

# 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 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 37 departments and 34 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 2012-13 to 2014-15 is given in **Table 1**.

**Table 1: Comparative position of expenditure**

(₹ in crore)			
Particulars	2012-13	2013-14	2014-15
<b>Revenue expenditure</b>			
General services	20,496	23,339	27,868
Social services	25,293	31,486	37,754
Economic services	17,408	20,436	28,920
Grants-in-aid and Contribution	265	249	-*
<b>Total</b>	<b>63,462</b>	<b>75,510</b>	<b>94,542</b>
<b>Capital and other expenditure</b>			
Capital Outlay	10,684	13,665	16,103
Loans and Advances disbursed	2,412	811	701
Payment of Public Debt	4,707	4,116	4,960
Contingency Fund	-	-	300
Public Accounts disbursement	1,50,175	1,05,605	1,22,061
<b>Total</b>	<b>1,67,978</b>	<b>1,24,197</b>	<b>1,44,125</b>
<b>Grand Total</b>	<b>2,31,440</b>	<b>1,99,707</b>	<b>2,38,667</b>

Source: Audit Reports on State Finances of the respective years

\*₹ 9 lakh only.

### 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. Principles and methodologies for various audits are prescribed in the Regulations on Audit and Accounts, 2007 and the Auditing standards, 2002 issued by the C&AG.

### 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 2014-15, 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 48 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 1,071 out of the 17,397 units of General and Social Sector Departments, 6,832 audit party days were used during 2014-15. 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 'Working of Juvenile Homes' and 'Working of Rajasthan Technical University'. Brief summaries of the performance audit are discussed in the following paragraphs:

#### **1.6.1.1 Working of Juvenile Homes**

State Government established Juvenile Homes (children homes and observation homes) in every district, for children in need of care and protection and juveniles in conflict with law.

State Government failed to identify children in need of care and protection. Adults in the age group of 18 to 27 years were found admitted in Observation (Juvenile) Homes. Separate Homes for children in need of care and protection and children in conflict with law were not established, as required under JJ Act. Except at Divisional Headquarters, separate Homes for Boys and Girls were not established.

Adequate infrastructure facilities for stay and recreation were either not provided or provided inadequately in both Government and NGO Homes.

Nutritional diet viz. *ghee, paneer*, milk, *dahi* and fruits were either not provided or provided inadequately in test checked Homes. Clothing items, including school material, were also distributed in less quantity. Regular health check-up of Juveniles and Children were not being conducted in eight Government and two NGO Homes.

Status of providing school education in NGOs Homes was better than Government Homes. School education was not being provided in two Government Homes. No vocational training was provided in any of the test checked Government Homes. 'After Care Organisations' to facilitate children in their transition from institution-based life to mainstream society for social re-integration, were not established.

Supervisory staff like Superintendents, Counsellor etc. posted in Government Homes was generally not adequate. Post of Nurse, Housekeeper and Physical Training Instructors were vacant in all test checked Homes.

For inspection of Homes, norms as per scheme guidelines were not fixed for State, Division and District level authorities and only a few inspections were conducted by these authorities.

*(Paragraph 2.1)*

#### **1.6.1.2 Working of Rajasthan Technical University**

Rajasthan Technical University (RTU) was established under 'Rajasthan Technical University Act 2006'. Presently there are 12 government and 123 private engineering colleges affiliated to RTU.

Though the onus of maintaining the quality of technical education lies on RTU, its irregular, faulty and unstructured affiliation process proved to be biggest hurdle in doing so. Affiliation rule have also not been framed. Affiliation orders were not issued to 131 out of 135 engineering colleges for the academic session 2014-15.

Consistent deficiencies existed in the test checked colleges and these deficiencies were neither being rectified nor being communicated to All India Council of Technical Education, the agency responsible for granting approval to Engineering Colleges. Continuing enrolment of students, conducting of examination and awarding of degrees to the student in these colleges without granting affiliation, has rendered the process of affiliation meaningless. There was a large shortage of qualified faculty in test checked Engineering colleges.

RTU failed to curb the increasing trends of vacant seats in its affiliated colleges which can also be attributed to shortage of faculty, poor research infrastructure and other deficiencies of its affiliated colleges. New branches of Aeronautical, Petroleum and Petrochemical Engineering and Centre for Nano-Technology were opened in its constituent college 'University college of Engineering (UCE)' without developing proper infrastructure. None of the under graduate courses and post graduate courses running in UCE were Accredited with National Board of Accreditation.

RTU irrationally diverted its huge annual savings to fix deposits. Annual accounts for the year 2013-14 and 2014-15 were neither prepared nor submitted to State legislature till date. Annual Reports were not prepared and submitted to State legislature, from 2010-11 to 2014-15 (except for 2013-14).

