AUDIT REPORT OF THE COMPTROLLER & AUDITOR GENERAL OF INDIA ON THE ACCOUNTS OF GUJARAT RURAL HOUSING BOARD, GANDHINAGAR FOR THE YEAR ENDED 31ST MARCH, 2015

1. We have audited the attached Balence Sheet of Gujarat Rural Housing Board (GRHB), Gandhinagar as on 31st March, 2015 and the Revenue Account for the year ended on that date under section 19(3) of the comptroller & Auditor Generals (Duties, Powers & Conditions of service) Act,1971 read with Section 60(2) of the Gujarat Rural Housing Board Act, 1972. The Audit has been entrusted under Section 19(3) for the period up to 2017-18. These Financial statements are the responsibility of the GRHB's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. This separate Audit Report contains the comments of the Comptroller & Auditor General of India (CAG) on the accounting treatment only with regard to classification, conformity with the best accounting practices, accounting standards and disclosure norms, etc., Audit observations on financial transactions with regard to compliance with the laws, Rules & Regulations (Propriety and Regularity) and efficiency-cum-performance aspects etc., if any, are reported through inspection Reports/CAGs Audit Reports separately.

3. We have conducted our audit in accordance with auditing standards generally accepted in india. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements. An audit includes examining, on a test basis, evidences supporting the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of financial statements. We believe that our audit provides a reasonable basis for our opinion.

4. Based on our audit, we report that:

i we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;

ii The Balance sheet and Revenue Account dealt with by this Report have been drawn up in the format approved by the state Government.

iii In our opinion, proper books and other relevant records have been maintained by the Gujarat Rural Housing Board, as required in so far as it appears from our examination of such books.

iv We further report that :

A Balance Sheet :

1. Liabilities :

1.1 Provisions of payment - subsidy of Rs. 50.70 lakhs.

The Board received subsidy of Rs.50.70 lakh from organization / departments who were allotted houses under various schemes for a long time. The subsidies amount was neither paid to the beneficiaries nor refunded to the department concerned for a period ranging from one year to eight years. As a result Liabilities and Assets were overstated by Rs. 50.70 lakh.

The Board replied that the amount is balance of subsidy which had been received from different department for the beneficiaries. As these were old items, Board would verify the record and collect the actual information about it from concern division of Board and would take necessary steps in this matter.

1.2 **Building centre Adalaj Rs. 23.60 lakh.**

HUDCO sanctioned Rs. 23.60 lakh to Board for construction of four Building centres (Adalaj Rs. 5.60 lakh. Dhrangadhara- Rs. 60 lakh, Varasmol Rs. 6 lakh, Antarjal Rs. 6 lakh) in the year 2000-01 and 2001-02.

Out of the four centres, two centres at Adalaj & Dhrangadhra were completed at a cost of Rs. 11.60 lakh and construction of remaining two centres at Varasmol and Antarjal was stopped after incurring expenditure of Rs. 0.80 lakh and Rs. 0.65 lakh respectively. Thus, total expenditure incurred was Rs. 13.05 lakh and unutilized grant of Rs. 10.55 lakh was refunded by the Board to HUDCO.

The Board exhibited entire grant of Rs. 23.60 lakh under the head "Building Centre-Adalaj" on Liability side and exhibited Rs. 9.55 lakh instead of Rs. 13.05 lakh "Building Centre" in Assets side without adjusting the grant.

The Board had not adjusted the expenditure of Rs. 13.05 lakh and refund of Rs. 10.55 lakh in the book of accounts against the grant of Rs. 23.60 lakh. This resulted in overstatemet of liabilities and assets by Rs. 23.60 lakh and Rs. 9.55 lakh respectively.
The Board should have shown the assets created out of grant at nominal value as per AS-12 "Accounting for Grants."

2. **Assets :**

2.1 **Capital Account Rs. 132.61 Crore-Non reconciliation of the "Material Bank" of Rs. 30.97 lakh. (Statement No. 2-item No.1)**

The Board used to procure, centrally, building materials like cement, steel, etc. for supply to contractors for construction of building at various places in Gujarat. Though this practice was discontinued since 1985-86, unusable material valued at Rs. 30.97 lakh was shown in the "Material Bank" column of the Capital Account. Actually, there were no materials available in the stores. The value of materials was shown in the capital account as it is pending for reconciliation with the divisional office files. This resulted in overstatement of Capital Account-Assets of the Board by Rs. 30.97 lakhs and understatement of expenditure to that extent.

