

# Chapter I

## Introduction

### 1.1 About this Report

This Report of the Comptroller and Auditor General of India (C&AG) relates to matters arising from Performance Audit of selected programmes and activities and Compliance Audit of various Departments of Government of Rajasthan (GoR).

Compliance Audit refers to examination of the transactions relating to expenditure of the audited entities to ascertain whether the provisions of the Constitution of India, applicable laws, rules, regulations and various orders and instructions issued by competent authorities are being complied with. On the other hand, performance audit also examines whether the objectives of the programme/activity/department are achieved economically and efficiently.

The primary purpose of the Report is to bring to the notice of the State Legislature, important results of Audit. Auditing Standards require that the materiality level for reporting should be commensurate with the nature, volume and magnitude of transactions. The findings of Audit are expected to enable the Executive to take corrective actions and also to frame policies and directives that will lead to improved financial management of the organisations, thus, contributing to better governance.

This chapter, in addition to explaining the planning and extent of Audit, provides a synopsis of the significant deficiencies in performance of selected programme, significant audit observations made during the compliance audit. Chapter-II of this report contains findings arising out of performance audit on 'Implementation of *Pradhan Mantri Awaas Yojana-Gramin*'. Chapter-III contains observations on the compliance audit in Government Departments.

### 1.2 Profile of the Audited Entity

There are 50 Departments, 174 Autonomous Bodies (ABs) and 10 Public Sector Undertakings (PSUs) under General and Social Sector of the Government of Rajasthan, headed by Additional Chief Secretary/Principal Secretaries/Secretaries, which are audited by the Accountant General<sup>1</sup> (Audit-I), Rajasthan, Jaipur. A list of the Departments is given at *Appendix 1.1*.

The comparative position of expenditure incurred by the Government of Rajasthan during 2016-17 to 2018-19 is given in **Table 1**.

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<sup>1</sup> Erstwhile Office of the 'Principal Accountant General (General and Social Sector Audit)' has been renamed as Office of the 'Accountant General (Audit-I)' with effect from 18.05.2020.

**Table 1: Comparative position of expenditure**

(₹ in crore)			
Particulars	2016-17	2017-18	2018-19
<b>Revenue expenditure</b>			
General services	39,203	43,450	54,364
Social services	49,371	53,064	65,687
Economic services	38,565	49,327	46,722
Grants-in-aid and Contribution	_*	_**	***
<b>Total</b>	<b>1,27,139</b>	<b>1,45,841</b>	<b>1,66,773</b>
<b>Capital and other expenditure</b>			
Capital Outlay	16,980	20,623	19,638
Loans and Advances disbursed	12,965	1,334	1,113
Payment of Public Debt	5,015	11,674	16,915
Contingency Fund		-	-
Public Accounts disbursement	1,48,885	1,47,088	1,60,570
<b>Total</b>	<b>1,83,845</b>	<b>1,80,719</b>	<b>1,98,236</b>
<b>Grand Total</b>	<b>3,10,984</b>	<b>3,26,560</b>	<b>3,65,009</b>

Source: Audit Reports on State Finances of the respective years.

\* ₹ 6 lakh only, \*\* ₹ 11 lakh only, \*\*\* ₹ 9 lakh only .

### 1.3 Authority for Audit

The authority for Audit by the Comptroller and Auditor General of India (C&AG) is derived from Articles 149 and 151 of the Constitution of India and the CAG's Duties, Powers and Conditions of Service (DPC) Act, 1971. Principles and methodologies for various audits are prescribed in the Regulations on Audit and Accounts, 2007 and the Auditing standards, 2017 issued by the CAG.

### 1.4 Planning and conduct of audit by office of Accountant General (Audit-I), Rajasthan, Jaipur

The Office of the Accountant General (Audit-I), Rajasthan conducts audit of Government Departments/ Offices/Autonomous Bodies/PSUs/Institutions under the General and Social Sector under the directions of the C&AG. During 2018-19, financial, performance and compliance audits of the selected units under various General and Social Sector Departments, Autonomous Bodies (except Panchayati Raj Institutions and Urban Local Bodies), PSUs and externally-aided projects of the GoR were conducted by audit teams of the office of Accountant General (Audit-I), Rajasthan, Jaipur.

