

OVERVIEW

This Report contains two chapters on observations of Audit on State's Finance and Appropriation Accounts for the year 2005-06 and three chapters containing five reviews and 26 paragraphs based on audit of certain selected programmes, activities and transactions of the Government.

The audit has been conducted in accordance with the Auditing Standards prescribed for the Indian Audit and Accounts Department. Audit samples were drawn based on statistical sampling methods as well as on judgement basis. The specific audit methodology adopted for audit of programmes and schemes has been mentioned in the reviews. The audit conclusions have been drawn and the recommendations made taking into consideration the views of the Government, wherever received.

A summary of financial position of the State Government and the audit findings is given below:

1. Financial position of the State Government

The finances of the State indicate improved trend in deficit indicators during the year 2005-06. The Revenue deficit decreased from Rs.4,037 crore in 2004-05 to Rs.398 crore in 2005-06, the fiscal deficit also decreased from Rs.8,691 crore in 2004-05 to Rs.6,268 crore in 2005-06. The revenue receipts of the State increased from Rs.15,739 crore in 2000-01 to Rs.25,067 crore in 2005-06. The own tax revenue of the State increased from Rs.9,047 crore in 2000-01 to Rs.15,698 crore in 2005-06. The State Government, in its Medium Term Fiscal Policy Statement, estimated own tax revenue of Rs.18,533.40 crore for the year 2005-06, however, it stood at Rs.15,698 crore. The total expenditure of the State increased from Rs.25,953 crore in 2000-01 to Rs.33,127 crore in 2005-06. Share of General Services considered as non-developmental, in total expenditure, increased from 23.83 *per cent* in 2000-01 to 34.34 *per cent* in 2005-06, whereas share of Economic Services declined from 38.67 *per cent* in 2000-01 to 32.74 *per cent* in 2005-06. Interest payment and pensions together consumed 29 *per cent* in 2000-01 to 33 *per cent* in 2005-06 of total revenue receipts of the State. State Government has been paying subsidies to various, Corporations, etc. Payment of subsidies increased from Rs.2,021.26 crore in 2000-01 to Rs.2,760.91 crore during 2005-06. Power sector continues to be highly subsidized and subsidy of Rs.2,053 crore was paid during 2005-06, which constitutes 74 *per cent* of the total subsidy paid during the year. Out of outstanding guarantees of Rs.13,430 crore in 2005-06, almost 78 *per cent* were towards Sardar Sarovar Narmada Nigam Limited and Gujarat Electricity Board. The overall fiscal liabilities of the State increased from Rs.40,007 crore in 2000-01 to Rs.81,367 crore in 2005-06.

(Paragraphs 1.1 to 1.11)

2. Allocative Priorities and Appropriation

Against total budget provision of Rs.39,883.09 crore, actual expenditure was Rs.35,150.33 crore. Overall saving of Rs.4,732.76 crore was the net result of excesses of Rs.2,159.83 crore in 44 cases of grants and appropriations and savings of Rs.6,892.59 crore in 132 cases of grants and appropriations. The excess expenditure of Rs.2,159.83 crore required regularization by the Legislature under Article 205 of the Constitution of India. In 25 cases, supplementary provisions of Rs.565.97 crore proved unnecessary and in 19 cases supplementary provisions proved excess resulting in aggregate saving of Rs.458.00 crore. In 26 cases, supplementary provisions proved insufficient, leaving uncovered excess of Rs.2,138.34 crore. In 136 cases, Rs.6,916.18 crore was surrendered in March 2006, indicating inadequate financial control over expenditure.

(Paragraphs to 2.1 to 2.7)

3. Sarva Shiksha Abhiyan

As against the approved outlay of Rs.653.81 crore, Rs.452.50 crore were released by the Government of India/State Government and expenditure was only Rs.408.19 crore, leaving unutilised balance of Rs.44.31 crore as of March 2005. State Project Director diverted Rs.22.88 crore from Sarva Shiksha Abhiyan funds to other schemes/projects in contravention of financial rules. There were 289 and 1,958 schools having zero and one teacher respectively as of March 2005 against minimum of two teachers. No in-service training was imparted by the District Institute of Education and Training during 2001-04. No Education Guarantee Scheme Centre was opened in the State. Out of 36.62 lakh dropouts, 1.50 lakh only were admitted in 7,275 alternative schooling.

