# 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 Government of Rajasthan (GoR).

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 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 and 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 50 departments, 65 autonomous bodies and 16 Public Sector Undertakings (PSUs), headed by Additional 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. A brief profile of the Departments is discussed in ***Appendix1.1***.

The comparative position of expenditure incurred by the Government of Rajasthan during 2014-15 to 2016-17 is given in **Table 1**

**Table 1: Comparative position of expenditure**

(₹ in crore)

| Particulars | 2014-15 | 2015-16 | 2016-17 |
|---|---|---|---|
| **Revenue expenditure** | | | |
| General services | 27,868 | 31,016 | 39,203 |
| Social services | 37,754 | 43,349 | 49,371 |
| Economic services | 28,920 | 31,874 | 38,565 |
| Grants-in-aid and Contribution | -* | -** | -*** |
| **Total** | **94,542** | **1,06,239** | **1,27,139** |
| **Capital and other expenditure** | | | |
| Capital Outlay | 16,103 | 21,985 | 16,979 |
| Loans and Advances disbursed | 701 | 36,602 | 12,965 |
| Payment of Public Debt | 4,960 | 4,959 | 5,014 |
| Contingency Fund | 300 | - | |
| Public Accounts disbursement | 1,22,061 | 1,40,432 | 1,48,885 |
| **Total** | **1,44,125** | **2,03,978** | **1,83,845** |
| **Grand Total** | **2,38,667** | **3,10,217** | **3,10,984** |

Source: Audit Reports on State Finances of the respective years.
* ₹ 9 lakh only. ** ₹ 10 lakh only. *** ₹ 6 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 CAG.

## 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/PSUs/Institutions under the General and Social Sector, which are spread all over the State. During 2016-17, 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), PSUs and externally-aided projects of the GoR were conducted by 51 audit parties, manned by Senior Audit Officers/Audit Officers and Assistant Audit Officers who conducted the Audit in the field.

## 1.5 Planning and conduct of audit

The audit process starts with an 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 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 1,341 out of the 20,657 units of General and Social Sector Departments, 5,201 audit party days were used during 2016-17. 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. The specific audit findings that have emerged from the Performance Audit/Compliance Audit during the last five years are listed in ***Appendix 1.2***.

The current report brings out deficiencies in critical areas which impact the effectiveness of functioning of programmes/activities of the Departments. The significant areas of concern requiring corrective action are discussed below:

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

Chapter II of this report contains the performance audits of ‘Efforts to popularize and strengthen Ayurveda in Rajasthan’, ‘Management of Drinking Water in Rajasthan’ and ‘Phase-I of Jaipur Metro’. Brief summaries of the Performance Audits are discussed in the following paragraphs:

#### 1.6.1.1 Efforts to popularize and strengthen Ayurveda in Rajasthan

The Department was not able to provide effective and quality Ayurveda healthcare services to the public of the State despite having the largest network of 118 hospitals and 3,577 dispensaries in the country and incurring an expenditure of ₹ 2,655.89 crore during 2012-17, on Ayurveda Services and Ayurveda education. As 91.78 *per cent* of the funds available were spent only on pay and allowances, a very small percentage of funds were available for strengthening and upgrdation of healthcare facilities and Ayurveda education, which adversely impacted the quality of healthcare services provided in the State.

Healthcare centers lacked basic infrastructure like building, electricity, drinking water and toilets. There was a nominal increase of 6.50 *per cent* in number of new outdoor patient during 2012-17. No significant growth in number of indoor patients was noticed during last decade in the State. The department inflated the number of patient benefited by Ayurveda by treating a new patient being prescribed for five days as five patients.

There was no regulation to ensure the quality of drugs sold by retailers in market. The Departmental pharmacies did not achieve the targets of production of drugs as during 2012-17 due to shortage of labour, raw materials etc. The pharmacies were also issuing the drugs at the higher rate. There was shortfall in achievements of targets of inspections of pharmacies and in taking of samples of drugs. The quality of drugs manufactured in government pharmacies was not ensured.

As regards providing Ayurveda education in the State, no new Post Graduate courses could be started in Government Ayurveda College, Udaipur after 1986 due to non-availability of qualified teachers. Further, practical training in Surgery and Gynecology was not being provided to the students.

