

CHAPTER I

INTRODUCTION

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, Compliance Audit of various departments including revenue earning departments, State Public Sector Undertakings (PSUs) of the Government of Chhattisgarh. 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 respects with applicable laws, rules, regulations, established codes etc., and the general principles governing sound public financial management and the conduct of public officials.

The primary purpose of this Report is to bring to the notice of the State Legislature, significant results of Compliance and Performance 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, process of preparation of audit reports and follow-up action on previous Audit Reports.

1.2 Expenditure Profile of the Departments

A summary of the expenditure incurred against the budget estimate by the major departments of Government of Chhattisgarh during the year 2021-22 is given in **Table 1.1**.

Table 1.1: Expenditure incurred by various departments in the State

(₹ in crore)

Sl. No.	Name of Department	Budget Estimates	Actual Expenditure
1	General Administration Department	793.67	471.00
2	Home Department	5321.59	4639.96
3	Jail Department	229.86	166.10
4	Finance Department	18542.02	22626.02
5	Commercial Taxes Department	353.17	290.41
6	Revenue Department	2323.39	1729.64
7	Transport Department	101.64	55.57
8	Sports and Youth Welfare Department	121.69	58.64
9	Forest Department	2208.67	2026.29
10	Commerce and Industry Department	408.21	248.02

11	Mineral Resources Department	733.57	338.25
12	Energy Department	5136.56	5204.02
13	Agriculture Department	8974.25	7666.44
14	Co-operation Department	445.29	343.83
15	Labour Department	215.76	167.17
16	Public Health and Family Welfare Department	4110.97	5397.12
17	Urban Administration & Development Department	3591.91	3521.23
18	Public Works Department	6362.88	4583.46
19	School Education Department	15500.52	14220.97
20	Panchayat and Rural Development Department	8827.63	6595.44
21	Planning Economics and Statistics Department	239.21	214.32
22	Public Relations Department	239.23	227.19
23	Tribal, Scheduled Caste & Backward Classes Department	2337.70	1318.91
24	Social Welfare Department	1033.22	1031.54
25	Food, Civil Supplies Department	4867.56	4302.36
26	Culture Department	176.10	146.60
27	Water Resources Department	2866.50	1589.48
28	Housing and Environment Department	546.54	404.36
29	Public Health Engineering Department	1428.91	1510.01
30	Animal Husbandry Department	591.11	455.28
31	Fisheries Department	171.21	150.67
32	Higher Education Department	1025.68	789.43
33	Women and Child Welfare	2262.36	1708.26
34	Capacity Building, Technical Education & Employment Department	640.22	389.14
35	Electronics and Information Technology	235.11	247.82
36	Aviation Department	58.48	60.30
37	State Legislature	71.27	45.79
38	Medical Education Department	1711.00	1076.29
39	Sericulture Department	162.53	125.75
Total		104967.19	96143.08

(Source: Budget Book of Government of Chhattisgarh for the respective years)

*BE- Budget Estimate; AE- Actual Expenditure

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 40 Apex departments¹ and Local Bodies/ Public Sector Undertakings/ Autonomous Bodies thereunder in the State of Chhattisgarh. Out of these,

¹ Including Law and Legislative Department, Sericulture Department

35 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 CAG's DPC Act:

- Audit of expenditure of various Departments is carried out under Section 13 of the DPC Act;
- Audit of receipts is carried out under Section 16 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;
- 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:

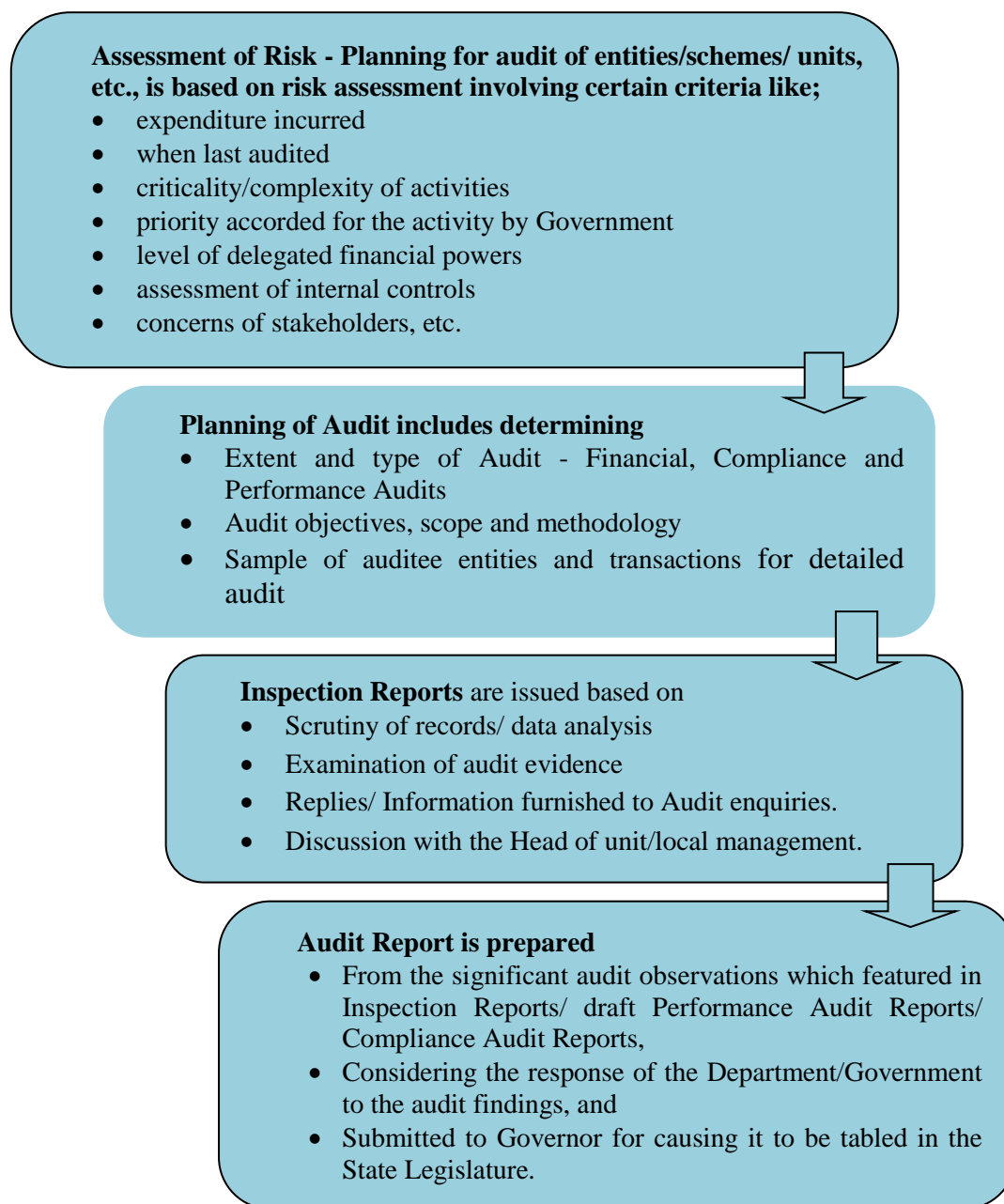
² Audit of the accounts of Corporations (not being Companies) established by or under law made by the Parliament in accordance with the provisions of the respective legislations.