The internal control system of RTU is also not very effective. Only 10 Meetings (against 20) of Board of Management (BoM) were held during the period 2010-15.

*(Paragraph 2.2)*

## **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 (eight thematic/long audit paragraphs and 16 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 ₹ 32.38 crore, as given below:

Disaster Management and Relief Department incurred an avoidable and irregular extra expenditure of ₹ 21.29 crore towards payment of agriculture input subsidy to farmers for *Kharif* crop 2012, by adopting incorrect norms of relief.

*(Paragraph 3.1)*

Sardar Patel Medical College and Associated Group of PBM Hospital Bikaner, failed to submit to Government of India, the audited statement of expenditure along with utilization certificate, resulting in non-receipt of central assistance of ₹ 4.18 crore. This led to stoppage of construction work and rendered the expenditure of ₹ 2.52 crore on construction of nursing college building unfruitful.

*(Paragraph 3.2)*

Public Health Engineering Department approved irregular and unauthorised expenditure of ₹ 7.24 crore on execution of additional works against annual rate contracts, in contravention of financial rules.

*(Paragraph 3.3)*

Public Health Engineering Department rendered the expenditure of ₹ 1.33 crore unfruitful on construction of raw water reservoir and modernisation of

recycling tank at Pandusar, due to non-completion of works. The expenditure was incurred irregularly without prior administrative and financial sanctions.

*(Paragraph 3.4)*

#### **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 ₹ 329.39 crore. Audit findings are as under:

Grant-in-aid of ₹ 27.29 crore, received for strengthening and upgradation of Medical Colleges Kota, for starting new Post Graduate (PG) disciplines and increasing PG seats, was not utilized, resulting in non increase of 84 PG seats even after lapse of 4 years of receiving funds.

*(Paragraph 3.5)*

Public Health Engineering Department, by not observing principles of financial propriety, approved different rates for identical items of two works on the same date, resulting in incurring of an extra liability of ₹ 1.56 crore.

*(Paragraph 3.6)*

Public Health Engineering Department created extra liability of ₹ 52.95 crore on procurement, installation and commissioning of Reverse Osmosis plants in the state, owing to approval of plants at higher cost.

*(Paragraph 3.7)*

Due to laxity of Public Health Engineering Department, the work of 'Chambal-Sawai Madhopur-Nadoti Water Supply Project' could not be completed even after incurring expenditure of ₹ 246.86 crore and lapse of more than 6 years, defeating the objective of providing safe and potable drinking water to targeted population.

*(Paragraph 3.8)*

Imprudent decision under 'Rajasthan Urban Infrastructure Development Project', to start the construction for a landfill site within 10 kilometres radius from 'Aerodrome Reference Point' without obtaining no objection certificate from Air Force Station and environment clearance from State Environment Impact Assessment Authority, resulted in incurring of unfruitful expenditure of ₹ 0.73 crore.

*(Paragraph 3.9)*

### 1.6.2.3 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 involving ₹ 908.00 crore. Audit findings are as under:

*‘National Project on Management of Soil Health and Fertility’* a centrally sponsored scheme was launched by the Government of India for strengthening and revamping of soil testing facilities. The selection of Static Soil Testing Laboratories was not appropriate and no criteria for selection of sites were fixed by the Department. No survey for identifying areas, where maximum farmers could be benefitted was conducted. No time line for establishing laboratories was prescribed. Clear role and responsibility for executing agencies were not outlined in the agreement and no penal provisions for any shortcomings in executing the work were incorporated. Analysis of secondary, minor and auxiliary nutrients was not conducted by any laboratories. There was shortfall in achieving targets of soil testing and substantial delay in sending recommendations to the farmers by executing agencies. Awareness camps were not organised by any executing agency. The State Project Sanctioning cum Monitoring Committee was not setup.

*(Paragraph 3.10)*

*Preservation, protection and maintenance of historical monuments, archaeological sites and antiquities* and interpret the cultural legacy embodied in various forms of art and architecture is the responsibility of Archaeology and Museums Department in the State.

Rajasthan has a large number of ancient monuments and sites which need to be protected/preserved. No comprehensive survey was carried out by the Department for identifying important monuments. The department failed to initiate even the first step for framing a plan for systematic conservation of its heritage of 5,220 monuments identified (2007) as unprotected by National Mission of Monuments and Antiquities. While only 335 monuments/sites were declared as protected, large number of monuments/sites still remained to be protected.

