

CHAPTER I

INTRODUCTION

1.1 About this Report

This Report presents matters arising from compliance audit of the Departments of the Government of Gujarat.

Compliance Audit (CA) refers to examination of the transactions relating to receipt and 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 the competent authorities are being complied with.

The primary purpose of the Report is to bring important results of audit to the notice of the State Legislature. 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 organisations, thus contributing to better governance.

This chapter, in addition to explaining the planning and extent of the audit, also briefly analyses the follow-up on the previous Audit Reports.

Chapter II contains findings of three Compliance Audits, namely “Processing of refund claims under Goods and Services Tax (GST)”, “Department’s oversight on GST payment and return filing” and “Transitional Credit under Goods and Services Tax” under Finance Department.

Chapter III contains 15 individual Audit Paragraphs on the transactions of various Government Departments.

Chapter IV contains findings of one Compliance Audit, namely “*Ujwal DISCOM Assurance Yojana*” under Energy and Petrochemicals Department.

1.2 Audited Entity Profile

The Office of the Principal Accountant General (Audit-II), Gujarat conducts audit of 14 Departments of Government of Gujarat. This includes audit at the Secretariat level, the field offices, 113 autonomous bodies and 61 public sector undertakings (PSUs) falling under the jurisdiction of these 14 Departments. Each Department is headed by an Additional Chief Secretary/ Principal Secretary/ Secretary, who is assisted by Directors/ Commissioners/ Chief Engineers and subordinate officers under them.

The summary of the fiscal transactions of the Government of Gujarat during 2019-20 and 2021-22 is given in **Table 1.1** below:

Table 1.1: Summary of fiscal transactions vis-à-vis Budget Estimates

| Sl. No. | Components | (₹ in crore) | | | | Percentage of Actuals to BE 2021-22 | Percentage of Actual to GSDP |
|---------|--|----------------------|----------------------|---------------------|---------------------|-------------------------------------|------------------------------|
| | | 2019-20 Actuals | 2020-21 Actuals | 2021-22 Actual | 2021-22 BE | | |
| 1 | Tax Revenue | 79,007.50 | 70,266.18 | 97,678.07 | 1,11,692.60 | 87.45 | 5.02 |
| 2 | Non-Tax Revenue | 18,104.15 | 10,492.66 | 14,018.26 | 16,801.51 | 83.43 | 0.72 |
| 3 | Share of Union taxes/duties | 20,232.09 | 20,218.53 | 31,105.78 | 23,161.67 | 134.30 | 1.60 |
| 4 | Grants-in-aid and Contributions | 25,500.02 | 27,178.29 | 24,027.59 | 16,313.62 | 147.29 | 1.24 |
| 5 | Revenue Receipts (1+2+3+4) | 1,42,843.76 | 1,28,155.66 | 1,66,829.70 | 1,67,969.40 | 99.32 | 8.58 |
| 6 | Recovery of Loans and Advances | 329.67 | 155.61 | 155.34 | 250.00 | 62.14 | 0.01 |
| 7 | Other Receipts | 106.36 | 9,967.85 | 0.00 | 0.00 | - | 0.00 |
| 8 | Borrowings and other Liabilities ¹ | 24,581.46 | 40,438.35 | 22,692.31 | 30,783.10 | 73.72 | 1.17 ² |
| 9 | Capital Receipts (6+7+8) | 25,017.49 | 50,561.81 | 22,847.65 | 31,033.10 | 73.62 | 1.18 |
| 10 | Total Receipts (5+9) | 1,67,861.25 | 1,78,717.47 | 1,89,677.35 | 1,99,002.50 | 95.31 | 9.76 |
| 11 | Revenue Expenditure, of which | 1,40,898.91 | 1,50,703.58 | 1,60,421.27 | 1,66,760.80 | 96.20 | 8.25 |
| 12 | Interest payments | 22,448.66 | 24,203.19 | 25,187.78 | 25,921.97 | 97.17 | 1.30 |
| 13 | Capital Expenditure, of which | 26,962.33 | 28,013.89 | 29,256.08 | 32,241.70 | 90.74 | 1.50 |
| 14 | Capital outlay | 25,650.61 | 26,780.46 | 28,185.04 | 30,815.67 | 91.46 | 1.45 |
| 15 | Loan and advances | 1,311.72 | 1,233.43 | 1,071.04 | 1,426.03 | 75.11 | 0.06 |
| 16 | Total Expenditure (11+13) | 1,67,861.24 | 1,78,717.47 | 1,89,677.35 | 1,99,002.50 | 95.31 | 9.76 |
| 17 | Revenue Deficit (-)/ Surplus (+) (5-11) | (+) 1,944.85 | (-) 22,547.92 | (+)6,408.43 | (+)1,208.60 | 530.24 | 0.33 |
| 18 | Fiscal Deficit [(5+6+7)-16] | (-) 24,581.45 | (-) 40,438.35 | (-)22,692.31 | (-)30,783.10 | 73.72 | (-)1.17 |
| 19 | Primary Deficit (18-12) | (-) 2,132.79 | (-) 16,235.16 | 2,495.47 | (-)4,861.13 | (-)51.34 | 0.13 |

