

Chapter I Introduction

1.1 About this Report

This Report of the Comptroller and Auditor General of India (CAG) relates to matters arising from compliance audit of General and Social Sector Departments. 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 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.

The basic purpose of this Report is to bring to the notice of the State Legislature, important results of compliance audit. Auditing Standards require that the materiality level for reporting is commensurate with the nature, volume and magnitude of the transactions. Findings of audit are expected to enable the Executive to take corrective measures and 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 II contains observations on compliance audit of Government departments.

1.2 Profile of the Audited Entity

Under General and Social Sector of the Government of Rajasthan, there are 37 departments and 72 autonomous bodies, headed by Chief Secretary/Principal Secretaries/Secretaries, assisted by Deputy Secretaries/Commissioners and subordinate officers, which are audited by the Principal Accountant General (General and Social Sector Audit), Rajasthan, Jaipur.

The comparative position of expenditure incurred by the Government of Rajasthan during 2010-11 to 2012-13 is given in **Table 1**.

Table 1: Comparative position of expenditure

Particulars	(₹ in crore)		
	2010-11	2011-12	2012-13
Revenue expenditure			
General services	16,737	18,709	20,496
Social services	17,895	21,928	25,293
Economic services	10,220	12,744	17,408
Grants-in-aid and Contribution	21	273	265
Total	44,873	53,654	63,462
Capital and other expenditure			
Capital Outlay	5,251	7,119	10,684
Loans and Advances disbursed	262	1,109	2,412
Payment of Public Debt	3,317	3,490	4,707
Contingency Fund	-	-	-
Public Accounts disbursement	1,16,298	1,22,320	1,50,175
Total	1,25,128	1,34,038	1,67,978
Grand Total	1,70,001	1,87,692	2,31,440

Source: Audit Reports on State Finances of the respective years

1.3 Authority for Audit

The authority for audit by the Comptroller and Auditor General of India (CAG) is derived from Articles 149 and 151 of the Constitution of India and the CAG's Duties, Powers and Conditions of Service (DPC) Act, 1971. 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 13¹, 14², 15³, 17⁴, 19(2)⁵, 19 (3) and 20⁶ of the CAG's DPC Act. The principles and methodology for compliance audit are prescribed in the various manuals issued by the CAG.

1. 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 and other subsidiary accounts.
2. 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.
3. 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.
4. Audit of accounts of stores and stock.
5. 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.
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 CAG and the State Government.

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

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



General and Social Sector Departments and Autonomous Bodies through four groups. During 2012-13, financial and compliance audit 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 was conducted by 36 audit parties.

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.

To carry out audit of 931 out of the 11,739 units of General and Social Sector Departments, 6,304 audit party days were used during 2012-13. 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 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 (16 long draft paragraphs/draft paragraphs) have been reported in Chapter II. The major observations relate to the following categories:

1.6.1.1 Non-compliance with rules and regulations

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

In Medical and Health Department, funds of ₹ 3.32 crore under National Rural Health Mission, meant for school health programme in rural areas, were irregularly spent on urban schools.

(Paragraph 2.1.1)

Funds of ₹ 2.15 crore under National Rural Health Mission in Medical and Health Department were diverted unauthorisedly and irregularly.

(Paragraph 2.1.2)

In Urban Development and Housing Department, State Government failed to finalise the contract within the extended validity period, which led to award of work at extra cost of ₹ 1.16 crore.

(Paragraph 2.1.3)

1.6.1.2 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 ₹ 12.07 crore. Audit findings are as under:

Unfruitful expenditure of ₹ 1.47 crore was incurred by the Medical and Health Department due to non-utilisation of advance life support equipments for more than four years.

(Paragraph 2.2.1)

Public Health Engineering Department failed in assessing the requirement of pumping stations and constructed bituminous road instead of water bound macadam road, which resulted in avoidable expenditure of ₹ 9.76 crore.

(Paragraph 2.2.2)

The Public Health Engineering Department incurred avoidable expenditure of ₹84.23 lakh due to award of work without providing dispute free land, drawing and design of causeway and level sheet.

(Paragraph 2.2.3)

1.6.1.3 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 wilful 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 ₹ 0.92 crore despite the fact that this was pointed out through earlier Reports also.

(Paragraph 2.3.1)

1.6.1.4 Failure in implementation, monitoring and governance

Government has an obligation to improve the quality of life of the people in the areas 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 supervision or concerted action at various levels. Test check of cases revealed that failure in implementation, monitoring and governance involved ₹ 325.40 crore. Audit findings are as under:

Biomedical Waste (BMW), is generated by hospitals and other health providers during diagnosis, treatment, immunisation of human beings and animals and consists of discarded drugs, waste sharps, microbiological and biotechnological waste, human anatomical waste, animal waste etc. This waste is potentially infectious and harmful to human health and a threat to the environment, if not treated properly. Biological agents in BMW pollute water and food and cause alimentary infections like cholera, typhoid, dysentery, infective hepatitis etc. BMW, during incineration, emits toxic gases which damage the environment and are generally cause of incurable diseases like cancer.

