

## CHAPTER-III

### PERFORMANCE AUDITS

*This Chapter contains two Performance Audits on 'National Rural Employment Guarantee Scheme' and 'Working of Chhattisgarh Tourism Board'.*

### PANCHAYAT AND RURAL DEVELOPMENT DEPARTMENT

#### 3.1 National Rural Employment Guarantee Scheme

##### Highlights

The National Rural Employment Guarantee Act, 2005 guarantees 100 days of employment in a financial year to any registered rural household. Employment is to be provided within 15 days of demand. The State Government spent an amount of Rs 2,070.65 crore during 2006-08 under the scheme providing average employment of 41 days during 2006-07 and 35 days during 2007-08 per household. Bulk of the budgeted funds were spent in the test checked districts and the Government had started the process of opening of bank accounts for the beneficiaries. Due to incomplete details and defective maintenance of Job card registers, Employment registers, Job cards, Muster rolls, online monitoring information system and Monthly Progress Reports, audit was not able to get assurance on actual employment provided to households, if employment provided within time, authenticity of beneficiaries, payments and reported figures of financial and physical progress etc. There were shortcomings in monitoring and complaint redressals. Some important audit findings of the Performance Audit are given below:

District Perspective Plans for National Rural Employment Guarantee Scheme were not prepared.

*(Paragraph 3.1.9.1)*

Twenty two works were executed by other implementing agencies without recommendation or selection by Gram Sabha/Gram Panchayat.

*(Paragraph 3.1.9.2)*

In many cases, it was not possible to ascertain whether employment was provided within 15 days.

*(Paragraph 3.1.10.4)*

For many households it was not possible to ascertain how many days of employment had been provided.

*(Paragraph 3.1.10.5)*

**Job card numbers were not recorded in scrutiny of muster rolls against 18,217 (16 per cent) members. Wages of Rs 2.24 lakh was paid without signature or thumb impressions of 583 members.**

*(Paragraph 3.1.11.1)*

**There were large numbers of deficiencies in preparing muster rolls.**

*(Paragraph 3.1.11.2 and 3.1.11.3)*

**Delay ranging from one to 326 days in payment of wages of Rs 3.12 crore to 94,853 members, non-payment of unemployment allowance to 960 members and cases of works without muster rolls (Rs 1.56 crore) were noticed.**

*(Paragraph 3.1.11.4, 3.1.11.5 and 3.1.12.1)*

**The State Government had not devised a system for compiling physical and financial achievements.**

*(Paragraph 3.1.14.1)*

### **3.1.1 Introduction**

The National Rural Employment Guarantee Act, 2005 (NREGA) guarantees 100 days of employment in a financial year to any rural household (HH) whose adult members are willing to do unskilled manual work. The State Government notified the Act in March 2006. The National Rural Employment Guarantee Scheme (NREGS) is a Centrally Sponsored Scheme and the Government of India (GOI) bears the entire cost of unskilled wages and administrative expenses of Programme Officers (POs) and their supporting staff. The wages for skilled and semi-skilled workers and work site facilities are to be shared in the ratio of 75:25 by GOI and State Government. The State Government bears the unemployment allowance and the administrative expenses of State Employment Guarantee Council (SEGC). It was implemented in 11<sup>1</sup> out of 16 districts from March 2006 and four<sup>2</sup> districts from April 2007 covering 134 blocks and 8,822 Gram Panchayats (GPs). The Act provided rural households<sup>3</sup> (HH) a right to register themselves with the local GPs and seek employment. The employment is to be provided within 15 days of the demand, failing which State Government would have to pay unemployment allowance at a stipulated rate.

### **3.1.2 Objectives of the Act**

The basic objective of the Act is to enhance security of livelihood in rural areas by providing at least 100 days of guaranteed wage employment. This work guarantee can also serve other objectives viz. generating productive

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<sup>1</sup> Bastar, Bilaspur, Dantewada, Dhamtari, Jashpur, Kanker, Kawardha, Koriya, Raigarh, Rajnandgaon and Surguja.

<sup>2</sup> Janjgir, Korba, Mahasamund and Raipur.

<sup>3</sup> Means the members of a family related to each other by blood, marriage or adoption and normally residing together and sharing meals or holding a common ration card. Household also mean a single-member family.

assets, protecting the environment, empowering rural women, reducing rural-urban migration and fostering social equity, among others.

### 3.1.3 Organisational set-up

Panchayat and Rural Development Department (P&RD) of the State Government and its Secretary are designated as Nodal department/ Officer and separate Employment Guarantee Cells were constituted at State, district and block levels for effective implementation of NREGS<sup>4</sup>. The implementing officer at various levels includes the Commissioner, Employment Guarantee (CEG) at the State level, Collectors as District Programme Coordinators (DPC) and Chief Executive Officers (CEO), Zilla Panchayats (ZP) as Additional District Programme Coordinators (ADPC) at district level. CEO, Janpad Panchayats (JP) as Controlling Officers and dedicated Programme Officer (PO) at block<sup>5</sup> (JP) level, Sarpanch and Secretary Gram Panchayats (GPs) assisted by Administrative Assistants at GP level. The district, block and GPs have been designated as main implementing agencies and other departments<sup>6</sup> of the State Government executing works under the scheme have been designated as other implementing agencies (OIAs).

The CEG was responsible for ensuring that all activities required to fulfill the objectives of the Act were carried out. In addition, as per the provisions of the Act, a State Employment Guarantee Council (SEGC) was constituted (February 2006) to advise the State Government on the implementation of the scheme and to monitor and evaluate the scheme.

### 3.1.4 Audit objectives

The objectives of the performance audit were to assess whether:

- effective preparatory steps for planning and implementation had been undertaken by the State Government;
- the prescribed records were maintained for registration of rural households, issue of job cards and providing of employment;
- Rural households got 100 days of guaranteed employment in a financial year and were paid at least minimum wages on time;
- unemployment allowance was paid in cases where employment could not be provided within 15 days;
- there was an adequate and effective mechanism at different levels for monitoring, evaluation, social audit and grievance redressal.

<sup>4</sup> Organisational chart in **Appendix- 3.1**.

<sup>5</sup> A community development area within a district comprising a group of Gram Panchayats.

<sup>6</sup> Forest, Public Works, Irrigation, Agriculture, Rural Engineering Services, Fisheries and Horticulture Departments.

### 3.1.5 Audit criteria

- NREGA Act 2005 and notifications issued there-under by GOI and State Government from time to time.
- Circulars and documents issued by the Ministry of Rural Development, Government of India and orders/instructions issued by State Government for internal monitoring etc.
- NREGA operational guidelines.

### 3.1.6 Audit scope

The audit was carried out in the office of CEG and four<sup>7</sup> districts, eight<sup>8</sup> blocks and 40 GPs (*Appendix- 3.2*) which were selected out of 15 districts identified<sup>9</sup> for implementation upto March 2008. The sample selection was on the basis of Simple Random Sampling Without Replacement (SRSWOR) and Probability Proportionate to Size (PPS) methods.

### 3.1.7 Methodology

Audit was carried out by scrutiny of records at all levels. Audit also created databases by entering details of 344 job cards and 8,209 muster rolls used for payment of Rs 4.37<sup>10</sup> crore (3,997 muster rolls of GP for wages of Rs 2.21 crore and 4,212 muster rolls of OIAs for wages of Rs 2.16 crore). The data bases were analysed for various audit findings. In addition, works executed by six<sup>11</sup> OIAs were also test checked in the selected district.

The entry conference on 29 January 2008 and the exit conference on 30 September 2008 was held with State Government officials.

### 3.1.8 Financial Management

The Central Government releases funds directly to districts for implementation of NREGS. The State Government also transfers its share to districts. A separate bank account had to be opened for funds under NREGS at State, district, block and GP levels. The DPC, PO and Secretary of the GP had to be joint holders of the accounts with officials of District, block and GP. The funds are progressively transferred to the bank accounts of the next lower levels.

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<sup>7</sup> Dhamtari, Raigarh, Raipur and Surguja.

<sup>8</sup> Dhamtari district- Kurud & Magarlod; Raigarh district- Kharsia & Sarangarh; Raipur- Arang & Pallari; Surguja district- Lakhanpur & Pratappur.

<sup>9</sup> Three districts (Dhamtari, Raigarh and Surguja) out of 11 taken up by State in first phase from April 2006 and one district (Raipur) out of four taken up in second phase from April 2007.

<sup>10</sup> Including payment for transportation of material of Rs 42.85 lakh.

<sup>11</sup> Agriculture, Fisheries, Forest, Horticulture, Irrigation and Rural Engineering Services.

### 3.1.8.1 Financial performance

The total expenditure incurred on the scheme during April 2006 to March 2008 in the State was Rs 2,070.65 crore against the receipt of Rs 2,186.37 crore (Central share- Rs 1,864.55 crore and State share Rs 321.82 crore). The financial performance of the test-checked districts (**Table-3.1**) as per Monthly Progress Reports (MPRs) ending 31 March 2007 and 31 March 2008 was as under:

**Table-3.1: Financial performance in test checked districts**

(Rupees in crore)

Name of the district	2006-07			2007-08				
	Funds received (including opening balances)	Expenditure reported	Closing balance	Opening balance	Funds received	Total availability of funds	Expenditure reported	Closing balance
Dhamtari	55.82	47.93	7.89	2.96	67.66	70.62	68.44	2.18
Raigarh	59.93	52.22	7.71	7.70	126.11	133.81	129.71	4.10
Surguja	128.14	102.61	25.53	56.23	127.59	183.82	156.95	26.87
Raipur	Scheme started w.e.f. 1 April 2007			0.00	88.49	88.49	88.29	0.20
<b>Total</b>	<b>243.89</b>	<b>202.76</b>	<b>41.13</b>	<b>66.89</b>	<b>409.85</b>	<b>476.74</b>	<b>443.39</b>	<b>33.35</b>

(Source: Monthly Progress Reports)

It was observed that bulk of funds (83 percent during 2006-07 and 93 per cent during 2007-08) was spent by the department in the test checked districts.

### 3.1.8.2 Discrepancies in MPRs and cash books

There were difference in cash balances, opening balances, cash book and MPRs.

It was observed that the closing balances and opening balances of 2006-07 and 2007-08 were not matching in Dhamtari, Raigarh and Surguja. These discrepancies were mainly due to advances being booked as final expenditure in cash book whereas the MPRs were showing actual expenditure on wages and material as intimated to audit during exit conference (September 2008). It was also observed that in Raigarh district, the total receipts and expenditure for two years as per cash books of district were Rs 183.08 crore and Rs 184.69 crore respectively. These were at variance with figures of Rs 186.04 crore and Rs 181.93 crore respectively reported in MPR. The discrepancies had not been reconciled.

### 3.1.8.3 Utilisation of funds by OIA

Details of utilisation of Rs 231.39 crore by OIAs not monitored.

It was noticed that an amount of Rs 231.39 crore was advanced to OIAs by four test checked ZPs and booked as final expenditure but agency-wise allocation and expenditure were not maintained and copies of paid muster rolls and purchase vouchers of material were not available in most of ZPs, JPs and GPs. These agencies were also not sending progress reports regularly to ZPs or JPs and it was difficult to ascertain how much they had actually utilised.

In the exit conference (September 2008), the Government intimated that in view of the shortcomings, it would introduce agency-wise registers to monitor actual expenditure against amounts advanced to the next level.

