

## OVERVIEW

This Report includes two chapters incorporating comments on the Finance and Appropriation Accounts of the Government of Chhattisgarh and five Chapters comprising evaluation of internal control mechanism in Public Works Department, six reviews/long paragraphs and 32 paragraphs based on the audit of certain selected Programmes and activities and financial transactions of Government and Public undertakings. A summary of main audit findings is presented in this overview.

### 1. An overview of the Finances of the State Government

Revenue receipts of the Government increased from Rs.4,376 crore in 2001-02 to Rs.5,959 crore in 2003-04. The share of tax revenue (Rs.2,588 crore) and non-tax revenue (Rs.1,124 crore) in total revenue receipts was 43 and 19 *per cent* respectively in 2003-04.

Sixty two *per cent* revenue came from State's own resources whereas central tax transfers and grants-in-aid contributed 38 *per cent* of the total revenue.

Out of total arrears of revenue of Rs.130.12 crore as of March 2003, Rs.58.44 crore (45 *per cent*) were outstanding for more than five years indicating unsatisfactory tax compliance.

Total expenditure increased from Rs.5,502 crore in 2001-02 to Rs.8,174 crore in 2003-04 (48 *per cent*).

Revenue expenditure increased from Rs.4,945 crore in 2001-02 to Rs.6,600 crore in 2003-04 showing an increase of 33 *per cent*. The ratio of revenue expenditure to revenue receipts decreased from 113 *per cent* in 2001-02 to 111 *per cent* in 2003-04.

Relative share of Plan and Capital expenditure in total expenditure increased from 28 and 10 *per cent* in 2001-02 to 38 and 19 *per cent*, respectively in 2003-04. Share of development expenditure decreased from 64 *per cent* in 2001-02 to 63 *per cent* in 2003-04.

The share of economic services in total expenditure increased from 27 *per cent* in 2001-02 to 33 *per cent* in 2003-04. The share of general services and social services decreased from 32 and 37 *per cent* in 2001-02 to 27 and 30 *per cent*, respectively in 2003-04.

Huge expenditure on salaries and pension (Rs.2517.69 crore) and interest payments (Rs.1054 crore) during the current year consumed 60 *per cent* of revenue receipts.

Interest payments increased steadily increased from Rs.731 crore in 2001-02 to Rs.1054 crore in 2003-04 and constituted 16 *per cent* of revenue expenditure.

Revenue deficit increased from Rs.113 crore to Rs.641 crore and fiscal deficit from Rs.973 crore to Rs.2204 crore during 2003-04.

Government invested Rs.56.94 crore in the Statutory Corporations and Co-operatives during 2003-04.

Total revenue received from major & medium irrigation projects was Rs.44.85 crore (52 *per cent*) against the revenue expenditure of Rs.87.02 crore incurred on projects in 2003-04.

Over all fiscal liabilities of the State Government increased from Rs.7421 crore in 2001-02 to Rs.11,144 crore in 2003-04 at an average growth rate of 23 *per cent* per annum. These liabilities as ratio to GSDP increased from 25 *per cent* in 2001-02 to 35 *per cent* in 2003-04 and stood 1.87 times of revenue receipts.

Assistance to different Bodies/Authorities increased by 39 *per cent* from Rs.177.39 crore in 2001-02 to Rs.247.44 crore in 2003-04.

Amount of guarantees given by the Government to Joint Stock Companies, Co-operative Banks and Societies, and Municipalities, Corporations and Townships was Rs.807 crore upto 2003-04. The amount of guarantees outstanding as on 31 March 2004 was Rs.295 crore.

*(Paragraphs 1.1 to 1.10)*

## **2. Appropriation audit and control over expenditure**

As against the revised grants/appropriation of Rs.11,478 crore, the actual expenditure was Rs.9,113 crore resulting in saving of Rs.2,365 crore (24 *per cent*).

Supplementary provision of Rs.530.17 crore obtained in 48 cases proved unnecessary. In 10 sub heads involving eight grants, the expenditure exceeded the provisions by Rs.569.21 crore.

In 17 cases, substantial savings of Rs.5 crore or more in each case and also by more than 80 *per cent* of the provision aggregating to Rs.331.37 crore were noticed.

Rupees 1,588.49 crore were surrendered during the year of which Rs.1,492.55 crore (94 *per cent*) were surrendered on the last day of March 2004. In 69 cases of grants/appropriations, savings of Rs.1,227.33 crore were not surrendered.

Excess expenditure of Rs.591.12 crore in 2003-04 required regularisation under Article 205 of the Constitution.

