

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

There are 49 Departments, 162 Autonomous Bodies (ABs) and 10 Public Sector Undertakings (PSUs) under General and Social Sector of the Government of Rajasthan, headed by Additional Chief Secretary/Principal Secretaries/Secretaries, which are audited by the Principal Accountant General (General and Social Sector Audit), Rajasthan, Jaipur. A list of the Departments is given at *Appendix 1.1*.

The comparative position of expenditure incurred by the Government of Rajasthan during 2015-16 to 2017-18 is given in **Table 1**

Table 1: Comparative position of expenditure

| (₹ in crore) | | | |
|--------------------------------------|-----------------|-----------------|-----------------|
| Particulars | 2015-16 | 2016-17 | 2017-18 |
| Revenue expenditure | | | |
| General services | 31,016 | 39,203 | 43,450 |
| Social services | 43,349 | 49,371 | 53,064 |
| Economic services | 31,874 | 38,565 | 49,327 |
| Grants-in-aid and Contribution | -* | -** | -*** |
| Total | 1,06,239 | 1,27,139 | 1,45,841 |
| Capital and other expenditure | | | |
| Capital Outlay | 21,985 | 16,980 | 20,623 |
| Loans and Advances disbursed | 36,602 | 12,965 | 1,334 |
| Payment of Public Debt | 4,959 | 5,015 | 11,674 |
| Contingency Fund | - | - | - |
| Public Accounts disbursement | 1,40,432 | 1,48,885 | 1,47,088 |
| Total | 2,03,978 | 1,83,845 | 1,80,719 |
| Grand Total | 3,10,217 | 3,10,984 | 3,26,560 |

Source: Audit Reports on State Finances of the respective years.
* ₹ 10 lakh only. ** ₹ 6 lakh only, *** ₹ 11 lakh only.

1.3 Authority for Audit

The authority for Audit by the Comptroller and Auditor General of India (C&AG) is derived from Articles 149 and 151 of the Constitution of India and the 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, 2017 issued by the CAG.

1.4 Planning and conduct of audit by office of Principal Accountant General (General and Social Sector Audit), Rajasthan, Jaipur

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 under the directions of the C&AG. During 2017-18, 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 audit teams of the office of Principal Accountant General (General and Social Sector Audit), Rajasthan, Jaipur.

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. When the 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 1,424 out of the 20,689 units of General and Social Sector Departments, 8,679 audit party days (for financial audit, compliance audit and performance audit) were used during 2017-18. The audit plan covered those units/entities, which were vulnerable to significant risk, as per the risk assessment.

1.5 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/organizations were also reported.

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:

1.5.1 Performance audit of programmes/activities of departments

Chapter II of this report contains reports of two performance audits *viz.* 'Implementation of Public Distribution System under National Food Security Act, 2013' and 'Implementation of *Rashtriya Madhyamik Shiksha Abhiyan*'. Brief summaries of the Performance Audits are discussed in the following paragraphs:

1.5.1.1 Implementation of Public Distribution System under National Food Security Act, 2013

The National Food Security Act (NFSA) 2013 was enacted in September 2013 in order to provide subsidised foodgrains to eligible beneficiaries under two categories i.e. to *Antyodaya Anna Yojana* (AAY) Households and Priority Households. The objective of the performance audit was *inter alia* to assess whether the identification of beneficiaries were as per rules and whether management of foodgrains was efficient and effective. Summary of the audit findings are given in **paragraph 2.1** of this report. Some of the significant audit findings include failure to conduct survey to identify beneficiaries resulting in coverage in excess of the ceiling prescribed by GoI, non viability of fair price shops due to minimal income and absence of automated system resulting in poor monitoring and weak internal control.

(Paragraph 2.1)

1.5.1.2 Implementation of *Rashtriya Madhyamik Shiksha Abhiyan*

Government of India (GoI) launched *Rashtriya Madhyamik Shiksha Abhiyan* (RMSA) in March 2009 to make good quality education available, accessible and affordable to all young persons in the age group of 14-18 years. The objective of the performance audit was *inter alia* to assess the accessibility of secondary/higher secondary schools within the prescribed distance of 5 kms, availability of required infrastructure, teachers and textbooks as per norms and the extent of achievement of the targets of enrolments, transition rate and retention rate. Summary of the audit findings are given in **paragraph 2.2** of this report. Some of the significant audit findings include non accessibility of secondary schools to 22.55 *per cent* habitations, non availability of minimum five subject teachers and basic infrastructure facilities in schools, huge shortfall in trainings to teachers and delay in distribution of free text books.

(Paragraph 2.2)

1.5.2 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 are as follows:

Loss of ₹ 3.49 crore to the subscribers of New Contributory Pension Scheme under Animal Husbandry and Higher Education Departments due to keeping funds in saving account and delay in transferring the contributions to National Securities Depository Limited.

(Paragraph 3.1)

Irregular and unauthorised expenditure of ₹ 7.15 crore incurred by PHED on execution of additional works in contravention of financial rules.

(Paragraph 3.2)

Unjustified reduction in quantity and quality of pipes in PHED with an intention to limit the value of sanction within the competency of Additional Chief Engineer led to non-commissioning of Over Head Service Reservoirs for more than three years and rendered expenditure of ₹ 0.94 crore unfruitful. Besides, not achieving intended objective of providing drinking water to habitations.

