

CHAPTER I

INTRODUCTION

1.1 About this Report

This Report of the Comptroller and Auditor General of India (CAG) contains matters arising from Compliance Audit of various departments including revenue earning departments and 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 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 made during Compliance Audit of various departments.

1.2 Expenditure Profile of the Departments

A summary of the expenditure incurred against the budget estimate by the Departments of Government of Chhattisgarh during the three-year period from 2018-19 to 2020-21 is given in **Table 1.1**.

Table 1.1: Expenditure incurred by various departments in the State

(₹ in crore)

Sl. No.	Name of Department	2018-19		2019-20		2020-21	
		BE*	AE	BE	AE	BE	AE
1	General Administration Department	414.73	333.14	459.48	299.78	394.52	248.64
2	Home Department	4377.31	3755.16	4582.22	4400.24	5225.80	4230.72
3	Jail Department	219.32	144.65	203.63	170.57	226.06	148.87
4	Finance Department	11525.85	10651.47	16237.25	23268.15	17189.46	20961.62
5	Commercial Taxes Department	320.89	166.58	350.87	351.70	369.82	250.74
6	Revenue Department	2084.24	1247.34	1702.42	1413.16	1942.86	1953.85
7	Transport Department	112.05	41.91	76.17	51.83	103.18	50.70
8	Sports and Youth Welfare Department	139.69	74.52	110.71	32.67	203.10	25.91
9	Forest Department	1563.93	1050.86	1530.98	1701.32	2241.10	1757.11
10	Commerce and Industry Department	391.08	236.71	378.86	241.37	418.04	227.00

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11	Mineral Resources Department	908.34	277.79	963.11	212.41	795.61	305.08
12	Energy Department	4704.21	3136.78	4352.08	5705.40	5596.53	5454.12
13	Agriculture Department	4452.63	9115.79	7604.10	2632.32	8003.27	7784.96
14	Co-operation Department	334.18	3276.18	1816.40	2436.02	436.89	226.32
15	Labour Department	174.59	117.27	204.73	140.83	215.85	150.95
16	Public Health and Family Welfare Department	3470.33	2930.16	3385.77	3512.34	4023.43	4464.16
17	Local Government Department	3357.68	2424.03	2929.80	2859.26	3582.94	3393.72
18	Public Works Department	7187.10	4654.02	6218.16	4146.55	6410.03	3887.08
19	School Education Department	12472.66	11502.95	13502.60	14494.23	15599.20	12769.23
20	Law & Legislative Affairs Department	641.15	545.82	911.13	614.92	838.86	437.85
21	Panchayat and Rural Development Department	9222.75	7098.90	8996.66	7596.10	9000.13	6012.25
22	Planning Economics and Statistics Department	131.67	119.56	228.33	211.38	238.12	210.20
23	Public Relations Department	260.48	259.11	191.83	238.40	238.01	179.88
24	Tribal, Scheduled Caste & Backward Classes Department	130.00	986.37	2273.91	1075.71	2373.62	1440.93
25	Social Welfare Department	0.00	840.93	969.36	974.51	1004.83	1066.39
26	Food, Civil Supplies Department	4752.39	4113.03	5353.45	5749.47	5072.87	4316.76
27	Culture Department	107.43	61.87	107.12	75.77	156.70	64.29
28	Water Resources Department	3393.29	2148.11	2994.70	1797.53	3080.59	1667.54
29	Housing and Environment Department	851.48	260.45	565.95	332.71	614.91	230.82
30	Public Health Engineering Department	1030.03	613.27	1002.22	629.80	1021.40	1068.82
31	Animal Husbandry Department	517.62	399.66	613.04	472.94	636.28	458.37
32	Fisheries Department	115.18	75.71	120.19	110.51	142.95	119.10
33	Higher Education Department	953.99	696.71	1010.70	931.92	1072.55	724.97
34	Women and Child Welfare	1929.42	1105.18	2062.84	1696.37	2342.29	1452.43
35	Capacity Building, Technical Education & Employment Department	708.24	402.28	691.39	414.01	716.01	376.26
36	Electronics and Information Technology	678.66	258.15	129.00	321.39	240.86	105.76
37	Aviation Department	59.11	30.79	67.95	41.86	130.01	53.57
38	State Legislature	62.42	39.34	69.24	45.65	62.79	41.54
39	Rural Industries Department	155.96	112.24	167.19	126.88	148.71	119.46
40	Medical Education Department	1326.02	781.21	1470.41	1096.62	1604.66	1159.65
Total		85238.10	76086.00	96605.95	92624.60	103714.84	89597.62

