Chapter IV

4. Compliance Audit Observations

This Chapter includes important audit findings emerging from test check of transactions of the State Government Companies and Corporations.

Government Companies

Jodhpur Vidyut Vitran Nigam Limited

4.1 *Undue benefit to the contractors due to absence of adequate clauses in the work orders towards manual meter reading*

The contractors carried out manual meter reading in majority (73.66 *per cent*) of cases instead of reading through CMRI/HHT. The Company made payments to the contractors at the rates prescribed for reading through CMRI/HHT in absence of adequate clauses in the work order for manual reading.

The Meter and Protection (M&P) wing of Jodhpur Vidyut Vitran Nigam Limited (Company) awarded (February 2014) work orders for the purpose of monthly meter reading and load survey through CMRI[1]. The scope of the work orders provided that the contractors[2] shall ensure maintenance of master database; meter reading/downloading of data through CMRI/HHT[3] and handing over to the designated officer/billing agency within specified time period; uploading of data to base computer; wiring verification by deploying suitable software with the help of hardware; and generation of output reports. The contract period was two years commencing from April 2014. The performance of the contractors was to be reviewed half yearly and the work could be rescinded any time, if the performance was not found satisfactory.

The terms and conditions of the work orders also provided that meter reading had to be taken only through Meter Reading Instrument/Hand Held Terminal (HHT) for which meter reading instruments in sufficient quantity capable of taking reading from various makes[4] of meters installed at consumer's premises had to be arranged by the contractors. All the meters were to be made accessible for reading by connecting an optical port to meters by removing the existing seal. The Company was required to supply seals to the contractors, who in turn, had to reseal the port and furnish monthly record of seals to the Company. Further, the contractors were required to intimate the Company within 48 hours in case any abnormalities/non-communicating meters were found during the course of meter reading. Manual reading had to be arranged through display parameters in case of non-communicating meters.

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1 Common Meter Reading Instrument.

2 Galaxy Data Processing Centre and NYG Energy Solutions Private Limited.

3 Hand Held Terminal.

4 The Company had installed different makes of meters *viz.* Secure, L&T, ABB, Datapro, Duke Arniks, Genus, HPL, Omniagate, *etc*.

The rates for meter reading and analysis were split for different types of meters. In case partial activities were carried out by the contractors, payment had to be made as per bifurcated rates for data capturing/meter reading and data analysis as below.

(Figures in ₹ per meter)

Type of meter	**Galaxy Data processing centre**						**NYG Energy Solutions Private Limited**		
	Jodhpur zone			**Barmer zone**			**Bikaner zone**		
	Reading	**Analysis**	**Total**	**Reading**	**Analysis**	**Total**	**Reading**	**Analysis**	**Total**
HT TVM	80	30	110	130	30	160	127	2	129
LT TVM	80	30	110	130	30	160	127	2	129
LT CT operated	80	30	110	130	30	160	127	2	129
Three phase whole current (monthly billing)	70	20	90	110	20	130	127	2	129
Three phase whole current (bi-monthly billing)	70	20	90	110	20	130	127	2	129

We observed (July 2015) that the contractors took 209710 meter readings upto July 2015, out of which 55232 (26.34 *per cent*) meter readings were taken through CMRI/HHT and remaining 154478 (73.66 *per cent*) meter readings were taken manually. The sub-division wise details of meter readings of the consumers disclosed that manual readings were taken in cases where the meters were installed inside the meter box; the communication port did not support the meters and where electrostatic meters were installed by the Company.

We noticed that the contractors did not intimate the Company about non-communicating meters within 48 hours. The sub-division wise details of meter readings submitted by the contractors for payment disclosed only the details like number of meters found locked, meters in boxes, meters which did not communicate with HHT/CMRI, electrostatic meters, stopped meters and meters whose reading was taken through HHT/CMRI. The Company, however, did not take any action against the contractors for not intimating it about the non-communicating meters within 48 hours. Further, directions were not issued for taking readings through CMRI/HHT by breaking the seals of the meters and for arranging compatible cord/equipment (hardware and software) despite manual meter readings in majority of cases. The Company also did not replace the electrostatic meters with compatible meters even though these were meagre in number.

The overall objectives of generating various output reports on the basis of meter data was defeated due to manual reading taken by the contractors in majority of the cases. There was no separate rate prescribed for manual meter reading. Absence of any penalty or a separate payment mechanism for manual reading and substantial difference between the rates for reading and analysis encouraged the contractors to go for manual reading in majority of cases.

It was noticed that in a similar work order awarded (November/December 2012) by Jaipur Vidyut Vitran Nigam Limited (JVVNL), a sister concern of the Company, only 50 *per cent* payment was allowed in case of manual meter reading by the contractor. Further, as noticed in another case, Uttar Haryana

Bijli Vitran Nigam Limited (a power distribution company of the Government of Haryana) was also allowing only 25 *per cent* payment to the contractors in case of manual reading.

The Company made payments of ₹ 1.19 crore to the contractors for 1.54 lakh manual meter readings upto July 2015. Had the condition of 50 *per cent* payment existed in the agreements for manual reading like that of JVVNL, the Company could have saved an extra payment of ₹ 59.58 lakh. Besides, the Company also did not review the half-yearly performance of the contractors as per the conditions of agreements even when the contractors made majority of meter readings manually.

The Government stated (January 2016) that the prices for meter reading were irrespective of the method of capturing *i.e.* manually or through CMRI/HHT and the payments had to be made as per bifurcated rates for data capturing/meter reading and data analysis, in case partial activities were carried out by the contractors. It further stated that the rates allowed by the Company for manual reading were at par with the rates allowed by JVVNL for manual meter reading. The reply was not convincing as the contractors were required to take meter reading only through CMRI/HHT and in absence of reading through CMRI/HHT and generation of output reports, the objectives of awarding work orders were not achieved. Further, the rates allowed by JVVNL could not be compared because JVVNL did not split the prices for meter reading and analysis. The contractors of JVVNL had to forgo 50 *per cent* of the composite price (ranging between ₹ 90 and ₹ 125 per meter) in case manual reading was taken. However, in case of Company, the contractors had to forgo only the price for analysis portion which ranged between ₹ 2 and ₹ 30 per meter. In this way, the contractors did not incur any loss on account of manual reading because the prices for analysis portion were substantially lower and they were also not required to make investment on infrastructure (equipment, *etc*.) for ensuring meter reading through CMRI/HHT which was a pre-requisite for analysis of meter data.

The Company in further reply (June 2016) accepted the audit observation and stated that the Corporate Level Purchase Committee had decided (1 June 2016) to allow payments for manual readings at 50 *per cent* of the rates allowed for taking reading through CMRI/HHT. It was also stated that instructions had been issued to the bill verifying authorities for recovery of excess payments.

The Government, however, contrary to the reply of the Company stated (June 2016) that it was not possible to take all the readings through CMRI/HHT due to various reasons *viz.* electro-mechanical meters installed at consumer's premises; meter installed inside the meter box with seal; non-availability of compatible CMRI/HHT with meter reader; non-availability of matching software; lack of communication between instrument and meter due to deposit of sand and rainy water; defective/damaged port of the meter; and non-responsiveness of the meters with CMRI due to increased atmospheric temperature. The reply of the Government was not convincing as the terms and conditions of the work order provided meter reading only through CMRI/HHT as per the scope of the work. The reply of the Government was

silent as regards recovery from the contractors as per the decision (1 June 2016) of the Corporate Level Purchase Committee.

Rajasthan State Industrial Development and Investment Corporation Limited

4.2 *Follow up audit on 'systemic lapses in recovery of economic rent and service charges from the entrepreneurs'*

4.2.1 *Introduction*

Rajasthan State Industrial Development and Investment Corporation Limited (Company) annually recovers economic rent and service charges from the entrepreneurs to recoup the lease charges and recurring cost incurred on up-keep and operation and maintenance of industrial areas.

The performance of the Company in recovery of economic rent and service charges was highlighted in paragraph 3.9 of Report No. 4 (Commercial) of the Comptroller and Auditor General of India for the year ended 31 March 2010, Government of Rajasthan, hereinafter called as Audit Report 2009-10.

The paragraph 3.9 of the Audit Report 2009-10 highlighted discrepancies noticed during the period 2004-05 to 2008-09 relating to non-recovery of economic rent and service charges; non-maintenance of proper records of allottees by the Unit offices; delay/non-issuance of demand notices and show cause notices; lack of action against defaulter entrepreneurs as per rules; and writing-off old dues due to non-recovery.

The Committee on Public Sector Undertakings (COPU) discussed (9 July 2013) the paragraph and placed (March 2016) its recommendations to the State Legislature.

The COPU had recommended that the Company should periodically review and revise the rates of economic rent and service charges; issue notices and make special efforts for recovery of dues outstanding for more than five years; take action against the officials for dereliction in recovery of dues; take action for documentation and computerisation of the records; prepare a management information system and regularly monitor recovery of dues.

We had also recommended that the Company should strengthen its internal control system regarding recovery of dues from the entrepreneurs; stipulate targets for recovery of economic rent/service charges separately; and fix accountability of the concerned staff in case of non-achievement of targets.

The follow up audit was conducted at the Head Office of the Company and in three Units (Sitapura, Ajmer and Bhiwadi-II) out of the six Units[5] selected for the Audit Report 2009-10. This audit was conducted (January 2016 to March 2016) to assess improvement in the system of recovery of economic rent and service charges and action taken by the Company on the audit recommendations made earlier. The criteria adopted to assess the follow-up audit were RIICO Disposal of Land Rules, 1979 (RIICO Rules) framed by the Company for allotment of land; terms and conditions of allotment letters and

5 Sitapura, Vishwa Karma Industrial Area, Kota, Ajmer, Bhiwadi I and Bhiwadi II.

lease agreements; accounting policies adopted by the Company; and paragraph 3.9 of the Audit Report 2009-10.

