

## Chapter III Compliance Audit

Audit of transactions of the Government Departments, their field formations as well as audit of the autonomous bodies brought out lapses in management of resources and failures in the observance of the norms of regularity, propriety and economy, which have been presented in the succeeding paragraphs under broad objective heads.

### Agriculture Department

#### 3.1 Unfruitful expenditure on construction of Museum building

**Unfruitful expenditure of ₹ 99.97 lakh on construction of Museum building in Swami Keshwanand Rajasthan Agriculture University, Bikaner owing to non-utilisation of newly constructed building even after a lapse of more than six years from its completion.**

Indian Council of Agricultural Research (ICAR) issued (September 2009) approval for construction of Educational Museum building at Rajasthan Agriculture University (renamed as Swami Keshwanand Rajasthan Agricultural University, SKRAU) under ICAR Plan- “Development and Strengthening of Agricultural Education” during the 11<sup>th</sup> plan period. The estimated cost of the Museum building was ₹ 140 lakh, of which ICAR agreed to release ₹ 100 lakh on the condition that the expenditure over and above of ₹ 100 lakh (ICAR share) will be met out by the University from own resources. Thus, the University was to arrange funds to the tune of ₹ 40 lakh to make the Museum operational. The innovations developed by the university were to be exhibited in the Museum in different formats viz. model, poster, live specimen, literature etc. The University issued (January 2010) work order of ₹ 67.29 lakh for civil work of Museum building with scheduled date of completion of work as February 2011. The work was completed in February 2011 for which contractor was paid an amount of ₹ 72.67 lakh. Besides this, electrical, furniture and some miscellaneous civil works related to Museum were also executed separately and as of October 2013 an expenditure of total ₹ 99.97 lakh was incurred on the works of museum.

Audit scrutiny (February- April 2019) of the records of SKRAU, Bikaner revealed that the civil, electric and furniture works of the Museum building were completed during April 2011 to October 2013 but the furnishing work of the Museum building could not be completed as of April 2019. SKRAU did not provide its share for development of museum. Thus, the constructed Museum building could not be utilised for intended purpose for more than five years and the expenditure of ₹ 99.97 lakh incurred on various works of the Museum remained unfruitful. With the lapse of time, the condition of constructed building as well as furniture is deteriorating as shown in picture below:



Termite hit door in Museum building



Leakage in roof in Museum building

The Government of Rajasthan (GoR) stated (October 2019) that there was no condition for providing University share in the sanction issued by ICAR. GoR also stated that the Museum had now been made operational.

The reply was factually incorrect as it was clearly mentioned in approval (September 2009) of the ICAR that funds over and above ₹ 100 lakh would be met out by the University from its own resources. Further, joint physical verification of the Museum by Audit also revealed (November 2019) that only banners related to modernised agriculture, improved production and pesticide were placed in Museum instead of proposed live specimens, models and literature related to agriculture, which did not serve the intended purpose.

Thus, failure of the university to provide funds for making the Museum fully functional even after a lapse of more than six years of completion of the Museum building rendered the whole expenditure of ₹ 99.97 lakh incurred on its construction as unfruitful.

## Cooperative and Horticulture Departments

### 3.2 Loss under Market Intervention Scheme due to non availability of storage facility for garlic

**Non availability/creation of storage facilities forced the Department to dispose of garlic procured under Market Intervention Scheme, at throw away prices, resulting in loss of ₹ 231.77 crore.**

Government of India (GoI) approved (April 2018) the proposal (March 2018) of Department of Agriculture & Horticulture, GoR for procurement of a maximum of 1.54 Lakh Metric Ton (LMT) of garlic during 13 April 2018 to 12 May 2018 under Market Intervention Scheme (MIS<sup>1</sup>) with certain conditions such as (i) the Market Intervention Price (MIP) will be ₹ 32,570

<sup>1</sup> MIS is a price support mechanism for procurement of perishable and horticultural commodities in the event of a fall in market prices. Its objective is to protect the growers of these commodities from distress sale in the event of bumper crop (at least 10% increase in production) and during the peak arrival period (10% decrease in the ruling rates over the previous normal year) when prices fall to very low level.

per MT with overhead expenses of ₹ 8,143 per MT or actual whichever is less (ii) the losses, if any (**restricted up to 25 per cent of procurement cost**), were to be shared on 50:50 basis between Central Government and Government of Rajasthan and (iii) the procured stock was to be disposed of in open market in transparent manner to ensure maximum realizable price. The State agency was also required to make efforts to export the commodity procured under the scheme after processing. Further, the GoI guidelines (2001) on MIS envisages a system of efficient marketing, development of non-traditional/new markets and the sales through network of retail points to avoid losses on part of State and Central Government.

Scrutiny (July-November 2019) of records of Rajasthan State Co-operative Marketing Federation Limited (RAJFED) and Co-operative Department revealed that a meeting was held (16 April 2018) between Agriculture and Horticulture Department wherein it was decided that garlic being a perishable commodity and due to non-availability of any storage facility the procured garlic may be sold directly in market simultaneously with procurement. Accordingly, 0.91 LMT of garlic procured at a total cost of ₹ 310.69 crore was sold at ₹ 78.92 crore with a loss of ₹ 231.77 crore during April-July 2018.

A similar case of avoidable loss of ₹ 6.99 crore in sale of garlic under Market Intervention Scheme was included in paragraph 3.2.2 of the Report of the Comptroller and Auditor General of India (Economic Sector) for the year ended 31 March 2013-Government of Rajasthan (GoR). After examining the matter, the Public Accounts Committee (PAC) recommended (May 2017) to make necessary arrangements so that the situation is not repeated in future. In compliance of recommendation of PAC, the Department in their Action Taken Note intimated (September 2018) that the matter regarding loss arising due to non-availability of storage, was being brought to the notice of the Cabinet.

Given the fact that garlic arrives in the market in bulk quantity during its harvest season (April-July) while demand for garlic remains constant over the year, storage of garlic becomes absolutely necessary for management of supply chain, price stabilization for consumers and value addition for farmers.

Audit however, observed that GoR has neither created any cold storage facilities for garlic on its own nor has it entered into any rental agreement with private cold storage even after the recommendations of PAC. In absence of storage facility the department had to sell garlic simultaneously with procurement at throw away price of ₹ 1,000-₹ 13,600 per MT in Rajasthan and Delhi. The department also did not explore the options to sell the garlic on higher prices through export or processing units.

GoR stated (June 2020) that efforts were made for engagement of private vendors for scientific storage of garlic through short term notice inviting tenders (20 April 2018) but no bid was received. It was also stated that GoR took this well considered decision to bear the losses under MIS in providing financial support to farmers as a welfare measure.

