

CHAPTER-I

INTRODUCTION

1.1 About this Report

This Report of the Comptroller and Auditor General of India (C&AG) relates to matters arising from performance audit of selected programmes and activities and compliance audit of various departments of State Government.

Compliance audit refers to examination of the transactions relating to expenditure of the audited entities to ascertain whether the provisions of the Constitution of India, applicable laws, rules, regulations and various orders and instructions issued by competent authorities are being complied with. On the other hand, performance audit, besides conducting a compliance audit, also examines whether the objectives of the programme/activity/department are achieved economically and efficiently.

The primary purpose of the Report is to bring to the notice of the State Legislature, important results of audit. Auditing Standards require that the materiality level for reporting should be commensurate with the nature, volume and magnitude of transactions. The findings of audit are expected to enable the Executive to take corrective actions as also to frame policies and directives that will lead to improved financial management of the organisations, thus, contributing to better governance.

This chapter, in addition to explaining the planning and extent of audit, provides a synopsis of the significant deficiencies in performance of selected programmes, significant audit observations made during the audit of transactions and follow-up on previous Audit Reports. Chapter-II of this report contains findings arising out of performance audit of selected programmes/activities/departments. Chapter-III contains observations on audit of transactions in Government departments.

1.2 Audited entity profile

The Accountant General (General and Social Sector Audit), Gujarat conducts audit of the expenditure under the General and Social Services incurred by 15 departments in the State at the Secretariat level and 146 autonomous bodies. The departments are headed by Additional Chief Secretaries/Principal Secretaries/Secretaries, who are assisted by Directors/Commissioners/Chief Engineers and subordinate officers under them.

The summary of fiscal transactions during the year 2010-11 and 2011-12 is given in Table-1 as follows –

Table 1 : Summary of fiscal transactions

(Rupees in crore)

Receipts			Disbursements				
2010-11		2011-12	2010-11		2011-12		
					Non-Plan	Plan	Total
Section-A: Revenue							
52,363.64	Revenue receipts	62,958.99	57,440.02	Revenue expenditure	43,053.93	16,690.53	59,744.46
36,338.63	Tax revenue	44,252.29	19,840.46	General services	20,738.84	741.68	21,480.52
4,915.02	Non-tax revenue	5,276.52	23,701.61	Social services	14,902.66	9,643.13	24,545.79
6,679.44	Share of Union taxes/ duties	7,780.31	13,712.67	Economic services	7,212.65	6,305.72	13,518.37
4,430.55	Grants from Government of India	5,649.87	185.28	Grants-in-aid and Contributions	199.78		199.78
Section-B: Capital							
91.18	Misc. Capital receipts	10.00	9,683.54	Capital Outlay	204.47	13,607.23	13,811.70
283.10	Recoveries of Loans and Advances	165.44	687.99	Loans and Advances disbursed	70.57	534.77	605.34
16,681.34	Public Debt receipts*	17,534.76	3,817.53	Repayment of Public Debt*	-	-	5,275.19
47.12	Contingency Fund	0.66	0.66	Contingency Fund	-	-	80.50
72,281.47	Public Account receipts	79,653.14	66,655.62	Public Account disbursements	-	-	77,160.79
11,524.31	Opening Cash Balance	14,986.80	14,986.80	Closing Cash Balance	-	-	18,631.81
1,53,272.16	Total	1,75,309.79	1,53,272.16	Total			1,75,309.79

Source: Finance Accounts for the years 2010-11 and 2011-12.

* Excluding net transactions under ways and means advances and overdrafts.