The audit findings have been finalised considering the replies (July 2016) of the Government.

4.2.2 *Economic Rent*

Rule 9 of the RIICO Rules provided that the entrepreneurs were required to pay lease rent in the form of economic rent for the current financial year within 60 days from the date of allotment of land. In cases, where plots had been allotted in auction, economic rent was required to be paid within 120 days from the date of taking possession/deemed possession. For subsequent financial years, the economic rent becomes due on 1 April of the year and is required to be paid in advance by 31 July of every year. Interest on outstanding economic rent, if any, is recoverable from the due date as per rules. Rule 10 of the RIICO Rules further provided that the Company reserved the right to revise the rate of economic rent every five years. However, the enhancement of rent at each revision should not exceed 25 *per cent* of the rate payable for the period immediately preceding the revision.

The Company fixed (April 2002) economic rent upto March 2012 on the basis of the size of plot, population of the town and the year in which allotment/lease deed was executed (upto 31 March 1991 or on or after 1 April 1991). The rates of economic rent were revised (April 2012) with effect from 1 April 2012.

4.2.3 *Services Charges*

The Company recovers service charges from the entrepreneurs to recoup the recurring cost incurred on the maintenance of industrial areas. Rule 15(A) of the RIICO Rules provided that the allottees had to pay service charges applicable at the time of allotment in addition to economic rent. The entrepreneurs were required to pay service charges within 120 days from the date of allotment for current financial year. For subsequent financial years, the charges are due on 1 April of each financial year and required to be paid in advance by 31 July of every year. The Company reserves the right to revise the rate of service charges from time to time.

4.2.4 *Recovery of economic rent and service charges*

We noticed that as on March 2015, a total amount of ₹ 119.97 crore (including interest of ₹ 41.30 crore) was pending for recovery from the entrepreneurs towards service charges and economic rent. The period from which the service charges and economic rent were pending for recovery was not available on records. Of selected units, economic rent and service charges of ₹ 20.12 crore (including interest of ₹ 6.66 crore) was pending for recovery against the entrepreneurs as on 31 March 2015. We also noticed that the dues increased (129.68 *per cent*) from ₹ 8.76 crore in 2008-09 to ₹ 20.12 crore in 2014-15.

The Company follows an accounting policy which allows it to write-off dues pending for recovery for more than five years. The financial statements are, therefore, prepared considering the dues outstanding for more than five years

as bad debts. An amount of ₹ 52.12 crore[6] was pending for recovery towards economic rent/service charges as on 31 March 2015 after writing-off the dues pending for recovery for more than five years.

We noticed that the performance of the Company in recovery of dues deteriorated during 2009-15. The amount pending for recovery as per financial statements, increased (114.22 *per cent*) from ₹ 24.33 crore as on 31 March 2009 to ₹ 52.12 crore as on 31 March 2015. In selected Units, the amount pending for recovery for less than five years increased (88.56 *per cent*) from ₹ 4.10 crore as on 31 March 2009 to ₹ 7.75 crore as on 31 March 2015 despite the fact that the Government/Company had advised (October 2009) Unit offices to monitor the collection of all dues/charges regularly and issue demand notices to improve the financial health of the Company. This indicated lack of adequate efforts in recovery of dues by the Unit offices. Besides, the Company did not fix Unit wise targets for recovery of economic rent/service charges separately and also did not fix the accountability of individual officials as recommended in the Audit Report 2009-10.

The Government stated that the Company recovers the entire outstanding dues of service charges; economic rent; and interest thereon and any other dues, whenever any allottee approaches it for taking any approval/permission or no objection certificate in any matter. It further stated that the amount of service charges recovered increased from ₹ 16.63 crore in 2009-10 to ₹ 44.37 crore in 2014-15 due to efforts made by the Company. The reply is not in consonance with the facts that the service charges; economic rent and interest thereon were not recovered in the year when these became due. The increase in recovery of dues during 2009-10 to 2014-15 was due to increase in the rate of service charges and number of allottees.

4.2.5 *Revision of service charges*

The Company enhanced the rates of service charges by six *per cent* per annum upto the year 2007-08. The prevailing rates were reviewed (April 2008) and increased (₹ 1.80 per sqm to ₹ 2.75 per sqm)[7] by 10 to 15 *per cent* for various categories of industrial areas in view of increased cost of maintenance vis-a-vis low realization. The Company did not revise the rates during 2009-11 considering the fact that rates were abnormally increased during the year 2008-09.

The technical and financial division (T&FD) of the Company proposed (March 2011) to increase the service charges by 10 to 15 *per cent* from April 2011 for different categories of industrial areas because of excess of expenditure over revenue recovered. The T&FD envisaged an additional revenue of ₹ 12.50 crore during 2011-12 due to increase of service charges but the Company did not revise the rates during 2011-12.

The Infrastructure Development Committee (IDC) of the Company constituted (March 2012) a sub-committee for revision of the rates of service charges. The Company, based on the recommendations of the sub-committee, fixed (May

6 This includes service charges of ₹ 48.51 crore (including interest of ₹ 11.60 crore) and economic rent of ₹ 3.61 crore (including interest of ₹ 1.54 crore).

7 Rates of service charges of Special Economic Zone (SEZ) Sitapura phase I and II were ₹ 34.50 per sqm and SEZ Boranada were ₹ 11.50 per sqm.

2012) the rates from 1 April 2012 as one *per cent* of the prevailing rates of the development charges subject to maximum of ₹ 10 per sqm and minimum of ₹ 1000 with an annual increase of 10 *per cent*. The rates were, however, reduced (June 2012) to ₹ 5 per sqm with minimum of ₹ 1000 per annum on the representations of the entrepreneurs. An annual increase of 10 *per cent* was though made in the rates of service charges during the period 2013-16.

The position of service charges recovered, expenditure incurred by the Company on maintenance/special maintenance of industrial areas and the gap between service charges recovered and expenditure incurred on maintenance/special maintenance of industrial areas during the period 2009-15 was as below.

(₹in crore)

Year	Service charges recovered	Expenditure incurred on maintenance/special maintenance of industrial areas	Excess of expenditure over service charges actually recovered
2009-10	16.63	30.53	13.90
2010-11	19.87	42.41	22.54
2011-12	21.62	68.97	47.35
2012-13	31.22	116.68	85.46
2013-14	34.37	113.33	78.96
2014-15	44.37	77.55	33.18

It could be seen that there was wide gap between the revenue realised from service charges and expenditure incurred by the Company on maintenance/special maintenance of industrial areas.

The Government accepted the facts and stated that the Company gave importance to proper upkeep and maintenance of industrial areas for providing conducive infrastructure facilities. The amount of service charges recovered from each industrial area was kept in view while making expenditure on maintenance but the same was not the sole guiding factor. The company had to incur expenditure considering the peculiar maintenance requirements of an area which led to gap in recovery of service charges and expenditure incurred.

4.2.6 *Inaction against defaulter entrepreneurs*

Rule 24(1) of the RIICO Rules provides right to the Company to cancel the allotted plot for non-adherence to any rules, condition of allotment letter or terms of lease agreement after issuing 30 days registered show cause notice to the allottee. The show cause notice clarifies that the default would be condoned only on adherence to the terms and conditions. The plot was liable to be cancelled and lease terminated in case of no response or reply to the show cause notice without commitment for deposit of dues or adherence to the terms and conditions by the allottee.

In selected Units, we noticed that an amount of ₹ 20.12 crore was pending for realisation against 3844 entrepreneurs towards service charges/economic rent as on March 2015. A test check of records of 157 defaulter entrepreneurs having outstanding dues of ₹ 10.78 crore was done to review the adequacy of action taken by the Unit offices in cases of non-payment of dues.

We observed that out of 157 entrepreneurs, 91 (57.96 *per cent*) entrepreneurs had not paid service charges of ₹ 8.57 crore (79.50 *per cent*) for more than five years and the Company had treated this amount as bad-debts as per the

accounting policy. The Company, however, issued show cause notices in only 72 cases out of 157 cases. Further, in 28 cases, the demand notices were also not issued. The time elapsed since issue of demand notices in the remaining 129 cases was as below:

Time elapsed since issue of demand notice as on March 2015	Number of cases
Five years	7
Four years	6
Three years	4
Two years	8
One year/demand notice issued during 2015-16	104

We observed that the Company had not initiated action to cancel even a single allotment during 2009-15 despite non-payment of dues by these entrepreneurs for a long time.

Among 157 defaulter entrepreneurs, the maximum service charges (₹ 8.59 crore) were outstanding against 57 entrepreneurs of Bhiwadi-II Unit. A further analysis disclosed that out of these 57 entrepreneurs, service charges of ₹ 7.59 crore were outstanding against only 17 entrepreneurs. However, even in the case of these 17 entrepreneurs with significant outstandings, the Unit office had not issued demand notices to nine entrepreneurs and show cause notices to 10 entrepreneurs.

The Government stated that demand notices for payment of economic rent and service charges were issued by the Unit offices every year but the closed industrial units or the units in possession of the Company/RFC[8]/other institutions did not pay the dues. The notices for cancellation of plots were issued to the allottees in case of accumulation of huge amount of service charges. Looking to the number of allottees, however, it was not practical and feasible to cancel the allotments and take possession of the plots of all the defaulter allottees across the State. The reply regarding issue of demand notices to all the allottees every year was not correct as the Company did not issue or delayed the issue of demand notices in above mentioned cases. The number of units under production which did not pay heed to the demand notices was significant and no action was taken by the Company for recovery of dues.