Inspection of monuments is a major activity but no annual/quarterly inspection were being carried out. Conservation of monuments was undertaken in an ad-hoc manner and expenditure incurred on some of the monuments was unfruitful due to incomplete preservation work. Encroachment, damages and dilapidated condition of protected monuments were also noticed in audit. Department was running with deficient manpower and security arrangements were not rationalised and were lopsided

*(Paragraph 3.11)*

**Procurement and Utilisation of Machinery, Equipment, Tools and Plants** is one of the activity of ‘Rajasthan Medicare Relief Society’ formed in each hospital attached with Medical Colleges, with the objective of providing various diagnostic and treatment facilities at nominal cost, supply of medicines free of cost and purchase/running of machineries, equipments, tools and plants for the hospitals.

Though there is an increase of 32 *per cent* in patient load, long term planning in procurement of equipments was lacking. A large number of machineries/equipments purchased were not inspected at the time of delivery resulting in accepting below specification equipments.

Instances of delay upto 22 months in installation of 196 medical equipments were noticed while 811 equipments remained unutilised for a period ranging between 2 to 76 months. Log books, history sheets, stock register, etc. were not found maintained properly. Marking of make and model of machines were also not found. 39 machineries were shown installed before receipt from Central Stores.

(Paragraph 3.12)

**Mukhyamantri Nishulk Dava Yojana** is a novel scheme and large numbers of patients in Rajasthan have received the benefit of free medicines under it. The coverage of patients under the scheme increased over the period.

As per statistics available with the Department, 5.51 crore patients had registered during the period January to December 2013 which increased to 7.57 crore during the period January to December 2014 but the increase was not ascertainable as patient gets enrolled multiple times for treatment of a single ailment or for different ailments during the year.

It was seen that there was variation between annual demand and consumption of medicines. Demand was not assessed in a time bound manner and was revised repeatedly which resulted in excess purchase of medicines. Proper and timely supply of medicines was not ensured. ‘Not of Standard Quality’ drugs were found distributed to patients. Drugs worth ₹ 40.23 lakh were not transferred to other hospitals and allowed to expire in five test checked hospitals. Rajasthan Medical Services Corporation Limited failed to utilise the funds of ₹ 158.56 crore on procurement of medicines during 2011-12 to 2014-15. Online monitoring through implementation of “*e-Aushadhi*” software was not effective.

(Paragraph 3.13)

**Rajasthan Guaranteed Delivery of Public Services Act, 2011**, was enacted by the Government of Rajasthan with the objective of providing a responsible, accountable, transparent and corruption free administration.

Audit examined the delivery of services in Medical and Health Department. There was delay in delivery of specified services under Medical and Health Department in 27 *per cent* of test checked cases. Substantial delay (more than

200 days) was noticed in some cases. Basic records, required to watch the delivery of the services, were not being properly maintained. Besides, awareness campaigns were not organized by the Department which was evident from the fact that no applicant went into appeal for delayed/non delivery of services.

*(Paragraph 3.14)*

***Bisalpur-Dudu Water Supply Project*** was conceived and sanctioned (2002) in view of insufficient quantity/availability of ground water and quality issues due to presence of high fluoride contents and total dissolved solids and salinity problem in Jaipur, Tonk and Nagaur districts.

Scrutiny revealed that detailed Project Report was not prepared and the estimated cost was overestimated. The objective of providing adequate drinking water to the population of the rural areas of Jaipur, Tonk and Nagaur districts within the stipulated time, could not be achieved due to inefficiencies at every stage of planning, execution and monitoring. Prior to commencement of work, required permissions from various authorities like Railways, National Highways Authority of India, Road Authorities and Forest Department etc. was not obtained, which resulted in delay in execution of works. Works amounting to ₹ 286.32 crore were awarded after lapse of administrative and financial sanction. Transmission Mains I and II were not tested and commissioned at full design discharge.

*(Paragraph 3.15)*

***Follow-up action on recommendations of PAC/audit on Performance Audit of 'Drinking Water Supply in Jaipur City' incorporated in Audit Report (Civil) 2009-10*** were examined to assess the compliance by Public Health Engineering Department (PHED).

PHED was unable to supply sufficient piped drinking water to Jaipur city. Supply of drinking water, 52 to 98 LPCD, was below the norms of 150 LPCD. Dependency of Jaipur on tube wells (TWs) to supply drinking water continued. New TWs were constructed during 2010-15, resulting in depletion of underground water. PHED constructed water harvesting systems (WHS) in its own buildings and construction of WHS in other government and school buildings was not monitored by it.

Quality of water supplied from TWs remained problematic. Majority of samples drawn from TWs failed on all parameters except Chloride. Water from many TWs was being supplied directly to consumers instead of mixing it with treated water. Lack of coordination between PHED and RUSDIP resulted in construction of WTP of substantially lower capacity and incurring of avoidable liability of more than ₹ 57.68 crore in enhancing its capacity. Performance test of transmission line, required to be conducted before commissioning of pipe line, to make it risk free, was not conducted, even though two incidents of leakage have already occurred.

