

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 Audits (PAs) of selected programmes/activities and compliance audit of General and Social Sector departments/autonomous bodies. The Reports containing the observations arising out of audit of Statutory Corporations, Boards and Government Companies, Economic Sector Departments, Revenue Receipts of the State Government, observations on the finances of the State Government and Local Bodies are also presented separately.

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 examines, besides conducting a compliance audit, 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 performance and compliance audits. Auditing Standards require that the materiality level for reporting should be commensurate with the nature, volume and magnitude of the transactions. 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, important audit observations made during the audit of transactions and follow up action on previous Audit Reports. Chapter 2 of this Report contains findings arising out of performance audit of selected programmes/activities/departments. Chapter 3 contains observations on compliance audit of Government departments and autonomous bodies.

1.2 Profile of the Audited Entity

Under the Government of Rajasthan, there are 90 departments, headed by Chief Secretary/Principal Secretaries/Secretaries, assisted by Deputy Secretaries/Commissioners and subordinate officers and 267 autonomous bodies, which are audited by the Principal Accountant General (General and Social Sector Audit), Rajasthan, Jaipur.

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

Table 1: Comparative position of expenditure

Particulars	2009-10			2010-11			2011-12		
	Plan	Non-Plan	Total	Plan	Non-Plan	Total	Plan	Non-Plan	Total
(₹ in crore)									
Revenue expenditure									
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
Total	6,287	33,845	40,132	8,753	36,120	44,873	12,416	41,238	53,654
Capital expenditure									
Capital Outlay	5,819	(-) 644 ¹	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
Total			1,16,332	-	-	1,25,128	8154	74	1,34,038
Grand Total			1,56,464	-	-	1,70,001	20,570	41,312	1,87,692

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 (General and Social Sector Audit), Rajasthan, Jaipur, conducted audit of expenditure of General and Social Sector Departments and Autonomous Bodies of Government of Rajasthan, under Sections 13², 14³, 15⁴, 17⁵, 19(2)⁶, 19(3) and 20⁷ of the C&AG's (DPC) Act. The

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 fulfillment of the conditions subject to which such grants or loans were given.
5. Audit of accounts of stores and stock.
6. Audit of the accounts of Corporations (not being Companies) established by or under law made by the Parliament in accordance with the provisions of the respective legislations.
7. 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.

principles and methodology for the performance and the compliance audit are prescribed in the various manuals issued by the C&AG.

1.4 Organisational Structure of the Office of the Principal Accountant General (General and Social Sector Audit), Rajasthan, Jaipur

Under the directions of the C&AG, the office of the Principal Accountant General (General and Social Sector Audit), Rajasthan, conducts audit of



General and Social Sector Departments and Autonomous Bodies through four groups. During 2011-12, 57 audit parties conducted financial, compliance and performance audit (PAs) of the selected units under various General and Social Sector Departments, Autonomous Bodies (except Panchayati Raj Institutions and Urban Local Bodies) and

externally aided projects of the State Government.

1.5 Planning and conduct of audit

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

After completion of audit of each unit, Inspection Reports containing audit findings, are issued to the Heads of the units/departments with the request to furnish replies on audit findings, within one month of receipt of the Inspection Report. Whenever replies are received, audit findings are either settled or further compliance is advised. The important audit observations arising out of these Inspection Reports are processed for inclusion in the Audit Reports.

During 2011-12, 13,654 audit party days were used to carry out audit of 1,743 out of the 13,180 units, of general and social sector departments. The audit plan covered those units/entities, which were vulnerable to significant risk, as per the risk assessment.

1.6 Significant audit observations

During the last few years, Audit has reported several significant deficiencies in implementation of various programmes/activities as well as the quality of internal controls in selected departments through performance audits, which had impacted the success of programmes and functioning of the departments.

Similarly, the deficiencies noticed during compliance audit of the Government departments/organisations were also reported.

1.6.1 Performance audit of programmes/activities of departments

Chapter 2 of this report contains the performance audits of 'Protection of Forests and Wildlife of Rajasthan' and 'Computer Education and Information and Communication Technology Scheme in Schools'. Brief summaries of the performance audit are discussed in the following paragraphs:

1.6.1.1 Protection of Forests and Wildlife of Rajasthan

The forest cover in Rajasthan is 4.7 *per cent* (16,087 sq km) of its total geographical area (3,42,239 sq km). Land use patterns have been showing a decrease in forest land cover and increase in desert land. For protection of forest and wildlife, the State notified Rajasthan State Forest Policy only in the year 2010.