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

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

The audit of 1,607 out of the 20,733 units of General and Social Sector Departments, have been carried out. Further, 10,638 audit party days (for financial audit, compliance audit and performance audit) were used during 2018-19. The audit plan covered those units/entities, which were vulnerable to significant risk, as per the risk assessment.

## **1.5 Significant audit observations**

During the last few years, audit has reported several significant deficiencies in implementation of various programmes/activities as well as the quality of internal controls in selected departments through performance audits, which had impacted the success of programmes and functioning of the departments. Similarly, the deficiencies noticed during compliance audit of the government departments/organizations were also reported.

The current report brings out deficiencies in critical areas which impact the effectiveness of functioning of programmes/activities of the Departments. The significant areas of concern requiring corrective action are discussed below:

### **1.5.1 Performance audit of programmes/activities of departments**

Chapter II of this report contains report of one performance audit i.e. 'Implementation of *Pradhan Mantri Awaas Yojana- Gramin*'. Brief summaries of the Performance Audit is discussed in the following paragraph:

#### **1.5.1.1 Implementation of *Pradhan Mantri Awaas Yojana- Gramin***

*Pradhan Mantri Awaas Yojana-Gramin* aims to provide a *Pucca* house with basic amenities to all the houseless households and those households living in *kutcha* and dilapidated houses in rural areas by 2022. To achieve the objective of "Housing for All", 2.95 crore houses are required to be constructed by the year 2021-22. The immediate objective was to cover one crore households in rural areas of India in three years from 2016-17 to 2018-19, out of which 6.87 lakh houses were targeted for the State of Rajasthan. A Performance Audit was conducted to assess the progress of implementation of the scheme and external convergence with other schemes. Audit findings are discussed in **paragraph 2.1**.

It was noticed that due to deficiencies in identification of beneficiaries, only 16.99 lakh of the 40.57 lakh beneficiaries were identified in time. As such, the scheme catered to only 41.88 *per cent* of the intended beneficiaries depriving many of the benefits of the scheme and undermining the vision of 'Housing for All'. Test check of the utilization of the constructed house revealed that 31.02 *per cent* of the constructed houses remained vacant. Further, socio-

economically deprived beneficiaries belonging to 'Landless' and 'Persons with Disabilities' categories could not be provided benefits of the scheme to the stipulated extent. Deficiencies were observed in the area of convergence with other schemes and the mandated basic amenities like toilets, electricity connection, clean cooking fuel etc., could not be provided in the completed houses. Lack of Monitoring and Inspections by Departmental officials resulted in failure to detect these lacunae in implementation. Though the basic construction of houses under the scheme was largely successful as 95 per cent of the targeted houses were completed. There is a need to improve the implementation of the scheme based on the shortcomings identified in the Audit.

*(Paragraph 2.1)*

### **1.5.2 Significant audit observations during compliance audit**

Audit observed significant deficiencies in critical areas, which impact the effectiveness of the GoR. Some important findings of compliance audit paragraphs have been reported in Chapter III. The major observations are as follows:

Unfruitful expenditure of ₹ 99.97 lakh was incurred on construction of a Museum building in Swami Keshwanand Rajasthan Agriculture University, Bikaner, owing to non-utilisation of newly constructed building even after a lapse of more than six years from its completion.

*(Paragraph 3.1)*

Non availability/creation of storage facilities forced the Co-operative Department to dispose of garlic procured under Market Intervention Scheme, at throw away prices, resulting in loss of ₹ 231.77 crore.

*(Paragraph 3.2)*

Failure of the treasury officers to exercise prescribed checks led to excess/short/irregular payment of pension/family pension amounting to ₹ 1.47 crore.

*(Paragraph 3.3)*

In Medical and Health Department, non-construction of GNM school building at Baran even after lapse of nine years due to lack of initiative by District Hospital Pratapgarh and Baran and lack of monitoring by the Directorate defeated the very purpose of the grant sanctioned by GoI.

*(Paragraph 3.4)*

Improper assessment of requirement and delays in execution of project by the Medical Education Department resulted in non-completion of Para Medical College building even after lapse of seven years and incurring an expenditure of ₹ 3.89 crore, as well as failure in obtaining pending instalment of central grant amounting to ₹ 3.36 crore.

*(Paragraph 3.5)*

Non recovery of rent of ₹ 23.33 crore from the contractor for land provided by Medical College, Kota for execution of flyover work under UIT, Kota due to lack of coordination between both the agencies.

