

OVERVIEW

This Report comprises of three Chapters: the first Chapter contains the financial profile of the State, planning and conduct of audit and follow-up on Audit Reports. Chapter 2 of this Report deals with the findings of five Performance Audit reviews, five long paragraphs and one follow-up of Performance Audit review (AYUSH) and Chapter 3 deals with compliance audit in the various departments. The audit findings included in Performance Audits and Compliance audit paragraphs in this report have total money value of ₹ 6829.49 crore.

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 have been made taking into consideration the views of the Government. A summary of main audit findings is presented in this overview.

1 Performance Audit of programmes/activities/departments

(i) Performance Audit on Mid-Day Meals Scheme

Mid-Day Meal in Schools (MDMS) was intended to boost the universalisation of primary education (Classes I to V) by increasing enrolment, retention and attendance and simultaneously improving nutrition status of students in primary classes. The scheme was revised in September 2006 and extended to upper primary stage (VI to VIII) children from 2008-09.

Review of implementation of MDMS revealed that Mid-Day Meals (MDMs) were not served in all eligible schools. There were shortfalls ranging from one to 154 days in providing MDM from the minimum stipulated 210 days. Enrolment in MDM covered schools continuously declined during the period.

Basic infrastructure of kitchen-cum-stores was not available in 8932 schools. Scheme funds were parked in bank accounts in contravention of instructions of Finance Department. Financial irregularities such as misappropriation of funds, irregular accounting practices etc. were noticed.

The monitoring mechanism was deficient and there were shortfalls in inspection of schools.

(Paragraph 2.1)

(ii) Performance Audit on paddy procurement and custom milling of rice for public distribution system

The primary objective of the Government of Chhattisgarh (GoCG) with respect to food grains management operations is to ensure food security in the State. This is carried out through Food, Civil Supplies and Consumer Protection Department. Chhattisgarh State Cooperative Marketing Federation (MARKFED) and Chhattisgarh State Civil Supplies Corporation (CGSCSC)

are the nodal agencies for procurement of paddy and rice respectively in Chhattisgarh State under Decentralised Procurement (DCP) system.

Procurement of paddy by MARKFED was deficient. It made excess interest payment due to non-clearance of Cash Credit at the end of *Kharif* Marketing Season (KMS) and delay in preparation and submission of loss claims. Inadequate efforts were made by MARKFED to realise receivables from Food Corporation of India and CGSCSC. GoCG incurred losses due to payment of milling charges beyond the norms fixed by the Government of India.

Due to non-availability of covered storage facility for procured paddy and its non-milling within KMS period, paddy worth ₹ 278.36 crore was damaged. There was loss due to driage/shortage of paddy worth ₹ 96.80 crore.

Making provision for payment through Post Dated Cheques (PDC) instead of bank guarantee for issue of paddy to millers resulted in non-realisation of cost of rice of ₹ 74.53 crore on account of PDCs getting dishonoured by banks. Non-lifting of paddy from the nearest societies/storage centres despite availability resulted in extra expenditure on account of transportation charges.

(Paragraph 2.2)

(iii) Performance Audit on Framework for setting up of Private Universities

Government of Chhattisgarh (GoCG) enacted (August 2005) Chhattisgarh Private Universities (Establishment and Operation) Act, 2005 (the Act) to provide the regulatory framework for establishment and incorporation of self-financed private Universities.

In exercise of powers conferred under the Act, GoCG established (December 2005) Chhattisgarh Private University Regulatory Commission (CGPURC). The GoCG however, did not observe the maximum time period stipulated in the Act while establishing seven private universities.

The statutes and ordinances made as per the provisions of the Act were approved after a period of five to 29 months of establishment of the private Universities. This resulted in delay in admissions and commencement of classes. Standards for establishment of off campus centers and study centers of private Universities were not prescribed by the GoCG. Though two private universities were established in the State in November 2006, these were not accredited by National Assessment and Accreditation Council as of October 2015.