The Protected Area network continues to face threats due to inadequate measures taken by the Government. It did not show enough enthusiasm in increase of protected area to five *per cent* of total geographical area set in the forest policy. Further, the Government was not able to effectively protect the areas already declared as 'Protected Area'. Creation of Critical Tiger Habitats do not meet the criteria for its setting up. Corridors have not been created to link one Protected Area to another to prevent genetic swapping. Inadequate relocation of people from the Protected Areas were causing major threat to the wildlife. Lack of attention outside the Protected Area network was resulting in decrease in moderately dense forest and increase in encroachment, mining and grazing cases. Non-notifying all the forest blocks, lack of demarcation of forest areas on revenue maps and lack of digitization of forest maps have also affected the legal protection of forest land. Shortage of frontline staff has affected the protection and conservation of forest land and wildlife. The amount collected as eco- development surcharge were not utilised for eco-development activities.

(Paragraph 2.1)

1.6.1.2 Computer Education and Information and Communication Technology Scheme in Schools

Computer Education and Information and Communication Technology Scheme in schools is a Centrally Sponsored Scheme announced by Government of India for providing use of Information and Communication Technology, particularly in secondary and higher secondary schools. The Project Monitoring and Evaluation Group approved 2,500 secondary and higher secondary schools in Rajasthan under Phase-I and 2,000 schools under Phase-II. The Scheme has been implemented on the basis of Build-Own-Operate-Transfer model in two phases.

Performance audit of the implementation of the scheme revealed that initial selection of schools in Computer Education Plan sent to Government of India

was done without ensuring infrastructure facilities, repetition of schools covered under earlier schemes, provision of internet connection not made in the agreements of Phase-I, delay in providing operating software by the department in both the phases and delay in finalisation of tenders of Phase-II. Establishment of computer labs in schools were delayed, internet connection not provided/not working in schools in Phase-II, stolen hardware and equipments were not replaced by the firms. Capacity building has taken a back seat, National Council for Teachers Education was not associated in development of appropriate content for computer aided learning and modules for teachers training. Management Information System interactive software, required to be provided in Phase-II, were not provided by the firms. Progress reports were not sent to Project Monitoring and Evaluation Group, State Level High Empowered Committee was not established and monitoring committee at Deputy Director level was not established.

(Paragraph 2.2)

1.6.2 Significant audit observations during Compliance Audit

Audit observed significant deficiencies in critical areas, which impact the effectiveness of the State Government. Some important findings of compliance audit (18 paragraphs) have 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 and also prevent irregularities, misappropriation and frauds. This report contains instances of non-compliance with rules and regulations involving ₹ 75.77 crore. Some important audit findings are as under:

The Disaster Management and Relief Department failed to ensure disbursement of immediate relief to drought affected farmers by not preventing the Cooperative Banks from adjusting subsidy of ₹ 63.99 crore against their outstanding loans.

(Paragraph 3.1.1)

Funds of ₹ 10.25 crore meant for strengthening the delivery of services under National Rural Health Mission were unauthorisedly diverted by the Medical and Health Department for construction of administrative buildings (*Swasthya Bhawans*) and purchase of land.

(Paragraph 3.1.2)

Public Health Engineering Department extended undue benefit to contractors by allowing full payment and by less/delayed deduction of royalty of ₹ 1.53 crore. Besides, penalty 10 times of royalty for unauthorised mining was also not imposed.

(Paragraph 3.1.3)

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 ₹ 2.01 crore. Some important audit findings are as under:

The Information Technology and Communication Department disbursed a grant of ₹ one crore to a private institution without assessing the need for setting up training facilities in partnership and also failed to protect the interest of the State by not taking over the assets created through the grant.

(Paragraph 3.2.1)

Medical and Health Department procured USG machines of ₹ 1.01 crore, without ensuring qualified manpower resulting in unfruitful expenditure and depriving the beneficiaries from the intended benefit from these machines.

(Paragraph 3.2.2)

1.6.2.3 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 following instance of persistent and pervasive irregularity:

Treasury officers failed to exercise prescribed checks in payment of pension/family pension which led to excess/irregular payment amounting to ₹ 93.59 lakh despite the fact that this was pointed out through earlier Reports also.

