

## CHAPTER I

### INTRODUCTION

#### 1.1 About this Report

Part I of this Report of the Comptroller and Auditor General of India (C&AG) presents matters arising from compliance audit of the departments of the Government of Gujarat in the Economic Sector.

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.

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 audit findings are expected to enable the Executive to take corrective actions 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 audit observations made during various types of audits and also briefly analyses the follow-up on the previous Audit Reports. Chapter-II contains Compliance Audit observations which includes three subject specific compliance audits *namely* “Functioning of Junagadh Agricultural University” under Agriculture, Farmers Welfare and Co-operation Department, “Implementation of welfare programme for salt workers” under Industries and Mines Department and “Compensatory Afforestation” under Forests and Environment Department.

#### 1.2 Audited Entity Profile

The Principal Accountant General (Audit-II), Gujarat conducted audit of the expenditure incurred by nine Departments under the Economic Services Sector in the State. This included audit at the Secretariat level, the field offices, 59 autonomous bodies and 75 public sector undertakings (PSUs) falling under the jurisdiction of these nine Departments<sup>1</sup>. Each Department is headed by Additional Chief Secretary/ Principal Secretary/ Secretary, who are assisted by Directors/ Commissioners/ Chief Engineers and subordinate officers under them.

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<sup>1</sup> (i) Agriculture, Farmers Welfare & Co-operation Department, (ii) Energy & Petrochemicals Department, (iii) Forests & Environment Department, (iv) Industries & Mines Department, (v) Narmada, Water Resources, Water Supply and Kalpsar Department (except Water Supply), (vi) Ports and Transport Department, (vii) Roads and Buildings Department, (viii) Science & Technology Department and (ix) Climate Change Department.

The summary of fiscal transactions of the Government of Gujarat (GoG) during 2009-10 and from 2014-15 to 2018-19 is given in **Table 1** below:

**Table 1: Summary of fiscal transactions**

(₹ in crore)

Receipts	2009-10	2014-15	2015-16	2016-17	2017-18	2018-19	CAGR <sup>2</sup> during 2009-19
<b>Revenue receipts</b>	<b>41,672</b>	<b>91,978</b>	<b>97,483</b>	<b>1,09,842</b>	<b>1,23,291</b>	<b>1,36,002</b>	14.05
Tax revenue	26,740	61,340	62,649	64,443	71,549	80,103	12.96
Non-tax revenue	5,452	9,543	10,194	13,346	15,074	13,417	10.52
Share of Union Taxes/Duties	5,891	10,296	15,691	18,835	20,782	23,489	16.61
Grants from Government of India	3,589	10,799	8,949	13,218	15,886	18,993	20.34
<b>Capital Receipts</b>	<b>14,532</b>	<b>20,316</b>	<b>23,611</b>	<b>28,074</b>	<b>27,299</b>	<b>43,362</b>	12.92
Miscellaneous Capital Receipts	136	241	0	240	0	65	-
Recoveries of Loans and Advances	151	621	125	166	346	151	-
Public Debt receipts*	14,245	19,454	23,486	27,668	26,953	43,146	13.10
<b>Appropriation from Contingency Fund</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	-
<b>Amount transferred to Contingency Fund</b>	<b>34</b>	<b>0</b>	<b>14</b>	<b>4</b>	<b>0</b>	<b>0</b>	-
<b>Public Account Receipts</b>	<b>58,660</b>	<b>62,388</b>	<b>65,132</b>	<b>58,959</b>	<b>89,133</b>	<b>1,05,721</b>	6.76
<b>Opening Cash Balance</b>	<b>13,119</b>	<b>15,386</b>	<b>21,077</b>	<b>18,559</b>	<b>23,249</b>	<b>16,529</b>	2.60
a) Earmarked Balances	4,527	5,169	9,034	10,209	10,967	11,686	11.11
b) Cash balance	8,592	10,217	12,042	8,350	12,282	4,843	-
<b>Total</b>	<b>1,28,017</b>	<b>1,90,068</b>	<b>2,07,317</b>	<b>2,15,438</b>	<b>2,62,972</b>	<b>3,01,614</b>	9.99

