

## OVERVIEW

This Report contains two chapters on observations of Audit on the State's Finance and Appropriation Accounts for the year 2003-04 and three other chapters containing two Reviews, two Long Paragraphs and 15 Paragraphs based on Audit of certain selected programmes, activities and transactions of the Government. Copies of the draft Audit Paragraphs and draft Audit Reviews are sent to the concerned Principal Secretary/Secretary to the State Government demi-officially with the request to furnish reply within six weeks. A meeting was convened on 5 February 2005 with the Principal Secretary (Finance) alongwith other concerned Principal Secretaries/Secretaries, by the Accountant General (Civil Audit), Gujarat to discuss the draft Paragraphs and the Reviews. Despite such efforts, in respect of seven Audit Paragraphs and four Reviews and Long Paragraphs, no response was received from the concerned Principal Secretary/Secretary to the State Government. A synopsis of findings contained in the Report is presented in this overview.

### 1. Finances of the Government of Gujarat

- After an improvement in the finances of the State during 2002-03 all deficit indicators have increased during the year 2003-04. The revenue deficit increased from Rs.3565 crore to Rs.3706 crore, the fiscal deficit shared a quantum jump during this period from Rs.6029 crore to Rs.9142 crore. The primary deficit of the State also increased from Rs.1080 crore to Rs.3267 crore.
- The revenue receipts of the State increased from Rs.13971 crore in 1999-2000 to Rs 18248 crore in 2003-2004. There was a moderate increase of 11.82 *per cent* in 2002-03. However, the rate of growth declined to 2.08 *per cent* in 2003-04. This happened primarily due to 39 *per cent* decrease in grant-in-aid from Government of India.
- The increase in the tax revenue during the year 2003-2004 was mainly on Sales Tax (Rs.917.45 crore), Taxes on vehicles (Rs.128.28 crore) and Stamps and Registration fees (Rs.174.79 crore) etc. The contribution of own tax revenue to the revenue receipts, after showing significant decline from 58.42 *per cent* in 1999-2000 to 53.25 *per cent* in 2002-03, again reached to 61.23 *per cent* in 2003-04.
- Of non-tax revenue sources, interest receipts (27 *per cent*) and non-ferrous mining and metallurgical industries receipts (41 *per cent*) were principal contributors.

- The total expenditure of the State increased from Rs.20838 crore in 1999-2000 to Rs.27590 crore in 2003-2004. Revenue expenditure of the State increased from Rs.17517 crore in 1999-2000 to Rs.21954 crore in 2003-2004. Interest payments and Pensions together consumed 35 *per cent* of total revenue receipts of the State during the year.
- The current levels of cost recovery in supply of merit goods and services by Government are 0.35 *per cent* for secondary education, 0.35 *per cent* for university and higher education, 0.05 *per cent* for technical education, 1.30 *per cent* for health and family welfare, 0.03 *per cent* for water supply and sanitation, 6.20 *per cent* for major and medium irrigation and 0.33 *per cent* in minor irrigation.
- The overall fiscal liabilities of the State increased from Rs.31561 crore in 1999-2000 to Rs.62876 crore in 2003-2004. This trend is unsustainable in the long run and may lead the State into a debt trap situation. This indicates that either the State has to generate more revenue out of its existing assets or needs to provide from its current revenues for servicing its debt obligations. The State Government has also not taken any steps for pension reforms to meet the fast rising unproductive expenditure on account of pension payable to the retiring employees. Further, aggravating the situation of the State is the unproductive investment in companies with either nil or negligible returns. The much awaited reforms in the power sector are still to take off and the State continues to support this sector in the form of huge subsidy.

*(Paragraph 1.1 to 1.10)*

## 2. Allocative Priorities and Appropriation

Against total budget provision of Rs.48732.86 crore, actual expenditure was Rs.41394.93 crore. Overall saving of Rs.7337.93 crore was the result of excesses of Rs.401.25 crore in 26 cases of grants and appropriations and savings of Rs.7739.18 crore in 150 cases of grants and appropriations. The excess expenditure of Rs.401.25 crore required regularisation by the legislature under Article 205 of the Constitution of India.

- In four cases there were persistent savings of more than Rs.100 crore/50 crore in each case and 20 *per cent* or more of provision.
- In 10 cases, supplementary provision of Rs.152.47 crore proved unnecessary and in 15 cases supplementary provisions proved excess resulting in aggregate saving of Rs.2956.43 crore.

- In 14 cases, supplementary provisions proved insufficient leaving uncovered excess of Rs.330.80 crore.
- In 96 cases, Rs.7023.99 crore were surrendered in March 2004 indicating inadequate financial control over expenditure.

*(Paragraph 2.1 to 2.9)*

### **3. Pradhan Mantri Gram Sadak Yojana**

There are 35282 villages, of these 25524 villages were already connected with All Weather Roads (AWR) and 8127 villages had no connectivity. Pradhan Mantri Gram Sadak Yojana was launched with primary objectives of providing connectivity by AWR to all unconnected habitations by 2007. As against 758 works taken up only 619 works have been completed. Priority to new connectivity as per pattern was not adhered to in the districts test checked. Excess and avoidable expenditure was incurred on execution of road works.