Considering the existence of large number of professionals, dispensaries and hospitals in the State, there is an urgent need for the GoR to review and improve the prevalent deficiencies in the Ayurveda healthcare services by adopting a suitable policy and standards.

***(Paragraph 2.1)***

#### 1.6.1.2 Management of Drinking Water in Rajasthan

Rajasthan is largely dependent on ground water for drinking purpose due to scanty rainfall and limited surface water sources. Depletion of ground water to alarming levels due to excessive use of ground water has caused increase in chemical contamination such as fluoride, nitrate, salinity etc. The State Water Policy, adopted by Government of Rajasthan (GoR) in February 2010, could not get translated into actionable goals and targets as Public Health Engineering Department (PHED) did not prepare any long term comprehensive/perspective plans.

Annual Action Plans prepared and submitted to GoI continued to be driven from the top in the absence of distinct village and district level water security plans. Further, various institutional mechanisms were either not constituted as per guidelines or not functioning effectively as envisaged.

There were various deficiencies observed in the implementation of the schemes/projects for drinking water supply. 37 out of 54 major drinking water supply projects (with a cost of ₹ 20,695.80 crore) and 119 out of 437 rural schemes (with a cost of ₹ 7,491.58 crore) could not be completed within the stipulated period due to various reasons like delay in taking possession of land, delay in obtaining necessary approvals of authorities, slow progress of contractors, delays by PHED in contracting etc.

During 2014-17, the total number of quality affected habitations decreased by only 13.82 *per cent* showing the slow progress in improving the quality of water in the habitations. In test checked districts the quality of water has improved except in Bharatpur, Kota and Nagaur where fluoride affected habitations have increased as on date (December 2017). The State and district laboratories were not equipped with all the required capability/ equipment/manpower to conduct all the prescribed tests. During 2014-17, the number of habitations where all sources were tested was only 1.17 *per cent*. As the biological and chemical contaminants could not be effectively tested and removed, the quality of drinking water could not be ensured as per the prescribed norms. Thus, the population of the state was exposed to serious public health hazards.

The PHED was measuring its water supply from only around 40 *per cent* of functional meters and it did not have measures of how much water was flowing in rest of the water connections resulting in recovering only 20 *per cent* of its O&M cost.

***(Paragraph 2.2)***

### 1.6.1.3 Phase-I of Jaipur Metro

Jaipur city with a population of 2.3 million was not directly eligible for a metro rail project. Instead of preparing Comprehensive Mobility Plan (CMP), Alternative Analysis and then a Detailed Project Report (DPR), GoR prepared a DPR, a transportation study as part of DPR and thereafter a CMP. The more feasible corridor of Sitapura to Ambabari which had higher projected ridership and Peak Hour Peak Direction Trips (PHPDT) was not selected. Instead Mansarovar to Badi Chaupar corridor which had lower PHPDT, lower ridership and lower average lead compared to the Sitapura to Ambabari corridor was executed first.

Further, the lower cost technology of Light Rail Transit was also not adopted. The Procurement of rolling stock in advance for Phase-IB resulted not only in blocking of funds of ₹ 72.30 crore but also reduction in useful life by at least four years.

Performance of phase-IA of Jaipur metro was poor as the average ridership during the first 22 months of operation was just 19.17 *per cent*. Further, the ridership had been dropping drastically. With an operating revenue of ₹ 18.87 crore, JMRC was unable to meet its operating expenses of ₹ 85.56 crore for first 22 months.

During 2015-17, JMRC could earn only 16.34 *per cent* revenue of projected non-fare box revenue. They could neither commercially exploit the allotted land parcels nor lease out available area of nine metro stations.

Important safely equipment like rail cum road vehicle was not utilized for want of mandatory certification thereby compromising the safety of the metro system. The capacity of the electricity supply system installed by JMRC for phase-I was also much more than the present as well as the projected demand.

Thus, due to defective planning and hasty decision making, a financially unviable metro system was introduced in Jaipur city.

***(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 GoR. Some important findings of compliance audit paragraphs have been reported in Chapter III. The major observations relate to the following categories:

- Non-compliance with rules and regulations.
- Audit against propriety and cases of expenditure without adequate justification.
- Failure in implementation, monitoring and governance.

