



**Report of the  
Comptroller and Auditor General of India  
for the year ended 31 March 2021**



**SUPREME AUDIT INSTITUTION OF INDIA**  
लोकहितार्थ सत्यनिष्ठा  
Dedicated to Truth in Public Interest

**Government of Rajasthan**  
**Report No. 2 of the year 2024**  
**(Compliance Audit)**





**Report of the  
Comptroller and Auditor General of India  
for the year ended 31 March 2021**

**Government of Rajasthan  
Report No. 2 of the year 2024  
(Compliance Audit)**



## TABLE OF CONTENTS

SUBJECT	Reference to	
	Paragraph	Page
Preface		v
Executive Summary		vii
<b>Part-I: Compliance Audit Observations relating to State Government Departments</b>		
<b>CHAPTER-I: GENERAL</b>		
Introduction	1.1	1
Audited Entities Profile	1.2	1
Authority for Audit	1.3	2
Planning and conduct of audit	1.4	2
Response of the Government/Departments to Audit observations	1.5	3
Follow-up on Audit Reports	1.6	5
Coverage of this part of the Report	1.7	6
<b>CHAPTER-II: COMPLIANCE AUDIT</b>		
<b>Taxes on Vehicles</b>		
Tax administration and results of audit	2.1	7
Audit of VAHAN and SARATHI applications	2.2	8
Taxes on Motor vehicles not realised	2.3	19
Non-realisation of One-Time Tax from transport vehicles	2.4	20
Non/short realisation of outstanding instalments of lump-sum tax	2.5	21
<b>Mining Receipts</b>		
Introduction	2.6	22
Administration of Short-term Permits	2.7	23
Illegal excavation of mineral by Brick Earth Permit (BEP) holder	2.8	38
<b>Public Health Engineering Department</b>		
Lackadaisical approach for recovery of amount against fake bank guarantee-Avoidable loss of ₹ 2.27 crore	2.9	40
Excess payment of price variation ₹ 17.04 crore	2.10	41

SUBJECT	Reference to	
	Paragraph	Page
<b>Part-II: Compliance Audit Observations relating to State Public Sector Undertakings and Autonomous Bodies</b>		
<b>1. Introduction of State Public Sector Undertakings and Autonomous Bodies</b>		
General	1.1	43
Audit mandate	1.2	43
Audit universe and coverage	1.3	43
Compliance Audit Paragraphs	1.4	43
Follow up action on Audit Reports and Inspection Reports	1.5-1.6	44-45
Status of placement of Separate Audit Reports of autonomous bodies in the State Legislature	1.7	45
Discussion of Audit Reports by COPU	1.8	45
<b>2. Compliance Audit Observations on Autonomous Bodies</b>		
<b>Rajasthan Electricity Regulatory Commission</b>		
Introduction	2.1	46
Purpose and composition of the Rajasthan Electricity Regulatory Commission	2.2-2.4	47-48
Powers of the Rajasthan Electricity Regulatory Commission	2.5	48
Functioning of the Rajasthan Electricity Regulatory Commission	2.6	49
<b>3. Compliance Audit Observations on SPSUs</b>		
<b>Rajasthan State Mines and Minerals Limited</b>		
Lapses in setting up of the plant and ensuring its operation and maintenance	3.1	66
<b>Rajasthan Rajya Vidyut Prasaran Nigam Limited</b>		
Idle payment of transmission charges	3.2	69

<b>Appendices</b>		
<b>Appendix No.</b>	<b>Subject</b>	<b>Page</b>
1	Brief profile of the Departments	73
2	Statement showing age-wise analysis of the outstanding inspection reports and audit paragraphs	75
3	Statement showing the details of non-deduction or short deduction of royalty, DMFT and RSMET amount	76
4	Price Variation Computation Sheet -Khetri	77
5	List of State Public Sector Undertakings and Autonomous Bodies under audit jurisdiction	78
6	Statement showing lack of responsiveness to Inspection Reports	80
7	Annual return on review of entrustment of autonomous bodies audited under Section 19(2) and 20(1) of the C&AG's (DPC) Act, 1971	82
8	Regulatory control of RERC	83
9	Status of major regulations framed by RERC that remained in force during 2016-21	84
10	Statement showing submission of half yearly SOP Report by distribution licensees during 2016-17 to 2020-21	85





## **Preface**

This Report for the year ended 31 March 2021 has been prepared for submission to the Governor of the State of Rajasthan under Article 151 of the Constitution of India.

The Report is in two parts. Part-I of the Report contains significant findings of compliance audit of the 16 State Government Departments and Part-II deals with the results of compliance audit of 31 State Public Sector Undertakings (Government Companies and Statutory Corporations) and four Autonomous Bodies conducted under the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 and Regulations on Audit and Accounts, 2020 issued thereunder by the Comptroller and Auditor General of India.

The instances mentioned in this Report are those, which came to notice in the course of test audit during the period 2020-21 as well as those which came to notice in earlier years but could not be reported in the previous Audit Reports; instances relating to the period subsequent to 2020-21 have also been included, wherever necessary.

The audit has been conducted in conformity with the Auditing Standards, 2017 issued by the Comptroller and Auditor General of India.





## **Executive Summary**



## Executive Summary

This Report of the Comptroller and Auditor General of India relates to matters arising from compliance audit of Government Departments, Autonomous Bodies and Public Sector Undertakings of the Government of Rajasthan. Compliance Audit refers to examination of the expenditure and revenue of the audited entities to ascertain whether the provisions of the Constitution of India, applicable laws, rules, regulations and various orders and instructions issued by the authorities are being complied with.

This Report is in two parts. **Part-I** discusses the audit findings related to the State Government Departments and **Part-II** discusses the audit findings related to State Public Sector Undertakings and Autonomous Bodies. This Report contains 11 Paragraphs involving ₹ 58.12 crore. Some of the significant audit findings are mentioned below:

### **Part-I: Compliance Audit Observations relating to State Government Departments**

This Part contains eight paragraphs involving ₹ 41.19 crore which includes two Subject Specific Compliance Audits, *i.e.* '**Audit of VAHAN and SARATHI applications**' and '**Administration of Short Term Permits - Mining Department**', and other compliance audit paragraphs of Transport Department, Mines and Geology Department and Public Health Engineering Department.

A synopsis of key findings contained in this Report is presented below:

#### ***Transport Department***

##### ***Audit of VAHAN and SARATHI applications***

The *SARATHI* and *VAHAN* applications were introduced in Rajasthan in September 2009 and October 2009, respectively, to enhance the efficiency of the Transport Department's operations. An audit was conducted to assess the utilisation and effectiveness of these applications. The Audit analysed dump data encompassing 10.14 lakh cases of *VAHAN* and *SARATHI* usage from April 2016 to March 2021 in Rajasthan State, covering all vehicles except two and three-wheelers, using IDEA software.

It was observed that data entry errors had occurred, resulting in incorrect entries in *VAHAN*. In 119 cases, registration dates were recorded prior to vehicle purchase dates, indicating vehicles were registered one to 74 days before the purchase date. Furthermore, the gross vehicle weight of 15,584 vehicles was inaccurately entered, *i.e.* 15,570 vehicles displayed a weight ranging from zero to three kilograms, while 14 vehicles were assigned weights exceeding one lakh kilograms. Additionally, the Transport Department registered 712 vehicles with duplicate chassis or engine numbers. Data analysis of *SARATHI* revealed that 166 learner licences were issued to persons below the age of 18 years in contravention of the rules. It indicates that checks were not effective to prevent such irregularities.

It was also found that business rules were also not mapped with software which resulted in cases of short realisation of registration fees and hypothecation fees.



Pollution Under Control (PUC) certificates for 1,677 Bharat Stage (BS)-III vehicles were issued for less than six months and 21,429 vehicles for more than six months, contrary to the prescribed six-month validity. PUC certificates for 3.83 lakh BS-IV and BS-VI vehicles were issued for less than one year, and 3,310 vehicles were issued certificates exceeding one year, deviating from the required one-year period.

The Transport Department acknowledged the audit findings, accepting the need to enhance the accuracy of data within *VAHAN* and *SARATHI* applications. Plans to incorporate business rules into the system were also acknowledged, reflecting a commitment to improve accuracy.

In conclusion, the audit highlighted areas of concern within the *VAHAN* and *SARATHI* implementation in the Transport Department.

***Audit recommended that the Government/Department may consider:***

- 1. Rectifying the data entry errors to maintain the system credibility and accuracy;***
- 2. Taking appropriate actions to rectify the situation, including identifying and rectifying any systemic weaknesses;***
- 3. Ensuring the reliability of the data within the VAHAN, it is crucial to rectify the cases identified by the Audit and address any other similar irregularities. This will help maintain the integrity and accuracy of the data;***
- 4. Evolving a system to issue PUC certificate strictly according to the provisions of Central Motor Vehicle Rules;***
- 5. Assessing the utility of the various modules, as it aligns with the objectives of VAHAN, aiming to establish uniform standards for documents related to vehicles and drivers at a pan-India level to ensure interoperability and***
- 6. Reviewing the system to improve input and validation control for the accuracy of data. A change management protocol, with clear responsibilities and roles to ensure that business rules are updated promptly in the system, is also required to be devised.***

Audit of 12 units of Transport Department was also conducted during the year. The major irregularities noticed are as follows:

- Motor vehicle tax amounting to ₹ 3.37 crore in respect of 680 vehicles was not paid by vehicles owners. The Department, however, did not initiate action to realise the dues.
- One Time Tax amounting to ₹ 0.50 crore was not paid in respect of 81 vehicles. The taxation officers, however, did not initiate action to realise the tax due.
- Lump-sum tax amounting to ₹ 2.07 crore was not deposited by owners of 301 vehicles. The taxation officers, however, did not initiate action to realise the tax due.



## ***Mining Receipts***

### ***Administration of Short Term Permits***

Short-term Permits (STP) are granted for excavation and removal of specified quantity of mineral from a specified area within a specified period for executing works of Government, Semi-Government, Local Body, *Panchayati Raj* Institution or Organizations aided or funded by the Government. A Subject Specific Compliance Audit on 'Administration of Short-term Permits' was conducted for the period April 2018 to March 2021. Nine offices of Mining Engineers (ME)/Assistant Mining Engineers (AME) were selected for audit.

Scrutiny of records of these offices revealed that despite instructions for receipt of applications and issue of STPs through online system, 491 out of 550 applications were received in physical form through offline system at the office of one Mining Engineer. Further, none of the nine selected offices issued e-STPs. It was found that none of the selected STP holders had submitted online returns for royalty determination though directions were issued by the Director of Mines and Geology. The authorities concerned also did not initiate action for ensuring submission of e-returns since no penal provision was prescribed.

Further, 46 STPs were irregularly issued without advance deposit of due amount of ₹13.20 crore. It was noticed that out of 492 STPs selected for test-check, records were not submitted by the 127 STP holders for assessment of the royalty even after the stipulated date of completion of works. The delays ranged between two to 40 months, involving work orders amounting to ₹ 411.23 crore. Further, assessments were not done diligently of 38 STPs which resulted in non-raising of demand of the cost of illegally consumed mineral. It was noticed that out of 3,757 works, 2,857 works were executed without obtaining STPs amounting to ₹ 368.81 crore.

***Audit recommended that the Government/Department may consider:***

- 1. Providing an online checklist for scrutiny of the applications along with enclosed documents and timely online disposal thereof to improve efficiency, transparency and documentation, which all will also aid in monitoring. The responsibility needs to be fixed on erring officials for accepting blank/unsigned applications;***
- 2. Introducing effective checks in the online system to catch non-payers of royalty/fee, etc. and responsibility should be fixed on erring officials;***
- 3. Inserting provisions in the Rules for submission of online return by STP holders and penalty provision for non-submission of the return. Online submission of details of STPs would provide transparency and it would also play a deterrent role against leakage of revenue;***
- 4. Developing a module for the online assessment of STPs, aimed at preventing revenue leakage arising from manual assessments;***



5. ***Conducting training sessions for the assessing authorities and staff to ensure accurate and error-free assessments and***
6. ***Expediting the compliance of the State Governments directions to link the web-site of Mines Department with the web-sites of the Works Departments and Panchayati Raj Institutions to avoid execution of works without STPs.***

Audit was also conducted of 21 offices of Mines and Geology Department during the year. It was noticed that the Department irregularly issued brick earth permit and failed to prevent the permit holder from excavating brick earth beyond the permitted depth. This resulted in illegal excavation and consumption of 0.46 lakh MT brick earth involving cost of ₹ 1.16 crore.

### ***Public Health Engineering Department***

The major irregularities noticed during audit of Public Health Engineering Department (PHED) are as follows:

- PHED failed to recover ₹ 2.27 crore from a contractor due to release of security against fake Bank Guarantee and ineffective communication among its Division Offices.
- Over payment of price variation claims of ₹ 17.04 crore by PHED occurred due to adoption of incorrect indices, non-monitoring of declining trend of indices and lack of effective internal control.

### ***Part-II: Compliance Audit relating to State Public Sector Undertakings and Autonomous Bodies***

This part of the Report contains three paragraphs involving ₹ 16.93 crore, including a Thematic Audit on the “**Functioning of Rajasthan Electricity Regulatory Commission**” (an Autonomous Body) and two compliance audit paragraphs highlighting important audit findings emerging from test-check of transactions of the State Public Sector Undertakings.

### ***Rajasthan Electricity Regulatory Commission***

#### ***Functioning of Rajasthan Electricity Regulatory Commission***

The Rajasthan Electricity Regulatory Commission (RERC) could not enforce timely submission of tariff and Annual Revenue Requirement (ARR) applications from the entities under its regulation as there was no effective mechanism for its timely compliance and there were significant delays, ranging from 11 days to 428 days, in the submission of these applications. Additionally, the RERC itself exceeded the stipulated timeframes for issuing tariff orders. The proper implementation of the True-up mechanism for ARR on an annual basis was also not effectively ensured by the RERC. These delays were often caused by incomplete information or data provided by the regulated entities, further exacerbating the timely issuance of orders.

The RERC overlooked the directives of National Tariff Policy (NTP) 2016 which discourages creation of regulatory assets, and continuously allowed addition of



revenue gap to distribution licensees without ensuring efficiency improvements, which could have resulted in reducing the electricity costs for consumers in future.

The approach of RERC in allowing Return on Equity (ROE) in ARR and their truing up lacked consistency as it did not adopt a uniform and rational approach in permitting ROE in ARRs and their true-ups. There were shortcomings in monitoring mechanism as regards power purchase agreements, Renewal Purchase Obligation (RPO) compliance as well as examination of Standard of Performance (SOP) reports. The RERC also did not prescribe automatic payment of compensation mechanism for 16 guaranteed standard of services in SOP Regulation 2021.

