

**Chapter 1**  
**Introduction**

## **Chapter 1 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 Economic Sector departments and autonomous bodies.

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 the competent authorities are being complied with. On the other hand performance audit, besides conducting a compliance audit, also examines whether the objectives of the programme/activity/department are achieved economically and efficiently.

The basic 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 measures and also to frame policies and directives that will lead to improve 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 implementation of selected schemes, significant audit observations made during the audit of transactions and follow-up on previous Audit Reports. Chapter 2 of this Report contains findings arising out of performance audit of programmes/activities of the selected divisions of Water Resources Department (WRD). Chapter 3 contains observations on compliance audit of the Government departments.

### ***1.2 Profile of Audit Entity***

Seven economic sector departments, headed by Additional Chief Secretary/Principal Secretary/Secretaries, who are assisted by Commissioner/Deputy Secretaries and subordinate officers and also their Autonomous Bodies are audited by the Principal Accountant General (Economic and Revenue Sector Audit), Rajasthan (Jaipur).

The comparative position of expenditure incurred by the Government of Rajasthan during 2009-10 to 2011-12 is given in Table 1.

**Table 1: Comparative position of expenditure**

(₹ in crore)

Particulars	2009-10			2010-11			2011-12		
	Plan	Non-Plan	Total	Plan	Non-Plan	Total	Plan	Non-Plan	Total
<b>Revenue expenditure</b>									
General services	101	15,546	15,647	175	16,562	16,737	422	18,287	18,709
Social services	3,007	13,487	16,494	3,929	13,966	17,895	5,947	15,981	21,928
Economic services	3,179	4,793	7,972	4,649	5,571	10,220	5,780	6,964	12,744
Grants-in-aid	-	19	19	-	21	21	267	6	273
<b>Total</b>	<b>6,287</b>	<b>33,845</b>	<b>40,132</b>	<b>8,753</b>	<b>36,120</b>	<b>44,873</b>	<b>12,416</b>	<b>41,238</b>	<b>53,654</b>
<b>Capital expenditure</b>									
Capital Outlay	5,819	(-) 644 <sup>1</sup>	5,175	5,231	20	5,251	7,103	16	7,119
Loans & Advances disbursed	463	35	498	189	73	262	1,051	58	1,109
Payment of Public Debt			2,945	-	-	3,317	-	-	3,490
Contingency Fund			-	-	-	-	-	-	-
Public Accounts disbursement			1,07,714	-	-	1,16,298	-	-	1,22,320
<b>Total</b>			<b>1,16,332</b>			<b>1,25,128</b>			<b>1,34,038</b>
<b>Grand Total</b>			<b>1,56,464</b>			<b>1,70,001</b>			<b>1,87,692</b>

Source: Audit Report on State Finances for the year 2011-12.

### 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 C&AG's (Duties, Powers and Conditions of Service) Act, 1971. The Principal Accountant General (Economic and Revenue Sector Audit), Rajasthan, Jaipur conducted audit of expenditure of Economic Sector Departments and Autonomous Bodies of the Government of Rajasthan under Sections 13<sup>2</sup>, 14<sup>3</sup>, 15<sup>4</sup> 17<sup>5</sup> and 20<sup>6</sup> of the C&AG's (DPC) Act. The principles and methodology for the performance and compliance audit are prescribed in the manual issued by the C&AG.

1. Minus figure is due to transfer of ₹ 688 crore from Rajasthan State Investment Fund.
2. Audit of (i) all expenditure from the Consolidated Fund of the State, (ii) all transactions relating to Contingency Fund and Public Accounts and (iii) all trading, manufacturing, profit & loss accounts, balance sheets & other subsidiary accounts.
3. Audit of (i) all receipts and expenditure of a body or authority substantially financed by grants or loans from the Consolidated Fund of the State and (ii) all receipts and expenditure of any body or authority where the grants or loans to such body or authority from the Consolidated Fund of the State in a financial year is not less than ₹ 1 crore.
4. Audit of grant or loan given for any specific purpose from the Consolidated Fund of India or State to any authority or body, to scrutinise the procedures by which the sanctioning authority satisfies itself as to the fulfilment of the conditions subject to which such grants or loans were given.
5. Audit of accounts of stores and stock.
6. Audit of accounts of any body or authority on the request of the Governor, on such terms and conditions as may be agreed upon between the C&AG and the State Government.

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



Under the directions of the C&AG, the office of the Principal Accountant General (Economic and Revenue Sector Audit), Rajasthan, conducts audit of Revenue and Economic Sector Departments including Public Sector Undertakings and

Autonomous bodies through three groups.

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

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

After completion of audit of each unit, Inspection Reports, containing audit findings, are issued to the head of the unit. The units are requested to furnish replies to the 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.

#### **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 (PAs) which had impacted the success of programmes and functioning of the departments. Similarly, the deficiencies noticed during compliance audit of the Government departments/organisations were also reported.