The upgradation grants released by Government of India (GOI) during the year 2003-04 on the recommendation of Eleventh Finance Commission were reflected in Appropriation Accounts as Rs.43.66 crore, out of which Rs.73.71 lakh were kept in civil deposits, thus inflating the total expenditure. There was also a discrepancy Rs.1.12 crore due to non-reconciliation of figures of appropriation accounts and of the Finance Department.

*(Paragraphs 2.1 to 2.8)*

### **3. Pradhan Mantri Gram Sadak Yojna**

With a view to providing road connectivity to the unconnected rural habitations, the Government of India (GOI) launched (25 December 2000) a Centrally Sponsored Programme (fully funded) named "*Pradhan Mantri Gram Sadak Yojna*" (PMGSY) to be implemented by the State Governments. The objective was to provide All Weather Road (AWR) connectivity to all unconnected habitations having population of above 1,000 by the end of 2003 and to habitations having population of 500 to 999 (including habitations in tribal and hilly areas having population 250 to 499) by the end of 2007. In Chhattisgarh State, 2,604 habitations had to be provided AWR connectivity by 2003 and 11,157 habitations by 2007 by constructing 24,484 km of new roads. Only 311 roads were constructed upto March 2004. Inadequacies in road selection, Detailed Project Reports (DPR) and supervision and quality control, faulty estimation and delayed execution of works was observed. Following major deficiencies were noticed.

- As against 2,604 habitations to be connected by 2003, the Government of Chhattisgarh (GOCG) obtained sanctions only for 673 roads upto March 2004 for connecting 1,549 habitations at a cost of Rs.673.43 crore. However only 311 roads were completed providing actual connectivity to 624 habitations at a cost of Rs.320.03 crore.
- Many Water Bound Macadam (WBM) roads were selected for upgradation in the initial phase instead of constructing new roads.
- Cost of survey for preparing DPRs amounting to Rs.99.04 lakh was rendered wasteful as GOCG had to engage consultants again to frame DPRs for the same set of roads.
- Project reports were not properly prepared and consequently, the GOCG had to bear increased cost of Rs.47.65 crore over and above the cost approved by the GOI.
- Deviations from specifications as prescribed in approved estimates in eight roads resulted in extra cost of Rs.7.01 crore, which is required to be borne by GOCG.

*(Paragraph 3.1)*

#### **4. Integrated Audit of Public Health and Family Welfare Department**

The Public Health and Family Welfare Department provides health services through a network of hospitals and health centres and implements various schemes to achieve the goals envisaged in the National Health Policy, 1983 and the National Population Policy, 2000. The expenditure on health care in the State was Rs.646.90 crore during 2001-04. There was shortfall in creation of three-tier health infrastructure. The bed population ratio remained very low at 30 per lakh as against the all India Average of 92. Demographic goals of Family Welfare Programme were not achieved. Deficient financial management resulted in large savings and unnecessary supplementary grants while there were many shortfalls in providing services and equipment. Some key observations were as follows:

- Targets fixed for achieving infant mortality rate, crude birth rate, and couple protection rate by 2000 were not achieved even in 2004.
- Excess and irregular expenditure of Rs.1.11 crore on compensation, drugs, POL charges and motivation charges were incurred in excess of norms under FWP.
- Grants-in-aid worth Rs. 1.47 crore from Empowered Action Group (EAG) fund was misutilised and equipments worth Rs.84.09 lakh were lying idle.
- X-ray machines worth Rs.2.08 crore were purchased but not put to use.

*(Paragraph 3.2)*

#### **5 Working of Indian System of Medicines and Homeopathy**

In Chhattisgarh, the Directorate of Indian System of Medicine and Homeopathy (ISM&H) has the responsibility of providing medical treatment through the systems of Ayurveda, Unani, Homeopathy, Yoga and Naturopathy. Poor infrastructure, high establishment cost and negligible expenditure on medical facilities were observed in audit. Financial and operational management of the Department were deficient. Thirteen to 58 per cent of funds allocated for purchase of medicines were not utilised. Pharmacy was not modernised and quality control of medicines was not ensured. Due to lack of infrastructural facilities, adequate health care facility was not being made available.

- Thirty bedded hospital at Ambikapur was not functional even after 25 years of sanction.
- Sixty one of the 63 buildings sanctioned in 2002 were incomplete till date.
- One hundred and forty eight dispensaries in six districts were running without doctors, and an unfruitful expenditure of Rs.4.73 crore was incurred on pay and allowances of para medical staff.