***Audit recommended that the RERC may consider:***

- 1. Laying down and exercising of necessary penal provisions through relevant regulations to ensure strict compliance with the regulations;***
- 2. Ensuring stricter adherence to the prescribed timelines for furnishing applications by the licensees and determination of tariff as well as approval of ARR;***
- 3. Taking stricter measures to improve efficiency of distribution licensees and allowing revenue gap only in exceptional circumstances;***
- 4. Adopting universal and transparent mechanism to allow ROE, and strengthening the monitoring mechanism as regards power purchase agreements, RPO compliance and SOP reports and***
- 5. Extending the automatic payment of compensation against valid complaints for all guaranteed services.***

#### ***Draft Paragraphs***

##### ***Rajasthan State Mines and Minerals Limited***

The contractor appointed by the Company defaulted in generation of minimum guaranteed electricity. The Company instead of taking action for the defaults, extended undue relaxations to the contractor without safeguarding its financial interests. The Company, despite suffering generation loss of 190.60 lakh units, failed to recover applicable compensation amounting to ₹ 9.69 crore from the defaulting contractor for 2015-2021.

##### ***Rajasthan Rajya Vidyut Prasaran Nigam Limited***

The Company raised demand for two line-bays without assessing viability/feasibility of the transmission line concerned. Inordinate delay in awarding the line work attracted idle payment of transmission charges worth ₹ 7.24 crore.





## ***PART-I***

### **Compliance Audit Observations relating to State Government Departments**



# ***CHAPTER-I***

## **General**



## CHAPTER-I: General

### 1.1 Introduction

This part of the Report of the Comptroller and Auditor General of India (C&AG) relates to the matters arising from Compliance Audit of 16 Departments<sup>1</sup> of the Government of Rajasthan.

Compliance Audit refers to the examination of transactions relating to expenditure, receipts as well as assets and liabilities of 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.

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

This chapter, in addition to explaining the planning and extent of audit, provides information on follow-up of previous Audit Reports.

### 1.2 Audited Entities Profile

The Departments are headed by Additional Chief Secretaries/Principal Secretaries/Secretaries, who are assisted by Commissioners/Director/Deputy Secretaries and subordinate officers. Audit observations on State Public Sector Enterprises are covered in Part -II of this Report.

A brief profile of the 16 Departments covered in this part of the report, is discussed in *Appendix-1*.

The summary of the fiscal operations of Government of Rajasthan during the year 2019-20 and 2020-21 is given in **Table 1.1** below:

---

<sup>1</sup> Civil Aviation Department, Colonisation Department, Energy Department, Environment Department, Factory and Boilers Department, Forest Department, Industries Department, Department of Information Technology and Communication, Mines and Geology Department, Directorate of Petroleum, Public Health Engineering Department, Public Works Department, Science and Technology Department, State Enterprises Department, Rajasthan State Motor Garage Department and Transport Department.

**Table 1.1: Summary of Fiscal Operations**

(₹ in crore)

Receipts			Disbursements		
	2019-20	2020-21		2019-20	2020-21
<b>Section-A: Revenue Account</b>					
Tax Revenue	59,244.98	60,283.44	General Services	56,186.29	60,143.84
Non-Tax Revenue	15,714.16	13,653.02	Social Services	68,313.23	74,009.59
Share of Union Taxes/Duties	36,049.14	35,575.77	Economic Services	51,985.51	44,155.91
Grants-in-aid from Government of India	29,105.53	24,795.65	Grants-in-aid and Contributions	0.07	0.07
<b>Total Section-A Revenue Receipts</b>	<b>1,40,113.81</b>	<b>1,34,307.88</b>	<b>Total Section-A Revenue Expenditure</b>	<b>1,76,485.10</b>	<b>1,78,309.41</b>
<b>Section-B: Capital Account and others</b>					
Miscellaneous Capital Receipts	20.42	14.08	Capital Outlay	14,718.05	15,270.49
Recoveries of Loans and Advances	15,669.75	373.52	Loans and Advances disbursed	2,255.18	491.01
Public Debt Receipts	46,173.72	89,964.01	Repayment of Public Debt	20,032.69	41,022.99
Contingency Fund	-	-	Contingency Fund	-	-
Public Account Receipts	1,93,165.05	2,08,446.75	Public Account Disbursements	1,79,741.07	1,99,229.24
Opening Cash Balance	5,793.75	7,704.41	Closing Cash Balance	7,704.41	6,487.51
<b>Total Section-B Receipts</b>	<b>2,60,822.69</b>	<b>3,06,502.77</b>	<b>Total Section-B Disbursements</b>	<b>2,24,451.40</b>	<b>2,62,501.24</b>
<b>Grand Total (A + B)</b>	<b>4,00,936.50</b>	<b>4,40,810.65</b>	<b>Grand Total (A+B)</b>	<b>4,00,936.50</b>	<b>4,40,810.65</b>

Source: Finance Accounts of the respective years.

**1.3 Authority for Audit**

The authority for audit by the C&AG is derived from Articles 149 and 151 of the Constitution of India and the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971.

The Accountant General (Audit-II), Rajasthan, Jaipur conducts audit of receipts and expenditure of Departments, including Public Sector Undertakings and Autonomous Bodies of the Government of Rajasthan under the provisions of the C&AG's (Duties, Powers and Conditions of Service) Act, 1971. The principles and methodologies for various audits are prescribed in the Regulations on Audit and Accounts, 2020 and Auditing Standards, 2017 issued by the C&AG.

**1.4 Planning and conduct of audit**

Audit process started with the assessment of risk of various Government Departments/Organisations/Autonomous Bodies and schemes/projects, etc. Risk assessments were based on quantum of expenditure, criticality of activities, position of overall internal control systems and the concerns of stakeholders. Previous audit findings were also considered in this exercise. During 2020-21, audit of 158 units of 16 Departments was carried out.



Inspection Reports containing audit findings were issued to the head of the units after completion of audit of each unit. The units were requested to furnish replies to the audit findings within one month of receipt of the Inspection Reports. Whenever replies were received, audit findings were either settled or further compliance was advised. The important audit observations arising out of these Inspection Reports were processed for inclusion in the Audit Reports.

### **1.5 Response of the Government/Departments to Audit observations**

The Accountant General (Audit-II), Rajasthan, Jaipur audits the Government/Departments to test-check the transactions and verify the maintenance of important accounts and other records as prescribed in the rules and procedures. These inspections are followed by Inspection Reports (IRs) which incorporate irregularities detected during the audit and not settled on the spot.

Analysis of IRs issued upto March 2021 disclosed that 17,146 paragraphs involving ₹ 30,571.57 crore relating to 3,729 IRs issued for these Departments remained outstanding at the end of September 2021.

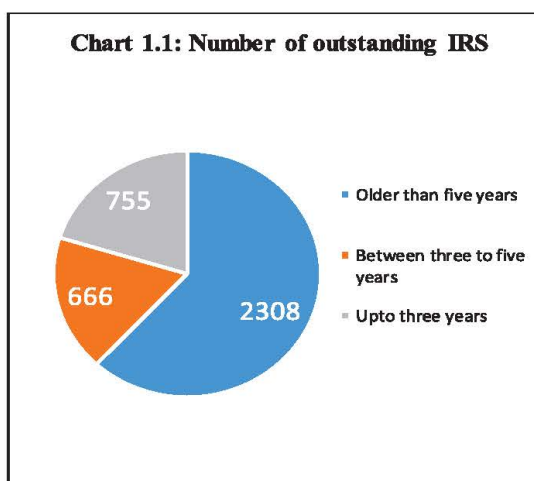
**1.5.1** The Department-wise details of the IRs and audit paragraphs outstanding as on 30 September 2021 and the amount involved are given in the Table 1.2 below:

**Table 1.2: Department-wise details of IRs and audit paragraphs**

<b>Sl. No.</b>	<b>Name of the Department</b>	<b>Number of outstanding IRs</b>	<b>Number of outstanding audit paragraphs</b>	<b>Amount involved (₹ in crore)</b>
1	Civil Aviation	7	26	51.89
2	Colonisation	14	27	69.10
3	Energy	5	15	4.14
4	Environment	10	70	640.74
5	Factory & Boilers	7	22	1.81
6	Forest	409	1,756	1,813.7
7	Industries	41	144	167.66
8	Information Technology & Communication	11	46	1,642.43
9	Mines & Geology	347	1,476	2,426.35
10	Petroleum	4	8	137.64
11	Public Health Engineering	1,166	5,065	16,476.61
12	Public Works	1,385	7,054	6,989.48
13	Rajasthan State Motor Garage	6	25	18.91
14	Science and Technology	16	45	37.30
15	State Enterprises	4	10	22.09
16	Transport	297	1,357	71.72
<b>Total</b>		<b>3,729</b>	<b>17,146</b>	<b>30,571.57</b>

Source: Information compiled on the basis of Inspection Reports issued and replies received thereon.

As can be seen from the Table, the pendency in terms of outstanding IRs and outstanding paragraphs is highest in the Public Works Department. Age wise analysis of outstanding IRs and audit paragraphs is detailed in **Appendix-2**, which reveals that 2,308 IRs (61.89 per cent of total outstanding IRs) were outstanding for more than five years.



Source: Compiled by Audit.

The pendency is indicative of the fact that the Heads of Offices and the Departments need to take effective action timely to rectify the defects and irregularities pointed out by Audit through the IRs.

### **1.5.2 Departmental Audit Committee Meetings**

The Government constituted Audit Committees<sup>2</sup> to monitor and expedite the progress of the settlement of the paragraphs in the IRs. The details of the Audit Committee/Audit sub-Committee Meetings held during the year 2020-21 and the paragraphs settled therein are given in **Table 1.3** below:

**Table 1.3: Details of Audit Committee and Audit sub-Committee Meetings**

Sl. No.	Name of the Department	Number of Audit Committee Meetings held	Number of Audit sub-Committee Meetings held	Number of paragraphs settled	Amount (₹ in crore)
1	Civil Aviation	2	0	0	0
2	Colonisation	1	0	0	0
3	Energy	3	0	0	0
4	Environment	0	0	0	0
5	Factory and Boilers	2	0	0	0
6	Forest	1	2	11	8.71
7	Industries	2	1	5	0.01
8	Information Technology and Communication	1	0	0	0
9	Mines and Geology	3	3	46	92.45
10	Petroleum	3	0	0	0
11	Public Health Engineering	1	0	0	0

<sup>2</sup> Audit Committees, *inter alia*, comprising of Secretary of Department concerned and Accountant General/his representative, were formed as per Circular No. 1/2005 dated 18 January 2005 of Government of Rajasthan and it was decided by the Government that one Audit Committee meeting shall be held in each quarter. In addition to this, Audit sub-Committees comprising of officers of the Departments and representative of Accountant General, are also formed.



SL No.	Name of the Department	Number of Audit Committee Meetings held	Number of Audit sub-Committee Meetings held	Number of paragraphs settled	Amount (₹ in crore)
12	Public Works	3	1	65	52.93
13	Rajasthan State Motor Garage	2	0	0	0
14	Science and Technology	1	0	0	0
15	State Enterprises	2	0	0	0
16	Transport	3	0	0	0
<b>Total</b>		<b>30</b>	<b>7</b>	<b>127</b>	<b>154.10</b>

Source: Compiled by Audit.

It can be seen from Table that the minimum requirement of four Audit Committee Meetings was not fulfilled in respect of any of the Departments during the year 2020-21. Further, in respect of Environment Department, no Audit Committee Meeting was held during 2020-21. Audit sub-Committee Meetings were held in four Departments only, *i.e.* Forest, Industries, Mines and Geology and Public Works, where 127 paragraphs involving ₹ 154.10 crore were settled. Departments may organise more Audit Committee/Audit sub-Committee Meetings to settle these outstanding paragraphs expeditiously.

### 1.5.3 Response of the Departments to the draft audit paragraphs

Factual statements followed by draft audit paragraphs proposed for inclusion in the Report of the Comptroller and Auditor General of India are forwarded to the Principal Secretaries/Secretaries of the five Departments<sup>3</sup> concerned, drawing their attention to the audit findings and requesting them to send their responses within six weeks.

A total of 13 draft paragraphs (combined into eight paragraphs of this Report) were sent to the Principal Secretaries/Secretaries of the respective Departments between September 2021 and March 2022. Replies to all the draft paragraphs have been received and suitably incorporated in the Report.

### 1.6 Follow-up on Audit Reports

The Finance Department of the State Government decided (December 1996) that explanatory notes on all Performance Audits/paragraphs that have appeared in Audit Reports be submitted to the Public Accounts Committee (PAC), duly vetted by Audit, within three months from the date of laying of the Reports in the State Legislature. No explanatory note on Performance Audits/paragraphs was pending as of 31 July 2022.

#### Discussion of Audit Reports by PAC

The status of discussion of Performance Audits and paragraphs which

<sup>3</sup> Forest, Mines and Geology, Public Health Engineering, Public Works and Transport.

appeared in Audit Reports (Revenue Sector/Economic Sector/Revenue and Economic Sectors/General and Social Sector) by the PAC as of 31 July 2022 is given in Table 1.4 below:

**Table 1.4: Performance Audits/paragraphs appeared in Audit Reports  
vis-a-vis discussed**

Period of Audit Report		Number of Performance Audit/paragraphs			
		Appeared in Audit Report		Paragraphs discussed	
		Performance Audit	Paragraphs	Performance Audit	Paragraphs
2016-17	Revenue Sector	-	7	-	4
	Economic Sector	1	9	1	9
	General and Social Sector	1	2	1	2
2017-18	Revenue Sector	-	7	-	3
	Economic Sector	2	5	2	5
	General and Social Sector	-	3	-	3
2018-19	Revenue and Economic Sectors	1	12	-	-
	General and Social Sector	-	3	-	-
2019-20	Compliance	-	7	-	-

Source: Compiled by Audit.

The discussion on Performance Audits and paragraphs which appeared in Audit Reports (Revenue Sector/Economic Sector/General and Social Sector) upto 2015-16 have been completed.

## **1.7 Coverage of this part of the Report**

This part of the Report contains eight paragraphs. The total financial impact of the paragraphs is ₹ 41.19 crore. These are discussed in Chapters II. The Departments/Government have accepted audit observations involving ₹ 40.38 crore (as of December 2023). Out of the accepted audit observations, the Departments had recovered ₹ 2.03 crore upto December 2023 which was in addition to the recoveries (₹ 5.14 crore) made in response to Audit findings in the local audit inspection reports during the year 2020-21. Further, the Departments concerned recovered ₹ 30.22 crore during the year 2020-21 in respect of objections raised in previous Audit Reports. Thus, total recoveries made at the instance of Audit during the year aggregated to ₹ 37.39 crore.

