

# CHAPTER I

## INTRODUCTION

### 1.1 About this Report

This Report of the Comptroller and Auditor General of India (C&AG) presents matters arising from Performance Audit and Compliance Audit of the departments of the Government of Gujarat in the Economic Sector.

The Compliance Audit refers to examination of the transactions relating to expenditure of the audited entities to ascertain whether the provisions of the Constitution of India, applicable laws, rules, regulations and various orders and instructions issued by competent authorities are being complied with. On the other hand, performance audit, besides conducting a compliance audit, also examines whether the objectives of the programme/ activity/ Department are achieved economically and efficiently.

The primary purpose of the Report is to bring to the notice of the State Legislature, important results of audit. Auditing Standards require that the materiality level for reporting should be commensurate with the nature, volume and magnitude of transactions. The audit findings are expected to enable the Executive to take corrective actions to frame policies and directives that will lead to improved financial management of the organizations, thus, contributing to better governance.

This chapter explains the planning and extent of audit, provides a synopsis of the significant audit observations made during various types of audits and also briefly analyses the follow-up on the previous Audit Reports. Chapter-II contains Performance Audit of “Working of Fisheries Department” of Agriculture, Farmers Welfare and Co-operation Department of Government of Gujarat (GoG). Chapter-III contains Compliance Audit which includes two theme based audits *namely* (i) “Regulation of activities in the Protected Areas of Gujarat” under Forests and Environment Department and (ii) “Salinity Ingress Prevention Scheme” under Narmada, Water Resources, Water Supply & Kalpsar (Water Resources) Department and six individual audit observations on the expenditure transactions of Government Departments.

### 1.2 Audited Entity Profile

The Accountant General (Economic & Revenue Sector Audit), Gujarat conducts audit of the expenditure incurred by 10 Departments under the Economic Services Sector in the State. It includes audit at the Secretariat level, the field offices, 58 autonomous bodies and 76 public sector undertakings (PSUs) falling under the jurisdiction of these 10 Departments. Each Department is headed by Additional Chief Secretary/ Principal Secretary/ Secretary, who are assisted by Directors/ Commissioners/ Chief Engineers and subordinate officers under them.

The summary of fiscal transactions of Government of Gujarat (GoG) during the year 2015-16 and 2016-17 is given in **Table 1** below:

**Table 1: Summary of fiscal operations**

(₹ in crore)

Receipts			Disbursements				
Particulars	2015-16	2016-17	Particulars	2015-16	2016-17		
					Non-Plan	Plan	Total
<b>Section-A: Revenue</b>							
<b>Revenue receipts</b>	<b>97,482.58</b>	<b>1,09,841.81</b>	<b>Revenue expenditure</b>	<b>95,778.54</b>	<b>67,185.61</b>	<b>36,709.22</b>	<b>1,03,894.83</b>
Tax revenue	62,649.41	64,442.71	General services	32,876.05	34,312.51	1,491.84	35,804.35
Non-tax revenue	10,193.52	13,345.66	Social services	42,119.90	22,092.05	22,833.97	44,926.02
Share of Union taxes/ duties	15,690.43	18,835.39	Economic services	20,223.86	10,365.10	12,383.41	22,748.51
Grants from Government of India	8,949.22	13,218.05	Grants-in-aid and Contributions	558.73	415.95	0.00	415.95
<b>Section-B: Capital</b>							
Misc. Capital receipts	0.00	240.05	Capital Outlay	24,169.44	53.41	22,301.98	22,355.39
Recoveries of Loans and Advances	125.46	165.77	Loans and Advances disbursed	675.19	62.35	415.21	477.56
Public Debt receipts*	23,486.19	27,668.31	Repayment of Public Debt*	6,194.26	-	-	9073.17
Contingency Fund	14.16	3.75	Contingency Fund	3.75	-	-	0.00
Public Account receipts	65,131.92	58,958.90	Public Account disbursements	61,936.12	-	-	56,388.19
Opening Cash Balance	21,076.47	18,559.48	Closing Cash Balance	18,559.48	-	-	23,248.93
<b>Total</b>	<b>2,07,316.78</b>	<b>2,15,438.07</b>		<b>2,07,316.78</b>			<b>2,15,438.07</b>

Source: Finance Accounts of the respective years.