Source: Finance Accounts of respective years.

¹ Borrowings and other Liabilities = Net (Receipts-Disbursements) of Public Debt plus Net of Contingency Fund plus Net (Receipts less Disbursements) of Public Account plus Net of Opening and Closing Cash Balance.

² As per Department of Expenditure, GoI, the borrowings under the special window will not be treated as debt of the State for any norms which may be prescribed by the Finance Commission, etc. Hence the back to back loans in lieu of shortfall of GST compensation of ₹ 9,222 crore given in 2020-21 and ₹ 13,040 crore given in 2021-22 have not been considered as public debt here.

The summarised position of assets and liabilities of the Government of Gujarat during 2019-20 and 2021-22 is given in **Table 1.2** below:

Table 1.2: Summarised position of Assets and Liabilities

(₹ in crore)

| Liabilities | | | | Assets | | | |
|---|--------------------|--------------------|--------------------|---|--------------------|--------------------|--------------------|
| | 2019-20 | 2020-21 | 2021-22 | | 2019-20 | 2020-21 | 2021-22 |
| Consolidated Fund | | | | | | | |
| A Internal Debt | 2,59,661.04 | 2,90,030.39 | 2,99,805.60 | a Gross Capital Outlay | 2,89,222.37 | 3,05,217.56 | 3,33,402.60 |
| B Loans and Advances from Govt | 7,433.06 | 17,998.91 | 30,756.10 | b Loans and Advances | 10,485.21 | 12,235.46 | 13,151.16 |
| Contingency Fund | | | | | | | |
| Contingency Fund | 200.00 | 200.00 | 200.00 | Contingency Fund | 0.00 | 0.00 | 0.00 |
| Public Account | | | | | | | |
| A Small Savings, Provident Funds, etc. | 10,601.21 | 10,445.80 | 10,179.77 | a Advances | 0.71 | 0.70 | 0.70 |
| B Deposits | 34,599.05 | 36,955.05 | 36,892.11 | b Suspense and Miscellaneous | 1,865.70 | 4,031.51 | 564.65 |
| C Reserve Funds | 16,832.75 | 7,984.33 | 10,744.87 | Cash balance (including investment in Earmarked Fund) | 24,035.80 | 15,847.93 | 20,676.21 |
| D Remittances | 736.92 | 866.65 | 961.12 | | | | |
| | | | | Total | 3,25,609.79 | 3,37,333.16 | 3,67,795.32 |
| | | | | Cumulative excess of expenditure over receipts⁴ | 4,454.24 | 27,147.97 | 21,744.25 |
| Total | 3,30,064.03 | 3,64,481.13 | 3,89,539.57 | Total | 3,30,064.03 | 3,64,481.13 | 3,89,539.57 |

Source: Finance Accounts of respective years.