*(Paragraph 3.6)*

In Medical Education Department, despite the assurance given to the Public Account Committee, Super Specialty Research Hospital under RUHS remained incomplete even after lapse of 11 years and incurring an expenditure of ₹ 19.30 crore, rendering the expenditure unfruitful.

*(Paragraph 3.7)*

In eight divisions of Public Health Engineering Department, calculation of price escalation for Ductile Iron pipes based on indices of incorrect item for steel component led to excess payment of ₹ 10.73 crore to the contractors.

*(Paragraph 3.8)*

In Public Health Engineering Department, excess payment of price escalation amounting to ₹ 16.24 crore was made to the contractors by allowing incorrect price indices for the shortfall of work not covered up in the subsequent time spans.

*(Paragraph 3.9)*

Non-adherence to the special condition of the contract relating to recovery of compensation for delay in supply of pipe resulted in undue benefit of ₹ 10.09 crore to contractors by the Public Health Engineering Department.

*(Paragraph 3.10)*

Labour cess to the tune of ₹ 7.05 crore not collected by Local Authorities from the builders at the time of approval of projects as provided in the Building and Other Construction Worker's Welfare Cess Act.

*(Paragraph 3.11)*

## **1.6 Response of the Departments to Performance Audits/ Compliance Draft Paragraphs**

The draft paragraphs are forwarded to the Principal Secretaries/Secretaries of the departments concerned, drawing their attention, for their response. It is brought to their personal attention that in view of likely inclusion of such paragraphs in the Audit Reports of the Comptroller and Auditor General of India, which are placed before State Legislature, it would be desirable to include their comments. Accordingly all the performance audits/draft paragraphs proposed for inclusion in this report, were forwarded to the Principal Secretaries/Secretaries concerned.

Responses of all the departments involved in the performance audit in Chapter II and 11 compliance audit paragraphs featured in Chapter III have been received and suitably incorporated in the Report.

## 1.7 Inadequate response to audit observations

Rule 327 (1), read with Appendix 6 of General Financial and Accounts Rules prescribes the retention period of various accounting records, which ranges between one and three years after Audit by Accountants General.

Failure of the departmental officers to furnish compliance of the audit observations in Inspection Reports (IRs) results in non-settlement of IR paragraphs. As on 31 March 2019, there were 7,572 numbers of IRs containing 28,985 numbers of paragraphs, issued during the period from 1994-95 to 2018-19 (upto September 2018) which were pending for settlement. Year-wise pendency is shown in **Table 2**.

**Table 2**

Year	IRs	Paragraphs
Upto 2011-12	2,906	7,553
2012-13	682	2,454
2013-14	941	3,252
2014-15	916	3,330
2015-16	763	3,290
2016-17	739	4,348
2017-18	386	2,893
2018-19 (upto September 2018)	239	1,865
<b>Total</b>	<b>7,572</b>	<b>28,985</b>

For early settlement of outstanding paragraphs in IRs, GoR issued (August 1969) instructions to all the departmental officers for sending first reply to IRs within a month and replies to further audit observations within a fortnight. These instructions have been reiterated from time to time. The instructions issued in March 2002 envisaged appointment of nodal officers and Departmental Committee in each of the Administrative Department for ensuring compliance to all the matters relating to audit.

Detailed analysis of IRs issued to three Departments was carried out to study the pendency of responses to the paragraphs brought out in the IRs. Analysis of the IRs of various units of Disaster Management, Relief and Civil Defense Department (196 IRs), Technical Education Department (63 IRs) and the Department of Pension and Pensioners welfare (544 IRs) revealed that 2,753 paragraphs pertaining to 803 IRs were outstanding as on 31 March 2019. Category-wise details of irregularities commented in IRs is given in **Appendix.1.2**.

## 1.8 Follow-up on Audit Reports

The Finance Department of the GoR decided (December 1996) that Action Taken Notes (ATNs) on all paragraphs/performance audits that have appeared in Audit Reports be submitted to the Public Accounts Committee, duly vetted by Audit, within three months from the date of laying of the Reports in the State Legislature. A review of the outstanding ATNs on paragraphs/performance audits included in the Reports of the Comptroller and Auditor General of India pertaining to various Departments as on 31 May 2020 revealed that two ATNs<sup>2</sup> were pending from the concerned Departments.

2. Paragraphs 3.2 and 3.4 of Audit Report (State Finances) 2017-18.