\* Excluding net transactions under ways & means advances and overdrafts.

### 1.3 Authority for Audit

The authority for audit by the C&AG is derived from the Articles 149 and 151 of the Constitution of India and the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. The C&AG conducts audit of expenditure of the Departments of Government of Gujarat under Section 13<sup>1</sup> of the C&AG's (DPC) Act. The C&AG is the sole auditor in respect of bodies/ authorities which are audited under Sections 19(2)<sup>2</sup>, 19(3)<sup>3</sup> and 20(1)<sup>4</sup> of the C&AG's (DPC) Act. In addition, C&AG also conducts audit

<sup>1</sup> This Section empowers C&AG to audit transactions made from the Consolidated Fund of the State, transactions relating to the Contingency Fund and Public Accounts, and trading, manufacturing, profit & loss accounts, balance sheets and other subsidiary accounts.

<sup>2</sup> Audit of the accounts of Corporations (not being Companies) established by or under law made by the Parliament in accordance with the provisions of the respective legislations.

<sup>3</sup> Audit of accounts, on the request of the Governor, of Corporations established by law made by the State Legislature.

<sup>4</sup> Where the audit of the accounts of any body or authority has not been entrusted to the C&AG by or under any law made by Parliament, he shall, if requested so to do by the Governor of a State, undertake the audit of the accounts of such body or authority on such terms and conditions as may be agreed upon between him and the Government.

of other autonomous bodies, under Section 14<sup>5</sup> of C&AG's (DPC) Act, which are substantially funded by the Government. Principles and methodologies for various audits are prescribed in the Regulations on Audit and Accounts, 2007 and the Auditing Standards and guidelines issued by the C&AG.

#### **1.4 Organisational structure of the Office of the Accountant General (E&RSA), Gujarat**

Under the directions of the C&AG, the Office of the Accountant General (Economic & Revenue Sector Audit), Gujarat conducts audit of Government Departments/ Offices/ Government Companies/ Statutory Corporations/ Autonomous Bodies/ Institutions under the Economic and Revenue Sector. The Accountant General (Economic & Revenue Sector Audit) is assisted by four Deputy Accountants General.

#### **1.5 Planning and conduct of Audit**

Audit process starts with the assessment of risks associated with various Government activities based on expenditure incurred, revenue earned, criticality and complexity of activities, delegated financial powers and responsibilities, analysis of internal controls and stake holders concerns. Previous audit findings are also considered in this exercise. Based on this risk assessment, the frequency and extent of audit is decided.

After completion of audit of each unit, Inspection Reports containing audit findings are issued to the heads of the Departments. The Departments are requested to furnish replies to the audit findings within one month of receipt of the Inspection Reports. On receipt of replies, audit findings are either settled or further action for compliance is advised. The important audit observations arising out of these Inspection Reports are processed for inclusion in the relevant Audit Reports, which are submitted to the Governor of the State under Article 151 of the Constitution of India.

During 2016-17, in the Economic Sector Audit Wing 5,746 man-days<sup>6</sup> were utilised for compliance audit of 128 units and performance audits. The audit plan covered units/ entities selected on the basis of risk assessment.

#### **1.6 Significant audit observations**

In the last few years, Audit has reported on several significant deficiencies in implementation of various programmes/ activities through performance audits, as well as on the quality of internal controls in selected Departments which impact the success of programmes and functioning of the Departments. Similarly, the deficiencies noticed during Compliance Audit of the Government Departments/ organisations were also reported upon.