1.3 Authority for Audit

The authority for audit by the C&AG is derived from Articles 149 and 151 of the Constitution of India and the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. C&AG conducts audit of expenditure of the Departments of Government of Gujarat under Section 13¹ of the C&AG's (DPC) Act. C&AG is the sole auditor in respect of autonomous bodies which are audited under Sections 19 (2)², 19 (3)³ and 20(1)⁴ of the C&AG's (DPC) Act. In addition, C&AG also conducts audit of other autonomous bodies, under

1 Audit of (i) all transactions from the Consolidated Fund of the State, (ii) all transactions relating to the Contingency Fund and Public Accounts and (iii) all trading, manufacturing, profit & loss accounts, balance sheets & other subsidiary accounts.

2 Audit of the accounts of Corporations (not being Companies) established by or under law made by the Parliament in accordance with the provisions of the respective legislations.

3 Audit of accounts of Corporations established by law made by the State Legislature, on the request of the Governor.

4 Where the audit of the accounts of any body or authority has not been entrusted to the CAG by or under any law made by Parliament, he shall, if requested so to do by the Governor of a State, undertake the audit of the accounts of such body or authority on such terms and conditions as may be agreed upon between him and the Government.

Section 14⁵ of C&AG's (DPC) Act, which are substantially funded by the Government. Principles and methodologies for various audits are prescribed in the Auditing Standards and the Regulations on Audit and Accounts, 2007 issued by the C&AG.

1.4 Organisational structure of the Office of the Accountant General (G&SSA) Gujarat

Under the directions of the C&AG, the Office of the Accountant General (General and Social Sector Audit) Gujarat conducts audit of Government Departments/Offices/Autonomous Bodies/Institutions under the General and Social Sector which are spread all over the State. The Accountant General (General and Social Sector Audit) is assisted by four Group Officers.

1.5 Planning and conduct of Audit

Audit process starts with the assessment of risks faced by various departments of Government based on expenditure incurred, criticality/complexity of activities, level of delegated financial powers, assessment of overall internal controls and concerns of stakeholders. Previous audit findings are also considered in this exercise. Based on this risk assessment, the frequency and extent of audit are decided.

After completion of audit of each unit, Inspection Reports containing audit findings are issued to the heads of the departments. The departments are requested to furnish replies to the audit findings within one month of receipt of the Inspection Reports. Whenever replies are received, audit findings are either settled or further action for compliance is advised. The important audit observations arising out of these Inspection Reports are processed for inclusion in the Audit Reports, which are submitted to the Governor of the State under Article 151 of the Constitution of India.

During 2011-12, in the General and Social Sector Audit Wing, 7,479 party-days were used to carry out audit of total 578 units and three performance audits. The audit plan covered those units/entities which were vulnerable to significant risk as per our assessment.

1.6 Significant audit observations

In the last few years, Audit has reported on several significant deficiencies in implementation of various programmes/activities through performance audits, as well as on the quality of internal controls in selected departments which impact the success of programmes and functioning of the departments. Similarly, the deficiencies noticed during compliance audit of the Government departments/organisations were also reported upon.

5 (i) Audit of all receipts and expenditure of a body/authority substantially financed by grants or loans from the Consolidated Fund of the State and (ii) all receipts and expenditure of any body or authority where the grants or loans to such body or authority from the Consolidated fund of the State in a financial year is not less than ₹ one crore.

1.6.1 Performance audits of programmes/activities/departments

The present report contains three performance audits and three compliance audit paragraphs. The highlights are given in the following paragraphs.

1.6.1.1 Inner Layer Security of the Coast of Gujarat State

The Government of India (GOI), Ministry of Home Affairs approved (January 2005) Coastal Security Scheme (CSS) which envisaged strengthening the infrastructure for patrolling and surveillance of coastal areas to check and counter illegal cross border activities. Accordingly, State Government prepared (May 2005) five years' Perspective Plan under the CSS for establishing 10 Coastal Police Stations (CPS), 25 Coastal Check Posts (CCP) and 46 Coastal Out Posts (COP), up-gradation of police stations, setting up of watch towers, camel patrolling and augmentation of *Sagar Rakshak Dal*. During performance audit covering six districts comprising eight CPSs, the following was noticed.

