

## OVERVIEW

This Report contains two chapters on observations of Audit on State's Finance and Appropriation Accounts for the year 2004-05 and three chapters containing four reviews and 18 Paragraphs based on Audit on certain selected programmes, activities and transactions of the Government.

The audit has been conducted in accordance with the Auditing Standards prescribed for the Indian Audit and Accounts Department. Audit samples were drawn based on statistical sampling methods as well as on judgement basis. The specific audit methodology adopted for audit of programmes and schemes has been mentioned in the reviews. The audit conclusions have been drawn and the recommendations made taking into consideration the views of the Government, wherever received.

A summary of financial position of the State Government of Gujarat and the audit findings is given below.

### **1. Financial position of the State Government of Gujarat**

The finances of the State indicate a mixed trend in deficit indicators during the year 2004-05. The Revenue deficit increased from Rs.3706 crore in 2003-04 to Rs.4037 crore in 2004-05. However, the fiscal deficit decreased from Rs.9142 crore (2003-04) to Rs.8691 crore (2004-05). The Revenue receipts of the State increased from Rs.15739 crore in 2000-01 to Rs.20265 crore in 2004-05. The total expenditure of the State increased from Rs.25953 crore in 2000-01 to Rs.29142 crore in 2004-05. Though the ratio of revenue expenditure to revenue receipts declined from 140 *per cent* in 2000-01 to 120 *per cent* in 2004-05, dependence of the State borrowings for meeting its current expenditure continues primarily due to interest payments and pensions together consumed 39 *per cent* of total revenue receipts of the State during the year. Though the finances of the State are under strain, State Government has been paying subsidies to various Nigams, Corporations, etc. Payment of subsidies increased from Rs.2021.26 crore in 2000-01 to Rs.3371.97 crore during 2004-05. Power sector continues to be highly subsidised and subsidy of Rs.2549 crore was paid during 2004-05, which constitutes 76 *per cent* of the total subsidy during the year. The overall fiscal liabilities of the State increased from Rs.40007 crore in 2000-01 to Rs.71083 crore in 2004-05. Although it is not uncommon for a State to borrow for increasing its social and economic infrastructure and for creating additional income generating assets, a low or negligible return on investments is cause for concern.

*(Paragraphs 1.1 to 1.10)*

## **2. Allocative Priorities and Appropriations**

Against total budget provision of Rs.41,572.62 crore, actual expenditure was Rs.38,935.28 crore. The overall savings of Rs.2,637.34 crore was the net result of savings of Rs.4,424.60 crore in 148 cases and appropriations offset by excess of Rs.1,787.26 crore in 29 cases of grants and appropriations. The excess of Rs.1,787.26 crore required regularisation by the Legislature under Article 205 of the Constitution of India. Supplementary provisions of Rs.218.35 crore made in 20 cases during the year proved unnecessary in view of aggregate savings of Rs.2339.80 crore. In seven cases, supplementary provision of Rs.84.01 crore proved insufficient leaving an uncovered excess expenditure of Rs.100.23 crore. In 93 grants/appropriations, Rs.4555.67 crore were surrendered in March 2005 indicating inadequate financial control over expenditure.

*(Paragraphs 2.1 to 2.9)*

## **3. Implementation of Consumer Protection Act and Rules thereof**

Government had not created separate department to ensure that consumer protection programmes got focussed attention for ensuring protection and promotion of awareness for the welfare of the consumers. During 2000-05, against available fund of Rs.122.55 lakh, Rs.30.17 lakh only were disbursed by the Director, Consumer Awareness Protection Agency of Gujarat amongst 30 Consumer Protection Mandlis. Rupees 92.82 lakh were invested in fixed deposits for one/two years with the Gujarat State Financial Services Limited during April 2003 to May 2005. As at the end of March 2005, 24427 cases were pending with State Commission and 19 District Forums of which 7186 cases were pending for more than three years and 2976 were pending for periods between one and three years. The posts of President were vacant in three District Forums since their creation and that of Member in six District Forums. Woman members were not appointed in three District Forums.

