

OVERVIEW

This Report comprises seven Chapters; the first two contain observations on the Finance and Appropriation Accounts of Government of Chhattisgarh and the remaining five chapters contain three audit reviews of certain selected programmes and activities including audit of internal control mechanism in Jail Department and 54 paragraphs on audit of financial transactions of various Government Departments, Government Companies and Statutory Corporations and those of Revenue Receipts. A summary of main audit findings is presented in this overview.

1. Financial Position of the State Government

During 2004-05 there was 21.6 *per cent* growth in revenue receipts and comparatively lower growth (7.6 *per cent*) of revenue expenditure. Consequently from a revenue deficit of Rs.641 crore during 2003-04 the State achieved revenue surplus of Rs.146 crore. State's own resources comprising tax and non-tax revenue contributed 62 *per cent* of the Revenue Receipts.

Capital expenditure also increased by 26 *per cent* from Rs.1016 crore in 2003-04 to Rs.1279 crore in 2004-05 and there was a decrease in fiscal deficit from Rs.2204 crore in 2003-04 to Rs.1231 crore in 2004-05. The areas of concern included Salaries and Pension (Rs.2653 crore) and Interest payments (Rs.1152 crore), which consumed 52 *per cent* of total revenue receipts of the State. Fiscal liabilities also increased from Rs.7421 crore in 2001-02 to Rs.12227 crore in 2004-05 and these liabilities as ratio to GSDP increased from 25 *per cent* in 2001-02 to 35 *per cent* in 2004-05.

The overall savings of Rs.1634.33 crore was 15.5 *per cent* of the original grants/appropriations. This was the result of savings of Rs.1767.69 crore in 150 cases of grants and appropriations off set by an excess of Rs.133.36 crore in a total of nine cases of grants and appropriations.

(Paragraphs 1.1 to 1.10 and 2.2)

2. Implementation of Acts and Rules relating to Consumer Protection

The "Consumer Protection Act, 1986" was enacted by the Parliament in 1986 for protection of interests of consumers both for goods supplied and services rendered. The basic objective of protecting the rights of the consumers by providing speedy and inexpensive redressal of their grievances through implementation of the Consumer Protection Act, 1986 remained largely unachieved as no significant initiative had been taken since formation of the State for empowerment of consumers. The State Commission was set up after two and a half years, Consumer Councils were not established, there were no interventions for generating Consumer awareness, disposal of cases was slow,

enforcement mechanisms for other acts related to consumer protection were also functioning under severe constraints and there was almost no monitoring by the State Government.

(Paragraph 3.1)

3. Medium and Minor Irrigation Projects

The target of creation of additional irrigation potential of 1.05 lakh hectares (Medium: 0.50 lakh ha; Minor: 0.55 lakh ha) by the end of March 2007 remained largely unachieved. As of 31 March 2005 the additional irrigation potential created was only 0.37 lakh ha (Medium: 0.01 lakh ha; Minor: 0.36 lakh ha). The slow progress was mainly due to faulty site selection, incorrect estimation, command area overlap, non-acquisition of land etc. There were instances of extra expenditure and irregularities in tendering and award of contracts, which raised input costs. There was no monitoring mechanism to ensure utilization of maintenance grants paid to Water Users Associations entrusted with running and maintenance of canal systems. The shortfall in utilisation of irrigation potential was as high as 40 *per cent*.

(Paragraph 3.2)

4. Internal control mechanism in Jail Department

The main objective of the Jail Department is to ensure custody, security, health care and reasonable living conditions for the prisoners. A review of Internal Control System of the Jail Department revealed several lapses in compliance to internal control procedures. Potential risk of error and irregularities was high due to weak budgetary, financial and operational controls. Monitoring of jails both departmentally and through designated extra departmental bodies was inadequate and failed to address problem areas and to initiate corrective action. Operational deficiencies led to large number of incomplete works, overcrowding in jails, high pendency of undertrials, recurring escapes, inadequate police escorts for prisoners in transit and non-review of early release of prisoners etc.