***CHAPTER-II***  
**Compliance Audit**





## CHAPTER-II: Compliance Audit

### Taxes on Vehicles

#### 2.1 Tax administration and results of audit

The receipts from the taxes on motor vehicles payable under the provisions of the Central and the State Motor Vehicles Acts and rules made thereunder are administered at the Government level by the Principal Secretary (Transport). The Transport Department (Department) is headed by the Transport Commissioner (CoT) *cum* Secretary to the Government of Rajasthan (GoR) and is assisted by six Additional Transport Commissioners and four Deputy Transport Commissioners. The entire State is divided into 12 Regions<sup>1</sup>, headed by Regional Transport Officers (RTOs) as *ex-officio* Secretary, Regional Transport Authority. Besides, there are 42 transport districts<sup>2</sup> headed by District Transport Officers (DTOs).

There are 52 Registration Offices<sup>3</sup> headed by RTOs/DTOs and 2.02 crore vehicles were registered therewith till the end of March 2021. Out of these, 12 units<sup>4</sup> were selected for test-check wherein 53.40 lakh vehicles were registered. Out of these, 52,802 vehicles were selected for test-check. During scrutiny, it was noted that there were instances of non/short payment of tax, penalty, interest and compounding fees, *etc.* Similar omissions were previously identified in prior years but have not been corrected and remain undetected until the audit was conducted. These cases are illustrative and are based on a sample review of records. Besides, an audit was also done of the two applications being used in the Transport Department, *i.e.* *VAHAN* and *SARATHI*. During the year, the Department accepted underassessment and other irregularities involving an amount of ₹ 16.03 crore in 7,655 cases. Out of these, 7,375 cases involving an amount of ₹ 15.08 crore were pointed out in the audit during the year 2020-21, and rest in earlier years. During the year 2020-21, an amount of ₹ 1.03 crore was recovered in 276 cases, out of which ₹ 0.46 crore in 75 cases were pointed out in 2020-21 and the rest in earlier years. A Subject Specific Compliance Audit on “Audit of *VAHAN* and *SARATHI* Applications” and few illustrative cases involving an amount of ₹ 7.71 crore are discussed in the succeeding paragraphs.

<sup>1</sup> Regions: Ajmer, Alwar, Bharatpur, Bikaner, Chittorgarh, Dausa, Jaipur, Jodhpur, Kota, Pali, Sikar and Udaipur.

<sup>2</sup> Transport Districts: Abu Road, Balotra, Banswara, Baran, Barmer, Beawar, Bhilwara, Bhinmal, Bhiwari, Bundi, Chomu, Churu, Deedwana, Dholpur, Duda, Dungarpur, Hanumangarh, Jaisalmer, Jalore, Jhalawar, Jhunjhunu, Karauli, Kekri, Khetri, Kishangarh, Kotputali, Nagaur, Nohar, Nokha, Phalodi, Pratapgarh, Rajsamand, Ramganj Mandi, Sawai Madhopur, Shahpura (Bhilwara), Shahpura (Jaipur), Sirohi, Sri Ganganagar, Sujangarh, Tonk, Ratanpur (TCC), Shahjahanpur (TCC) and twelve transport districts headed by Regional Transport Officer.

<sup>3</sup> 52 Registration Offices include 12 Regions headed by RTOs and 40 transport districts headed by DTO. Two transport districts headed by DTOs have not been included as vehicles were not registered there. These are at Ratanpur and Shahjapur, involved in the work relating to tax collection at border.

<sup>4</sup> Due to covid pandemic nearby units of Jaipur were selected for audit.

## **2.2 Audit of VAHAN and SARATHI applications**

*The VAHAN and SARATHI applications were introduced in Rajasthan to improve the Transport Department's operations. An audit covering usage data from April 2016 to March 2021 found issues with data accuracy and software mapping. There were errors in the entry of data, such as incorrect registration dates and gross vehicle weights. Vehicles were registered with duplicate chassis and engine numbers, indicating ineffective checks. Business rules were not integrated correctly, leading to fee underestimation. Pollution Under Control certificates had validity deviations. Recommended modules like 'CNG Vahan Sewa' and 'PUCC' were not utilised. Driving licenses were issued to underage people. The Transport Department acknowledged the audit findings, accepting the need to enhance the accuracy of data within VAHAN and SARATHI applications.*

### **2.2.1 Introduction**

Functions of the Transport Department (Department) are laid down under the provisions of Section 213 of the Motor Vehicles (MV) Act, 1988. The Department has the primary duty to enforce provisions of motor vehicles laws in the State.

The Ministry of Road Transport and Highways (MoRTH) standardized and deployed two software/applications:

- *VAHAN*- a vehicle registration service, and
- *SARATHI*- a driving licence service.

The objectives of deployment of the software were:

- To establish uniform standards for documents related to vehicles and drivers at a pan-India level for ensuring inter-operability,
- Correctness and timely availability of information,
- Achieving faster, better and transparent services, and
- Proper implementation of the Motor Vehicles Act and Rules.

The Transport Department, Government of Rajasthan (GoR) implemented the *SARATHI* and *VAHAN* software packages w.e.f. September 2009 and October 2009 respectively.

**VAHAN** - It is a flexible and comprehensive system that takes care of the activities of vehicle registration, fitness, taxes, permits and enforcement. All transactions related to vehicles are captured by this application.

**SARATHI** - It facilitates submission of applications by the public for driving licence related transactions in electronic mode for further processing. All transactions related to driving licences are captured by this application.

A Performance Audit (PA) on 'Computerisation in Motor Vehicle Department' was earlier conducted between the period July to October 2011 which covered the implementation and examination of control in the "*VAHAN*, *SARATHI* and National Permit System application software." Data up to August 2011 from Transport Department of 10 selected RTOs was analysed



by using MS-Access and MS-Excel application. The focus of the PA was on the planning and implementation of the new system, transfer of legacy data, data accuracy, data safety and security, business continuity and disaster recovery and management of hardware assets *etc.* The PA was included in the Report No.3 (Revenue Receipts) of the Comptroller and Auditor General of India for the year ended 31 March 2011. The Public Accounts Committee (PAC) discussed and accepted the compliance of the Government on 16 August 2018. The current audit looked into the issues not covered in the earlier audit/PA.

### **2.2.2 Audit Objectives**

The objectives of the audit were to ascertain whether:

- Data mapping was done in a timely manner to ensure compliance with applicable Acts and Rules and
- The data of the software applications were utilised properly for achieving the overall objective envisaged for the applications.

### **2.2.3 Scope and methodology**

Audit of *VAHAN* and *SARATHI* applications was conducted at the office of the Commissioner of Transport. Dump data (10,13,535 cases) of *VAHAN* and *SARATHI* for the period April 2016 to March 2021 in respect of Rajasthan State relating to all the vehicles (except two and three-wheelers) was analysed using IDEA software. Audit observations were validated in four units, *i.e.*, RTO Dausa, RTO Kota, RTO Jaipur and DTO Balotra. The findings were pointed out to the Department and reported to the Government (November 2021 and December 2023). Reply of the Government was received in January 2022 and December 2023, and the same is included at the appropriate places.

### **2.2.4 Audit criteria**

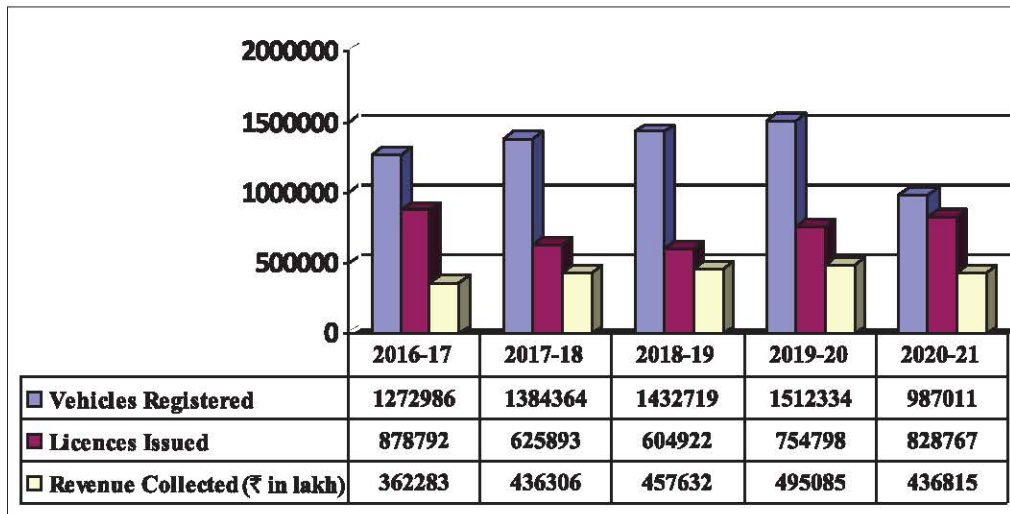
The audit criteria have been adopted from the following sources:

- The Motor Vehicles Act (MV Act), 1988;
- Central Motor Vehicles Rules (CMV Rules), 1989;
- Rajasthan Motor Vehicles Taxation Act (RMVT Act), 1951;
- Rajasthan Motor Vehicles Taxation Rules (RMVT Rules), 1951;
- Rajasthan Motor Vehicles Rules (RMV Rules), 1990 and notifications, circulars, orders, guidelines issued by the Government of India and Transport Department, Rajasthan from time to time.

### **2.2.5 Performance of activities and revenue**

Registration of vehicles and issuing licences for operating them are important activities of the Department. Details of vehicles registered, licences issued and overall revenue collected by the Department during the last five years are depicted in **Chart-1** below:

**Chart 1: Performance of the Transport Department**



Source: Statistical Abstract of Transport Department (2020-21).

There has been a steady rise in overall revenue collection and the number of vehicles registered, but there was a significant decrease in vehicle registration and revenue collected during 2020-21 due to the impact of the COVID-19 pandemic.

### **Audit Findings**

The first Audit Objective was to assess whether data mapping was done in a timely manner to ensure compliance with applicable Acts and Rules.

Under this Audit Objective, it was noticed that data mapping was not done properly, which resulted in incorrect entries of purchase dates, gross vehicle weight, seating capacity, duplicate engine numbers, duplicate chassis numbers, incorrect categorization of vehicles. Further, business rules were also not mapped with software which resulted in short realization of registration fees and hypothecation fees due to incorrect classification of vehicles, *etc.* These observations are discussed in detail in the succeeding paragraphs.

#### **2.2.6 Incorrect entry in VAHAN**

An analysis of the dump data of *VAHAN* has brought to light a series of concerning irregularities linked to the input of vehicle details. These discrepancies have led to the inaccurate depiction of vehicle information in the *VAHAN* application. However, there was no revenue implication. The main findings are outlined below:

- In 119 cases, the registration date was recorded prior to the purchase date of the vehicle. Specifically, the vehicles were registered between one and 74 days before the actual purchase date or delivery date as per sales invoice.
- It was observed that incorrect Gross Vehicle Weight (GVW) details were recorded in *VAHAN* for 15,584 vehicles. The system accepted GVW ranging from 0 kg to 03 kg in 15,570 vehicles and more than 1,00,000 kg in 14 vehicles.



- For 1,219 vehicles, errors were identified in the recorded seating capacity based on the vehicle type. Among these, 120 goods vehicles were indicated to have seating capacities ranging from 10 to 100 passengers. Additionally, seven cars were shown with seating capacities of 10 to 50 passengers. Most notably, 1,018 passenger vehicles, such as buses designed to carry more than 10 passengers, were incorrectly shown with seating capacities of only one to three passengers.
- A total number of 2,273 Heavy Goods Vehicles (HGV)/ Heavy Passenger Vehicles (HPV)/Medium Goods Vehicle (MGV)/ Medium Passenger Vehicle (MPV) were shown as Light Goods Vehicle (LGV)/Light Passenger Vehicle (LPV). Similarly, 3,123 LGV/LPV vehicles were shown as HGV/HPV/MGV/MPV.

The Government replied (December 2023) that instructions have been issued to correct the errors.

To assess the action taken by the Department, Audit test-checked these cases and found that these irregularities were yet to be rectified (January 2024).

**Recommendation 1: The Department needs to rectify the data entry errors to maintain the systems credibility and accuracy.**

### 2.2.7 Registration of vehicles with duplicate engine/chassis number

Sale certificate, i.e., Form-21, is an essential document required at the time of registration which includes the chassis number (VIN- Vehicle Identification Number) and engine number which are unique codes, assigned to every vehicle by the vehicle dealer or manufacturer.

Scrutiny of VAHAN dump data revealed that 712 vehicles had duplicate chassis number or engine number. Details are given in Table 2.1 below:

**Table 2.1: Number of vehicles having duplicate chassis and engine numbers**

Sl. No.	Duplicate	Number of vehicles							Total
		'C' series	'E' series	'F' Series	'G' Series	'P' Series	'T' Series	'U' Series	
1	Chassis Number	29	-	-	74	-	2	15	120
2	Engine Number	349	10	04	160	20	13	36	592
	<b>Total</b>	<b>378</b>	<b>10</b>	<b>04</b>	<b>234</b>	<b>20</b>	<b>15</b>	<b>51</b>	<b>712</b>

Source: Dump data from VAHAN.

In order to test check these cases necessary records related to 16 vehicles were requested from two Transport Offices (DTO Balotra and RTO Jaipur). DTO Balotra was not able to provide the requested records. However, RTO Jaipur provided folders related to three of the vehicles. Upon scrutinizing these folders, it was noticed that a vehicle with the identical chassis and engine number was previously owned and registered in the State of Arunachal Pradesh under the registration number AR06A 1862 was sold twice and registered with two different registration numbers i.e. RJ14GL 1860 and RJ14GN 0891 in Rajasthan. Thus, results of test check validate the findings of the analysis of the dump data.

The Government replied (December 2023) that checks are now made effective in VAHAN to stop duplicate entry of engine/chassis number at the time of new registration or backlog-entry. Instructions have also been issued to correct the earlier errors.

To assess the action taken by the Department, Audit test-checked the objected cases and found that these irregularities were yet to be rectified (January 2024).

