

Chapter 1

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 Government departments and autonomous bodies.

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 the 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 and achievements in implementation of selected schemes, significant audit observations made during the audit of transactions and follow up on previous Audit Reports. Chapter 2 of this Report contains findings arising out of performance audit of selected programmes/activities/departments. Chapter 3 contains observations on compliance audit of Government departments and autonomous bodies.

1.2 Auditee profile

There are 90 departments in the State at the Secretariat level, headed by Chief Secretary/Principal Secretaries/Secretaries, who are assisted by Deputy Secretaries/Commissioner and subordinate officers under them and 230 autonomous bodies which are audited by the Principal Accountant General (Civil Audit).

The comparative position of expenditure incurred by the Government of Rajasthan (GoR) during 2009-10, and in the preceding two years, is given in **Table 1**.

Table 1 Comparative position of expenditure

(₹ in crore)

Particulars	2007-08			2008-09			2009-10		
	Plan	Non-Plan	Total	Plan	Non-Plan	Total	Plan	Non-Plan	Total
Revenue expenditure									
General services	143	10,779	10,922	110	12,840	12,950	101	15,546	15,647
Social services	1,919	8,281	10,200	2,677	11,376	14,053	3,007	13,487	16,494
Economic services	3,072	4,917	7,989	2,984	4,283	7,267	3,179	4,793	7,972
Grants-in-aid	-	17	17	-	26	26	-	19	19
Total	5,134	23,994	29,128	5,771	28,525	34,296	6,287	33,845	40,132
Capital expenditure									
Capital Outlay	5,611	944	6,555	6,096	(-) 196 ¹	5,900	5,819	(-) 644 ²	5,175
Loans & Advances disbursed	199	89	288	324	16	340	463	35	498
Payment of Public Debt			1,846			2,433	-	-	2,945
Contingency Fund			-			165	-	-	-
Public Accounts disbursement			74,735			91,779	-	-	1,07,714
Total			83,424			1,00,617			1,16,332
Grand Total			1,12,552			1,34,913			1,56,464

Source: Audit Report on State Finances for the year 2009-10.

1.3 Authority for Audit

The authority for audit by the Comptroller and Auditor General of India (C&AG) is derived from Articles 149 and 151 of the Constitution of India and the C&AG's (Duties, Powers and Conditions of Service) Act, 1971. The Principal Accountant General (Civil Audit) conducted audit of expenditure of Civil and Works Departments, Autonomous Bodies of the GoR under Sections 13³, 14⁴, 15⁵, 17⁶, 19(2)⁷ and 20⁸ of the C&AG's (DPC) Act. The principles and methodology for compliance audit are prescribed in the manuals issued by the C&AG.

1. minus figure is due to transfer of ₹ 212 crore from Rajasthan State Investment Fund.
2. minus figure is due to transfer of ₹ 688 crore from Rajasthan State Investment Fund.
3. Audit of (i) all expenditure from the Consolidated Fund of the State, (ii) all transactions relating to Contingency Fund and Public Accounts and (iii) all trading, manufacturing, profit & loss accounts, balance sheets & other subsidiary accounts.
4. Audit of (i) all receipts and expenditure of a body or 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 ₹ 1 crore.
5. Audit of grant or loan given for any specific purpose from the Consolidated Fund of India or State to any authority or body, to scrutinise the procedures by which the sanctioning authority satisfies itself as to the fulfillment of the conditions subject to which such grants or loans were given.
6. Audit of accounts of stores and stock.
7. 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.
8. Audit of accounts of any body or authority on the request of the Governor, on such terms and conditions as may be agreed up on between the C&AG and the State Government.

1.4 Organisational Structure of the Office of the Principal Accountant General (Civil Audit), Rajasthan

Under the directions of the C&AG, the office of the Principal Accountant General (Civil Audit), Rajasthan, conducts audit of civil and works



departments and autonomous institutions through three groups for inspection of civil departments and one for works departments. During 2009-10, 63 audit parties (Civil: 46, Works: 17) conducted compliance audit of the selected units under various civil and works departments of the State Government, autonomous bodies, externally aided projects etc.

1.5 Planning and conduct of audit

Audit process starts with the assessment of risk exposure of various Government departments/organizations/autonomous bodies and schemes/projects, etc. based on expenditure, criticality/complexity of activities, level of delegated financial powers, assessment of overall internal controls and the concerns of stakeholders. Previous audit findings are also considered in this exercise.

