

OVERVIEW

This Report contains two chapters on observations of Audit on the State's Finance and Appropriation Accounts for the year 2002-03 and three other chapters containing one review and 30 paragraphs based on the Audit of certain selected programmes, activities and transactions of the Government. A synopsis of findings contained in the Report is presented in this overview.

1. An overview of the finances of the Government of Gujarat

- The revenue deficit of the State increased from Rs.2863 crore in 1998-99 to Rs.3565 crore in 2002-03. The fiscal deficit also increased from Rs.5618 crore in 1998-99 to Rs.6081 crore in 2002-03. As proportion to GSDP, revenue deficit decreased to 2.67 *per cent* in 2002-03 and fiscal deficit decreased to 4.56 *per cent*.
- Revenue receipts of the State increased from Rs.12743 crore in 1998-99 to Rs.17875 crore in 2002-03 at an average trend rate of 9.48 *per cent* per annum. There were, however, significant inter year variations in the growth rates. While on an average around 76 *per cent* of the revenue had come from the State's own resources, Central Tax transfers and Grants-in-aid from Central Government together continued to contribute nearly 24 *per cent* of the total revenue during 2002-03.
- The moderate growth in revenue receipts during 2002-03 was mainly due to doubling of the Central Grants-in-aid from Rs.1490 crore in 2001-02 to Rs.2996 crore in 2002-03. Incidentally, the State's share in the Union, Taxes and Duties was only 45 *per cent* of the Central Grants-in-aid received during the year.
- 95 *per cent* of the Interest receipts (Rs.1603 crore) was notional in nature having arisen out of book adjustments.
- The current levels of cost recovery in supply of merit goods and services by Government are 0.22 *per cent* for secondary education, 0.14 *per cent* for university and higher education, 0.03 *per cent* for technical education, 0.99 *per cent* in health and family welfare, 0.30 *per cent* in water supply and sanitation, 6.69 *per cent* in major and medium irrigation and 0.12 *per cent* in minor irrigation.
- The marginal decline in the revenue expenditure during 2002-03 was due to un-surrendered saving of Rs.3860.85 crore mainly on account of non-release of Rs. 2084 crore to Gujarat Electricity Board.

- The total expenditure of the State increased from Rs.18628 crore in 1998-99 to Rs.24127 crore in 2002-2003 at an average trend rate of 10.95 *per cent* per annum. The decline in expenditure in the current year was primarily due to compression of expenditure on Social and Economic Services. Expenditure on General Services, considered as non-developmental, accounted for nearly 35 *per cent* of total expenditure in 2002-03 as compared to around 26 *per cent* in 1998-99.
- The overall fiscal liabilities of the State more than doubled from Rs.24757 crore in 1998-99 to Rs.52572 crore in 2002-03 at an average growth rate of 21.61 *per cent*. In addition, Government had guaranteed loans of its various Corporations and others, which in 2002-03 stood at Rs.18866 crore. The net funds available on account of the internal debt and loans and advances from Government of India after providing for interest and repayments declined from 17 *per cent* to 7 *per cent* during 1998 to 2003.

(Paragraphs 1.1 to 1.10)

2. Allocative Priorities and Appropriation

Against the total budget provision of Rs.52913 crore, actual expenditure was Rs.42864 crore. Overall saving of Rs.10049 crore was the result of excess of Rs.114 crore in 17 cases of grants and appropriations and saving of Rs.10163 crore in 160 cases of grants and appropriations. The excess expenditure of Rs.114 crore required regularisation by the Legislature under Article 205 of the Constitution of India.

- In 16 cases, supplementary provision of Rs.1727.19 crore proved unnecessary.
- In 100 cases, the expenditure fell short by more than Rs.5 crore and also by more than 10 *per cent* of total provision.
- In 15 cases, expenditure of Rs.24.22 crore was incurred without budget provision.
- In 3 cases, savings of Rs.182.45 crore had not been surrendered. In 21 other cases, even after partial surrender, savings of Rupees one crore and above in each case aggregating Rs.2916.32 crore remained unsurrendered.
- In 97 cases, Rs.9163.24 crore were surrendered in March 2003 indicating inadequate financial control over expenditure.
- Six Drawing and Disbursing Officers had drawn Rs.23.73 crore between March 1999 and March 2002. Out of this, Rs.16.59 crore were lying unutilised in their respective Personal Ledger Accounts.

(Paragraphs 2.1 to 2.9)

3. Implementation of Drugs and Cosmetics Act

- **Drugs Control Administration regulated the import, manufacturing, distribution and sale of drugs through the Drugs and Cosmetics Act, 1940.**
- **Inadequate strength of technical staff weakened the enforcement of the Administration and diluted regulatory functions. Sale of drugs without complying with the conditions of licences and sharp increase in pendency of prosecution cases were noticed.**
- **Lacuna in the Act led to marketing of Drugs Not of Standard Quality.**
- **There was no co-ordination between State and Central authorities over price control.**

(Paragraph 3.1)

4. Accelerated Irrigation Benefit Programme

Accelerated Irrigation Benefit Programme with Central Loan Assistance (CLA) was launched in 1996-97 to increase irrigation potential of 22 major(9) and medium (13) irrigation projects in two years' time. 25,172 hectare of irrigation potential was created as against the target of 68,359 hectare on completion of nine projects. Inadequate release of State share led to non-release of CLA of Rs.14.35 crore which adversely affected completion of two projects of water starved Saurashtra region. The object of creating quick irrigation benefit was defeated in respect of Karjan, Sipu and Deo projects as potential created was less than 50/51 *per cent* despite completion of projects in all respect.