### 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 ₹ 261.53 crore, as given below:

Non-adherence to the condition of the contract relating to recovery of compensation by Public Health Engineering Department resulted in undue benefit of ₹ 1.61 crore to a firm.

***(Paragraph 3.1)***

Unfruitful expenditure of ₹ 259.92 crore by the Jaipur Development Authority (Urban Development and Housing Department) on construction of dwelling units for relocation of slums, which remained unoccupied by the beneficiaries.

***(Paragraph 3.2)***

### 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 ₹ 40.94 crore. Audit findings are as under:

The delay of the Animal Husbandry Department in finalisation of bids and procurement of medicines at substantially higher rates resulted in avoidable extra expenditure of ₹ 29.48 crore.

***(Paragraph 3.3)***

The Department of Medical Education extended undue favour to shops in payment of lease rent which led to non-realisation of lease rent of ₹ 1.02 crore to SMS Hospital.

***(Paragraph 3.4)***

Failure of the Department of Medical Education to ensure timely completion resulted in unfruitful expenditure of ₹ 2.35 crore since the requirement of auditorium hadceased as per new norms of MCI.

***(Paragraph 3.5)***

Lack of planning at the Department level and coordination with the district units resulted in unfruitful expenditure of ₹ 3.33 crore on construction of *dharmshalas* at District Hospitals and Community Health Centres.

***(Paragraph 3.6)***

Imprudent and hurried decision of procuring Ductile Iron pipes by the Public Health Engineering Department and not utilizing them resulted in pipes lying idle in the store for more than six years thereby rendering expenditure of ₹ 2.65 crore infructuous.

***(Paragraph 3.7)***

The expenditure of ₹ 2.11 crore incurred by Technical Education Department on construction of women's hostel in Polytechnic College remained unfruitful due to improper planning.

***(Paragraph 3.8)***

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

**Implementation of *Mukhyamantri Nishulk Janch Yojana***

Mukhyamantri Nishulk Janch Yojana was launched on 7 April 2013, to provide free diagnostic tests to the patients at the government healthcare centres. More than seven crore patients have been benefitted so far from the scheme.

During 2013-17, though an expenditure of ₹ 545.75 crore have been incurred yet a large number of newly opened and upgraded healthcare centers were not brought under the scheme even after four years of implementation of the scheme.

Non-availability of reagents, consumables and infrastructure also adversely impacted the delivery of services.

In absence of mandatory registration of hospitals (having diagnostic laboratories) under the Act, the availability of the minimum standards of facilities and services in Government healthcare centres could not be ensured.

There was also substantial shortage of Medical Officers, technicians and radiographers in the laboratories and these shortages adversely impacted the delivery of services under the scheme.

The Department could not utilise the online monitoring systems effectively for ensuring uninterrupted delivery of services due to incomplete data. Though GoR set up backup cells at the zonal level, defective machines and equipment were not replaced in time.

Considering the fact that the coverage of the scheme needs to be improved by inclusion of remaining healthcare centres and increasing the number of tests. GoR may also consider enhanced allocation of funds so that free diagnostic services are extended to all areas in the State.

***(Paragraph 3.9)***

**Skill Development for Employment in Rajasthan**

Rajasthan is having a young population with 55 *per cent* of its population below 25 years, and hence providing employment to the youth continues to be of paramount importance to the Government as there are 33 lakh unemployed youth in the State.

Rajasthan Skill and Livelihoods Development Corporation (RSLDC) designated as the premier agency for imparting skill training programmes could achieve only 48.90 *per cent* of the targets for the three skill training programmes during 2014-17.

Only 55.74 *per cent* of the trainings were conducted in identified key sectors (construction, textile, Healthcare, auto Mechanics and Engineering, Banking and Financial Services and IT, etc.).

RSLDC was able to provide employment to 35.58 *per cent* of the total trained youth and only 37.45 *per cent* of the placements were genuine.

Thus, there is an urgent need to tackle unemployment through skill development in a holistic manner and ensure effective implementation, monitoring and evaluation of the skill development trainings, so that the problem of unemployment in Rajasthan is adequately addressed.

