
OVERVIEW

This Report comprises six Chapters; the first two contain observations on the Finance and Appropriation Accounts of Government of Chhattisgarh and the remaining four chapters contain six performance reviews and one long paragraph of certain selected programmes and activities including Information Technology audit and audit of internal control mechanism in Public Health Engineering Department and 21 paragraphs on audit of financial transactions of various Government Departments and Government Companies and Statutory Corporations.

The audit has been conducted in accordance with the Auditing Standards prescribed for the Indian Audit and Accounts Department. Audit samples have been drawn based on statistical sampling methods as well as on judgement basis. The specific audit methodology adopted for programmes and schemes has been mentioned in the reviews. The audit conclusions have been drawn and recommendations made taking into consideration the views of the Government. A summary of main audit findings is presented in this overview.

1. Financial Position of the State Government

During 2005-06 there was 21.9 *per cent* growth in revenue receipts and comparatively lower growth (5.0 *per cent*) of revenue expenditure. Consequently from a revenue surplus of Rs.146 crore during 2004-05, the State achieved revenue surplus of Rs.1381 crore. State's own resources comprising tax and non-tax revenue contributed 60 *per cent* of the Revenue Receipts.

Capital expenditure also increased by 17 *per cent* from Rs.1279 crore in 2004-05 to Rs.1497 crore in 2005-06 and there was a decrease in fiscal deficit from Rs.1231 crore in 2004-05 to Rs.435 crore in 2005-06. The areas of concern included Salaries (including wages) and Pension (Rs.2800 crore) and Interest payments (Rs.962 crore), which together consumed 43 *per cent* of total revenue receipts of the State. Fiscal liabilities also increased from Rs.7421 crore in 2001-02 to Rs.13270 crore in 2005-06 and these liabilities as ratio to GSDP increased from 25 *per cent* in 2001-02 to 30 *per cent* in 2005-06.

The overall savings of Rs.2686.16 crore was 23.9 *per cent* of the original grants/appropriations. This was the result of savings of Rs.2709.43 crore in 154 cases of grants and appropriations off set by an excess of Rs.23.27 crore in a total of six cases of grants and appropriations.

(Paragraphs 1.1 to 2.7.3)

2. Sarva Shiksha Abhiyan

Government of India launched *Sarva Shiksha Abhiyan* in 2000-01 with a view to provide elementary education to all children in the age group of 6 to 14 by 2010. It also aimed to focus on elementary education of satisfactory quality with emphasis on education for life and to bridge all regional, gender and social category gaps at primary stage by 2007 and at elementary education level by 2010 with the active participation of community. Against admissible central share of Rs.485.10 crore, only Rs.301.20 crore were received during 2002-05 due to inability of the State Project Office (SPO) to utilize the available funds. Community participation in various scheme activities remained low. Household survey for identification of children was conducted as late as June 2004. Out of 31,913 posts of teachers sanctioned by GOI during 2001-05, 22,249 posts were not filled. Development and upgradation of infrastructure was quite slow. Large number of management posts was lying vacant. There was heavy shortfall in teachers' training. Interventions for special focus groups were lacking and NGOs were not engaged for research studies and there were no initiatives to improve the quality of education.

(Paragraph 3.1)

3. Procurement and distribution of Paddy and Rice

Paddy is the main crop of Chhattisgarh State. Decentralised procurement was introduced from April 2002. During the processes of procurement, storage and milling there were huge overheads like interest payment, storages charges, milling charges and drriage much above the GOI norms which had become liabilities of the State Government. There were milling delays up to 28 months and system of reimbursement between agencies was faulty leading to high interest payments. Incorrect subsidy was claimed from the GOI, there were damages to paddy and rice in storage, controls were not working/absent in distribution and accountal of rice under PDS and welfare schemes in and coupon accounting.

(Paragraph 3.2)

4. Implementation of Watershed Development Programmes

Watershed Development Programmes were taken up to obviate the drought conditions, prevention of desertification and for improving the land fertility thus improving the socio-economic conditions of economically weaker section. Implementation of Watershed Development Programmes during 2001-06 was hampered as the planning of watershed projects and selection of villages under the programmes was defective. Components were not executed in prescribed sequence and some were neglected. The progress of activities in test-checked districts during the first four/five years was 62 per cent.

(Paragraph 3.3)

5. Computerisation of land records ‘BHUIYAN’

Government of India initiated a scheme of “Computerisation of Land Records” during 1988-89 for the purpose of effective land reforms. The software was developed by National Informatics Centre. Under the scheme details in *khasra* and *khatauni* registers were taken up for computerisation in the State. On account of faulty planning, poor implementation and monitoring, the scheme which commenced in 1988-89 in erstwhile state and re-launched as BHUIYAN in Chhattisgarh State from November 2002 is yet to reach a functional level despite incurring an expenditure of over Rs.13.91 crore.

Rupees 4.40 crore was irregularly drawn and kept in cash/ savings banks account to avoid lapse and incorrect utilization certificates were furnished to GOI. The department failed to utilize Central assistance of Rs.6.24 crore during 2004-06.