The reply is not acceptable as GoR did not initiate the steps for developing a system of efficient marketing, non-traditional/new markets and the sales

through network of retail points to avoid losses on part of State and Central Government as envisaged in the scheme guidelines. The fact regarding efforts to get private storage facility is also misleading as the decision to sell garlic simultaneously with procurement was finalised (16 April 2018) prior to inviting (20 April 2018) tenders. Further, the Department in case it really wanted the private storage facilities, should have started the process of tendering for the same well in advance.

The fact however remains that non-availability/creation of storage facilities forced the Department to dispose of garlic procured under MIS, at throw away prices by incurring a huge loss of ₹ 231.77 crore, of which the central share of ₹ 38.79 crore<sup>2</sup> was also not received as of June 2020.

Since procurement of perishable produces under MIS is not a onetime exercise, therefore, in order to avoid/contain the losses in future, GoR should take necessary steps for creating sufficient storage facilities and a network of retail points for garlic in the State, thereby ensuring welfare of the farmers as well as consumers.

## Finance Department

### 3.3 Excess/short payment of pension

**Failure of the treasury officers to exercise prescribed checks led to excess/short/irregular payment of pension/family pension amounting to ₹ 1.47 crore.**

Appendix VI (Sl. No. 9) of Rajasthan Civil Services (Pension) Rules, 1996 stipulates that Treasury Officer (TO) will check the correctness of the payments made by the Banks with reference to the records maintained by him and thereafter incorporate the transaction in his accounts.

Public Accounts Committee (PAC) while examining para 3.7 “Excess/short payment of pension” of Audit Report (G&SS) 2015-16, recommended (February 2018) that the Department should recover the excess pension payments, pay appropriate amount in respect of short pension payments and take necessary steps to avoid recurrence of excess payment of pension in future and inform PAC and the Principal Accountant General about the same.

Test check (April 2016 to March 2019) of records<sup>3</sup> of 74 banks and 16 Directorate/Additional Directorate of Pension in 17 Districts revealed persistency of the irregularities and excess payments of pension/family pension in 32 Banks and 05 Directorate/Additional Directorate of Pension

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<sup>2</sup> 50 per cent of ₹ 77.58 crore restricted to 25 per cent loss of procurement cost of ₹ 310.34 crore.

<sup>3</sup> 2016-17: 22 Banks and three Directorates; 2017-18: one Bank and three Directorates; 2018-19: 51 Banks and 10 Directorates.

amounting to ₹ 0.50 crore, which were made in 67 cases, as detailed in **Table 1**.

**Table 1**

(₹ in lakh)

S. No.	Reasons for excess payment	Excess payment made during 2016-17		Excess payment made during 2017-18		Excess payment made during 2018-19	
		Number of cases	Amount	Number of cases	Amount	Number of cases	Amount
1.	Family pension not reduced after expiry of the prescribed period (Rule 62 of Rajasthan Civil Services (Pension) Rules 1996)	11	8.59	-	-	16	22.59
2.	Pension not reduced after its commutation (Rule 28 of Rajasthan Civil Services (Pension) Rules 1996)	1	0.22	-	-	06	0.68
3.	Pension paid after death of pensioners	-	-	-	-	06	1.42
4.	Dearness Relief paid to pensioners during the period of their reemployment (Rule 164 of Rajasthan Civil Services (Pension) Rules 1996)	1	6.33	-	-	-	-
5.	Pension and Dearness Relief paid at higher rate than admissible	2	1.60	-	-	04	0.59
6.	Non-recovery of dues from gratuity payments (Rule 92 of Rajasthan Civil Services (Commutation of Pension) Rules, 1996)	-	-	-	-	04	1.88
7.	Miscellaneous	2	1.02	01	0.07	13	5.28
	<b>Total</b>	<b>17</b>	<b>17.76</b>	<b>01</b>	<b>0.07</b>	<b>49</b>	<b>32.44</b>
	<b>Grand Total</b>		<b>67</b>		<b>50.27</b>		

(ii) Further, it was also noticed that 51 banks and 03 Directorates/Additional Directorates made short payments of ₹ 0.97 crore<sup>4</sup> of superannuation/ family pension and gratuity to 110 pensioners as of 31 March 2019. Reasons for short payment were:

- Less payment of pension;
- Less payment of gratuity;
- Non-payment of additional pension.

Cases of excess payment of pension have also been mentioned in the earlier Audit Reports during 2009-10 to 2015-16 as detailed in **Table 2**.

<sup>4</sup> 2016-17- 22 cases: ₹ 0.26 crore; 2017-18-one case: ₹ 0.12 lakh and 2018-19- 87 cases: ₹ 0.71 crore.

Table 2

Year of Audit Report	Para No.	No. of cases	Excess payment (₹ in crore)
2009-10 (Civil)	3.4.1	270	0.67
2010-11 (Civil)	3.3.1	202	0.58
2011-12 (G&SS)	3.3.1	278	0.94
2012-13 (G&SS)	2.3.1	193	0.92
2013-14 (G&SS)	3.3.1	308	1.54
2015-16 (G&SS)	3.7	260	1.17

In response to audit paras, the Department had instructed the TOs (April 2014) for inspecting the banks in order to avoid recurrence of excess payment. It was also stated (October 2017) that mismatch found during reconciliation of e-scrolls uploaded by banks on the civil pension website with online pension check register prepared on the basis of treasury database, are being rectified. Further, action is being taken for inclusion of electronic-Pension Payment Order database into bank software to reduce the possibility of differences between bank and treasury data.

However, the directions of the department and recommendations of the PAC about avoiding recurrence of such irregularities in payment of pension in future, were not followed scrupulously, which resulted in recurrence of excess/short payment of pension.

GoR accepted the facts and stated (February 2020) that recovery of ₹ 0.30 crore<sup>5</sup> (in 40 cases) has been made against excess payment of ₹ 0.50 crore. It was further stated that ₹ 0.49 crore<sup>6</sup> (in 51 cases) has been paid against short payment of ₹ 0.97 crore and efforts are being made for recovery/payment of the remaining amount. However, documents in respect of recovery of excess payment of ₹ 0.16 crore (in 12 cases) and release of short payment of ₹ 0.19 crore (14 cases) were awaited (June 2020) for verification in Audit.

## Medical and Health Department

### 3.4 Non construction of General Nursing Midwifery (GNM) School in Baran District

**Non construction of GNM school building at Baran even after lapse of nine years due to lack of initiative by District Hospital Pratapgarh and Baran and lack of monitoring by the Directorate of Medical and Health Services defeated the very purpose of the grant sanctioned by GoI.**

Government of India (GoI) realised that maternal and child health indices like Maternal Mortality Rate (MMR) and Infant Mortality Rate (IMR) are high in the districts where there are not adequate number of Auxiliary Nursing Midwifery (ANM). Further, the shortage of staff nurses {General Nursing and Midwifery (GNM)} also acts as an impediment in the effective and efficient

<sup>5</sup> 2016-17: 13 cases: ₹ 15.91 lakh; 2018-19: 27 cases: ₹ 14.02 lakh.

