

**Chapter I**  
**Introduction**

## **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 commensurate with the nature, volume and magnitude of transactions. The findings of Audit are expected to enable the Executive to take corrective actions so 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 programme, significant audit observations made during the Compliance Audit and follow-up on previous Audit Reports. Chapter-II of this report contains findings arising out of Performance Audit of selected programme/activity/departments. Chapter-III contains observations on the Compliance Audit in Government Departments.

### **1.2 Profile of the Audited Entity**

Under General and Social Sector of the Government of Rajasthan, there are 40 departments and 195 autonomous bodies, headed by Chief Secretary/Principal Secretaries/Secretaries, assisted by Deputy Secretaries/Commissioners and subordinate officers, which are audited by the Principal Accountant General (General and Social Sector Audit), Rajasthan, Jaipur.

The comparative position of expenditure incurred by the Government of Rajasthan during 2011-12 to 2013-14 is given in **Table 1**.

**Table 1: Comparative position of expenditure**

(₹ in crore)			
Particulars	2011-12	2012-13	2013-14
<b>Revenue expenditure</b>			
General services	18,709	20,496	23,339
Social services	21,928	25,293	31,486
Economic services	12,744	17,408	20,436
Grants-in-aid and Contribution	273	265	249
<b>Total</b>	<b>53,654</b>	<b>63,462</b>	<b>75,510</b>
<b>Capital and other expenditure</b>			
Capital Outlay	7,119	10,684	13,665
Loans and Advances disbursed	1,109	2,412	811
Payment of Public Debt	3,490	4,707	4,116
Contingency Fund	-	-	-
Public Accounts disbursement	1,22,320	1,50,175	1,05,605
<b>Total</b>	<b>1,34,038</b>	<b>1,67,978</b>	<b>1,24,197</b>
<b>Grand Total</b>	<b>1,87,692</b>	<b>2,31,440</b>	<b>1,99,707</b>

Source: Audit Reports on State Finances of the respective years

### 1.3 Authority for Audit

The authority for audit by the Comptroller and Auditor General of India (CAG) is derived from Articles 149 and 151 of the Constitution of India and the CAG's Duties, Powers and Conditions of Service (DPC) Act, 1971. The Principal Accountant General (General and Social Sector Audit), Rajasthan, Jaipur, conducts audit of expenditure of General and Social Sector Departments and Autonomous Bodies of Government of Rajasthan, under Sections 13<sup>1</sup>, 14<sup>2</sup>, 15<sup>3</sup>, 17<sup>4</sup>, 19(2)<sup>5</sup>, 19 (3) and 20<sup>6</sup> of the CAG's DPC Act. The principles and methodology for compliance audit are prescribed in the various manuals issued by the CAG.

1. 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 and other subsidiary accounts.
2. 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.
3. 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 fulfilment of the conditions subject to which such grants or loans were given.
4. Audit of accounts of stores and stock.
5. 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.
6. Audit of accounts of any body or authority on the request of the Governor, on such terms and conditions as may be agreed upon between the CAG and the State Government.

## **1.4 Organisational Structure of the Office of the Principal Accountant General (General and Social Sector Audit), Rajasthan, Jaipur**

Under the directions of the CAG, the Office of the Principal Accountant General (General and Social Sector Audit), Rajasthan conducts audit of Government Departments/Offices/Autonomous Bodies/Institutions under the General and Social Sector Departments and Autonomous Bodies, which are spread all over the State. During 2013-14, financial, performance and compliance audits of the selected units under various General and Social Sector Departments, Autonomous Bodies (except *Panchayati Raj* Institutions and Urban Local Bodies) and externally-aided projects of the State Government were conducted by 49 audit parties, manned by Senior Audit Officers/Audit Officers and Assistant Audit Officers who conduct the Audit in the field.

## **1.5 Planning and conduct of audit**

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

After completion of audit of each unit, Inspection Reports containing audit findings are issued to the Heads of the units/departments with the request to furnish replies on audit findings, within one month of receipt of the Inspection Report. Whenever replies are received, audit findings are either settled or further compliance is advised. The important audit observations arising out of these Inspection Reports are processed for inclusion in the Audit Reports.