After completion of audit of each unit, Inspection Reports, containing audit findings, are issued to the head of the unit. The units are requested to furnish replies to the audit findings within one month of receipt of the Inspection Report. 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.

During 2009-10, 14,573 audit party days were used to carry out compliance audit of 1951 out of 12,926 units in civil and works departments. The audit plan covered those units/entities, which were vulnerable to significant risk, as per the 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 on the success of programmes and functioning of the departments. Similarly, the deficiencies noticed during compliance audit of the Government departments/organizations were also reported.

1.6.1 Performance audit of programmes/activities/departments

This report contains performance audits of 'Drinking Water Supply in Jaipur City', 'Implementation of Gararda Medium Irrigation Project', 'Implementation of Fluoride Control Project in Ajmer District', 'Implementation of Maharana Pratap Awas Yojana (MPAY) for Gadia Lohars', 'Working of Rajasthan Shiksha Karmi Board', 'Integrated Forest Protection Scheme' and 'IT Audit of Common Integrated Police Application',. The salient features of the performance audits are discussed in the following paragraphs.

1.6.1.1 Drinking water supply in Jaipur city

The water problem in Jaipur City is chronic and acute. After the Ramgarh Lake, only source of surface water for the Jaipur City started drying up, Government of Rajasthan conceived in October 1999, the Bisalpur Jaipur Water Supply Project (BJWSP) for transporting water from Bisalpur Dam with a view to reduce dependency on ground water. Due to financial constraints, the BJWSP was launched in October 2004 with completion scheduled for December 2007. A review of implementation of the BJWSP and various water supply schemes providing drinking water to Jaipur City for the period 2005-10 revealed deficiencies in planning, execution, monitoring and vigilance by the Departments of Public Health Engineering (PHED) and Urban Development and Housing.

Unregulated over-extraction of ground water by both private and State agencies caused rapid depletion of ground water source and serious problem of pollution in Jaipur City. There are 1908 tube wells (TWs) in Jaipur City producing 345 MLD of water. New TWs were constructed even in areas found not feasible by Ground Water Department (GWD), due to lack of co-ordination between PHED and GWD. There is no regulatory mechanism to control tapping of ground water.

Bisalpur Dam, the alternative source, located 120 km from the Jaipur City was recommended by the consultant as an immediate measure. The Dam, heavily dependent on vagaries of rain water and suffering from massive pilferages from the catchment area, proved to be a deficient source. It has never filled up to its full capacity during 2007-10 and the water supply to Jaipur City started in March 2009 at a low average of 67.50 MLD reduced to 34.57 MLD in March 2010.

Two packages proposed for replacement of worn-out pipelines to strengthen the water distribution network of the Jaipur City, development of three new distribution centres to cater to the un-served areas and reduction of unaccounted for water have not yet been taken up due to paucity of funds. Of six summer schemes approved (2007-10) to sustain adequate water supply, none of the schemes (except Summer 2009) could be completed as of March 2010.

Quality of drinking water has not been ensured as 90 *per cent* water samples were not within the prescribed parameters. Shortage of manpower and

equipment resulted in shortfall in collection of samples for test of water quality. Replacement of polluted pipelines and shifting of service lines/connections up to 82 *per cent* left scope for spreading pollution. Reservoirs were not cleaned periodically on the plea of affecting distribution system.

Water tariff has not been revised after 1998 despite manifold increase in the production cost. A large number of connections remained unmetered. Safety and security of water supply system suffered as the Vigilance Wing was understaffed.

1.6.1.2 IT Audit of Common Integrated Police Application

Government of India introduced in 2004 a Common Integrated Police Application (CIPA) project at Police Stations to automate the processes at primary sources of data i.e. police stations and to build a crime and criminal information system based on Criminal Procedure Code. An audit review revealed that the CIPA project was yet to deliver the outcomes envisioned for better e-governance due to weaknesses in certain aspects of scheme implementation, software development, connectivity and supervision. Delay in installation and under-utilisation of hardware has adversely affected the shift towards electronic data-keeping. Due to non-renewal of annual maintenance contract, hardware items remained idle for want of repair. The password policy was not clearly defined and followed which raised concerns about data security and reliability. The lacunae in software were creating hurdles in proper data entry and generation of reports in certain cases. Since the connectivity envisaged from police station to NCRB level was yet to materialise, the objective of information sharing for better decision-making was still unachieved. While comprehensive training had not been imparted, there were instances of trained personnel not working on the software. As a result, there was no significant reduction in manual records which caused duplication of work. There was no business continuity planning or disaster recovery policy in place to guard against losses of data in unforeseen circumstances. Due to non-establishment of connectivity between institutions, incomplete database and training deficits, the critical objectives of the project are a long way from being achieved.