<sup>6</sup> 2016-17: 14 cases: ₹ 17.05 lakh; 2018-19: 37 cases: ₹ 31.58 lakh.

delivery of health care services at all levels i.e. from sub center to district hospitals. With a view to increase the overall availability of nursing personnel as well as correct their uneven spread across the country, GoI decided to provide central assistance to establish 132 ANM and 137 GNM schools in high focus States which included Rajasthan<sup>7</sup>. They were to be established in the districts which did not have such schools. Two districts Baran and Pratapgarh were selected by GoI for implementation of this scheme in Rajasthan.

In pursuance of the scheme, GoI issued a sanction (September 2010) under Centrally Sponsored Scheme “upgradation/strengthening of nursing services (Human Resource-Health)”, for establishment of one ANM school at Pratapgarh and one GNM school at Baran, in Rajasthan. The unit cost of ANM and GNM school was fixed at ₹ 5.00 crore<sup>8</sup> and ₹ 10.00 crore<sup>9</sup> respectively, of which 15 per cent was to be borne by Government of Rajasthan (GoR).

Accordingly, GoI released (October 2010) first installment of ₹ 3.50 crore to District Hospital (DH), Pratapgarh which included ₹ 1.25 crore for ANM school, Pratapgarh and ₹ 2.25 crore for GNM school, Baran. The grant-in-aid was subject to the condition that the funds sanctioned will be utilized for the purpose of sanction. Further, second installment would be released only after furnishing the Utilisation Certificates (UCs) of first installment, certificate of land allotment and contribution of GoR share towards the scheme.

Scrutiny of records (March 2019) revealed that on receipt of funds, DH, Pratapgarh deposited the whole amount of grant-in-aid of ₹ 3.50 crore in the account of Rajasthan Medicare Relief Society (RMRS) Pratapgarh without transferring the share of GNM school Baran (₹ 2.25 crore). DH, Pratapgarh assigned (December 2010) the construction work of ANM school at Pratapgarh to Rajasthan State Road Development and Construction Corporation, Udaipur (RSRDCC) for ₹ 2.30 crore. DH, Pratapgarh paid an amount of ₹ 2.07 crore<sup>10</sup> to RSRDCC during November 2010 to April 2012 for construction of ANM school building, which was handed over to DH, Pratapgarh in October 2014. Thus, DH, Pratapgarh utilized ₹ 2.07 crore against its share of ₹ 1.25 crore and transferred (April 2014) only ₹ 1.43 crore to DH, Baran after a lapse of 42 months. DH, Pratapgarh also irregularly retained the grant related to GNM school in its own account till April 2014 and earned ₹ 0.27 crore as interest on first installment, but the same was not transferred to DH, Baran.

A joint physical verification (September 2019) of ANM school Pratapgarh however, revealed that furniture was not available in IT Lab, Skill Lab, Nutrition Lab, Library and Second year class rooms. Also, adequate equipment/computer were not available in these labs.

<sup>7</sup> As per Niti Aayog, Rajasthan’s IMR (2016) was 41 as compared to all India average of 34 and MMR (2014-16) was 199 as compared to all India average of 130.

<sup>8</sup> Civil work: ₹ 2.30 crore; Transport: ₹ 0.15 crore; Lab. Equipment: ₹ 0.49 crore; AV Aids & Books: ₹ 0.30 crore; Computer lab & Furniture: ₹ 0.70 crore and recurring expenditure: ₹ 1.06 crore.

<sup>9</sup> Civil work: ₹ 5.35 crore; Transport: ₹ 0.35 crore; Furniture: ₹ 2.15 crore & others: ₹ 0.10 crore and recurring expenditure: ₹ 2.05 crore.

<sup>10</sup> November 2010: ₹ 57.50 lakh, May 2011: ₹ 1.00 crore, March 2012: ₹ 15.25 lakh & April 2012: ₹ 34.25 lakh.

On the other hand, DH, Baran did not initiate action for receiving the amount of first installment from DH, Pratapgarh and construction of GNM building, though the copy of sanction from GoI was available with DH, Baran. On receipt of funds in April 2014, DH, Baran realised that the construction of GNM building was not feasible with the available funds of ₹ 1.43 crore as estimated cost had escalated to ₹ 8.13 crore. Accordingly, the department forwarded (February 2015) a revised estimate of ₹ 8.13 crore to Ministry of Health and Welfare, New Delhi (MoH&FW), approval of which was still awaited. The unspent amount of ₹ 1.43 crore and interest of ₹ 0.24 crore earned on this amount was still lying with RMRS, Baran since May 2014. The Directorate of Medical and Health Services also did not issue suitable directions for timely transfer of the grant to DH, Baran.

It was further noticed that GoI released (February 2016) a second instalment of ₹ 6.48 crore<sup>11</sup> for these works. However, the Directorate of Medical and Health Services remained passive in the matter and the money received under this second instalment remained unutilised and parked in GoR accounts. We did not find any evidence of constructive persuasion by GoR/Directorate of Medical and Health Services in this regard. GoR also did not release its 15 *per cent* share for the scheme. These observations indicated lack of commitment and focussed efforts on part of GoR towards achieving the objectives of the scheme.

Thus, irregular retention of DH, Baran's share of funds by PMO, Pratapgarh, lack of initiative by DH, Baran and lack of monitoring by the Directorate of Medical and Health Services led to non-construction of GNM school building at Baran even after lapse of nine years despite availability of central grant. This defeated the very purpose of the scheme to increase the availability of nursing personnel in these underserved districts.

GoR while accepting the facts stated (December 2019) that DH, Pratapgarh apprised (September 2011) the Ministry of Health & Family Welfare, New Delhi regarding utilisation of funds (₹ 1.57 crore) for construction of building and demanded remaining fund of ₹ 1.05 crore against the total sanction of ₹ 2.30 crore (civil work). However, in absence of any guidance the funds available for DH, Baran were used for construction of ANM building, Pratapgarh.

Given the poor status of health care services in Rajasthan, development of necessary health care support infrastructure in a time bound manner was necessary. However, efforts towards creating such infrastructure through the GoI scheme to deliver critical health care services at Baran which has less than satisfactory health parameters<sup>12</sup> remained unfruitful.

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<sup>11</sup> ANM school- ₹ 1.97 crore and GNM school- ₹ 4.51 crore.

<sup>12</sup> Rural mothers receiving full antenatal care was 5.2 *per cent* in Baran as compared to 7.4 *per cent* for whole of rural Rajasthan. Similarly, rural children receiving a health check up from a health personnel like ANM within 2 days after birth was 21.7 *per cent* in Pratapgarh as compared to 22 *per cent* for the whole of rural Rajasthan.