To carry out audit of 1305 out of the 12,140 units of General and Social Sector Departments, 6,795 audit party days were used during 2013-14. The audit plan covered those units/entities, which were vulnerable to significant risk, as per the risk assessment.

## **1.6 Significant audit observations**

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

### **1.6.1 Performance audit of programmes/activities of departments**

Chapter II of this report contains the performance audits of ‘Implementation of *Sarva Shiksha Abhiyan*’ and ‘Modernisation of Police Force’ in Rajasthan. It

also includes a Performance Audit on 'Quality of Drinking Water' provided in Rajasthan. Brief summaries of the performance audit are discussed in the following paragraphs:

#### **1.6.1.1 "Sarva Shiksha Abhiyan" in Rajasthan**

*Sarva Shiksha Abhiyan* (SSA), a flagship programme of GoI, was launched (2000-01) with the objective of universalisation of elementary education. Right of Children to Free and Compulsory Education Act, 2009 (RTE Act) extended the objective of providing free, compulsory and accessible education to all children in the age group of 6-14 years. 'Rajasthan Council for Elementary Education (RCEE)' was responsible for implementation and monitoring the programme. SSA envisaged a bottom-up-approach of planning (at the school level). However, this approach was not adhered to. Twenty-two schools out of the ninety five test checked schools did not prepare School Development Plans. There was hardly any improvement in the enrolment/retention of children between the age group of 6 to 14 years. Further, there were 9.07 lakh children 'out of school' at the end of 2013-14.

Revised Frame Work under SSA envisaged preparation of 'Individual Education Plan (IEP)' for each Child with Special Needs (CWSN) and teaching them with the help of specified equipment. While in 2009-10, six percent children out of the total identified CWSN were 'out of school', in 2013-14, it was still seven percent who were not enrolled. In 19 test checked blocks, IEPs were prepared for only 793 out of 43,365 CWSN. Most of the equipment which were supposed to be used for CWSN were lying unserviceable in resource rooms of schools.

SSA guidelines also envisaged bridging of social and gender gaps by the end of 2013-14, in the age group of 6-14 years, while overall gender gap declined by 1.11 *per cent* only during the period 2009-14. Even after implementing the programme for ten years (2003-13), female literacy rate in the State remained at 52.1 *per cent* which was still below the national level (64.6 *per cent*) and the State stood lowest in female literacy rate among all the States/Union Territories. The growth in female literacy in the State was 8.22 *per cent* which was also less than the national growth of 10.18 *per cent*, when compared to Census 2001.

The RTE Act, 2009 and SSA scheme emphasised quality education. However, 141 schools were running without students and 12,782 schools were running with single teacher. Pupil-teacher ratio was adverse in 1,526 PSs in test checked districts. In addition, there was shortage of subject teachers at upper primary level. Mostly, schools were functioning in buildings, and had provision for drinking water and separate toilets for girls. However, out of total 80,074 schools, in 48,285 schools there was no playground, in 31,677 schools there was no library, while in 14,644 schools the boundary wall was lacking. One hundred and thirteen civil works of constructing additional rooms and boundary walls were lying incomplete, for more than one year.

SMC meetings were not held as per prescribed norms at the school level and there was distinct shortfall in the visits undertaken for monitoring at the

district level. At the State level, while some EC meetings were held, the governing council had not conducted any meeting since inception of the scheme.

*(Paragraph 2.1)*

### **1.6.1.2 “ Modernisation of Police Force” in Rajasthan**

To improve the operational efficiency of the state police forces and to adequately equip them to effectively face the emerging challenges of law and order and internal security, GoI launched the Scheme of ‘Modernisation of Police Force’. For implementing the scheme and to derive optimal benefit from it, the required perspective long term plan was not prepared by Government of Rajasthan. Annual Plans were also submitted to Government of India (GoI) with delay. State Government neither contributed its matching share to the scheme nor utilised available central funds.