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<sup>5</sup> This Section empowers the C&AG to audit receipts & expenditure of (i) a body/ authority substantially financed by grants or loans from the Consolidated Fund of the State and (ii) any body or authority where the grants or loans to such body or authority from the Consolidated fund of the State in a financial year are not less than ₹ one crore.

<sup>6</sup> Inclusive of the party days provided for the audit of PSUs. The related audit findings have been included in the Audit Report on PSUs separately.

The present Report contains one performance audit and eight compliance audit paragraphs (including two theme based audits) of expenditure audit pertaining to the Agriculture, Farmers Welfare and Co-operation Department, Forests and Environment Department, Narmada, Water Resources, Water Supply & Kalpsar (NWRWS&K) Department and Roads and Buildings (R&B) Department.

### **1.6.1 Performance Audit**

Chapter II of this report contains Performance Audit observations relating to “Working of Fisheries Department” of Agriculture, Farmers Welfare and Co-operation Department of GoG.

#### **Working of Fisheries Department**

Gujarat has a coast line of 1,600 kms. The area available for fishing activities extends from Lakhpat in Kachchh district to Umargaon in Valsad district.

The Performance Audit (PA) covering the period from 2012-13 to 2016-17 was carried out to assess whether the Department prepared detailed plans/ schemes/ programmes for the development of fisheries sector in the State; whether the funds made available were adequate and utilised in an economic, efficient and effective manner.

During 2012-17, the marine fish production of the State constituted about 20 *per cent* of the all India marine fish production while inland fish production of the State was little more than one and half *per cent* of the all India inland fish production. Audit observed that the Department prepared a Five Year Plan (2012-17) with cumulative targets to be achieved at the end of the Plan period.

Under Inland fisheries, against the potential of 2.49 lakh MT *per annum* of fish production, the Department has so far exploited 45 *per cent* only. In the Inland fisheries schemes, the achievement against the target of various sub-schemes ranged from Nil to 421.43 *per cent*. Audit observed higher achievement in some sub-schemes due to higher demand by the beneficiaries under those sub-schemes. The additional funds required were re-appropriated from sub-schemes where funds were not required. The Department did not have a marketing policy critical to its success but it was assisting the small vendors, processing plant owners, *etc.* through sub-schemes like insulated box, assistance to women self-help groups, upgradation of processing plants and machinery, *etc.*

The scheme for Fish Culture Cage under *Rashtriya Krishi Vikas Yojana* was not implemented during 2012-17. While in State plan scheme for Fish Culture Cage, no expenditure was incurred during 2014-15 and 2016-17. In both the schemes, while the Department parked the funds with other agencies, it reported utilisation of funds by showing achievement of financial targets.

The Department mapped only 12,165.80 ha of land for brackish water aquaculture upto September 2017 against the availability of 89,340 ha of land.

Besides, only 1,842.21 ha of land was brought under brackish water aquaculture during April 2012 to September 2017.

As on 31 March 2017, the total marine fish production of Gujarat was 6.99 lakh MT *per annum*, which was around 99 *per cent* of the marine fish potential available with the State. It contributed substantially (around 87 *per cent*) in the total fish production of the State. Under the schemes relating to Marine fisheries, the achievement against target under various sub-schemes ranged from Nil to 415 *per cent*. While nil/ low achievement in some sub-schemes was due to no demand or not taking up the work, higher achievement in other sub-schemes was due to higher demand. The infrastructure projects for upgradation of Fish Landing Centres and Fisheries Terminal Division financed by National Fisheries Development Board have been delayed due to slow pace of execution. The Department failed to carry out works for construction of nine new harbours as envisaged in the 12<sup>th</sup> Five Year Plan thereby depriving better facilities to the fishermen and fishing community.

The Department provided assistance/ subsidy under the Diesel VAT subsidy scheme. As on 31 March 2017, there was a shortfall in release of funds for subsidy of ₹ 310.50 crore by GoG to the Department for reimbursement to the eligible fishermen.

