

OVERVIEW

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This Audit Report comprises three chapters containing snapshot of functioning of State Public Sector Enterprises of Chhattisgarh (State PSEs), one Performance Audit on Implementation of Smart City Mission in Chhattisgarh and one Compliance Audit Paragraph related to Chhattisgarh Rural Housing Corporation under the Panchayat & Rural Development Department. A synopsis of the important findings contained in this Report is discussed below.

CHAPTER-I

The Chapter covers detailed analysis of 20 State PSEs, based on their latest finalized accounts. The report further presents the oversight role of CAG in respect of compliance with various criteria and preparation and submission of financial statements by State PSEs; and with the adherence to Corporate Governance guidelines stipulated for Government Companies.

Functioning of State Public Sector Enterprises

The State Public Sector Enterprises (State PSEs) comprise of State Government Companies and Statutory Corporations. The State PSEs were established to carry out activities of commercial nature, keeping in view the welfare of the people and contribute to the State economy.

- There were 28 State PSEs in Chhattisgarh as on 31 March 2023, 27 Government Companies and one Statutory Corporation, under the audit jurisdiction of Comptroller & Auditor General (CAG) of India. Of these, 26 State PSEs were working and two were inactive. Out of 26 working State PSEs, four State PSEs were related to Power Sector.
- 25 State PSEs had backlog of 47 accounts with period of arrears ranging up to six years as at the end of 30 September 2023.
- The investment of the Government of Chhattisgarh (GoCG) in equity and long-term loans in 28 State PSEs was ₹ 7,579.09 crore against total investment of ₹ 20,961.61 crore. The outstanding long-term loans were ₹ 846.06 crore. The ratio of long term loans to equity was 1.96.

Analysis of the 20 State PSEs indicated:

- Annual turnover registered was ₹ 42,172.73 crore, which was 9.22 *per cent* of the GSDP of Chhattisgarh.
- Ten State PSEs earned profits (₹ 879.22 crore) of which top five profit earning State PSEs were Chhattisgarh State Power Generation Company Limited, Chhattisgarh State Power Transmission Company Limited, Chhattisgarh State Warehousing Corporation, Chhattisgarh Rajya Van Vikas Nigam Limited and Chhattisgarh Mineral Development Corporation. Seven State PSEs incurred losses (₹ 1,143.10 crore). Five State PSEs *viz.* Chhattisgarh State Power Distribution Company, Chhattisgarh State Civil Supplies Corporation Limited, Chhattisgarh Railway Corporation Limited, Chhattisgarh Katghora Dongargarh Railway Limited, and Chhattisgarh Kharsia Naya Raipur Railway Limited had accumulated losses of ₹ 10,252.86 crore.

- As a result of the audit of CAG during the year, significant comments were issued, highlighting inaccuracies in the Financial Statements that impacted profitability by ₹ 1,194.79 crore and assets/liabilities by ₹ 1,231.80 crore.
- Sixteen State PSEs did not conduct the mandatory requirement of four meetings of Board of Directors. Only one out of 12 State PSEs had the required number of Independent Directors. However, the Independent Directors have not conducted a separate meeting. Woman Director was not appointed in two out of eight State PSEs.
- Whole time Key Managerial Personnel were appointed only in four out of eight State PSEs, and Audit Committee was constituted in two out of 12 State PSEs.
- Only one out of 12 State PSEs has constituted the Nomination and Remuneration Committee. Out of six State PSEs, none have established vigil mechanism to report genuine concerns and grievances.

Recommendations:

The State Government may

1. Review the functioning of all loss making/ inactive State PSEs and take necessary steps to improve their financial performance/ winding up.
2. Issue necessary instructions to Administrative Departments to set targets for finalization of accounts and clearance of arrears.
3. Formulate a dividend policy for the profit making PSEs.
4. Ensure compliance with provisions of the Companies Act, 2013 for Corporate Governance and Corporate Social Responsibility requirements by the State PSEs.

CHAPTER-II

This chapter contains the result of Performance Audit of Smart Cities Mission in Chhattisgarh.

Performance Audit on ‘Implementation of Smart Cities Mission’ in Chhattisgarh

Why this audit

Government of India (GoI) launched (June 2015) “Smart Cities Mission (SCM)”, a Centrally Sponsored Scheme with the objective to promote cities that provide core infrastructure, clean and sustainable environment and give a decent quality of life to their citizens through the application of ‘smart solutions’. Smart city mission was implemented in three cities of Chhattisgarh; Raipur, Bilaspur and Nava Raipur through three Special Purpose Vehicles (SPV)¹. The period of the Mission was initially for five years (2015-20) which was further extended up to March 2025.

As the period of the Mission was due to get over in March 2025, in view of the slow progress of implementation of the projects in the State, we conducted this audit with the objective to assess the adequacy of planning in developing smart cities, and implementation of the project as per laid down norms and within the time specified, along with prudence in financial management, and availability of functional

¹ Raipur Smart City Limited (RSCL), Bilaspur Smart City Limited (BSCL) and Nava Raipur Atal Nagar Smart City Corporation Limited (NRANSCCL)

mechanism for monitoring, evaluation, and mid-course correction.