Against the required 15,884 number of modern weapons, only 3,962 weapons were received by the State Government during the period 2009-14. Most of the weapons (2,350) procured under the scheme were not distributed to field units and remained idle. There was a shortage of 2252 vehicles as on 31 March 2014, despite the facts that funds were available. Most of the operational vehicles purchased were adjusted/replaced against condemned vehicles and some of the vehicles were retained in central store.

In ‘Forensic Science Laboratories (FSL)’, large number of samples were pending for analysis. There was delay in procurement of FSL equipment and shortage of technical man power for operating the equipment. Non-utilisation of the equipment for want of repairs/maintenance was also adversely affecting police investigations. In maximum cases, police response time could not be worked out as necessary information was not recorded in crime register by Station House Officer.

There was delay in construction of residential/non residential building for staff. Instances were noticed where there was delay in handing over of completed buildings. Two hundred and thirty-five works were not started due to delay in finalising drawings, selection of sites, *etc.* There were only 25,649 staff quarters against 81,804 men-in-position as on 31 March 2014.

*(Paragraph 2.2)*

### **1.6.1.3 Quality of Drinking Water**

Rajasthan is basically dependent on ground water for drinking purposes. Large geographical areas have chemical contaminants such as fluoride, nitrate, salinity, *etc.* in water, making it unsafe for drinking purposes. Fast depletion in ground water reserves is deteriorating the water quality on chemical parameters. Government of Rajasthan adopted the State Water Policy (SWP) for water resource planning on a sustainable basis to balance demand and supply and improving quality. But after initial survey by ‘National Habitation

Survey' in 2003, for upgradation of water quality in habitations, no surveys were conducted.

For de-fluoridation of water, 'Rajasthan Integrated Fluorosis Mitigation Programme (RIFMP)' was initiated in 2005 in three phases. Targets of Phase-I of RIFMP were not achieved, while results of the Phase II were not compiled. Cases of non-operation/maintenance, non-monitoring of performance of de-fluoridation units under Phase II/III were noticed. Projects for installation of Reverse Osmosis (RO) plants were undertaken by the department. Cases of improper working of such RO plants and non-monitoring of their performance were noticed.

Assessment of chlorine demand for purchasing bleaching powder was not done before placing supply orders. Required standard tests, appropriate sampling for testing and periodic tests of available bleaching powder in stock were not conducted.

The laboratories set up for testing water samples did not have sufficient infrastructure/test facilities and qualified staff. Block laboratories were established in only 69 of 237 blocks. Targets of testing water samples with Field Testing Kits were not achieved. The mobile laboratory was also not performing properly.

*(Paragraph 2.3)*

### **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 (3 thematic audit paragraphs and 12 draft paragraphs) have been reported in Chapter III. The major observations relate to the following categories:

#### **1.6.2.1 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 preventing irregularities, misappropriation and frauds. This report contains instances of non-compliance with rules and regulations involving ₹ 20.44 crore, as given below:

In Public Health Engineering Department, supply of pipes through contractors at unreasonably high rates resulted in avoidable expenditure of ₹ 1.06 crore.

*(Paragraph 3.1.1)*

Irregular and unauthorised expenditure of ₹ 19.38 crore was incurred by Public Health Engineering Department on execution of additional works on rate contract, in contravention of financial powers delegated to them.

*(Paragraph 3.1.2)*

### **1.6.2.2 Audit against propriety and cases of expenditure without adequate justification**

Authorisation 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 ₹ 49.08 crore. Audit findings are as under:

In Labour Department, due to poor implementation of the scheme of upgradation of ITIs into centres of excellence, 27 ITIs were not upgraded and loan amount of ₹ 32.94 crore was not utilised and the purpose of upgradation of the skills of unemployed youth was also defeated.

*(Paragraph 3.2.1)*

Construction of cardio thoracic vascular surgery unit in Jawahar Lal Nehru (JLN) Hospital, Ajmer under *Shahari Jan Sahbhagi Yojana* and procurement of equipments for it without ensuring deployment of staff, resulted in blocking of funds of ₹ 4 crore for more than three years.

