

CHAPTER-I

INTRODUCTION

1.1 About this Report

This Report of the Comptroller and Auditor General of India (C&AG) relates to matters arising from Performance Audit of selected programmes and activities and Compliance Audit of various Departments of State Government.

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 important results of Audit to the State Legislature. Auditing Standards require that the materiality level for reporting should be commensurate with the nature, volume and magnitude of transactions. The findings of Audit are expected to enable the Executive to take corrective actions so as also to frame policies and directives that will lead to improved financial management of the organisations, thus, contributing to better governance.

This chapter, in addition to explaining the planning and extent of Audit, provides a synopsis of the significant deficiencies in performance of selected programme, significant audit observations made during the Compliance Audit and follow-up on previous Audit Reports. Chapter-II of this report contains findings arising out of Performance Audit of selected programme/ activity/departments. Chapter-III contains observations on the Compliance Audit in Government Departments.

1.2 Audited entity profile

The Principal Accountant General (General and Social Sector Audit), Gujarat conducts Audit of the expenditure under the General and Social Services incurred by 17 Departments¹ in the State at the Secretariat level, 226 autonomous bodies and 14,482 local bodies². The Departments are headed by Additional Chief Secretaries/Principal Secretaries/Secretaries, who are assisted by Directors/Commissioners/Chief Engineers and subordinate officers under them.

The summary of fiscal transactions during the years 2016-17 and 2017-18 is given in **Table 1** -

1 Includes Water Supply Department of Narmada, Water Resources, Water Supply and Kalpsar Department

2 District Panchayats – 33, Taluka Panchayats – 249, Gram Panchayats – 14,030, Nagarpalikas – 162 and Municipal Corporations - 08

Table 1: Summary of fiscal transactions

(₹ in crore)

Receipts			Disbursements				
	2016-17	2017-18		2016-17	2017-18		
					Non- Plan	Plan	Total
1	2	3	4	5	6	7	8
Section-A: Revenue							
Revenue receipts	1,09,841.81	1,23,291.27	Revenue expenditure	1,03,894.83	1,03,043.68	15,015.98	1,18,059.66
Tax revenue	64,442.71	71,549.41	General services	35,804.35	40,932.63	468.93	41,401.56
Non-tax revenue	13,345.66	15,073.97	Social services	44,926.02	38,934.11	10,104.89	49,039.00
Share of Union taxes	18,835.39	20,782.29	Economic services	22,748.51	22,702.88	4,442.16	27,145.04
Grants from Government of India	13,218.05	15,885.60	Grants-in-aid and Contributions	415.95	474.06	0.00	474.06
Section-B: Capital							
Misc. Capital receipts	240.05	0.00	Capital Outlay	22,355.39	20,305.34	6,007.85	26,313.19
Recoveries of Loans and Advances	165.77	346.22	Loans and Advances disbursed	477.56	631.07	-	631.07
Public Debt receipts*	27,668.31	26,952.74	Repayment of Public Debt*	9,073.17	-	-	13,700.23
Contingency Fund	3.75	0.00	Contingency Fund	0.00	-	-	0.00
Public Account receipts ³	2,570.71	1,394.21	Net Public Account	0.00	-	-	0.00
Opening Cash Balance	18,559.48	23,248.93	Closing Cash Balance	23,248.93	-	-	16,529.22
Total	1,59,049.88	1,75,233.37	Total	1,59,049.88			1,75,233.37
(Source: Finance Accounts of the State Government for the years 2016-17 and 2017-18)							
* Excluding net transactions under ways and means advances and overdrafts.							

1.3 Authority for Audit

The authority for Audit by the C&AG is derived from Articles 149 and 151 of the Constitution of India and the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971.

1.4 Planning and conduct of Audit

Audit process starts with the assessment of risks faced by various Departments of Government based on expenditure incurred, criticality/complexity of activities, level of delegated financial powers, assessment of overall internal controls and concerns of stakeholders. Previous audit findings are also considered in this exercise. Based on this risk assessment, the frequency and extent of Audit are decided.

