

CHAPTER I

INTRODUCTION

1.1 About this Report

This Report of the Comptroller and Auditor General of India (CAG) contains matters arising from Audit of various Departments of the Government of Chhattisgarh conducted with a view to assess whether a given subject matter (an activity, financial or non-financial transaction, information in respect of an entity or a group of entities) complies in all material respects with applicable laws, rules, regulations, established codes etc., and the general principles governing sound public financial management.

The primary purpose of this Report is to bring to the notice of the State Legislature, significant results of Audit and to enable the Executive to take suitable corrective actions, for improved financial management of organisations and better governance.

This chapter explains the planning and coverage of audit, response of Departments and Government to audit findings, process of preparation of audit reports and follow-up action on previous Audit Reports.

1.2 Expenditure Profile of the Departments

A summary of the expenditure incurred against the budget estimate by the major departments of Government of Chhattisgarh during the year 2022-23 is given in *Appendix 1.1*. The total Budget Estimates of the departments were ₹ 1,13,262.75 crore and Actual Expenditure was ₹ 1,10,683.20 crore. In Annual Audit Plan (AAP) 2023-24, out of the 40 departments (as mentioned in the *Appendix 1.1*), comprising audit universe of 4987 units, 392 units pertaining to 39 departments were planned for audit during 2023-24. This report covers result of 230 units (including 100 Implementing units for which IRs were issued), which were test checked from 12 Apex entities where an expenditure of ₹ 6435.81 crore was incurred (5.81 *per cent* of total expenditure incurred by the State).

1.3 Office of the Accountant General (Audit)

Under the directions of the CAG, Office of the Accountant General (Audit), Chhattisgarh is responsible for conducting audit of 40 Apex departments¹ and Local Bodies/ Public Sector Undertakings/ Autonomous Bodies thereunder in the State of Chhattisgarh. Out of these, 35 departments are covered under General, Social and Economic Sectors Audit.

1.4 Audit Mandate

The CAG's authority for audit is derived from Articles 149 and 151 of the Constitution of India, and CAG's (Duties, Powers and Conditions of Service) Act, 1971 (DPC Act). The CAG audits the departments in General, Social and

¹ Including Law and Legislative Department

Economic Sectors (GS&ES) of the Government as per the following provisions of the CAG's DPC Act:

- Audit of expenditure of various Departments is carried out under Section 13 of the DPC Act;
- Audit of autonomous bodies is conducted under sections 19(2)², 19(3)³ and 20(1)⁴ of the DPC Act;
- In addition, CAG also conducts audit of other autonomous bodies, which are substantially funded by the Government under Section 14⁵ of the DPC Act.

Principles and methodologies for various audits are prescribed in the Auditing Standards and the Regulations on Audit and Accounts, as well as other guidelines, manuals and instructions issued by or on behalf of the CAG.