## Medical Education Department

### 3.5 Non completion of Para Medical College building at Jodhpur

**Improper assessment of requirement and delays in execution of project resulted in non-completion of Para Medical College building even after lapse of seven years and incurring an expenditure of ₹ 3.89 crore, as well as failure in obtaining pending instalment of central grant amounting to ₹ 3.36 crore.**

With the objective of creating facilities for conducting paramedical courses<sup>13</sup>, a proposal of ₹ 7.90 crore submitted (March 2012) by Government Medical College and associated Hospitals (GMC), Jodhpur was approved (July 2012) under Government of India's (GoI) one time grant scheme for supporting State Government Medical Colleges during 11<sup>th</sup> five year plan<sup>14</sup>. As per project report, an amount of ₹ 5.50 crore was to be incurred on infrastructure; ₹ 1.45 crore on equipment and ₹ 0.95 crore on faculty. The project cost was to be shared by GoI and State Government in the ratio of 85:15.

Accordingly, GoI released (August 2012) first instalment of ₹ 3.36 crore (50 *per cent* of total GoI share) with the condition that second/subsequent instalments of the grant would be given only when the Utilisation Certificates (UCs) with regard to first instalment are furnished by the GMC in time and the State Government had released/transferred its 15 *per cent* share to the designated bank account of GMC.

Test check (March 2017) of records of GMC, Jodhpur and further information collected (July 2018 and June 2019) revealed that the GMC, Jodhpur requested (January 2015) the Medical Division, Public Works Department (PWD), Jodhpur to submit detailed estimates for construction of college building including 120 seated hostel, only after a lapse of 30 months from the receipt (August 2012) of first instalment from GoI.

Accordingly, PWD submitted (August 2015) a detailed estimate of ₹ 5.50 crore along with drawing & designs for construction of college and hostel building. PWD, based on these estimates and on direction of GMC, awarded (November 2015) the civil work for construction of college building (excluding hostel) for ₹ 3.42 crore to a contractor with stipulated date of completion as 5 March 2017.

Meanwhile, GMC constituted (December 2015) a Committee to examine the structural drawing prepared by PWD, to check its adherence with norms and

<sup>13</sup> Three year's Bachelor degree course in Medical Laboratory Technology, Radiography and Imaging Technique and Optometry and Ophthalmic Techniques.

<sup>14</sup> Plan period was 2007-12.

to suggest any modifications, if required. Accordingly, the Committee assessed (January 2016) the requirement keeping in mind current student strength as well as expected increase in the next ten years and suggested changes to accommodate additional six departments.

Acting on the Committee's suggestions, the GMC without getting approval from GoR, directed (February 2016) PWD for modification in the drawings with addition of 36,000 square feet area required to accommodate six additional departments. Consequently, PWD submitted (May 2016) the modified drawings and site plan of the building with a ground and three floors structure, which was approved by GMC in June 2016 and the same was forwarded (June 2016) to the contractor by PWD. As the drawings were not finalised, the contractor could start the work only in October 2016, with a delay of more than 10 months.

It was, however, observed in Audit that due to abnormal delay in finalisation of requirements and drawings of building, the project was delayed and against construction of building with a ground and three floors only skeleton of the ground floor (as shown in photographs below) was constructed even after lapse of seven years. The building was incomplete and work was at stand still since January 2018 for want of funds. This resulted in unfruitful expenditure of ₹ 3.89 crore incurred on the incomplete structure. Further, due to this delay, the cost of completion of remaining work also increased to ₹ 25.05 crore<sup>15</sup>. Moreover, GoR had also not released (till May 2019) its corresponding share of ₹ 59.29 lakhs (50 per cent of total state share) to GMC which was a precondition to release the second instalment by GoI. Due to non submission of UC for the corresponding state share, GMC also failed to obtain the 2<sup>nd</sup> instalment of ₹ 3.36 crore from GoI.



**Pictures showing incomplete construction of Para Medical College at S.N. Medical College, Jodhpur (June 2019)**

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<sup>15</sup> PWD submitted (May 2017) a forecast estimate of ₹ 25.05 crore to complete the work as per the modified design duly approved by the GMC.

On being enquired (June 2019), the GMC accepted that there had been a delay in construction of para medical college and only skeleton of the ground floor was constructed. However, the work was under progress and proposals for releasing second instalment of ₹ 2.17 crore (based on 60:40 ratio) have been sent (November 2018) to GoI.

Thus, lackadaisical approach to get the work started (30 months) and improper assessment of requirement and abnormal delay (16 months) in approval of the drawings resulted in non-completion of the building even after lapse of seven years and incurring an expenditure of ₹ 3.89 crore. Further, GMC also lost the opportunity to demand ₹ 1.19 crore (part of 2<sup>nd</sup> instalment) due to change in conditions<sup>16</sup> of sharing pattern of grants in aid.

State Government accepted (February 2020) that there had been a delay in construction of para medical college.

### **3.6 Undue benefit to contractor due to not raising demand for rent**

**Non recovery of rent of ₹ 23.33 crore from the contractor for land provided by Medical College, Kota for execution of flyover work under UIT, Kota due to lack of coordination between both the agencies.**

Urban Improvement Trust (UIT), Kota entered into (September 2017) a contract for construction of a flyover from Danbari to Keshopura Circle on Rangbari road, Kota at a total cost of ₹ 140.58 crore. As per special condition (no 104) of the contract, the contractor was responsible to arrange the land for site office/laboratory/plant and machinery at its own level and cost. The UIT requested (October 2017) the Medical College, Kota (MC) to provide a vacant land measuring 20,000 square meters (250×80 meter) in the hospital campus for a period of around one year, which was required to establish a segment making plant for the flyover as it was passing just near the hospital campus. The MC conveyed (October 2017) its consent to UIT with the condition that land will be vacated as and when required for the hospital and no permanent structure would be made at the site. The said land was made available (October 2017) to the contractor by the UIT without assigning any rent.

On being noticed that the land was being used by the contractor and not the UIT, the MC repeatedly asked (13 November 2017, 30 November 2017 and 12 January 2018) UIT, Kota to deposit the rent for the land after getting it assessed by PWD. However, UIT Kota did not respond to the letters of MC. Thereafter, PWD on request of MC assessed (January 2018) the fair rent of the said land as ₹ 83.31 lakh per month. Accordingly MC asked (March 2018) UIT to deposit the rent from October 2017 onwards at the rates so assessed.

<sup>16</sup> The sharing pattern of funds under central sponsored schemes between GoI and GoR was changed from 85:15 to 60:40 during 2014-15 by the GoI.

Instead of depositing the requisite rent, UIT Kota stated (May 2018) that the land being used for segment making plant in fact pertained to UIT as it was a part of 60,032 square meters land which MC had encroached earlier, hence no rent was payable to MC. However, later in a joint meeting (August 2019) of both the departments, UIT agreed that the land pertained to the Medical College.