PAC made 61 recommendations on the performance audit of which 54 recommendations were treated as executed. Compliance of seven recommendations were still pending. 23 recommendations were either not complied with or partially complied. Further compliance to the pending recommendations was still awaited.

**(Paragraph 3.16)**

**Rajiv Gandhi Vidhyarthi Digital Yojana** was announced in 2012-13 by the State Government to promote/encourage the students to acquire knowledge through information technology.

The scheme of distribution of laptop was not well planned since its inception. Because of this the department was able to distribute laptops only in 2013-14 (academic sessions 2011-12 and 2012-13). Even this distribution was not done properly as 647 laptops were lying in stores since October 2013, though 1054 eligible students were not distributed laptops. Further, the students were left to operate the equipment themselves without any practical knowledge of operating the system.

In case of Tablet PCs, the scheme totally failed to serve the purpose as purchase of Tablet PCs by a large number of students was not verified and hence not ensured. Also in absence of *e-learning* material and proper training, the students who purchased tablet PCs also did not receive the intended benefit.

**(Paragraph 3.17)**

Due to failure of Disaster Management and Relief Department as well as Public Health Engineering Department, in exercising required checks/verifications of claims/bills, dubious payment of ₹ 0.50 crore was made to the contractors for supply of drinking water through tankers.

**(Paragraph 3.18)**

Failure of the Medical Education Department to put in place a transparent billing system to ensure the genuineness of the payments and extended undue benefits to the licensee.

**(Paragraph 3.19)**

Due to lack of proper/effective monitoring and accounting system in Rajasthan State Sports Council Jaipur, loans and advances amounting to ₹ 3.72 crore along with interest, granted to Associations, Trainers, Sports officers and other departments/officers, was not adjusted/ recovered.

**(Paragraph 3.20)**

Rajasthan State Sports Council, through an MoU, allowed Rajasthan Cricket Association (RCA) to use south pavilion of SMS stadium upto 31 December 2009, under which RCA was to develop infrastructure facilities, incur all recurring and non recurring expenditure on development, to pay to council a

match fee for domestic or international matches and to share revenue from advertisements. RCA did not pay its dues amounting to ₹ 3.70 crore (upto August 2007) on this account but the Council extended the MoU upto 21 July 2012, and allowed RCA to use the academy premises, upto 21 July 2023.

The outstanding amount (match fee and revenue generated from advertisement and hoardings, rent, electricity charges etc.) accumulated to ₹ 29.09 crore by the end of 2012. On demanding the same by the Council, RCA contested certain items. Council neither rebutted the arguments of RCA, nor called on RCA to arrive at a mutually agreed settlement of the claim. Council also not initiated any legal action under Rajasthan Public Debt Recovery Act 1952. Thus, partial and lenient approach of the Council towards RCA and non pursuing of its legal dues accruing over the time, resulted in accumulation of unrecovered amount of ₹ 29.71 crore (December 2015).

*(Paragraph 3.21)*

Non-utilisation of hostel buildings constructed for scheduled tribe boys/girls by Tribal Area Development Department, resulted in unproductive expenditure of ₹ 3.59 crore and deprived scheduled tribes boys/girls students of hostel facilities.

*(Paragraph 3.22)*

Non conducting surveys and investigations for availability of dispute free land before preparing detailed technical estimates by Jaipur Development Authority, led to avoidable extra expenditure of ₹ 6.65 crore due to increase in length of the pipe line by 6,000 metres, reduction of size of sewer pipe to 1000 mm dia (from 1600 mm dia), cost escalation due to cancellation/re-allotment of works and shifting of site.

*(Paragraph 3.23)*

Failure of Women and Child Development Department in taking up of construction work of 378 *Aganwadi* Centres (AWCs) and in monitoring the ongoing construction work of 56 AWCs, led to incurring of unfruitful expenditure of ₹ 22.61 crore on construction of AWCs and also in blocking of funds of ₹ 14.27 crore for a period of more than three to five years. Non utilization of 569 completed AWCs also resulted in running of AWCs in rented buildings depriving the beneficiaries of the intended basic facilities.

*(Paragraph 3.24)*

## **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 4 paragraphs out of 26 performance audits/long draft paragraphs/thematic audit paragraphs/draft paragraphs featured in Chapter II and Chapter III. The responses of the concerned departments received in respect of 22 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 December 2015, revealed that seven ATNs<sup>1</sup> were pending from the concerned Departments.

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1. Paragraphs 2.3.2.1 and 3.5 of the Audit Report (State Finances) 2012-13 and paragraphs 1.4.4, 2.3.3, 2.7, 3.2 and 3.5 of the Audit Report (State Finances) 2013-14.