*(Paragraph 3.1)*

## **4. Sardar Sarovar Narmada Canal Based Bulk Water Transmission Project**

Only 29 *per cent* of installed capacity of water was used and only to 415 of 1342 targeted villages/towns were covered. Obtaining loan from commercial bank instead of Housing and Urban Development Corporation (HUDCO) proved costlier by Rs.17.37 crore. Non-adoption of standard bidding documents resulted in termination of contract with a cost overrun of Rs.125 crore and delay in execution of works in Jamnagar district. Improper clause in the contract led to acceptance of surplus stores of Rs.48 lakh and avoidable payment of Rs.5.46 crore on awarding of works on turnkey basis.

*(Paragraph 3.2)*

## **5. Gujarat Maritime Board**

Return on capital employed declined from 21.43 *per cent* in 2000-01 to 15.16 *per cent* in 2004-05. The contribution of GMB's own jetties in total cargo handling ranged between six and seven *per cent* only. The utilisation of GMB's own dredgers ranged between 39 *per cent* and 51 *per cent* only and non completion of dredging work rendered expenditure of Rs.6.20 crore unfruitful. Due to indecision on the status of jetty constructed by Gujarat State Fertilizer Company Limited in 1987, revenue of Rs.15.21 crore remained unrealized. Incorrect application of rebate on cargo handled resulted in short recovery of wharfage charges of Rs.9.60 crore from two captive jetty operators. At the end of allotment period of ten years of ship breaking plots at Alang, premium amounting to Rs.7.75 crore had remained unrecovered from 24 parties.

*(Paragraph 3.3)*

## **6. Internal Control Mechanism in Health & Family Welfare Department**

Funds to the tune of Rs.341.16 crore remained unutilised mainly due to vacancies and non-purchase of machinery and equipment, etc. There was a delay ranging between 18 and 562 days in submission of Detailed Contingent bills by the Director of Indian System of Medicines and Homeopathy. Inspection of drug manufacturing units and drawal of samples were inadequate. Prescribed Registers/records were either not maintained or were incomplete. There were large scale pendencies in internal audit.

*(Paragraph 5.1)*

## **7. Audit of Transactions**

Besides the above, audit of financial transactions, test checked in various Departments of the Government and their field offices revealed instances of wasteful expenditure and other irregularities involving Rs.301.98 crore as mentioned below:

These included a case of suspected misappropriation, wherein Taluka Development Officers of Muli and Wadhwan drew Rs.1.49 crore for purchase of material in contravention to the rules and procedures.

Overpayment/unfruitful/wasteful expenditure of Rs.4.74 crore were noticed in Finance Department (Rs.0.72 crore), Narmada, Water Resources, Water Supply and Kalpsar Department (Rs.0.65 crore) and Roads and Buildings Department (Rs.3.37 crore). This included wasteful expenditure of Rs.2.10 crore due to failure in carrying out California Bearing Resistant (CBR) test in violation of Government instruction, before execution of road work.

Excess/avoidable expenditure of Rs.74.18 crore were noticed in Education Department (Rs.1.44 crore) and Narmada, Water Resources, Water Supply and Kalpsar Department (Rs.72.74 crore). This include a case where delay in allotment of work resulted in extra expenditure of Rs.72.74 crore.

Idle investment/blockage of funds of Rs.205.03 crore were noticed in Narmada, Water Resources, Water Supply and Kalpsar Department (Rs.173.33 crore), Urban Development and Urban Housing Department (Rs.13.31 crore) and Roads and Buildings Department (Rs.18.39 crore). These cases of blockage of funds included a case where due to lack of demand and non provision of basic amenities resulted in blockage of Rs.11.31 crore on vacant houses.

Apart from this, there were regulatory issues aggregating Rs.16.54 crore in Education Department (Rs.0.81 crore), Home Department (Rs.0.61 crore) and Urban Development and Urban Housing Department (Rs.15.12 crore). Amongst these cases, a case relates to irregular disposal of land at a very low rate to a private trust, which resulted in loss of Rs.13.18 crore to the Gujarat Housing Board.

***(Paragraphs 4.1.1 to 4.5.4)***