On the other hand UIT, Kota also did not demand any rent from the contractor. As such, the contractor was utilising public assets without paying rent to any of the two agencies i.e. UIT, the awarder of the contract and MC, the owner of the asset.

Medical Education Department while accepting the facts stated (January 2020) that MC, Kota made the land available to UIT without obtaining sanction from competent authority. On the other hand, UIT stated (November 2019) that said land was provided to UIT, Kota by the MC, Kota without prescribing any condition regarding payment of rent.

Thus, the fact remains that providing land to UIT by MC, Kota without adhering to necessary procedure and failure of UIT, Kota to clearly specify the rent payable before allotting space for construction work resulted in undue advantage to the contractor and deprivation of rent to the tune of ₹ 23.33 crore (January 2020) since October 2017.

### **3.7 Unfruitful expenditure on Research Hospital, Jaipur**

**Despite the assurance given to the Public Account Committee, Super Specialty Research Hospital under RUHS remained incomplete even after lapse of 11 years and incurring an expenditure of ₹ 19.30 crore, rendering the expenditure unfruitful.**

With a view to establish a hundred bedded Super Specialty Research Hospital (Research Hospital) at Jaipur, under control of Rajasthan University of Health Sciences (RUHS), GoR sanctioned (September 2007) an amount of ₹ 10.00 crore for construction of the building to be completed by 28 February 2009. However, the hospital building could not be completed as of March 2009 after incurring an expenditure of ₹ 7.38 crore<sup>17</sup> due to paucity of funds which were neither provided by the GoR nor by RUHS from its own resources to the executing agency<sup>18</sup>. A mention in this regard was made in the paragraph 2.4.6.1 of Report of the Comptroller and Auditor General of India for the year ending 31 March 2011 (Civil) Government of Rajasthan.

The Public Accounts Committee (PAC) examined the issue in November 2012 and called for (August 2013) the reasons for not completing the construction of Research Hospital through RUHS's own funds. GoR clarified (June 2014)

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<sup>17</sup> Including pending liability of ₹ 0.58 crore.

<sup>18</sup> Rajasthan State Road Development and Construction Corporation (RSRDCC).

to the PAC that recurring expenditure for Research Hospital along with expenditure on equipment, furniture and appliances was to be borne by RUHS whereas non-recurring expenditure (civil) was to be provided by GoR. It was also submitted that funds as demanded by RUHS for the construction of Research Hospital were being provided through budgetary provisions and GoR assured (June 2014) the PAC that the work was in the final stages. In view of the GoR reply, the PAC settled the issue vide its Action Taken Report no. 48 (13<sup>th</sup> Vidhansabha) which was laid (February 2015) in the Legislature.

Audit scrutiny of records of RUHS in October 2018 revealed that GoR revised (February 2013) the administrative sanction for construction of Research Hospital to ₹ 24.65 crore with the condition that RUHS would contribute ₹ 1.20 crore from its own resources. Thereafter, GoR released additional funds of ₹ 11.65 crore<sup>19</sup> to RUHS during April 2011 to March 2014, of which ₹ 5 crore was released in March 2013 as interest free loan to be repaid to Government in four equal instalments from 2014-15 onwards. Rajasthan State Road Development and Construction Corporation (RSRDCC) in turn incurred an expenditure of ₹ 21.15 crore on construction of research hospital out of which RUHS released ₹ 12.50 crore<sup>20</sup> (including ₹ 1.20 crore from its own fund) to RSRDCC from June 2011 to September 2019 for completion of the work.

In order to ascertain the progress in construction, Joint physical inspection was conducted by Audit along with departmental representatives in June 2019<sup>21</sup>. The Joint inspection revealed that the construction of the Research Hospital was incomplete (June 2019) as outer civil work, development work, electric work, lift installation etc., were still pending. As such, the work was at standstill since July 2014 due to paucity of funds. Further, during the joint inspection, it was observed that the transformer and cooling plant installed in the incomplete structures were lying unutilized and had deteriorated with passage of time. Also there was water logging/seepage in basement, severe cracks in the walls and damage to windows and doors of the existing structure as shown in the photographs below.

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<sup>19</sup> Total funds released: ₹ 18.45 crore (₹ 6.80 crore upto March 2009 and ₹ 11.65 crore during April 2011 to March 2014).

<sup>20</sup> ₹ 195.00 lakh in June 2011; ₹ 196.15 lakh in February 2012; ₹ 161.88 lakh in May 2012; ₹ 100.00 lakh in April 2013; ₹ 200 lakh in April 2014; ₹ 200.00 lakh in October 2014; ₹ 50.00 lakh in December 2014; ₹ 27.11 lakh in March 2015 and ₹ 1.20 crore in September 2019.

<sup>21</sup> A joint physical inspection was also carried out in October 2018.



Cracks in walls of Research Hospital building



Water logging/seepage in basement of Research Hospital building

It was also noticed that GoR also did not release funds despite requests (June and September 2015) by RUHS. On the other hand, GoR demanded (September 2015) ₹ 5.00 crore from RUHS which was released earlier (March 2013) as interest free loan.

On being referred (October 2019), GoR accepted the facts and stated (January 2020) that the construction of research hospital was still incomplete and RUHS was not in a position to complete the work due to paucity of funds.

Despite the assurance given to PAC, the construction work of Research Hospital building remained incomplete even after lapse of 11 years and incurring an expenditure of ₹ 19.30 crore<sup>22</sup>, rendering the expenditure unfruitful.

## Public Health Engineering Department

### 3.8 Excess payment on account of price escalation for Ductile Iron pipes

**Calculation of price escalation for Ductile Iron pipes based on indices of incorrect item for steel component led to excess payment of ₹ 10.73 crore to the contractors.**

Clause 45 of General Conditions of contract provides that if the price of any materials/bitumen/diesel/petrol/cement and steel incorporated in the works and/or wages of labour-increases or decreases, as compared to the price and/or wages prevailing at the date of opening of tender or date of negotiations for the work, the amount payable to the contractor for the work shall be adjusted for increase or decrease in the rates of materials/bitumen/diesel/petrol/cement and steel. Further, increase or decrease in the rates of materials/bitumen/diesel/petrol/cement and steel shall be calculated quarterly, based on average

<sup>22</sup> ₹ 6.80 crore + ₹ 11.30 crore + ₹ 1.20 crore = ₹ 19.30 crore.

Wholesale Price Index (WPI) for the relevant quarter, as published by the Economic Advisor to Government of India, Ministry of Industry.

Test-check (October 2018 and January-June 2019) of records of two Regional Water Supply Schemes (RWSS), two water supply projects and one pipe line work executed in Eight Project Divisions of Public Health Engineering Department (PHED) revealed that the works were awarded to various contractors by the authorities concerned, as per the standard conditions of contract prescribed by the Government. The contracts *inter alia* included providing, laying and jointing of Ductile Iron (DI) pipes.