**Recommendation 2: The Department needs to take appropriate actions to rectify the situation, including identifying and rectifying any systemic weaknesses.**

## **2.2.8 Short realisation of registration fees due to incorrect classification of vehicles**

### **2.2.8.1 Construction Equipment Vehicle (CEV)**

The Ministry of Road Transport and Highways (MoRTH) vide its notification dated 29 December 2016, prescribed fees for issue or renewal of certificate of registration and assignment of new registration mark to various categories of vehicles under Rule 81 of CMV Rules. The construction equipment vehicles are required to be categorised as “Others” (‘E’-series<sup>5</sup>) and attract registration fees of ₹ 3,000 per vehicle.

Analysis of data related to 24,514 ‘E’ series (others) vehicles registered in the State during April 2016 to March 2021 revealed that 5,314 vehicles were incorrectly categorised as Heavy Motor Vehicle (HMTV) and Medium Goods Vehicle (MGV) instead of as “Other” category. The incorrect classification of vehicle resulted in short realisation of registration fees of ₹ 89.65 lakh. The details of short realisation are given in Table 2.2 below:

**Table 2.2 Details of short realisation of registration fees**

Sl.No.	Number of vehicles	Fees prescribed (₹ per vehicle)	Fees levied (₹ per vehicle)	Short recovery of fees (₹ per vehicle)	Total short recovery of fees (₹ in lakh)
(1)	(2)	(3)	(4)	(5)	(6=2X5)
1	44	3,000	300	2,700	1.19
2	372	3,000	600	2,400	8.93
3	1,212	3,000	1,000	2,000	24.24
4	3,686	3,000	1,500	1,500	55.29
<b>Total</b>	<b>5,314</b>				<b>89.65</b>

Source: Dump data from VAHAN.

The above Table shows that the registration fee was not collected in accordance with the vehicle categories outlined in Rule 81 of the Central Motor Vehicles Rules.

The Government replied (December 2023) that they have issued instructions to review in cases of errors, and that the system is being modified to correctly categorize the vehicles and levy the appropriate fee accordingly. The Department has recovered an amount of ₹ 6.71 lakh in respect of 402 vehicles. Further progress is awaited (January 2024).

<sup>5</sup> ‘E’Series – Construction equipment.



### 2.2.8.2 Light, Medium and Heavy Motor Vehicle

MoRTH, vide notification dated 29 December 2016, prescribed the fees for issue or renewal of certificate of registration and assignment of new registration mark to various categories of vehicles under Rule 81 of CMV Rules as under:

- I. The vehicle whose GVW is less than 7,500 kg is covered in Light Motor Vehicle (LMV) and attract registration fees of ₹ 1,000 for transport vehicle and ₹ 600 for non-transport vehicle and ₹ 5,000 for imported vehicle;
- II. The vehicle whose GVW is less than 12,000 kg but more than 7,500 kg is covered in Medium Motor Vehicle (MMV) and attract registration fees of ₹ 1,000. The vehicle whose GVW is more than 12,000 kg is covered in Heavy Motor Vehicle (HMV) and attract registration fees of ₹ 1,500.

Data analysis related to vehicles registered under the category of LMV/MMV/HMV during December 2016 to March 2021 revealed that:

- A. A total of 1,291 vehicles under the category of LMV / MMV (Transport Vehicle) (GVW up to 12,000 Kg) were incorrectly charged registration fees of ₹ 200 to ₹ 600 instead of ₹ 1,000 per vehicle;
- B. A total of 1,441 vehicles under the category of HMV / HGV (Transport Vehicle) (GVW more than 12,000 Kg) were incorrectly charged registration fees of ₹ 600 to ₹ 1,000 instead of ₹ 1,500 per vehicle;
- C. A total of 3,039 vehicles under the category of LMV (Non-transport) were incorrectly charged registration fees of ₹ 0 to ₹ 400 instead of ₹ 600 per vehicle.

Due to the lack of proper mapping of registration fees according to vehicle category, there was a short fall of ₹ 27.17 lakh in the collection of registration fees. The details are provided in the Table 2.3 and 2.4 below:

**Table 2.3: Details of short realisation of registration fees on Transport Vehicles**

Sl.No.	Number of vehicles from which fees were short recovered	Fees were to be charged in ₹ as per rules (each vehicle)	Fees charged in ₹ (each vehicle)	Short recovery of fees in ₹ (each vehicle)	Total short recovery of fees (₹ in lakh)
<b>Gross Vehicle Weight (GVW) of the Vehicle upto 12000 KG</b>					
(1)	(2)	(3)	(4)	(5=3-4)	(6=2X5)
1	01	1,000	200	800	0.01
2	642	1,000	300	700	4.49
3	19	1,000	400	600	0.11
4	629	1,000	600	400	2.52
<b>Total (A)</b>	<b>1,291</b>				<b>7.13</b>
<b>Gross Vehicle Weight (GVW) more than 12000 KG</b>					
1	434	1,500	600	900	3.91
2	1,007	1,500	1,000	500	5.04
<b>Total (B)</b>	<b>1,441</b>				<b>8.95</b>
<b>Grand Total (A+B)</b>	<b>2,732</b>				<b>16.08</b>

Source: Dump data from VAHAN.

**Table 2.4: Details of short realisation of registration fees on Light Motor Vehicles (Non-Transport)**

Sl.No.	Number of vehicles from which fees were short recovered	Fees were to be charged in ₹ as per rules (each vehicle)	Fees charged in ₹ (each vehicle)	Short recovery of fees in ₹ (each vehicle)	Total short recovery of fees (₹ in lakh)
(1)	(2)	(3)	(4)	(5=3-4)	(6=2X5)
1	26	600	00	600	0.16
2	01	600	20	580	0.01
3	01	600	50	550	0.01
4	2,407	600	200	400	9.63
5	69	600	300	300	0.21
6	535	600	400	200	1.07
<b>Total</b>	<b>3,039</b>				<b>11.09</b>

Source: Dump data from VAHAN.

The Government replied (December 2023) that the system for accurate categorisation of vehicles according to the weight and auto-calculation of fee at the time of registration has been made effective in case of new vehicle registration. It was also intimated that the Regional/District transport officers concerned have been directed to examine and recover the due fee in erroneous cases. The Department has recovered an amount of ₹ 4.82 lakh in respect of 1,248 vehicles. Further progress is awaited (January 2024).

### 2.2.9 Short realisation of hypothecation fees

According to Rule 60 of CMV Rules 1989, endorsing hire-purchase/lease/hypothecation agreement (fee specified in Rule 81) fee was ₹ 100 for all types of vehicles. However, *vide* its notification dated 29 December 2016, MoRTH prescribed fees for endorsing hire purchase/lease/hypothecation for various categories of vehicle under Rule 81 of CMV Rules as below:

- (i) The vehicle whose GVW is more than 7,500 kg attracts hypothecation fees of ₹ 3,000;
- (ii) The vehicle whose GVW is less than 7,500 kg attracts hypothecation fees of ₹ 1,500.

On analysing dump data<sup>6</sup>, it was observed that 984 vehicles under the category of MGV/MMV and HGV/HMV were incorrectly charged hypothecation fee of ₹ 100 to 1,500 instead of ₹ 3,000 per vehicle.

Similarly, on analysing dump data, it was observed that 2,700 vehicles under the category of LGV/LMV falling under 51 RTOs/DTOs offices were incorrectly charged hypothecation fees of ₹ 100 to 1,000 instead of ₹ 1,500 per vehicle.

Thus, non-mapping of the provisions of the MoRTH notification resulted in short realisation of hypothecation fees of ₹ 60.31 lakh from the 3,684 vehicle owners as shown in Table 2.5 and 2.6 below:

<sup>6</sup> Dump data containing details of 10.13 lakh vehicles.



**Table 2.5: Details of short realisation of hypothecation fees on MMV/MGV and HMV/HGV**

Sl. No.	Number of vehicles from which fees were short recovered	Fees to be charged in ₹ as per rules (each vehicle)	Fees charged in ₹ (each vehicle)	Short recovery of fees in ₹ (each vehicle)	Total short recovery of fees (₹ in lakh)
(1)	(2)	(3)	(4)	(5=3-4)	(6=2X5)
1	557	3,000	100	2,900	16.15
2	427	3,000	1,500	1,500	6.41
<b>Total</b>	<b>984</b>				<b>22.56</b>

Source: Dump data from VAHAN.

**Table 2.6: Details of short realisation of hypothecation fees on LMV/LGV**

Sl. No.	Number of vehicles from which fees were short recovered	Fees to be charged in ₹ as per rules (each vehicle)	Fees charged in ₹ (each vehicle)	Short recovery of fees in ₹ (each vehicle)	Total short recovery of fees (₹ in lakh)
(1)	(2)	(3)	(4)	(5=3-4)	(6=2X5)
1	2,687	1,500	100	1,400	37.62
2	12	1,500	500	1,000	0.12
3	1	1,500	1,000	500	0.01
<b>Total</b>	<b>2,700</b>				<b>37.75</b>

Source: Dump data from VAHAN.

The Government replied (December 2023) that system for accurate categorisation of vehicle according to the weight and auto-calculation of fee at the time of registration has been made effective. It was also intimated that the Regional/District transport officers concerned have been directed to examine and recover any unpaid fee in erroneous cases. The Department has recovered the amount of ₹ 6.33 lakh in respect of 354 vehicles. Further progress is awaited (January 2024).

**Recommendation 3: To ensure the reliability of the data within the VAHAN, it is crucial to rectify the cases identified by the Audit and address any other similar irregularities. This will help maintain the integrity and accuracy of the data.**

**The second Audit Objective was to assess whether the data of the software applications was being utilised properly for achieving the overall objectives envisaged for the applications.**

Under this Audit Objective, it was noticed that the software VAHAN and SARATHI were not used efficiently, leading to the issuance of pollution certificates with incorrect validity and irregular issuance of driving licences. Additionally, various modules, such as the Refund Module and CNG Vahan Sewa Module were not utilised. The above issues and their implications are discussed in the succeeding paragraphs.

### **2.2.10 Pollution under control Certificate**

Rule 115 of the CMV Rules 1989 provides that a motor vehicle shall be maintained in such condition which complies with the standards of emission. Rule 115(7) *ibid* provides that after the expiry of a period of one year from the date on which the vehicle was first registered, every such vehicle shall carry a

valid “Pollution Under Control (PUC) Certificate issued by an agency authorised for this purpose by the State Government. The validity of the certificate is six months for Bharat Stage (BS)-III Vehicles. However, the validity of PUC certificate is one year in case of BS-IV and BS-VI compliant vehicles. The Rajasthan Motor Vehicles Test Center Scheme (online) 2017 (RMVTC Scheme 2017) was introduced with the objective of prescribing the operational process of Pollution Check Centers (PCCs) and making the scheme job-oriented and for controlling vehicular pollution.

(i) Data analysis of number of vehicles due for pollution check and number of vehicles issued pollution check certificate revealed that during five years period of 2016-17 to 2020-21, the percentage of vehicles which did not obtain pollution under control certificate was ranged between 81 and 94 per cent.

**Table 2.7 Details of year-wise PUCC issued and number of cumulative vehicles in a year**

Year	Number of vehicles due for PUCC	PUC Certificates issued	Shortfall	Shortfall in percentage
2016-17	1,36,32,176	8,56,923	1,27,75,253	94
2017-18	1,49,00,562	12,06,130	1,36,94,432	92
2018-19	1,62,80,006	28,27,612	1,34,52,394	82
2019-20	1,77,09,949	30,32,659	1,46,77,290	83
2020-21	1,87,10,774	35,37,848	1,51,72,926	81

Source: Statistical Report for respective year of Transport Department.

(ii) Data analysis of PUC certificates issued by PCCs during the period January 2017 to January 2022 revealed that 4,09,865 PUC certificates for BS-III, BS-IV and BS-VI vehicles were not issued according to prescribed validity norms. The detail is given in Table 2.8 below:

**Table 2.8: Details of PUC certificate with incorrect validity**

Sl. No.	Vehicles Norms	Validity of PUC certificate issued (in days)				Total
		Less than 180	More than 180	Less than 365	More than 365	
1	BS-III	1,677	21,429	NA	NA	23,106
2	BS-IV/ VI	NA	NA	3,83,449	3,310	3,86,759
<b>Total</b>		<b>1,677</b>	<b>21,429</b>	<b>3,83,449</b>	<b>3,310</b>	<b>4,09,865</b>

Source: Dump data from VAHAN.

It could be seen from the above Table that 1,677 PUC certificates were issued for BS -III vehicles for less than six months, and 21,429 vehicles were issued PUC certificates for a period longer than six months, instead of the standard validity of six months. For the BS-IV and BS-VI vehicles 3,83,449 PUC certificates were issued for less than one year period and PUC certificates for 3,310 vehicles were issued for more than one year instead of validity period of one year.

It is clear that there was no system in place to detect and address these irregularities, leading to their occurrence.

The matter was brought to the notice of the Government in August 2021. The Government asked (November 2021) the NIC to rectify the shortcomings. NIC replied (December 2021) to Government that the mapping between PUC validities and emission norms, which was not present earlier, has been escalated to VAHAN team and is under progress.



The Government replied (December 2023) that updation of *VAHAN* in this regard is under progress. Further intimation regarding the progress of updation is awaited (January 2024).

***Recommendation 4: The Department may evolve a system to issue PUC certificate strictly according to the provisions of Central Motor Vehicle Rules.***

### **2.2.11 Irregular issuance of Driving Licence through *SARATHI***

According to Section 3 of the MV Act, 1988, no person shall drive a motor vehicle in any public place unless he/she holds a valid driving licence issued to him/her by the competent authority. The minimum age for driving a motor vehicle is 18 years. However, a person attaining the age of 16 years may drive a motor cycle with an engine capacity not exceeding 50 cc. Section 9 (6) of the MV Act, 1988 provides that the test of competence to drive shall be carried out in a vehicle of the type to which the application refers.

Data analysis of *SARATHI* revealed that 166 learner licences were issued to persons below the age of 18 years, as follows:

- (i) A total of 83 learner licence of motorcycle with gear (Non-Transport) were issued to the persons aged below 18 years;
- (ii) A total of 81 learner licences of LMV were issued to persons aged below 18 years;
- (iii) two learners driving licences of MMV and HMV were issued to persons aged below 18 years.

The Government replied (December 2023) that in the latest version of *SARATHI*, checks were effective regarding age of applicant. Further, checks were also made effective for backlog entry of licences. It was also intimated that instructions were issued to check the cases under observation and to take corrective action.

Audit requisitioned the physical record of the licences, but the Department did not provide the records. The Department stated that three driving licences were cancelled (January 2023). Further progress is awaited (January 2024) regarding other cases.