1.3 Authority for Audit

The authority for audit by the CAG 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. The CAG conducts audit of expenditure and receipts of the Departments of the Government of Gujarat under Section 13 and Section 16 of the CAG's (DPC) Act⁴ respectively. The CAG is the sole auditor in respect of bodies/ authorities which are audited under Sections 19(2)⁵, 19(3)⁶ and 20(1)⁷ of the CAG's (DPC) Act. In addition, CAG

³ Cumulative excess of expenditure over receipts = Cumulative excess of expenditure over receipts of previous year *plus* Adjustment to clear old outstanding balances *less* Revenue surplus.

⁴ Section 13 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 and Section 16 empowers C&AG to audit all receipts which are payable into the Consolidated Fund of the State.

⁵ 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.

⁶ Audit of accounts, on the request of the Governor, of Corporations established by law made by the State Legislature.

⁷ Where the audit of the accounts of a body or authority has not been entrusted to the C&AG by or under any law made by Parliament, he shall, if requested to do so 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.

also conducts audit of other autonomous bodies which are substantially funded by the Government, under Section 14 of CAG's (DPC) Act⁸. Principles and methodologies for various audits are prescribed in the Regulations on Audit and Accounts, 2020 and the Auditing Standards and guidelines issued by the CAG.

1.4 Response of the Government to Audit

1.4.1 Inspection Reports

The Hand Book of Instructions for Prompt Settlement of Audit Objections/ Inspection Reports, 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). It ensures corrective action in compliance with the prescribed rules and procedures and fixes 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.

As of 30 September 2022, a total of 2,179 IRs (including 7719 Paragraphs) were outstanding in respect of 14 Departments. Year-wise details of IRs and paragraphs outstanding are given in **Appendix I**.

1.4.2 Results of Audit

During the course of the period 2019-20 to 2021-22, the Departments concerned accepted under-assessment and other irregularities of ₹ 92.42 crore involved in 447 cases which were pointed out in audit during 2019-22 and earlier years. The Departments recovered ₹ 21.73 crore in 328 cases at the instance of audit.

1.4.3 Compliance Audits and Paragraphs

Four Compliance Audits and 15 individual Audit Paragraphs were forwarded to the Principal Secretaries/ Secretaries of the Departments concerned between August 2021 and June 2023 with requests to send their responses within six weeks.

The replies of the Departments/ PSUs have been duly considered while finalising this Report.

1.4.4 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 the

⁸ This Section empowers the C&AG to audit receipts and expenditure of (i) a body/ authority substantially financed by grants or loans from the Consolidated Fund of the State and (ii) a 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.

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 vetting by the Accountant General concerned.

The Audit Reports on Economic Sector and Revenue Sector for the years 2010-11 to 2018-19 included 393 paragraphs pertaining to 12 Departments, as detailed in **Table 1.3** and **Table 1.4** below:

Table 1.3: Details of paragraphs included in Economic Sector Audit Reports

| Sl. No. | Name of the Department | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 | Total | DEs received |
|---------|--|----------|----------------|----------------|----------------|-----------|----------|----------|----------|-----------|----------------|
| 1 | Agriculture, Farmers Welfare and Co-operation | 1 | - | 1 | - | - | 1 | - | 1 | 4 | 1 ^a |
| 2 | Narmada, Water Resources, Water Supply and Kalpsar (Water Resources) | 3 | 6 ^a | 3 ^a | 5 ^a | 6 | 3 | 2 | - | 28 | 26 |
| 3 | Ports and Transport | 0 | 1 | 0 | 0 | 1 | 0 | 0 | 0 | 2 | 1 |
| 4 | Roads and Buildings | 5 | 4 | 5 | 3 ^a | 3 | 4 | 3 | - | 27 | 24 |
| 5 | Forests and Environment | 0 | 0 | 1 | 3 ^a | - | 1 | 0 | 1 | 6 | 5 |
| 6 | Industries and Mines | 0 | 0 | 0 | 2 ^a | 1 | 0 | 0 | 1 | 4 | 3 |
| 7 | Finance | 0 | 0 | 0 | 2 ^a | 0 | 0 | 0 | 0 | 2 | 2 |
| 8 | Science and Technology | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 1 | 0 |
| 9 | Climate Change | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 1 | 0 |
| | Total | 9 | 11 | 10 | 15 | 11 | 9 | 7 | 3 | 75 | 62 |