As per the general condition of admissibility of escalation under clause 45 of contracts, price escalation was payable for steel component at 25 to 43 *per cent* of the value of work executed. Ductile Iron pipe was the major item under steel component. The principal input for manufacturing/casting of DI pipes is Pig Iron<sup>23</sup>. Wholesale price index for Pig Iron is available under 'Iron & Semis<sup>24</sup>' subgroup in WPI (Base 2004-05) series, which is published by the Economic Advisor to Government of India, Ministry of Industry.

It was, however, noticed in audit that while making payment of price escalation of steel component, the divisions applied WPI indices of different items (as inputs) for DI pipes viz. Steel, Steel rods, and 'Iron & Semis' instead of an uniform index of Pig Iron, which was main input for DI pipes. This resulted in excess payment to the tune of ₹ 10.73 crore to contractors as given in the **Table 3**.

Table 3

(₹ in crore)

Name of Division	Name of work	Name of contractor	Indices used for steel component	Amount actually paid towards PV	Amount payable based on indices of correct item pig iron	Excess payment
Project division-I, Pali	Supply of water for 133 villages including WTP, CWR etc.	Contractor A	Steel	1.13	(-) 1.66	2.79
Project division-Gulabpura (Bhilwara)	CBWP, Phase-II (Package-III)	Contractor B	Iron & Semis	0.34	0.26	0.08
	CBWP, Phase-II (Package-IV)	Contractor B	Steel	0.25	(-) 0.67	0.92
Project division-Mandalgarh	CBWP, Phase-II (Package-VIII)	Contractor B	Steel	0.18	(-) 0.48	0.65
Project division-Jawaja	RWSS of 199 village of Tehsil-Beawar	Contractor C	Iron & Semis	1.03	0.59	0.43
Project division-Bassi	RWSS of 210 villages of Tehsil-Bassi	Contractor D	Steel rod	3.81	0.85	2.96

<sup>23</sup> Standard Input Output Norms (SION) notified by Director General of Foreign Trade, GoI, are standard norms which define the amount of input/inputs required to manufacture unit of output for export purpose. At item no. C 635, SION for 1 MT DI Pipes 0.96 MT of Pig Iron is allowed.

<sup>24</sup> Iron & Semis is a sub group in which specific price indices of Sponge Iron, Pig Iron, Melting Scraps, Pencil Ingots, Billets and Slabs were published and the price indices published for Iron & Semis were the weighted average of the price indices of above six items.

Name of Division	Name of work	Name of contractor	Indices used for steel component	Amount actually paid towards PV	Amount payable based on indices of correct item pig iron	Excess payment
Project division-Tonk	Bisalpur-Tonk-Uniyara-Deoli Water Supply Project	Contractor A	Iron & Semis	0.44	0.33	0.11
Project Division Balotra	Pokaran Falsoond Balotora Siwana Water Supply Project (SPR 4A)	Contractor E	Steel	1.32	1.29	0.03
Project Division Pokaran	Pokaran Falsoond Balotora Siwana Water Supply Project (SPR 3A)	Contractor F	Alloy steel Casting	1.59	(-)1.17	2.76
<b>Total</b>				<b>10.07</b>	<b>(-) 0.66</b>	<b>10.73</b>

It was seen that certain contractors (contractor A & B) submitted the PV bills based on favourable indices of different inputs for the similar nature work (supplying, laying and jointing of DI pipes) under different contracts and department allowed the same without applying the indices of correct input i.e. Pig Iron.

Had the calculation of price escalation been done using the correct indices for steel (the indices of Pig Iron instead of indices of different items), ₹ 0.66 crore would have been worked out to be recoverable from the contractors instead of payment of ₹ 10.07 crore towards price escalation. Thus, calculation of price escalation based on incorrect indices of steel led to excess payment of ₹ 10.73 crore to the contractors, resulting in loss to the state exchequer to that extent.

Further, it was also observed by Audit that the indices of Pig Iron was considered for payment of price escalation for DI pipes in Schedule of Rates of Gujarat Water Supply Board and in the State of Tamil Nadu. Therefore excess payment of ₹ 10.73 crore on account of incorrect price escalation should be recovered from the contractors. All similar ongoing contracts should be reviewed immediately and recovery may be effected wherever necessary. It is further stated that as adopted by other states like Gujarat and Tamil Nadu, GoR may also specify in the contract itself as to the category of steel (steel, iron and semis, pig iron, steel rods etc.) on which price escalation would be allowed.

GoR, principally agreed (November 2019) with the view point taken by Audit that price indices of pig iron were to be adopted while making payment for price escalation for DI pipes and stated (December 2019) a circular to this effect had also been issued (November 2019). Out of total recovery of ₹ 10.73 crore, an amount of ₹ 3.96 crore was stated to be recovered. Further, recovery of remaining amount and review of all similar ongoing projects was under process.

### 3.9 Excess payment to contractors by allowing incorrect price indices

#### Excess payment of price escalation amounting to ₹ 16.24 crore to the contractors by allowing incorrect price indices for the shortfall of work not covered up in the subsequent time spans.

The clause 45 of General Conditions of Contract along with conditions thereunder stipulates that if during progress of the contract the price of any materials/bitumen/diesel/petrol/cement and steel incorporated in the works and/or wages of labour, increase or decrease as compared to the price and/or wages prevailing at the date of opening of tender or date of negotiation, the amount payable to the contractors for the work shall be adjusted for increase or decrease in respect of the rates of materials/bitumen/diesel/petrol/cement/steel and wages of labour.

Further, in case the contractor does not make prorata progress in the first or another time span and the shortfall in the progress is covered up by him during subsequent time span within original stipulated period then the price escalation of such work expected to be done in previous time span shall be notionally given based upon the price index of that quarter in which such work was required to be done in terms of condition no.10 of the clause *ibid*.

Test check (October 2018 and January-June 2019) of the records of five water supply and pipe line works in five Divisions<sup>25</sup> revealed that contractors could execute only 19.41 to 46.69 *per cent* of the awarded works within the original stipulated periods. Contractors failed not only to maintain the prorata progress of the work as per the prescribed time spans but also to cover up the shortfalls in any of the subsequent time spans.

Since, the contractors did not cover up the shortfalls of previous spans in any of the subsequent time spans, the price escalation was to be paid as per the price indices of those spans in which the work was actually executed. However, the department while making payment of price escalation, incorrectly allowed price indices of the previous time spans when the work was not executed instead of price indices of those spans in which the work was actually executed. This resulted in excess payment of ₹ 16.24 crore to contractors as detailed in **Table 4**.

<sup>25</sup> Falling under the jurisdiction of the Project Division-Tonk, Project Division-Jodhpur, Special Project Division-Jaipur, Project Division-Ajmer and Project Division-Bassi.