The Government of Gujarat (GoG) had not issued any notification, regulation and directions for adoption of uniform fishing ban period thereby defeating the objective of conserving and effective management of fishery resources. The Department did not conduct any impact evaluation of the schemes factoring in the specific needs of the inland, marine and brackish water fish farmers. Therefore, the Department could not assess whether the desired objectives of fisheries development were achieved.

## **1.6.2 Compliance Audit**

Accountant General (E&RSA) conducted compliance audit of 10 Departments of the Economic Sector of the State Government and their field offices and audit findings were reported to the respective Heads of the Departments through inspection reports. Chapter III of this report contains Department wise audit findings containing two theme based audit paragraphs of (i) “Regulation of activities in the Protected Areas of Gujarat” under Forests and Environment Department and (ii) “Salinity Ingress Prevention Scheme” under Narmada, Water Resources, Water Supply and Kalpsar (NWRWS&K) Department” and six individual paragraphs having significant audit findings relating to avoidable expenditure, excess payment, unfruitful expenditure and preparation of improper estimates amounting to ₹ 99.07 crore as narrated below:

### **FORESTS AND ENVIRONMENT DEPARTMENT**

#### **Regulation of activities in the Protected Areas of Gujarat**

The audit was conducted to examine activities related to regulation of activities in the Protected Areas for the period 2012-13 to 2016-17. The

Wildlife Sanctuaries (WLS), National Parks (NP) and Conservation Reserves (CR) are called Protected Areas (PAs). In Gujarat there are 28 PAs comprising of 23 WLS, four NPs and one CR.

There were reductions in the areas in the final notification for Eco-Sensitive Zones of Velavadar Black Buck National Park, Nalsarovar Bird Sanctuary and Hingolghadh Nature Education Sanctuary ranging from 51 to 94 *per cent*. The areas excluded were largely forest land.

Despite increase in population of lion during 2011-15 by 54.60 *per cent* outside the Gir PA and high instances of death of lions, no new protected habitat for lions has been approved since 2008.

The State Government implements projects for introduction of modern technology for conservation of Asiatic Lions as recommended by the Task Force. The progress in the project on “Wildlife Genomics Research Project” (LEOGEN) was slow. The objective of adoption of modern technology for integrated solutions to enhance conservation was not achieved.

Use of PA for carrying out any permitted activity including diversion of land is regulated under Section 29 of the Wildlife Protection Act (WPA), 1972. Further, if the diversion of land of PA involves forest land, necessary permissions have to be obtained under Forest Conservation Act (FCA), 1980.

Instances of violation of the provisions of Section 29 of the WPA and non-compliance of conditions of approvals were noticed during test-check. Sanction was accorded for establishment of windmills in the forest land of Wild Ass Sanctuary, Dhrangadhra in violation of provisions of WPA. The State Government granted permission to one user agency to lay transmission lines in the forest land for non-forest purpose without obtaining prior approval of the GoI in violation of the provisions of FCA, 1980.

The Net Present Value of ₹ 38.98 crore was not recovered from eight user agencies. Further, five *per cent* of the project cost was also not recovered from seven user agencies. Mitigation measures such as use of insulated conductors to prevent electrocution of birds, installation of bird reflectors on wires or conductors on the high voltage transmission lines were not implemented in Wild Ass Sanctuary, Dhrangadhra.

*(Paragraph 3.1)*

## **NARMADA, WATER RESOURCES, WATER SUPPLY AND KALPSAR (WATER RESOURCES)**

### **Salinity Ingress Prevention Scheme**

The audit of Salinity Ingress Prevention Scheme (SIPS) was done to assess the impact of implementation of the recommendations of High Level Committees (HLCs) on the salinity ingress in the four reaches covered by the HLCs viz., Una-Madhavpur, Bhavnagar-Una, Madhavpur-Maliya and Maliya-Lakhpat.

