

CHAPTER-I

INTRODUCTION

1.1 About this Report

This Report of the Comptroller and Auditor General of India (C&AG) relates to matters arising from Compliance Audit of various Departments under General and Social Sectors of the Government of Gujarat.

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, various orders, instructions and guidelines issued by competent authorities are being complied with.

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 and also to frame policies and directives that will lead to improved operations and 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 audit observations made during the Compliance Audit and follow-up on previous Audit Reports. Chapter-II of this report contains detailed findings and observations on the Compliance Audits in Government Departments.

1.2 Audited entity profile

The Principal Accountant General (Audit-I), Gujarat conducts Audit of the expenditure under the General and Social Services incurred by 18 Departments¹ in the State at the Secretariat level, 226 autonomous bodies and 14,723 local bodies². The Departments are headed by Additional Chief Secretaries/Principal Secretaries/Secretaries, who are assisted by Directors/Commissioners/Chief Engineers and subordinate officers under them.

¹ Includes Water Supply Department of Narmada, Water Resources, Water Supply and Kalpsar Department

² District Panchayats – 33, Taluka Panchayats – 247, Gram Panchayats – 14,273, Nagarpalikas – 162 and Municipal Corporations - 08

The summary of fiscal transactions during the years 2017-18 and 2018-19 is given in **Table 1** -

Table 1: Summary of fiscal transactions

(₹ in crore)

Receipts			Disbursements		
	2017-18	2018-19		2017-18	2018-19
1	2	3	4	5	6
Revenue receipts	1,23,291	1,36,002	Revenue expenditure	1,18,060	1,32,790
Tax revenue	71,549	80,103	General services	41,402	47,564
Non-tax revenue	15,074	13,417	Social services	49,039	53,285
Share of Union taxes	20,782	23,489	Economic services	27,145	31,576
Grants from Government of India	15,886	18,992	Grants-in-aid and Contributions	474	365
Misc. Capital receipts	0.00	65	Capital Outlay	26,313	28,062
Recoveries of Loans and Advances	346	151	Loans and Advances disbursed	631	1,731
Public Debt receipts*	26,953	43,146	Repayment of Public Debt*	13,700	15,432
Contingency Fund	0.00	0.00	Contingency Fund	0.00	0
Public Account receipts ³	1,394	1,723	Net Public Account	0.00	0
Opening Cash Balance	23,249	16,529	Closing Cash Balance	16,529	19,601
Total	1,75,233	1,97,616	Total	1,75,233	1,97,616

(Source: Finance Accounts of the State Government for the years 2017-18 and 2018-19)

* Excluding net transactions under ways and means advances and overdrafts, if any.

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 and schemes, 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

³ Net Public Account represents total public account receipts less disbursement. During 2017-18, public account receipts were ₹ 89,132.67 crore and disbursement were ₹ 87,738.46 crore, leaving a Net Public Account balance of ₹ 1,394.21 crore.

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 2018-19, in the General and Social Sector Audit Wing, 23,602 man-days were utilised to carry out Audits of total 395 units. The Audit plan covered those units/entities which were significant as per our risk 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 and their schemes were also reported upon. The present report contains six Compliance Audit paragraphs. The highlights are given in the following paragraphs.

1.5.1 Compliance Audit of Schemes and Transactions

1.5.1.1 Functioning of AYUSH in Gujarat

Audit observed that the test-checked teaching Government Ayurved Hospitals (GAHs) and Government Homoeopath Hospital (GHH) had provided Out-Patient Department (OPD) and In-Patient Department (IPD) services to more number of patients annually as against the minimum number of patients prescribed in the Regulations of Central Council for Indian Medicine (CCIM) and Central Council for Homoeopathy (CCH). However, following deficiencies were noticed during the course of Audit -

National Health Mission (NHM) and National AYUSH Mission (NAM) envisaged for mainstreaming of AYUSH by allocating AYUSH services at Primary Health Centres (PHCs), Community Health Centres (CHCs) and District Hospitals (DHs) however, Health and Family Welfare Department (H&FWD) could appoint AYUSH doctors on contractual basis in only 911 PHCs out of 1,474 PHCs, and no appointment of AYUSH doctors were made in 363 CHCs and 24 DHs in the State. The Doctors appointed in these PHCs could not provide the AYUSH services due to lack of coordination between the Commissionerate of Health and Directorate of AYUSH in establishing a mechanism for supply of AYUSH medicines through the Pharmacies and adequate facility of equipment/instruments.