Table 4

(₹ in crore)

Sr. No.	Name of work	Time spans of period stipulated for completion of work (part of work to be completed by the end of span)	Cumulative value of work required to be executed by the contractor	Cumulative value of work actually executed by the contractor (per cent)	Value of work admissible for PE	Value of work allowed for PE	PE paid on the basis notional work done	PE to be paid as per actual work done	Excess payment
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1.	Package-II of "Bisalpur-Tonk-Uniyara-Deoli Water Supply Project"	I <sup>st</sup> span-0 to 9 months (1/8 of the total work)	28.37	0	0	24.85	2.19	0.82	1.37
		II <sup>nd</sup> span-10 to 18 months (3/8 of the total work)	85.12	25.39	25.39	53.44			
		III <sup>rd</sup> span-19 to 27 months (3/4 of the total work)	170.24	42.82	17.43	3.92			
		IV <sup>th</sup> span-28 to 36 months (complete work)	226.99	82.21 (36.22)	39.39	-			
2.	Supply of water for 133 villages including WTP, CWR etc.	I <sup>st</sup> span-0 to 10.5 months (1/8 of the total work)	36.48	20.34	20.34	36.48	2.20	(-) 2.81	5.01
		II <sup>nd</sup> span-10.6 to 21 months (3/8 of the total work)	109.44	32.16	11.82	72.96			
		III <sup>rd</sup> span-22 to 31.5 months (3/4 of the total work)	218.88	89.63	57.46	26.82			
		IV <sup>th</sup> span-31.6 to 42 months (complete work)	291.84	136.26 (46.69)	46.63	-			
3.	Chambal Bhilwara Water Supply Project, Phase-II (Package-III)	I <sup>st</sup> span-0 to 9 months (1/8 of the total work)	27.17	4.85	4.85	27.27	0.63	0.03	0.60
		II <sup>nd</sup> span-10 to 18 months (3/8 of the total work)	81.50	16.41	11.56	14.91			
		III <sup>rd</sup> span-19 to 27 months (3/4 of the total work)	163.01	37.07	20.66	-			
		IV <sup>th</sup> span-28 to 36 months (complete work)	217.34	42.18 (19.41)	5.11	-			
4.	RWSS of 199 village of Tehsil-Beawar	I <sup>st</sup> span-0 to 9 months (1/8 of the total work)	28.81	4.31	4.31	28.81	1.50	(-) 1.97	3.47
		II <sup>nd</sup> span-10 to 18 months (3/8 of the total work)	86.43	29.51	25.20	46.98			
		III <sup>rd</sup> span-19 to 27 months (3/4 of the total work)	172.85	52.87	23.36	-			
		IV <sup>th</sup> span-28 to 36 months (complete work)	230.47	75.79 (32.88)	22.92	-			
5.	RWSS of 210 villages of Tehsil-Bassi	I <sup>st</sup> span-0 to 7.5 months (1/8 of the total work)	33.64	0.20	0.20	36.99	4.83	(-) 0.96	5.79
		II <sup>nd</sup> span-7.6 to 15 months (3/8 of the total work)	100.93	39.78	39.58	59.53			
		III <sup>rd</sup> span-16 to 22.5 months (3/4 of the total work)	201.86	63.80	24.02	0.98			
		IV <sup>th</sup> span-22.6 to 30 months (complete work)	269.15	97.50 (36.23)	33.71	-			
Total							11.35	(-) 4.89	16.24

Had the calculation of price escalation been done using the value of actual work done (as shown in the column no. 6 of the table) in particular time spans, the amount of price escalation payable to the contractors would work out as a negative amount of ₹ 4.89 crore but instead the contractors were paid an amount of ₹ 11.35 crore thereby giving an undue benefit of ₹ 16.24 crore. This was mainly due to allowing the indices for steel component of earlier span when price was higher than the indices of later spans when steel was actually procured by the contractors.

Thus, payment of price escalation on notional basis resulted in excess payment of ₹ 16.24 crore to the contractors.

GoR stated (June 2020) that if the prorata progress is not maintained by the contractor, the price escalation would be given on notional basis which shall be based on the price indices of that quarter in which such works were to be originally executed.

Reply is not acceptable because as per the condition of the price escalation, the payment of price escalation on notional basis was admissible only in cases when shortfall of prorata progress of any particular time span is covered up in subsequent time span within the original stipulated period. Therefore, action of the department was not correct.

### 3.10 Undue benefit to the contractors

**Non-adherence to the special condition of the contract relating to recovery of compensation for delay in supply of pipe resulted in undue benefit of ₹ 10.09 crore to contractors.**

Public Health Engineering Department issued (July and August 2013) work orders for three Regional Water Supply Schemes (RWSSs) and Package 4B under Pokaran-Falsoond-Balotra-Siwana (PFBS) Water Supply project. These four contracts were on single responsibility turnkey basis i.e. Design, Build and 10 year Operation & Maintenance (O&M). Special Condition 10 of Contract executed with these firms provided that the firms would decide the details of size and length of pipes, based on survey and design and submit the delivery schedule for the pipes.

Further, the contract also provided that the firm would ensure timely supply of pipes as per approved work plan/delivery schedule, failing which compensation at the rate of 0.25 *per cent* of the cost of pipes to be supplied would be recovered per month, cumulatively up to the date of actual supply of pipes. The compensation levied for delay in supply of pipes would be of permanent nature and not to be refunded under any circumstances.

Scrutiny of the records (between August 2018 and July 2019) of four Project Divisions, revealed that Project Divisions Sambhar and Phagi did not obtain work plans (Delivery Schedules of pipes) from the respective contractors, which was in contravention to the condition of the contract. Though the contractors submitted affidavits stating that the pipes would be supplied as and when required, however, they did not supply the whole/part quantities of pipes mentioned in Bill of Quantities (BoQ) till the scheduled dates of completion of the works.

In cases of Project Division Niwai and Balotara, though, the Divisions obtained/approved the work plans, accordingly all the pipes were required to be supplied by September 2015 and January 2016 respectively, however contractors did not supply the whole/part quantities of pipes till last date of

supply as mentioned in work plan. Supply of pipes continued even after the scheduled dates of completion of the works.

As per the condition of the contract, the concerned Divisions were required to deduct an amount of ₹ 13.50 crore as compensation for non/delayed supply of pipes however, an amount of only ₹ 3.41 crore was deducted and kept in Deposit-V as detailed in **Table 5**.