In Medical and Health, Animal Husbandry and Environment Departments, provisions of the Biomedical Waste (Management and Handling) Rules were not complied by the government healthcare facilities. Non-obtaining authorisation in time, non-segregation of BMW, improper storage and transportation of BMW, improper disposal of BMW, non-adoption of safety measures, non-maintenance of records, non-compliance of provisions of the

Act/Rules and guidelines by Common Biomedical Waste Treatment Facilities, improper collection and transportation of BMW, storage of BMW in improper places at the Waste Treatment Facility, location for disposal of biomedical waste in close proximity of residential area, non-conducting inspection of health care facilities by Rajasthan State Pollution Control Board etc. were some of the irregularities noticed by audit.

(Paragraph 2.4.1)

To reduce the pressure on Sawai Man Singh (SMS) Hospital, Jaipur and treatment of BPL families, Manas Arogya Sadan Hospital at Mansarovar, Jaipur was constructed in April 2009. In principle approval to run the hospital as a joint venture was granted in January 2010 by the State Government. Improper analysis of financial eligibility conditions of bidders resulted in delay in finalisation of bids. Rejection of financially higher proposals resulted in loss of revenue to the State Government. Projected gross revenue (₹ 5,580.90 crore) and concession fee (₹ 401.82 crore) were arbitrarily reduced by ₹ 4,029.38 crore and ₹ 290.16 crore respectively in the signed agreement. No clause was provided in the agreement to protect the government revenue and impose penal action in the event of failure. Main objective of reducing pressure on SMS Hospital and treatment of BPL families was also not achieved.

(Paragraph 2.4.2)

The Ministry of Human Resource Development, Government of India launched a Scheme in November 2008 for setting up of 6,000 Model Schools as benchmark of excellence at the block level. The objective of the scheme was to provide quality education to rural talented children by setting up a model school on Kendriya Vidyalaya template in each Educationally Backward Block.

Rajasthan Council of Secondary Education, Jaipur under School and Sanskrit Education Department, acquired land for model schools in 31 blocks with a delay by one to three years. Other irregularities viz. land allotted for model schools without proper planning, non-conducting of survey and feasibility study, delay in finalisation of the executing agency for construction of model schools, non-compliance of norms and guidelines in construction of model schools set by Ministry of Human Resource Development, Government of India, short drawal/non-utilisation of the grant due to non-submission of UCs, avoidable expenditure on payment of pro rata charges, and non-monitoring of the construction work of model schools by Rajasthan Council of Secondary Education and its committees were noticed in audit.

(Paragraph 2.4.3)

Post matric scholarship scheme is a centrally sponsored scheme to provide financial assistance to the students belonging to Scheduled Caste, Scheduled Tribe and Other Backward Class, studying at post matriculation or post secondary stage to enable them complete their education.

Out of the total 49,196 students whose disbursements were checked, irregular/excess payments were made to 6,731 students. Such payments were highest (22 per cent) in Jaipur and Tonk districts. The irregularities viz. payment of scholarship to private colleges/institutions instead of direct payment to students through account payee cheques, payment of fraudulent claims, excess reimbursement of fee to students studying in private institutions, payment of scholarship to students of unrecognised institutions, excess/double payment of scholarships, poor persuasion for compliance by Internal Audit Wing etc. were noticed by audit.

(Paragraph 2.4.4)

Non-functioning of Trauma Care Centres despite incurring an expenditure of ₹ 9.47 crore and failure of the Departments of Medical Health & Family Welfare and Medical Education to demand the remaining assistance of ₹ 21.76 crore, deprived the accident victims from services of these centres.

(Paragraph 2.4.5)

Medical and Health Department did not recover ₹1.50 crore from the supplier of medicines found 'Not of Standard Quality'.

(Paragraph 2.4.6)

Unproductive expenditure of ₹ 1.70 crore was incurred due to non-utilisation of Trauma Centre, Burn Ward, ICU and Rehabilitation Centre constructed under Rajasthan Health System Development Project in Medical and Health Department.

(Paragraph 2.4.7)

Women and Child Development Department suffered loss of ₹ 1.82 crore due to unauthorised and irregular destruction of supplementary nutrition and beneficiaries were deprived of the nutritional inputs.

(Paragraph 2.4.8)

Audit is an aid to management for efficiency, effectiveness and good governance. Failure of the Government in taking proper corrective action on audit findings indicated weak governance.

(Paragraph 2.4.9)

1.7 Response of the Departments to 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 draft audit paragraphs, proposed for inclusion in the Audit Reports. Accordingly all the draft paragraphs proposed for inclusion in this report, were forwarded to the Principal Secretaries/ Secretaries concerned.

The concerned departments did not send replies to 4 out of 16 paragraphs featured in Chapter II. The responses of the concerned departments received in respect of 12 paragraphs 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 December 2013, revealed that four ATNs⁷ were pending from the concerned Departments.

7. Paragraphs 1.5.1, 3.2 and 3.5 of the Audit Report (State Finances) 2011-12 and paragraph 2.1 of the Audit Report (G&SS) 2011-12.