³ Net Public Account represents total public account receipts less disbursement. During 2017-18, public account receipts were ₹ 89,132.67 crore and disbursement were ₹ 87,738.46 crore, leaving a Net Public Account balance of ₹ 1,394.21 crore.

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. Whenever replies are received, 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 Audit Reports, which are submitted to the Governor of the State under Article 151 of the Constitution of India, to be caused to be laid on the table of the State Legislature.

During 2017-18, in the General and Social Sector Audit Wing, 17,839 man-days were utilised to carry out Audits of total 251 units. The Audit plan covered those units/entities which were vulnerable to significant risk as per our assessment.

1.5 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. The present report contains one Performance Audit and five Compliance Audit paragraphs. The highlights are given in the following paragraphs.

1.5.1 Performance Audit

1.5.1.1 Implementation of Rural Drinking Water Supply Programme in Gujarat

Water is a State subject and the State Government is responsible to ensure access to a minimum quantity of potable water. Government of India (GoI) supplements the efforts of the State Governments with technical and financial assistance for provision of safe drinking water to the habitations in the rural areas of the country. The Water Supply Department (WSD) is responsible for the proper implementation of Rural Water Supply Programme (RWSP) through Gujarat Water Supply and Sewerage Board (GWSSB) and Water and Sanitation Management Organisation (WASMO).

A Performance Audit of Rural Drinking Water Supply Programme in Gujarat was conducted between March 2018 and August 2018 covering the period 2013-18. The main audit findings are summarized below:

- As of August 2018, out of 17,843 villages in the State, 8,947 villages had been covered under Narmada Canal based projects/programmes and 3,893 villages under other source based water supply projects.
- Government of Gujarat's (GoG's) claim that all 35,996 habitations in the State were fully covered with water supply was not correct.
- Out of 2,352 villages covered under 91 Rural Water Supply Schemes (RWSSs) in eight test-checked Districts, only 1,587 villages were getting water through RWSSs. Of the remaining 765 villages, 258 villages had no

access of water due to insufficient water at source, non-creation of internal distribution networks, damaged pipes, *etc.*

- There were under-reporting of non-functional WSSs. Even many of the non-functional schemes were not in the knowledge of the Department.
- State Level Laboratory (SLL) at Gujarat Jalseva Training Institute (GJTI) conducted only routine tests instead of conducting specific tests and could not act as a referral laboratory due to non-availability of high end equipment/instruments. Due to less number of Taluka Level Laboratories (TLLs), there was vast shortfall in the number of water sources to be tested as per norms. Mobile Laboratory Vans were not being utilised optimally. Field Test Kits meant for water quality testing were not utilized by Gram Panchayats (GPs) and Multi Purpose Health Workers (MPHWs) in test-checked habitations.
- GoG's claim of no Quality Affected habitations in the State was not correct. About 10 *per cent* habitations in the State had no fit source of potable water.
- In the test-checked Districts, bacteriological testing was not being done for all sources of water except for water supplied from RWSS, which is supplied after treatment in Water Treatment Plants (WTPs).
- Irregular booking of expenditure under Research and Development (R&D) schemes by GWSSB and the test-checked Districts respectively, non-surrender/non-refund of unspent funds by WASMO, and non-payment of water charges by Gram Panchayats were noticed in Audit.
- Periodical monitoring of completed schemes was not being done.

(Paragraph 2.1.1 to 2.1.15)

1.5.2 Compliance Audit of Transactions

1.5.2.1 Implementation of National Programme of Nutritional Support to Primary Education

Audit observed incorrect reporting by the Commissioner (MDM) to the GoI in respect of coverage of schools and students under the scheme. The number of schools reported as covered in Annual Work Plan and Budget (AWP&B) was more than the actual number of schools in the State as per the records of Sarva Shiksha Abhiyan (SSA). Similarly, there was variation in coverage of students reported by Commissioner with respect to the figures reported by test-checked Districts.