Audit observed that except in case of check dams and recharge wells the progress of works was very slow even after lapse of 25 to 39 years since the acceptance of report of HLCs by the GoG. No action/ limited action was taken for establishment of trial cum demonstration (TCD) farms, coastal land reclamation, gully plugging and afforestation. Even the plan document, detailed project report and budget estimates were not prepared for these activities. As against the original cost of ₹ 789.12 crore estimated by the HLCs, an expenditure of ₹ 1,045.65 crore was incurred up to March 2017. For remaining works, the estimate was revised to ₹ 2,544.79 crore. Thus, due to delay in implementation of the recommended works, cost of the scheme escalated by 455 *per cent*. The ground water legislation recommended by HLC in 1978 has not been enacted (March 2017).

In respect of three works of Tidal Regulators (TRs)/ *Bandharas* it was noticed that the works were awarded without acquisition of the required land resulting in the works remaining incomplete (March 2017) and expenditure of ₹ 11.10 crore being rendered unfruitful.

The HLCs suggested stopping of tidal ingress into the land by constructing TRs/ *Bandharas* near the mouth of the rivers to seal them. However, it was noticed that six TRs/ *Bandharas* were constructed beyond the tidal reach of the sea water. Hence, the sea water would still intrude and the *Bandharas* would not serve the purpose of prevention of sea water ingress but would only act as a check dam for creation of sweet water reservoir.

The GoG specifically directed that required land should be acquired before award of works. However, in the six works of spreading channel, the divisions awarded the works without land acquisition resulting in the incomplete works despite incurring cost of ₹ 25.77 crore.

The ground water quality in the salinity affected area are chemically analysed mainly on the basis of Total Dissolved Solids (TDS) and the ratio of chloride to carbonate plus bi-carbonate content in water. As compared to May 2012, in all the four reaches the number of wells under fresh water category have reduced in May 2016.

Audit also observed that in May 2012, in 291 out of 989 wells (29.42 *per cent*) the ground water level was below the sea level. Against, this in May 2016/ October 2016, in 200 out of 782 wells (25.57 *per cent*) the ground water level was below the sea level. Thus there was marginal improvement in ground water levels in these wells during the period.

**(Paragraph 3.2)**

Delayed payment of electricity bills in respect of pumping stations resulted in avoidable expenditure of ₹ 2.35 crore during the year 2013-14 to 2016-17.

**(Paragraph 3.3)**

Obtaining power connections for two pumping stations prior to completion of the pipeline works resulted in avoidable expenditure of ₹ 1.54 crore on account of payment of electricity charges.

*(Paragraph 3.4)*

## **ROADS AND BUILDINGS DEPARTMENT**

Delay in completion of work for approaches for the railway under bridge (RUB) on the missing link of Visavadar Dhari road has resulted in the RUB remaining unutilised after incurring an expenditure of ₹ 4.11 crore.

*(Paragraph 3.5)*

Non-adoption of star rate prevailing at the time of approval of Draft Tender Papers for payment of price variation for asphalt resulted in excess payment of price variation of ₹ 3.39 crore in two works.

*(Paragraph 3.6)*

Preparation of estimates without obtaining possession of land, structural design and analysing the soil bearing capacity test report led to revision of estimates increasing the cost by way of extra expenditure of ₹ 2.36 crore.

*(Paragraph 3.7)*

Non-inclusion of certain items of work in the scope of original estimated cost resulted in expenditure on excess/ extra items works ranging from 16 to 181 *per cent* of the tendered cost. It also resulted in non-recovery of testing charges of ₹ 1.51 crore.

*(Paragraph 3.8)*

## **1.7 Response of the Government to Audit**

### **1.7.1 Inspection Reports**

The Hand Book of Instructions for prompt Settlement of Audit Objections/ Inspection Report issued by the Finance Department, GoG in 1992 provides for prompt response by the Executive to the Inspection Reports (IRs) issued by the Accountant General (AG) to ensure rectifying action in compliance with the prescribed rules and procedures and fix accountability for the deficiencies, omissions *etc.*, noticed during the inspections. The Heads of Offices and next higher authorities are required to comply with the observations contained in the IRs, rectify the defects and omissions promptly and report their compliance to the AG within four weeks of receipt of the IRs. Periodical reminders are issued to the Heads of the Departments requesting them to furnish the replies expeditiously on the outstanding paragraphs in the IRs.