*(Paragraph 3.2.2)*

Due to non-execution of the work of 33 KV feeder line, funds of ₹ 4.12 crore remained blocked for more than seven years, leading to denial of benefit of piped water supply in 138 villages.

*(Paragraph 3.2.3)*

Imprudent decision of rejecting the negotiated rates, unusual delay in finalising the tendering process and then accepting higher offer of contractor by Public Health Engineering Department, resulted in award of work at an extra avoidable cost/liability of ₹ 8.02 crore.

*(Paragraph 3.2.4)*

### **1.6.2.3 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 wilful deviations from observance of rules/regulations and results in weakening of administrative structure. Audit observed the following instance of persistent and pervasive irregularity:

Failure of the treasury officers to exercise prescribed checks led to excess/irregular payment of pension/family pension amounting to ₹ 153.75 lakh.

*(Paragraph 3.3.1)*

#### 1.6.2.4 Failure in implementation, monitoring and governance

Government has an obligation to improve the quality of life of the people in the areas 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 supervision or concerted action at various levels. Test check of cases revealed that failure in implementation, monitoring and governance involved ₹ 40.50 crore. Audit findings are as under:

Scheme on *Eklavya* Model Residential School (EMRS) was launched in 2002-03 for imparting quality education to the tribal students from standard VI to XII. These schools were residential schools for providing free education and basic amenities like food, uniform, sweater, shoes, socks, etc. Hundred *per cent* grant was to be provided by GoI. As on date, eight EMRSs are being operated under this scheme and six additional EMRSs are under construction.

The state-level society and management committees at school level that were required to be constituted to manage the affairs of EMRSs, were not functioning. Other shortcomings like non-recruitment of regular qualified teachers, shortage of teaching staff, low retention of students, lack of availability of teaching and learning equipments, insufficient facilities in hostels, etc. were impacting the overall performance of the scheme.

The progress in construction of new EMRSs was slow and even after a lapse of more than two years from the stipulated date of completion, these were incomplete, depriving the students from benefits of the scheme.

#### *(Paragraph 3.4.1)*

Girls are the most vulnerable members of Indian society and it reflects elements of discrimination at every step of her life. In the social milieu, gender discrimination against girls and women occurs at home, in school, community and society. Socio-economic background, disability and location of residence (rural-urban) further compound her vulnerabilities. Deep-rooted preference for sons and aversion to daughters, aided by technological advances, led to a steep decline in child sex ratio from 909 girls (2001) to 888 per 1,000 boys in Rajasthan in 2011. The overall sex ratio in Rajasthan was 928:1,000 as compared to the All India sex ratio of 943:1,000. Female literacy rate was also 52.1 *per cent* as per 2011 Census as against the overall literacy rate of 66.1 *per cent*.

The Pre Conception and Pre-Natal Diagnostic Techniques (PC&PNDT) Act 1994, amended in 2003, is an important legislative intervention aimed at preventing the decline in Child Sex Ratio (CSR). Government of Rajasthan did not nominate medical geneticist, eminent social workers and legal expert to the District and Sub-Division Level Advisory Committee, required to be constituted under the Act, for providing necessary advice to Appropriate Authorities. Requisite inspections of sonography centres were not carried out during the period 2012-14 in test checked districts.

Against the reported 651 complaint cases of child marriages in test-checked districts, 196 cases were found either false or children were major. In 454 cases, marriages were stopped by the respective CMPOs.

*Kishori Shakti Yojana* (KSY), was introduced by GoI in the year 2000-01, to empower girls belonging to poor families with the objectives to improve nutritional and health status of girls in the age group of 11 to 15 years. Rajiv Gandhi Scheme for Empowerment of Adolescent Girls or 'SABLA', was implemented from December 2010 to address the multi-dimensional problems of adolescent girls. Under both the KSY and SABLA schemes, nutritional benefits @ ₹ 5 per day per beneficiary were being provided. This was even less than that provided under Mid-Day Meal programme, and the same was also not being provided to a large portion of adolescent girls. Under *Balika Sambal Yojana* proper mechanism for identification of beneficiaries and distribution of UTI bonds was not in place.