AYUSH hospitals were not available in eight out of 33 districts in the State. Projects already planned were either not taken up or projects completed were not put to use which included projects planned for establishment of GAHs in two districts without facility of AYUSH services. Out of 15 wellness centres established in test-checked hospitals, seven centres were non-functional. Only average 3.97 *per cent* of budget provision of H&FWD was allocated for AYUSH during 2014-19. Government of Gujarat (GoG) could utilise only 56 *per cent* of Government of India (GoI) grant received under NAM. Facilities of Operation Theatres (OTs) were either not available or non-functional in 10 out of 15 test-checked GAHs. Instruments prescribed as per CCIM and CCH Regulations for OTs, laboratories and diagnostic units were either not available or found lying idle in the test-checked hospitals. Reducing trend in

number of patients taking thalassemia treatment were found in test-checked thalassemia specialty clinics of test-checked hospitals due to absence of expert Vaidhya. Stock of 148 to 251 EDs were not available in 15 test-checked GAHs as of March 2019. Instruments/equipment in some test-checked hospitals were found lying idle or in non-usable condition. Shortage of key posts such as Resident Medical Officers, Nurses, Vaidya Panchkarma and Pharmacist were noticed in test-checked GAHs and GHH. Out of 32 test-checked Ayurved and Homoeopathy dispensaries, five dispensaries were functioning without Medical Officer.

Full coverage of syllabus in AYUSH medical colleges was found doubtful, as actual teaching hours imparted for both theory and practical sessions were much less than the teaching hours prescribed under CCIM Regulations, 2016. Only 43 *per cent* students and 54 *per cent* students had prescribed 75 *per cent* attendance in theory and practical subjects respectively in test-checked Government Ayurved Colleges (GACs). Shortage of teaching staff (Professors, Readers and Lecturers) were observed in four out of six test-checked GACs. The above facts of not completing the prescribed hours of teaching, lack of required attendance of classes for students and shortage of teaching staff had adverse bearing on pass percentage of students in Bachelor of Ayurvedic Medicine and Surgery (BAMS) in the State as 45 *per cent* students had failed the examination. None of the test-checked colleges had the facility of teaching pharmacy and quality testing laboratory for providing practical training on preparation of medicines/drugs. Facility of in-house Central Research Laboratory (CRL) for Post Graduate (PG) course was not available in the two test-checked colleges which provided PG course.

Drugs manufactured in the two test-checked Government Ayurved Pharmacies were supplied without conducting quality tests. Co-operative Pharmacy at Odhav, Ahmedabad were manufacturing and supplying drugs without valid licence. None of the test-checked pharmacies were mentioning the expiry dates of medicines. Drug inspectors of test-checked districts had failed to conduct the prescribed inspection of all manufacturing units of Ayurved and Homoeopathy medicines. Out of 1,520 AYUSH drug samples tested during 2014-19, 87 samples were found of 'Not of Standard Quality' (NSQ). NSQ drugs were not recalled in 27 out of 30 cases test-checked and the drugs were found as consumed. Instances of delay in testing of drug samples and non-conduct of prescribed tests by Food and Drugs Laboratory (FDL) were noticed in audit. Existing allopathic drug inspectors and analysts of the State were notified for AYUSH by GoG in contravention of the provision of Drugs and Cosmetics (D&C) Rules which envisage for minimum Ayurveda, Siddha or Unani (ASU) qualification.