(Paragraph 5.1)

5. Audit of Transactions

Audit of financial transactions, subjected to test-check, in various departments of the Government and their field functionaries revealed instances of losses or bad spending of over Rs.15.88 crore as mentioned below:

Fraudulent expenditure of Rs.2.29 crore was noticed in the Forest Department on physical verification of saw mills and infructuous and wasteful expenditure amounted to Rs.7.36 crore in Public Health and Family Welfare Department

(Rs 87.48 lakh), Public Works Department (Rs.3.42 crore), Water Resources Department (Rs.2.11 crore) and Panchayat and Rural Development Department (Rs.94.71 lakh)

Avoidable and excess expenditure amounted to Rs.1.79 crore in Revenue Department while misutilisation and diversion of funds amounted to Rs.1.27 crore in Panchayat and Rural Development Department and Rs.39.88 lakh in Public Health and Family Welfare Department.

(Paragraphs 4.1 to 4.5)

6. Government commercial and trading activities

There were nine Government companies, one Electricity Regulatory Commission and two Statutory corporations (all working) under the control of the State Government, as on 31 March 2005. The total investment in 11 working PSUs (nine government companies and two Statutory corporations) was Rs.1060.46 crore.

(Paragraphs 6.1.1 and 6.1.2)

Out of the nine Government companies, two Statutory corporation and one Electricity Regulatory Commission, only three Government companies and Regulatory Commission had finalised their accounts for 2004-05.

(Paragraph 6.1.6)

According to the latest finalised accounts, three working Government companies had incurred an aggregate loss of Rs.5.51 crore and one Government Company and one Statutory Corporation earned an aggregate profit of Rs.10.64 crore. One Statutory Corporation, however, declared dividend of Rs.10 lakh for the previous year in 2004-05.

(Paragraph 6.1.7)

Miscellaneous topics of interest relating to Government Company and Statutory Corporation.

Government Company

CHHATTISGARH STATE BEVERAGES CORPORATION LIMITED

Loss due to non-recovery of cost of holograms Rs.1.41 crore.

(Paragraph 6.2.1)

Loss due to non-realisation of godown rent Rs.29.40 lakh.

(Paragraph 6.2.2)

Statutory Corporation

CHHATTISGARH STATE ELECTRICITY BOARD

Loss of Rs.1.78 crore due to claims becoming time barred.

(Paragraph 6.2.3)

REVENUE RECEIPTS

AUDIT PARAGRAPHS

Commercial Tax

Incorrect deduction of tax paid goods of Rs.2.30 crore resulted in short levy of tax of Rs.84.61 lakh including penalty of Rs.63.46 lakh

(Paragraph 7.12)

Non-levy of purchase tax of Rs.24.89 lakh on raw material purchased on declarations.

(Paragraph 7.14)

Incorrect determination of Gross turn over of a dealer resulted in short levy of tax of Rs.12.06 lakh.

(Paragraph 7.18)

State Excise

Non-recovery of expenditure on government establishment at distillery resulting in loss of revenue of Rs.27.92 lakh.

(Paragraph 7.23)

Taxes on Vehicles

Motor vehicle tax and penalty of Rs.3.20 crore was not levied and recovered from owners.

(Paragraph 7.26)

Stamp Duty and Registration Fees

Stamps valued at Rs.77.99 lakh were purchased from unlicensed vendors.

(Paragraph 7.31)

Under valuation of property resulted in short realisation of stamp duty and registration fee of Rs.25.43 lakh.

(Paragraph 7.32)

Forest Receipts

Non exploitation of bamboo resulted in loss of revenue of Rs.27.40 crore.

(Paragraph 7.38)

Mining Receipts

Incorrect deduction of closing stock in returns resulted in short realisation of royalty of Rs.2.79 crore.

(Paragraph 7.40)