Separate District Perspective Plans were not prepared for NREGS.

### **3.1.9 Planning**

**3.1.9.1** The NREGA Operational Guidelines stipulate the preparation of a five year District Perspective Plan (DPP) to facilitate advance planning and provide a development perspective for the District. It was observed that new District perspective plans (DPP) were not prepared for NREGS works in three districts (Dhamtari, Raigarh and Surguja). DPP for the period 2005-10 prepared under National Food for Work Programme (NFFWP) were adopted without any changes for NREGS.

**3.1.9.2** The Annual Plan (AP) is a working plan that identifies the activities to be taken up in a particular year. It was noticed that AP for 2006-07 was not prepared in Raigarh district. All other scrutinised districts prepared AP for the years 2006-07 and 2007-08 but it did not indicate the time frame, mandays to be generated and technical details. It was observed that in 40 selected GPs, out of total of 271 works (Rs 10.36 crore) executed during 2006-08, 22 works (Rs 2.32 crore) were not recommended or selected by Gram Sabha (GS) as prescribed in guidelines but were allotted directly by DPC/ZP. It was also observed that these 22 work orders were issued and executed by OIAs. The POs did not pass the work orders and did not monitor the execution and details were also not entered in the online Monitoring Information System (MIS). It was evident that in respect of 22 OIA works of Rs 2.32 crore, the prescribed procedure for selection by village and monitoring by POs was by passed during 2006-08.

It was evident that the framing of DPP, AP and selection of works had not been done according to the NREGS guidelines.

### **3.1.10 Registration and Employment**

#### **3.1.10.1 Registration**

Registration of households is a pre-requisite for a rural household to demand employment. The NREGA operation guidelines have laid down procedures for registration. On application by a household, the GP is required to verify particulars such as name, age, photograph, signature and address of all adult members of the household. These details along with the job card number assigned are then entered in the form B-8 or Job Card Register (JCR) and in the job card which is to be given to the household family within a fortnight from the date of application for registration. Registration details are to be entered in online MIS including scanned photographs of HH members.

#### **3.1.10.2 Authenticity of registered household members**

The guidelines provided for three sets of records which could be used to verify the authenticity of registered HH and their members viz. JCR, job cards and online job card data.

Details of households not entered in register and in MIS.

Scrutiny of JCR of 40 GPs under eight<sup>12</sup> JPs showed that job cards had been issued to 15,176 households consisting of 35,667 members. Photographs of 12,090 members (34 *per cent*) were not pasted in JCR although the guidelines required them to be pasted on job cards and JCRs within three months of issue of job cards as detailed in **Appendix- 3.3**. In the absence of photographs, it was difficult to establish or verify genuineness of the beneficiaries. It was also observed that 1,452 (10 *per cent*) registered HH out of 15,176 were not entered in the job card register (B-8), although job cards had been issued to HH. Consequently, the GP would not be able to detect any manipulation or tampering in these job cards as it did not have matching corroborative entries in the JCR.

Examination of 344 job cards (consisting 1,031 members) revealed that in 78 job cards (23 *per cent*) signature of HH members and photographs of 455 members (44 *per cent*) were not found. It was noticed that 93 and 29 job cards in Amera and Devri GP were not distributed (September 2008). Therefore these HH members would not be able to establish their identities at work sites by using their job cards.

The online registration information for job cards (OJC) were compared with 162 manual job cards (MJC) and it was observed that in 24 (15 *per cent*) OJC, the number of HH members were less than the members mentioned in MJC ranging from one to six. In 161 cases (99 *per cent*), the photographs of HH members had not been scanned in OJC. In 60 cases (37 *per cent*), the job card number mentioned in MJC did not tally with the number mentioned in OJC. This indicated that the OJC were incomplete and not a reliable source for authenticating HH members.

These deficiencies in job card register, manual and online job cards implied that in respect of many households and their members, the registration information was incomplete. Consequently, it would be difficult to authenticate these HH members while accepting demand, providing work and making payments.

The Government in exit conference (September 2008) stated that there were many practical difficulties in assembling all registered rural household members for joint photographs and efforts were being made to improve the record keeping. It also stated that these shortcomings would be rectified by December 2008 as the registration data had to be compulsorily updated on the online MIS as instructed by GOI.

### 3.1.10.3 Employment

As per the provision of Act, members of registered HH were required to submit an application for demand of employment to the GP/PO who would enter date of demand in the Employment register<sup>13</sup> (ERs) and give a dated receipt to the applicant. The GP/PO had to enter date of offer in ER within

<sup>12</sup> Arang, Kharsia, Kurud, Lakhanpur, Magarlod, Pallari, Pratappur and Sarangarh.

<sup>13</sup> Maintained job card-wise.

15 days of demand and offer employment to the applicants failing which unemployment allowance had to be paid.

**Employment register not maintained properly.**

The GP/PO had to subsequently enter full details of employment provided in ER and in the job card of the HH so that the number of days of employment provided to HH could be ascertained.

#### ***3.1.10.4 Employment within 15 days was not ascertainable***

Scrutiny of 271 work files in selected GP revealed that the demands for work from HH were attached therein and were dated only in 23 files. In 59 files the demands were undated and 189 work files the demand for work were not attached. Therefore, for 248 works it was not possible to enter dates of demand in ER. The absence of demand dates was also corroborated by scrutiny of ERs which revealed that in a large number of cases, dates of demand and offer were not recorded. It was therefore not possible to ascertain whether employment was being provided within stipulated 15 days.

#### ***3.1.10.5 Numbers of days of employment provided not ascertainable***

In all test checked GPs it was observed that the details of employment provided and payments made were either not entered or incomplete in the ERs and test checked job cards. Consequently, the GP/PO would not be able to ascertain the number of days of employment given to HH and whether HH were eligible for further employment when they made demands.

#### ***3.1.10.6 Total employment provided in test checked districts***

In the test checked GPs, out of 11,235 registered HH, 520 HH (five *per cent*) could complete 100 days of employment during 2006-07 and out of 15,176 registered HH, only 660 HH (four *per cent*) could complete 100 days employment during 2007-08. Audit scrutiny revealed that the average employment was 41 days (Dhamtari- 58 days, Raigarh-38 days and Surguja-27 days) per HH during 2006-07 and 35 days (Dhamtari-52, Raigarh- 14 days, Raipur-24 days and Surguja-48 days) during 2007-08. The Government had clarified (January 2008) that employment was invariably given on demand and the figures of employment per HH was not high because of inadequate demand. This was corroborated as audit did not detect any case where a HH had made a demand but was not given employment.

**Average employment provided during 2006-07 was 41 days and during 2007-08 was 35 days per household.**

During exit conference (September 2008), the Government stated that it would make efforts to increase the awareness of the scheme and it was expected that this would lead to greater employment generation.

#### **3.1.11 Maintenance of muster rolls and payment of wages**

According to the NREGA operational guidelines, muster rolls (MRs) issued from the block level, each sheet with a unique identity number, were to be maintained by the GPs and OIAs, in a proforma suggested by the Ministry of Rural Development (MORD).



**Job card number were not recorded in muster rolls against 18,217 members.**

### **3.1.11.1 Job card numbers not mentioned in muster rolls (MRs)**

Analysis of MR database prepared by audit showed that in 8,209 MRs (Rs 4.37 crore) a total of 1.11 lakh members were engaged but job card numbers were not recorded against 18,217 members (16 *per cent*). In absence of Job card numbers it cannot be verified whether the payments have been made to registered HH. Signatures or thumb impressions were not found against 583 members paid wages of Rs 2.24 lakh. Thus, the payment of Rs 2.24 lakh was doubtful.

### **3.1.11.2 Irregularities in preparation of MRs**

The CEG also issued instructions (December 2007) to all DPC to prepare MRs in four copies in prescribed format from January 2008 to ensure that copies of paid MR would be available in the office of DPC, PO, GP and OIA, for entry in online MIS and public scrutiny. It was noticed that in Raigarh district MRs were being prepared (June 2008) in a single copy. For OIA in all test checked districts the copies of paid MRs were not available with DPC, PO and GP for public scrutiny and updating MR information on MIS. Consequently, the MIS had incomplete data as verified from online data of 162 out of 344 job cards, which showed that the number of days of employment provided was 6,001 days in MJC whereas the OJC showed only 1,890 days (32 *per cent*).

During exit conference (September 2008), the Government intimated that instructions would be issued to Raigarh district to maintain prescribed format of MRs in four copies.

### **3.1.11.3 Other deficiencies noticed in MRs preparation were:**

- Date of issue, unique code number of executed work and payment dates were not mentioned on MRs.
- It was also observed that summary of muster roll showing classification viz. total number of members, women, men, schedule caste (SC), scheduled tribe (ST), physically handicapped (PH) etc. was not recorded/ drawn. Therefore, it was not possible to ascertain exact representation of these sections.
- Muster rolls carried a number of cuttings, over writing and use of erasing fluid.
- Signature of person taking attendance and certificate of payment was not recorded on many muster rolls by Sarpanch, Secretary/Gram Panchayat and Vigilance and Monitoring Committee (VMC).
- Attendance of workers on 15 August, 2 October and 26 January and continued attendance of workers for more than 14 days without a weekly break was observed.
- During test check of Kewara GP, Surguja district, the HH members gathered at the GP office with complaints of non-payment. On scrutiny it was found that '*kuchha*' or temporary muster rolls had been prepared

which were later on converted into regular MR with instances of manipulation viz. payment of Rs 9,770 to 26 ineligible members who had not attended work, non-payment of Rs 64,133 to 91 eligible members who worked and 92 entries were made without job card number. The DPC, Surguja intimated (September 2008) that payments had been made to eligible persons and recovery orders had been issued for the payments made earlier to ineligible persons. Recovery details were awaited.

- There were cases where the number of signature/ thumb impressions were more than the actual number of members paid.
- Measurement book references were not mentioned on MRs (particularly in works executed by GP).
- Further, out of total payment of Rs 4.37 crore on test checked MRs, Rs 42.85 lakh was made for transportation of material but irregularly booked and paid through MRs.
- It was also noticed that the OIAs used inner sheets (without numbering) instead of separate numbered MRs and MRs of other schemes (viz. NFFWP, SGRY<sup>14</sup>, Scarcity works etc.) in contravention of the guidelines. This would mean that it would be impossible to post these MRs on the MIS as it was designed to capture a unique MR number.

The MR was the basic record for recording genuine payments and compilation of statistics of employment generated. The large number of irregularities, omissions and deficiencies in maintenance of MRs pointed out in preceding points of this paragraph reduces the assurance on the authenticity of payments and would also result in incorrect compilation of expenditure, mandays of employment generated and other statistics relating to the scheme.

During exit conference (September 2008), the Government agreed that the issues raised on maintenance of muster rolls would have to be examined in detail.

### **Wages**

Every person working under scheme was entitled to wages at the minimum wage rate fixed by the State Government. Wages were to be paid on weekly basis or in any case not later than a fortnight after the date on which such work was done. NREGA provided for compensation as admissible under Payment of Wages Act, 1936 for payments made beyond a fortnight.

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<sup>14</sup> *Sampooran Gramin Rojgar Yojna.*

**Delayed payment of wages of Rs 3.12 crore to 94,853 members by one to 326 days.**

#### **3.1.11.4 Delay in payment of wages**

In 6,360 MRs wages of Rs 3.12 crore were paid to 94,853 members with a delay of one to 326 days beyond a fortnight but no compensation was given. On being pointed out it was stated that due to delay in measurement by sub-engineers the wages could not be paid on time. The reply indicated that the measurements had to be expedited so that the wages could be paid timely.