³ Audit of accounts of Corporations established by or under law made by the State Legislature.

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

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.

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



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 four weeks of receipt of the IR. 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, Compliance Audits on specific themes or topics 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 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 Principal Accountant General's office with officers of the concerned departments. As of 30 June 2023, 5,285 IRs related to General, Social and Economic sectors containing 27,201 paragraphs pertaining to previous years were pending for settlement as detailed below. Of these, first replies have not been received in respect of 2,764 IRs (16,423 paragraphs). Department-wise details are given in *Appendix 1.1*.

Table 1.2: Position of Outstanding Paragraphs (GS&ES)

Year	Number of IRs/Paragraphs pending for settlement (as of 30 June 2023)		IRs/Paragraphs where even first replies have not been received (as of 30 June 2023)	
	IRs	Paragraphs	IRs	Paragraphs
2017-18 & earlier years	3898	17324	1656	8331
2018-19	250	1712	160	1164
2019-20	499	3390	396	2706
2020-21	264	2033	231	1804
2021-22	374	2742	321	2418
Total	5285	27201	2764	16423

Further, as of 30 June 2023, 234 IRs related to Public sector Undertakings containing 1,071 paragraphs pertaining to previous years were pending for settlement as detailed below. Department-wise details are given in *Appendix 1.2*.

Table 1.3: Position of Outstanding Paragraphs (PSUs)

Year	Number of IRs/Paragraphs pending for settlement (as of 30 June 2023)		IRs/Paragraphs where even first replies have not been received (as of 30 June 2023)	
	IRs	Paragraphs	IRs	Paragraphs
2017-18 & earlier years	169	569	-	-
2018-19	16	109	-	-
2019-20	42	340	-	-
2020-21	0	0	-	-
2021-22	7	53	-	-
Total	234	1071	-	-

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. The 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 Compliance Audit paragraphs proposed for inclusion in CAG's Report within six weeks of their receipt. One draft Performance Audit Report, Eight draft Compliance Audit Reports and two⁶ draft paragraphs included in this Report 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 draft Compliance Audit/Performance Audit Reports 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, two⁷ departments did not furnish reply to Compliance Audit Report 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 Audit paragraphs included in Audit Reports, within a period of three months after their presentation to State Legislature, duly indicating the action taken or proposed to be taken. Explanatory Notes were yet to be received (as of 31 July 2023) from five⁸ departments in respect of five Paragraphs/ Compliance audits that featured in the Audit Reports for the year up to 2021.

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 30 June 2023, 23⁹ ATNs in respect of 13¹⁰ departments were yet to be received.

1.6.5 *Records not produced to Audit for scrutiny*

The programme of local audit of different offices was drawn up sufficiently in advance and intimations were issued to the departments to enable them to keep the relevant records ready for audit scrutiny.

During the period 2021-22, in 15¹¹ cases of 14 auditee units pertaining to five Departments, the auditee did not provide files, return, documents, registers and other records pertaining to implementation of various schemes as

⁶ Pertains to 02 Draft Paragraphs of GS&ES.

⁷ WRD, Horticulture and Agriculture Department

⁸ Food, Civil Supplies and Consumer Protection Department, Social Welfare Department, Public works Department, Water Resource Department and Commerce and Industries Department.

⁹ Pertains to 08 ATNs of GS&ES and 15 ATNs of PSUs.

¹⁰ Pertains to 08 Departments of GS&ES and 05 Departments of PSUs.

¹¹ Water Resources Department- 01 case, Urban Administration & Development Department - 06 cases, Public Health and Family Welfare Department – 04 cases, Medical Education Department - 01 case, and Woman and Child Development Department – 03 cases.

detailed in **Appendix 1.3**. This issue was highlighted in the Inspection Reports and intimated to the Secretaries/HODs of the concerned departments. Non-furnishing of records to Audit raises red flags as genuineness of these transactions could not be vouched in audit and possibilities of fraud and misappropriation of public money cannot be ruled out.

1.7 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.