What we found

Under the Smart City Mission, GoCG made important interventions in the urban areas by constructing smart roads, converting overhead electricity cables to underground cables, smart library, etc. and Integrated Command and Control Centre (ICCC) addressing the issue of improvement/safety in public spaces. Operationalisation of ICCC in all the three cities ensured better surveillance, traffic management, crime control etc. Besides many projects for redevelopment of gardens, plantation of trees and beautification of ponds, talabs and river front were also undertaken for visible improvement of public spaces in the cities.

As per the approved Smart City Proposals (SCPs) for three cities of Chhattisgarh, total estimated cost of projects was ₹ 9,627.70 crore, to be funded through grant from the GoI and matching grant by the GoCG *i.e.* SCM fund, by way of convergence with other Government schemes and Public Private Partnership (PPP). In addition to the SCM fund of ₹ 2,534.30 crore, projects worth ₹ 2,205 crore and ₹ 4,888.40 crore were proposed to be executed from the funds mobilised through Convergence and PPP respectively. We, however, noted that project funding arrangements were not appropriately firmed up by the State, as the projects worth ₹ 522.04 crore, initially proposed under convergence with existing Central/State Government Schemes, were not taken up for execution by the SPVs. We also observed that SPVs did not develop a revenue model to attract private partnership for execution of projects planned under PPP.

During the period 2016-17 to 2022-23, a total 476 work orders valuing ₹ 2,644.44 crore were issued representing around 27 *per cent* of the total estimated cost (₹ 9,627.70 crore) of projects. As of March 2023, only 295 works (approximately 62 *per cent*) have been completed, while 181 works were in progress. The actual expenditure incurred stood at ₹ 1,213.12 crore, which is 46 *per cent* of the awarded cost.

We observed that the progress of work was adversely affected due to delay in award of works/ execution of agreements, inability to provide clear site to contractor, frequent changes in scope of works, etc. Owing to the underutilization of available funds, GoI curtailed the scheme funds and consequently, GoCG matching grant quantum also reduced.

Instances of award of projects to the ineligible bidders, non-levy/short levy of penalty for delay in execution of works, award of additional works without inviting tenders were also observed. There was poor participation of bidders against Nava Raipur Atal Nagar Smart City Corporation Limited (NRANSCCL) tenders due to restrictive terms and conditions and award of 84 *per cent* of works to a single contractor which affected the progress of works.

Out of the total expenditure incurred on works under Area Based Development (ABD), 30 *per cent* was incurred on works that were outside the ABD area which was not in line with the objective of developing a compact area as smart city. Similarly, a total of 128 non-Information and Communication Technology (non-ICT) projects such as garden/lake beautification, playground development, storm water drain etc. worth ₹ 118.85 crore were taken up by the three SPVs under Pan-city

development which was in violation of SCM guidelines of application of Smart Solutions involving use of technology, information and data to make infrastructure and services better. Further, some of the essential features (rainwater harvesting and energy efficient green building), as prescribed by SCM guidelines, were not included in the SCPs of Raipur and Bilaspur.

Instances of non-utilization of created infrastructure such as, cycle track, smart dustbins, e-toilets, underground traffic LED signal lighting system etc. were noticed due to deficient execution & maintenance and encroachment, etc.

For the assets created by the SPVs under the mission, there was no clarity regarding future operation and maintenance of these assets except in some projects of BSCL. Further, the GoCG was yet to develop a policy to establish a dedicated and substantial revenue stream for the SPVs to ensure their self-sustainability.

State Level High Powered Steering Committee (SLHPSC) did not hold any meetings, except for approving the SCPs and forwarding the proposals to GoI (2017), to review the implementation of projects in the three SPVs in the State. Meetings of Smart City Advisory Forum (SCAF) were also not held regularly as prescribed. Assessment and monitoring through third party was also not ensured. Appointment of full-time Chief Executive Officer (CEO) was not made in any of the SPVs as mandated by SCM guidelines. Further, there were vacancies in the three SPVs across various wings, *i.e.*, administrative, finance, and technical staff affecting work efficiency.

What we recommend

The State Government may ensure:

1. Appointment of full time CEOs in all the SPVs and availability of adequate manpower for effective project execution and monitoring;
2. Mobilisation of resources through Convergence and PPP mode for implementation of projects proposed under Smart City Mission;
3. Strengthening of contract management in SPVs by strict compliance with standard tendering norms, and contract provisions;
4. Fixation of and adherence to firm timelines to operationalise the assets created and proper repair and maintenance to ensure longevity, safety and efficiency of the created assets; and
5. To develop and implement a policy to establish a dedicated and substantial revenue stream for SPVs to ensure their self-sustainability in future.

CHAPTER-III

This chapter contains one Audit Paragraph pertaining to State PSE.

Avoidable loss of interest to the tune of ₹ 5.32 crore due to non-availing of auto sweep facility (Chhattisgarh Rural Housing Corporation Limited)

Chhattisgarh Rural Housing Corporation Limited (Company) deposited an amount of ₹ 55.00 crore into Canara Bank towards lien in a general savings bank account without opting for an auto sweep facility, which led to the forgoing of interest income to the tune of ₹ 5.32 crore.

(Paragraph 3.1)