Disbursement	2009-10	2014-15	2015-16	2016-17	2017-18	2018-19	CAGR during 2009-19
<b>Revenue expenditure</b>	<b>48,638</b>	<b>86,652</b>	<b>95,779</b>	<b>1,03,895</b>	<b>1,18,060</b>	<b>1,32,790</b>	11.81
General Services	16,934	30,003	32,876	35,804	41,402	47,564	12.16
Social Services	19,605	36,714	42,120	44,926	49,039	53,285	11.75
Economic Services	11,993	19,399	20,224	22,749	27,145	31,576	11.36
Grants-in-aid and Contributions	106	536	559	416	474	365	14.73
<b>Capital Outlay</b>	<b>8,047</b>	<b>24,158</b>	<b>24,169</b>	<b>22,355</b>	<b>26,313</b>	<b>28,062</b>	14.89
<b>Loans and Advances disbursed</b>	<b>428</b>	<b>350</b>	<b>675</b>	<b>478</b>	<b>631</b>	<b>1,731</b>	16.80
<b>Repayment of Public Debt*</b>	<b>3,245</b>	<b>5,509</b>	<b>6,194</b>	<b>9,073</b>	<b>13,700</b>	<b>15,432</b>	18.92
<b>Appropriation to Contingency Fund</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	-
<b>Amount transferred from Contingency Fund</b>	<b>47</b>	<b>14</b>	<b>4</b>	<b>0</b>	<b>0</b>	<b>0.25</b>	-
<b>Public Account Disbursements</b>	<b>56,088</b>	<b>52,309</b>	<b>61,937</b>	<b>56,388</b>	<b>87,739</b>	<b>1,03,998</b>	7.10
<b>Closing Cash Balance</b>	<b>11,524</b>	<b>21,076</b>	<b>18,559</b>	<b>23,249</b>	<b>16,529</b>	<b>19,601</b>	6.08
a) Earmarked Balances	5,027	9,034	10,209	10,967	11,686	12,705	10.85
b) Cash balance	6,497	12,042	8,350	12,282	4,843	6,896	0.66
<b>Total</b>	<b>1,28,017</b>	<b>1,90,068</b>	<b>2,07,317</b>	<b>2,15,438</b>	<b>2,62,972</b>	<b>3,01,614</b>	9.99

Source: Finance Accounts of respective years

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

<sup>2</sup> Compound Annual Growth Rate.

### 1.3 Authority for Audit

The authority for audit by the C&AG is derived from the Articles 149 and 151 of the Constitution of India and the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. The C&AG conducts audit of expenditure of the Departments of the Government of Gujarat under Section 13 of the C&AG's (DPC) Act<sup>3</sup>. The C&AG is the sole auditor in respect of bodies/ authorities which are audited under Sections 19(2)<sup>4</sup>, 19(3)<sup>5</sup> and 20(1)<sup>6</sup> of the C&AG's (DPC) Act. In addition, C&AG also conducts audit of other autonomous bodies which are substantially funded by the Government, under Section 14 of C&AG's (DPC) Act<sup>7</sup>. Principles and methodologies for various audits are prescribed in the Regulations on Audit and Accounts, 2007 and the Auditing Standards and guidelines issued by the C&AG.

### 1.4 Organisational structure of the Office of the Principal Accountant General (Audit-II), Gujarat

Under the directions of the C&AG, the Office of the Principal Accountant General (Audit-II), Gujarat conducts audit of Government Departments/ Offices/ Government Companies/ Statutory Corporations/ Autonomous Bodies/ Institutions under the Economic and Revenue Sector. The Principal Accountant General (Audit-II) is assisted by two Senior Deputy Accountants General.

### 1.5 Planning and conduct of Audit

Audit process starts with the assessment of risks associated with various Government activities based on expenditure incurred, revenue earned, criticality and complexity of activities, delegated financial powers and responsibilities, analysis of 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 offices. The Departments are requested to furnish replies to the audit findings within one month of receipt of the Inspection Reports. On receipt of replies, audit findings are either settled or

<sup>3</sup> This Section empowers C&AG to audit transactions made from the Consolidated Fund of the State, transactions relating to the Contingency Fund and Public Accounts, and trading, manufacturing, profit & loss accounts, balance sheets and other subsidiary accounts.

<sup>4</sup> 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.

<sup>5</sup> Audit of accounts, on the request of the Governor, of Corporations established by law made by the State Legislature.

<sup>6</sup> Where the audit of the accounts of any body or authority has not been entrusted to the C&AG by or under any law made by Parliament, he shall, if requested to do so 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.

<sup>7</sup> This Section empowers the C&AG to audit receipts & expenditure of (i) a body/ authority substantially financed by grants or loans from the Consolidated Fund of the State and (ii) 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 are not less than ₹ one crore.

further action for compliance is advised. The important audit observations arising out of these Inspection Reports are processed for inclusion in the relevant Audit Reports, which are submitted to the Governor of the State under Article 151 of the Constitution of India.