Four Audit Committee meetings were held during the year 2016-17 in respect of paragraphs contained in IRs pertaining to Economic Sector Departments.



As of 30 September 2017, 494 IRs (1,713 paragraphs) were outstanding against 10 Departments under the Economic Sector. Year-wise details of IRs and paragraphs outstanding are given in **Appendix I**.

### **1.7.2 Performance Audit and Draft Paragraphs**

One Performance Audit, two theme based audit Paragraphs and six Paragraphs were forwarded to the Principal Secretaries/ Secretaries of the concerned Departments between April and October 2017 with a request to send their responses within six weeks. The Reply of the Commissioner of Fisheries was received (September 2017) regarding the Performance Audit of “Working of Fisheries Department”. Reply of the GoG was awaited (December 2017). Exit conference was also held with the concerned Department in September 2017 on the audit findings included in the Performance Audit Report.

Out of eight compliance audit paragraphs (including two theme based audit), replies to five individual draft paragraphs (one relating to WR Department and four of R&B Department) and theme based audit of “Salinity Ingress Prevention Scheme” have been received up to December 2017. The replies of the Departments and the views expressed by them have been duly considered while finalising this Report.

### **1.7.3 Depositing the amount in Government Account at the instance of audit**

Deputy Conservator of Forests, South (Dang), Ahwa deposited net handling charges of ₹ 3.23 crore in January 2017 and ₹ 0.40 crore in March 2017 to the Government account after being pointed out in compliance audit of the Division in January 2017. The handling charges recovered during the period from May 2009 to October 2016 less the expenditure incurred by the division were lying in the Revolving Fund Account.

### **1.7.4 Follow up of Audit Reports**

Rule 7 of Public Accounts Committee (PAC) (Rules of Procedure) 1990 provides for furnishing Detailed Explanation (DE) by all the Departments of Government to the observations which featured in Audit Reports within 90 days of their being laid on the Table of the Legislative Assembly. These DEs are required to be furnished to the PAC after showing the same to the concerned Accountant General.

The Audit Reports for the year 2011-12, 2012-13, 2013-14, 2014-15 and 2015-16 were placed in Gujarat Legislative Assembly in April 2013, July 2014, March 2015, March 2016 and March 2017 respectively which included 56 paragraphs pertaining to seven Departments as detailed in **Table 2** below:

**Table 2: Details of paragraphs included in Audit Reports**

Sl. No.	Name of the Department	2011-12	2012-13	2013-14	2014-15	2015-16	Total	DEs received
1	Agriculture, Farmers Welfare & Co-operation	1	0	1	0	0	2	0
2	Narmada, Water Resources, Water Supply & Kalpsar (Water Resources)	3	6*	3*	5*	6	23	12
3	Ports & Transport	0	1	0	0	1	2	1
4	Roads & Buildings	5	4	5	3*	3	20	15
5	Forests & Environment	0	0	1	3*	0	4	1
6	Industries & Mines	0	0	0	2*	1	3	0
7	Finance Department	0	0	0	2*	0	2	0
<b>Total</b>		<b>9</b>	<b>11</b>	<b>10</b>	<b>15</b>	<b>11</b>	<b>56</b>	<b>29</b>

\*paragraph pertains to two Departments hence considered separate paragraph in each Department.

Out of 56 paragraphs for the year 2011-12 to 2015-16, DEs for 29 paragraphs have been received up to October 2017 and no DEs for 27 paragraphs for the year 2011-12 (two paragraphs), 2013-14 (two paragraphs), 2014-15 (12 Paragraphs) and 2015-16 (11 Paragraphs) were received as of December 2017.