^a Paragraph pertains to two Departments, hence considered as separate paragraph in each Department.

^b DE of paragraph featured in Audit Report 2011-12 is received partially.

Table 1.4: Details of paragraphs included in Revenue Sector Audit Reports

| Sl. No. | Name of the Department | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 | Total | DEs received |
|---------|---|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|------------|--------------|
| 1 | Revenue (Land Revenue/Stamp Duty and Registration Fees) | 5 | 18 | 14 | 19 | 4 | 11 | 10 | 10 | 14 | 105 | 82 |
| 2 | Energy and Petrochemicals | 2 | 3 | - | 1 | - | 2 | - | - | - | 8 | 7 |
| 3 | Ports and Transport | 8 | 8 | - | 5 | 2 | 1 | 1 | 4 | 2 | 31 | 29 |
| 4 | Finance | 23 | 33 | 24 | 24 | 7 | 7 | 9 | 7 | 8 | 142 | 132 |
| 5 | Information and Broadcasting | 5 | 2 | - | - | - | - | - | - | - | 7 | 7 |
| 6 | Industries and Mines | 8 | 9 | - | 2 | - | 2 | 1 | 2 | 1 | 25 | 23 |
| | Total | 51 | 73 | 38 | 51 | 13 | 23 | 21 | 23 | 25 | 318 | 280 |

Out of 393 paragraphs for the years 2010-11 to 2018-19, DEs for 342 paragraphs have been received up to March 2024. No DEs for the remaining 51 paragraphs⁹ were received as of March 2024. As a result, these paragraphs, along with DEs, were not available to the PAC for discussion.

⁹ For the year 2010-11 (three paragraphs), 2011-12 (seven paragraphs), 2014-15 (one paragraph), 2015-16 (five paragraphs), 2016-17 (12 paragraphs), 2017-18 (15 paragraphs) and 2018-19 (eight paragraphs).

Discussion of Audit Reports by Public Accounts Committee

The status of Performance Audits (PA) and Compliance Audit Paragraphs that appeared in Audit Reports of the Economic Sector and Revenue Sector and discussed by Public Accounts Committee (PAC) as on 31 March 2024 is shown in **Table 1.5** below:

Table 1.5: Performance Audits/ Compliance Audit (CA) Paragraphs that appeared in Audit Reports *vis-à-vis* discussed by PAC as on 31 March 2024

| Period of Audit Report | Number of Performance Audits/ CA Paragraphs | | | |
|------------------------|---|------------|------------------|------------|
| | Appeared in Audit Report | | Discussed by PAC | |
| | PAs | Paragraphs | PAs | Paragraphs |
| 2010-11 | 4 | 47 | 2 | 34 |
| 2011-12 | 1 | 81 | 0 | 42 |
| 2012-13 | 3 | 46 | 3 | 46 |
| 2013-14 | 4 | 57 | 4 | 57 |
| 2014-15 | 2 | 26 | 2 | 18 |
| 2015-16 | 3 | 31 | 0 | 0 |
| 2016-17 | 2 | 28 | 0 | 0 |
| 2017-18 | 1 | 29 | 0 | 0 |
| 2018-19 | 1 | 27 | 0 | 0 |
| Total | 21 | 372 | 11 | 197 |

Source: Compiled based on the discussions of PAC on the Audit Reports.