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## OVERVIEW

This Report comprises six Chapters; the first two contain observations on the Finance and Appropriation Accounts of Government of Chhattisgarh and the remaining four chapters contain six performance audits including Information Technology audit and audit of internal control in Animal Husbandry Department and 21 paragraphs on audit of financial transactions of various Government Departments and Government Companies and Statutory Corporations.

The audit has been conducted in accordance with the Auditing Standards prescribed for the Indian Audit and Accounts Department. Audit samples have been drawn based on statistical sampling methods as well as on judgement basis. The specific audit methodology adopted for programmes and schemes has been mentioned in the reviews. The audit conclusions have been drawn and recommendations made taking into consideration the views of the Government. A summary of main audit findings is presented in this overview.

### 1. Financial Position of the State Government

During 2006-07 there was 30 *per cent* growth in revenue receipts and comparatively lower growth (18 *per cent*) of revenue expenditure. Consequently from a revenue surplus of Rs 1,381 crore during 2005-06, the State achieved revenue surplus of Rs 2,651 crore. State's own resources comprising tax and non-tax revenue contributed 57 *per cent* of the Revenue Receipts.

Capital expenditure also increased by 47 *per cent* from Rs 1,497 crore in 2005-06 to Rs 2,198 crore in 2006-07 and fiscal deficit decreased from Rs 435 crore in 2005-06 and turned into a fiscal surplus of Rs 37 crore in 2006-07. On the expenditure side Salaries (including wages) and Pension (Rs 3,080 crore) and Interest payments (Rs 1,026 crore), together consumed 36 *per cent* of total revenue receipts of the State. Fiscal liabilities increased from Rs 7,421 crore in 2001-02 to Rs 14,113 crore in 2006-07.

The overall savings of Rs 3,106.62 crore was 23.50 *per cent* of the original grants/appropriations. This was the result of savings of Rs 3111.75 crore in 158 cases of grants and appropriations off set by an excess of Rs 5.13 crore in a total of five cases of grants and appropriations.

*(Paragraphs 1.1 to 2.6.5)*

## **2. Corridor Scheme**

The Government invested Rs 266.21 crore during 2002-07 to develop six corridors. No definite time frame was fixed for completion of the scheme. Tenders were floated after framing of Detailed Project Reports but did not conform to them and were issued prior to Administrative Approval and Technical Sanction. There was high shortfall in conducting quality tests for different items of works in prescribed frequency which assured appropriate road quality. There were instances of contract mismanagement and faulty execution of works.

*(Paragraph 3.1)*

## **3. National Programme of Nutritional Support to Primary Education (Mid-Day Meal Scheme).**

The National Programme of Nutritional Support to Primary Education popularly known as 'Mid Day Meal' Programme was launched in 1995 and covers all 146 blocks in the State. It was aimed at boosting universalisation of primary education by improving enrolment, attendance, retention and learning levels of children and simultaneously improving nutritional status of students in the age group of 6-11 years. Review of implementation of mid day meal scheme in the state revealed several deficiencies. There were savings against budget provision, diversion of funds and the department was not able to utilise the Central Assistance under Management, Monitoring and Evaluation. The nodal department could not furnish details of the amount of rice utilised under the scheme during last five years.

*(Paragraph 3.2)*

## **4. Accelerated Rural Water Supply Programme**

The Government of India (GOI) introduced (1972-73) Accelerated Rural Water Supply Programme (ARWSP) to provide safe and potable drinking water at 40 litres per capita per day (lpcd) to all rural habitations. The GOI provided Rs 239.63 crore during 2002-07, of which State Government could not utilize Rs 58.78 crore. During new survey (2003), 17,968 new habitations emerged out of which 14,471 habitations were uncovered and 3,507 habitations remained for coverage as of February 2007. Allocation by the State for operation and maintenance, source sustainability and quality remained low.

*(Paragraph 3.3)*

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**5. e-Kosh on-line treasury computerisation system**

With a view to develop a new system of payments, works accounting, deposit accounts, receipts, pension and stamp accounting in treasuries, Government of Chhattisgarh started an on line computerization system "e-kosh" in two phases and the scheme was implemented from November 2004. Various stages of system development were not adequately documented. DDO allotment checks were getting bypassed due to incorrect categorisation. There were inadequacies in maintenance of DDO, form, budget masters and various security features.

*(Paragraph 3.4)*

**6. Internal control in Animal Husbandry Department**

A review of internal control in Animal Husbandry Department showed that budget estimates prepared over the revised estimates of the previous year on ad-hoc basis led to unrealistic budget estimation and huge savings under plan head during 2002-03 to 2006-07. Temporary advance of Rs 11.83 lakh was not adjusted and provisions of treasury code were not adhered to while maintaining cash book. Periodic physical verification of store and stock were not done as prescribed and discrepancies were also noticed in distribution of vaccines.