(Paragraph 3.3.1)

1.6.2.4 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 ₹ 78.47 crore. Some important audit findings are as under:

Rajasthan State Pollution Control Board spent only 25 per cent (₹ 7.31 crore) of water cess collected, on pollution control activities during 2005-12

(excluding 2010-11). Besides, there was slow progress in setting up of Regional Laboratories inspite of available manpower and idle funds.

(Paragraph 3.4.1)

Benefit of assistance of ₹ 1.03 crore from UNICEF for eliminating child trafficking in the border blocks of Udaipur, could not be availed of due to inaction of the Labour Department.

(Paragraph 3.4.2)

In Labour Department, Rules were framed with a delay of about nine years, man power was not sufficient to implement the schemes/activities, registration of employers and beneficiaries was not complete, cess was either not collected or remained with the State Government, surplus funds were not invested and monitoring and internal control mechanism were not in place.

(Paragraph 3.4.3)

Assistance of ₹ 3.51 crore by the Medical Education Department from Government of India/ Rajasthan Medical Relief Society for procuring sophisticated equipments for the treatment of cancer patients, remained idle/unutilised for one to two years.

(Paragraph 3.4.4)

Due to weak monitoring, primary health infrastructure was not strengthened despite availability of Central assistance of ₹ 3.18 crore which remained unutilised with Public Works Department since January 2001.

(Paragraph 3.4.5)

The Medical and Health Department, by not acting as per provisions of Request for Proposal and not putting in place a proper regulatory framework to measure the service delivery, extended undue favour and benefit to Ziqitza Health Care Limited, Mumbai, which resulted in payment of unverified claims of the emergency service provider.

(Paragraph 3.4.6)

Medical and Health Department failed to utilise Central assistance of ₹ seven crore for more than four years which contributed to short achievement of sterilization targets.

(Paragraph 3.4.7)

Medical and Health/Women and Child Development Departments failed to monitor construction and handing over of Sub-Health/*Anganwadi* Centres within stipulated period which led to denying of the intended benefits to the beneficiaries despite release of sanctioned funds of ₹ 13.85 crore.

(Paragraph 3.4.8)

Public Health Engineering Department delayed the Urban Water Supply Scheme in Makrana Town by two and half years even after incurring an expenditure of ₹ 19.15 crore. Besides, delay in awarding work of packages 01 and 03 resulted in cost overrun of ₹ 3.10 crore.

(Paragraph 3.4.9)

Lack of planning of the Public Health Engineering Department in executing Banswara Sewerage Scheme led to non-commissioning, denying the beneficiaries of Sewerage facility for the last 25 years and rendering the expenditure of ₹ 4.81 crore, infructuous.

(Paragraph 3.4.10)

Lack of internal control and monitoring in Department of Technical Education (Rajasthan Technical University) resulted in delay/non-recovery of development fee of ₹ 4.24 crore for the years 2006-07 to 2009-10 from 157 affiliated colleges extending them undue benefit.

(Paragraph 3.4.11)

1.7 Response of the Departments to Performance Audits/Draft 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 are also advised to have meetings with the Principal Accountant General to discuss the PAs/draft audit paragraphs, proposed for Audit Reports. Accordingly, all the PAs/draft paragraphs proposed for inclusion in this report, were forwarded to the Principal Secretaries/ Secretaries concerned.

The concerned Departments did not send replies to four out of 20 paragraphs/reviews featured in Chapters 2 and 3. The responses of concerned Departments received in respect of 16 paragraphs/reviews have been suitably incorporated in the Report.

1.8 Follow-up on Audit Reports

The Finance Department of the State Government decided (December 1996) that Action Taken Notes (ATNs) on all paragraphs/reviews that have appeared in Audit Reports be submitted to the Public Accounts Committee, duly vetted by Audit, within three months from the date of laying of the Reports in the State Legislature. A review of the outstanding ATNs on paragraphs/ performance reviews included in the Reports of the Comptroller and Auditor General of India pertaining to various Departments as of November 2012, revealed that nine ATNs⁸ were pending from the concerned Departments.

8. Paragraphs 2.3.2.1, 2.4 and 2.5 of the Audit Report (State Finances) 2010-11 and paragraphs 3.1.1, 3.1.6, 3.2.2, 3.3.2, 3.4.5 and 3.4.6 of the Audit Report (Civil) 2010-11.