### **2.2.12 Non-utilisation of Modules**

#### **2.2.12.1 Refund Module**

Section 7 of the RMVT Act, 1951 read with Rule 26 of the RMVT Rules, 1951 prescribed that if the owner of the vehicle paid tax more than the tax due then he would be entitled for the refund subject to certain conditions.

Scrutiny of modules available in *VAHAN* revealed that refund module was not being utilised by the Department for processing of refunds. The refunds of ₹ 3.10 crore in 413 cases were being processed manually during the year 2020-21, resulting in incomplete level of automation.

The Government replied (December 2023) that the Refund Module is not being used in the Rajasthan State. However, the reasons for not using Refund Module were not mentioned.

#### **2.2.12.2 CNG Vahan Sewa Module**

MoRTH instructed (15 November 2018) all the States/Union Territories to implement the module for retro fitment of CNG/LPG kits to ensure safety and compliance of standards as mandated under Rule 115 of the CMV Rules, 1989 (CMVR).

‘CNG Vahan Sewa’ module in *VAHAN* was designed for uploading inventory details of CNG/LPG kits by the manufacturers and its further linking with the vehicle fitted with these kits by the dealers.

Scrutiny of modules available in *VAHAN* revealed that ‘CNG Vahan Sewa’ module was not being utilised in Rajasthan despite the instructions in this regard by the MoRTH. Hence, the purpose of the module in keeping track of CNG/LPG kits fitted in the vehicles was not served.

The Government replied (December 2023) that the module had been initiated since June 2023. However, the reasons for the delay were not provided.

#### **2.2.12.3 PUCC Module**

According to Rule 62 of the Central Motor Vehicle Rules, 1989, valid pollution certificate was mandatory to obtain the Fitness Certificate.

Scrutiny of *VAHAN* application revealed that the PUC certificate (PUCC) Module was not being utilised by the Department to ensure that the vehicle for which a Fitness Certificate was issued had a valid PUCC. It was also observed that the PUCC Module had been implemented in 24 of the 37 States/Union Territories in India.

The Government replied (December 2023) that updation of *VAHAN* in this regard is under progress.

***Recommendation 5: The Department needs to assess the utility of the various modules, as it aligns with the objectives of VAHAN, aiming to establish uniform standards for documents related to vehicles and drivers at a pan-India level to ensure interoperability.***

#### **2.2.13 The Audit Assessment**

*VAHAN* and *SARATHI* were designed to implement the requirements of the Motor Vehicle Act, 1988 and Motor Vehicle Rules. However, a review of the data revealed multiple instances where the rules were not correctly applied, or where the lack of validation controls raised concerns about the accuracy and integrity of the data. Additionally, the incorrect mapping of rules resulted in a shortfall in the collection of registration and hypothecation fees, resulting in a loss of revenue for the State.

The Department acknowledged all the facts presented and responded that measures are being taken to improve the accuracy of data within the *VAHAN* and *SARATHI* software and to incorporate the necessary business rules into the system.



**Recommendation 6: The Government needs to review the system to improve input and validation control for the accuracy of data. A change management protocol, with clear responsibilities and roles to ensure that business rules are updated promptly in the system, is also required to be devised.**

## 2.3 Taxes on Motor vehicles not realised

**Motor Vehicle Tax and Special Road Tax amounting to ₹ 3.37 crore in respect of 680 vehicles were not paid by vehicle owners.**

As per Section 4 and 4-B of the Rajasthan Motor Vehicles Taxation Act, 1951 and the rules made thereunder, Motor Vehicle Tax and Special Road Tax are to be levied and collected on all transport vehicles used or kept for use in the State at the rates prescribed by the State Government from time to time, except those transport vehicles which have paid lump-sum tax under Section 4-C. As per notification dated 9 March 2011, surcharge at the rate of 5 per cent on tax due was also payable upto 10 October 2017. Thereafter, surcharge at the rate of 6.25 per cent was payable as per notification dated 11 October 2017. Penalty at the rate of 1.5 per cent per month or part thereof, subject to twice the amount of tax due, was also leviable after the expiry of admissible period vide notification dated 1 May 2003. Further, Rule 8 and 33 of the Rajasthan Motor Vehicles Taxation Rules, 1951 empowers the Taxation Officer to serve notice for recovery of tax.

Out of a total of 2,13,875 vehicles in 11 RTOs/DTOs, records of 55,758 vehicles were test-checked by Audit. During test-check (between June 2020 and January 2021) of the registration records, tax ledgers, General Index Registers of these offices and VAHAN application for the period 2016-17 to 2019-20, it was noticed that owners of 680 vehicles did not pay the tax. There was no evidence on record to prove that the vehicles were off the road or were transferred to other District/States or their registration certificates were surrendered. The Taxation Officers, however, did not initiate any action to realise the tax due. This resulted in non-realisation of tax and surcharge amounting to ₹ 3.37 crore, as detailed in Table 2.9 below:

**Table 2.9: Details of non-realisation of tax and surcharge**

SL No.	Category of vehicles	No. of vehicles	Amount (₹ in crore)	Name of offices where irregularities noticed
1	Goods vehicles	154	0.40	DTOs- Goods Jaipur and Tonk
2	Articulated goods vehicles	307	1.32	RTO – Ajmer DTOs – Dudu, Goods Jaipur, Kotputali, Kishangarh and Shahpura
3	Dumpers/Tippers	116	0.38	RTO – Sikar DTOs – Goods Jaipur, Kotputali
4	Contract carriages (All India Permit)	13	0.42	RTO –Ajmer DTO – PV-II Jaipur
5	Stage carriages (Rural Routes)	39	0.21	RTO –Sikar DTO - Kishngarh
6	Stage carriages (Other Routes)	51	0.64	RTOs- Dausa and Sikar DTO- PV-II Jaipur
<b>Total</b>		<b>680</b>	<b>3.37</b>	

Source: Compiled by Audit.

On these being pointed out (June 2021), nine RTOs/DTOs intimated (between October 2021 and December 2023) that ₹ 1.01 crore has been recovered in respect of 274 vehicles. Further progress is awaited (January 2024).

This type of irregularity has been raised regularly in C&AG Audit Reports (Revenue Sector) of previous years. Audit had already pointed out 9,843 cases amounting ₹ 49.71 crore in the last three Audit Reports (2016-17 to 2018-19). The Department accepted those observations and recovered ₹ 11.56 crore (23.25 *per cent*) in 2,610 cases. However, it is noticed that the Department took action only after it was pointed out by Audit. The Department should have taken proactive action by building appropriate checks in its internal processes to avoid recurrence of this persistent irregularity.

#### **2.4 Non-realisation of One-Time Tax from transport vehicles**

**One-Time Tax amounting to ₹ 0.50 crore in respect of 81 transport vehicles was not paid by vehicle owners. The Department, however, did not initiate strong action to realise the dues.**

Section 4 of the Rajasthan Motor Vehicles Taxation Act, 1951 (RMVT Act, 1951) and the rules made thereunder envisaged that one-time tax (OTT)<sup>7</sup> on non-transport and transport vehicles is levied at the rate prescribed through notifications issued from time to time by the Government of Rajasthan (GoR). Surcharge is also leviable on tax due. In case of non-payment of the tax, penalty at the rate of 1.5 *per cent* per month or part thereof, limited to twice the amount of tax due, is also leviable after the expiry of the admissible period.

During audit of RTO Sikar and DTO Tonk, records of 7,000 vehicles out of the total of 18,409 goods vehicles were test-checked. Scrutiny of tax ledgers with data of *VAHAN* and *e-GRAS*<sup>8</sup> of these vehicles (between September 2020 and January 2021) revealed that the owners of 81 transport vehicles had not paid OTT. The records did not have information regarding vehicles being off roads or transferred to other States or their registration certificate being surrendered. Audit also observed that the data in the *VAHAN* application regarding assessment of tax of vehicles was not updated by the Department, due to which non-taxpayers were not included in the defaulter list. Therefore, the Department failed to effectively monitor the realisation of tax dues from the tax defaulter. Furthermore, no action was taken by the Department to recover the dues under the RMVT Act and Rules, leading to non-realisation of OTT (including surcharge) amounting to ₹ 0.50 crore.

The matter was pointed out to the Department and reported to the Government (June 2021). The Government replied (between October 2021 and December 2023) that an amount of ₹ 0.01 crore has been recovered in respect of two vehicles in RTO Sikar. However, the reply was silent on non-updation

---

<sup>7</sup> All non-transport vehicles, transport vehicles (Goods) up to 16500 GVW and transport vehicles (Passenger) having contract carriage permit seating capacity up to 22 are covered under OTT.

<sup>8</sup> **Online Government Receipts Accounting System (e-GRAS)** is an e-Governance Initiative of Government of Rajasthan under Mission Mode Project category and is part of the Integrated Financial Management System.



of data regarding assessment of tax of vehicles in *VAHAN*. Further progress is awaited (January 2024).

## 2.5 Non/short realisation of outstanding instalments of lump-sum tax

**Department did not recover lump-sum tax in respect of 301 vehicles. This resulted in non/short realisation of lump-sum tax and surcharge amounting to ₹ 2.07 crore.**

According to Section 4-C of the Rajasthan Motor Vehicles Taxation Act, 1951 (RMVT Act, 1951) and the rules made thereunder, lump-sum tax on transport vehicles is levied at the rates prescribed through notifications. The lump-sum tax payable can be paid at the option of the vehicle owner either in full or in six equal instalments (with effect from 14 July 2014) within a period of one year. Surcharge at the rate of 10 *per cent* on the lump-sum tax was also payable upto 10 October 2017, which was revised to 12.5 *per cent* w.e.f. 11 October 2017. According to notification dated 1 May 2003, penalty at the rate of 1.5 *per cent* per month or part thereof, limited to twice the amount of tax due, is also levied after the expiry of the admissible period.

Scrutiny of records (between June 2020 and January 2021) of 33,850 vehicles out of a total of 1,20,353 vehicles<sup>9</sup> in seven transport offices<sup>10</sup>, for the period 2016-17 to 2019-20 revealed that 286 vehicle owners did not pay the remaining instalments after paying the first or second instalment and no tax was paid in respect of 15 vehicles. Details regarding vehicles being off roads or transferred to other States was not available on record. The Department failed to effectively monitor the realisation of tax dues from the tax defaulters. Further, no action to recover the dues was initiated by the Department under the RMVT Act and Rules. This resulted in non-realisation of tax (including surcharge) amounting to ₹ 2.07 crore.

The matter was pointed out to the Department and reported to the Government (July 2021). The Government replied (between March 2022 and December 2023) that an amount of ₹ 0.84 crore has been recovered in respect of 112 vehicles. Further progress is awaited (January 2024).

This issue has been raised regularly in CAG's Audit Reports (Revenue Sector) of previous years. Audit had pointed out 7,102 cases amounting to ₹ 37.79 crore in the last five Audit Reports (2014-15 to 2018-19). The Department accepted these observations and recovered ₹ 13.01 crore (34.43 *per cent*) in 2,178 cases. However, it is seen that the Department took action only after it was pointed out by Audit. The Department should have taken proactive action to avoid recurrence of this persistent irregularity.

<sup>9</sup> 1,03,694 Goods Vehicles + 16,659 Taxi/Maxi.

<sup>10</sup> RTO: Ajmer, Jaipur, Sikar, Dausa.  
DTO: Jaipur (Goods), Dudu, Tonk.

## **Mining Receipts**

### **2.6 Introduction**

At the Government level, the Additional Chief Secretary (ACS), Mines and Petroleum and at the Department level, the Director, Mines and Geology (DMG), Udaipur are responsible for administration and implementation of the related Acts and Rules in the Department. The DMG is assisted by an Additional Director (Administration), six Additional Directors, Mines (ADM), six Additional Directors, Geology (ADG) and by a Financial Advisor. The ADMs exercise control through nine Circles, each headed by a Superintending Mining Engineer (SME).

There are 49 Mining Engineers (ME)/Assistant Mining Engineers (AME) who are responsible for assessment and collection of revenue and prevention of illegal excavation and dispatch of minerals from areas under their control. The Department has a separate Vigilance Wing headed by the ADM (Vigilance) for prevention of illegal excavation and dispatch of minerals.

There were 130 auditable units<sup>11</sup> in the Department of Mines and Geology. Out of these 21 units<sup>12</sup> were selected<sup>13</sup> for audit wherein out of 18,463 cases<sup>14</sup>, Audit selected and examined 9,531 cases<sup>15</sup> (51.62 *per cent*). Deficiencies were noticed in 2,606 cases involving ₹ 480.95 crore. Besides, a Subject Specific Compliance Audit on “Administration of Short-term Permits” was also conducted wherein irregularities amounting to ₹ 13.01 crore were noticed. Audit had pointed out similar omissions in earlier years too, but these irregularities had persisted and remained undetected till next audit was conducted. The substantial proportion of errors, omissions and other related issues noticed in audit indicated that the Government needed to improve the internal control system, including strengthening of internal audit so that occurrence/recurrence of such lapses can be avoided. During the year 2020-21, the Department accepted short realisation of revenue of ₹ 339.62 crore in 1,027 cases, of which 801 cases involving ₹ 331.31 crore were pointed out in audit during the year 2020-21 and the rest in earlier years. The Department recovered ₹ 1.03 crore in 209 cases relating to earlier years. A Subject Specific Compliance Audit on “Administration of Short-term Permits” and a few illustrative cases involving an amount of ₹ 14.17 crore are discussed in the succeeding paragraphs.

---

<sup>11</sup> Includes ACS, Mines and Geology and DMG office besides 128 other units.

<sup>12</sup> ACS, Mines & Petroleum, Jaipur, ADM, Jaipur, SME: Jaipur, SME(V) Jaipur, Superintending Geologist Jaipur, MEs: Ajmer, Jaipur, Sikar Makrana, ME(V): Sikar, AMEs: Neem Ka Thana, Tonk, Dausa, Kotputli, Ajmer, Jaipur, Sikar, Makrana, AMEs(V): Neem Ka Thana, Tonk and Kotputli.

<sup>13</sup> Due to Covid-19 pandemic situations, units situated nearby Jaipur were selected for audit.

<sup>14</sup> Total 18,463 cases: 2,786 Mining Leases (ML); 61 Royalty Collection (RC) Contracts /Excess Royalty Collection (ERC) Contracts; 720 Quarry licences (QL); 8,737 cases of illegal mining/transportation of mineral; 451 cases of recovery under Rajasthan Land Revenue Act, 1956; 1,773 cases of revenue assessment; one case of refund; 1,237 cases of outstanding dues and 2,697 STPs.