*(Paragraph 5.1)*

**7. Audit of Transactions**

Audit of financial transactions, subjected to test check in various departments of the Government and their field functionaries revealed instances of suspected fraud, excess expenditure, over payments and irregularities of over Rs 26.28 crore and some of them are mentioned below :

Fraudulent supply of equipment worth Rs 7.84 crore and loss of Rs 77.67 lakh due to purchase at higher rates were noticed in Public Health and Family Welfare Department, loss and avoidable excess payment of Rs 73.50 lakh was noticed in Public Works Department.

Excess subsidy of Rs 35.01 lakh was distributed for drilling of tubewells beyond the norms in Water Resources Department.

An amount of Rs 6.69 crore was incurred in violation of contractual obligations, purchase rules and also resulting in avoidable expenditure (Water Resources Department-Rs 50.87 lakh; Public Works Department-Rs 1.95

crore, Public Health Engineering Department-Rs 2.89 crore; Tribal Welfare Department-Rs 43.80 lakh; Public Health and Family Welfare Department-Rs 73.83 lakh; Forest Department-Rs 16.73 lakh).

Similarly, unauthorized expenditure of Rs 9.21 crore was incurred in violation of codal provision of contract agreements in violation of rules (Public Works Department-Rs 9.06 crore; Forest Department-Rs 15.30 lakh) and potential extra cost of Rs 66.51 lakh was observed in Public Works Department.

*(Paragraphs 4.1 to 4.4)*

## **8. Government commercial and trading activities**

There were eight Government companies, three deemed Government companies, two Statutory corporations and one Electricity Regulatory Commission (all working) under the control of the State Government, as on 31 March 2007. The total investment in 10 working PSUs (eight Government companies and two Statutory corporations) was Rs 2,320.17 crore. Out of the eight Government companies and two statutory corporations none had finalised their accounts for the year 2006-07. According to the latest finalised accounts, three working companies had incurred an aggregate loss of Rs 11.62 crore and four Government companies and two Statutory corporations earned an aggregate profit of Rs 149.10 crore.

*(Paragraph 6.1)*

## **9. Performance Review on "Implementation of Accelerated Power Development and Reforms Programme" by Chhattisgarh State Electricity Board.**

Union Ministry of Power (MOP) sanctioned nine schemes for Chhattisgarh State, between August 2002 and December 2006, with an outlay of Rs 415.86 crore. Chhattisgarh State Electricity Board (Board) has taken up implementation of six schemes and incurred an expenditure of Rs 195.13 crore till March 2007.

*(Paragraph 6.2.1)*

Project formulation and planning were not effective due to deficiencies in Detailed Project Reports and none of the six Accelerated Power Development and Reforms Programme schemes was completed, though scheduled for completion between February 2004 and November 2005.

*(Paragraphs 6.2.12 and 6.2.15)*

Reduction in Aggregate Technical and Commercial losses to the prescribed level of 15 per cent was not achieved and the losses ranged between 15.65 to 47.66 per cent during 2006-07.

*(Paragraph 6.2.21)*

Reliability and quality of power supply was not achieved due to continued high rate of feeder tripping and Distribution Transformer failure.

*(Paragraphs 6.2.26 to 6.2.28)*

Energy audit was not effective due to slow progress in metering of Distribution Transformers and the consumers.

*(Paragraph 6.2.22)*

## **10. Audit of Transactions**

Chhattisgarh State Electricity Board (Board) suffered a loss of Rs 81.37 lakh on procurement of Vacuum Circuit Breakers due to favour to suppliers.

*(Paragraph 6.3.1)*

The Board had to make additional financial commitment of Rs 57.77 lakh on construction of staff quarters at Dantewada and Kanker districts due to improper assessment of requirement followed by delay in finalisation of tenders.

*(Paragraph 6.3.2)*

The Board suffered a loss of Rs 16.82 lakh due to non-supply of GS Pins by the suppliers and subsequent procurement by the Board at higher rates without invoking risk and cost clause against the defaulting suppliers.

*(Paragraph 6.3.3)*

Abnormal delay of the Board in taking action against a defaulting High tension consumer resulted in non-recovery of Rs 27.55 lakh.

*(Paragraph 6.3.4)*

Manipulation of tendering process in award and execution of “anti termite treatment” work by Chhattisgarh State Warehousing Corporation resulted in doubtful expenditure of Rs 20.69 lakh.

*(Paragraph 6.3.5)*