4.2.7 *Non-maintenance of proper records*

In selected Units, it was observed that proper records of the allottees as regards allottee-wise ledger; closed and running units; and age-wise pendency of service charges and economic rent were not maintained. Further, vital information like details of demand/show cause notices issued for recovery of dues and action taken against the defaulter entrepreneurs was also not maintained by the Unit offices. The Unit offices maintained consolidated position of area-wise pendency of dues; and service charges/economic rent recovered and outstanding. The information was not sufficient to analyse the position of individual entrepreneur.

We also noticed that the position of outstanding service charges and economic rent was never apprised to the Board.

8 Rajasthan Financial Corporation.

The Government stated that the Company every year prepared entrepreneur wise details of past outstanding dues of service charges and economic rent; amount due during the year; amount received during the year; and amount outstanding at the end of the year. It was further stated that the analysis/details suggested by the Audit was not feasible in view of manual record keeping by the Company. It was also stated that outstanding service charges and economic rent were part of the annual accounts and the same were presented to the Board every year. The reply was not convincing as age wise break up of outstanding amount of service charges and economic rent against the entrepreneurs was not prepared by the Unit offices. Further, the position of Unit offices as regards recovery of economic rent and service charges was never discussed in the Board meetings separately. The Company settles the dues through individual records as and when need arises.

Conclusion

There was no improvement in the system of recovery of economic rent and service charges during the period 2009-15. The Unit offices failed to issue demand notices/show cause notices timely. The outstanding dues increased year after year due to lack of concrete action against the defaulter entrepreneurs as per rules. There was no improvement in maintenance of records by the Unit offices. There was wide gap between revenue realized from service charges and expenditure incurred on maintenance/special maintenance of industrial areas. Further, the recommendations made by the Audit in Audit Report 2009-10 were not implemented by the Company.

Recommendations

The Company should comply with the recommendations made by COPU. It is also recommended that the Company should:

- **fix Unit office wise targets of recovery of economic rent/service charges;**
- **take proper action against the defaulter entrepreneurs for non-payment of economic rent/service charges;**
- **rationalise the rates of services charges to maintain parity with the expenditure incurred on maintenance/special maintenance of industrial areas; and**
- **computerise the records and prescribe periodical returns of outstanding dues (entrepreneur wise) to be submitted by the Unit offices to the Management.**

4.3 *Installation of Rainwater Harvesting Structures in the industrial areas*

4.3.1 *Introduction*

Water is a scarce and precious national resource. It is fundamental to life, livelihood, food security and one of the most crucial elements in developmental planning. The State of Rajasthan is one of the driest states of the Country and the total surface water resources in the State are only about one[9] *per cent* of the total surface water resources of the country.

Utilisation of groundwater and its replenishment in Rajasthan during 2001-15

The groundwater resource is replenished by two major sources; rainfall and other sources that include canal seepage, return flow from irrigation, seepage from water bodies and artificial recharge due to water conservation structures. In Rajasthan, the total water recharge in 2001 was 11.159 Billion Cubic Meters (BCM) against utilisation of water for irrigation (10.454 BCM) and industrial & residential (1.181 BCM) purpose. Utilisation of water for irrigation and industrial & residential purpose increased to 11.60 BCM and 2.72 BCM respectively in 2015 but the total water recharge was only 10.38 BCM. Thus, excess withdrawal of groundwater of 0.476 BCM in 2001 went upto 3.94 BCM in 2015 indicating constant depletion of groundwater table. The stage of water development in Rajasthan was negative (125 *per cent*) against the national average of 58 *per cent* which shows that average annual ground water consumption was more than average annual ground water recharge.

Source: Water resources information system of India and Central Ground Water Board.

The Government of Rajasthan (GoR) ordered (31 May 2000) mandatory installation of rainwater harvesting system for all public establishments and all properties in urban areas having plots of 500 square meters (sqm) or more. The order was modified (12 December 2005) and installation of rainwater harvesting system was made mandatory for all plots in urban areas of 300 sqm or more.

Rajasthan State Industrial Development and Investment Corporation Limited (Company) is engaged in allotment of land for industrial and non-industrial purpose in the State. Consequent to the decision of the GoR, construction of Rainwater Harvesting Structures (RWHS) within six months from 7 December 2000 was made mandatory for allottees having plots 500 sqm or more. The Company, however, did not pay attention to the amended (12 December 2005) order of the State Government which made construction of RWHS mandatory for plots having size 300 sqm or more.

The present study was carried (February 2016 to April 2016) out to assess whether the allottees installed RWHSs in the plots as per the Rules and directives issued by the Company from time to time. Further, the monitoring mechanism adopted by the Company to verify the construction of RWHS by the entrepreneurs and action taken against the defaulter allottees were also reviewed.

As on 31 December 2015, the Company had allotted 54195[10] plots (42479 industrial/non-industrial units covering 34682 acre land) in 330 industrial areas under the jurisdiction of 27 Unit offices. Out of 42479 units, 36519 units were under production and 2060 units were under construction as on

9 State Water Policy 2010.

10 Including 6937 number of plots lying vacant as on December 2015.

December 2015. The plots under remaining units were either lying vacant or were under dispute.

Our scrutiny involved review of records at the Head Office and seven[11] selected Unit Offices covering all the geographical zones/regions of the State. A mix of 33 old and new industrial areas out of 71 industrial areas developed by the selected Unit offices were selected to assess the compliance of rules and orders by the old and new allottees (units). The results are based on detailed scrutiny of the records of 1262 units (including industrial and non-industrial), out of 5581 units under production in selected industrial areas as on December 2015. We also conducted joint inspection of 105 units along with the Company personnel to assess the authenticity of installation of RWHS by the allottees and cross verified by the Company.

The RIICO Disposal of land Rules, 1979 (RIICO Rules); terms and conditions of allotment letters; decisions of the Infrastructure Development Committee (IDC); administrative sanctions issued for industrial areas; and other Rules, notifications, manuals issued by the Company formed the audit criteria for achievement of audit objectives.

The paragraph has been finalised after considering the reply (August 2016) of the Government.

Audit findings

4.3.2 *Regulatory framework for construction of RWHS*

The allottees of the plots are required to prepare and get the lay out plan approved as per the building parameters prescribed by the Company. The Company modified (7 December 2000) the building parameters and made installation of RWHS compulsory in the non-industrial plots having size 500 sqm or more. The Company also incorporated conditions in the allotment/transfer letters from August 2001 onwards for mandatory installation of RWHS by all industrial units having plot size 500 sqm or more. The allotment of plot was to be automatically treated as cancelled in case of non-compliance with any of the terms and conditions of allotment/transfer letter by the allottee.

The GoR issued (February 2010) State Water Policy 2010 which stressed promotion of roof top rainwater harvesting in both rural and urban areas. The Company, in compliance with the State Water policy, formed (9 June 2011) a sub-group[12] to examine the issue of rainwater harvesting in the industrial areas of the Company in line with the policy and guidelines issued by the State Government from time to time.

Based on the recommendations (August 2011) of the sub-group, the IDC decided (5 September 2011) that all the existing allottees of plots having size 500 sqm or more were required to construct RWHS in their premises within a period of six months. The request of the existing allottees as regards change in land use; transfer of plot; change in constitution of the unit; and issue of no-objection certificate was not to be entertained, if RWHS was not constructed.

11 Abu Road, Bikaner, Bharatpur, Boranada Jodhpur, EPIP Sitapura, Kota and Neemrana.

12 Commissioner Industries, Commissioner (Investment & NRI) and Secretary (Energy).

It was also decided that new industrial units would not be recorded as 'under production' without verification of RWHS in their premises by the Head of the concerned Unit office.

The IDC also amended (August 2014) Rule 23 (C) of the RIICO Rules. The amended Rule provided that any industrial unit could be treated 'under production' without construction/completion of RWHS subject to an annual payment of penalty at the specified rates. A clarification to this amendment was issued (September 2014) which provided that:

- delay in commencement of production activities upto the date of construction of RWHS would be regularized on payment of retention charges in cases where plots had been treated 'under production' during the period from 30 September 2011 to 24 August 2014,
- in cases where plots were treated as 'under production' on or after 25 August 2014, the entrepreneurs were required to make payment of penalty at specified rates for delay in construction of RWHS.

The clarification was, however, silent as regards recovery of retention charges in cases where the allottees had not installed RWHS even after August 2014 but the units were treated as 'under production' during the period from October 2011 and August 2014.

4.3.3 *Construction of RWHSs by the allottees*

Out of 1262 selected units, only 515 units constructed RWHS by March 2016. The construction of RWHSs by the allottees has been analysed into three parts based upon the issue of directives/modification of Rules by the Company. The first part covers construction of RWHSs by the 703 units which were under production as on September 2011; second part covers 339 new units which came under production during October 2011 to August 2014; and the third part covers 176 units which came into production after August 2014. In absence of data, the date of production of 44 old units could not be verified. However, 14 units out of these old units had installed RWHSs in their premises. The status of installation of RWHSs by the 1262 selected units as on March 2016 was as under.

Period	**Units under study**	**Units which installed RWHS**	**Units which had not installed RWHS**
Units under production as on September 2011	703	160	543
Units which came under production during October 2011 to August 2014	339	206	133
Units that came under production after August 2014	176	135	41
Units whose date of production could not be verified	44	14	30
Total	**1262**	**515**	**747**

- Out of 703 units 'under production' as on September 2011, only 160 units had installed RWHSs in their premises by March 2016. We noticed that only eight existing units installed RWHSs within the prescribed time period of six months. The Company/Unit offices, however, allowed change in constitution of units in 34 cases; change in

land use in seven cases; issued no-objection certificate in 235 cases; and allowed transfer of units in 194 cases during the period October 2011 to March 2016 without ensuring construction of the RWHS by these units.