1.5 Planning and Conduct of audit

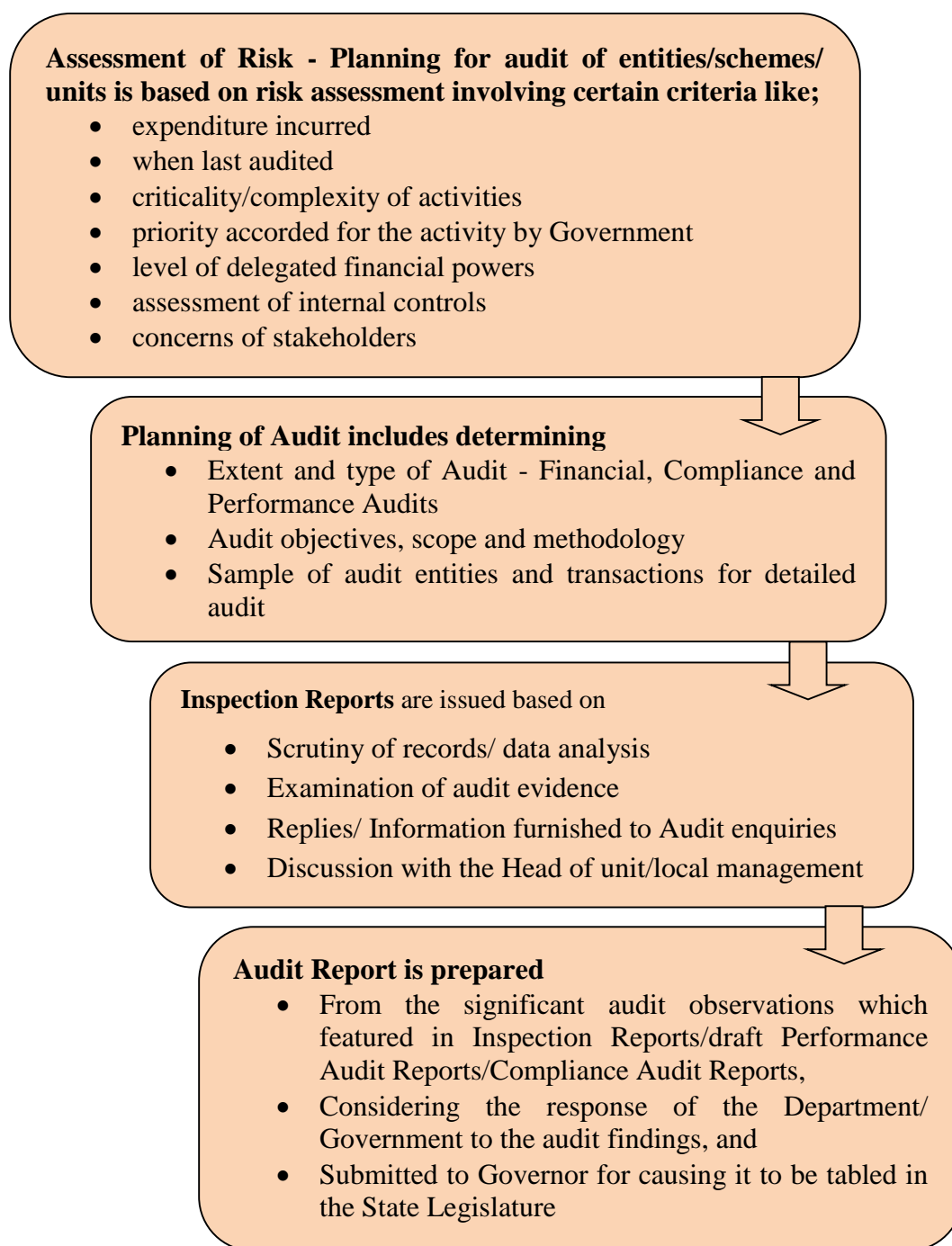
The following flowchart depicts the process of planning, conduct of audit and preparation of Audit Reports:

² 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.

³ Audit of accounts of Corporations established by or under law made by the State Legislature.

⁴ Audit of accounts of any Body or authority on the request of the Governor, on such terms and conditions as may be agreed upon between the CAG and the Government.

⁵ Audit of all (i) receipts and expenditure of a body/authority substantially financed by grants or loans from Consolidated Fund of State and (ii) all receipts and expenditure of any body or authority where grants or loans to such body or authority from Consolidated Fund of State in a financial year is not less than ₹ one crore.

Chart 1.1: Planning, conduct of audit and preparation of Audit Reports

After completion of audit of each unit, an Inspection Report (IR) containing audit findings is issued to the Head of the unit with a request to furnish replies within four weeks of receipt of the IR. Significant audit observations pointed out in these IRs, which require attention at the highest level in Government, are issued as draft paragraphs to the Government for their responses, before possible inclusion after due consideration of the responses, in the Audit Reports. In addition, Compliance Audits on specific themes or topics are also issued to the Government for their responses, before possible inclusion in the Audit Reports. These Audit Reports are submitted to the Governor of Chhattisgarh under Article 151 of the Constitution of India for causing them to be laid on the Table of the State Legislature.

1.5.1 Significant audit observations and response to audit:

During the year 2023-24, 230 units were audited and 29 significant audit observations were reported as Part-IIA para through Inspection Reports, however, response from Government were not received in any case. Out of these 29 significant audit findings, 11 significant deficiencies were reported to Departments as Factual Statements for which responses were received in six cases. One Audit paragraph and one Long Paragraph is included in this Report.