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

*BE- Budget Estimate; AE- Actual Expenditure

As can be seen from the above table, the expenditure in the various Departments of the State Government increased by 17.75 *per cent* from 2018-19 to 2020-21, however, the budget utilization decreased from 89 *per cent* to 86 *per cent* during the same period.

Table 1.2 provides the trends and growth of revenue receipts as well as revenue buoyancy with respect to GSDP over the three-year period 2018-21.

Table 1.2: Trend in Revenue Receipts

Parameters	2018-19	2019-20	2020-21
Revenue Receipts (RR) (₹ in crore)	65,094.93	63,868.70	63,176.18
Rate of growth of RR (<i>per cent</i>)	9.13	(-) 1.88	(-) 1.08
Budget Estimate of Own Tax Revenue (₹ in crore)	26,030.00	22,930.00	26,155.00
Actual own Tax Revenue (₹ in crore)	21,427.26	22,117.85	22,889.20
Budget Estimate of State's share in Union Taxes and Duties/ Central Tax transfers (CTT)	22,954.97	27,917.00	26,803.30
State's share in Union Taxes and Duties/ Central Tax transfers (CTT)	23,458.69	20,205.84	20,337.54
Tax revenue (Own tax and CTT)	44,885.95	42,323.69	43,226.74
Rate of growth of Tax revenue	10.42	(-) 5.71	2.13
Gross State Domestic Product (₹ in crore)	3,27,693	3,44,571	3,52,161
Rate of growth of GSDP (<i>per cent</i>)	16.09	5.15	2.20
RR/GSDP (<i>per cent</i>)	20.46	18.52	18.04
Buoyancy Ratio			
Revenue Buoyancy w.r.t. GSDP (Rate of growth of RR/ Rate of growth of GSDP)	0.57	(-) 0.37	(-) 0.49
Tax Revenue Buoyancy w.r.t. GSDP (Rate of growth of Tax Revenue/ Rate of growth of GSDP)	0.65	(-)1.10	0.97

(Source: Table 2.3 of State Finances Audit Report for the year ended 31 March 2022)

Tax revenue shows fluctuating trend with growth rate ranging from (-) 5.71 *per cent* to 10.42 *per cent* during 2018-19 to 2020-21. Tax Revenue buoyancy ratio w.r.t. GSDP of the State was negative in 2019-20 which indicates that the revenue receipts of the State did not increase at the same pace of growth of GSDP of the State. In 2020-21, the Tax Revenue buoyancy turned positive but it remained less than one.

Buoyancy ratio indicates the elasticity or degree of responsiveness of a fiscal variable with respect to a given change in the base variable. For instance, revenue buoyancy with respect to GSDP at 0.97 implies that Tax Revenue Receipts tend to increase by 0.97 percentage points, if the GSDP increases by one *per cent*.

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 42 departments¹ and Local Bodies/ Public Sector Undertakings/ Autonomous Bodies there under the State of Chhattisgarh. Out of these, 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 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;
- Local bodies are audited under Section 20(1) 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:

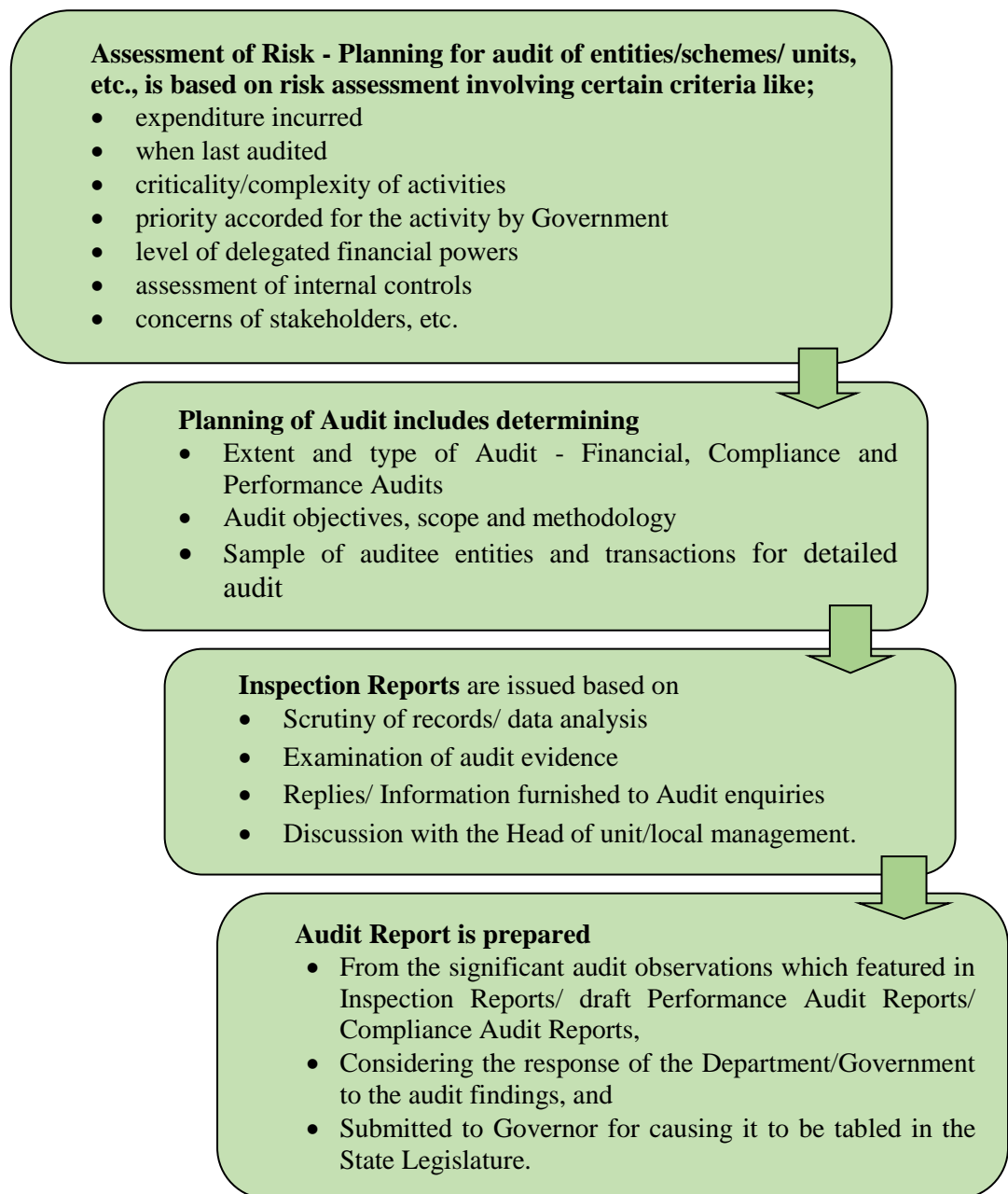
¹ Including those pertaining to Revenue Sector

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 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 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 Principal Accountant General's office with officers of the concerned departments. As of 30 September 2021, 5,172 IRs related to General, Social and Economic sectors containing 28,870 paragraphs pertaining to previous years were pending for settlement as detailed below. Of these, first replies have not been received in respect of 1,748 IRs (12,331 paragraphs). Department-wise details are given in **Appendix 1.1**.