<sup>15</sup> Total 9,531 cases selected and examined: 672 ML; 60 RCC/ERCC; 76 QL; 6,255 cases of illegal mining/transportation of mineral; 240 cases of recovery under Rajasthan Land Revenue Act, 1956; 329 cases of revenue assessment; one case of refund; 475 cases of outstanding dues and 1,423 STPs.



## 2.7 Administration of Short-term Permits

*Mining leases and quarry licenses allow excavation and sale of minerals, while Short Term Permits (STP) are given for excavation/dispatch of a specified quantity of minerals within a specific period for executing works of Government, Semi-Government, Local Body, Panchayati Raj Institutions or Organizations aided or funded by the Government. A Subject Specific Compliance Audit was conducted on Administration of Short Term Permits covering the period April 2018 to March 2021. The audit revealed various irregularities, such as applications for grant of STPs being received offline despite instructions for online submission, e-STPs not being issued by any of the test-checked offices, deficient scrutiny of applications leading to issue of STPs without submission of complete details or on blank applications, STP holders not submitting online returns, STPs being irregularly issued without deposit of royalty and records for assessments of STPs not being submitted by the STP holders. Assessments not being done diligently which resulted in non-raising of demand of the cost of illegally consumed mineral. Lack of coordination between departments resulted in multiple irregularities, including unauthorized mineral use and short/ non-collection of royalty and other dues.*

### 2.7.1 Introduction

The State Government, in exercise of the powers conferred by Section 15 of the Mines and Minerals (Development and Regulation) Act, 1957 made the Rajasthan Minor Mineral Concession (RMMC) Rules, 2017 for regulating the grant of quarry licenses, mining leases and other mineral concessions in respect of minor minerals.

Minerals can be excavated and removed under a valid mining lease/ quarry licence or through a valid Short-term Permit (STP) issued by the Department of Mines and Geology (Department). Mining Lease/Quarry Licence are granted to the applicants for excavation and sale of minerals while STP means a permit granted for excavation and removal of specified quantity of mineral from a specified area within a specified period<sup>16</sup> for executing works of Government, Semi-Government, Local Body, Panchayati Raj Institution or Organizations aided or funded by the Government.

#### Web-based application of the Department

The Department had developed a web-based application named Department of Mines and Geology Online Management System (DMGOMS) for online submission of application for STPs/mining leases, deposit of almost all Government dues, generation of online e-rawannas/e-transit passes, maintaining Demand and Collection Register, data of permits/STPs issued, amounts deposited and empanelment of weighbridges, etc. The system is functioning since 10 October 2017.

<sup>16</sup> As per Rule 51 (7) of RMMCR 2017, the period of STP is co-terminus with the period of work order unless applied for shorter period.

### **2.7.2 Methodology for issue of STPs**

The following are the major steps for the grant of STPs as per the provisions of RMMC Rules, 2017.

#### **1. Option for payment of Royalty**

The contractor may opt for any of the following options to pay royalty for mineral consumed in the execution of work: -

- (i) Deduction of royalty from running bills by the Works Department concerned<sup>17</sup>;
- (ii) Advance payment of royalty with application for STP;
- (iii) Undertaking that entire quantity of mineral procured or used will be royalty paid;
- (iv) Royalty deduction at the specified rates<sup>18</sup> from running bills by the Works Department concerned.

The contractor had to submit the record for assessment of royalty and get a no-dues certificate from the ME/AME concerned, in each option except option (iv) above.

#### **2. Submission of application:**

Application for grant of STP shall be submitted by the contractor to the ME or AME concerned mentioning quantity of minerals and period for which permit is required. Copy of documents required with the application are work order, G-Schedule<sup>19</sup> or bill of quantities, plan and description of the area from where mineral will be excavated, revenue record of the area, and consent of the *khatedar*<sup>20</sup> in case land does not belong to the applicant. Since October 2018, this should be done online on *DMGOMS* system.

#### **3. Grant of STP**

On receipt of an application, the ME or AME concerned may grant STP after obtaining consent or approvals if required under any laws *e.g.* Consent To Operate from State Pollution Control Board or Environment Clearance from Environment Department, *etc.*

However, the ME/AME concerned may refuse to grant a STP for any mineral in any area with reasons to be recorded in writing and the same shall be communicated to the applicant. The period of STP shall be co-terminus with the work order unless applied for a shorter period. Royalty on minerals shall be payable as prescribed in the RMMC Rules. Besides royalty, the STP holder shall also contribute to the District Mineral Fund Trust (DMFT) and Rajasthan State Mineral Exploration Trust (RSMET) fund as per rates specified in the relevant rules.

---

<sup>17</sup> Works Departments such as Public Works Department, Public Health Engineering Department, Irrigation Department, Urban Improvement Trust, *etc.*

<sup>18</sup> Three *per cent* of total cost of work in case of construction/widening of road, construction of building and one and half *per cent* in case of repairing and other works.

<sup>19</sup> It is a schedule of quantities and prices included in contract document.

<sup>20</sup> *Khatedars* are tenants on Government land to whom the land is given for agricultural purpose.



When the contractor opts for any of the options for payment of royalty mentioned at serial number 1(i) to (iii) above then the STP holder/contractor shall submit the record to the AME/ME concerned along with consumption certificate issued by the Works Department, for assessment. After assessment, the AME/ME concerned shall issue no-dues certificate to the STP holder/contractor. The Works Department would pay the final bill on receipt of the no-dues certificate. However, in case of option at serial number 1(iv), no assessment shall be required by the Mines and Geology Department and the deduction of royalty shall be done from the running bill by the Works Department concerned.

### 2.7.3 Revenue from STPs

Revenue collection from STPs and percentage to the total revenue of the Department other than petroleum is given in Table 2.10 below for the last three years:

Table-2.10: Revenue from STPs

(₹ in crore)			
Year	Total revenue other than petroleum	Revenue from STPs	Percentage to the total revenue
2018-19	5,110.40	98.95	1.94
2019-20	4,347.20	88.93	2.05
2020-21	4,797.22	100.20	2.09

Source: Departmental web-based application DMGOMS.

The above table shows that the revenue from STPs was decreased from ₹ 98.95 crore in 2018-19 to ₹ 88.93 crore in 2019-20 and again increased to ₹ 100.20 crore in 2020-21. However, percentage of receipt from STPs to the total revenue shows an increasing trend.

### 2.7.4 Audit Objectives

The Audit was conducted to assess whether:

- STPs were being issued in accordance with the rules, procedures, orders prescribed by Department/State Government and
- Fee/royalty was collected as per rates prescribed and deposited timely.

### 2.7.5 Scope and Methodology

The Department had nine Circle Offices which comprise 49 ME/AME offices. For this audit, a sample comprising of nine ME/AME offices<sup>21</sup> (one office from each Circle) was selected by random sampling through Interactive Data Extraction Analysis (IDEA). Information collected from Works Departments<sup>22</sup>/ National Highway Authority of India (NHAI)/ Local Bodies<sup>23</sup> were cross-checked with the records of ME/AME offices concerned. The STPs issued and other relevant records covering the period April 2018 to March 2021 were test-checked between June and November 2021. Records of 717

<sup>21</sup> Nine selected ME/AME Offices: Ajmer, Alwar, Amet, Balesar, Banswara, Baran, Bharatpur, Bhilwara and Bikaner.

<sup>22</sup> Works Departments, i.e. Public Works Department, Public Health Engineering Department, Irrigation Department, etc.

<sup>23</sup> Panchayati Raj Department, Urban local Bodies and Urban Improvement Trusts, etc.

STPs out of 9,250 STPs were test-checked. These STPs were selected<sup>24</sup> on the basis of random sampling through IDEA software.

The findings of the audit were reported to the Government (January 2022). Reply of the Government was received in March 2022 and June 2022. The replies have been appropriately included in the relevant paragraphs. An Exit Conference was held on 21 September 2022 with DMG and Departmental officials. DMG acknowledged the findings.

### **Audit findings**

#### **Audit objective 1: Whether STPs were being issued in accordance with the rules, procedures, and orders prescribed by the Department/State Government.**

Under this audit objective, it was noticed that rules, procedures, and orders were not being fully followed while issuing STPs. The STPs were issued based on incomplete affidavits submitted by the applicants, and in some cases, they were even issued on blank application forms. The STP Register was not maintained by the MEs, and due to the absence of these Registers, the details of contractors and royalty payment options submitted by them were not available with these offices. This absence hindered the offices' ability to ensure the recovery of royalty from liable contractors. Furthermore, the assessment of the STPs was not adequately monitored. Irregularities, such as the non-submission of records for assessment and failure to submit online returns for royalty determination were also noticed. These observations are discussed in detail in the succeeding paragraphs.

### **2.7.6 Issue of STPs**

#### **2.7.6.1 Receipt and disposal of STP applications through online system**

As per DMG's order dated 05 October 2018 and 10 December 2018, applications for STPs shall be received online only and online STPs (*e-STPs*) shall be issued to the contractors. Accordingly, minerals for STPs shall be dispatched through *e-rawannas* only.

Scrutiny of online and offline records of applications received for the STPs in the selected ME/AME offices revealed that:

- In office of the ME Banswara, 491 out of 550 applications (over 89 *per cent*) for STP were received in physical form.
- In ME Ajmer and ME Baran offices, 1,140 applications were received online through DMGOMS. However, only 931 applications were processed (April 2018 to March 2021) by the offices. The processed applications were entered in the manual register. Remaining 209 applications were neither recorded in the manual register nor even processed by the offices. These applications should have been disposed of either by granting STPs or rejecting the applications with reasons. However, the same was not done.
- Further, none of the nine selected offices issued *e-STPs*.

---

<sup>24</sup> A total of 75 STPs were selected from each selected office. Further, 42 additional STPs of AME Balesar were also selected on risk basis.



Thus, the order of DMG were not been followed which resulted lack of transparency in respect of date of receipt of applications and issue of *e-STPs*.

The Government replied (May 2022) that due to field inspections and other processes, it was not possible to complete whole process of *e-STPs* through online mode. However, applicants will be informed through DMGOMS after issuance of permits and directions were being issued in this regard. Reply of the Government is not tenable as processes which could not be done online could have at least been done physically and then *e-STPs* could have been issued with all the important information. Further, as assessed later again by Audit, the directions issued by DMG were not being followed till date (January 2024).

#### **2.7.6.2 Deficiencies noticed in applications submitted for STPs**

- **Incomplete affidavits submitted by the STP Holders.**

Rule 51(9)(iv) of the RMMC Rules, 2017 stipulates that the work contractor was required to submit an option along with a bill of quantity or G-schedule and a self-certified undertaking stating that the entire quantity of mineral used shall be royalty paid.

Scrutiny of records of selected ME offices revealed the following shortcomings in two offices:

##### **ME, Banswara**

Out of 762 STPs, 75 STPs were test-checked. It was noticed that self-certified undertakings required under Rule 51(9)(iv) of RMMC Rules, 2017 was not found on record for 38 STPs.

##### **ME, Ajmer**

Out of 870 STPs, 75 STPs were test-checked. Irregularities were noticed in four undertakings submitted by the applicants, *i.e.* overwriting (one case), wrong work order number was mentioned (one case), signature of the applicant not found (one case) and work order number not mentioned (one case). ME Ajmer issued STPs to the applicants ignoring these irregularities. The above deficiencies exhibit that due diligence was not exercised during issue of STPs.

The Government replied (May 2022) in respect of ME, Banswara that self-certified undertakings would be taken in future along with the applications. In respect of ME, Ajmer it was replied that instructions were issued to comply with the observation.

- **STPs issued on blank application forms**

Scrutiny of selected 75 STPs out of total 762 STPs issued by the ME Banswara during the period 2018-19 to 2020-21 revealed that in three cases, blank application forms were submitted by the contractors. In another case, application form was not signed. ME Banswara, however, issued STPs for all these cases without following the procedure mentioned in the rules.

The Government replied (May 2022) that these application forms have now been completed. The reply clearly shows that the ME Office was negligent

while granting STPs on blank/unsigned applications. Appropriate action should be taken on erring officials after responsibility has been fixed.

***Recommendation 1: The Department may consider providing an online checklist for scrutiny of the applications along with enclosed documents and timely online disposal thereof to improve efficiency, transparency and documentation, which all will also aid in monitoring. The responsibility needs to be fixed for erring officials for accepting blank/unsigned applications.***

#### **2.7.7 Non-maintenance of STP Registers**

According to the Manual of the Department, a register was to be maintained by each AME/ME office which should contain details of the STPs.

Further, as per circular dated 15 November 2011 issued by the State Government, the Works Department concerned was required to submit a copy of the work order and 'G' Schedule<sup>25</sup> of work containing details of minerals to be used (cubic meters or MT) for the execution of work to the ME/AME having jurisdiction over the area. The ME/AME concerned was required to ensure that the Works Department makes recovery of the royalty according to the option submitted by the contractor.

Scrutiny of records of selected ME/AME offices revealed that:

- Two ME offices<sup>26</sup> did not maintain the prescribed register during the period 2018-19 to 2020-21 and
- Although ME Alwar maintained a register for STPs granted for advance payment of royalty with application {Rule 51(9)(ii)} but for other STPs<sup>27</sup> no register was maintained.
- Thus, 2,504 STPs<sup>28</sup> granted (information provided by the offices) by these three offices were not monitored through the prescribed register.

In the absence of the registers, the details of contractors and royalty payment option submitted by them were not available with these offices to ensure recovery of royalty from all liable contractors. Further, assessment of the STPs was also not monitored.

The Government replied (May 2022) that there were sufficient provisions in DMGOMS to maintain profile/ register of these STPs. It was also stated that STP profile/ register was being updated by the offices concerned.

The reply therefore shows even more starkly that the offices concerned were not updating the profile/ register properly even though provision for the same existed. The online register lacks important information, *e.g.* contribution towards trust funds, STP fees, quantity of mineral required and used in the work, date of issue of no-dues certificate and date of payment of final bill, *etc.* As such, even if this register was used, the State/Department would not be in a

---

<sup>25</sup> It is a schedule of quantities and prices included in contract document.

<sup>26</sup> ME: Banswara and Bikaner.

<sup>27</sup> Other STPs: STPs granted under rule 51(9) (i, iii and iv).

<sup>28</sup> STPs-2,504: ME Alwar-886, ME Banswara-550 and ME Bikaner-1068.



position to follow and monitor whether all applicable dues have been paid by the contractor.

Similar point was brought to the notice of the Department vide paragraph 7.4.4.1 of the Report of the Comptroller and Auditor General of India on Revenue Sector for the year ended 31 March 2017. However, the Department has failed to evolve an effective mechanism till date (January 2024).