**(Paragraph 3.4.2)**

In terms of National Sports Policy 2001, the Central Government in conjunction with the State Government, the Olympic Association and the National Sports Federation will concertedly pursue the twin objectives of 'broad basing' of sports and 'achieving excellence' in sports at National and International levels. The State Sports Policy, launched in April 2013 envisages *inter alia*, development of a suitable sports environment and infrastructure for maximum attraction of children towards sports, increasing the participation of the players in national and international tournaments and providing facilities for best performances. Though population-wise Rajasthan stands at eighth position in the country as per Census 2011, it was positioned at 20<sup>th</sup> rank in 34<sup>th</sup> National Games 2011.

Proper long term/five year plan and annual plans were not being prepared. There was no duly constituted Rajasthan State Sports Council (RSSC) with representatives from the sports bodies, and the Council was being exclusively managed by Government officials nominated by State Government.

Forty nine works of construction of stadiums, creation of sports infrastructure facilities and maintenance of existing stadiums *etc.* were under progress after incurring an expenditure of ₹ 18.79 crore and 16 works were not started due to non-finalisation of tenders, land disputes or late issue of work orders. Two works pertaining to construction of sports facilities in Baran and Fatehgarh stadia, completed in March 2012 and December 2013, were not handed over to RSSC even after a lapse of 31 and 10 months. Construction of synthetic Track at Gaushala Sports Complex in Jodhpur at a cost of ₹ five crore, declared in Budget 2012-13, has not been started. The work of construction of a new velodrome at Bikaner, sanctioned in July 2008, is yet to be started.

**(Paragraph 3.4.3)**

Non-recovery of ₹ 85.30 lakh by Medical Education Department from the licensee for testing fewer numbers of free cases and extending undue monetary benefit was noticed in audit.

**(Paragraph 3.4.4)**

There was blockage of funds of ₹ 17.57 crore in Public Health Engineering Department for nearly three years and loss of interest of ₹ 1.99 crore thereon due to non-execution of work of 33 KV dedicated power feeder line.

*(Paragraph 3.4.5)*

There was non-recovery of grant of ₹ 6.97 crore by Social Justice and Empowerment Department from the Institutions for not operating hostels.

*(Paragraph 3.4.6)*

Audit also noticed non-utilisation of Special Central Assistance of ₹ 9.36 crore and deprivation of tribal students from job opportunities due to non-observance of procedure in selecting the implementing agency by Tribal Area Development Department.

*(Paragraph 3.4.7)*

## **1.7 Response of the Departments to Performance Audits/Draft Paragraphs**

The draft paragraphs are forwarded to the Principal Secretaries/Secretaries of the departments concerned, drawing their attention, for their response. 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 State Legislature, it would be desirable to include their comments. They are also advised to have meetings with the Principal Accountant General to discuss the Performance Audits/Thematic Audits/Draft Paragraphs, proposed for inclusion in the Audit Reports. Accordingly all the Performance Audits/Thematic Audits/Draft Paragraphs proposed for inclusion in this report, were forwarded to the Principal Secretaries/ Secretaries concerned.

The concerned departments did not send replies to 2 draft paragraphs out of eighteen performance audits/thematic audits/draft paragraphs featured in Chapter II and Chapter III. The responses of the concerned departments received in respect of sixteen paragraphs have been suitably 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 November 2014, revealed that twenty ATNs<sup>7</sup> were pending from the concerned Departments.

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7. Paragraphs 1.2.4, 1.4.4, 1.9.2, 1.9.4, 2.3.2.1, 2.3.3, 2.3.5, 2.5, 2.8, 3.2, 3.3, 3.4 and 3.5 of the Audit Report (State Finances) 2012-13 and paragraphs 2.1.2, 2.2.1, 2.2.2, 2.4.1, 2.4.3, 2.4.7 and 2.4.9 of the Audit Report (G&SS) 2012-13.