Though the above point was reported in the previous years' *Separate Audit Report in respect of the Board (2006-07 to 2013-14)* no corrective measures had been taken by the Board.

2.2 **Sardar Awas Yojna Scheme-Rs. 70.89 lakh.**

The Board is the nodal agency for the construction of houses under Sardar Awas Yojana on behalf of District Panchayats, the assets created by the Board for District Panchayats cannot be exhibited as its asset. The expenditure incurred should have been adjusted against the Deposit received from District Panchayat and the liability reduced to that extent. Against the deposit of Rs. 70.89 lakh, the Board incurred expenditure of Rs. 106.05 lakh and reflected as liability and asset respectively.Thus, expenditure exceeded over deposits by Rs. 35.16 lakh which would become the amount receivable and should be exhibited under the head "Amount Receivable from District Panchayats" on the Asset side of the Balance Sheet.

Non exhibition of the correct accounting entries in the books of Accounts of the Board resulted in understatement of "Amount receivable" to the extent of Rs. 35.16 lakh and overstatement of liabilities and assets by Rs. 70.89 lakh and Rs. 106.05 lakh respectively.

B. Income & Expenditure-

1 Expenditure-

1.1 Establishment and other charges- Rs. 3.73 crore (Statement No. 3)

The above stand understated by Rs. 1.94 crore due to non-provision of leave encashment of Rs. 71 lakh and gratuity of Rs. 1.23 crore for employees who had retired during the period from May 2014 to January 2015. This resulted in understatement of expenditure and liablities by Rs. 1.94 crore.

The Board stated that the accounting treatment was based on the accounting policy of the Board.

The reply is not tenable as the Government of Gujarat had already issued new format of accounts on 22/08/2013 wherein the accounts had to be prepared on accrual basis instead of cash basis. Hence, it was mandatory to adhere to the prescribed provisions.

C. General .

1 Non maintenance of Fixed Assets Register in proper from.

i. Audit scrutiny revealed that the Assets Register was not being properly maintained by the Board. In absence of the Assets Register, correctness of the value of the assets included in the Blance sheet could not be verified in audit.

ii. The Board's land measuring 23,47,608 sq.m. valued at Rs. 59.38 crore as per Jantri 2005-06 in 246 villages of Gujarat had been accounted for as Rs. 6.57 crore in Statement-2. Further, method of valuation of land had not been disclosed in its significant Accounting Policies/Notes to Accounts.

Though the above point had been reported upon in the previous Separate Audit Reports of the Board, from 2006-07 to 2013-14, no corrective action had been taken so far by the Board.

The Board assured that proper Asset Register would be maintained from the next year.

The reply is not tenable as the same assurance had been given for the last eight years but no rectification had been made so far.

1.2 Non preparation of accounts as per the format prescribed by the Government of Gujarat.

In order to ensure uniformity, tranparency and comparability of accounts for all autonomous bodies of the State the Finance Department, Government of Gujarat (GoG) circulated uniform format of Accounts. The said circular was applicable to all societies/trusts/missions i.e. autonomous bodies from the accounting year 2013-14.

However, it was observed that the Board had not followed the same while preparing the accounts for the years 2013-14 and 2014-15 and was still continuing with the old format of accounts which was on cash basis and none of the ASs had been followed despite of GoG directives in this behalf.

D. Grants - in - Aid.

During the period under report, the Board received a grant of Rs. 10.87 lakh (including on opening Balance of Rs. 4.08 lakh) from Government of Gujarat (RUBN project grant) for implementation of Programme projects and incurred an expenditure of Rs. 10.46 lakh (2014-15) leaving a surplus of Rs. 0.41 lakh (2014-15) as closing balance.

v. Subject to our observations in the preceding paragraphs, we report that the Balance Sheet and Revenue Accounts dealt with by this report are in agreement with the books of Accounts.

vi In our opinion and to the best of our information and accordingly to the explanations given to us, the said financial statements read together with the Accounting policies and notes on accounts and subject to the significant matters stated above and other matters mentioned in Annexure to this Audit Report give a true and fair view in conformity with accounting principles generally accepted in india.

c. In so far as it relates to the Balance sheet , of the state of affairs of the Gujarat Rural Housing Board, Gandhinagar as at 31 March 2015, and

d. In so far as it relates to Revenue Accounts of the loss for the year ended on that date.

For and on behalf of the CAG of India

Place : Rajkot
Date :

(B. BASANTIA)
Accountant General, (G&SSA),
Gujarat, Rajkot.