- The Government of India approved (January 2006) the Perspective Plan for setting up of 10 CPSs, 25 CCPs and 46 COPs, providing 30 boats, vehicles and furniture/equipments. The State Government had not taken any action to implement the remaining components from State funds.
- The locations of four CPSs were changed for geographical and administrative convenience. Also, the locations identified for some CCPs/ COPs were found water-logged and hence CCPs/ COPs were constructed deep inside the mainland at six places of Ahmedabad and Banaskantha districts.
- The Construction of five out of 10 Coastal Police Stations was delayed for periods ranging 73 to 535 days. The work of 23 CCPs and 29 COPs executed with pre-cast concrete slabs was of inferior quality.
- In selected districts, out of 50 CCPs/COPs completed, 36 (72 per cent) remained non-operational as police personnel were not deployed.
- In the absence of demand from the State Government to GOI, dedicated jetties were not constructed to maintain secrecy. The marine exclusive intelligence and investigation wing at each CPS as envisaged in the Standard Operation Procedure was not established. Shortfall in sea patrolling ranged between 78 per cent and 91 per cent and night patrolling was zero to 34 per cent. Boat repair facility was at a distant place and delay in repairing of patrolling boats ranged from four to 13 months.
- No effective steps were taken by Agriculture and Co-operation (Fisheries) Department for preventing Indian fishermen crossing International Maritime Boundary Line. The Boat Movement Token System to keep watch on fishermen/vessels was found to be ineffective. Satellite based vessels tracking and warning device system sanctioned at a cost of ₹ 46.16 crore (May 2008) to caution fishermen before approaching international boundary was not established.

- Shortage of manpower was 35 *per cent* and 46 *per cent* in policing staff and crew members respectively. Out of the trained staff, 69 *per cent* was deployed for other duties. The monitoring mechanism envisaged in the CSS was not established.

(Paragraph 2.1)

1.6.1.2 Management of Bio-Medical Waste in Government-sector Hospitals

Bio-Medical Waste (BM Waste) is generated during diagnosis, treatment or immunization of human beings or animals or research activities thereto. The GOI framed Bio-Medical Waste (Management and Handling) Rules, 1998 (BMW Rules) to streamline the procedure for collection, handling, transportation and disposal of the BM Waste. The performance audit of Management of Bio-Medical Waste in Government-sector hospitals has revealed following deficiencies.

There was no accurate data on BM waste from non-Government Health Care Establishments (HCEs). The implementation of BMW Rules was deficient as only 19 out of 80 Government HCEs test-checked had authorisation under BMW Rules. Further, in 56 Government HCEs, segregation of BM waste in colour coded containers had not been done and BM waste was mixed-up with Municipal Waste. The Common BM waste treatment facilities were not created as per norms and were not functioning properly. Feeding of BM waste in incinerators and autoclaving was found to be done manually. In some cases, BM waste was disposed off by burning/dumping. Deep burial of BM Waste as per the Rules was not ensured. Studies on Task Force recommendations had not been taken up.

(Paragraph 2.2)

1.6.1.3 Implementation of Integrated Child Development Services

The Government of India (GOI) launched (1975) the Integrated Child Development Services (ICDS) to promote holistic development of children, expectant and lactating mothers and adolescent girls through package services comprising supplementary nutrition, immunization, health check-ups, nutrition and health education and informal pre-school education of children. The performance audit of implementation of ICDS revealed following deficiencies.

- Against the requirements of 75,480 Angan Wadi Centres (AWCs), 52,137 (69 *per cent*) AWCs were sanctioned and 50,225 AWCs were in operation in the State thereby a population of 1.87 crore was deprived of the benefits of ICDS. Though GOI directed (November 2008) State Government to submit proposal for additional projects based on revised population criteria, no proposal was forwarded by the State Government.
- In the 123 projects in eight test checked districts, basic amenities (building, safe drinking water and toilets) were not available in nine *per cent* to 40 *per cent* of the AWCs. Out of 3,333 AWCs proposed to be constructed from National Bank for Agriculture and Rural Development (NABARD) loan, only 1,979 AWCs were constructed.