Avoidable expenditure on software (Rs.24 lakh), unfruitful expenditure on hardware (Rs.22.57 lakh), undue benefit to private firms (Rs.2.47 crore), unfruitful expenditure on final printouts (Rs.1.29 crore), infructuous expenditure on digitization of cadastral maps (Rs.45.68 lakh), diversion of hardware to ineligible persons, and unproductive expenditure on training of revenue personnel was noticed.

The data computed by private firms were with blank fields and with lot of errors. Further, there was hardly any updation in data after initial porting in tehsil system. Recovery, backup and anti virus plans were also not properly laid down and followed to avoid high risk in the system.

(Paragraph 3.4)

6. Conservation of wild life in National Parks and Sanctuaries

The protection, propagation and development of wild life and its environment in Chhattisgarh is entrusted to the State Forest Department. For this purpose, the Wild life (Protection) Act, 1972 empowers the State Government to declare and administer any wild life area either as a National Park (NP) or a Sanctuary (SAN). The objective of conserving wild life and its habitat was accorded very low priority. There was inadequate budgetary allocation, final notification had not been issued for any Protected Areas (PAs), demarcation and rehabilitation was very slow, communication network was very limited. Anti poaching operations were largely neglected. There were no veterinary services in PAs, forest guards were untrained and old and the wildlife population had also shown steep declines in some of the PAs. Various bodies for monitoring and execution at various levels had either not been set up or functioning perfunctorily.

(Paragraph 3.5)

7. Internal Control Mechanism in Public Health Engineering Department

Internal controls are laid down in the rules, regulations and codes of the department. Adherence to built-in internal control system minimises the risk of errors and irregularities in operational and financial matters and provides assurance in achieving reliability in accounting and financial reporting and efficiency in departmental operations. A review of internal control system in Public Health Engineering Department (PHED) disclosed weaknesses in budgetary, expenditure, operational and inventory controls leading to both saving and excesses, rush of expenditure, un-reconciled stock accounts, excessive purchases, avoidable accumulation of stock, faulty tender practices and instances of non recovery from contractors. Departmental inspection was inadequate and there was no internal audit setup.

(Paragraph 5.1)

8. Audit of Transactions

Audit of financial transactions, subjected to test check in various departments of the Government and their field functionaries revealed instances of suspected fraud, excess expenditure, over payments and irregularities of over Rs.14.08 crore and some of them are mentioned below:

Suspected fraudulent expenditure of Rs.39.52 lakh was noticed in the Forest Department, infructuous and wasteful expenditure amounted to Rs.2.07 crore (Public Works Department-Rs.44.12 lakh; Water Resource Department-Rs.18.80 lakh and Panchayat and Rural Development Department-Rs.1.44 crore).

Avoidable and excess expenditure amounted to Rs.5.24 crore (Water Resource Department-Rs.3.48 crore and Panchayat and Rural Development Department-Rs.1.57 crore and Public Works Department-Rs.19.27 lakh)

(Paragraphs 4.1 to 4.5)

9. Government commercial and trading activities

There were 10 Government companies, one Electricity Regulatory Commission and two Statutory corporations (all working) under the control of the State Government, as on 31 March 2006. The total investment in 12 working PSUs (ten government companies and two Statutory corporations) was Rs.997.87 crore. Out of the ten Government companies and two Statutory corporations none had finalised their accounts for 2005-06. According to the latest finalized accounts, four working Government companies had incurred an aggregate loss of Rs.41.85 crore and two Government Companies and two Statutory Corporations earned an aggregate profit of Rs.370.75 crore.

Performance Review on “Construction, Operation and Maintenance of Warehouses” in Chhattisgarh State Warehousing Corporation Ltd.

The Chhattisgarh State Warehousing Corporation Ltd. Raipur (Corporation) was formed on 2 May 2002 after bifurcation of Madhya Pradesh State Warehousing Corporation (MPSWC). Before construction of godown under seven year guarantee scheme, the corporation failed to coordinate with Food Corporation of India (FCI) in selection of location for construction of godowns. Consequently the godowns constructed at the cost of Rs. 5.40 crore registered a declining trend in the occupancy ratio during the last four years. Non fixation of uniform norms for storage losses among depositors resulted in blockage of Rs.6.62 crore.

(Paragraph 6.2)

Audit of Transactions

Chhattisgarh State Industrial Development Corporation Limited failed to recover Rs.2.42 crore towards loan and interest from a defaulting borrower due to deficient contract management.

(Paragraph 6.3.1)

Chhattisgarh State Industrial Development Corporation Limited sustained loss of Rs.2.08 crore due to non-revision of land premia annually on 109.1304 hectares land allotted during 2003-05.

(Paragraph 6.3.2)

Chhattisgarh State Industrial Development Corporation Limited incurred unfruitful expenditure of Rs.1.59 crore on an incomplete food park and facilitated embezzlement of Rs.31 lakh by releasing fund to the co-promoter in contravention of Government's and Board of Directors' orders.

(Paragraph 6.3.3)

Chhattisgarh State Industrial Development Corporation Limited failed to recover solatium of Rs.12.20 lakh on 21.453 hectares of Government land leased out for industrial projects, in contravention of Government directives.

(Paragraph 6.3.4)

Chhattisgarh State Electricity Board incurred extra expenditure of Rs.27.29 lakh on purchase of feeder and transformer panels at higher rates against a subsequent tender by rejecting the lower rates received against first call.

(Paragraph 6.3.5)