- The Unit heads treated 339 units as having come 'under production' during the period from October 2011 to August 2014 but only 206 units had installed RWHSs in their premises. The remaining 133 units were treated 'under production' without construction of RWHSs. We noticed that the Company did not recover retention charges of ₹ 6.45 crore on account of delay in installation of RWHSs/non-installation of RWHSs.
- Out of 176 units which came 'under production' after August 2014, only 135 units installed RWHS. Of the remaining 41 units, 19 units were treated 'under production' as per existing norms without installation of RWHSs. The scheduled date of production in case of 22 units was beyond March 2016. The Company did not recover penalty of ₹ 0.06 crore from units[13] which were treated as 'under production' without installation of RWHSs.

4.3.4 *Results of joint inspection*

We conducted joint inspection of 105 units along with the Company personnel to assess the authenticity of RWHS installed by the allottee and also verified by the Unit offices. The results of joint inspection were as under.

S. no.	Name of the Unit office	Number of joint inspections	Number of units where the RWHS did not exist	Number of units where RWHS was not properly maintained
1	Abu Road	13	7	5
2	Neemrana	9	2	3
3	Bharatpur	8	-	7
4	Bikaner	20	-	8
5	Kota	34	-	12
6	Boranada Jodhpur	11	8	11
7	Sitapura Jaipur	10	1	1
Total		**105**	**18**	**47**

The results of the joint inspection disclosed that out of 105 units, 18 units had not installed RWHS but the Unit offices had verified the same earlier. This indicated that construction of RWHS by the allottee was certified by the Unit Office without physical verification of the unit. This increases the risk of irregularities as the entrepreneurs were not able to make change in land use; transfer of plot; change the constitution of the unit; and seek no-objection certificate for availing loans from the financial institutions without concurrence of the Unit Offices. Further, in 47 units, we noticed that the RWHS was not properly maintained as underground water tanks did not exist; pipes fitted to carry roof top water were not having discharge into underground tanks; or the pipes were blocked due to garbage.

13 In respect of 38 units (19 units which had not installed RWHSs and 19 units which installed RWHSs with delay).

4.3.5 *Monitoring of construction of RWHSs*

The Company did not prepare and implement an effective strategy to ensure installation of RWHSs by the units in the industrial areas. The Unit offices did not issue any notices upto September 2011 though installation of RWHSs was mandatory from August 2001 for all the units having size of plots 500 sqm or more. The Company lacked efforts in issuing directions and generating awareness among the allottees for installation of RWHS. The Company/Unit offices did not have any database of the units which constructed RWHS. In absence of any database, the Company/Unit offices could not identify the units which had not constructed RWHSs and as such were liable for retention charges. The plots were liable to be cancelled for non-installation of RWHS but the compliance of this condition in the allotment/transfer letters was not monitored. Further, the Unit heads treated new units 'under production' without verifying the construction of RWHSs in violation of the directions.

The allottees of the plots were required to intimate in writing to the concerned Unit head after construction of the RWHS. We observed that out of the selected 1262 units, only 45 units intimated about construction of RWHSs upto March 2016.The Company, however, issued notices in only 161 cases (13.23 *per cent*) out of 1217 cases during September 2011 to March 2016. The Unit Offices, therefore, failed to monitor the construction of RWHSs despite non-receipt of intimations from the allottees.

4.3.6 *Implementation of the recommendations of the IDC*

The IDC in addition to the decisions taken in the meeting held on 5 September 2011, also recommended:

- to prepare a manual on rainwater harvesting system to define the vital parameters of RWHS such as size, type, design, technical specifications, *etc*.;
- to adopt a motivational approach for water harvesting system by having wider discussions with the Industries Association; and
- to form a group to decide modalities for implementation of the suggestions of the sub-group.

The compliance to the above recommendations of the IDC by the Unit offices/Company is discussed below.

4.3.7 *Preparation of manual for construction of RWHS*

The Company had (June 2005) a document explaining methodology for construction of RWHS but the Unit Offices were not aware of any such document. Further, in compliance with the directions (5 September 2011) of the IDC, the Company did not prepare any manual to define the vital parameters of RWHS such as size, type, design, technical specifications, *etc*. The Unit offices were not aware about the specifications and technology to be used by the units for construction of the RWHS as per the topology of the area.

In absence of specific directions and awareness, the site reports prepared by the selected Unit offices mentioned only whether the allottees had constructed RWHS or not. The Company, therefore, did not ensure the suitability of

RWHSs installed by the units due to non-existence of vital parameters of RWHS to be constructed.

4.3.8 *Modalities for installation of RWHSs*

Implementation of any policy largely depends upon the participation of stakeholders. The State Water Policy 2010 was aimed at adopting an integrated and multi-sectoral approach in planning, development and management of water resources on a sustainable basis. The policy aimed to promote water conservation through education, regulation, incentives and disincentives by progressive water tariff, water recycling facilities, *etc.*

The allottees of the industrial/non-industrial plots were the related stakeholders required to install RWHS in the industrial areas developed by the Company. However, the Company did not prepare any programme for publicity and for generating awareness among the entrepreneurs about the importance of rainwater harvesting.

The sub-group considering the scarcity of surface water and critical situation of the ground water in the State and need for implementation of rainwater harvesting systems in accordance with the provisions of the State Water Policy, recommended (24 August 2011) mandatory installation of RWHSs in the industrial areas. The IDC also formed (September 2011) a group to firm up the modalities for implementation of the suggestions of the sub-group. The group, however, did not prepare any proposal to decide modalities for installation of RWHSs by the units in the industrial areas. Further, the Company was also found deficient in redressing the grievances of industrial units regarding installation of RWHS as per the topographical conditions of the industrial areas.

We noticed that the Industrial Associations of Kota and Jhalawar industrial areas requested (July 2012) the Company to issue guidelines for construction of RWHS in view of the industries being located in impervious belt having schist rock/hard rock. The Company, however, failed to provide guidance to the industrial units located in these areas (April 2016). As a result, RWHSs could be constructed (March 2016) in only 90 units out of 276 units under selection in Kota Unit office.

The Government accepted the audit observations and stated (August 2016) that the Company had issued (April 2016) directions to all Unit offices to ensure compliance with the audit observations and orders/circulars issued by the Company in relation to construction of Rainwater Harvesting Structures. It was further stated that the Company had issued directions to obtain support from Industrial Associations and place flexi sign boards at suitable locations for publicity and generating awareness for construction of Rainwater Harvesting Structures.

Conclusion

The Company failed to prepare and implement an effective strategy to ensure mandatory installation of Rainwater Harvesting Structures (RWHSs) by the allottees in the industrial areas. The Company/Unit offices in violation of the decisions/directives of the Infrastructure Development Committee (IDC) allowed change in constitution of units; change in land use; transfer of units; issued no-objection certificate; and

treated the units under production as per the existing norms without ensuring installation of RWHSs. There were instances where the allottees had not installed RWHSs but the Unit offices certified installation of RWHSs by these units. Further, the RWHSs installed by the allottees were not properly maintained in some cases. The Company did not prescribe technical parameters and the technology to be used by the allottees for installation of RWHS based upon the topography of the industrial areas. The Company also did not prepare any programme for publicity and for generating awareness among the entrepreneurs about the importance of rainwater harvesting as recommended by the IDC.

Recommendations

We recommend that the Company should:

- **prepare and implement an effective strategy to ensure mandatory installation of RWHSs by the allottees within prescribed time frame. The Company should also initiate effective action against the entrepreneurs where there is slackness in installation of RWHS;**
- **prescribe technical parameters and the technology to be used by the allottees for installation of RWHS based upon the topography of the industrial areas;**
- **issue directions to the Unit Offices for mandatory verification of the RWHSs prior to treating a unit as 'under production' and issuing no-objection certificate, transfer of land, *etc*. The Company may also consider obtaining photographic evidence of the constructed RWHS duly certified by the competent authority;**
- **issue directions to the Unit Offices for periodical verification of the units to ensure that the RWHSs are being properly maintained by the allottees; and**
- **prepare and implement programmes for publicity and for generating awareness among the entrepreneurs about the importance of rainwater harvesting.**

4.4 *Fixation of reserve price on lower side*

The Unit Office (Neemrana) caused loss of ₹ 1.73 crore due to fixation of reserve price below the minimum rate prescribed by the State Government on regularisation of unauthorised occupation of land.

The 'RIICO Disposal of Land Rules, 1979' (RIICO Rules) framed by Rajasthan State Industrial Development and Investment Corporation Limited (Company) defines a strip of land as a piece of land adjoining one or more existing plots which cannot be put to independent use because either it could not be planned as an independent plot in conformity with the town planning norms or there can be no approach to such piece of land.

Rule 12 (B-2) of the RIICO Rules provided that the rate of allotment of a strip of land in case of commercial plots would be four times the prevailing rate of allotment of industrial land or the highest auction rate received in the last auction for commercial purpose, whichever is higher. In case, any strip of land

is so located that it could be used by the owners of more than one adjoining plots, such strip of land would be disposed by a limited auction between the owners of all adjoining plots. The strip of land would be allotted at the rates not less than the rates mentioned in the Rule, if the owner of only one adjoining plot shows interest in purchasing the land during auction.

The Unit Office (Neemrana) allotted (December 1998) 20125 square meter (sqm) land (CC-1 plot) to Vanchari Hotels Private Limited[14] (VHPL) for commercial purpose. However, VHPL was also in unauthorized occupation of 1684 sqm land adjacent to its plot.

The fact of unauthorized occupation of land came to the notice of Unit Office (Neemrana) during August 2013 at the time of inspection of industrial area Neemrana-I. The Unit Office directed (October 2013) VHPL to vacate the land and in response (December 2013), VHPL proposed to purchase the strip of land on allotment rate plus interest.

The strip of land was located between CC-1 and CC-2 plots and, therefore, the Unit Office invited (March 2014) sealed bids from both the owners. The reserve price (₹ 12000 per sqm) for the strip of land was fixed (March 2014) at four times the prevailing rate (₹ 3000 per sqm) of development charges. The owner of CC-2 plot did not submit the bid while VHPL submitted (April 2014) its willingness to purchase the land without quoting any rate. The Company allotted (May 2014) the strip of land to VHPL at the reserve price.