(Paragraph 3.2)

5. Saurashtra Pipe Line Project (Mahi Based Water Supply Scheme)

Saurashtra Pipe Line Project was sanctioned for catering to the drinking water needs of 3.44 million people of 1860 villages/towns in three districts. However, benefit reached only to 543 villages upto March 2003 covering 1.51 million people. Even after two years of execution of the augmentation project costing Rs.464.71 crore, benefit could be derived only by 44 *per cent* of the envisaged population. Of the 1.51 million beneficiaries covered, 94 *per cent* were supplied with water unsuitable for human consumption.

(Paragraph 3.3)

6. Computerisation Programme in Motor Vehicle Department

Home Department implemented an Integrated Management Information System in the Transport wing. Twenty two Weigh Bridges were installed in excess, blocking up Rs.7.20 crore on their cost and Rs.1.83 crore on maintenance for 3 years. Equipment worth Rs.14.00 crore remained idle. Failure in creation of environment for use of smart card based driving licence resulted in unfruitful expenditure of Rs.12.10 crore.

(Paragraph 3.4)

7. Other points of interest

(i) Fraudulent drawal/Misappropriation/Embezzlement/Losses

Keeping government funds in a known financially unsound bank resulted in loss of Rs.3.54 crore.

(Paragraph 4.1.1)

Delay in disposal of material resulted in loss of Rs.1.16 crore.

(Paragraph 4.1.2)

(ii) Infructuous/Wasteful expenditure

Execution of items not approved by Ministry of Road Transport and Highways resulted in infructuous expenditure of Rs.0.65 crore.

(Paragraph 4.2.1)

(iii) Undue favour

Non-issuance of orders for recovery of deferred electricity charges from power loom operators resulted in non-recovery of Rs.201 crore.

(Paragraph 4.3.1)

Injudicious payment of interest free advance led to loss of Rs.6.97 crore and undue favour to a private firm.

(Paragraph 4.3.2)

(iv) Avoidable/Excess/Unfruitful expenditure

Expenditure of Rs.176.16 crore on twelve irrigation projects proved unfruitful due to non-synchronisation of works.

(Paragraph 4.4.1)

Delay in deciding the design of canal crossing resulted in unfruitful expenditure of Rs.11.92 crore.

(Paragraph 4.4.2)

Faulty estimate resulted in excess/extra execution of work to the tune of Rs.1.43 crore.

(Paragraph 4.4.3)

Failure to place repeat order resulted in avoidable expenditure of Rs.1.06 crore on purchase of ladies' bicycles.

(Paragraph 4.4.4)

(v) Idle Investment/Idle establishment/Blocking of funds

Commencement of work on construction of a bridge without sufficient allotment of funds resulted in blocking of Rs.27.20 crore.

(Paragraph 4.5.1)

Commencement of work without ensuring availability of funds led to abandonment of partly completed work worth Rs.5.77 crore.

(Paragraph 4.5.2)

A circuit house constructed at a cost of Rs.1.32 crore remained idle.

(Paragraph 4.5.3)

Bridge constructed at a cost of Rs.1.04 crore could not be put to use due to non-construction of approaches.

(Paragraph 4.5.4)

Injudicious release of grant under Sardar Awas Yojana without assessing requirement resulted in blocking of Rs.8.05 crore.

(Paragraph 4.5.5)

Indecision in selection of sites for installation of fuse gates resulted in blocking of Rs.2.33 crore.

(Paragraph 4.5.6)

(vi) Regulatory issues and other points

Non-observance of conditions laid down by Government for purchase of computers raised doubts on genuineness of purchase worth Rs.26.25 crore.

(Paragraph 4.6.1)

Poor quality of construction and avoidable expenditure of Rs.4.02 crore were noticed in construction of class rooms.

(Paragraph 4.6.2)

Injudicious diversion of borrowed funds led to non completion of an Irrigation Project and blocking of Rs.23.10 crore.

(Paragraph 4.6.3)

Light Displacement Tonnage charges of Rs.6.99 crore were not recovered from plot holders at Alang ship breaking yard.

(Paragraph 4.6.4)

Investment in equity in violation of the provisions of Gujarat Maritime Board Act led to loss of Rs.2.34 crore.

((Paragraph 4.6.5)

Non observance of safety norms at Alang ship breaking yard caused frequent accidents and loss of human life.

(Paragraph 4.6.6)

Delay in finalisation of purchase of clothes for uniforms to ST/OBC students, favour shown to supplier and supply of sub-standard cloth resulted in a loss of Rs.1.63 crore.

(Paragraph 4.6.7)

No internal audit system existed in any of the government departments excepting the Roads & Buildings and Narmada Water Resources & Water Supply Departments. Even in these departments the system was not functioning satisfactorily.

(Paragraph 5.1)