The CGPURC was neither supported with adequate staff nor were appointments of the Members made regularly by the GoCG. The posts of all the four members of the CGPURC were vacant as of July 2015.

Instances of inadequate inspection of private Universities by the CGPURC for ensuring maintenance of standards and ascertaining availability of adequate and minimum qualified teaching staff were noticed.

The GoCG had notified ordinances for admission of students in Open and Distance Learning courses of MATS University without receipt of programme accreditation from University Grants Commission.

(Paragraph 2.3)

(iv) Performance Audit on Enforcement and Compliance to Environmental Laws and Rules in Chhattisgarh

The Chhattisgarh Environment Conservation Board (CECB) is the main agency in the State for enforcement and compliance to environmental laws and rules. CECB has been performing its functions enumerated under the Water (Prevention and Control of Pollution) Act, 1974 and Air (Prevention and Control of Pollution) Act, 1981.

Audit noticed that compliance to the Water Act, 1974 and the Air Act, 1981 was not ensured by CECB. Deficiencies such as non-preparation of the Annual accounts since 2007, non-assessment and collection of the water cess from the industries were noticed. Further, non-preparation of comprehensive programme for prevention of pollution was also noticed.

Out of test checked 355 small scale industries, 50 industries were established without obtaining environmental consent from CECB and 197 industries failed to renew their consent even after lapse of period ranging between one to 174 months. Further, 118 industries did not install the chimneys as per norms and green belt area was not developed by 210 industries.

Due to improper implementation of 'Korba Action Plan', Korba city was still a "critically polluted area" since last five years. CECB issued consent to coal based power plant and sponge iron plants in restricted area in violation of the State Government orders. Despite adverse test reports about trade effluents, no corrective action was taken by the CECB.

(Paragraph 2.4)

(v) Long paragraph on Chief Minister Food Assistance Programme and Chhattisgarh Food Security Act

Chief Minister Food Assistance Programme also known as *Mukhyamantri Khadyan Sahayata Yojana* (MKSY) commenced in Chhattisgarh State from April 2007 with a view to provide subsidised food grains to those households (HHs) who were included in the list of Below Poverty Line (BPL) survey for the year 1991 but were subsequently excluded from the BPL survey for urban population (conducted in 1997) and rural population (conducted in 2002).

Government of Chhattisgarh enacted Chhattisgarh Food Security Act, 2012 (CGFSA) and all HHs registered under MKSY were designated as Priority HHs.

We observed that the process of identification of beneficiaries under CGFSA was faulty as subsequent verification revealed bogus ration cards which were cancelled. The financial management was inadequate as the Department could not spend 12-28 *per cent* of the allotted funds during 2010 to 2015.

The Department also could not ensure verification of delivery of food grains to Fair Price Shops (FPS) by the Vigilance Committee. Records regarding distribution of food grains were not properly maintained by the test checked FPSs.

Sufficient Godowns-cum-FPS were not constructed by the Department even though funds were available. The Monitoring and Redressal mechanism was inadequate as Vigilance Committee was not constituted, regular inspections were not conducted and complaints remained pending.

(Paragraph 2.5)

(vi) Long paragraph on Procurement of Medicines and Equipments under Health Department

Timely supply of good quality drugs and medical equipments is of critical importance in any health system. In Chhattisgarh, centralised procurement of medicines and equipment was being done by Chhattisgarh Medical Services Corporation Limited (CGMSCL) which commenced commercial activities from year 2013-14.

Against the total allotment of ₹ 187.92 crore during the period 2013-15, the department could utilize ₹ 98.61 crore (52 *per cent*) only resulting in savings ranging from 34-48 *per cent* and 60-100 *per cent* for drugs and equipment respectively. CGMSCL did not adopt any documented procurement policy and there was no uniformity in the procedures followed for the various procurements.