The Commissioner has been under-reporting the closing stock of food grains to GoI during 2015-18, however, there was huge closing stock of food grains at the godowns of Gujarat State Civil Supplies Corporation (GSCSC). The objective to have a uniform menu throughout the State to enhance the nutritional intake of students by dividing single meal into breakfast and lunch was not achieved. Checks to ensure use of quality food articles for supply of cooked food to children were not being applied effectively.

(Paragraph 3.1.1 to 3.1.10)

1.5.2.2 Implementation of Underground Drainage System (UDS) under Rurban Scheme

Implementation of 18 out of 19 UDS projects taken up under Rurban Scheme was far from satisfactory even after spending ₹ 194.70 crore⁴ and lapse of six years (from 2012 to 2018), due to flaws in planning. Projects were taken up without city sanitation plans; project reports were prepared without site surveys; adequate supply of water was not ensured before commencement of projects; house connections with completed UDS was poor; sites selected for pumping stations and treatment plants were prone to water-logging during monsoon season; and responsibility of operation and maintenance of completed projects was thrust upon Gram Panchayats without assessing their institutional and financial capacity. The District Panchayats did not ensure availability of jetting-*cum*-cleaning machinery.

(Paragraph 3.2.1 to 3.2.6)

1.5.2.3 Implementation of Indira Gandhi National Old Age Pension Scheme

Audit concludes that GoG had not covered all the Below Poverty Line (BPL) beneficiaries both rural and urban BPL populations under the scheme. As against the estimated BPL beneficiaries of 5.81 lakh approved as a ceiling by GoI based on poverty ratio of 2004-05, GoG could cover 5.60 lakh BPL beneficiaries under the scheme as of March 2018.

In the test-checked Talukas, Audit observed that the Mamlatdars have provided pension to ineligible persons with BPL scoring higher than fixed scoring criterion and eligible beneficiaries had been rejected in an arbitrary fashion in contravention to the provisions of the scheme guidelines and instructions issued by the Director, Social Defence.

Instances of non-disbursement of pension in cases of return of money orders were noticed in test-checked Talukas. In Dahod, Jamnagar and Palanpur Talukas, Audit observed that pension of 107 beneficiaries (₹ 10.18 lakh) was being credited wrongly to the bank accounts of others due to incorrect linkage of Aadhaar and incorrect entry of bank account number by the Mamlatdars. The test-checked Mamlatdars had not conducted annual personal verification of existing beneficiaries.

(Paragraph 3.3.1 to 3.3.6)

1.5.2.4 Functioning of Residential Schools under Gujarat State Tribal Education Society

Audit observed that horizontal spread of residential schooling for Scheduled Tribes (STs) was not uniform and self-evident in the absence of transparent criteria for setting up of Eklavya Model Residential Schools (EMRSs) as 18 out of 43 tribal Talukas had no EMRSs while three Talukas had more than one EMRS. The Society and the Girls Literacy Residential Schools (GLRSs) failed to utilise the recurring grant as per the budget estimates and as prescribed in the guidelines resulting in loss of central assistance of ₹ 5.36 crore. The Society had extended extra financial benefit to two NGO-run EMRSs (₹ 2.07 crore) managed on Public Private Partnership (PPP) mode by releasing excess recurring grants.

⁴ ₹ 166.83 crore spent on 15 complete projects + ₹ 27.87 crore spent on 03 incomplete projects

Due to non-starting/part commencement of higher secondary section, the students of eight EMRSs and 19 GLRSs were deprived of higher secondary education. Out of 36 EMRSs and 43 GLRSs, the choice of all the three streams was available in only four EMRSs. The teachers were appointed on monthly fixed remuneration on contract basis which was lower than the minimum wages of the State for skilled labourers. As a result, many of them left the job in between leading to vacancies and affecting regular conduct of classes.