**Table 5**

(₹ in crore)

S. No.	Project Name	Project Division	Work order amount	Work order issued/ Stipulated date of completion	Work Plan for pipe supply	Delay in months	Amount withheld in Deposit V	Total Compensation to be levied
1.	RWSSs of 173 villages of Phulera Tehsil and two towns- Jobner & Kishangarh	Project Divison Sambhar	226.95	July 2013/January 2016	Only affidavit submitted	6- 30 months	1.05	2.79
2.	RWSS of 267 villages of Tehsil Chaksu and 8 villages of Tehsil Phagi and their NRVs and Dhanis	Project Divison Niwai	234.96	August 2013 /January 2016	Upto September 2015	1-29 months	0.45	2.07
3.	RWSS of 161 villages of Phagi Tehsil and their NRVs and Dhanis	Project Divison Phagi	205.12	July 2013/January 2016	Only affidavit submitted	3- 32 months	1.91	1.58
4.	Pokaran-Falsoond-Balotra-Siwana (PFBS) Water Supply project- Package 4B	Project Divison Balotara	392.66	September 2013/ September 2016	Upto January 2016	1-50 months	Nil	7.06
<b>Total</b>			<b>1059.69</b>				<b>3.41</b>	<b>13.50</b>

Since the compensation is of permanent nature, therefore it was required to be deposited to Government revenue instead of withholding it under Deposit-V (part of public account), where the Department has the facility to adjust /return it under the Running bills.

GoR stated (January 2020) that the compensation for non-supply/delayed supply of pipes and Liquidated Damage (LD) under clause 2 of General Condition of Contract are finalized at the time of final time extension. Further, at the time of PAC deliberations on a para of similar nature, department accepted that final LD/ compensation under clause 10 of Special Condition of Contract would not be refunded to the contractor keeping in view the language of the condition as well as the advice of Audit.

The reply is not tenable as the final time extension granted for the entire project does not affect the enforcement of the contractual provision under special condition of the contract which clearly provided that '*the compensation levied for delay in supply of pipes would be of permanent nature and is not to be refunded under any circumstances*'. Further, Department itself have deducted the compensation in three of the four cases mentioned, but kept

it in Deposit-V instead of transferring it to revenue head. As such there is no dispute regarding levy of compensation for delay in supply of pipes.

Thus, non-adherence to the special condition of the contract resulted in undue benefit of ₹ 10.09 crore to the contractors.

## Urban Development and Housing Department

### 3.11 Non collection of Labour Cess from the builders

**Labour cess to the tune of ₹ 7.05 crore was not collected by Local Authorities from the builders at the time of approval of projects as provided in the Building and Other Construction Workers' Welfare Cess Act.**

With a view to provide safety, health and welfare measures to building and other construction workers, Government of India (GoI) enacted Building and Other Construction Workers' (Regulation of Employment and Conditions of Services) Act, 1996 (BOCW Act). To augment the resources of the 'Building and Other Construction Workers' Welfare Board (Board), the Building and Other Construction Workers' Welfare Cess Act (Cess Act), 1996 was also enacted. Section 3 of the Cess Act provides for the levy of cess on the cost of construction incurred by an employer.

Further, Rule 4 of the Building and Other Construction Workers' Welfare Cess Rules, 1998 prescribes the time and manner of collection of the cess. Accordingly, in cases where the approval of a construction work by a local authority is required, every application for such approval shall be accompanied by a crossed demand draft in favour of the Board for an amount of cess payable. Provided that if the duration of the project is likely to exceed one year, the demand draft may be for the amount of the cess payable on cost of the construction estimated to be incurred during one year from the date of commencement of the work and further payments of cess due shall be made within 30 days on the cost of construction to be incurred during the relevant period. Labour Department, GoR however, issued (July 2016) instruction to collect cess for subsequent years (by dividing estimated cost with the number of years) through postdated cheques, if the duration of the project is more than one year.

Test check (October 2017 and July 2018) of records of Urban Improvement Trust (UIT), Bikaner and Bhiwadi revealed that an amount of ₹ 5.25 crore on account of labour cess was not collected in advance by the UITs as prescribed in the Rules, from the builders who were given permissions for 15 building projects of estimated cost of ₹ 524.72 crore during January 2015 to June

2017. The reasons for non-adherence to the provisions of the Act were not available on record.

On the contrary, in contravention to provisions of the Act, Urban Development and Housing Department (UDH) issued (June 2017) directions that payment of labour cess would be deposited by developers at their own level and receipt should be produced at the time of issue of completion certificate. **It was observed that these directions were merely based on the decisions taken in a meeting held (June 2017) with various stakeholders and were issued without revision of the Rule 4 *ibid*, by the Government.** Audit also noticed that after issue of these directions, four more projects of estimated cost of ₹ 180.54 crore were approved without collecting the labour cess of ₹ 1.80 crore. This resulted in non-recovery of advance cess amounting to ₹ 7.05 crore as given in **Table 6**.

**Table 6**

(₹ in crore)

S. No.	Name of Unit	Nature of case	No. of cases	FAR Area (in Sqm)	Estimated cost of construction	Recoverable Labour Cess
1	UIT	General	11	6,31,066.21	530.64	5.31
2	Bhiwadi	CMJAY	4	1,64,105.3	153.24	1.53
3	UIT	General	3	3,455.03	4.53	0.04
4	Bikaner	CMJAY	1	18,992.59	16.85	0.17
<b>Total</b>			<b>19</b>	<b>8,17,619.13</b>	<b>705.26</b>	<b>7.05</b>

UIT Bhiwadi stated that as per orders of UDH (June 2017), labour cess was not deposited in advance at the time of approval and completion certificate would be issued after submission of certificate regarding payment of labour cess.

Thus, labour cess amounting to ₹ 7.05 crore could not be collected in advance due to non-adherence to the provisions of the Act. The department also did not withdraw the aforesaid directions despite the intervention (January 2019) of the Department of Labour, Government of Rajasthan that order dated 27 June 2017 issued by UDH is against the spirit of the Act and directions of the Hon'ble Supreme Court of India (March 2018).

On being pointed out (February 2020), the State Government informed (June 2020) that the instruction (June 2017) regarding payment of labour cess by developers at their own level and producing receipt at the time of completion certificate has since been deleted. Further, instructions were also issued (June 2020) to ensure the levy and collection of labour cess in advance as stipulated in Building and Other Construction Workers' Welfare Cess Rules, 1998.

Though GoR have revised the circular at the instance of Audit, however, recovery of labour cess of ₹ 7.05 crore in 19 cases still remains to be effected.

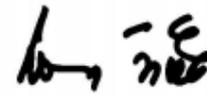
As these instances are only illustrative and based on test check of records of two UITs, all the projects approved upto June 2020 by all the Local Authorities may be reviewed on the similar analogy to avoid similar cases of non-recovery/under recovery of the labour cess.

JAIPUR,  
The 20 July, 2020

  
(ANADI MISRA)  
Accountant General  
(Audit-I), Rajasthan

Countersigned

NEW DELHI,  
The 22 July, 2020

  
(RAJIV MEHRISHI)  
Comptroller and Auditor General of India