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

Chapter 2 of this report contains the performance audit of Water Resources Department. The salient features of the performance audit are discussed below:

##### **1.6.1.1 Performance Audit of Water Resources Department**

Rajasthan is the driest State in the country. To address the problems faced by the water sector, the Government of Rajasthan has adopted the State Water Policy in 1999 supported by a long term State Water Plan, which was further

revised in 2010. For optimum utilisation of surface water and to create irrigation potential, the Water Resources Department (WRD) has launched various major, medium and minor irrigation projects (MIPs). As on March 2012, three major, six medium and 159 minor projects were completed and one major, five medium and 43 MIPs were in progress.

A performance audit of the water resources department revealed that the objective of utilising surface water for irrigation through construction of irrigation projects could not be achieved due to long delays in completion of the projects due to non-availability of project site, delay in approval of drawing and design, inadequacy of funds. Instances of wrong calculation of Benefit Cost (BC) ratio to make the projects viable were also noticed. Non/less receipt of water in the dams despite sufficient rainfall indicated defective hydrology. Further, the State Government was deprived of revenue of ₹ 147.50 crore due to non-revision of water rates as per State Water Policy and the grant of ₹ 307.77 crore from the European Commission was also not received due to non setting up of the Water Regulatory Authority and not achieving milestones. Excess expenditure incurred on deposit works were not recovered and unclaimed deposit balances not credited to the consolidated fund of the State. Supervision and administrative inspection system, Monitoring and Internal Control Mechanism were poor and Internal Audit of the department was due since 1994.

*(Paragraph 2.1)*

### **1.6.2 Significant audit observations during Compliance Audit**

Audit observed significant deficiencies in critical areas, which had impacted the effectiveness of the State Government. Some important findings of compliance audit (three paragraphs) have also been reported in Chapter 3. The major observations relate to the following categories:

#### **1.6.2.1 Non-compliance with rules and regulations**

For sound financial administration and control, it is essential that expenditure conforms to financial rules, regulations and orders issued by the competent authority. This helps in maintaining financial discipline, prevent irregularities, misappropriation and frauds. This report contains instance of non-compliance with rules and regulations involving ₹ 4.63 crore as mentioned below:

Executive Engineer, Water Resources Department, Division II, Bhilwara got the repair works done through contractors in violation of provisions/guidelines of Mahatma Gandhi National Rural Employment Guarantee Scheme resulting in unauthorised expenditure of ₹ 4.63 crore apart from non achievement of objective of enhancing livelihood security in rural areas.

*(Paragraph 3.1.1)*

#### **1.6.2.2 Persistent and pervasive irregularities**

An irregularity is considered persistent if it occurs year after year. It is deemed pervasive when prevalent in the entire system. Recurrence of

irregularities, despite being pointed out in earlier audits, is indicative of slackness on the part of the executive and lack of effective monitoring. This in turn encourages willful deviations from observance of rules/regulations and results in weakening of administrative structure. Audit observed the instances of persistent and pervasive irregularities of ₹ 10.67 crore as detailed below:

Proposing and awarding the work of roads passing through the railway/private/forest land without acquisition of land/obtaining prior approval of Forest Department rendering the expenditure of ₹ 10.67 crore unfruitful.

*(Paragraph 3.2.1)*

### **1.6.2.3 Failure of oversight/governance**

Government has an obligation to improve the quality of life of the people in the area of health, education, development and upgradation of infrastructure, public services *etc.* Audit noticed instances where the funds released by the Government for creating public assets remained unutilised/blocked or proved unfruitful/unproductive due to indecisiveness, lack of administrative oversight or concerted action at various levels. Test-check cases of failure of oversight/governance noticed in audit involved ₹ 2.15 crore as discussed below:

Unjustified cost of the construction of work after award of tender resulted in construction of only 26 resident quarters against 48 planned. Non provision of basic amenities in these 26 quarters for two years rendered the investment of ₹ 2.15 crore unproductive.

*(Paragraph 3.3.1)*

## **1.7 Response of the Departments to PAs/Audit Paragraphs**

The Finance Department had issued directions to all departments (August 1969) to send their response to the draft audit paragraphs, proposed for inclusion in the Report of the Comptroller and Auditor General of India, within three weeks.

Accordingly, draft paragraphs are forwarded to the Principal Secretaries/ Secretaries of the departments concerned, drawing their attention to the audit findings and requesting them to send their response within three weeks. 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 were also advised to have meetings with the Principal Accountant General to discuss the PAs/draft audit paragraphs, proposed for Audit Reports. PAs/draft paragraphs proposed for inclusion in this report were forwarded to the Principal Secretaries/Secretaries concerned.

All the replies furnished by the State Government to draft paragraphs and draft performance audit forwarded to the Principal Secretaries/Secretaries have been appropriately incorporated in the Report.

**1.8 Follow-up on Audit Reports**

The Finance Department of the State Government decided (December 1996) that Action Taken Notes (ATNs) on all paragraphs/reviews that have appeared in Audit Reports be submitted to the Public Accounts Committee (PAC), 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 Economic Sector Departments as of December 2012 revealed that no ATNs were pending from the Departments. Two paragraphs pertaining to Economic Sector Departments included in Audit Report (Civil) for the year 2010-11 were pending for discussion in PAC (December 2012).