We noticed (August 2015) that the Unit Office fixed the reserve price (₹ 12000 per sqm) of the strip of land at four times the prevailing rate (₹ 3000 per sqm) of development charges. The Unit Office submitted to the Head Office that the highest auction rate received (June 2011) for a commercial plot was ₹ 9501 per sqm and fixation of reserve price based on this rate would be on the lower side.

We also observed that the Unit Office fixed the reserve price of the strip of land without considering the prevailing market conditions as the minimum rate (₹ 22270 per sqm) of allotment (DLC[15] rate) fixed by the State Government for commercial land in this area was much higher than the reserve price fixed by the Unit Office. The Unit Office did not consider the DLC rate despite the fact that in respect of another commercial plot (CC-13 admeasuring 5782 sqm) in the same industrial area, it had earlier proposed (3 February 2014) reserve price of ₹ 25000 per sqm on the basis of prevailing DLC rate which was approved[16] (October 2014) by the Head Office of the Company. Further, DLC rates fixed by the State Government are minimum rates of allotment in an area and Rule 12 (B-2) of the RIICO Rules did not prohibit the Company to fix reserve price above the DLC rates.

The Company could have at least fixed the reserve price of the strip of land considering the DLC rate of the area. The Unit Office, therefore, caused loss

14 The land was originally allotted to Dorata Shopping complex which was subsequently renamed (June 2000) as Modern Builders. The land was transferred in the name of VHPL after acquisition of Modern builders by VHPL.

15 DLC stands for District Level Committee. The District Level Committee kept the rates unchanged at the time of revision during December 2014.

16 Delay in approval was due to 'Model Code of Conduct' enforced by the Election Commission.

of ₹ 1.73 crore[17] to the Company due to fixation of reserve price below the minimum rate prescribed by the State Government on regularisation of unauthorised occupation of land.

The Government stated (June 2016) that there was no rule to consider the DLC rate while fixing the reserve price for disposal of strip of land. The reply was not convincing as the Unit Office had neither considered the DLC rate as a criteria for fixing the reserve price based on the prevailing market rate nor followed the highest auction rate received in the last auction as stipulated in Rule 12 (B-2) of RIICO Rules.

Rajasthan Rajya Vidyut Utpadan Nigam Limited

4.5 *Under recovery of compensation against excess wear rate of High Chrome grinding media balls*

The Company adopted incorrect methodology for computation of recovery against excess wear rate of High Chrome grinding media balls leading to under recovery of compensation of ₹ 6.27 crore.

Rajasthan Rajya Vidyut Utpadan Nigam Limited (Company) procured 8491.98 Metric Tonne (MT) High Chrome grinding media balls from R.N. Metals, Jaipur (Supplier) under various tenders[18] during 2011-15 for pulverization of coal at its thermal power plants[19]. The Clauses of the purchase orders relating to 'wear rate guarantee' and 'performance guarantee' provided that the Supplier shall guarantee the wear rate[20] of High Chrome grinding media balls at the rate of 110 gram/MT of coal crushed irrespective of the quality of coal. The purchase orders further provided that the new grinding media balls would be charged in test mills of SSTPS/KSTPS/CTPP after completely emptying the old grinding media balls and the wear rate would be computed only once for the quantity of grinding media balls used for a period of one year or from annual shutdown to next annual shutdown (maximum 15 months), whichever was feasible. Such computed wear rate would then be made applicable on the total supplied quantity under the purchase order irrespective of the material being mixed in other mills with old material as per operational requirements of the SSTPS, KSTPS and CTPP. In case the wear rate of grinding media balls was found to be higher than 110 gram/MT, the tenders provided one of the following conditions:

- the Supplier shall supply the additional grinding media balls free of cost for topping up due to additional wear rate above 110 gram/MT (Tender notice 101/11);

17 (₹ 22270 per sqm less ₹ 12000 per sqm) X 1684 sqm.

18 Tender notice 101/11 (3236.56 MT) during 2011-12, 2012-13 and 2014-15, Tender notice 104/12 (1432.894 MT) during 2012-13 and 2014-15 and Tender notice 108/13 (3822.533 MT) during 2013-14, 2014-15 and 2015-16.

19 Suratgarh Super Thermal Power Station (SSTPS), Kota Super Thermal Power Station (KSTPS) and Chhabra Thermal Power Project (CTPP).

20 Wear rate = [Weight of balls charged in the test mill including balls topped up during the corresponding period *less* weight of balls received after draining] / Weight of coal crushed during the corresponding period.

- an amount at the rate of ordered price of the High Chrome grinding media balls shall be recovered from the Supplier for the quantity worked out against excess wear rate (Tender notice 104/12);
- an amount at the rate of 1.25 times of the ordered F.O.R[21] prices of the High Chrome grinding media balls would be recovered from the Supplier for the quantity worked out against excess wear rate (Tender notice 108/13);

We noticed (March 2016) that the Company determined the wear rates of high chrome grinding media balls at the three thermal stations ranging between 114.33 gram/MT and 195.28 gram/MT. The Company, however, calculated[22] the ratio of excess balls consumed to total balls charged in the test mill and applied this ratio to the total supplied quantity for working out the compensation for excess consumption of balls than the guaranteed wear rate. This methodology adopted by the Company for working out compensation was not correct because the compensation for excess wear rate had to be worked out after deducting the weight of the balls not consumed as done for calculating the wear rate. This would have been in consonance with the applicable Clauses of guaranteed wear rate of High Chrome grinding media balls.

We further noticed that the Chief Accounts Officer (Thermal Design) of the Company had raised (July 2015) the issue of incorrect methodology adopted for recovery of compensation towards excess wear rate. However, the Committee[23] constituted (15 December 2015) to review the case decided (23 December 2015) to continue with the prevailing methodology on the grounds that the High Chrome grinding media balls initially charged in the test mill along with top-up balls had contributed to grinding of the coal and, therefore, recovery should be calculated on the basis of total balls charged in the test mill.

The decision of the Committee was not based on the applicable clauses of purchase orders where the calculation of wear rate had been prescribed after excluding the High Chrome grinding media balls drained from the test mill. Incorrect methodology adopted for computation of recovery against excess wear rate of High Chrome grinding media balls caused under recovery of compensation of ₹ 6.27 crore **(Annexure-5)**.

The Company in its reply (June 2016) explained the working of the test mill and reiterated the views of the Committee. The Company in subsequent reply (July 2016) stated that the methodology adopted by various power stations for last many years has been adopted and admissible recoveries were made from the contractors. It was further stated that the matter had been reviewed and methodology and recoveries made had been considered as correct. The Government endorsed (July 2016) the reply of the Company.

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21 Free on Rail/Road.

22 (Quantity of excess worn out balls / Quantity of balls charged in the test mill) X Quantity supplied against Purchase order.

23 Chief Engineer (KSTPS), Chief Engineer (O&M, SSTPS), Chief Engineer (O&M, CTPP), Chief Controller of Accounts (KSTPS), Chief Controller of Accounts (Head Office), Chief Controller of Accounts (SSTPS) and Chief Accounts Officer (CTPP).

Rajasthan State Hotels Corporation Limited

4.6 *Imprudent financial management*

The Company incurred loss of interest of ₹ one crore due to parking of funds in current account besides non fulfillment of objectives for which the sanction of funds was made.

Rajasthan State Hotels Corporation Limited (Company) operates Hotel Khasa Kothi at Jaipur and Hotel Anand Bhawan at Udaipur. The Chief Minister, Rajasthan in the budget speech for the year 2013-14 announced (6 March 2013) a sum of ₹ 10 crore to the Company for renovation/up-gradation of the Hotel Khasa Kothi. The Company in consultation (15 July 2013) with the Department of Tourism, Government of Rajasthan (GoR), decided to execute various civil and electrical works under the programme of renovation/up-gradation of Hotel Khasa Kothi through Rajasthan Avas Vikas Infrastructure Limited[24] (RAVIL).

The Department of Tourism issued (25 September 2013) 'Administrative and Financial' sanction to transfer funds of ₹ 10 crore in the Personal Deposit (P.D) account of the Company as an interest free loan to be repayable in five equal yearly installments. The Finance Department, GoR, also issued sanction and transferred (3 January 2014) ₹ 10 crore in the P.D account of the Company. The terms of sanction stipulated that the funds would not be withdrawn for any other purpose except to meet the expenditure for the sanctioned purpose.

We observed (February 2016) that the Company did not prepare any scheme for renovation/up-gradation of Hotel Khasa Kothi. Further, in violation of the terms of sanction and without apprising the Finance Department, it withdrew (31 January 2014) the whole amount of ₹ 10 crore from the P.D account and deposited the same in the current account. The Company sought (24 February 2014) permission from the Finance Department to invest the funds in fixed deposit account. The permission was not granted (28 March 2014) on the grounds that the Department of Tourism/Company did not take steps for implementation of the budget announcement despite sufficient time.

Subsequently, the Company entered (8 May 2014) into a Memorandum of Understanding with RAVIL for renovation/up-gradation of Hotel Khasa Kothi at an estimated cost of ₹ 10 crore and released (2 June 2014) funds of ₹ 1.47 crore[25]. The balance funds of ₹ 8.50 crore remained in the current account. The Company subsequently invested (June 2015) ₹ 7.50 crore in the fixed deposit account and remaining funds of ₹ one crore were utilised (June 2015 to October 2015) for day to day operations.

We further noticed that RAVIL awarded (21 October 2014) work order of ₹ 42.04 lakh only against the estimated expenditure of ₹ 10 crore on renovation/up-gradation of the Hotel Khasa Kothi. The Company requested (28 May 2015) RAVIL to refund the unutilised amount citing directions (May 2015) of the State Government prohibiting the Company from carrying out renovation/up-gradation works without prior permission. RAVIL refunded

24 A Government of Rajasthan company.

25 ₹ 1.50 crore less tax deducted at source ₹ 0.03 crore.