1.6.1.3 Implementation of Gararda Medium Irrigation Project

Gararda Medium Irrigation Project (GMIP) near village Holaspura, District Bundi sanctioned by Planning Commission in 1981 was administratively sanctioned by the State Government in 2002. The project scheduled for completion by September 2007 was still under progress as of August 2010. A performance audit of GMIP revealed that improper survey and deficient planning for acquiring dispute free land led to significant delay in completion and avoidable escalation. Hiring of consultant on the grounds of urgency was not justified as the firm submitted five out of six reports on survey, design and geometric investigation in three and a half years as against stipulated period of six months. The earthen dam completed in March 2010 collapsed on 15 August 2010 within six months due to inadequate/ineffective curtain grouting, defective compaction of earth and absence of horizontal sand filters as brought

out in an enquiry report. The intended objective of providing irrigation facilities in 9,161 ha of culturable command area of 44 villages was not achieved despite incurring ₹ 124.49 crore as of March 2010.

1.6.1.4 Implementation of Fluoride Control Project

In five Tehsils of Ajmer District, the water has high content of fluoride, chloride and nitrate more than the prescribed limit. In order to improve the quality of drinking water to 692 villages, the State Government set up (1994) a Fluoride Control Project (FCP) under the Accelerated Rural Water Supply Programme. Audit scrutiny revealed that five water supply schemes under the FCP scheduled for completion by November 2007 remained incomplete as of July 2010 for various reasons viz. changing of specification of pipes as per site condition which was indicative of deficient survey, short release of funds by GoI and State Government, delays in supply of pipes by the Department to the contractors and delay in execution of works due to obtaining permission for railway land and forest land. Thus, defective planning and failure of governance delayed supply of safe surface water to 319 villages and *dhanis* for more than three years.

1.6.1.5 Implementation of Maharana Pratap Awas Yojana for Gadia Lohars

Government of Rajasthan introduced (1997) the scheme to benefit the nomad blacksmiths, who do not own houses and do not live at a permanent place. Audit scrutiny revealed that the State Government did not have any details of the number of Gadia Lohar families who owned houses under the scheme. Weak control and ineffective implementation of the scheme led to sanction of assistance to ineligible persons, without proper verification of documents by the competent authority. Large number of houses were lying incomplete rendering the expenditure unfruitful.

1.6.1.6 Working of Rajasthan Shiksha Karmi Board

Rajasthan Shiksha Karmi Board (Board) was set up (1987) to implement the Shiksha Karmi Project (Project) with the objective of providing quality education to boys and girls living in remote rural areas, where primary education was not available, by establishing new schools. Audit scrutiny revealed that the Project envisaged provision of free supply of books, education material, educational tours of students and Shiksha Karmis (SKs), training of SKs and inspection of schools. However, from 2005 onwards, no budget was provided for these critical activities except honorarium for SKs and contingencies, adversely affecting implementation of the Project. Inspection of schools by SK Sahayogi for imparting training to SKs was not conducted in 382 schools during 2005-09. Inspection by Block Elementary Education Officers was also inadequate. Uneconomic schools were not merged with nearby schools to avoid expenditure thereon. Yearly evaluation training and monthly plan and review meetings for Shiksha Karmis were not organised. Internal control mechanism was also weak.

1.6.1.7 Integrated Forest Protection Scheme

Integrated Forest Protection Scheme (IFPS), a Centrally sponsored scheme was launched (2002-03) to develop and strengthen: (i) forestry infrastructure and capacity for effective protection of the flora, fauna, biodiversity and environment, (ii) forest fire control and management and (iii) survey, demarcation and notifying forest areas. An audit review revealed that funds were under-utilised due to delayed release and slow spending. As a result, State was deprived of Central assistance of ₹ 1.99 crore. Scheme funds were diverted to office contingencies. Field survey for improving the productivity of the forest land and to maintain ecological balance through forest protection was carried out only in 99 sq. km as against an area of 32,701 sq. km in the State. The deployment of fire watchers was without proper planning and peak season of fire incidences remained unprotected. Monitoring of the scheme was inadequate as the Review and Monitoring Committee was constituted in June 2009, after a lapse of six years.