Even after lapse of more than six years, the Centre of Excellence (CoE) could not complete the five activities of research assigned to it. Research projects under NAM were not completed. Shortfall in inspection of AYUSH dispensaries by the District Ayurved Officers (DAOs) were noticed during 2014-19.

(Paragraph 2.1.1 to 2.1.8)

1.5.1.2 Mental Healthcare in Gujarat

As per National Mental Health Survey (2015-16), 7.40 *per cent* of total population above 13 years age in Gujarat are suffering from one or more mental disorders. The suicide incidence rate per lakh population was found on higher side in Gujarat (11.70) than at National level (10.60). Audit observed gaps in policies, plan and executive response as (i) State Mental health policy drafted in 2009 was not approved as of May 2020, (ii) Action plan for specified activities was not prepared, (iii) only 0.50 *per cent* of State health budget was allocated for mental health services and (iv) The Mental Healthcare Act, 2017, enacted by GoI, to provide mental healthcare and services and to protect, promote and fulfil the rights of person with mental illness was not implemented as of May 2020. Objectives of District Mental Health Programme (DMHP) for prevention of mental illness and promotion of mental healthcare services remained under-achieved due to deficiencies in planning, execution of awareness campaign and targeted intervention. Acute shortage of mental health professionals were noticed in all four Hospitals for Mental Health and DMHP units. Schemes for development of manpower and training programme for early diagnosis and management of mental illness could not yield desired results due to lack of efficient planning and execution. As a result, mental healthcare could not be integrated with primary healthcare at the level of PHCs and was partially integrated at the level of CHCs. Indoor services were not available in two test-checked DMHP units due to non-availability of Psychiatrist and separate wards. Protocol developed for social, psychological, clinical and psychiatric treatment was partially followed in HMHs except HMH, Ahmedabad. Government had not established rehabilitation centre for rehabilitation of mentally ill people. In absence of rehabilitation centre, 131 patients fit to be discharged for one to five years are languishing in Hospitals for mental health. Functioning of occupational therapy unit was found appreciable in HMHs of Ahmedabad and Vadodara but deficient in HMHs of Bhuj and Jamnagar. Establishment of Aadhaar helpline service for rescue and treatment of wandering patients and Dava and Dua concept to provide formal/institutional psychiatric treatment alongside traditional faith healing were found appreciable in Audit.

(Paragraph 2.2.1 to 2.2.8)

1.5.1.3 Functioning of the Project Implementation Unit of Health and Family Welfare Department

State Government entrusted (February 2006) new construction works and Maintenance & Repair (M&R) works (May 2012) of Public Healthcare Facilities to Project Implementation Unit (PIU) without proper establishment. Government decision (October 2008) to convert PIU into Gujarat State Health Infrastructure Development Corporation (GSHIDC) to cope up with workload could not be implemented as of July 2020. Institutional arrangement of PIU was not found robust in terms of (i) framework of rules and procedures, (ii) quality control mechanism and (iii) accounting, auditing and funds management systems. PIU wrongly incorporated a special condition “free of cost construction of buildings for district units of PIU” and “supply of electronic gadgets”. This clause was neither consistent with basic principle of contracts nor implemented uniformly. Norms prescribed for approvals of

works were not scrupulously adhered to, as 2,160 (33 *per cent*) out of 6,504 sanctioned works could not be undertaken due to non-allotment of clear sites. Designs and estimates for works were not prepared with due diligence. Tender procedure lacked transparency and fairness as provisions for invitation of tender, time for submission of bids, evaluation of pre-qualification bids, *etc.* were not adhered to. PIU incurred additional expenditure of ₹ 37.86 crore due to deficient design. Five buildings constructed at a cost of ₹ 196.94 crore were either not put to use or utilised partly. Quality Control (QC) was found deficient as 68 *per cent* of works were not inspected by QC teams. Financial management of PIU was not found robust due to deficient accounting system and not following Treasury Rules for management of funds.