(18 August 2015) an amount of ₹ one crore which was invested (16 October 2015) by the Company in fixed deposit account.

We observed that:

- The Company failed to implement an effective programme for renovation/up-gradation of Hotel Khasa Kothi despite being provided interest free loan by the State Government.
- The Company, in violation of terms of sanction, withdrew (January 2014) the funds and parked (June and October 2015) in fixed deposit without approval of the Finance Department. Had the funds not been withdrawn by the Company, the State Government could have utilised the funds for other projects.

It was further observed that even the decision of the Company to keep the funds in current account after withdrawal was not as per the financial prudence as the funds remained idle for a period of 18 months. The Company could have at least earned interest of ₹ one crore[26] had the funds been parked in interest bearing accounts instead of current account.

The Company stated (July 2016) that the State Government did not impose any condition on withdrawal of funds from the P.D account. Further, the loan funds could not be invested in fixed deposit because the Finance Department did not give permission for the same. The reply was not convincing because the terms of sanction issued by the Finance Department clearly stipulated that the funds would not be withdrawn for any other purpose except to meet out the expenditure for the sanctioned purpose. Further, the decision of the Finance Department should be seen in light of the fact that it was not aware about withdrawal of funds by the Company from the P.D account.

The Government endorsed (August 2016) the reply of the Company.

Rajasthan State Mines and Minerals Limited

4.7 *Double payment of Cess on Mineral Rights to the State Government*

Double payment of mineral cess on Mineral Rights to the State Government on low grade Rock Phosphate purchased from HZL due to inaction on the clarification issued by the Department of Mines.

The Government of Rajasthan (GoR) levied (February 2008) 'Environment and Health Cess' (Cess) on Mineral Rights (MR) on Rock Phosphate at the rates notified from time to time. The Rules (Rajasthan Environment and Health Cess Rules, 2008) governing levy of MR Cess notified in June 2008 provided that excess payment of Cess by a lessee would be refunded on an application made within a period of one year from the date of such payment.

26 Calculated at the rate of 8.50 *per cent* per annum, being the rate at which interest was earned by the Company in fixed deposit account. Loss of interest = loss of interest of ₹ 0.28 crore on ₹ 10 crore during the period February 2014 to May 2014 and loss of interest of ₹ 0.72 crore on ₹ 8.50 crore during the period June 2014 to May 2015.

Rajasthan State Mines and Minerals Limited (Company) purchased 2.64 lakh Metric Tonne[27] low grade Rock phosphate from Hindustan Zinc Limited (HZL) during 2010-13. The low grade ore was used to make uniform grade (31.5 *per cent*) Rock Phosphate after blending with high grade Rock Phosphate produced by the Company from its own mines. The Company sought (January 2010) clarification from Department of Mines, GoR as regards payment of Cess on sale of Rock Phosphate purchased from HZL after blending and processing by the Company. The Department of Mines with the approval of Department of Finance, clarified (February 2010) that there was no justification for payment of MR Cess to the State Government on the low grade ore blended and sold by the Company as HZL had already deposited MR Cess.

We observed (February 2016) that the Company (2010-11 to 2012-13) paid ₹ 13.18 crore to HZL towards MR Cess on purchase of low grade ore. It also paid (2010-11 to 2013-14) MR Cess to the State Government on the quantity of uniform grade Rock Phosphate sold to the consumers. The Company, however, did not adjust/set-off MR Cess already paid to HZL at the time of making payment to the State Government. As a result of inaction by the Company on the clarification issued by the Department of Mines, a payment of ₹ 9.43 crore[28] of MR Cess on low grade ore purchased from HZL was made twice to the State Government.

The Company, after a gap of four years sought (January 2014) further clarification in this regard from the Finance Department, GoR and Inspector General, Registration & Stamps, GoR (IG Stamps). The IG Stamps intimated (June 2014) the Finance Department that the Company was not liable to pay Cess on the Rock Phosphate purchased from HZL and also clarified that the amount paid by the Company to HZL towards MR Cess could be set-off in case the Company had not recovered this amount from the consumers. Based on this clarification, the Company pursued (October 2014) with the IG Stamps for refund of MR Cess of ₹ 9.43 crore. The Company, however, did not get refund of the MR Cess (February 2016). There was bleak possibility of getting refund of ₹ 9.43 crore as the Company had to apply for refund of excess payment of MR Cess within one year from the date of payment as per the Rajasthan Environment and Health Cess Rules, 2008 (Rules).

The Company stated (June and July 2016) that pending assessment by the Assessing Officer, the Company had adjusted (June/July 2016) the entire payment of ₹ 9.43 crore as per Rule 6 of the Rajasthan Environment and Health Cess Rules, 2008. The reply was not convincing because:

- Rule 6 allowed the Company to only revise the returns before assessment by the Assessing Officer in case of any omission or wrong statement in the filed returns. The *suo moto* adjustment made by the Company was not correct as it was required to claim refund of the excess payment made to the Government within a period of one year.

27 2010-11 (1471.45 MT), 2011-12 (48013.09 MT), 2012-13 (214065.77 MT).

28 Low grade ore involving payment of MR Cess of ₹ 3.75 crore had not been sold by the Company (February 2016).

- By doing so the Company made short payment of MR Cess to the State Government for the current financial year (2016-17) and, therefore, runs the risk of attracting penalty as per applicable Rule 11.

The Government endorsed (August 2016) the reply of the Company.

4.8 *Extra expenditure*

The Company terminated the rate contract without any justification and purchased additive at higher rates causing extra expenditure of ₹ 37.03 lakh.

Rajasthan State Mines and Minerals Limited (Company) invited (June 2013) tenders for purchase of 'Calcite mineral for use as additive' and issued (January 2014) rate contract to the lowest (L1) bidder (Surbhi Process, Pali) for total tendered quantity of 70000 Metric Tonne (MT) at the rate of ₹ 786.82 per MT. Surbhi Process was required to supply the quantity within two years @ 35000 MT per annum from the date of issue of rate contract. However, the supply schedule was not fixed and the additive was to be supplied as intimated by the Company from time to time. Apart from the rate contract with L1 bidder, the Company also explored (December 2013) possibilities for a parallel rate contract with L2 bidder (Kalpana Minerals & Chemical, Udaipur) so as to ensure uninterrupted supply as the L1 bidder was the fresh supplier to the Company. The parallel rate contract, however, could not materialise because Kalpana Minerals agreed to accept the rate of L1 bidder only on the condition of supplying 50 *per cent* of the total tendered quantity instead of 25 *per cent* offered by the Company.

The supply position of Surbhi Process was not satisfactory and as a result the Company again offered (March 2014) the L1 rate to Kalpana Minerals. During negotiations (March 2014), Kalpana Minerals insisted on award of supply order for atleast 35 *per cent* (24500 MT) of the total tendered quantity. The Company, however, issued (July 2014) rate contract for supply of only 13125 MT (18.75 *per cent*) additive at the rate of the L1 bidder. Kalpana Minerals was required to supply the material upto 23 December 2015 @ 8750 MT per annum. Further, the rate contract of Surbhi Process was reduced (July 2014) to 56875 MT.

The Company noticed (March 2015) that Surbhi Process was supplying the additive in the name of "Crystalline Metamorphosed Calcite Additive" enclosing '*Rawannas*[29]' issued by Directorate of Mines and Geology (DMG) wherein the name of mineral was mentioned as 'Marble Khanda'. The additive supplied by Surbhi Process met the specifications mentioned in the rate contract.

The Company submitted (April 2015) the details (chemical and physical specifications) of additive to the DMG and asked (April 2015) whether there was any revenue loss to the State Government on account of royalty due to supply of additive by Surbhi Process under the *'Rawanna'* issued for 'Marble

29 As per Rule 2(i) of the Rajasthan Minerals (Prevention of Illegal Mining, Transportation and Storage) Rules, 2007, *'Rawanna'* means a challan used for dispatch of mineral from valid mining lease area. It is issued by the Department of Mines and Geology.

Khanda' mineral. The DMG replied (May 2015) that supply of Calcite mineral from the mining lease allotted for 'Marble Khanda' mineral could not be considered as legal.

The Company terminated (June 2015) the rate contracts of both firms on the basis of reply received from DMG and invited (June 2015) fresh tenders giving specifications of the additive and without mentioning the name of mineral Calcite. Surbhi Process and Kalpana Minerals had supplied 14283 MT and 6495 MT additive respectively till the termination of rate contracts. The rate contracts, based on the tenders, were again awarded (September 2015) to Surbhi Process and Kalpana Minerals for a period of one year for supply of 21000 MT and 9000 MT additive respectively at the rate of ₹ 1050 per MT. Meanwhile, the Company also purchased (August 2015) 2500 MT additive from Mahaveer Minerals at the rate of ₹ 1100 per MT through limited tender enquiry.

We observed (February 2016) that the initial rate contracts entered into with Surbhi Process (January/July 2014) and Kalpana Minerals (July 2014) did not contain any provision as regards production of *'Rawannas'* by the suppliers. The Company was well aware of the fact that Surbhi Process was a trading firm whereas Kalpana Minerals was supplying the additive from its own mines. The decision of the company to terminate the rate contract of Surbhi Process was justified as it could involve legal complexities as per the reply of the DMG. However, the decision to terminate the rate contract of Kalpana Minerals was not prudent as it was supplying the additive in the name of Calcite mineral and its supply position was satisfactory. Further, the Company procured the same additive from both the firms at higher rates in subsequent tender.