Lack of co-ordination between indenting departments and CGMSCL resulted in parallel procurement. We noticed delays in finalization of tenders, installation of high value equipment and supply of other medical equipment. Besides, undue favour to firm, inconsistencies in indent, procurement, lifting, irregular supply of drugs, excess expenditure on procurement of drugs and wasteful expenditure on tendering were also noticed.

(Paragraph 2.6)

(vii) Long paragraph on Working of Chhattisgarh Text Book Corporation

Chhattisgarh Text Book Corporation (CTBC) was constituted (August 2004) under School Education Department, Government of Chhattisgarh (GoCG) and registered (August 2004) under Chhattisgarh Society Registration Act, 1973. The functions of the Corporation are printing, publication and distribution of text books for schools and teachers, providing all types of reading and training material and useful literature for educational institutions and other related works.

We observed that the Annual Accounts were not prepared and audited by Chartered Accountant since 2009-10 and accounts were not submitted to Registrar of Societies since inception (2004). The budget was not approved by General Body since year 2013-14.

There was no mechanism for assessment of the requirement of text books for the academic session which resulted in high stock balances and loss due to out of syllabus/unserviceable text books.

The procurement of paper was done at higher rates resulting in loss to the CTBC. Penalty was not imposed for delayed supply of paper and printing. Absence of rate analysis while finalising tenders for printing of text books had also resulted in loss to CTBC during the period 2012-14. Further, non-adherence to the tender conditions resulted in excess payment to printers.

(Paragraph 2.7)

(viii) Long paragraph on Working of Chhattisgarh State AIDS control Society

Government of India (GoI) launched National AIDS Control Programme (NACP) Phase-I, a centrally sponsored programme, in 1992 to combat the Human Acquired Immuno Deficiency Syndrome (AIDS). National AIDS Control Organisation (NACO) was constituted to implement the programme including NACP-II (1999-2006) and NACP-III (2006-11).

The current phase, NACP-IV (2012-17) aims to reduce new infections and provide comprehensive care and support to all people living with Human Immuno Virus (PLHIV) and treatment services to all those who require it.

Chhattisgarh State Aids Control Society (CGSACS) which acts as the nodal agency in the State, failed in its duty to create awareness through Information, Education and Communication (IEC) activities about AIDS. It prepared annual plans in a perfunctory manner and did not monitor the execution of the activities under the scheme. Poor spending efficiency resulted in non-receipt of ₹ 31.37 crore from GoI.

It could not achieve the targets as per annual action plans during the period 2010-15. Various Anti Retro-viral Treatment (ART) medicines were out of stock ranging from one to 270 days. A total of 1875 HIV positive patients were not linked up with ART centres. Twenty out of 108 units of unscreened blood were issued to patients at blood bank, Jagdalpur.

(Paragraph 2.8)

(ix) Long paragraph on Weather Based Crop Insurance Scheme

Weather Based Crop Insurance Scheme aims to provide insurance protection to the cultivators against adverse weather incidences such as deficit rainfall, dry days, excess rainfall, heat, relative humidity, frost etc. The audit of implementation of the scheme was conducted with the objective to assess whether all the loanee farmers were covered and non-loanee farmers were motivated for joining the scheme, adequate system and procedures existed for timely settlement of claims and claims were based on actual adverse impact of weather.

We observed that there was delay in issue of notifications for implementation of the scheme, short coverage of risk period for *Kharif* 2014, non-coverage of

loanee farmers, delay in payment of claims to the farmers and failure of the department to monitor the implementation of the scheme at various levels.

(Paragraph 2.9)

(x) Long paragraph on Implementation of Right to Public Services Legislation

Implementation of Right to Public Services Legislation (Chhattisgarh *Lok Sewa* Guarantee Act 2011) was enacted by the Government of Chhattisgarh (GoCG) to ensure time bound delivery of notified public services to the citizens on their demand.

So far 255 services were notified covering 34 departments of the State. GoCG also enacted Chhattisgarh *Lok Sewa* Guarantee (*Avedan, Appeal tatha Parivyaya ka Bhugtan*) Niyam 2011 for making the rules for laying down the procedure for presenting application, appeal and payment of cost.