- The cost of medicines, produced during the period 2000-04 ranged from a meagre 17 *per cent* to 54 *per cent* of the overall running cost of the pharmacy.
- Pharmacy machinery worth Rs.80.21 lakh was either not received or not installed hampering strengthening and modernisation of the pharmacy.
- Quality of teaching was adversely affected in Government Ayurvedic Medical College due to non-posting of eight professors, nine readers and 12 lecturers as required under the Central Council of Indian Medicine (CCIM) norms.

*(Paragraph 3.3)*

## **6. Implementation of Child Labour (Prohibition and Regulation) Act, 1986**

Prohibition of employment of children below 14 years of age in hazardous employments and regulation of working conditions of children in non-hazardous occupations are the main features of the Act. The Department of Labour at State Government level was the implementing agency. In the State, 104 special schools under five National Child Labour Projects (NCLPs) were opened during 1995-96. Nine Hundred and Ninety Six children were found working in hazardous occupations (April 1997). To eliminate the child labour from hazardous occupations, regular inspections of such establishments was an essential aspect. However, enforcement machinery for implementation of the Act and mechanism to ascertain the extent of children employed in various occupations was not devised. The target of inspection by labour inspectors fixed by Labour Commissioner in January 2004 could not be achieved. The following key audit findings emerged during the review.

- NCLP Bilaspur incorrectly included Rs.9.34 lakh in the utilization certificate for the year 2002-03 sent to Government of India.
- Bank interest of Rs.9.36 lakh earned was not included in the utilisation certificate by NCLP, Durg.
- Against prescribed 25,600 inspections during January 2001 to April 2004 only 10 *per cent* (2,456) inspections were carried out by inspectors notified under the Child Labour Act.
- Ineligible children were provided education in the special schools functioning under NCLPs.
- Non-utilisation and improper utilisation of funds provided for awareness generation.

*(Paragraph 3.4)*

## **7. Internal Control System and Internal Audit Arrangement in Public Works Department**

Internal Control Mechanism (ICM) provides a tool to the senior managers for financial and operational control and ensuring safeguards against error and fraud. An evaluation of ICM in Public Works Department (PWD) revealed weaknesses of the internal controls in the areas of budget and expenditure control, accountal of transactions, maintenance of stores and quality control of works executed. Systems of Departmental inspection was found deficient while internal audit was non existent.

- Excess expenditure of Rs. 2.58 crore over the deposits received occurred in four divisions.
- The expenditure booked was inflated by keeping the funds of Rs.45.84 crore under Civil Deposits.
- Due to failure of controls to ensure quality of material, undue benefit of Rs.56.45 crore was extended to contractors.
- Internal audit wing has not been set up in the Department.
- Advances for TA were released from works cash book.

*(Paragraph 5)*

## **AUDIT PARAGRAPHS**

### **8. Infructuous/wasteful expenditure and over payment**

- Non-installation of power pumps on tube wells resulted in unfruitful expenditure of Rs.99.05 lakh under *Indira Gaon Ganga Yojna*.  
*(Paragraph 4.1.1)*
- Non-implementation of recommendations of State Level Purchase Committee led to irregular and infructuous expenditure of Rs.33.60 lakh on purchase of bleaching powder.  
*(Paragraph 4.1.2)*
- Measurements of same item twice and computation mistake in final quantity resulted in over payment of Rs.35.60 lakh to the contractor in National Highway Division, Bilaspur.  
*(Paragraph 4.1.3)*
- Unwarranted strengthening of Nandeli-Pendharwa rural road resulted in infructuous expenditure of Rs.1.02 crore.  
*(Paragraph 4.1.4)*

## **9. Violation of contractual obligations/undue favour to contractors**

- Injudicious adoption of richer and costlier specifications in rural road works in violation of IRC specifications resulted in extra cost of Rs.1.31 crore in four Public Works (PW) Divisions, Bilaspur, Durg, Manendragarh and Raigarh.

*(Paragraph 4.2.1)*

- Injudicious execution of excess thickness of Open Graded Premix Carpet (OGPC) resulted in extra cost of Rs.30.10 lakh under PW Division, Raigarh.

*(Paragraph 4.2.2)*

- Injudicious adoption of costlier tack coat using bitumen in road works resulted in extra cost of Rs.36.42 lakh under National Highway Division No.I, Raipur.

*(Paragraph 4.2.3)*

## **10. Regulatory issues and other points**

- Shortage due to excess driage of 3.9 lakh quintals amounting Rs.20.62 crore and loss of Rs.12.54 crore on damaged paddy (2.16 lakh quintals) under the Director, Food, Civil Supplies and Consumer Protection, Raipur.

*(Paragraph 4.3.1)*

- Unwarranted purchase of equipment worth Rs.1.37 crore against allotment of Rs.96 lakh.