Had the Company procured minimum 35 *per cent* (24500 MT) quantity of additive from Kalpana Minerals as insisted by it, instead of terminating the rate contract, the Company could have avoided extra expenditure of ₹ 37.03 lakh[30] made on purchases from Mahaveer Minerals through limited tender enquiry and Surbhi Process under new tender.

The Company stated (June 2016) that termination of parallel rate contract of Kalpana Minerals was considered prudent at the time of termination of the rate contract of L1 bidder because it was awarded on the same terms and conditions as that of L1 bidder and it could have raised question on the entire process, if it was not done so. The Company also stated that it had decided to offer only 25 *per cent* quantity to Kalpana Minerals and, therefore, 35 *per cent* quantity as requested by Kalpana Minerals could not be awarded. Furthermore, the Indian Bureau of Mines (IBM) had enhanced (April 2015) the rate of royalty from ₹ 55.50 per MT to ₹ 120 per MT which had increased the cost of calcite.

The reply was not convincing because both the contracts were independent of each other. The Company's decision to award rate contract to Kalpana

30 Extra expenditure of ₹ 7.83 lakh [2500 MT X (₹ 1100 per MT - ₹ 786.82 per MT)] on purchase of additive from Mahaveer Minerals through limited tender enquiry and extra expenditure of ₹ 40.81 lakh [(24500 MT - 6495 MT - 2500 MT) X (₹ 1050 per MT - ₹ 786.82 per MT)] on purchase of additive from Surbhi Process in new tender less ₹ 11.61 lakh on account of increase in royalty by IBM.

Minerals for only 13125 MT was also not justified in view of unsatisfactory supply position of Surbhi Process. Further, increase in the rate of royalty by IBM from April 2015 was only ₹ 64.50 per MT and the impact (₹ 11.61 lakh[31]) has already been reckoned in the calculation.

The Government endorsed (August 2016) the reply of the Company.

Rajasthan State Road Development and Construction Corporation Limited

4.9 *Collapse of approach walls of Road over Bridge*

The approach walls of Road over Bridge on Hindaun-Gangapur city road collapsed due to lack of monitoring, poor quality of material, masonry and construction techniques. This caused wastage of public funds and an additional liability of ₹ 5.19 crore on the Company towards retrofitting work.

The Government of Rajasthan (GoR) entrusted (March 2006) the work of construction of 'Road over Bridge' (ROB) on Hindaun-Gangapur city road to Rajasthan State Road Development and Construction Corporation Limited (Company) at a sanctioned[32] cost of ₹ 21.57 crore. The Company issued (March 2008) work order to Bhagat Contractors, Karauli (Contractor) with scheduled date of completion by 28 February 2009. The work was completed (February 2014) at a cost of ₹ 21.56 crore and traffic movement on the ROB was started from 17/18 February 2014. Some portions of the masonry retaining walls of the ROB, however, collapsed on the very next day (19 February 2014). The delinquent engineers who had certified the poor quality of masonry work of the contractor were suspended (February 2014) and the outcome of enquiry was pending (July 2016) at the level of Department of Personnel (GoR). The site was inspected by (i) the Chief Engineer (National Highways), Public Works Department, GoR on 19 February 2014, (ii) the Chief Project Manager (Kota Unit) on 24 February 2014 and (iii) an expert group of Malviya National Institute of Technology (MNIT), Jaipur on 25 June 2014.

The inspection reports of the Chief Engineer and the Chief Project Manager mentioned that quality of masonry work was very poor with most of the stones laid dry with very little quantity of mortar; quality of mortar was not good and placing of stones was irregular without any bond between the stones; vertical joints of stones were not staggered properly; and masonry could not bear the earth pressure and collapsed due to poor strength. The MNIT which conducted detailed inspection of the site reported (September 2014) that almost all the joints were weak; the approach wall sections were not strong enough to withstand the pressure exerted by the backfill soil even in dry condition as well as without traffic and might collapse anytime; the physical deterioration of walls from exposure was unlikely as the ROB was newly constructed and the cracks at several locations occurred due to poor construction,

31 ₹ 64.50 per MT X (24500 MT – 6495 MT).

32 The GoR initially (March 2006) sanctioned ₹ 10 crore which was revised to ₹ 16.75 crore in June 2010 and further to ₹ 21.57 crore in March 2013.

workmanship, quality of materials and construction techniques. The MNIT recommended construction of suitably designed new RCC[33] retaining wall.

The Board of the Company, based on the recommendation of MNIT, accorded (January 2015) approval to incur additional expenditure of ₹ 5.75 crore from its own fund to carry out the restoration work. The structural design and drawing for proposed retrofitting work of approach walls, duly proof checked by MNIT, was prepared and submitted (March 2015) by the consultant[34]. As per design and drawing, the masonry walls of height more than seven meters were to be replaced by new RCC retaining walls after complete removal of the existing masonry walls. The retrofitting of masonry walls of height more than five meters was decided (April 2015) to be constructed in phase-I and masonry walls of height four to five meters and reconstruction of service road were to be constructed in phase-II. The estimated cost of retrofitting work for phase-I worked out to ₹ 7.83 crore (₹ 5.50 crore after excluding cement).

The Company invited (June 2015) tenders for first phase and issued (August 2015) work order in favour of the lowest bidder at a cost of ₹ 4.82 crore (excluding cement). The Company had incurred (July 2016) an expenditure of ₹ 5.19 crore towards retrofitting work. The estimated cost of phase-I was revised to ₹ 6.75 crore and proposal for sanction and release of funds was submitted (October 2015) to Public Works Department (GoR). The approval was, however, awaited (July 2016).

Audit scrutiny disclosed (November 2015) that the work of construction of ROB was regularly supervised by the Project Directors of Dausa Unit and inspections were also carried out by the General Manager and Deputy General Manager of the Company during execution of the work. However, the Project Directors and the inspection teams never raised any issue relating to the inferior quality of work being executed by the Contractor. The inferior quality of work was pointed out by the enquiry teams after collapse of the approach walls.

It was, therefore, apparent that there was failure in execution of quality work by the Contractor as well as monitoring of the project work by the Company. The internal control system was not adequate to ensure execution of work by the Contractor as per the project specifications. This resulted into collapse of the approach wall of the ROB besides causing wastage of public funds on construction of wall. The Company was also burdened with an additional liability of ₹ 5.19 crore (upto July 2016) towards retrofitting work. The liability of the Company towards retrofitting work in phase-I would increase to ₹ 6.75 crore as per the estimates prepared and proposal submitted to the Finance Department. The additional liability of works to be undertaken in phase-II had not yet been worked out (July 2016).

The Company accepted the facts and stated (March 2016) that the proposed expenditure was unavoidable because the retrofitting work of approach walls of the ROB was essential to facilitate the traffic movement. The fact, however, remained that poor supervision and quality issues burdened the Company with an additional liability towards retrofitting work which was necessary to

33 Reinforced Cement Concrete.
34 Thoughts Consultants Jaipur Private Limited, Jaipur.

maintain the strength of superstructure. The Government endorsed (May 2016) the reply of the Company.

We recommend that the Company should strengthen its internal control system as regards quality inspection/supervision by the designated engineers. We also recommend that there should be an independent third party inspection by the designated agencies.

Statutory Corporations

Rajasthan State Road Transport Corporation

4.10 *Issue of Radio Frequency Identification cards under Rajasthan Guaranteed Delivery of Public Services Act, 2011*

4.10.1 *Introduction*

The Government of Rajasthan (State Government) enacted (September 2011) 'The Rajasthan Guaranteed Delivery of Public Services Act, 2011 (Act)', to facilitate delivery of certain services to the people of the State within stipulated time period. The State Government also notified (October 2011) 'The Rajasthan Guaranteed Delivery of Public Services Rules, 2011' (Rules) in this regard.

Section 4 of the Act provides that the designated officer shall provide the notified service within stipulated time to the person eligible to obtain the service. In case a person is not provided a service within the stipulated time, the person may file an appeal to the first appellate authority within 30 days from the rejection of the application or expiry of the stipulated time limit. A second appeal may also be filed against the decision of the first appellate authority within a period of 60 days from the date of decision of first appeal. Where the second appellate authority is of the opinion that the designated officer has failed to provide service or caused delay without sufficient and reasonable cause, it may impose a lumpsum penalty between ₹ 500 and ₹ 5000, which shall be recoverable from the salary of the designated officer in accordance with the Section 7 of the Act.

The State Government notified (27 June 2012) additional services under Section 3 of the Act which included issue/renewal of identity card by the Rajasthan State Road Transport Corporation (Corporation) for free/concessional travelling to 18[35] category of persons. The Corporation allowed the facility of free/concessional travelling to the notified category of persons by issuing Radio Frequency Identification (RFID) cards.

4.10.2 The present study was conducted (January 2016 to March 2016) to assess whether the Corporation issued RFID cards within the stipulated time period as prescribed in the Act during the period 2014-15 to 2015-16 (upto 20 November 2015). The scope of audit also included assessment of the compliance to the other provisions of the Act by the Corporation as regards maintenance of records and display of information on the notice boards. The audit findings have been finalised considering replies (August 2016) of the

35 (i) Patrakar, (ii) freedom fighter, (iii) widow of freedom fighter, (iv) widow of martyr and their minor dependents, (v) scheduled tribe of the State and tribal girls studying upto class eighth, (vi) Padma awardees, (vii) visually challenged, (viii) Physically challenged/locomotive disabled, (ix) Hearing impaired, (x) Mentally challenged, (xi) low vision, (xii) Mental patient, (xiii) Leprosy recovered patient, (xiv) international sports awardee of the State, (xv) Persons awarded with President's medal for police gallantry or police medal for gallantry, (xvi) students, (xvii) Teachers of the State awarded with national or State award, and (xviii) Senior Citizens (more than 60 years).

Corporation. The Government endorsed (September 2016) the views of the Corporation.

