Audit was not got conducted by an Independent agency.

(Paragraph 2.2)

Performance Audit of Integrated Child Development Services (ICDS)

Performance audit of implementation of ICDS scheme revealed that supplementary nutrition was not provided to 30.72 lakh children (out of 135.42 lakh) of the age group of 0-6 years and 3.81 lakh pregnant and lactating mothers (out of 26.13 lakh) during the period 2014-15 to 2018-2019. There was a gradual decline in the actual number of beneficiaries of the scheme over the years during the audit period. Aadhaar seeding of both beneficiaries and Anganwadi workers/helpers was not yet fully achieved, despite sanction of funds by the GoI.

Department was not able to ensure quality of meals as envisaged in the scheme guidelines, due to delays in sending the samples or non-receipt of Ready to Eat (RTE) food packet's test reports from the laboratories, and deviation in the tolerance limits in nutritional value from National Food Security Act (NFSA) standards. Early Childhood Care and Education curriculum was implemented with delay of more than two years and medicine kits for Anganwadi Centres (AWCs) were not procured.

Availability of infrastructure and equipment in AWCs was deficient *vis-à-vis* norms and lack of basic facilities, such as drinking water, toilet, playing area, store room, ramp, electricity, cooking and feeding utensils, equipment for cooking, essential drugs and material for monitoring health severely constrained the functioning of the AWCs. Only 37,407 AWCs were operating from dedicated buildings with delays in completing the construction of buildings of 5,915 AWCs and non-use of 1,487 AWC buildings due to dilapidated conditions and long distance from the habitations. Monitoring of AWCs was poor as was evident from acute shortfall in field visits by Child Development Project Officers and Supervisors.

(Paragraph 2.3)

1.7.2 Compliance Audit Observations

Compliance Audit is an independent assessment of whether a given subject matter (an activity, financial or non-financial transaction, information in respect of an entity or a group of entities) complies in all material aspects with applicable laws, rules, regulations established codes etc. and the general principles governing sound public financial management and the conduct of public officials.

Audit observed significant deficiencies in critical areas, which impact the effectiveness of the State Government. Some important findings arising out of Compliance Audit (two paragraphs) are included in the Report. The major observations relate to absence of compliance with rules and regulations, cases of expenditure without adequate justification and failure of oversight/administrative control. Some of these are mentioned below:

Water Resources Department

Construction of headwork without ensuring the availability of land for canal work for four diversion schemes resulted in unfruitful expenditure amounting to ₹ 6.13 crore, as the diversion scheme remained incomplete even after eight years.

(Paragraph 3.1)

Issue of hard rock excavated at construction site of Jonk Barrage in Mahasamund district to contractor at lower rate resulted in undue advantage of ₹ 78.36 lakh to him.

(Paragraph 3.2)

PART-II

1.7.3 Functioning of State Public Sector Undertakings (PSUs)

As on 31 March 2019, 31 State Public Sector Undertakings in Chhattisgarh (including 30 Government Companies and one Statutory Corporation) were under the audit jurisdiction of the CAG. Of these 31 PSUs, six PSUs relate to power sector and 25 PSUs (including five Government Companies added during the year 2018-19) relate to sectors other than power. Out of these 25 PSUs, 22 (one Statutory Corporation and 21 Companies) were working PSUs and three were inactive as of 31 March 2019. For the purpose of analysis presented in this Report, only 20 PSUs whose accounts were in arrears for less than three years have been considered. Five of these PSUs belong to the power sector, while 15 PSUs belong to non-power sector.

As per their latest finalised accounts, State PSUs registered an annual turnover of ₹ 36,922.95 crore, which was equal to 11.85 *per cent* of the Gross State Domestic Product (GSDP) of Chhattisgarh State during 2018-19. As on 31 March 2019, the investment of the Central Government, State Government and Others in equity and long term loans in these 31 PSUs was ₹ 20,621.88 crore. Out of the State Government's total investment (equity, loans and subsidy / grants) of ₹ 3,207.10 crore in the PSUs during the period from 2016-17 to 2018-19, power sector received an investment of ₹ 2,376.99 crore (74.12 *per cent*).