During exit conference (September 2008), the Government stated that it would examine the cases of delay.

#### **3.1.11.5 Unemployment Allowance**

Under NREGS, the State Government is required to provide employment to a registered applicant within 15 days of demand, failing which unemployment allowance at stipulated rates is payable from State Government funds.

Gram Panchayats/ Programme Officers were required to issue a dated receipt to applications for demand for work. Audit scrutiny of works files revealed in 23 works there were dated demands available on files and in 16 works there was delay in providing job to 960 members ranging from one to 384 days but unemployment allowance was neither claimed nor paid. Further, dated receipts were not given for any of the demands. In reply (January 2008), Government stated that no claims of unemployment allowance had been registered. The reply was not acceptable because as per the Act the allowance had to be paid irrespective of claims.

### **3.1.12 Execution of works**

Some instances of irregularities in execution were observed.

#### **3.1.12.1 Works started before issuing of MRs**

**Forty four OIA works started before issuing MRs.**

It was observed that in Bilaigarh JP (Raipur district), RES (OIA) started 44 works (January- March 2008) before obtaining MRs from the PO/ZP. Consequently, 1,77,048 mandays of work amounting to Rs 1.56<sup>15</sup> crore was executed upto May 2008 by keeping temporary records (registers) and without preparing any MRs. The entire payment of wages was delayed by five months. It was pointed out to CEO/ ZP, Raipur as a high risk matter on 8 August 2008. It was intimated (September 2008) that FIR has been lodged against Sub Divisional Officer (SDO), three sub engineers and three technical assistants.

#### **3.1.12.2 Minors employed on works**

**Minors employed on works.**

Audit visited the site of WBM<sup>16</sup> road (Cost: Rs 4.93 lakh) in Bhaismundi GP (Magarlod block) on 28 June 2007 with PO, Secretary/GP and Sarpanch. It was observed that four minors were working. Similarly, in Paragaon GP (Arang block) during site visit on 23 May 2008 with CEO, JP/Arang three

<sup>15</sup> Included material of Rs 28.75 lakh.

<sup>16</sup> Water Bound Macadam.

minors were found working on WBM road (Cost: Rs 44.54 lakh) being executed by RES division and photographs were taken. Muster rolls were not available at the site. The SDO reported to Executive Engineer on 5 September 2008 that no work had been executed between 19 May 2008 to 24 May 2008. This implied that someone other than the RES division was getting work done on the WBM road on 23 May 2008. Photographs taken by audit were shown during the exit conference and the Government agreed that the matter was serious and would be investigated.

### **3.1.12.3 Use of heavy machinery in works**

Provision 12 of Schedule-I of the Act (Section 4(3)) prescribed that as far as practicable, the works under the scheme should use manual labour and not machines. Dumha GP (Arang block) took up the work of deepening of tank (Cost: Rs 4.34 lakh) sanctioned during 2007-08 and expenditure of Rs 3.07 lakh was incurred on wages during June 2007. The remaining work was again started on 4 May 2008 and during site visit of ongoing work by audit on 17 May 2008 it was observed that a large JCB excavator was being used for digging and deepening whereas this should have been done by manual labourers. The reply of the GP and PO were awaited (September 2008).

Photographs taken by audit were shown during exit conference (September 2008), the Government stated that matter would be investigated.

### **3.1.13 Record maintenance**

Muster Roll issue and receipt registers (B-5 and B-6), Application Registration Register (B-7), Job Card Register (B-8), Employment Register (B-9), Assets Register (B-10) and complaint register (B-11) in selected GPs/OIAs were either not maintained or incomplete. At Programme Officer level Employment Register, Duplicate copy of Job Card Register and computerized Assets Register were not maintained. The detailed deficiencies in maintenance have been pointed out already and the final impact was that the compliance with legal requirement of upto 100 days of employment on demand was not verifiable. Non-maintenance of asset registers implied that there was no record of the durable assets created and it would not be possible to ensure their subsequent maintenance and retention of ownership.

Due to the deficiencies in updating of information on MIS already pointed out reports like caste-wise registration, demand for work, 100 days employment, work status, material procured report, MRs, work expenditure, delayed payment of wages, wage material ratio analysis, fortnightly-wise labour engaged, fund flow statement etc. were either totally blank or depicted scanty information for selected districts, blocks and GPs.

During exit conference (September 2008), the Government agreed to issue instructions for maintenance of records. It was suggested by audit that the instructions should specifically indicate which of the registers were required to be maintained manually even after switching over to online MIS.

**Incomplete  
information on  
MIS.**

### 3.1.14 Inspection, Monitoring and Evaluation

**Inspections were not carried out at prescribed norms. The district/block wise studies not conducted.**

The implementation of scheme was to be monitored through National Quality Monitors (NQM), State Quality Monitors (SQM), District Quality Monitors (DQM) and as per the prescribed norms for inspection of works at State, District and Block and GP levels.

Scrutiny of records of selected units revealed that there were no records to ensure that inspections were carried out at State, district and block levels. In reply the State Government stated (September 2008) that necessary inspection had been done but inspection reports were not furnished to audit. SQM and DQM were not designated. In view of these deficiencies the monitoring mechanism was required to be strengthened.

#### 3.1.14.1 Incorrect Monthly Progress Reports

**Incorrect and deficient Monthly Progress Reports.**

The State Government did not design a complete Financial Management System for the transfer and use of funds as envisaged in the guidelines paragraph 7.2.6 to ensure transparency, efficiency and accountability, and trace the use of funds towards the final outcomes. There were no prescribed returns to ensure data flow for compiling the actual physical and financial progress of the scheme.

#### 3.1.14.2 The deficiencies in the MPRs as reported to GOI are given below:

The MRs and vouchers for material purchases were the original records from which MPRs could be compiled. However, there were many deficiencies in MRs as pointed out in paragraph 3.1.11 and both MRs and the material purchased details were not available with PO/DPC. Moreover, neither MPRs nor any other report which could reflect the exact demand for work, employment provided, mandays generated and expenditure (including wages) incurred were being prepared and sent to blocks by test checked GP. The blocks/ZPs were preparing the MPRs based on the total amount of funds released to GPs/OIAs.

As pointed out in paragraph 3.1.11.3, in the absence of classification of beneficiaries such as SC, ST, women etc. on MRs, the depiction of these categories in MPRs was not based on authentic information.

Audit compared the MPRs of 15 districts with the compilation at the State level for the months of November 2007 and March 2008 and observed that they were at variance as detailed in **Appendix- 3.4**.

It was therefore evident that the MPRs compiled at selected Blocks and Districts were only approximations as there was no flow of authentic data from GPs/OIAs. Thus, there was no assurance on accuracy of the data on the actual physical and financial progress of the scheme. The Government had intimated (January 2008) that the GP level quarterly reports would be introduced. However, the same was not evidenced/ produced in test checked districts (September 2008).

During exit conference (September 2008), the Government stated that the preparation of MPRs would get streamlined once the muster roll data was put online by December 2008.

### **3.1.15 Social audit and grievances redressal**

**Inadequate  
grievance  
redressal.**

Social audit is to be conducted regularly by GS or VMC while the works are being executed. It was observed in test checked units that the GS conducted social audit in a limited way by reading out details of MRs in GS meetings and procedure laid down in the guidelines was not followed. The works executed and records maintained by the OIA were not included in these social audits. It was also observed that against the norms of disposing of grievances within 15 days, out of 541 complaints received in four districts and State level, 363 complaints were cleared with a delay ranging from 15 days to six months and 178 complaints were pending for period ranging from 15 days to 22 months.

During exit conference (September 2008), the Government stated that it is a continuous process however efforts would be made for prompt disposal of complaints.

#### **Internal Audit**

Internal Audit Cell at State and District levels were not set-up.

### **3.1.16 Conclusion**

Audit would like to place on record its appreciation for the cooperation and assistance extended by the department during the performance audit. In response to different audit observations the department also took action to improve the implementation of the scheme. It opened separate bank accounts and cash books for NREGS, transferred unspent balances of National Food for Work Programme and Sampooran Gramin Rojgar Yojna to NREGS account, opened 21,000 bank accounts in names of beneficiaries and has been circulating minimum wage rates immediately on revisions. In view of the action taken the related observations were withdrawn.

The shortcomings included deficiencies in the reporting of physical and financial progress of the scheme and in preparation of district perspective and annual plans. In the absence of complete details in the prescribed registers, it was difficult to establish the authentic identity of beneficiaries and that work was being provided within 15 days. The actual days of employment provided to individual households was also not ascertainable. There was substantial risk as the muster rolls were not maintained as prescribed. There were delays in paying wages and unemployment allowances were not paid. No records were maintained regarding inspections and monitoring done under the scheme and online MIS was incomplete. No internal audit was carried out during 2006-08.

### **3.1.17 Recommendations**

Following recommendations are proposed for NREGS-

- Proper maintenance of job card registers and job cards should be ensured to ensure authenticity of beneficiaries.
- Proper maintenance of Employment registers should be ensured to enable providing timely employment and ascertain exact days of employment given to households.
- Proper maintenance and verification of Muster rolls should be ensured to provide assurance on authenticity of payments.
- Payment of unemployment allowances should be started as envisaged in the Act.
- The Government should institute a mechanism for information flow leading to compilation and verification of actual physical and financial progress under the scheme.
- Process of inspection, monitoring, verification and social audit may be streamlined and properly documented.

The recommendations were discussed with the Government during the exit conference (September 2008) and were agreed to.

## TOURISM DEPARTMENT

### 3.2 Working of Chhattisgarh Tourism Board

#### Highlights

The Chhattisgarh Tourism Board is the nodal agency for promoting tourism in Chhattisgarh. It initiated many activities in the tourism sector to develop tourist destinations by improving infrastructural facilities, organized publicity for promotion and to increase tourist inflow to the State. It was also observed that the Board had not framed long term plans to coordinate its activities, could not institute a system to assess the increase in tourist inflow and improve revenue generation from tourism. The Board had very weak internal control which facilitated irregular and fraudulent expenditure and other serious irregularities given below:

Work orders of Rs 27.24 crore for construction works were issued and Publicity expenditure of Rs 1.24 crore was incurred without tendering.

*(Paragraph 3.2.9.5 and 3.2.12.2)*

Publicity expenditure of Rs 13.84 crore incurred without obtaining No Objection Certificate from the agency authorized by State Government for publicity work.

*(Paragraph 3.2.12.1)*

Expenditure of Rs 72.40 lakh on unauthorised foreign trips.

*(Paragraph 3.2.13.2)*

Incorrect information furnished to Vidhan Sabha on foreign tours.

*(Paragraph 3.2.13.3)*

Fraudulent quotations used to incur expenditure of Rs 1.13 crore.

*(Paragraph 3.2.14.1)*

Unfruitful expenditure of Rs 16.58 lakh was incurred on rent for buildings not being used as Tourist Information Centres.

*(Paragraph 3.2.14.3)*

Irregularities and fraud in claims of Principal Secretary, Tourism.

*(Paragraph 3.2.18)*

Irregular purchase and hiring of vehicles Rs 1.99 crore for ineligible officers.