4.10.3 The Corporation issued 275982 RFID cards during the period 2014-15 to 2015-16 (upto 20 November 2015). The Head office and six[36] depots out of 57 depots of the Corporation were selected to analyse the performance of the Corporation in the issue of RFID cards. The number of cards issued by the depots during the audit period formed the primary basis for selection of depots. Out of six depots, three[37] depots (Sriganganagar, Kotputli and Jhunjhunu) were selected on the basis of highest number of cards issued by them. The remaining three depots (Vidyadharnagar, Delhi, and Deluxe) were selected on the basis of least numbers of cards issued by them. Our scrutiny, therefore, involved analysis of 33079 (11.99 *per cent*) out of 275982 RFID cards issued by the Corporation during the period 2014-15 to 2015-16 (20 November 2015) as stated below.

(Figures in numbers)

Year	Head Office	Deluxe	Sriganga nagar	Jhun jhunu	Kotputli	Vidyadhar nagar	Delhi	Total
2014-15	261	241	7462	6061	5853	1	2	19881
2015-16	312	166	3653	3750	5316	0	1	13198
Total	**573**	**407**	**11115**	**9811**	**11169**	**1**	**3**	33079

4.10.4 *Process of issue/renewal of RFID cards*

The application for issue/renewal of RFID card is required to be made in a form issued by the Corporation along with fees and supporting documents prescribed in the Act and Rules. The Corporation has to provide acknowledgement of the application in Form-1 prescribed in the Rules. The acknowledgement shall mention the name and address of the applicant; date of receipt of application by the designated officer; name of the service for which application was given; essential documents not enclosed with the application; and last date of the stipulated time limit. In case, the applicant has not enclosed all the required documents, the designated officer shall not give the last date of the stipulated time limit.

The process involved in preparation of the RFID cards by the Corporation includes entering details of the beneficiaries in the online RFID module at the depot level; forwarding the details to the IT cell at Head office level; verification of the details by the IT cell; sending details to the service provider for preparation of RFID cards; printing of RFID cards by the service provider; re-checking of details entered by the service provider in the master data by the IT cell on receipt of the RFID card; and issue of RFID card to the beneficiary.

36 Jhunjhunu, Sriganganagar, Kotputli, Delhi, Vidyadharnagar and Deluxe depot.

37 CBS Jaipur and Sikar depots were in the order of hierarchy of issue of highest number of RFID cards but these depots were selected for Performance Audit (IT) on 'Computerisation of ticketing system by the Corporation'. Hence, Jhunjhunu depot was selected in place of CBS Jaipur and Sikar depots.

Audit findings

4.10.5 *Non-maintenance/absence of proper records*

Rule 17 of the Rules required the designated officer to maintain a register in Form-3 which shall include the name and address of the applicant; service for which the application has been received; last date of the stipulated time limit; application allowed/disallowed; and date and details of the order passed.

We noticed that the designated officers at the Head office and depots did not maintain the register in Form-3. The position of record (application and relevant supporting documents) maintained by the Head office and depots was as below:

Relevant record	Head Office	Kotputli	Jhun jhunu	Sriganga nagar	Vidyadhar nagar	Delhi	Deluxe
Application for RFID card	✓	x	x	✓	x	✓	✓
Supporting documents enclosed with applications	✓	x	✓	✓	x	✓	✓

The position of maintenance of record by the depots was poor. The Kotputli depot did not provide any record of the applications and supporting documents received from the applicants. The Vidyadharnagar depot issued only one card during the audit period but the depot authorities were unaware about issue of any such card. It was also informed that no card was issued at the depot level. The Jhunjhunu depot directly received supporting documents without any application for preparation of RFID cards. The Head office and the remaining depots (except Delhi) accepted applications and supporting documents from the applicants but could not provide these to audit in a sequential manner for verification of the credentials of a particular card.

The Corporation accepted that the Kotputli, Jhunjhunu and Vidyadharnagar depots did not maintain proper record of issue of RFID cards. The Corporation issued (June 2016) directions to the Chief Managers of all depots to maintain proper records.

4.10.6 *Delay in issue of RFID cards*

In absence of proper record of applications, supporting documents and register in Form-3, it was not feasible to verify timely issue of RFID cards by the Corporation to the beneficiaries. We, therefore, obtained digital data of RFID cards from the Corporation and analysed the same through Interactive Data Extraction and Analysis (IDEA) software. In absence of actual date of receipt of application; date of the order, if any, passed by the designated officer and actual date of handing over of the RFID card, the date of inserting data and date of activation of the card by the Agency (Trimax I.T. Infra and Service Limited) were taken as cut-off dates for calculation of the time period involved in issue of RFID cards.

The Act provided a time period of three days to the designated officer for issue of RFID cards to the applicants from the date of submission of documents by them. The Corporation, however, instructed (April 2013) the Agency nominated for preparation of RFID card to mention a time period of 14 days on the acknowledgement receipt provided to the applicants for issue of cards.

We, however, calculated the delay in issue of RFID cards considering five calendar days (three working days and two holidays). The actual delay would have been much more in case the actual date of receipt of application and date of the order passed by the designated officer were available for analysis. The Corporation permitted (September 2013) the applicants to travel on the strength of the registration slip. However, even this facility was withdrawn from August 2014 onwards and applicant could not travel unless and until he/she had the RFID cards.

Data analysis disclosed that out of 33079 RFID cards issued by the Head office and the selected depots during the period 2014-15 to 2015-16 (20 November 2015), 249 RFID cards were cancelled due to printing of damaged/duplicate cards. The analysis of remaining 32830 cards disclosed that the performance of the Corporation in issuing cards to the beneficiaries within the stipulated time period prescribed in the Act was abysmal as only 125 cards were issued within five calendar days. The remaining 32705 (99.62 *per cent*) cards were issued with delays ranging from one to 543 days. Delay in maximum cases (69.51 *per cent*) ranged between six and 15 days followed by 16 and 30 days in 17.89 *per cent* cases; and one and five days in 11.69 *per cent* cases.

Analysis of cases having delay of more than 100 days disclosed that delay ranging between 101 and 200 days was observed in 36 cases; 201 and 300 days in 36 cases; 301 and 400 days in 17 cases; and delay of more than 400 days was observed in 10 cases.

The performance of the Corporation in issue of RFID cards to some selected categories is tabulated below:

Category	Total no. of RFID cards issued	RFID cards issued with delay	Delay in days			
			1-5	6-15	16-30	More than 30
Widow of martyr and their minor dependents	56	55	11	33	11	0
Visually challenged	128	124	20	92	12	0
Physically challenged/ locomotive disabled	2206	2162	356	1455	329	22
Hearing impaired	178	177	32	118	25	2
Mentally challenged	115	114	21	77	16	0
Mental patients	62	62	5	49	8	0
Leprosy recovered patient	12	12	1	7	4	0
Student	20198	20198	1915	14062	4216	5
Senior Citizens	9235	9202	1409	6587	1189	17

All the RFID cards of widow of martyr and their minor dependents, mental patients, leprosy recovered patients and students were issued with delays. The RFID cards in case of physically challenged, hearing impaired and senior citizens were issued after delays of more than 30 days.

The Corporation accepted the delay in issue of RFID cards and stated that the Transport Department (Government of Rajasthan) had been requested (April 2016) to allow 15 days for issue of RFID cards instead of three days as prescribed in the Act. As regards the cases which involved delay of more than 100 days, it was stated that the software replaced the date of activation of the card by the old activation date at the time of renewal of these cards. The service provider had been directed (June 2016) to make necessary modifications in the software in this regard. The reply as regards replacement of the activation date with the old activation date by the software was not correct because the date of activation in all cases was greater than the date of entering data.

4.10.7 *Display of information on the notice board*

Rule 7 of the Rules required the designated officer to display all relevant information related to services on the notice board in Form-2 for the convenience of the common public. The notice board was required to be installed at a conspicuous place of the office and all the necessary documents required to be enclosed with the application for obtaining the notified service had to be displayed on the notice board. Form-2 included the details of notified services; documents to be enclosed with the application; stipulated time limits for providing the services; designation and address of the first appeal officer; stipulated time limit for the disposal of first appeal; and designation and address of the second appellate authority.

We noticed that the Corporation did not take any steps to publicise the scheme for making the eligible beneficiaries aware of the benefits provided by the State Government. Further, the Corporation did not display the requisite information on the notice board at the Head office and other selected depots except at Sriganganagar and Jhunjhunu. The beneficiaries were, therefore, not made aware of their rights of getting the RFID cards issued within the stipulated time period and filing appeal to the first and second appellate authorities against the designated officer/rejection by first appeal officer. The Corporation issued majority of the cards with delays but not a single appeal was filed against the designated officer for delay in issue/renewal of RFID cards.

The Corporation accepted the facts and stated that directions had been issued (June 2016) to the Chief Managers of all depots to display the requisite information on the notice board.

The other findings related to RFID cards have been discussed in Chapter-III of the Audit Report.

Conclusion

The Corporation failed to issue the RFID cards within the stipulated time period prescribed in the Act as 99.62 *per cent* of the cards sample checked in Audit were issued with delay. The maintenance of records was poor. The designated officers did not maintain the register in Form-3 and the depots either did not maintain the record of applications and supporting documents or the available records were not sufficient to verify the eligibility of the card holders. The public remained unaware of the

benefits provided by the Government as the Head office and the selected depots (except Sriganganagar and Jhunjhunu) did not display the requisite information on the notice board.

Recommendations

We recommend that the Corporation should revamp the process of issue of RFID cards so as to issue the cards within the prescribed time period. The Management should also monitor the compliance with directions issued to the depots.

JAIPUR **(S. ALOK)**
The 06 December 2016 Accountant General
(Economic and Revenue Sector Audit), Rajasthan

Countersigned

NEW DELHI **(SHASHI KANT SHARMA)**
The 13 December 2016 Comptroller and Auditor General of India