1.6.2 Significant audit observations during Compliance Audit

Audit observed significant deficiencies in critical areas, which impact the effectiveness of the State Government. Some important findings of compliance audit (24 paragraphs) have also been reported. The major observations relate to:

- Fraud and detection of fraud.
- Non-compliance with rules and regulations.
- Audit against propriety and cases of expenditure without adequate justification.
- Persistent and pervasive irregularities.
- Failure of oversight/governance.

1.6.2.1 Fraud and detection of fraud

Fraud is an intentional act by one or more individuals among management, those charged with governance, employees or third parties involving the use of deception to obtain an unjust or illegal advantage. Examination of system for detection and prevention of fraud is an integral part of regularity audit. Audit detected payment of fraudulent claim of scholarships as under:

- Lack of coordination with Technical Education Department and failure of controls by the District Officers of Social Justice and Empowerment Department led to payment of fraudulent claims (₹ 34.63 lakh) of four private educational institutions on account of scholarship for SC/ST students.

(Paragraph 3.1.1)

1.6.2.2 Non-compliance with rules and regulations

For sound financial administration and control, it is essential that expenditure conforms to financial rules, regulations and orders issued by the competent authority. This helps in maintaining financial discipline and prevents irregularities, misappropriation and frauds. This report contains instances of non-compliance with rules and regulations involving ₹ 7.43 crore. Some important audit findings are as under:

- Non-compliance with the Public Works Financial and Accounts Rules by Water Resources Department (Dungarpur Division) led to unfruitful expenditure of ₹ 2.04 crore on construction of main dam and canal, besides, denying irrigation facilities to farmers in 134 hectares of agriculture land.

(Paragraph 3.2.5)

- Irregular grant of higher pay scales to 67 employees of Mohan Lal Sukhadia University (MLSU) and Rajasthan Agriculture University on completion of 18 and 27 years of service and grant of regular pay scales in place of fixed remuneration during probation period to 10 Assistant Professors of MLSU by Agriculture and Higher Education Departments led to irregular excess payment of ₹ 1.40 crore on account of pay and allowances.

((Paragraph 3.2.1)

- Taking up re-organisation of water supply scheme for Sheoganj town by Public Health Engineering Department without ensuring reliable water source and water reservation for the project, which was a condition of the sanction by GoI, led to the project lying incomplete since December 2008 after spending ₹ 2.20 crore, for want of water source.

(Paragraph 3.2.3)

1.6.2.3 Audit against propriety and cases of expenditure without adequate justification

Authorization of expenditure from public funds has to be guided by the principles of propriety and efficiency of public expenditure. Authorities empowered to incur expenditure are expected to enforce the same vigilance as a person of ordinary prudence would exercise in respect of his own money. Audit scrutiny revealed instances of impropriety and extra expenditure involving ₹ 27.66 crore. Some important audit findings are as under:

- Defective planning and improper selection of site for quarters by Rajasthan Agriculture University, Bikaner (Agriculture Department) resulted in unfruitful expenditure of ₹ 1.69 crore on construction of staff quarters at *Krishi Vigyan Kendras*.

(Paragraph 3.3.1)

- Medical Education Departments failure in assessing the requirement of hostel led to an unfruitful expenditure of ₹ 1.32 crore on hostel building lying unused for over two years since May 2008.

(Paragraph 3.3.3)

- Construction of residential quarters at an inappropriate site in Dausa and delay in provision of water and electricity connections in residential quarters at Laxmangarh by the Medical and Health Department, resulted in unfruitful expenditure of ₹ 1.02 crore, as these quarters were lying vacant for two to five years.

(Paragraph 3.3.4)

- Change of off-take point for drawing of drinking water at Indira Gandhi Main Canal by Public Health Engineering Department after construction of Jai Narain Vyas Lift Canal resulted in avoidable extra expenditure of ₹ 18.34 crore.

(Paragraph 3.3.5)

- In the Forest Department, income generating activities under the Rajasthan Forestry and Biodiversity Project could not be started due to non-formation of Self Help Groups resulting in ₹ 4.08 crore remaining undisbursed.