The Society could not start the construction work of seven EMRSs and eight GLRSs though GoI had provided funds to the tune of ₹ 110 crore. Due to non-availability of buildings, these schools were being run in the buildings of other schools. As a result, the classrooms and hostels were found overcrowded in Integrated Tribal Development Project (ITDP) Banaskantha. Shortage of bed and mattress was noticed in two EMRSs and six GLRSs test-checked. In EMRS, Jagana, against 479 students, only 294 sets of bed, mattress and linen were available; in EMRS, Kadana, against 338 students, only 155 beds were available and the overall shortage of beds in eight out of 12 test-checked schools was 27 *per cent*. During visit of three test-checked GLRSs of ITDP, Chhotaudepur, students were found collecting water from the water tankers for storing them in the buckets for their use as the building had no facility of direct water connections.

Monitoring and evaluation of the schools by the Society was found deficient as it had not established any mechanism to assess curricular and extra-curricular progress of the students, data of EMRS students, who got admission in higher educational institutions and details of drop-outs in the Talukas.

(Paragraph 3.4.1 to 3.4.8)

1.5.2.5 Unfruitful expenditure on procurement of Refuse Compactor Vehicles

Gujarat Urban Development Company Limited procured 25 Refuse Compactor Vehicles of uniform capacity and payload for the Nagarpalikas (NPs) at a total cost of ₹ 9.94 crore for efficient handling of municipal solid waste. Of the 25 vehicles, 15 could not negotiate the narrow roads/streets in the NP areas for garbage collection due to their large size, while three could not be made functional due to non-availability of matching garbage containers and non-fulfilment of warranty repairs by the contractor, leading to unfruitful expenditure of ₹ 7.16 crore.

(Paragraph 3.5)

1.6 Lack of responsiveness of Government to Audit

1.6.1 Inspection Reports outstanding

The Hand Book of Instructions for prompt Settlement of Audit Objections/ Inspection Report issued by the Finance Department in 1992 provides for prompt response by the Executive to the Inspection Reports (IRs) issued by the Accountant General to ensure rectificatory action in compliance with the prescribed rules and procedures and 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 Accountant General within four weeks of receipt of the IRs. Periodical reminders are issued to the Head of the Departments requesting them to furnish the replies expeditiously on the outstanding paragraphs in the IRs.

As of 31 December 2018, 6,286 IRs (28,018 paragraphs) were outstanding against 17 Departments under the General and Social sector. Year-wise details of IRs and paragraphs outstanding are given in **Appendix-I**.

1.6.2 Response of departments to the audit paragraphs

One draft Performance Audit Report and five draft Compliance Audit Paragraphs were forwarded to the Additional Chief Secretaries/Principal Secretaries/Secretaries of the concerned administrative departments between July 2018 and November 2018 with a request to send their responses within six weeks. The departments replied to two Compliance Audit Reports till date (September 2019). Exit conferences were also held with the concerned Departments on the audit findings included in the draft report of the Performance and Compliance Audits. The replies of the department and the views expressed by them have duly been considered while finalising this report.

1.6.3 Follow-up of Audit Reports

Rule 7 of Public Accounts Committee (Rules of Procedure) 1990 provides for furnishing Detailed Explanation (DE) to the observations which featured in Audit Reports by all the Departments of Government, within 90 days of their being laid on the Table of the Legislative Assembly.

The administrative Departments did not comply with these instructions and 18 Departments⁵ as detailed in **Appendix-II** had not submitted 57 DEs for the period 2007-08 to 2016-17 as of 31 December 2018.

1.6.4 Paragraphs to be discussed by the Public Accounts Committee

Details of paragraphs pending for discussion by the Public Accounts Committee as of 31 December 2018 are shown in **Appendix-III**.

⁵ This includes audit of departments transferred to Principal Accountant General (Economic and Revenue Sector Audit), Gujarat, Ahmedabad after restructuring with effect from 1 April 2012