During 2018-19, in the Economic Sector Audit Wing 5,943 man-days<sup>8</sup> were utilised for compliance audit of 115 units and for performance audit. The audit plan covered units/ entities selected on the basis of risk 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.

The present Report contains three subject specific compliance audit pertaining to the Agriculture, Farmers Welfare and Co-operation Department, Industries and Mines Department and Forests and Environment Department.

### **1.6.1 Compliance Audit**

Principal Accountant General (Audit-II) conducted compliance audit of nine Departments of the Economic Sector of the State Government and their field offices and audit findings were reported to the respective Heads of the Departments through Inspection Reports. Chapter II of this report contains Department wise audit findings containing three subject specific compliance audit on “Functioning of Junagadh Agricultural University” under Agriculture, Farmers Welfare and Co-operation Department, “Implementation of welfare programme for salt workers” under Industries and Mines Department, and “Compensatory Afforestation” under Forests and Environment Department as narrated below:

#### **AGRICULTURE, FARMERS WELFARE AND CO-OPERATION DEPARTMENT**

##### **Functioning of Junagadh Agricultural University**

Junagadh Agricultural University (JAU) came into existence on 01 May 2004 to provide support to the agriculture and allied sectors in Education, Research and Extension Education. It has jurisdiction over 10 districts of Saurashtra region (Western Gujarat) covering about 32.74 *per cent* of the geographic area and 30.30 *per cent* of the cultivated area of the State.

JAU has eight Colleges, seven Krishi Vigyan Kendra (KVKs) and 31 Research Stations and records of these were examined at the University level. Further, three Colleges and three KVKs were visited for detailed audit.

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<sup>8</sup> Inclusive of the man days provided for the audit of PSUs. The related audit findings have been included in the Audit Report on PSUs separately.

JAU belatedly made application for accreditation to the National Agricultural Education Accreditation Board due to which two colleges did not receive grant from Indian Council of Agricultural Research for two years. In all the major 44 buildings of JAU, compliance to fire safety mechanisms and special provisions for disabled/ *Divyang* persons as per National Building Code was negligible. During the period 2016-19, placement of students in JAU decreased from 100 *per cent* to 48.63 *per cent*.

JAU, since its inception (2004), released 67 crop varieties and made 354 recommendations for farmers. Among two major crops of Saurashtra, *viz.*, groundnut and cotton, JAU has done commendable work in groundnut by releasing 12 varieties/ made 82 recommendations. In cotton, JAU has made 39 recommendations but released only three varieties. JAU developed 39 technologies during 2004-19, out of which, application for patent was filed for five technologies. No efforts were made to commercialize or disseminate these 39 technologies. Of the 67 crop varieties released by JAU only 20 were notified (August 2019) under The Protection of Plant Varieties and Farmers' Rights (PPV&FR) Act, 2001 which resulted in loss of protection period under PPV&FR Act. JAU is manufacturing five insecticides. However, registration from Central Insecticides Board and Registration Committee was obtained for only one insecticide and licence from State Licensing Authorities to manufacture was not taken for any insecticide. Faculties of JAU published 2,122 research papers during 2014-19, however, most of these had poor citation and published in journals having inferior impact factor. Of the 237 faculties of JAU examined, it was found that only five were having i-10 and h-index of more than 10 which shows most of the faculties did not have satisfactory publication work.

JAU carries out extension education through seven KVKs in six districts. No KVK was established in Junagadh and Devbhumi Dwarka. Further, of the 67 crop varieties developed by JAU, varietal Front-Line Demonstrations (FLD) was undertaken for only 22 varieties and no FLD was undertaken for 19 farm implements developed by JAU.

JAU did not adhere to GOG directions of parking of surplus funds with the Gujarat State Financial Services Limited and parked ₹ 57.23 crore with Public Sector Banks.

**(Paragraph 2.1)**

## **INDUSTRIES AND MINES DEPARTMENT**

### **Implementation of welfare programme for salt workers**

Gujarat is the highest producer of salt, producing around 81 *per cent* of the total salt production of the country. In Gujarat there are around 1.10 lakh salt workers who are either independent marginal salt producers or hired labourers for salt lease units lease holders. The salt workers with their families stay at the salt manufacturing sites in arid desert or coastal areas located in remote areas. The typical geographical conditions of the desert, direct contact with inhalable salt, dust, *etc.*, and glare due to intense reflection of sun light by salt

crystals causes various health disorders. Various study reports have highlighted the precarious conditions of salt workers and lack of basic infrastructure facilities like drinking water, food, housing, health and education.