Table 1.3: Position of Outstanding Paragraphs (GS&ES)

Year	Number of IRs/Paragraphs pending for settlement (as of 30 September 2021)		IRs/Paragraphs where even first replies have not been received (as of 30 September 2021)	
	IRs	Paragraphs	IRs	Paragraphs
2016-17& earlier years	3667	17512	642	3722
2017-18	440	3424	280	2316
2018-19	291	2149	196	1542
2019-20	478	3547	384	2907
2020-21	296	2238	246	1844
Total	5172	28870	1748	12331

Further, as of 30 September 2021, 254 IRs related to Public sector Undertakings containing 1,185 paragraphs pertaining to previous years were pending for settlement as detailed below. Department-wise details are given in **Appendix 1.2**.

Table 1.4: Position of Outstanding Paragraphs (PSUs)

Year	Number of IRs/Paragraphs pending for settlement (as of 30 September 2021)		IRs/Paragraphs where even first replies have not been received (as of 30 September 2021)	
	IRs	Paragraphs	IRs	Paragraphs
2016-17& earlier years	165	506	-	-
2017-18	30	156	-	-
2018-19	16	134	-	-
2019-20	43	389	-	-
2020-21	-	-	-	-
Total	254	1185	-	-

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 Compliance Audit paragraphs proposed for inclusion in CAG's Report within six weeks of their receipt. During the year 2021-22, seven draft Compliance Audit paragraphs and 12⁶ draft paragraphs 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 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, three⁷ departments did not furnish reply to three Compliance Audit paragraphs, and three⁸ departments did not furnish reply to three draft 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 Audit paragraphs included in Audit Reports, after their presentation to State Legislature, duly indicating the 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/Committee on Public Undertakings. Explanatory Notes were yet to be received (as of 30 September 2021) from 10 departments in respect of 16 paragraphs/performance audits that featured in the Audit Reports for the year up to 2019 as given in **Table 1.5**, **Table 1.6** and **Table 1.7**.

Table 1.5: Explanatory notes to be received as of 30 September 2021 (GS&ES)

Department	No. of paragraphs	No. of paragraphs	No. of paragraphs	No. of paragraphs
	Up to AR 2014-15	AR 2015-16	AR 2016-17	AR 2017-19
Panchayat and Rural Development Department	0	0	0	1
Public Works Department	0	0	0	1
Women and Child Development Department	0	0	0	1
Water Resources Department	0	0	0	2
Total	0	0	0	5

⁶ Pertains to PSUs.

⁷ PWD, WRD and Commercial Tax-GST Department

⁸ Commercial Tax-GST, Health and Family Welfare and Medical Education and Urban Administration & Development Department

**Table 1.6: Explanatory notes to be received as of 30 September 2021
(Revenue Sector)**

Department	No. of paragraphs	No. of paragraphs	No. of paragraphs
	Up to Audit Report 2016-17	Audit Report 2017-18	Audit Report 2018-19
Commercial Tax- GST Department	0	0	2
Transport Department	0	0	1
Energy Department	0	0	1
Forest and Climate Change Department	0	0	2
Registration and Stamp Department	0	0	1
Total	0	0	7

Table 1.7: Explanatory notes to be received as of 30 September 2021 (PSUs)

Department	No. of paragraphs	No. of paragraphs	No. of paragraphs	No. of paragraphs	No. of paragraphs
	Up to AR 2014-15	AR 2015-16	AR 2016-17	AR 2017-18	AR 2018-19
Commerce and Industries Department	2	0	0	0	2
Total	2	0	0	0	2

1.6.4 Response of Government to recommendations of the Public Accounts Committee/Committee on Public Undertakings

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 September 2021, 56 ATNs in respect of 25 departments were yet to be received.

1.6.5 Records not produced to Audit for scrutiny

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

During the period 2020-21, 14⁹ assessment files, returns, refunds, documents, registers and other records pertaining to implementation of various schemes were not made available to Audit. 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 Audit is unable to vouchsafe the genuineness of these transactions and the likelihood of fraud and misappropriation of public money cannot be ruled out.

⁹ Forest Department - 07 cases, Mining Department - 01 case, Health and Family Welfare and Medical Education- 03 cases, General Administration- 01 case, Cooperation Department- 01 case and Water Resources Department- 01 case.

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.