*(Paragraph 3.2.24)*



### 3.2.1 Introduction

Chhattisgarh is endowed with a rich historical and cultural heritage and attractive natural diversity. The Government of Chhattisgarh formulated a 'Tourism Policy' to promote economically, culturally and ecologically sustainable tourism in the State. The State Government set up the Chhattisgarh Tourism Board (Board) as the nodal agency for implementation of State's tourism policy. The Board was constituted with specific bye-laws and registered (April 2003) under Chhattisgarh Societies Registration Act, 1973. The main objectives of the Board were derived from the State's tourism policy and were to strengthen the quality and attractiveness of the tourism experience in the State, preserve, enrich and showcase the rich and diverse cultural and ecological heritage of the State, encourage and promote private sector initiatives in developing tourism related infrastructure.

### 3.2.2 Organisational set-up

The Administrative Secretary for Tourism activities is the Principal Secretary/ Secretary, Culture and Tourism (PS) who is assisted by the Director of Tourism who is also the Managing Director (MD) of the Board. The Management of the Board is vested in a Board of Directors<sup>1</sup> (BoD) consisting of Chairman, Member Secretary and 11 members. The MD is assisted by a General Manager (GM) and two Deputy General Managers ((DGM) Finance and Planning & Marketing.

### 3.2.3 Audit objectives

Audit objectives were to assess whether the Board was able to:

- Promote tourism in a planned manner in line with the objectives of the tourism policy.
- award and execute construction works with economy, efficiency and transparency.
- implement various tourism promotional measures in an economic, efficient and transparent manner.
- institute an effective internal control mechanism.

### 3.2.4 Audit criteria

The audit criteria were derived from guidelines issued by Central and State Government for execution of Central and State schemes, bye-laws of Board, Chhattisgarh Financial Code, Finance instructions applicable to the employees

<sup>1</sup> *Minister of Tourism or nominated member as Chairman, Secretaries of Tourism, Finance, Culture, Commercial Tax, Forest and Transport departments other Members include as members; One Member of the Parliament (MP), Member of State Legislative Assembly (MLA) and three experts from tourism related areas nominated by State Government, General Manager, South Eastern Central Railway, Bilaspur, Managing Director of Indian Airlines Corporation Limited, New Delhi or their representatives and the Managing Director of the Board as Member Secretary.*

of Boards and other instructions issued from time to time by Tourism and Finance departments.

### **3.2.5 Scope of Audit and methodology**

The performance audit of the Board for the period 2003-08 was conducted from February 2008 to July 2008. Records maintained by Director of Tourism, the Board Headquarters and eight<sup>2</sup> Tourist Information Centres (TICs) out of 31 were test checked in Audit. Seven TICs were selected following the Simple Random Sampling Without Replacement (SRSWOR). TIC, Kolkata was added as the maximum tourists come from West Bengal. The audit process also included scrutiny of agenda and minutes of BoD, annual reports, compilation and analysis of data, interviews, joint physical verification of records and interaction with Management.

### **3.2.6 Activities of the Board**

The Board has identified and classified<sup>3</sup> 105 potential tourist destinations spread over all the districts and eight<sup>4</sup> tourist circuits. It has started construction of resorts, 17 motels, upgradation of rest houses leased from Government, upgrading amenities like public toilets, landscaping, approach roads, etc. in and around the selected destinations and on the tourist circuits. The Board also gives financial assistance for various fairs and festivals of social and religious importance. It notified (January 2008) the Chhattisgarh Tourism Promotion Scheme, 2006 with retrospective effect from April 2006 providing various incentives to encourage investments in the tourism sector.

### **3.2.7 Funding Arrangements and expenditure**

Government of India (GOI) is providing assistance for tourism promotion to the State Government mainly under four Centrally Financed schemes. It has approved the development of nine important tourist destinations in the State under 'Product Infrastructure and Destination Development (PIDD)' and eight tourist circuits each having at least three major tourist destinations under 'Integrated Development of Tourist Circuits (IDTC)'. The Board is also constructing 17 motels under the State Plan schemes on these tourist circuits. GOI has also approved 15 projects under 'Rural/Village Tourism (RT)' and is also providing funds for Fair and Festivals (FF) and Information Technology (IT) projects. The State Government provides grants from plan funds. These funds are used for maintenance, establishment, construction of motels, development activities, marketing and publicity and promotion. The GOI funds are sent directly to the Board through bank drafts and the Tourism department provides the State funds through treasury cheques.

The grant and expenditure during the period of audit are shown in **Table-3.2**.

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<sup>2</sup> *Bhopal (three), Kolkata, Nagpur, Raipur (two) and Visakhapatnam.*

<sup>3</sup> *Classified as Archaeological, Wildlife, Nature, Religious and Entertainment tourism.*

<sup>4</sup> *Raipur-Kawardha, Raipur-Kodar, Raipur-Tala, Raipur-Nagarnar, Amarkantak-Jashpurnaga, Jagdalpur-Koleng, Baigha and Kamar Circuit.*

**Table-3.2: Grants received and expenditure incurred during 2003-08***(Rupees in crore)*

Year	Opening balance	Central funds	State funds	Total	Expenditure	Saving (percentage)
2003-04	0.35	2.58	11.36	14.29	10.34	03.95 (28)
2004-05	3.96	8.69	18.47	31.12	11.35	19.77 (64)
2005-06	19.77	13.53	15.29	48.59	30.87	17.72 (36)
2006-07	17.72	25.26	27.15	70.13	66.92	03.21 (05)
2007-08	3.21	15.91	53.30	72.42	64.35	8.07 (11)
<b>TOTAL:</b>		<b>65.97</b>	<b>125.57</b>	<b>236.55</b>	<b>183.83</b>	

Figures of 2003-04 to 2005-06 as per annual accounts and provisional figures for 2006-07 and 2007-08 as accounts have not been finalized for these years.

### **Audit findings**

Tourism Policy framed by the State Government envisaged three specific initiatives viz. infrastructure and institutional development, tourism product offering and marketing. The planning and implementation of activities under the three major initiatives were examined by Audit.

## **Infrastructure and Institutional Development and Tourism Product Offering**

### **3.2.8 Planning**

The Board of Directors (BoD) is the policy making body and was required to prepare long term strategy, short term plans and establish the framework of rules and regulations of the newly constituted Board.

#### **3.2.8.1 Master plans not prepared and Board of Directors remained inactive**

The tourism policy envisaged preparation of a perspective master plan for tourism development in consultation with experts. Only six<sup>5</sup> meetings of the BoD were held during 2003-08 against the quarterly meetings provided for in the bye-laws. In its first three meetings it established the framework of rules and regulations governing the employees, approved budget proposals for the year 2003-04 and 2004-05, construction projects, grants and various promotional activities including establishment of Tourist Information Centres outside the State. However, after its third meeting in July 2004 the Board did not meet again for two and a half years and the envisaged master plan was not formulated. During this period, all the powers of the BoD were exercised by the Chairman and MD of the Board. In a large number of cases discussed later in this report, the powers were exercised in a discretionary manner, transparency was not maintained and rules and regulations were freely flouted. By not having meetings for a very long time the overall control and accountability to the BoD was diluted.

In the exit conference (September 2008), the Department agreed that Master Plan had not been prepared and intimated that at present the BoD is meeting frequently.

**BoD did not meet for two and a half year. Long or short term plans were not prepared.**

<sup>5</sup> March 2003, September 2003, July 2004, January 2007, May 2007 and August 2007.

### 3.2.8.2 Board did not have data on tourist inflow and revenue generated

The bye-laws envisaged compilation of data on tourist arrivals with address, spending habits, places visited, duration of stay etc. It was observed that the Board had not collected statistics on visitors to different tourist spots and had not prepared any plan for gathering data on tourist inflow through the entry points into the State such as airports, railway stations and bus stands although these were key components for planning. It had never taken any initiative to assess the revenue generated in the state from tourism although this was a key indicator to evaluate the success of tourism initiatives taken. The Board agreed (August 2008) that while it had some data on tourist arrivals, it has not instituted a system for data collection of tourists arrivals and for assessment of revenue generation from tourism.

### 3.2.8.3 Other initiative in the tourism policy not taken up

District tourism promotional councils were not set up. Consequently the focused development of local areas did not take place including introduction of metered taxis, conducted local tours and professional site management of important heritage sites. Adventure tourism activities such as rock climbing, canoeing, water rafting etc. were not developed. The Board could not introduce facilities such as pre-paid counters at airports, railway stations and bus stands in major cities of the State. Thus, the transportation facilities for tourists could not be upgraded. Therefore, many of the activities envisaged in the Tourism Policy remained non starters/ on paper only.

## 3.2.9 Implementation of Schemes

The major activities under the initiatives of infrastructure and institutional development and tourism product offering were construction projects and works. The Board furnished information relating to 290 work orders under various schemes which was compiled after scrutiny and is depicted in **Table-3.3** below:

**Table-3.3: Details of work orders under various schemes**

Scheme	No. of projects	No. of work orders issued	Sanctioned cost	Funds received			Expenditure incurred	Savings (percentage)
				Central	State	Total		
PIDD (GOI)	18	29	33.23	22.21	35.96	102.42	12.93	64
IDTC (GOI)	28	41	29.85	34.99			20.62	
RT (GOI)	11	14	6.88	9.26			3.45	
Development Grant (State)	95	117	26.81	0.00	55.82	55.82	21.64	63
Motel (State)	17	71	20.71	0.00	12.24	12.24	13.59 <sup>6</sup>	-11
Maintenance Grant (State)	6	18	2.99	0.00	8.00	8.00	2.76	65
<b>TOTAL:</b>	<b>175</b>	<b>290</b>	<b>120.47</b>	<b>66.46</b>	<b>112.02</b>	<b>178.48</b>	<b>74.99</b>	<b>--</b>

The Board is getting 132 works executed through departmental officers, local bodies, Non-Government Organisations (NGOs) etc. and 158 works through private contractors. Due to various irregularities and defective procedures as

<sup>6</sup> Additional amounts of Rs 3.21 crore from IDTC (GOI) and Rs 0.59 crore from RT (GOI) were also spent for motel construction (State project). These expenditures are included in the respective schemes.

stated in the subsequent paragraphs, there were delays in completion of works and time overruns. Only 11 (six *per cent*) out of 175 projects were completed as on April 2008. None of the tourist circuits or identified destinations was completed. In the absence of any records, it could not be assessed whether the additional/new facilities created had become operational at various sites and whether there was any increase in tourist inflow after development of infrastructure and other amenities in the State.

### **3.2.9.1 Execution of works by departmental officers and other agencies**

During February 2004 to February 2008, 132 work orders with an approved cost of Rs 57.56 crore were entrusted to 41 departmental officers and other agencies<sup>7</sup> against which total expenditure of only of Rs 12.57 crore (22 *per cent*) had been reported to the Board.

**Out of 132 work orders, only four were issued specifying a time frame for completion.**

Time frame for completion of project was not fixed in 128 work orders out of 132. This included 97 incomplete works of which 55 were pending for more than a year. Against the remaining 31 completed works, 21 had completion/utilization certificates and these were finished in five to 38 months. The time frame for completion was recorded only in four work orders out of which one work was completed with a delay of two months and other three were incomplete with a time overrun of two to ten months. Timely completion of works was not given any priority.