*(Paragraph 4.3.2)*

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

- There were six Government companies and two Statutory corporations (all working) under the control of the State Government as on 31 March 2004. The total investment in the six Government companies and two Statutory corporations was Rs.113.38 crore.

*(Paragraphs 6.1.1 and 6.1.2)*

- None of the six Government companies and Statutory corporations had finalised their accounts for 2003-04 by September 2004.

*(Paragraphs 6.1.6)*

- According to the latest finalised accounts one working Government company had incurred loss of Rs.16.18 lakh and four Government companies earned an aggregate profit of Rs.3.97 crore. One Government company declared dividend of Rs.1.02 crore for year 2003-04.

*(Paragraph 6.1.7)*

## **GOVERNMENT COMPANY**

### **Chhattisgarh State Civil Supplies Corporation Limited.**

- Chhattisgarh State Civil Supplies Corporation Limited was incorporated (March 2001) to procure, transport, store, and distribute food grains viz., rice, wheat, and levy sugar for sale to consumers under various welfare schemes of Government of India (GOI) through public distribution system (PDS). Scrutiny of records revealed as under:

- Excess procurement of levy sugar resulted in locking up of funds and consequent loss of interest and avoidable storage charges of Rs.64.29 lakh.

*(Paragraph 6.2.3)*

- Non-implementation of the revised sale price of sugar sold during March to December 2002 resulted in a loss of Rs.57.52 lakh.

*(Paragraph 6.2.4)*

- Generation of Sweepage and wet sugar in excess of permissible limit of 0.25 per cent resulted in loss of Rs.55.76 lakh.

*(Paragraph 6.2.5)*

- Delay in disposal of new and usable gunny bags for two years resulted in locking up of Rs.2.50 crore.

*(Paragraph 6.2.6)*

- Abnormal delay in submission of margin claims and realisation of money resulted in avoidable loss of interest of Rs.50.93 lakh.

*(Paragraph 6.2.7)*

- Non-availing of free transfer facility through current account resulted in avoidable expenditure of Rs.1.01 crore on bank commission for demand drafts

*(Paragraph 6.2.8)*

- Failure of District Offices to transfer funds promptly to Head Office resulted in avoidable payment of interest of Rs.41.73 lakh.

*(Paragraph 6.2.9)*



## STATUTORY CORPORATION

### Chhattisgarh State Warehousing Corporation

- Improper maintenance of godowns of Dhamtari Branch of Chhattisgarh State Warehousing Corporation and non-application of preventive medicines led to high infestation of the stock of 2345.257 MT rice resulted in loss of Rs.1.37 crore.

*(Paragraph 6.3)*

## REVENUE RECEIPTS

### (A) REVIEW

#### Review on Exemption/deferment of Commercial Tax to new industries

- Incorrect deduction and non-adjustment of Rs.17.36 crore against exemption limit.  
*(Paragraph 7.11.8)*
- Commercial tax of Rs.55.40 lakh was not recovered from units which closed down business stipulated period.  
*(Paragraph 7.11.9)*
- Loss of revenue of Rs.86.11 lakh due to issue of incorrect exemption certificates.  
*(Paragraph 7.11.11)*
- Loss of revenue of Rs.4.18 crore due to incorrect grant of exemption.  
*(Paragraph 7.11.12)*

### (B) AUDIT PARAGRAPHS

#### 12. Commercial Activities

- Non-levy of tax of Rs.35 lakh on sale of goods manufactured out of exempted raw material.  
*(Paragraph 7.12)*

- Non-depositing of tax and non-filing of return resulted in short levy of interest of Rs.6.90 lakh.

*(Paragraph 7.17)*

### **13. Taxes on Vehicles**

- Non-levy of tax and penalty on 172 vehicles resulted in loss of revenue of Rs.1.01 crore.

*(Paragraph 7.22)*

### **14. Stamp Duty and Registration Fees**

- Application of incorrect rate of royalty resulted in short levy of Rs.11.50 crore stamp duty and registration fee.

*(Paragraph 7.23)*

### **15. Forest Receipts**

- Non-transportation of forest produce from coupes led to theft and resulted in loss of revenue of Rs.33.23 lakh.

*(Paragraph 7.26)*

- Non-delivery of forest produce transported from coupes to Depot resulted in loss of revenue of Rs.12.84 lakh.

*(Paragraph 7.27)*

### **16. Mining Receipts**

- Non-raising of demand for interest on royalty recoverable resulted in non-recovery of interest of Rs.98.72 lakh.

*(Paragraph 7.29)*

### **17. Water Resources**

- Application of incorrect water rates resulted in loss of revenue of Rs.22.99 lakh.

*(Paragraph 7.30)*