The implementation of welfare programmes for salt workers was audited in all the seven districts<sup>9</sup> where welfare works were taken up during the period 2014-19. No comprehensive facility survey was conducted to ascertain the facilities required and available to salt workers. There was a lack of holistic approach to take up welfare schemes for salt workers and piece-meal works are taken up on ad-hoc basis. Funds remained unutilized in three of the five years and maximum expenditure was incurred for education, health and roads. The fund aggregating to ₹ 34.69 crore remained un-utilized during 2014-19 but no expenditure was incurred on housing facilities.

Due to lack of planning and co-ordination among departments no water supply scheme was planned in Surendranagar. The Vira-Sanghad Water Supply Scheme in Kachchh district and Vallabhipur Zone Water Supply Scheme and Bhavnagar-Ghogha Water Supply Scheme in Bhavnagar District failed to supply the envisaged water to salt workers. In Amreli district, there was no water supply scheme for salt workers. The health services to salt workers were affected due to bad roads in Bhavnagar. Similarly, the salt workers in Patan, Morbi, and Kachchh districts are also affected as roads in salt producing areas were not maintained properly. The salt workers make temporary huts/shelter during their stay in remote locations having harsh weather conditions and even after a lapse of over five years since the decision of SLEC (January 2014), no housing scheme was launched for salt workers.

In the absence of MHUs coupled with vacant post of medical staff, the services of MHU were provided once or twice in a month in various villages of salt workers in Morbi and Patan respectively. Also, no medical camps were held in Bharuch and Amreli districts during 2014-19. The Industries and Mines Department, GoG has laid standard terms of salt leases in October 2010 but there is no condition in the lease that lease holders should provide proper houses and medical facilities to the salt workers.

While most of the salt clusters in villages are covered under ICDS, the clusters located in the desert areas in Patan, Amreli, Surendranagar and Kachchh Districts were left out of ICDS. In Patan, take home ration was provided weekly to the children of salt workers in the desert areas through special van, however, no such facility was provided in other three districts.

GoG launched (July 2018) an innovative pilot project of “School on Wheels” for children of salt workers staying with their parents in desert areas wherein 30 scrap buses of Gujarat State Road Transport Corporation were modified to have PVC flooring, writing desks, and a writing board to be used for teaching children.

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<sup>9</sup> Amreli, Bharuch, Bhavnagar, Kachchh, Morbi, Patan, and Surendranagar.

As per various study reports, hygiene is a serious issue for salt workers as toilet facilities are normally not available for salt workers at salt pans. Due to lack of proposals the issue of sanitation was almost left uncovered for salt workers. Further, there was no coverage of salt workers under the Swachhh Bharat Mission launched by GoI in October 2014.

(Paragraph 2.2)

## FORESTS AND ENVIRONMENT DEPARTMENT

### Compensatory Afforestation

Compensatory Afforestation (CA) is an important condition stipulated by the Central Government while approving proposals for diversion of forest land for non-forest use. It is an additional plantation activity other than plantation activities normally carried out by the Forest Department.

The MoEF&CC circulated (July 2009) guidelines on State Compensatory Afforestation Fund Management and Planning Authority (State CAMPA) establishing CAMPAs in the States and putting in place a funding mechanism for enhancing forest and tree cover and conservation and management of wildlife. The State CAMPA would receive money collected from user agencies towards CA, additional/ penal CA, Net Present Value (NPV) and other amounts recovered under the Forest (Conservation) Act, 1980 and lying with the *Ad-hoc* CAMPA and utilize it for undertaking CA and conservation and protection of forests and wildlife.

Audit examined the cases where final approval was accorded during the period from 2014-15 to 2018-19 and reviewed various activities proposed to be carried out from NPV funds in the Annual Plan of Operations (APOs) of the State CAMPA and utilization of funds released by the *Ad-hoc* CAMPA.

The Forest and Environment Department has not created any database on the backlog of CA. Though Non-Forest Land (NFL) of 1,470.19 ha. (32 cases) was transferred and mutated in favour of the Department during the period 2014-19, the Department notified NFL of only 1,366.07 ha. as Reserve Forest (RF) under section 4 of Indian Forest Act (IFA), 1927 (August 2019) and 104.12 ha. remained to be notified. In all cases the NFL finally to be notified as RF under Section 20 of the IFA, 1927 was not notified by the Department.