Audit observed instances of delay in providing the services. There was non-imposition of penalty for the delay period as appended in the Act. No steps were taken for public awareness, monitoring, inspection and training to the official concerned for effective delivery of services. There were non/incomplete display of public services in the notice board, lack of maintenance of registers/records and non-providing of acknowledgement.

(Paragraph 2.10)

(xi) Follow-up audit on Recommendations of performance audit on 'Working of AYUSH Department' included in Audit Report (Civil and Commercial) for the year ended 31 March 2011

Performance Audit of the 'Working of AYUSH (*Ayurved, Yoga and naturopathy, Unani, Siddha* and Homeopathy) Department' was included in the CAG's Audit Report (Civil and Commercial) for the year ended 31 March 2011, Government of Chhattisgarh, in which audit made 10 recommendations which the Department agreed to implement as far as possible.

A follow-up audit revealed that out of the 10 recommendations, the State Government had implemented four recommendations pertaining to strengthening of outpatient services in Bastar district, providing plastic vials and plain globules, fixing norms for processing losses and proper costing system and ensuring early completion of building works.

Five recommendations viz. ensuring quality healthcare services like general, emergency and maternity services and basic infrastructure in hospitals and dispensaries, addressing shortage of staff on priority basis, modernisation of Drug Testing Laboratory and Research Centre and streamlining the system of Internal Audit and field inspection of dispensaries were only partially implemented.

However, the recommendation for taking effective steps to avoid rush of expenditure was not at all implemented.

(Paragraph 2.11)

2 Significant observations of Compliance Audit

Audit observed significant deficiencies in critical areas, which impact the effectiveness of the State Government. Some important findings arising out of compliance audit (eleven paragraphs) are featured in the Report. The major observations relate to non-compliance with rules and regulations, audit against propriety and cases of expenditure without adequate justification and failure of oversight/governance amounting to ₹ 36.03 crore. Some of them are mentioned below:

Unfruitful expenditure of ₹ 2.50 crore due to irregular implementation of the scheme of 'Intensive demonstration of line sowing based on paddy cropping technique'

(Paragraph 3.1.1)

Excess payment of ₹ 93.17 lakh made to the contractor due to non-observance of provision of agreement.

(Paragraph 3.1.2)

Excess payment of ₹ 82.29 lakh to the contractor due to incorrect application of rate of steel for calculation of price escalation.

(Paragraph 3.1.3)

Non recovery of penalty of ₹ 20.25 crore after rescinding the contract.

(Paragraph 3.1.4)

Loss of ₹ 1.64 crore due to non-deposit of 50 *per cent* of fees into Government Account by aided non-government colleges.

(Paragraph 3.1.5)

Irregular release of subsidy in the form of packing machine amounting to ₹ 1.34 crore without ensuring the farmers' contribution.

(Paragraph 3.2.1)

Non-completion of system implementation work by agency resulted in unfruitful expenditure of ₹ 54.87 lakh on software development besides non-levy of penalty of ₹ 14.73 lakh by the department for delay in completion by the agency.

(Paragraph 3.3.1)

Failure on the part of Government of Chhattisgarh to take alternate measures to operationalise the Bio Control Laboratory led to unfruitful expenditure of ₹ 64.61 lakh on pay and allowances of idle staff besides idling of the infrastructure of ₹ 50 lakh for more than five years.

(Paragraph 3.3.2)

Non-utilisation of e-pest surveillance infrastructure resulted in unfruitful expenditure of ₹ 98.36 lakh.

(Paragraph 3.3.3)

Non recovery of compensation totalling ₹ 3.98 crore for delay in completion of works led to undue benefit to contractors.

(Paragraph 3.3.4)

Procurement of Cobalt 60 Teletherapy Machine without ensuring required operational staff led to unfruitful expenditure of ₹ 2.24 crore.

(Paragraph 3.3.5)