(Paragraph 3.3.2)

1.6.2.4 Persistent and pervasive irregularities

An irregularity is considered persistent if it occurs year after year. It is deemed pervasive when prevalent in the entire system. Recurrence of irregularities, despite being pointed out in earlier audits, is indicative of slackness on the part of the executive and lack of effective monitoring. This in turn encourages willful deviations from observance of rules/regulations and results in weakening of administrative structure. Audit observed instances of persistent and pervasive irregularities of ₹ 66.11 crore. Some important audit findings are as under:

- Non-compliance with Ordinance 80 and Statute 37 of University of Rajasthan and irregular relaxation of the provisions by the Mohan Lal Sukhadia and Rajasthan Technical Universities led to undue benefit to private colleges/institutions by grant of affiliation for one to five academic years without recovery of a penalty (₹ 7.01 crore) for delayed submission of applications.

(Paragraph 3.4.2)

- Inclusion of price escalation clause in lump sum contract in contravention of the Rule 378 of Public Works Financial and Accounts Rules led to inadmissible payment of price escalation charges of ₹ 54 crore to the contractors by five Public Health Engineering Divisions.

(Paragraph 3.4.3)

- Re-tendering of work by Water Resources Department without adhering to the provisions of Public Works Financial and Accounts Rules prescribing negotiations with all contractors, led to award of work at an extra avoidable cost of ₹ 1.49 crore.

(Paragraph 3.4.5)

- Taking up of road works by Public works Department through private/forest land without acquisition/ approval of Forest Department led to roads remaining incomplete in Barmer, Dausa and Jodhpur Districts rendering an expenditure of ₹ 2.94 crore unfruitful.

(Paragraph 3.4.4)

1.6.2.5 Failure of oversight/governance

Government has an obligation to improve the quality of life of the people in the area of health, education, development and upgradation of infrastructure, public services etc. Audit noticed instances where the funds released by the Government for creating public assets remained unutilised/blocked or proved unfruitful/unproductive due to indecisiveness, lack of administrative oversight and concerted action at various levels. Test-check cases of failure of oversight/governance noticed in audit involved ₹ 200.75 crore. Some important audit findings are as under:

- Non-provision of funds by the State Government affected the police housing project and the completed quarters could not be handed over to the Police Department in absence of basic amenities. Besides, non-availing of admissible interest rebate led to excess payment of interest of ₹ 6.41 crore to Housing and Urban Development Corporation.

(Paragraph 3.5.2)

- In Medical Education Department, a hospital building constructed in Jaipur at a cost of ₹ 26.08 crore was lying unutilised for 20 months in the absence of a clear decision regarding its use.

(Paragraph 3.5.3)

- Funds of ₹ 161.32 crore for financial empowerment of poor women remained blocked for more than two years in bank accounts of the women identified under Bhamashah Financial Empowerment Scheme implemented by Planning Department.

(Paragraph 3.5.4)

1.7 Response of the Departments to Reviews/Draft Audit Paragraphs

The Finance Department had issued directions to all departments (August 1969) to send their response to the draft audit paragraphs, proposed for inclusion in the Report of the Comptroller and Auditor General of India, within three weeks.

Accordingly, draft paragraphs are forwarded to the Principal Secretaries/ Secretaries of the departments concerned, drawing their attention to the audit findings and requesting them to send their response within three weeks. It is brought to their personal attention that in view of likely inclusion of such paragraphs in the Audit Reports of the Comptroller and Auditor General of India, which are placed before Rajasthan Legislature, it would be desirable to include their comments in the matter. They are also advised to have meetings with the Principal Accountant General to discuss the reviews/draft audit paragraphs, proposed for Audit Reports. Reviews/draft paragraphs proposed for inclusion in this report were forwarded to the Principal Secretaries/ Secretaries concerned.

All the Departments furnished replies to draft paragraphs and draft performance reviews forwarded to the Principal Secretaries/Secretaries. The responses of the Departments, received have been appropriately incorporated in the Report.

1.8 Follow-up on Audit Reports

The Finance Department of the State Government decided (December 1996) that Action Taken Notes (ATNs) on all paragraphs/reviews that have appeared in Audit Reports be submitted to the Public Accounts Committee, duly vetted by Audit, within three months from the date of laying of the Reports in the State Legislature. A review of the outstanding ATNs on paragraphs/ performance reviews included in the Reports of the Comptroller and Auditor General of India pertaining to various Departments as of September 2010 revealed that no ATN was pending from the Departments.

During test check (May 2009) of the records of Executive Engineer, Lift Canal, Public Health Engineering Department Division, Nagaur, audit pointed out that ₹ 93.49 lakh was recoverable from the contractor being the charges for reinstatement of road damaged during execution. The entire sum was recovered (November 2009) from the contractors, at the instance of Audit.