### **3.2.9.2 Execution of works by contractors engaged by the Board**

The Board gave 158 work orders with approved cost of Rs 62.93 crore to 53 contractors.

### **Dates of completion not recorded in completed works**

**Cost over run of Rs 85 lakh in 17 completed works with approved cost of Rs 2.38 crore.**

It was observed from file notings that 62 works had been completed but the files did not have any completion certificates/certificate of taking over the completed sites with the dates thereof. In the absence of the same it would appear that time taken for execution was not being monitored. There was cost overrun of Rs 85 lakh against approved cost of Rs 2.38 crore in 17 of these completed works.

### **3.2.9.3 Incomplete works**

**Cost over run of Rs 2.15 crore in 17 incomplete works with approved cost of Rs 6.29 crore.**

Ninety six works with approved cost of Rs 55.36 crore were incomplete after incurring expenditure of Rs 28.88 crore (April 2008). This included 50 works where the completion date has not been specified. These works had been started nine to twenty seven months earlier.

There was cost over run of Rs 2.15 crore over approved cost of Rs 6.29 crore in 17 incomplete works as detailed in *Appendix- 3.5*.

<sup>7</sup> 11-Collectors; 18-Forest divisions; Public Health Engineering; Water Resource Department; Chhattisgarh State Electricity Board's divisions; Director, Kanger Valley National Park; Director, CREDA, five-Municipal bodies, one Non-Governmental Organisation and Sulabh International.

### 3.2.9.4 Irregular Advances

**Irregular advances of Rs 21.69 crore given to contractors.**

It was observed from work order files that in 112 work orders with approved cost of Rs 56.60 crore the MD approved advance payments of Rs 21.69 crore (38 per cent) immediately after giving work orders. Such advances were not permitted in any kind of works contract as per the State Government rules<sup>8</sup> and were therefore undue benefits to the contractors. The amount outstanding against these advances could not be ascertained as the board did not maintain any advance register/ contractor's ledger.

### 3.2.9.5 No tendering for Rs 27.24 crore

**Work orders for Rs 27.24 crore to contractors without tendering.**

Rule 2.075(b) of the PWD manual provided that tenders had to be invited for all works above Rs 15,000. It was observed that 125 work orders for Rs 27.24 crore (43 per cent)<sup>9</sup> were placed on 46 contractors without any tendering or competitive bidding. The value of work orders ranged from Rs 48,000 to Rs 1.53 crore. The contractors were nominated by the Chairman/MD without any recorded selection process. Therefore, the selection of contractors was made in a non transparent manner and the Board did not get the benefit of competitive offers. Other irregularities noticed in these 125 work orders are summarised in **Table-3.4** below:

**Table-3.4: Details of irregularities noticed in work orders**

Omissions noticed	No. of work orders
Work orders issued without tendering	125
Payment of Rs 1.87 crore without MBs as the same were not maintained	16
No agreement executed with the contractors	108
Brief work orders which did not give the scope of work or time of completion	81
Detailed estimates not prepared	112
Technical Sanction not given by Engineering wing of the Board	125

**Outsourced employee of the Board was paid Rs 42.12 lakh for preparation of Ropeway Act and Manual.**

It was observed from scrutiny of vouchers that the Board gave two work orders (October 2006 and June 2007) for Rs 42.12 lakh to M/s. Avian Engineers, Bhopal for drafting of Ropeway Act, Ropeway Manual, initial feasibility reports and Detailed Project Reports (DPR) for having ropeways at Chitrakote and Tirathgarh waterfall sites in Bastar district. There was no evidence of any tendering and the selected firm had been given irregular advances of Rs 12.25 lakh (October 2006) and Rs 7.30 lakh (June 2007) immediately after placing work orders. Full payment of Rs 42.12 lakh was made by July 2007. Audit was unable to ascertain whether the Board had taken any further action to develop ropeways at the identified sites because the draft act, manual, feasibility report and DPR were not available in the concerned file and were not provided for scrutiny. It was also observed that a partner of the selected firm was an outsourced employee of the Board working

<sup>8</sup> Rule 415 of Chhattisgarh Treasury code.  
<sup>9</sup> Total 158 work orders for Rs 62.93 crore.

as an Advisor, adventure sports. He had certified and verified the work as complete. Thus, there was no independent verification of the work before the final payment. Due to the award of work to an employee without competitive bidding, absence of independent verification and non-production of the Manual, Act, DPR and feasibility report to audit for scrutiny, the entire expenditure of Rs 42.12 lakh lacked transparency. No reply was furnished (September 2008).

All the irregularities indicated above resulted in undue favours to 46 contractors who were nominated without any competitive bidding, given large amounts as advance and were allowed to execute works without being bound by any agreement or time frame. Eleven contractors (24 per cent) were awarded works costing Rs 17.91 crore (66 per cent) out of Rs 27.24 crore and were the greatest beneficiaries as shown in *Appendix- 3.6*.

### **3.2.10 Poor occupancy of Hotel Chhattisgarh**

The Hotel Chhattisgarh is a fully owned subsidiary of the Board located at Raipur. It has a total of 22 rooms and four suites. The total revenue earned by the hotel during the period of audit could not be ascertained as the accounts of the Hotel had not been finalised and certified for the years 2001-08. Provisional accounts were also not produced to audit. Records for only one year (2007-08) were made available for scrutiny. It was ascertained that the hotel had an average occupancy of 6 days per month per room during the period May 2007 to March 2008.

It was observed that payment of Rs 13.46 lakh was pending from 266 guests (50 per cent) out of 537 who had stayed on credit in the hotel during this one year. There were no records to show who had authorised these free stays and how the dues of Rs 13.46 lakh were proposed to be recovered. In addition to, payment of Rs 14.00 lakh was pending from the Board in respect of guests of the Board. It was also observed that discount of 10 to 50 per cent was allowed on guest bills. However, no prescribed norms for allowing discount were shown to audit.

The hotel not only had very low occupancy but its revenue was also being further affected due to non-payment by guests and giving discounts without any norms. The Board did not furnish replies in this regard (September 2008).

### **Marketing and tourism promotion activities**

Effective marketing was the third major initiative as envisaged in the Tourism Policy which included various activities, types of work on promotion and publicity. The Board does promotional and publicity work primarily through brochures, pamphlets, tourism books, postcards, advertisements in print and electronic media, hoardings, films, participation in National and International tourism promotion activities and also disseminates information through Tourist Information Centres (TICs) within and outside the State. It has a website with information on destinations and facilities for stay and transportation. The marketing publicity and promotion activities of the Board are funded by the development grant given by the State Government. The Board spent Rs 44.32 crore out of the development grant given by the State on promotional activities.

Board did not frame a marketing strategy as envisaged in tourism policy.

### 3.2.11 Planning

The Board did not frame any marketing strategy or plan in collaboration with industry and local stakeholders to improve tourist perception and promote the State as a unique tourist destination, as envisaged in the tourism policy. The requisite market research and surveys were not done at regular intervals to formulate marketing strategies. Other tourist friendly initiatives envisaged in the policy like availability of computer based information, reservation systems and touch screen kiosks were not taken up. It was observed that the website showed some outdated information. Although 31 TICs including 14 outside the State were operational as on 25 September 2008, the web site indicated “The first TIC was inaugurated recently at Bhopal”.

### 3.2.12 Print and Electronic media

During 2003-04 to 2007-08, the Board incurred expenditure of Rs 33.07 crore on publicity through print and electronic media.

#### 3.2.12.1 Expenditure of Rs 13.84 crore in contravention of directives of the Government

The instructions (August 2001) of General Administration Department of the State Government, reiterated in November 2003 instructed all authorities under the State Government to do all printing and publicity work through the State owned agency Chhattisgarh ‘Samvad’. Work could be awarded to other agencies after obtaining “No Objection Certificate” (NOC) from ‘Samvad’. An expenditure of Rs 20.63 crore on promotional activities was compiled by audit from vouchers. It was observed that expenditure of Rs 1.44 crore was incurred during April 2004 to March 2008 through Chhattisgarh ‘Samvad’ and Rs 5.35 crore through NCCF, an agency recognised by Government of India. The balance of Rs 13.84 crore was incurred through private agencies. The breakup of this expenditure is given in **Table-3.5** below:

**Table-3.5: Breakup of expenditure incurred under printing and publicity work**  
(Rupees in crore)

Item	Amount
Hoardings and Tri-vision <sup>10</sup>	4.34
Printing of Publicity Material	1.11
Electronic Advertisements	1.37
Printed Advertisements	6.54
Films	0.48
<b>Total</b>	<b>13.84</b>

This entire expenditure pertained to activities which should have been got done through ‘Samvad’ as required by standing instructions of the Government. The Board did not correspond with ‘Samvad’ for ascertaining approved rates or getting NOC. The MD stated (August 2008) that as of now all advertising and publicity is being done through State owned ‘Samvad’.

<sup>10</sup> Advertising board with changing display.



**3.2.12.2 Hoardings and Tri-vision: No tenders for Rs 1.24 crore**

Scrutiny of records showed that Tri-vision and hoardings amounting to Rs 1.24 crore (29 per cent) were awarded to one firm by nomination by the Chairman/MD without any tendering or quotations or any recorded selection process. In the absence of competitive bidding, there was no assurance that this expenditure had been incurred at a competitive price.

It was observed that the payment for Tri-vision and hoardings had been made without any reports or photographs to verify that they had actually been erected. The contents of the hoardings were also not available on record to assess which aspects of tourism were being promoted.

**3.2.12.3 Printing of publicity material without tenders: Rs 25.34 lakh**

Scrutiny of files for printing work of Rs 25.34 lakh showed that entire amount was spent on printing of brochures, pamphlets, books etc. without any tendering or quotations. No stock or issue records were kept for the receipt and distribution of publicity material. There was no record to verify what quantity had actually been received and how it was distributed.

**3.2.12.4 Advertisements**

It was observed that the Board had not framed advertising plan and did not have a panel of newspapers and magazines for advertising. It had not specified how much of the advertising would be done within and how much outside the State. An expenditure of Rs 1.79 crore (27 per cent) was incurred for advertising in newspapers and magazines of the state which would mainly promote intra state tourism.

In 23 cases an amount of Rs 27.62 lakh was spent but the copies of magazine or newspaper carrying the advertisement were not available on record indicating that the payments had been made without verification.

The Board paid Rs 1.80 crore, during July 2006 to January 2007, to a firm “Rajesh Publicity” for inserting advertisements in newspapers for social and cultural events. This firm was not selected through any tendering process. Scrutiny of files showed that Rs 22.61 lakh was incurred on advertisements in various newspapers as per verbal orders of Minister (Tourism). For expenditure amounting to Rs 11.26 lakh it was noticed that bills were put up for *ex post facto* approval mentioning that the advertisement was done with the verbal orders of unspecified<sup>11</sup> persons from the Board. In the remaining cases *ex post facto* approval was given after presentation of bills. It was evident that advertising was unplanned and there was no assurance that it was targetting niche markets or identified potential tourists.

**Firm selected  
without tendering  
and paid  
Rs 1.80 crore.**

**3.2.12.5 Films**

The Board had commissioned the preparation of two documentary films. One of them entitled “*Vignettes of Chhattisgarh*” completed (February 2006) for Rs 30 lakh. It was however not being screened as censor certificate had not been obtained. The second film entitled “*Fair, Festivals & Traditions of Chhattisgarh*” was commissioned (November 2006) with an advance of

<sup>11</sup> Name or designation of the persons not mentioned.