The plantations under CA was not undertaken in nine cases involving 254.35 ha. There was short recovery of NPV of ₹ 3.04 crore and CA/PCA of ₹ 4.64 crore. At five CA sites (Mahisagar and Aravalli Division), the density of the degraded forest land selected for plantation was not in compliance of the instruction of the GoG. The Department was not ensuring the compliance of additional conditions by the user agencies. The Department did not take any action for undertaking the plantations even though it recovered ₹ 6.16 crore.

There were delays in submission of APOs to *Ad-hoc* CAMPA which resulted in delayed release of the funds impacting the activities to be undertaken in the

respective APOs. The non-compliances deprived the State CAMPA from the receipt of their entitled amount of ₹ 30.78 crore. Despite availability of funds of ₹ 94.86 crore with the State CAMPA, the Department did not undertake the CA to the extent of ₹ 45.71 crore as envisaged in the APOs. There were seven instances of not undertaking tree transplantation though identified by the divisions/user agencies.

**(Paragraph 2.3)**

## **1.7 Response of the Government to Audit**

### **1.7.1 Inspection Reports**

The Hand Book of Instructions for prompt Settlement of Audit Objections/ Inspection Report issued by the Finance Department, GoG in 1992 provides for prompt response by the Executive to the Inspection Reports (IRs) issued by the Accountant General (AG) to ensure rectifying action in compliance with the prescribed rules and procedures and fix 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 AG within four weeks of receipt of the IRs. Periodical reminders are issued to the Heads of the Departments requesting them to furnish the replies expeditiously on the outstanding paragraphs in the IRs.

Three Audit Committee meetings were held during the year 2018-19 in respect of paragraphs contained in IRs pertaining to the Departments under Economic Sector. As of 30 September 2019, 589 IRs (2,437 Paragraphs) were outstanding against nine Departments under the Economic Sector. Year-wise details of IRs and paragraphs outstanding are given in **Appendix I**.

### **1.7.2 Draft Paragraphs**

Three subject specific compliance audit Paragraphs were forwarded to the Principal Secretaries/ Secretaries of the concerned Departments between February and April 2020 with a request to send their responses within six weeks.

The reply to the three subject specific compliance audit Paragraphs is awaited from the Departments (June 2020).

### **1.7.3 Follow up of Audit Reports**

Rule 7 of Public Accounts Committee (PAC) (Rules of Procedure), 1990 provides for furnishing Detailed Explanation (DE) by all the Departments of Government to the observations which featured in Audit Reports within 90 days of their being laid on the Table of the Legislative Assembly. These DEs are required to be furnished to the PAC after vetting by the concerned Accountant General.

The Audit Reports for the year 2011-12, 2012-13, 2013-14, 2014-15, 2015-16 2016-17 and 2017-18 were placed in the Gujarat Legislative Assembly in



April 2013, July 2014, March 2015, March 2016, March 2017, March 2018 and December 2019 respectively which included 72 paragraphs pertaining to nine Departments as detailed in **Table 2** below:

**Table 2: Details of paragraphs included in Audit Reports**

Sl. No.	Name of the Department	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	Total	DEs received
1	Agriculture, Farmers Welfare & Co-operation	1	0	1	0	0	1	0	3	1 <sup>#</sup>
2	Narmada, Water Resources, Water Supply & Kalpsar (Water Resources)	3	6*	3*	5*	6	3	2	28	22
3	Ports & Transport	0	1	0	0	1	0	0	2	1
4	Roads & Buildings	5	4	5	3*	3	4	3	27	16
5	Forests & Environment	0	0	1	3*	0	1	0	5	4
6	Industries & Mines	0	0	0	2*	1	0	0	3	2
7	Finance Department	0	0	0	2*	0	0	0	2	2
8	Science and Technology Department	0	0	0	0	0	0	1	1	0
9	Climate Change Department	0	0	0	0	0	0	1	1	0
<b>Total</b>		<b>9</b>	<b>11</b>	<b>10</b>	<b>15</b>	<b>11</b>	<b>9</b>	<b>7</b>	<b>72</b>	<b>48</b>

\*Paragraph pertains to two Departments hence considered separate paragraph in each Department.

# DE of paragraph featured in 2011-12 is received partially.

Out of 72 paragraphs for the years 2011-12 to 2017-18, DEs for 48 paragraphs have been received up to February 2020. No DEs for 24 paragraphs for the year 2011-12 (two paragraphs), 2014-15 (three paragraphs), 2015-16 (five paragraphs), 2016-17 (seven paragraphs) and 2017-18 (seven paragraphs) were received as of February 2020.