(Paragraph 3.1)

4. Food Security, Subsidy and Management of Foodgrains

Against 21.20 lakh BPL families identified, 35.34 lakh ration cards were issued. Government of Gujarat did not supply foodgrains to the beneficiaries at the scales prescribed by the Government of India. Fair-price shops were not following the instructions of the Government. Coupons under Sampurna Gramin Rojgar Yojana were issued without following the procedure. Government of India and Government of Gujarat suffered loss of Rs.26.85 crore and Rs.21.20 crore respectively due to diversion of foodgrains. There was no control mechanism to monitor effective implementation of the scheme.

(Paragraph 3.2)

5. Allotment of land for non-Governmental activities

Government had not formulated any policy for allotment of land. Government guidelines did not provide for any ceiling for allotment of land except for higher education and Government employees' housing categories. Government allotted 0.24 lakh square metre land costing Rs.2.80 crore incorrectly at concessional rate. Government land situated within 10 km radius of Municipal Corporations was allotted without resorting to auction. Despite breach of several conditions, land with market value of Rs.28.85 crore was allotted to Puri Foundation, Nottingham, UK at concessional rate of Rs.75.02 lakh. Incorrect application of concessional rate to Nirma Education and Research Foundation resulted in loss of Rs.2.85 crore to the Government.

(Paragraph 3.3)

6. IT Audit—Industries Commissioner

Industries Commissioner did not invoke the contractual provision for penalty for the delay in development of Industries Commissioner—Integrated Information Technology Solution. Migration of existing database to the Industries Commissioner—Integrated Information Technology Solution was not provided in the package developed. There was no data in 37 per cent of the tables of the database. Integration of the modules was not provided in the package. There were numerous design and data deficiencies in the modules checked.

(Paragraph 3.4)

7. Internal Control System in Industries and Mines Department

Against the outlay of Rs.3025.41 crore during 2001-06, expenditure was Rs.1788.08 crore only. Provisions of Gujarat Treasury Rules were not followed in maintenance of cash book; transactions were also made outside cash book. Unspent balances under Central Schemes were credited to State accounts. Industrial units that benefited under subsidy schemes were not periodically verified; subsidies paid to closed units were not recovered. Audit of industrial co-operatives was in arrears and internal audit system was not properly streamlined.

(Paragraph 5.1)

8. Audit of Transactions

Besides the above, audit of financial transactions test checked in various Departments of the Government and their field functionaries revealed instances of loss, wasteful, infructuous, unfruitful, avoidable/excess expenditure and other irregularities involving Rs.154.42 crore as mentioned below:

Wasteful/infructuous expenditure and overpayment of Rs.13.52 crore was noticed in Narmada, Water Resources, Water Supply and Kalpasar Department (Rs.5.03 crore), Energy and Petrochemicals Department (Rs.4.54 crore), Forests and Environment Department (Rs.2.04 crore) and Roads and Buildings Department (Rs.1.91crore).

Avoidable and unfruitful expenditure of Rs.47.89 crore was noticed in Home Department (Rs.24.61 crore), Narmada, Water Resources, Water Supply and Kalpasar Department (Rs.13.07 crore), Ports and Transport Department (Rs.4.83 crore), Energy and Petrochemicals Department (Rs.3.67 crore) and Roads and Buildings Department (Rs.1.71 crore).

Idle investment or blockage of funds of Rs.9.40 crore was noticed in Urban Development and Urban Housing Department (Rs.7.45 crore), Industries and Mines Department (Rs.1.05 crore) and Health and Family Welfare Department (Rs.0.90 crore).

Apart from these, there were regulatory, issues and other points involving Rs.83.61 crore in Narmada, Water Resources, Water Supply and Kalpasar Department (Rs.57.70 crore), Home Department (Rs.16.99 crore), Education Department (Rs.7.50 crore) and Ports and Transport Department (Rs.1.42 crore).

(Paragraphs 4.1.1 to 4.5.5)