Rs 18 lakh but was yet to be completed (June 2008). Consequently, the entire expenditure of Rs 48.00 lakh has remained unfruitful. The Board did not furnish any reply (September 2008).

### **3.2.13 Participation in international meets.**

The Board sent six<sup>12</sup> delegations to participate in International/ World Travel Marts and other promotional meets/Road shows on tourism. Three invitations were received for participation from GOI while for other three invitations were received directly from event sponsors. Scrutiny of the files relating foreign tours showed that there were no tour reports from delegation members on record indicating the tourism related activities carried out in the international events. In its absence the Board could not have assessed to what extent the trips had contributed to promotion of tourism. It was observed that against the estimated delegation expenditure of Rs One crore, actual expenditure was Rs 2.28 crore as detailed in **Appendix- 3.7** resulting in excess of Rs 1.28 crore (128 *per cent*). The major part of excess expenditure of Rs 97.98<sup>13</sup> lakh (77 *per cent*) was on sightseeing (Rs 25.58 lakh) and expenditure on members (Rs 72.40 lakh) not entitled for foreign travel as per the details in the following two paragraphs.

#### **3.2.13.1 Sightseeing of Rs 25.58 lakh: Benefit to Board not assessable**

An amount of Rs 25.58 lakh spent on sightseeing (20 *per cent* of the excess). The itineraries showed that the sightseeing covered well known tourist spots. It also included Rs 2.56 lakh spent by five persons on a star cruise package on the luxury ship “Virgo” at Singapore. The benefit to the Board from such extensive sightseeing was not assessable. The delegation members had not given any feed back on their sightseeing, which could be used by the Board for planning any activities or development of infrastructure for tourism.

#### **3.2.13.2 Undue benefit of Rs 72.40 lakh to delegates and unauthorised travellers**

In one tour<sup>14</sup> while the approval was for four persons to visit Colombo for three days, a team consisting of eight members actually visited Colombo, Singapore and Malaysia for 10 days. All expenses for the additional two places and four extra persons were borne by the Board. This was irregular and amounted to financing of personal trips made by the team members and unauthorised persons to different countries. The extra expenditure incurred for visiting these additional spots and the unauthorised persons was Rs 20.16 lakh (16 *per cent* of the excess).

In another three tours<sup>15</sup> while the approval was for 12 persons, 14 additional persons travelled at the expense of the Board. The extra expenditure on these unauthorised persons was Rs 52.24 lakh (41 *per cent* of the excess). Scrutiny

**The Board spent Rs 72.40 lakh on unauthorised foreign trips.**

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<sup>12</sup> Gateway to South Asia Travel Mart-2005 Sri Lanka, Road show in Colombo & Kuala Lumpur, World Travel Mart London-2005, Pasaar Bharat: Malaysia-2005, Pacific Asia Travel Association: Travel Mart-2006 Hongkong and International Tourist Bourse-2007 Berlin.

<sup>13</sup> Rs.25.58 lakh plus Rs 72.40 lakh

<sup>14</sup> Gateway to South Asia Travel Mart-2005 Sri Lanka.

<sup>15</sup> World Travel Mart London-2005, Pacific Asia Travel Association: Travel Mart-2006 Hongkong and International Tourist Bourse-2007 Berlin.

of the files did not show the justification for the Board incurring expenditure on additional members travelling without approval of the government.

Thus, the Board extended undue benefits to 18 persons by financing their unauthorised visits to foreign countries. Their inclusion in the delegations had not been approved either by Government or cleared by Finance Department. It was evident that the tours also had elements of family holiday as the Board paid for sightseeing and holiday cruises and the unauthorised travelers included family members, contractors and personal staff.

The Board did not furnish any reply (September 2008).

### **3.2.13.3 Incorrect information furnished to Vidhan Sabha**

The Board informed in reply to a Vidhan Sabha question (November 2006) that expenditure of Rs 1.07 crore had been incurred on travel of 19 persons for five foreign tours during the period June 2005 to September 2006. However the actual expenditure was Rs 1.28 crore on 31 persons including 15 who had travelled without approval of the government on the Board's expense. Therefore, the Board understated the expenditure and number of persons travelled while furnishing information to the Vidhan Sabha.

### **3.2.14 Tourist Information Centres**

The Board opened 31 TICs of which 14<sup>16</sup> were located in different cities outside Chhattisgarh and 17 were located within the State. The TICs were manned by outsourced employees. Scrutiny of records of eight TICs<sup>17</sup> showed that they were maintaining visitor's books to record details of the tourists and distributing brochures and pamphlets. TIC Nagpur and Visakhapatnam had organized a road show and TICs Bhopal and Kolkata had participated in local fairs. TIC Kolkata, Nagpur and Visakhapatnam had booked three, seven and one paid package tours respectively starting from Raipur. It was observed that while the TICs were recording information on the number of tourist enquiries, foreign and domestic, this information was not being forwarded to the Board as no periodical returns had been prescribed by the Board for this information.

#### **3.2.14.1 Fraudulent quotations used to incur expenditure- Rs 1.13 crore**

**It was observed that a total expenditure of Rs 1.86 crore was spent on renovation and interior decoration of 12 TICs building functioning from rented premises. Scrutiny of interior improvement work records/files showed that in six<sup>18</sup> TIC interior works amounting to Rs 1.13 crore had been awarded on the basis of sealed quotations and payment had been made. It was observed that in some cases the envelopes of the sealed quotations were fully intact without any tear which was not possible as the quotation could not have been taken out without tearing the sealed envelop. In other cases the pages of the quotations did not have any fold marks and it was not possible to insert pages in the attached envelopes**

<sup>16</sup> Ahmedabad (two), Bangalore, Bhopal (three), Bhubaneswar, Hyderabad, Jaipur, Kolkata, Nagpur, Varanasi and Visakhapatnam (two).

<sup>17</sup> Bhopal (three), Kolkata, Nagpur, Raipur (two) and Visakhapatnam.

<sup>18</sup> Bangalore, Bhopal, Bilaspur, Dongargarh, Kolkata and Visakhapatnam.

without folding. It was therefore evident that the purportedly “sealed” quotations had not been placed and received in sealed envelopes.

The summarised finding of a joint verification of the quotations and envelopes conducted by four representatives from audit and three representatives of the Board is detailed in *Appendix- 3.8* which establishes that authentic sealed quotations had not been received in any of the six cases and the works had been awarded to select vendors after placing fraudulent quotations on file to complete the records.

#### **3.2.14.2 Payment of Rs 17.35 lakh for items not furnished**

In four<sup>19</sup> TICs it was observed that 25 items to be provided as part of interior decoration works were actually not available but the Board had paid Rs 17.35 lakh. The matter needs to be investigated as payments were made without verifying the actual receipt of the items.

#### **3.2.14.3 Unfruitful expenditure of Rs 16.58 lakh**

The outstation TICs were running from rented buildings. It was observed that rent of Rs 16.27 lakh for five TICs was paid to house owners/ owners of rented buildings during the period September 2003 to March 2008. No bills for telephone or office expenses were on record and no other expenditure was booked for these TICs except for an electricity bill of Rs 31,000 for one TIC of Bhopal. There was no evidence on record furnished to Audit that they had ever started any operations. Thus, the total payment of Rs 16.58 lakh remained unfruitful as detailed in *Appendix- 3.9*. The Board did not give any reply (September 2008).

### **3.2.15 Familiarisation Tours**

The Board’s decision read with the bye-laws of the Board provided that it would organize familiarization (Fam) tours for foreign travel agents, tourism promotion agencies and tour writers to facilitate the publicity of the tourism potential of the State. The Board did not have any documented plan or strategy for Fam tours. In the absence of a list of approved Fam tours, the purpose and expected benefits, it was impossible to assess the benefits.

The Board incurred an expenditure of Rs 1.57 crore under the Head “Fam Tours” during the period 2003 to 2008. Audit scrutinised and compiled information from 469 sub vouchers (actual bills) of Fam tours attached to 152 vouchers for an expenditure of Rs 51.29 lakh (33 *per cent*) in a data base for analysis. This expenditure was incurred primarily on hotel and restaurant bills (Rs 39.06 lakh) and vehicles hired, rail and air tickets (Rs 10.85 lakh). The amount was spent on various categories of persons as tabulated in *Appendix- 3.10*.

It was observed that the Board incurred an expenditure of Rs 31.27 lakh on various ‘other’ persons. In most of the cases, specialisation of the person such as travel writer, media representative etc. and the reasons for giving them Fam tours were not recorded. Therefore, the exact benefit to tourism activities could not be ascertained.

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<sup>19</sup> Kolkata, Nagpur, Raipur Railway station and Visakhapatnam.

**Contractors treated as guests of the Board.**

The Board spent Rs 1.61 lakh on Contractors and service providers by treating them as “guests of the Board” without mentioning why they were being given Fam tours. A sample of the highest bill for Rs 89,675 is given in *Appendix- 3.11* for hotel stay of four persons and a contractor who provides vehicles on rental to the Board. The purpose for sending them on this tour was not on record. It was evident that the contractors were given undue benefits as there was no justification to treat them as guests.

**Holiday packages financed by the Board.**

Board incurred Rs 4.25 lakh on BoD members, their guests and personal staff which included Rs 3.54 lakh spent outside the State and there was nothing on record to explain why such a large amount was spent on Board functionaries and their guests to visits outside the State and what benefits were derived. It was observed that the expenditure included Rs 60,361 spent by Special Assistant to Minister (Tourism), spouse and son on tickets and hotel stay for a visit to Jammu and Srinagar, Rs 1.80 lakh for five guests of the Chairman who had availed a six night “Chennai Package” booked by Travel agent “Ajay Holidays” and Rs 21,000 for an unnamed guest for a “dream holiday package” at a resort in Puri, Orissa.

The “unspecified” expenditure included 11 bills of Hotel Ishika, Raipur for Rs 11.02 lakh during the period March 2006 to July 2007 on food charges at Rs 225 per plate for a total of 4,034 plates on 11 occasions. The numbers of persons for each event ranged from 108 to 748. The venues and purpose of hosting these parties were not on record and it was not possible to ascertain how they were related to Fam tour or tourism development. One sample bill placed as *Appendix- 3.12*.

It was therefore evident that Fam tour expenditure was incurred without any rules or norms in a non-transparent manner which facilitated instances of misuse. It was impossible to ascertain to what extent they helped in propagating the cause of tourism.

## **Internal Control**

### **3.2.16 Budgeting and Accounting**

The Board prepares receipt and payment accounts, income and expenditure accounts and balance sheet. The preparation of accounts for 2006-07 and 2007-08 were pending (August 2008). It was observed that:

- The Heads under which accounts were kept did not correspond to the budgetary heads. While a large number of sub heads of account were used, the same transactions were not uniformly booked under same subheads in all the years.
- Budget availability was not recorded on the files/vouchers while sanctioning expenditure. Consequently, there were misclassification of vouchers, excesses and diversion of funds between sub heads.