**Recommendation 2: The Department may consider to introduce effective checks in the online system to catch non-payers of royalty/fee, etc. and responsibility should be fixed on erring officials.**

## 2.7.8 Submission of record by STP holders

According to Rule 51(9) of RMMC Rules, 2017, the contractor had to submit the record for assessment of the royalty in each case except when the STP was issued under sub rule (9)(iv).

Further, as per Rule 2 (iv) of RMMC Rules, 2017, Assessing Authority means Mining Engineer, Assistant Mining Engineer or any other officer authorised by the State Government to make assessment.

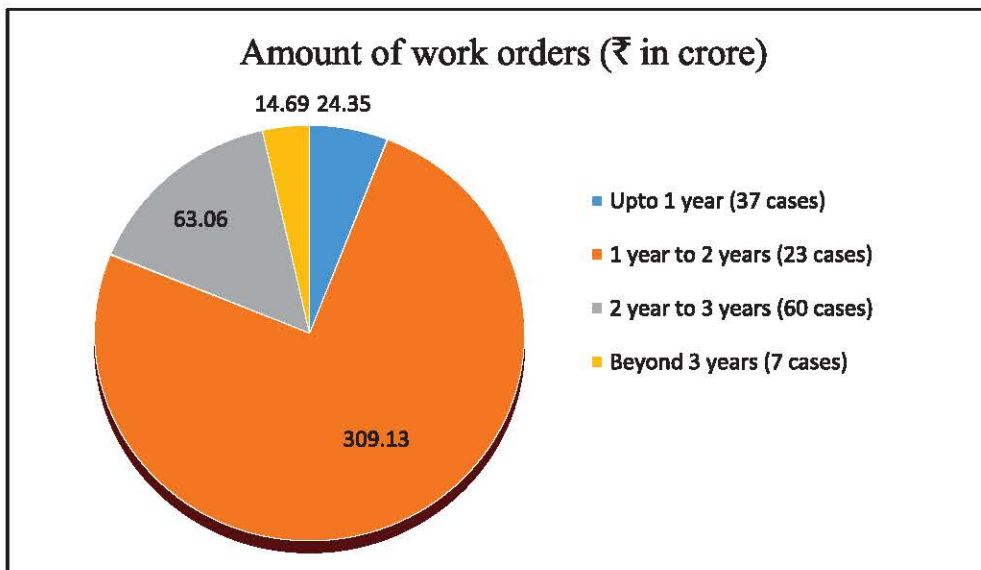
### 2.7.8.1 Non-submission of records for assessment

Scrutiny of records of 492 STPs out of 6,784 issued by selected ME/AME offices revealed that there were 127 STPs with a total value of ₹ 411.23 crore that were supposed to be completed between April 2018 and March 2021, as specified in the work orders. However, the STP holders failed to submit records for the assessment of royalty even after a delay of two to 40 months from the stipulated completion date, as shown in Table 2.11 below:

Table-2.11: Details of non-submission of records for assessment

Sl. No.	Name of Office	Test checked STPs	Non-submission of records (Number of STPs)	Period lapsed after stipulated date of completion of works (in months)	Amount of work orders (₹ in crore)
1	ME Ajmer	50	5	2 to 28	5.24
2	ME Amet	50	8	4 to 28	4.80
3	ME Bikaner	50	29	5 to 38	250.86
4	ME Bharatpur	50	22	5 to 35	49.89
5	ME Bhilwara	50	18	8 to 40	4.46
6	AME Balesar	92	16	2 to 38	2.72
7	ME Banswara	50	10	9 to 35	22.00
8	AME Baran	50	18	10 to 37	71.07
9	ME Alwar	50	1	10	0.19
<b>Total</b>		<b>492</b>	<b>127</b>	<b>2 to 40</b>	<b>411.23</b>

Source: Compiled by Audit.



**Figure 1:** Graphical representation of the STPs for which records were not submitted for assessment.

The non-submission of records for assessment led to the inability to accurately assess royalty and DMFT contributions for works totalling ₹ 309.13 crore in 23 STPs, causing the Department to remain unaware of the correct amounts even after a lapse of one to two years.

The Government replied (May 2022) that notices were being issued for non-submission of records for assessment. Assessment of seven STPs had been completed. Instructions were also issued to offices concerned for compliance to the audit observations.

#### **2.7.8.2 Non-submission of online return for royalty determination**

The DMG issued (10 December 2018) orders for online submission of applications for STPs and uploading details of STPs on *DMGOMS* for effective monitoring. Further, the STP holders were also required to submit online return for royalty determination. However, no penalty provisions were prescribed for non-submission of online returns of STPs.

In the selected offices, 2,466 STPs were assessed for royalty during the period 2018-19 to 2020-21, out of which 225 STPs were selected for audit scrutiny. Analysis of information available on *DMGOMS* disclosed that STP holders did not submit online returns for assessment of royalty. The authorities concerned also did not initiate action for ensuring submission of e-returns since no penal provision was prescribed.

In the absence of e-returns, the ME/AMEs concerned were not able to monitor the consumption of minerals and realization of royalty through online portal, i.e. *DMGOMS*. As a result, the online portal failed to fully achieve its intended purpose.

The Government replied (May 2022) that there was no provision in the rules to submit online returns. However, directions have been issued by DMG to make suitable arrangements in the *DMGOMS* for submission of returns. The fact,



however, remains that the provision in the rules for submission of online return is still pending (January 2024).

***Recommendation 3: The State Government may consider inserting provisions in the Rules for submission of online return by STP holders and penalty provision for non-submission of the return. Online submission of details of STPs would provide transparency and it would also play a deterrent role against leakage of revenue.***

**Audit objective 2: Whether fees/royalty were collected as per the prescribed rates and deposited in a timely manner.**

Under this audit objective, it was noticed that STPs were issued without the advance royalty and DMFT amount of ₹13.20 crore by payment of the applicants. There were deficient assessments of STPs, resulting in a non-recovery of ₹ 0.72 crore. Additionally, there was a lack of coordination with other government departments, leading to the execution of works without valid STPs. Moreover, the excessive use of minerals beyond the permitted quantity, as well as instances of non or short deduction of royalty and contributions towards DMFT, were also identified. Irregularities in the procurement of minerals by *Panchayat Samities* were also noticed. These observations are discussed in detail in the succeeding paragraphs.

### **2.7.9 Assessment of STPs and collection of royalty and other dues**

#### **2.7.9.1 Non-payment of advance royalty and DMFT amount**

According to Rule 51(9)(ii) of the RMMC Rules, 2017, the contractor shall apply for permit along with required quantity, permit fees, contribution in the DMFT Fund and royalty amount. The contractor shall submit the record for the assessment, along with consumption certificate issued by the competent authority, and get a no-dues certificate from the ME/AME concerned.

Rule 77 of the RMMC Rules, 2017 provides that simple interest at the rate of 18 *per cent* shall be charged from the due date on all dues in respect of dead rent, royalty, annual quarry license fee, royalty collection contract, excess royalty collection contract amount and contribution towards DMFT fund and Rajasthan State Mineral Exploration Trust (RSMET) fund.

Scrutiny of records of the office of AME, Balesar revealed that 46 STPs, out of test-checked 117 STPs, were issued under Rule 51(9)(ii) of RMMC Rules, 2017. As per the regulations, the contractor was obligated to make an advance deposit of royalty and contribution towards the DMFT fund at the time of submission of the application. However, these STPs were irregularly granted without the advance deposit of the required royalty and contribution of DMFT fund amounting to ₹ 13.20 crore.

A total number of 29 STP holders later on deposited the entire royalty amount. However, in the remaining 17 cases, ₹ 2.63 crore were pending to be deposited (July 2022). Out of 46 cases, 6 cases had fully paid advance DMFT contributions, 24 cases had paid the DMFT contributions with delay, and the remaining 16 cases, DMFT contributions of ₹ 0.33 crore was yet to be paid.

Thus, a total of ₹ 2.96 crore royalty and DMFT fund contributions remained unpaid. Additionally, interest of ₹ 1.87 crore on delayed payment of royalty

and DMFT fund contribution was not imposed or recovered for the period of 2018-2021.

The Government replied (May 2022) that royalty and DMFT amount was being received before granting permission for generation of *e-rawannas* to the STP holders. It was also replied that 15 days' notice had been issued to the contractors and the Works Departments concerned for depositing balance amount of royalty, DMFT and payable interest. However, the reply was silent on how STPs were issued without compliance with these mandatory requirements and on whether any action was being taken against the officials concerned for the loss of revenue.

#### **2.7.9.2 Deficient assessments**

Rule 51(9)(iii) of the RMMC Rules, 2017 provides that the contractor shall apply for permit along with a self-certified undertaking stating that the entire quantity of mineral will be procured or used royalty paid and submit the record of royalty paid minerals for the assessment, along with consumption certificate issued by the competent authority for making assessment, and get a no-dues certificate from the AME/ME concerned.

As per Rule 48(5) of RMMC Rules, 1986 and Rule 54(5) of RMMC Rules, 2017, whenever any person without a lawful authority raises any mineral from any land other than under any mineral concession or any other permission and where mineral so raised has already been dispatched or consumed, the competent authority shall recover cost of mineral, which shall be taken as ten times of royalty along with compounding fee.

During scrutiny of the records of selected ME/AME offices, it was noticed that 2,466 STPs were assessed under Rule 51(9)(iii) of RMMC Rules, 2017 during the period 2018-19 to 2020-21 and no-dues certificates were issued in all the cases. Examination of assessment records of selected 225 STPs showed that assessments were not done diligently in 38 cases. Audit noticed various irregularities in the *e-rawannas*/e-transit passes/royalty receipts submitted by the contractors for assessments. The details of irregularities noticed during these assessments are given in Table 2.12 below:

**Table-2.12: Details of irregularities noticed in assessments**

Sl. No.	Irregularities noticed in the assessment	Number of cases	Quantity in MT	Amount (₹ in lakh)
1	Double adjustment of the transit passes (TPs), i.e. copies of same TPs submitted with the first and final bills or same TPs were submitted for different minerals	2	361	1.00
2	TPs submitted with the bills were issued by the Department after completion of the works	9	3,228	10.19
3	Name of STP holders and place of work were not mentioned in the royalty receipts/ <i>e-rawannas</i> /TPs, but the same were considered/accepted at the time of assessment	10	10,456	30.72
4	Submitted TPs were related to other works	1	168	0.47
5	Contractors had not submitted the TPs/ <i>e-rawannas</i> for the quantity of mineral used in the construction of work. However, no dues certificates were issued	6	7,627	21.38



Sl. No.	Irregularities noticed in the assessment	Number of cases	Quantity in MT	Amount (₹ in lakh)
6	Submitted TPs were issued prior to the date of work order/issue of STPs	9	1,452	4.11
7	Quantity of mineral consumed was short assessed	1	1,620	4.54
	<b>Total</b>	<b>38</b>	<b>24,912</b>	<b>72.41</b>

Source: Information compiled on the basis of records of MEs/AMEs concerned.

Despite the above shortcomings, the AMEs/MEs concerned accepted these documents as proof of royalty paid minerals and issued no-dues certificates, resulting in undue benefits for the contractors at the expense of the Department. Instead, the consumed minerals should have been considered illegal and the cost of minerals, amounting to 10 times the royalty, i.e. ₹ 72.41 lakh, should have been recovered.

The Government replied (May 2022) that notices were being issued and action would be taken to recover the amount. However, in one case of ME Amet, it was replied that the assessment was done according to the quantity intimated in material consumption statement. Further, contractor had also submitted evidence of use of royalty paid mineral of the quantity objected, therefore, no recoverable amount was pending. The reply regarding ME Amet is not tenable as conversion factor to convert cubic meter into metric ton was taken as 1.4 in tentative consumption statement, whereas in final consumption statement, the conversion factor was taken as 1.1. However, the ME assessed the quantity ignoring the fact. Further progress is awaited (January 2024).

***Recommendation 4: The Department may consider developing a module for the online assessment of STPs, aimed at preventing revenue leakage arising from manual assessments.***

***Recommendation 5: The Department may consider conducting training sessions for the assessing authorities and staff to ensure accurate and error-free assessments.***

#### **2.7.10 Lack of coordination with other Government Departments**

Rule 51 of RMMC Rules 2017 laid the procedure for deduction of amount from the bills of the contractors. The Works Departments, Local Bodies, and other Organizations concerned shall be responsible for deduction of royalty and contribution to the DMFT Fund and RSMET Fund on every running bill where contractor opts for deduction of royalty and contribution in DMFT Fund and RSMET Fund from running bill.

Further, Rule 51 (9)(ii) provides that the contractor may apply for permit along with bill of quantity or G-schedule, permit fees, contribution in the District Mineral Foundation Trust Fund and royalty amount. The contractor shall submit the records for the assessment, along with consumption certificate issued by the competent authority and get a no-dues certificate from the Mining Engineer or Assistant Mining Engineer concerned.

To ensure compliance with the rules, the Mines and Geology Department should proactively coordinate with other Departments to get regular information of works awarded, use of mineral, deduction of royalty, contributions to DMFT and RSMET Funds, final payment to contractors



without no-due certificates issued by Mines Department, *etc.* However, the same was not done by the Department and consequential results are discussed in the following paragraphs.

#### **2.7.10.1 Execution of works without STPs**

Analysis of Work Agreement Registers maintained by the selected six Works Departments<sup>29</sup> and information provided by these offices disclosed that 4,560 work orders were issued to the contractors out of which 3,757 works were executed by them during the period 2018-19 to 2020-21. However, STPs were issued only for 900 works. Therefore, the remaining 2,857 works were executed without obtaining STPs amounting to ₹ 368.81 crore. These works pertained to road renewals, patch repairs, construction of buildings, *etc.* which required the use of minerals in their execution. Details of execution of works without obtaining STPs are given in the Table 2.13 below:

**Table-2.13: Details of execution of works without obtaining STPs**

Sl. No.	Name of ME/AME Office	Number of Works Departments	Works to be executed as per work order	Works executed	No. of STPs issued for works	No. of works executed without STP	Value of works executed without STPs (₹ in crore)
1	ME Ajmer	2	563	490	0	490	72.04
2	AME Amet	3	264	217	42	175	46.28
3	ME Bikaner	2	1,107	886	161	725	58.12
4	ME Bharatpur	2	536	316	18	298	21.15
5	ME Bhilwara	4	950	765	360	405	48.85
6	ME Alwar	3	380	374	316	58	8.41
7	ME Banswara	1	343	343	0	343	24.30
8	AME Baran	2	417	366	3	363	89.66
<b>Total</b>		<b>19</b>	<b>4,560</b>	<b>3,757</b>	<b>900</b>	<b>2,857</b>	<b>368.81</b>

Source: Compiled on the basis of information provided by the Works Departments.

