

OVERVIEW

This Report comprises six Chapters; the first two contain observations on the Finance and Appropriation Accounts of Government of Chhattisgarh and the remaining four chapters contains three¹ performance audits, audit of internal control in Police Department and 13² paragraphs on audit of financial transactions of various Government Departments and Government Companies and Statutory Corporations.

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

1. Financial Position of the State Government

During 2007-08 there was 21.2 *per cent* growth in revenue receipts and growth of 23.2 *per cent* in revenue expenditure. The revenue surplus of the State increased from Rs 2,651 crore in 2006-07 to Rs 3,039 crore in 2007-08. State's own resources comprising tax and non-tax revenue contributed 55 *per cent* of the Revenue Receipts. The State has achieved the fiscal targets laid down in the Fiscal Responsibility and Budget Management (FRBM) Act, 2005.

Capital expenditure increased by 42.44 *per cent* from Rs 2,198 crore in 2006-07 to Rs 3,131 crore in 2007-08 and fiscal surplus of Rs 37 crore in 2006-07 turned into fiscal deficit of Rs 128 crore in 2007-08. Expenditure on Salaries (Rs 2,965.01 crore including wages) and Pension (Rs 684.58 crore) and Interest payments (Rs 1,140 crore), together consumed 37 *per cent* of total revenue receipts of the State. Fiscal liabilities increased from Rs 9,245 crore in 2002-03 to Rs 14,512 crore in 2007-08.

The overall savings of Rs 3,745.01 crore was 22.73 *per cent* of the original grants/appropriations. This was the result of savings of Rs 3,761 crore in 154 cases of grants and appropriations off-set by an excess of Rs 15.99 crore in a total of six cases of grants and appropriations.

(Paragraphs 1.1 to 2.6.5)

¹ Two Civil and One Commercial.
² Eight Civil and five Commercial.

2. National Rural Employment Guarantee Scheme

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 was 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, timely employment, authenticity of beneficiaries, payments and reported figures of financial and physical progress. There were shortcomings in monitoring and complaint redressals.

(Paragraph 3.1)

3. Working of Chhattisgarh Tourism Board

The Chhattisgarh Tourism Board is the nodal agency for promoting tourism in Chhattisgarh. The Board initiated many activities in the tourism sector to develop tourist destinations by improving infrastructural facilities and did publicity and promotions to increase tourist inflow in the State. It was observed that it had not framed long term plans to coordinate its activities and had not instituted a system to assess the increase in tourist inflow and revenue generation from tourism. The Board had very weak internal control which facilitated irregular and fraudulent expenditure.

The Board issued work orders of Rs 27.24 crore for construction work and Rs 1.24 crore for Publicity expenditure without tendering. It incurred expenditure of Rs 72.40 lakh on unauthorised foreign trips and incorrect information was furnished to Vidhan Sabha with regard to foreign tours. Instances of fraudulent quotations and bills were also detected.

(Paragraph 3.2)

4. Internal control in Police (Home) Department

Internal Control is an integral component of an organisation's management processes which are established in order to provide reasonable assurance that the operations are carried out effectively and efficiently, financial reports and operational data is reliable, and the applicable laws and regulations are complied with so as to achieve organisational objectives.

A review of internal control in Police Department showed that non-reconciliation of departmental expenditure with the Accountant General resulted in a difference of Rs 102.46 crore during 2003-04 to 2007-08. Control procedures for maintaining cash books were not adhered to. There were cases

of issue of expired ammunitions. There was no significant pendency in disposal of registered cases in test checked Police Stations. There were instances of delay in collecting of arms and ammunitions from ordinance factories and delays in disposal of complaint cases against the police personnel.