Scrutiny of vouchers showed that a large number of advances were given to various contractors and officials of the Board ranging from MD to the outsourced staff and others such as Principal Secretary (Tourism) and PA to Hon’ble Minister (Tourism). The exact amount advanced was not ascertainable as there was no central record. The Board did not maintain any

advance registers and did not monitor the adjustments and the amounts outstanding against individuals at any given time during the year. Hence this could be ascertained only after all the vouchers for a financial year were accounted for and annual accounts completed. Consequently, many persons got further advances without adjusting earlier advances. The unadjusted advances at the end of every year during 31 March 2004, 2005 and 2006 were Rs 14.41 lakh, Rs 5.52 crore and Rs 17.35 crore respectively with contractors and Rs 10.62 lakh, Rs 28.76 lakh and Rs 1.01 crore with staff respectively as per the audited annual accounts. There was no assurance that advances would be fully adjusted.

### 3.2.17 Controls on bills and vouchers

Audit had compiled statistics of 322 vouchers with expenditure Rs 48.05 crore to test various prescribed controls for preparing and passing vouchers. It was observed that payment of Rs 30.05 crore (63 *per cent*) was made on 184 vouchers which were not supported with proper bill/ invoices as detailed in **Table-3.6** below:

**Table-3.6: Details of bill/ invoices**

(Rupees in crore)

Type of "bill"	Numbers	Amount
<b>Improper bills</b>		
E-Mail	2	0.27
Faxed bill	4	1.31
Letter head/Letter	103	16.97
No supporting bill	66	10.57
Plain Paper	3	0.42
Photocopy	6	0.51
<b>Total (improper bills)</b>	<b>184</b>	<b>30.05</b>
Proper Bill/Invoice form	138	18.00
<b>Total sample</b>	<b>322</b>	<b>48.05</b>

(Source: Compilation of vouchers by audit)

Samples of improper bills in the **Appendix- 3.13**.

It was evident that no control was exercised at any stage and anything could pass off as a "bill". It was further observed that vouchers did not indicate the purpose and details of expenditure and 34 *per cent* vouchers did not have number and date and signatures of competent authority. In 47 *per cent* pay orders cheque number and date of payment were not recorded. Ninety nine *per cent* paid vouchers and sub-vouchers (supported bills/invoices) were not scored out with "Paid and Cancelled" introducing the risk of reuse for false claims.

In the absence of any controls, there was no assurance on the validity of expenditure. It facilitated the misuse of powers as the Accounts officer/DGM approved expenditure of Rs 64.47 lakh whereas the competent authority for incurring all expenditure was the MD. It was stated (April 2008) by the MD that the matter would be investigated.

### 3.2.18 Irregularities and fraud by Principal Secretary, Tourism

#### 3.2.18.1 Irregularities in adjustment of advances

It was observed that the Board gave advances of Rs 25.40<sup>20</sup> lakh during March 2006 to July 2007 to Principal Secretary<sup>21</sup>, Tourism and Culture (PS). Adjustment vouchers for Rs 18.94 lakh were also submitted for expenditure incurred by the PS against advances given to an outsourced employee. It would therefore appear that Rs 18.94 lakh was irregularly booked as advance in the name of an outsourced employee to understate the total advances of Rs 44.34 lakh actually given to the PS. Adjustment vouchers of Rs 42.19 lakh were presented for scrutiny to audit and the Board was unable to give any account of the balance of Rs 2.15 lakh as no advance registers were maintained.

#### 3.2.18.2 Excessive touring without approved tour programmes

Compilation of the outstation bills showed that the PS was away from Raipur very frequently<sup>22</sup> but the Board and the Department of Tourism and Culture confirmed (August 2008) that they did not have his approved tour programmes. PS furnished a clarification (September 2008) stating that during 2007 he had undertaken a large number of tours on behalf of the Board to attend various events outside the State. PS also stated that during July 2005 to January 2007 he was holding the charge of Chairman, Chhattisgarh Board of Secondary Education (CBSE) and additional charge of PS (Tourism) and had powers to sanction his own tours. This contention was not acceptable. For all tours undertaken as PS (Tourism), his tour programmes should have been approved by the Chief Secretary who was the controlling officer.

The PS also furnished copies of approvals for 69 tours with his clarification. It was observed that adjustment vouchers of Rs 5.29 lakh submitted by PS towards expenditure incurred outside the State during the period April to December 2007 were not supported by the 69 approved tour programmes furnished by the PS. Therefore, it could not be ascertained who had approved these tours.

#### 3.2.18.3 Fraudulent expenditure

**Scrutiny of vouchers showed that bills were submitted for expenditure incurred by the PS in two different cities, far apart from each other, within a span of one hour which was not possible. A few instances are given in the following Table-3.7.**

<sup>20</sup> Rs 5.50 lakh through bank transfer, Rs 15.50 lakh through cheques and Rs 4.40 lakh through cash.

<sup>21</sup> During the period September 2005 to February 2008.

<sup>22</sup> 52 days in three months (April, May and June 2007).

Table-3.7: Details of bills within a span of one hour

Date	Place-1, type of bill and time	Place-2, type of bill and time	Time difference
06-April-07	Chennai, Miscellaneous Bill (7.46 PM)	Mumbai, Restaurant bill (8.36 PM)	50 minutes
13-May-07	Raipur, Restaurant bill (8.08 PM)	Chennai, Restaurant Bill (8.42 PM)	34 minutes
24-June-07	Nagpur, Restaurant Bill (2.31 PM)	Chennai, Restaurant bill (2.48 PM)	17 minutes
26-June-07	Raipur, Restaurant Bill (1.22 PM)	Chennai, Restaurant bill (2.09 PM)	47 minutes
18-July-07	Chennai, Restaurant Bill (8.38 PM)	Raipur, Restaurant bill (8.49 PM)	11 minutes

Bills showed the officer to be at two places in a time span which was impossible.

There were other cases of expenditure at multiple places which were improbable:

- Hotel stay from 20 August 2007 to 21 August 2007 at Mumbai and simultaneous vehicle hire at Chennai from 20 August 2007 to 23 August 2007.
- Vehicle hired at Chennai for three days from 26 August 2007 to 28 August 2007 and road journey from Mumbai to Shirdi and back on 28 August 2007.
- He travelled from Raipur to Delhi on 29 June 2007 between 6:35 p.m. to 8:15 p.m. and as per restaurant bill he was also present at Chennai at 7:46 p.m. which was not possible. He hired a vehicle at Chennai on the same day.
- On 1 April 2007 he travelled from Raipur (5 AM) to Nagpur (10 AM) by car (five hour road journey) and from Nagpur (11.40 AM) to Hyderabad (12.40 AM) by flight followed by stay at Hyderabad up to 7:30 PM. On the same day a vehicle was booked at Nagpur for a round trip to Jabalpur at 5 AM. This was not possible as he travelled by car from Raipur to Nagpur and then left for Hyderabad and there was no time available to do a round trip to Jabalpur. There was also a journey from Hyderabad (1 April 2007-7.30 PM) to Bangalore by train with arrival next day (2 April 2007- 7.35 AM) whereas there was a restaurant bill from Chennai for 1 April 2007 at 10.46 PM. This was not possible as he was on the train to Bangalore.

It was therefore evident that some of the bills submitted for expenditure by the PS could not have been incurred by him as per records produced to audit. Thus, the bills submitted for expenditure incurred by the PS appeared to include fraudulent claims.

#### 3.2.18.4 Unregulated hotel and TA bills

Payment of hotel bills up to Rs 16,530 and restaurant bills over Rs 3,000 per day for PS.

The tariffs paid for hotel stay and transport was more than Rs 10,000 per night (up to maximum Rs 16,530 per day) on 12 occasions against the maximum admissible amount of Rs 5,000<sup>23</sup> per day. On 32 days the restaurant bills were

<sup>23</sup> As per the TA/DA rules of the State Government.



over Rs 3,000 per day (upto maximum Rs 57,830) against the admissible daily allowance of Rs 200. It was evident that the Board facilitated the use of facilities much beyond Principal Secretary's entitlement. It was also observed that out of total hotel bills of Rs 6.35 lakh, 10 bills amounting to Rs 2.77 lakh were not original bills but summary invoices submitted by a travel agent "Planet Earth" based in Bangalore and did not show the details of expenditure. It was not explained why such a large expenditure was booked through "Planet Earth", Bangalore whereas the officer was based in Raipur. In the back ground of detection of fraudulent bills, these hotel bills were also doubtful and are required to be investigated.

### **3.2.18.5 Inadmissible expenditure of Rs 1.90 lakh.**

Inadmissible expenditure on items of personal use such as mobile recharge, refrigerator, air conditioner, furniture, clothes, curtains and cosmetics amounting to Rs 1.90 lakh were incurred which were recoverable.

In view of the detection of fraudulent bills and many inadmissible items, an investigation of all claims is required to establish the extent of fraud/recovery.

### **3.2.19 Advances to PA to Minister (Tourism): Rs 20.85 lakh**

It was observed that an amount of Rs 20.85<sup>24</sup> lakh was advanced to PA to Minister (Tourism) during April 2005 to September 2006. The Board did not explain what duties he had in the Board. PA to Minister deposited back (July 2007) Rs 4.25 lakh to the Board. Against balance of advance of Rs 16.60 lakh only four adjustment vouchers of Rs 6.05 lakh (29 per cent) were traced during checking and remaining vouchers were not produced to audit. Scrutiny of the available vouchers showed that-

- PA to Minister purchased a laptop for Rs 98,788 at Kuala Lumpur. The prior approval or sanction of the Board was not produced to audit. This item was not entered in the stock register and is required to be returned to the Board.
- Adjustment voucher (June 2006) showed an expenditure of Rs 27,187 for a trip of PA to Minister and his daughter to Jaipur and other trips to Delhi, Mussoorie and Trivandrum. Purpose and approval for visits was not on record.
- PA to Minister submitted (July 2007) a claim for adjustment of Rs 8.74 lakh. The sub vouchers attached with the claim included six blank bills and four blank signed bills from five firms, samples placed at **Appendix- 3.14**. It was possible to use these for any purpose including making false claims. In view of the irregularities, all adjustment vouchers are required to be examined. Penal interest is to be recovered on unadjusted amount as per rules.

<sup>24</sup> Rs 19.75 lakh by cheques, Rs 1.10 lakh in cash.

### 3.2.20 Advance to Ex-Managing Director-Rs 20 lakh

Adjustment vouchers not available for Rs 6.53 lakh.

Rule 7, 8, 9 and sub-rule 284 of Chhattisgarh Treasury Code and Rule 6 of Chhattisgarh Financial Code provides that Government money should not be drawn except for immediate disbursement and should not be retained in a personal account. It was observed that the Ex-Managing Director during the period from August 2005 to November 2005 approved advance of Rs 20 lakh to himself through two cheques of Rs 10 lakh each in June 2005 and November 2005 which were credited in a savings account in his name. He was transferred in August 2007 and Board transferred unspent balance of Rs 14.49 lakh (including interest of Rs 1.02 lakh) back to the Board account in September 2007. The entire amount was therefore irregularly kept for 24 months in a personal account resulting in blocking of funds. The Board has not been able to furnish any vouchers for the amount of Rs 6.53 lakh spent by the erstwhile MD upto August 2008 to audit. Memos were issued in November 2007 and January 2008. The entire amount of Rs 6.53 lakh is required to be recovered and additional penal interest as specified in the Rule 271 of Chhattisgarh Financial Code is also to be recovered on Rs 20.00 lakh.