Functioning of Power Sector PSUs

As on 31 March 2019, there were six Power Sector PSUs in Chhattisgarh. During 2018-19, the aggregate turnover of five power sector PSUs was ₹ 22,794.73 crore, which constituted 7.31 *per cent* of the GSDP of Chhattisgarh. One Company was added during 2018-19 but it did not commence operations. The total investment in these five PSUs on historical cost basis was ₹ 17,924.97 crore.

The overall profit earned by the five PSUs was ₹ 497.29 crore during 2018-19 as against ₹ 64.82 crore reported during 2016-17. During 2018-19, out of the five PSUs, three PSUs (Chhattisgarh State Power Generation Company Limited, Chhattisgarh State Power Transmission Company Limited and Chhattisgarh State Power Holding Company Limited) earned a profit of ₹ 779.49 crore, whereas two PSUs (Chhattisgarh State Power Distribution Company Limited and Chhattisgarh State Power Trading Company Limited)

incurred a loss of ₹ 282.20 crore. During the period between 2016-17 and 2018-19, the Rate of Real Return on Investment in Power Sector PSUs was positive and ranged between 0.49 per cent and 6.69 per cent.

As against the Shareholders' funds of ₹ 6,744.33 crore, the accumulated losses reported by these PSUs were ₹ 5,339.97 crore, resulting in depletion of net worth to ₹ 1,404.36 crore.

Functioning of PSUs (Non-Power Sector)

As on 31 March 2019, 25 PSUs including three inactive PSUs in Chhattisgarh pertained to other than power sector. The 22 working PSUs included 21 Government Companies and one Statutory Corporation. During 2018-19, the aggregate turnover of these 15 working PSUs (excluding seven, out of 22, working PSUs whose accounts were in arrears for three or more years / first accounts not submitted), as per their latest finalised accounts, was ₹ 14,056.20 crore and total investment in these PSUs was ₹ 1,202.06 crore. The overall profit earned by these PSUs increased from ₹ 76.54 crore in 2016-17 to ₹ 182.46 crore in 2018-19 due to profit earned by Chhattisgarh State Warehousing Corporation (₹ 138.69 crore). Of these 15 working PSUs, nine PSUs earned a profit of ₹ 202.27 crore, four PSUs incurred a loss of ₹ 19.81 crore and remaining two PSUs had reported neither profit nor loss.

As against the Shareholders' funds of ₹ 328.13 crore, these PSUs had accumulated profits of ₹ 696.15 crore, contributing to increase in net worth of ₹ 1,024.28 crore.

1.7.4 Compliance Audit Observations (PSUs)

Compliance Audit observations included in this Report highlight cases of non-compliance by the State PSUs with established policies, rules and regulations that had financial implications. These observations have been issued to the concerned PSUs as well as to the Government for their comments and responses. Replies received have been incorporated in the Report suitably. Significant cases of deviations/ irregularities noticed during a test check in audit are given below:

Chhattisgarh State Industrial Development Corporation Limited

The Company did not consider rehabilitation grant as part of value of land to recover service charges on allotment of land to a private party on lease for 99 years. This resulted in short recovery of service charges of ₹ 34.39 lakh and land lease rent of ₹ 23.78 lakh up to 31 March 2020 (₹ 1,473.52 lakh for remaining lease period) from the private party.

(Paragraph 7.1)

The Company allotted land on lease to a private party for 99 years for commercial purposes and adopted incorrect land rate for assessment of land premium and annual lease rent thereon. This resulted in short collection of land premium by ₹ 1.37 crore and consequent short assessment of land lease rent by ₹ 5.42 crore for 99 years of lease period.

(Paragraph 7.2)

1.8 Acknowledgement

The Office of the Principal Accountant General (Audit), Chhattisgarh wishes to acknowledge the cooperation and assistance rendered by the officials of the State Government and various other Departments during the course of conduct of audit.