(Paragraph 3.3)

In Medical Education Department, construction of Maternal Child Health unit above first floor of old hospital building at Government Pannadhaya Hospital, Udaipur without ensuring structural safety, resulted in structural damages to the whole building and unfruitful expenditure of ₹ 10.47 crore.

(Paragraph 3.4)

Expenditure of ₹ 3.67 crore in Medical Education Department on construction of Outdoor cum Emergency Block at Umaid Hospital, Jodhpur remained unfruitful due to improper planning and leaving the incomplete structure of no use.

(Paragraph 3.5)

Functioning of Anganwadi Centres

Anganwadi Centres are the first outpost for delivery of supplementary nutrition, pre-school education and other services under the Integrated Child Development Services (ICDS) programme to children in the age group of 6 months to 6 years, pregnant women and lactating mothers. The objective of the thematic audit was *inter alia* to assess regular and effective delivery of services by AWCs. A summary of audit findings are given in **Paragraph 3.6** of this report. Some of the significant audit findings include deficiencies in planning, availability of infrastructure, equipment and manpower and lack of regular supervision.

(Paragraph 3.6)

Functioning of Mathura Das Mathur Hospital, Jodhpur

Mathura Das Mathur (MDM) Hospital, Jodhpur is the largest hospital in the western region of Rajasthan providing referral and tertiary healthcare services. A thematic audit was conducted with a view to assess the quality of inputs, efficiency and outcomes of the hospital processes. A summary of audit findings are given in **paragraph 3.7** of this report. Some of the significant audit findings include the augmentation of its facilities was not commensurate to the increasing load of patients, Operation Theaters (OTs), Intensive Care Units (ICUs) and wards suffered from many infrastructural deficiencies, beneficiaries were deprived of free drugs, due to insufficient resources, various important hospital services like number of OPD days in a week, consultation time per patient and diagnostic services suffered.

(Paragraph 3.7)

Activities for Dairy Development in Rajasthan

Rajasthan is the second largest livestock population and milk production in the country has huge potential for development of dairy sector. The objective of the thematic audit was to examine the efficiency and effectiveness of the schemes/activities implemented for dairy development in the state over the period 2013-18. A summary of the audit findings are given in **paragraph 3.8** of this report. Some of the significant audit findings include GoR did not provide necessary financial support for dairy development and the development of the sector was mainly dependent on RCDF and its milk unions, no market survey was carried out either by GoR or RCDF for increasing procurement, processing and marketing of milk, RCDF and the milk unions did not expand their capacities for processing of milk despite the potential for development of dairy sector. RCDF's execution and monitoring

of dairy sector schemes and its internal control mechanisms were also inadequate.

(Paragraph 3.8)

District Training Centre with hostel facility for Women's Health Worker, Wazirpura, Tonk under Medical and Health Department was not utilized for 15 years since its completion and this resulted in unfruitful expenditure of ₹ 1.51 crore on its construction.

(Paragraph 3.9)

In the absence of Operation and Maintenance work, installed RO plants became non-functional rendering expenditure of ₹ 1.53 crore incurred by PHED unfruitful.

(Paragraph 3.10)

Non-utilisation of hostel building constructed at Bikaner and Pali for students of Specially Backward Class for over two to four years resulted in unfruitful expenditure of ₹ 1.89 crore.

(Paragraph 3.11)

Non-completion of Sewerage Project in Kota city approved under National River Conservation Plan and Urban Infrastructure Development Scheme in Small and Medium towns, even after lapse of more than five years, resulted in unfruitful expenditure of ₹ 77.78 crore.

(Paragraph 3.12)

1.6 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. Accordingly all the performance audits/draft paragraphs proposed for inclusion in this report, were forwarded to the Principal Secretaries/Secretaries concerned.

Response of all the departments involved in two performance audits in Chapter II and 12 compliance audit paragraphs featured in Chapter III have been received and suitably incorporated in the Report.

1.7 Inadequate 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 2018, there were 7,622 numbers of IRs containing 28,336 numbers of paragraphs, issued during the period from 1993-94 to 2017-18 (upto September 2017) which were pending for settlement. Year-wise pendency is shown in **Table 2**.

Table 2

| Year | IRs | Paragraphs |
|-------------------------------|--------------|---------------|
| Upto 2010-11 | 2,355 | 5,813 |
| 2011-12 | 730 | 2,300 |
| 2012-13 | 731 | 2,737 |
| 2013-14 | 1,031 | 3,632 |
| 2014-15 | 978 | 3,788 |
| 2015-16 | 836 | 3,852 |
| 2016-17 | 800 | 5,106 |
| 2017-18 (upto September 2017) | 161 | 1,108 |
| Total | 7,622 | 28,336 |

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 three 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 Agriculture Department (269 IRs), Elementary Education Department (568 IRs) and Medical Education Department (170 IRs) revealed that 4,096 paragraphs pertaining to 1,007 IRs were outstanding as on 31 March 2018. Category-wise details of irregularities commented in IRs is given in *Appendix 1.2*.

1.8 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 audits included in the Reports of the Comptroller and Auditor General of India pertaining to various Departments as on 05 March 2019 revealed that 14 ATNs¹ were pending from the concerned Departments.

1. Paragraphs 1.2.3, 1.2.4, 1.4.5, 2.3.6.1, 2.5, 3.2, 3.3 and 3.5 of the Audit Report (State Finances) 2016-17 and paragraphs 2.1, 3.3, 3.12, 3.13, 3.14 and 3.15 of the Audit Report (G&SS) 2016-17.