## Establishment Controls

### 3.2.21 Manpower Management

#### 3.2.21.1 Excess Employees

The Board was initially set up with the officials of the Madhya Pradesh Tourism Corporation who have opted for Chhattisgarh State. The Finance Department had approved 128 sanctioned posts for the Board in the year 2004. It was observed that without obtaining the approval of BoD and Government, the Board engaged large number of personnel in excess of the sanctioned strength through outsourcing during 2003-04 to 2007-08 and paid an amount of Rs 2.73 crore to the service provider. In September 2007 the Board had 265<sup>25</sup> staff members on its rolls. After audit had sought clarification on exact number of employees through outsourcing (October 2007), the Board terminated (November 2007) the services of 91 outsourced personnel.

#### 3.2.21.2 Employees were actually appointed by MD and not through outsourcing

Over 200 persons employed without any competition or selection process.

It was observed that an outsourcing arrangement had been made (2002) with a manpower service provider (MSP) to provide six personnel for technical and marketing support and translation and tour escort services. However, more than 200 were employed through MSP. Files pertaining to 40 outsourced personnel were produced to audit and random scrutiny of 25 files revealed that all the 25 outsourced employees had actually approached the Board directly with applications and bio-data and the MD had approved their engagement and ordered that their names should be sent to MSP. Subsequently, the names of these selected persons were sent back by the MSP to the Board mentioning the post and pay which had been already pre-approved by MD on file, along with 15 per cent service charge component. It was evident that the so called

<sup>25</sup> Included 203 Outsourced employees, 12 apprentices and 50 regular employees.

“outsourced” personnel were being directly selected by the MD at his own discretion in a non transparent manner without any prescribed/recorded selection procedure and their names were then routed through the MSP so that they could be treated on paper as “outsourced employees”.

### ***3.2.21.3 Engagement of Apprentices without any recruitment rules and conditions of service***

The Board engaged 12 candidates as apprentices during the period from July 2003 to October 2007 with pay ranging from Rs 2,000 to Rs 8,000 per month. They were designated as Tourism Officer (nine) and Information Assistants (three). It was observed that there was no system of recruitment of apprentices in the State Government and the Board had not framed any recruitment rules, eligibility conditions such as qualification, age, experience etc. There was no evidence that the posts were advertised and no recorded selection procedure was followed. Apprentices have continued working without any break in between upto five years without any recorded service conditions. Their pay was also raised periodically without any recorded basis from Rs 2,000 to Rs 8,000 per month. It was evident that the recruitments were done in a non-transparent manner without any competition and any prescribed/recorded selection procedure and without any service conditions.

### **3.2.22 Payment of inadmissible allowances to MD and other officials of the Board**

As per finance instruction (May 2002) the employees of Board were entitled to pay and allowances and other facilities as applicable to the employees of the State Government and no additional or higher facilities could be provided without approval of the Government. It was observed that the Board provided higher and inadmissible allowances and other facilities to its staff as detailed below:

#### ***3.2.22.1 Inadmissible orderly allowance-Rs 3.19 lakh***

The financial rules and orders of the State Government do not provide for any orderly allowance. During September 2002 to March 2008 the Board paid orderly allowance amounting to Rs 3.19 lakh to 10 officials, which was recoverable in full. The MD stated (April 2008) that allowances were paid for keeping an orderly at residence of Class-I and II officers. The reply was not acceptable. The State Government does not provide orderly facility or payment of such an allowance.

#### ***3.2.22.2 Inadmissible ex-gratia payment of Rs 7.52 lakh***

The rules of the State Government do not provide for any bonus or ex-gratia payment and the BoD rejected a proposal for ex-gratia payment in its second meeting (September 2003). It was observed that, with the approval of MD, the Board made (October 2005) ex-gratia payments equivalent to two months salary (basic pay+ dearness allowance) amounting to Rs 7.52 lakh to 45 officers/ employees (including MD). The entire inadmissible payment was required to be recovered. MD stated in reply (February 2008) that the amount was negligible and was paid during 2005 and 2006 in view of hard and sincere work. The reply was not acceptable because the payment was not admissible

under any rules. The MD also gave himself an irregular benefit by his own orders which was an act of impropriety.

### **3.2.23 Irregular air travel by employees**

Chhattisgarh Government Financial Code read with Finance Department instructions (November 2001) regulated the TA/DA and air travel of the Board employees at Government rates and required prior approval of the Finance for non-entitled officers to travel by air. The Board incurred Rs two crore on air travel during 2003-08. It did not have a standardised TA bill format or prescribed system of approval of tour followed by submission, scrutiny and passing of Traveling Allowance (TA) bills. Approvals for tours were given while passing the bills and boarding and lodging expenses on tour were claimed on actuals and reimbursed without restricting to TA/DA rates specified by the state government. The reimbursements were invariably higher than entitlements and were required to be recovered.

**Air travel by non-entitled officials  
Rs 15.02 lakh.**

Scrutiny and analysis of 351 air trips amounting to Rs 45.82 lakh revealed that Rs 15.02 lakh (33 *per cent*) pertained to 116 trips by non-entitled officials consisting of regular CTB employees<sup>26</sup> (Rs 7.33 lakh), ministerial staff (Rs 5.20 lakh), three outsourced employees (Rs 1.12 lakh), and contractors/consultants/Service providers (Rs 1.37 lakh). Records produced to audit did not show the justification for non-entitled persons to travel by air and the clearance of the Finance Department had not been obtained. Approvals were given by the MD who did not have the powers.

**Relatives of officials travelled on Board's expenses  
Rs 1.21 lakh.**

It was also observed that relatives of five officials of Tourism and Culture Departments had availed 17 air trips on Board's expenses amounting to Rs 1.21 lakh which was inadmissible. Out of total 351 trips, in 286 trips copy of air tickets were not available and payment of Rs 34.56 lakh (75 *per cent*) was made on the basis of invoices submitted by the travel agents.

It was evident that the facility of air travel was being widely misused in the Board and the payments without air tickets/ boarding passes gave no assurance that journeys were actually performed. The Board did not furnish reply (September 2008).

### **3.2.24 Irregularities in purchase, hire and utilization of vehicles- Rs 1.99 crore.**

The Board incurred an expenditure of Rs 4.26 crore on purchase and hiring of vehicles. Some of the purchased vehicles were attached to officials and some were used for miscellaneous duties. Many vehicles were hired on monthly basis for officials and others were hired on daily basis for journeys within the state as ascertained from duty slips.

#### **3.2.24.1 Irregular Purchase of Vehicles Rs 1.24 crore**

The Finance Department has issued instructions (December 2001 and December 2003) that new vehicles may be purchased only with prior approval of the Finance Department. Scrutiny of records revealed that the Board purchased 17 vehicles including four buses and two electric cars between

<sup>26</sup> Three Deputy General Managers and One Senior Tourist Officer.

May 2003 to March 2007 for Rs 1.24 crore without approval of the Finance Department and without inclusion in the budget estimates. Ten vehicles were purchased at prices ranging from Rs 4.81 lakh to Rs 15.62 lakh against the prescribed limit of Rs four lakh resulting in unauthorised payment of Rs 26.90 lakh (67 per cent) over the ceiling of Rs 40 lakh. On this being pointed out (November 2007) the Managing Director confirmed (December 2007) that approval of the Finance Department was not taken and stated that the vehicles were purchased as per requirement of the activities of the Board. The reply was an acceptance of the purchases without approval of Finance Department.

#### **3.2.24.2 Allotment and utilisation of vehicles**

**Vehicles attached to four non-entitled officers.**

Only the Chairman, MD and GM were entitled to official vehicles according to the State Government norms applicable to the Board. It was observed that four vehicles were attached to officials of Board who were not entitled to any official vehicle as shown in *Appendix- 3.15*.

**Inadmissible expenditure of Rs 75.34 lakh on hiring of vehicles on monthly basis.**

The Board has incurred an expenditure of Rs 3.02 crore during 2003-08 on hiring of vehicles on monthly and daily basis. Audit scrutiny of a sample of vouchers for hiring of vehicles on monthly basis amounting to Rs 1.02 crore revealed that expenditure of Rs 75.34 lakh was incurred on providing inadmissible benefits as shown in *Appendix- 3.15*. This included providing monthly vehicles to five officials who were not entitled to any official vehicles. The Minister (Tourism)-cum-Chairman of the Board was allotted three hired vehicles on monthly rentals for a total of 49 months and the MD and PS were also allotted vehicles on monthly basis in addition to their official vehicles. Two officials i.e. the Executive Engineer and DGM (Finance), Board got double benefit as they were given official vehicle as well as vehicles on monthly basis for 23 and eight months respectively although they were not entitled to any vehicle. It was evident that vehicles were provided as undue benefits to various officials in excess of norms.

#### **3.2.25 Stores and stock**

The BoD had decided in its first meeting that stores and stocks rules of the State Government would be followed by the Board. It was observed that in most cases there were no indents or requisitions from operational wings for purchase of items and prior approvals for purchase. Bills were presented after purchase and passed for payment by the MD, thus giving post facto approval. On receipt of purchased goods, requisite verification of quality and quantity were not recorded on invoices and certificates of entry in the Stock Register were not made.

The Board produced stock registers (May 2008) for audit scrutiny seven months after the issue of first requisition (October 2007). It was observed that voucher or cash book references had not been recorded and annual physical verification had not been done. While the Board incurred huge expenditure on printing of publicity material, gift items and mementos such as paintings, handicrafts etc., these were not properly taken to stock and issues were also not recorded. Therefore, it was not possible to ascertain the utilisation. Items of furniture, air conditioner etc. were purchased for Chairman, MD, PS and other officials of the Board but were not entered in the Stock Register.

In view of the poor controls on vouching and stores, there was high risk of pilferage of large number of items purchased and not entered on stock. Many of these items were in possession of various personnel and there was no assurance of their return.

### **3.2.26 Conclusion**

The Board carried out a large number of activities for the promotion of tourism in the newly created State of Chhattisgarh. However, it did not frame the Master plan for development of tourism. By not having meetings for two and half years, the overall control and accountability to the BoD was diluted. Since it did not collect data on tourist inflow and revenue generation, the Board did not have any yardstick to assess to what extent its efforts had led to growth in tourism. It took up the major interventions in the tourism policy of the State by initiating a large of number of construction works and publicity and tourism promotion activities. The monitoring of projects was inadequate and there were cost overruns and long execution periods. It functioned with very weak controls and there was lack of transparency in awarding large number of works without tendering and engaging of personnel without a selection process. It extended undue benefits to its employees, contractors, Board members and officials of tourism department in the form of inadmissible facilities and allowances and irregular travel including unauthorized foreign trips. Some instances of fraudulent claims and manipulation of records were also detected. The Board was also deficient in accounting and maintenance of stock which facilitated large scale irregularities.

### **3.2.27 Recommendations**

It is recommended that the Board should-

- Frame a Master Plan as envisaged in the tourism policy with specific mile stones.
- Establish a mechanism for maintaining a record and assessing tourist inflow and revenue generation from tourism.
- Monitor and complete the large of number of unfinished works.
- Strengthen the internal control by preparing a compendium of applicable rules and regulations quoting appropriate authority.
- Get all major initiatives and projects vetted and approved by the Board of Directors.
- Frame a marketing policy as envisaged in the tourism policy and document the purposes, benefits and feed backs for various promotional activities to enable informed decision making.
- Place all work orders after tendering as per rules.
- Document and adopt selection/ recruitment procedures for personnel.
- Regulate the grant of advances and monitor through control registers.
- Establish proper controls on accounting and stock management/ physical asset registers.