- Though there were 223.16 lakh eligible beneficiaries under Supplementary Nutrition (SN) Programme, 63.37 lakh beneficiaries were left out. As against the target of 300 nutrition days annually, shortfall in providing supplementary nutrition was up to 96 days. Every third child in the State was reported as underweight. Shortfall of 27 per cent to 48 per cent was noticed in the implementation of Nutrition Programme for Adolescent Girls.
- Records regarding immunization programme were not available with AWCs. Though funds for purchase of the medical kits were provided, the same were not purchased by the District Development Officers (DDOs).
- Of the 34.28 lakh children registered in the AWCs of selected districts, only 26.94 lakh children enrolled for pre-school education. There was shortfall in supply of pre-school kits. The tri-cycles procured for kids in the test checked district was of poor quality.
- As against the sanctioned strength of 54 Child Development Project Officers (CDPOs)/Assistant CDPOs (ACDPOs) and 220 Supervisors in selected projects, shortage of 20 CDPOs/ACDPOs (37 per cent) and 19 Supervisors (nine per cent) was noticed. Shortfall up to 52 per cent and 50 per cent in field visits of CDPOs and Supervisors respectively was also noticed in test checked districts during 2007-12. Also, in 320 selected AWCs, there was shortfall up to 26 per cent visits of Anganwadi workers to households and there was negligible implementation of Information, Education and Communication component.

(Paragraph 2.3)

1.6.2 Compliance audit of Transactions

1.6.2.1 Functioning of Trauma Care Centres

The Government of India (GOI) launched a Scheme (2007-08) to develop a network of Trauma Care Centres (TCCs) to provide emergency treatment to accident victims. The project envisaged providing financial assistance for upgrading emergency services of selected Government hospitals. In Gujarat, 12 hospitals were selected for up-gradation as TCCs at a cost of ₹ 91.55 crore. The Scheme envisaged construction of TCC buildings, development of manpower, purchase of equipments, establishment of life support ambulances and communication system. Audit scrutiny revealed that despite funds provided well in advance by GOI, civil works of seven TCCs were delayed mainly due to delay in obtaining administrative approvals, technical sanctions and non fixation of time schedule for completion of work. Though funds to the tune of ₹ 19.06 crore were released to TCCs for equipments, procurements made were worth ₹ 9.98 crore. The equipments procured were installed with delays ranging from eight to 13 months. The required medical and paramedical staff was also not deployed in these TCCs.

(Paragraph 3.1)

1.6.2.2 Working of Anti-Corruption Bureau

The mandate of Anti-Corruption Bureau (ACB) includes investigation of cases of bribery, corruption and embezzlement of Government money by making enquiries into complaints made by members of the public and Government. We observed that the ACB registered a shortfall ranging from 32 to 58 *per cent* in achieving targets during 2007-11. Success of trap and decoy operations was to the extent of 73 *per cent* and 21 *per cent* respectively. In 129 cases out of 299 cases (43 *per cent*), there were delays ranging 20 days to 990 days beyond the prescribed period of 45 days for completion of the investigation. As at the end of March 2012, sanction for prosecution was awaited in 30 cases including one case which was pending since four years. In selected Police Stations, there were delays ranging five days to 428 days in 30 cases in filing charge-sheets in the Court. Though the Government sanctioned (October 1996 to June 2010) setting up 13 Courts of the Special Judges for trial of offences under the Prevention of Corruption Act, three courts only were established till March 2012. There were only two spy cameras and five voice recorders with ACB at the Directorate-level, which were old and obsolete. As against 340 functional posts, there was a shortage of 105 personnel. Shortfalls in inspection by Assistant Directors ranged from 38 *per cent* to 100 *per cent*.