*(Paragraph 3.1)*

### **4. Implementation of Child Labour (Prohibition & Regulation) Act, 1986**

Child Labour (Prohibition & Regulation) Act, 1986 (Act) was enacted to prohibit engaging children (below 14 years) in the specified employments and regulate their conditions of work in other fields. As against existence of 8.96 lakh child labourers as per 1991 census, only 1164 were detected in the State. The scheme for providing education to the children through NCLP remained non functional in the State from 1998. In 796 cases guardians of the children were neither provided any employment nor paid from Child Labour Rehabilitation-cum-Welfare Fund. Rules for inspection of units by the Government Labour Officers (GLOs) were not framed.

*(Paragraph 3.2)*

### **5. InfoCity Project**

Gujarat Informatics Ltd. (GIL) was responsible for promoting the InfoCity project in association with private sector. As the award for development of the project was finalised with only one bidder Creative InfoCity Ltd. (CIL), a competitive rate could not be obtained for setting up of InfoCity. All important matters in connection with the implementation of the project were left to the discretion of the Creative InfoCity Ltd. a joint venture company. Contrary to the provisions of the agreement, out of the revenue of Rs.14.63 crore earned by CIL, only Rs.0.63 lakh was paid to GIL. Sixty *per cent* of completed residential units were allotted to ineligible category of users in contravention to the terms

of the agreement. The developer did not furnish bank guarantees of Rs.4.80 crore for Development Security and Corporate Bond of Rs.13 crore before commencement of the project. Infocity project was lagging behind the schedule, however, liquidated damages of Rs.18 crore for delay were not recovered from the CIL.

*(Paragraph 3.3)*

## **6. Internal Control Mechanism in Jails Department**

During 1999-2004, 35 cases of prisoners possessing prohibited articles were detected from the seven jails selected for test check. Prisons were overcrowded to the extent of 20 to 402 *per cent*. Out of 134 taluka sub-jails, 49 were closed and 17 were under repairs. During the period 119 cases of prisoners escaping from custody/police escort were reported. Shortfall of inspection of jails by IGP ranged between 72 and 77 *per cent* and taluka sub-jails by Superintendents between 72 and 100 *per cent*. IGP submitted only one annual report during 1999-2004. There were also huge arrears in internal audit.

*(Paragraph 5.1)*

## **7. Other points of interest**

### *(i) Fraudulent drawal/Misappropriation/Embezzlement/Losses*

Unauthorised amendment to agreement by the Gujarat Maritime Board with Larsen and Toubro Ltd. resulted in loss of Rs.2.78 crore.

*(Paragraph 4.1.1)*

### *(ii) Infructuous/Wasteful expenditure and over payment*

Lack of coordination in execution of road work between two divisions resulted in wasteful expenditure of Rs.2.55 crore on strengthening of two roads.

*(Paragraph 4.2.1)*

Filling up the post of Director of Public Prosecution from the cadre of Indian Police Service disregarding the judicial pronouncements resulted in wasteful expenditure of Rs.57.71 lakh.

*(Paragraph 4.2.2)*

*(iii) Avoidable/Excess/Unfruitful expenditure*

**Drawal of loan from NABARD without immediate requirement resulted in avoidable interest payment of Rs.1.93 crore.**

*(Paragraph 4.3.1)*

*(iv) Idle investment/Idle establishment/Blockage of funds*

**Failure to synchronise various components of Aji IV Water Resources Project resulted into idle investment of Rs.78.70 crore.**

*(Paragraph 4.4.1)*

**Construction of Kali-II Water Resources Project without field survey of canal resulted in blocking of funds of Rs.13.46 crore.**

*(Paragraph 4.4.2)*

**Improper planning for acquisition of Forest land for Khedva Water Resources Project resulted in unfruitful expenditure of Rs.9.32 crore.**

*(Paragraph 4.4.3)*

**Delay in land acquisition resulted in non completion of Surendranagar Underground Drainage Scheme for 26 years.**

*(Paragraph 4.4.4)*

**Government implemented Oil Palm Development Programme at a cost of Rs.2.97 crore and also set up of a Palm Oil Processing Unit without availability of raw-material.**

*(Paragraph 4.4.6)*

**Construction of Tissue Culture Laboratory Building at Animal Vaccine Institute, Gandhinagar without considering structural requirement for Airconditioning resulted in blockage of funds of Rs.2.21 crore.**

*(Paragraph 4.4.8)*

**Failure to carry out credible demand-survey for houses resulted in idle investment of Rs.4.55 crore on construction of 352 flats.**

*(Paragraph 4.4.9)*

*(v) Regulatory issues and other points*

**Non-adherence of the provisions of Information Technology Industry Incentive Scheme resulted in irregular payment of Rs.1.46 crore.**

*(Paragraph 4.5.1)*

**Ahmedabad Electricity Company illegally demanded, collected, retained and appropriated electricity duty of Rs.73.10 lakh.**

*(Paragraph 4.5.2)*