***(Paragraph 3.10)***

Non-completion of Sewage Treatment Plant by the Urban Development and Housing Department even after lapse of six years, resulted in unfruitful expenditure of ₹ 19.09 crore.

***(Paragraph 3.11)***

In Agriculture Department, not adhering to operational guidelines of Weather Based Crop Insurance Scheme in selection of Insurance Companies and selecting companies other than L-1 bidder resulted in undue benefit to Private Insurance Companies of ₹ 2.29 crore.

***(Paragraph 3.12)***

Lesser payment of claims of ₹ 1.49 crore to farmers due to selection of less beneficial indemnity option.

***(Paragraph 3.13)***

Loss of claims to loanee farmers amounting to ₹ 31.27 crore besides paying excess premium of ₹ 8.68 crore due to application of incorrect Area Correction Factor by the Insurance Companies.

***(Paragraph 3.14)***

Lack of proper monitoring and adequate follow up by Government of Rajasthan resulted in deprival of insurance claim of ₹ 6.92 crore to the farmers.

***(Paragraph 3.15)***

## 1.7 Response of the Departments to Performance Audits/ Compliance 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/draft paragraphs, proposed for inclusion in the Audit Reports. Accordingly all the performance 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 three out of 18 performance audits/compliance audit paragraphs featured in Chapter II and Chapter III. The responses of the concerned departments received have been suitably incorporated in the Report.

## 1.8 Lack of response to audit observations

Rule 327 (1), read with Appendix 6 of General Financial and Accounts Rules prescribes the retention period of various accounting records, which ranges between one and three years after Audit by Principal Accountants General.

Failure of the departmental officers to furnish compliance of the audit observations in Inspection Reports (IRs) results in non-settlement of IR paragraphs. As on 31 March 2017, there were 7,310 numbers of IRs containing 26,096 numbers of paragraphs, issued during the period from 1992-93 to 2016-17 (upto September 2016) which were pending for settlement. Year-wise pendency is shown in **Table 2**.

**Table 2**

| Year | IRs | Paragraphs |
|---|---|---|
| Upto 2009-10 | 1,734 | 4,151 |
| 2010-11 | 767 | 2,108 |
| 2011-12 | 786 | 2,432 |
| 2012-13 | 778 | 2,978 |
| 2013-14 | 1,041 | 3,841 |
| 2014-15 | 1,015 | 4,111 |
| 2015-16 | 855 | 4,242 |
| 2016-17 (upto September 2016) | 334 | 2,233 |
| **Total** | **7,310** | **26,096** |

For early settlement of outstanding paragraphs in IRs, GoR issued (August 1969) instructions to all the departmental officers for sending first reply to IRs within a month and replies to further audit observations within a fortnight. These instructions have been reiterated from time to time. The instructions issued in March 2002 envisaged appointment of nodal officers and Departmental Committee in each of the Administrative Department for ensuring compliance to all the matters relating to audit.

Detailed analysis of IRs issued to two Departments was carried out to study the pendency of responses to the paragraphs brought out in the IRs. Analysis of the IRs of various units of the Social Justice and Empowerment Department (144 IRs) and Co-operative Department (56 IRs) revealed that 1,106 paragraphs pertaining to 200 IRs were outstanding as on 31 March 2017. Category-wise details of irregularities commented in IRs is given in ***Appendix1.3***. It was further noticed that the first compliance in respect of five IRs (issued between February 2015 to September 2016) relating to Social Justice and Empowerment Department was still pending even though they had to be submitted within 30 days of issue of IRs.

## 1.9 Follow-up on Audit Reports

The Finance Department of the GoR 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 2017 revealed that 12 ATNs[1] were pending from the concerned Departments.

1. Paragraph 3.2 of the Audit Report (State Finances) 2013-14; paragraphs 1.9.8 and 3.5 of the Audit Report (State Finances) 2014-15; paragraphs 1.2.4, 1.7.5, 1.9.8, 2.3.2, 2.3.6.1, 2.4, 3.2 and 3.4 of the Audit Report (State Finances) 2015-16 and paragraph 3.14 of the Audit Report (G&SS) 2015-16.