One Performance Audit on 'PA on Implementation of Pradhan Mantri Awas Yojana-Urban in Chhattisgarh' and one Compliance Audit on 'Implementation of welfare schemes by the Labour Department' was conducted and included in this Report. During the year 2023-24, 18 Certification Audits were also conducted.

1.6 Response of Departments to audit findings

1.6.1 Response to previous Inspection Reports

Heads of Offices are required to respond to the observations contained in IRs and take appropriate corrective action. Audit observations communicated in IRs are also discussed at periodical intervals in meetings at District/State levels by officers of the Accountant General's office with officers of the concerned departments. As of 30 June 2024, 6,575 IRs related to General, Social and Economic sectors containing 34,434 paragraphs pertaining to previous years were pending for settlement as detailed in **Table 1.1**. Of these, first replies have not been received in respect of 3,424 IRs (21,071 paragraphs). Department-wise details are given in **Appendix 1.2**.

Table 1.1: Position of Outstanding Paragraphs (GS&ES)

Year	Number of IRs/Paragraphs pending for settlement (as of 30 June 2024)		IRs/Paragraphs where even first replies have not been received (as of 30 June 2024)	
	IRs	Paragraphs	IRs	Paragraphs
2018-19& earlier years	4690	20528	1868	9654
2019-20	512	3361	413	2786
2020-21	238	1790	196	1520
2021-22	381	2655	322	2260
2022-23	754	6100	625	4851
Total	6575	34434	3424	21071

Lack of action on IRs and audit paragraphs is fraught with the risk of perpetuating serious financial irregularities pointed out in these reports. It may also result in dilution of internal controls in the governance process, inefficient and ineffective delivery of public goods/ services, fraud, corruption and loss to public exchequer. The State Government, therefore, needs to institute an appropriate mechanism to review and take expeditious action to address the concerns flagged in these IRs and audit paragraphs.

1.6.2 *Response of Government to audit observations*

All departments are required to send their responses to draft Compliance Audit paragraphs proposed for inclusion in CAG's Report within six weeks of their receipt. One draft Compliance Audit Report and one draft paragraph included in this Report were forwarded to the Additional Chief Secretaries/Principal Secretaries/Secretaries of the Departments concerned, drawing their attention to the audit findings and requesting them to send their response within six weeks. It was brought to their personal attention that these draft Compliance Audit Report and draft paragraph were likely to be included in the Audit Report of the CAG of India, which would be placed before the State legislature, and it would be desirable to include their comments/responses to the audit findings. The responses of the Government, wherever received, have been appropriately incorporated in the Report.

1.6.3 *Response of Government to audit paragraphs that featured in earlier Audit Reports*

Administrative Departments are required to submit Explanatory Notes on Audit paragraphs included in Audit Reports, within a period of three months after their presentation to State Legislature, duly indicating the action taken or proposed to be taken. Explanatory Notes were yet to be received (as of 31 July 2024) from 40 departments in respect of 324 Paragraphs that featured in the Audit Reports for the year up to 2022.

1.6.4 *Response of Government to recommendations of the Public Accounts Committee*

Administrative Departments are required to submit Action Taken Notes (ATNs) on recommendations of Public Accounts Committee (PAC) within six months from the date of receipt of recommendations. As of 30 June 2024, 122 ATNs in respect of 40 departments were yet to be received.

1.6.5 *Records not produced to Audit for scrutiny*

The programme of local audit of different offices was drawn up sufficiently in advance and intimations were issued to the departments to enable them to keep the relevant records ready for audit scrutiny.

For the period 2022-23, in 30 auditee units pertaining to Eight Departments, the auditee did not provide files, returns, documents, registers and other records pertaining to implementation of various schemes as detailed in **Appendix 1.3**. This issue was highlighted in the Inspection Reports and intimated to the Secretaries/HODs of the concerned departments. Non-furnishing of records to Audit raises red flags as these transactions could not be vouchsafed in audit and possibilities of fraud and misappropriation of public money could not be ruled out.

1.7 Acknowledgement

The Office of the Accountant General (Audit), Chhattisgarh wishes to acknowledge the cooperation and assistance extended by the officials of the State Government and various other departments during the course of audit.