(Paragraph 2.3.1 to 2.3.9)

1.5.1.4 Non-utilisation of 335 Disinfectant Generation Systems of ₹ 27.90 crore

Procurement of 335 Disinfectant Generation Systems of ₹ 27.90 crore without following e-procurement procedure and non-ensuring of regular supply of the essential input solution and their maintenance resulted into non-utilisation and non-functioning of all 335 systems.

(Paragraph 2.4)

1.5.1.5 Management of Municipal Solid Waste in Select Urban Local Bodies

Audit scrutiny of Management of Municipal Solid Waste in select Urban Local Bodies (ULBs) revealed significant delays in preparation and approval of detailed project reports, leading to utilisation of merely 22 *per cent* of the funds (March 2020) by the ULBs and consequent delay in implementation of Solid Waste Management (SWM) projects under Swachh Bharat Mission - Urban.

The systems adopted by the ULBs for estimating waste generation were neither uniform nor conformed to the procedures prescribed in the Central Public Health and Environmental Engineering Organisation (CPHEEO) Manual, 2016. Segregation of waste at source or Material Recovery Facilities was not ensured. Solid waste was being transported in an environmentally unsound manner. Facilities available with the ULBs for processing of bio-degradable waste were either not in working condition or these were being used sub-optimally.

Three sanitary landfills constructed at a cost of ₹ 5.01 crore have not been utilised since their commissioning in January 2013 due to non-availability of processing facilities at the landfill sites. Only 25 *per cent* of waste collected had been treated by the ULBs and the remaining 75 *per cent* was dumped at the dumpsites, without processing. Compliance to the provisions of SWM Rules, 2016 by the ULBs with regard to management of landfills/dumpsites was weak.

(Paragraph 2.5.1 to 2.5.8)

1.5.1.6 Implementation of Financial Assistance Schemes for Destitute Widows for their Rehabilitation

State Government continued its Financial Assistance Scheme for destitute widows for their rehabilitation (DWPS) as well as Indira Gandhi National Widow Pension Scheme (IGNWPS). As of March 2019, 1,53,914 beneficiaries were covered under the scheme. Under DWPS, expenditure of ₹ 801.87 crore was incurred to provide pension to eligible beneficiaries during 2015-19.

Offices of test-checked Mamlatdars have taken the decision to sanction/reject applications for pension within four months in 75 *per cent* applications scrutinised by audit. Implementation of scheme was not found free from limitations as instances of wrong rejection of application, wrong fixation of date of commencement of pension and non-compliance of provisions for discontinuation of pension due to death and re-marriage were noticed in the test-checked Mamlatdar Offices. Beneficiaries of age between 18 and 40 years was to be provided vocational training to make them self-reliant, however, training was not provided to 43 *per cent* of estimated beneficiaries and tool kits were distributed to some of the trained beneficiaries.

(Paragraph 2.6.1 to 2.6.5)

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 2019, 4,516 IRs (22,181 paragraphs) were outstanding against 18 Departments under the General and Social sectors. Year-wise details of IRs and paragraphs outstanding are given in **Appendix-I**.

1.6.2 Response of departments to the audit paragraphs

Six draft Compliance Audit Paragraphs were forwarded to the Additional Chief Secretaries/Principal Secretaries/Secretaries of the concerned administrative departments between January 2020 and May 2020 with a request to send their responses within six weeks. The departments replied to all six Compliance Audit Reports till date (June 2020). 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 Departments⁴ as detailed in **Appendix-II** had not submitted 56 DEs for the period 2007-08 to 2016-17 as of 31 December 2019.

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 2019 are shown in **Appendix-III**.

⁴ This includes audit of departments transferred to Principal Accountant General (Economic and Revenue Sector Audit), Gujarat, Ahmedabad after restructuring with effect from 1 April 2012