(Paragraph 3.2)

1.6.2.3 Food Management in hostels for scheduled castes students

The State Government has established hostels for students of scheduled castes pursuing higher education free of cost till completion of their courses. In nine hostels out of the 39 hostels test checked, rate contract for supply of provisions was renewed year after year at the same rates without inviting tenders on the plea that wasteful expenditure on advertisement charges on invitation of tenders was avoided. Mahatma Gandhi Boys' Hostel, Rajkot incurred an expenditure of ₹ 1.72 crore for procurement of various items made through annual rate contracts during 2009-12, however, delivery challans in respect of the supplies, based on which these were accounted for in the stock register, were not available. Though the hostel had an average of 360 students availing the mess facility, the rations were issued to kitchen, based on the intake capacity of 410 students and without assessing requirements as per norms. Further, no mechanism was evolved in these hostels to check continuous absence of any student for three or more days and payments were made to contractors on the basis of the number of students on roll. In 12 boys' and six girls' hostels, mess charges varied from ₹ 124 to ₹ 397 per head per month. Installation of Reverse Osmosis (RO) Plants without ensuring availability of water and of required specification, resulted in unfruitful expenditure on their purchase besides, the students were deprived of potable water.

(Paragraph 3.3)

1.7 Lack of responsiveness of Government to Audit

1.7.1 Inspection Reports outstanding

The Hand Book of Instructions for prompt Settlement of Audit Objections/ Inspection Report issued by the Finance Department in 1992 provides for prompt response by the Executive to the Inspection Reports (IRs) issued by the Accountant General to ensure rectificatory action in compliance with the prescribed rules and procedures and accountability for the deficiencies, omissions, etc., noticed during the inspections. The Heads of Offices and next higher authorities are required to comply with the observations contained in the IRs, rectify the defects and omissions promptly and report their compliance to the Accountant General within four weeks of receipt of the IRs. Periodical reminders are issued to the Head of the Department requesting them to furnish the replies expeditiously on the outstanding paragraphs in the IRs.

As of 30 September 2012, 8,805 IRs (34,602 paragraphs) were outstanding⁶ against 15 departments under the General and Social sector. Year-wise details of IRs and paragraphs outstanding are given in **Appendix-I**.

1.7.2 Response of departments to the audit paragraphs

Three draft performance audit reports and three draft compliance audit paragraphs were forwarded to the Additional Chief Secretaries/Principal Secretaries/ Secretaries of the concerned administrative departments between June 2012 and August 2012 with a request to send their responses within four weeks. The departments replied to two draft performance audit reports and all three draft compliance audit paragraphs featured in this Report. Entry and exit conferences were also held with the concerned departments on the audit findings included in the draft reports of the performance audits. The replies of the departments and the views expressed by them have duly been considered while finalising this report.

1.7.3 Follow-up of Audit Reports

Rule 7 of Public Accounts Committee (Rules of Procedure) 1990 provides for furnishing Detailed Explanation (DE) to the observations which featured in Audit Reports by all the departments of Government, within 90 days of their being laid on the Table of the Legislative Assembly.

The administrative departments did not comply with these instructions and 28 departments⁷ as detailed in **Appendix-II** had not submitted DEs for 61 paragraphs for the period 1999-2000 to 2010-11 as of 31 December 2012.

1.7.4 Paragraphs to be discussed by the Public Accounts Committee

Details of paragraphs pending discussion by the Public Accounts Committee as of 31 December 2012 are detailed in **Appendix –III**.

⁶ These include 5298 IRs (23595 paragraphs) pertaining to PRI/LBA wing and 902 IRs (1549 paragraphs) pertaining to the Revenue Receipts Audit units related to Luxury Tax, Entertainment Tax and TDOs/DDOs (Land Revenue).

⁷ This includes audit of departments transferred to Principal Accountant General (E&RSA), Gujarat, Ahmedabad after restructuring with effect from 1 April 2012.