(Paragraph 5.1)

5. Audit of Transactions

Audit of financial transactions, subjected to test check in various departments of the Government and their field functionaries revealed instances of loss of interest, unfruitful expenditure, avoidable extra cost and irregular expenditure amounting to Rs 15.19 crore. Some of them are mentioned below:

Loss of interest of Rs 15.93 lakh due to investment of Welfare fund in ineligible bonds by Sainik Welfare Board, Chhattisgarh.

Unfruitful expenditure of Rs 2.38 crore on “e-Gram suraj” project was noticed in Panchayat and Rural Development Department.

Avoidable extra cost of Rs 31.96 lakh due to irregular laying of Granular Sub Base with excessive thickness was noticed in Public Works Department.

Non-recovery of differential cost of Rs 21.73 lakh from defaulter firms on purchase of medical equipment and infrastructure created for Rs 2.88 crore for telemedicine system remained unutilised for more than three years was noticed in Public Health and Family Welfare Department.

(Paragraphs 4.1 to 4.4)

6. Government commercial and trading activities

6.1 Overview of Government companies and Statutory corporations

As on 31 March 2008, the State had eight Government companies, two Statutory corporations and one Electricity Regulatory Commission. Total investment in ten working PSUs (eight Government companies and two Statutory corporations) was Rs 3,152.28 crore. Out of eight Government companies and two Statutory corporations, none had finalised their accounts for 2007-08. According to the latest financial accounts, four Government companies and two Statutory corporations had earned an aggregate profit of Rs 308.41 crore and three Government companies incurred an aggregate loss of Rs 1.88 crore. One company had not finalised its accounts.

(Paragraphs 6.1.1, 6.1.2, 6.1.6 and 6.1.8)

6.2. Performance review on Development of industrial infrastructure by Chhattisgarh State Industrial Development Corporation Limited

The erstwhile Madhya Pradesh Audyogik Kendra Vikas Nigam (Raipur) Limited, incorporated on 16 November 1981, was renamed as Chhattisgarh State Industrial Development Corporation Limited on 17 April 2001 consequent to formation of Chhattisgarh State. None of the state projects initiated by the company during the five years were completed as per schedule. The land premium and user charges were not revised as prescribed and there was a wide gap between the premium charged and actual cost of acquisition and development of land. There were many deficiencies in land allotments resulting in undue benefits to allottees. Some of the important points noticed are as below:

The State Government stood to lose revenue of Rs 185.71 crore with corresponding undue benefit to the allottees over the lease period due to deficiencies such as allotment of land at reduced rates, at rates prevailing on the date of letter of intent instead of on the date of allotment, at industrial rates in lieu of commercial rates etc.

(Paragraphs 6.2.12 and 6.2.24 to 6.2.27)

Six mega industrial units availed Rs 2.63 crore concession for investing more than Rs 100 crore and providing employment to more than 800 persons but did not fulfill the conditions. The company also did not recover bank guarantee equivalent to concession amount of Rs 4.92 crore from five mega industrial units.

(Paragraphs 6.2.29 and 6.2.30)

The system of monitoring recovery of lease rent, user charges and penal interest was inadequate. The company did not prepare arrear statements and maintain recovery registers properly and consequently amount pending recovery was not readily ascertainable.

(Paragraphs 6.2.40)

6.3 Transaction audit observations

Chhattisgarh State Electricity Board paid avoidable Fringe Benefit Tax of Rs 2.44 crore on the productivity incentive paid to the employees.

(Paragraph 6.3.1)

Chhattisgarh State Electricity Board incurred an avoidable expenditure of Rs 31.48 lakh due to delay in assessment of quantity resulting in inadequate procurement and subsequent procurement at higher rates.

(Paragraph 6.3.2)

The improper tendering process of **Chhattisgarh Rajya Beej Evam Krihsi Vikas Nigam Limited** resulted in additional financial burden of Rs 94.08 lakh on purchase of 9.02 lakh kilograms of ginger seeds and 5.48 lakh kilogram of potato seeds during 2005-06 and undue benefit to the supplier.

(Paragraph 6.3.4)