The Government (May 2022) replied that directions have been issued (22 December 2021) to link the web-site of Mines Department with the web-site of the Works Departments to overcome these issues. Thereafter DMG again issued (18 November 2022) instructions to make compliance of the previous instructions. However, scrutiny of DMGOMS revealed that the same has not been done yet (January 2024).

Some illustrative cases of use of minerals without valid STPs are given below:

#### **(i) Use of Mineral without valid STP**

##### **Ordinary earth**

‘Ordinary earth’ used for filling or levelling purposes in the construction of embankments, roads, railways, buildings, *etc.* was notified as a minor mineral by the Government of India *vide* notification dated 08 February 2000. As no mining lease of mineral ‘ordinary earth’ was granted by the State Government, therefore, mineral ordinary earth can only be obtained under STP on payment of advance royalty. Thus, every contractor who had to use mineral ordinary earth in the construction has to get STP under option 51(9) (ii) of RMMC Rule

<sup>29</sup> Public Health Engineering Department, Public Works Department, Municipal Council (MC), Ajmer Development Authority (ADA), Water Resources Department (WRD) and Municipal Board (MB).

2017. According to Rule 74(2)(ix) of RMMC Rules 2017, no rent, royalty or fee shall be charged for excavation of ordinary earth from the borrow land and used in the construction of road or embankment anicuts, canals, dams in Government works, except in construction of National Highway, State Highway and Railway Tracks. The irregularities observed during the review of records from selected offices and executing agencies pertaining to the use of mineral ordinary earth are highlighted in the following paragraphs.

Scrutiny of records of STPs, no-dues certificates issued by the ME Bikaner and final bills passed by the Project Director, Rajasthan State Road Development and Construction Corporation Limited (RSRDCCL), Bikaner revealed that two contractors applied and were granted two STPs under option 51(9)(iii) by ME Bikaner and AME Churu to use mineral grit/ballast Bajri/crusher dust sand and stone in the works. No STP was obtained for mineral ordinary earth. However, the contractors used mineral ordinary earth in the construction of State Highway (SH-06). After completion of the works, no-dues certificates were issued (July and November 2020) to the contractors by ME, Bikaner and AME, Churu.

Scrutiny of the final bills of both the construction works revealed that mineral ordinary earth (quantity 11.17 lakh MT) was used by the contractors without obtaining valid STPs. This has resulted in non-recovery of the cost of mineral (ordinary earth) amounting to ₹ 4.47 crore from the contractors. Details are given in Table 2.14 below:

**Table-2.14: Details of use of mineral ordinary earth without valid STPs**

ME/AME office	Work order No. & date	Name of Contractor	Name of work	Quantity of Ordinary Earth used as per final bills (In lakh MT)	Royalty 10 time (Rate in ₹ per MT)	Cost of Mineral (₹ in crore) {5x6}
1	2	3	4	5	6	7
ME, Bikaner	03/ 25.04.2018	M/s KRA – SCC JV Jodhpur	Development of Dungargarh-Sardarshahar - Rajgarh Road from Km. 71/000 to 133/000 (S.H.-06)	2.50	40	1.00
AME, Churu	04/ 01.05.2018	M/s Rajendar Singh Bhamboo Infra P. Ltd. Jaipur	Development of Dungargarh-Sardarshahar- Rajgarh Road from Km. 133/000 to 231/000 (S.H.-06)	8.67	40	3.47
			<b>Total</b>	<b>11.17</b>		<b>4.47</b>

Source: Compiled on the basis of information provided by the Works Departments and MEs concerned.

On being pointed out (July 2021), ME, Bikaner replied (January 2022) that demand of ₹ 99.82 lakh had been raised. The Government replied (May 2022) that offices concerned had been asked to give compliance. However, responses from the offices concerned are still awaited (January 2024).

### Use of River Sand

As per Rule 51(10) of RMMC Rules 2017, for the construction, repair and renewal of National or Mega Highways, Four or Six lane roads, laying and repairs of Railway Tracks, contractors shall apply as per sub-rule (3) and royalty and other payments shall be paid as per clause (ii) of sub-rule (9). Otherwise, they may obtain separate royalty paid *rawanna* from existing leases as per sub-rule (10) of Rule 44.



Scrutiny of the record of STPs and no-dues certificates issued (January 2019) by the ME, Bhilwara revealed that a contractor obtained (April 2013 to December 2016) 85 STPs from ME, Rajsamand-II and ME, Bhilwara after payment of advance royalty for use of mineral, ordinary earth and masonry stone in the work of National Highway<sup>30</sup> (November 2012). However, it was observed that the contractor used mineral river sand (quantity 71,216 MT) without obtaining STP, which was completely illegal. The contractor was, therefore, liable to pay the cost of the minerals, amounting to ₹ 2.14 crore<sup>31</sup>. However, ME Bhilwara assessed the work in January 2019 and recovered only the royalty amount of ₹ 0.20 crore for the river sand mineral, resulting in a shortfall of ₹ 1.94 crore.

The Government replied (May 2022) that notice for recovery of balance amount of ₹ 1.94 crore had been issued to the contractor. Status of recovery is still awaited (January 2024).

**(ii) Non/short deduction of Royalty and contribution towards DMFT and RSMET Funds**

**(a)** Rule 51(9)(iv) of the RMMC Rules, 2017 prescribes that the contractor shall apply for royalty deduction at the specified rates from running bills and a self-certified undertaking stating that the entire quantity of mineral used shall be royalty paid; and in such case, no assessment shall be required by the Department.

Therefore, the Works Departments and Local Bodies shall be responsible for deduction of prescribed amount from every running bill where the contractor opts for deduction of royalty/DMFT/RSMET amount from the running bills under the rule *ibid*.

Rule 13(1)(iii) of the DMFT Rules, 2016 prescribes that 10 *per cent* of royalty amount paid for minor minerals was required to be paid by the permit holder towards the DMFT Fund, *w.e.f.* 12 January 2015 in the account of the trust.

Further, according to Rule 8 (3) of RSMET, 2020, the mining leaseholders, quarry licensees and permit holders of minor minerals shall contribute to the Trust Fund in respect of any mineral removed from and/or consumed within the area allotted/permitted, a sum equivalent to two *per cent* of the royalty for first five years and thereafter a sum equivalent to one *per cent* of the royalty paid in terms of the Schedule II of the RMMC Rules, 2017.

Information of works awarded to the contractors for the period 2018-19 to 2020-21 and deduction of royalty and contribution towards DMFT, RSMET Funds by the seven Works Departments<sup>32</sup> was called for. These Departments provided work-wise details of deduction of royalty and contribution towards DMFT and RSMET Funds. Scrutiny of the information revealed that these

---

<sup>30</sup> Four lane of Rajsamand - Bhilwara section of NH-758 (from Km 0.00 to Km 87.250) in the State of Rajasthan under NHDP phase-IV on Design, Build, Finance, Operate and Transfer (Toll) basis work order issued by National Highways Authority of India.

<sup>31</sup> 71,216 MT x Rate @ ₹ 30 Per MT x 10 = ₹ 2,13,64,800.

<sup>32</sup> Public Health Engineering Department (PHED), Public Work Department (PWD), Water Resources Department (WRD), Municipal Council Bhilwara, Additional District Project Coordinator, Samagra Shiksha (ADPC), Ajmer Smart City Limited (ASCL) and Municipal Board (MB).



Departments either did not deduct or short deducted the royalty and contribution towards DMFT and RSMET Funds amounting to ₹ 1.01 crore, i.e. royalty amount ₹ 76.60 lakh (172 works); DMFT Fund amount ₹ 23.49 lakh (705 works) and RSMET Fund amount ₹ 0.83 lakh (137 works) as shown in *Appendix-3*. The Mines and Geology Department also did not monitor the deduction of royalty contribution towards DMFT and RSMET Funds by Works Departments.

The Government replied (May 2022) that letters have been written to the Works Departments concerned for recovery of the amount. Further details are awaited till date (January 2024).

**(b) Procurement of minerals by Panchayat Samities**

According to the condition of the tender form for procurement of mineral, the *Panchayat Samities* were required to deduct the royalty amount from the bills of the contractors. However, if royalty has been paid by the firm, an affidavit should be attached to the bill.

There were four *Panchayat Samities*<sup>33</sup> having 136 *Gram Panchayats* under the area of selected AME/ME offices. Five *Gram Panchayats* from each *Panchayat Samiti* were selected and five works of each *Gram Panchayat* were checked.

It was observed that during the period 2018-19 to 2020-21, minerals amounting to ₹ 43.65 lakh were procured in test-checked 51 works by 16 *Gram Panchayats* of which royalty amount of ₹ 3.82 lakh was to be deducted. However, neither the contractors submitted the affidavit for supply of royalty paid mineral nor the *Gram Panchayats* concerned deducted the royalty.

The Government replied (May 2022) that letters have been written to the *Panchayat Samities* concerned for recovery of the amount pertaining to two of the offices<sup>34</sup> and compliance regarding remaining offices were called for. Further progress is still awaited (January 2024).

***Recommendation 6: The Department may consider expediting the compliance of the State Governments directions to link the web-site of Mines Department with the web-sites of the Works Departments and Panchayati Raj Institutions to avoid execution of works without STPs.***

**2.7.11 The Audit Assessment**

Management of STPs was deficient on several counts. The Department could not monitor timely assessment and recovery of royalty due to non-maintenance of registers and/or absence of desired information in the registers maintained by MEs/AMEs. Online system, i.e. DMGOMS, introduced four years back also had minimal impact in enhancing monitoring and compliance as in most cases, field units used only part of online processes. Applications for issue of STPs were received online. However, none of the offices issued e-STPs. The STPs were issued without scrutiny of applications, on blank application forms and with incomplete undertakings in many cases.

<sup>33</sup> Amet 20 GPs, Balesar 38 GPs, Baran 26 GPs, and Bikaner 52 GPs.

<sup>34</sup> AME Balesar and ME Amet.

Assessments were also not done diligently by the AMEs/MEs concerned. This resulted in double adjustment of transit passes, acceptance of *rawannas*/transit passes which were issued after the completion of the works or issued prior to the date of work order/STPs, and transit passes which were not related to work. Despite the above shortcomings, AMEs/MEs concerned considered these documents as evidence of royalty payment and issued no-dues certificates. These no-dues certificates were a clearance to the Works Departments for final payment to the contractors without making the due royalty deductions. Thus, undue advantage was extended to the contractors.

Lack of co-ordination between the Mines and Geology Department and other Departments of the State Government resulted in short/non-deduction royalty, DMFT and RSMET contribution.

During the Exit Conference (May 2022), the Director, Mines and Geology assured to take corrective actions to improve the system. However, actions taken so far, if any, have not been communicated to Audit (January 2024).

## **2.8 Illegal excavation of mineral by Brick Earth Permit (BEP) holder**

**The Department irregularly issued brick earth permit and failed to prevent the permit holder from excavating brick earth beyond the permitted depth. This resulted in illegal excavation and consumption of 46,419 MT brick earth involving cost of ₹ 1.16 crore.**

The State Government notified (10 June 1994) a procedure for issue of BEPs for use of mineral brick earth by the brick kilns. Accordingly, permits could be granted for a minimum period of one year and maximum period for five years. An applicant of BEP was required to submit an affidavit describing details of *Khasra* number from where brick earth is to be excavated. During the permit period, the permit holder can excavate and use brick earth only upto the permitted quantity.

The State Government inserted (November 2014) a new sub-Rule 63-B in the RMMC Rules, 1986 which provided that the excavation of brick earth, ordinary earth and ordinary clay upto a depth of one and half metre from the adjoining ground level shall be allowed.

Thereafter, RMMC Rules, 2017 were made effective from 1 March 2017. According to Rule 53(1) of RMMC Rules, 2017, no brick earth permit shall be granted if depth of brick earth is more than two metre from the surface.

Sub-Rule 8(ix) of the Rules *ibid* stipulates that the permit holder shall confine his working within the limits of the permit area and upto depth of two meter from the surface.

According to Rule 53(2) of RMMC Rules, 2017, the weight of one thousand bricks was 3.5 MT. However, by amendment (June 2017) in Rules, weight of one thousand bricks was reduced to 2.8 MT.

As per Rule 48(5) of RMMC Rules, 1986 and Rule 54(5) of RMMC Rules, 2017, whenever any person without a lawful authority raises any mineral from any land other than under any mineral concession or any other permission and where mineral so raised has already been dispatched or consumed, the



competent authority shall recover cost of mineral, which shall be taken as ten times of royalty along with compounding fee.

During audit (December 2020) of records of the office of the ME, Ajmer, it was noticed that a permit for excavation of 12,075 MT brick earth per annum was issued for a period of five years with effect from 28 July 2014. Brick earth was to be excavated from *Khasra* number 1228 and 1229 having an area of 0.35 hectare in village Nareli *Tehsil* Ajmer, district Ajmer. It was also noticed that Department had already sanctioned BEP twice on the same land and to the same applicant for excavation of 67,693 MT mineral brick earth during the period from July 2008 to July 2014.

Scrutiny of facts revealed that:

- The permit holder could excavate 7,350 MT brick earth<sup>35</sup> only in the land owned by him, *i.e.* 0.35 hectare up to a depth of one and half metre from the adjoining ground level, after insertion of Rule 63-B on 26 November 2014 and
- As the excavation of 67,693 MT<sup>36</sup> mineral brick earth was already permitted to the permit holder, therefore, further excavation of mineral was not to be permitted after 26 November 2014. However, the Department was not vigilant to ensure compliance of the amendments in the Rules (26 November 2014) and failed to prevent the permit holder from excavating brick earth beyond the permitted quantity.

Negligence of the Department resulted in illegal excavation of 46,419 MT<sup>37</sup> mineral brick earth involving cost of minerals of ₹ 1.16 crore<sup>38</sup> during the period 26 November 2014 to 27 July 2019.

The matter was reported to the Government (September 2021). The Government replied (February 2022) that the permit holder had illegally excavated quantity of 1.05 lakh MT of brick earth during the period 2008 to 2019. Penalty of ₹ 2.08 crore was recoverable. Notice would be issued to permit holder for recovery of the amount. Further, progress of recovery is awaited (January 2024).

<sup>35</sup> 3,500 meter x 1.5 meter (Depth) x 1.4 (Conversion factor) = 7,350 MT.

<sup>36</sup> 9,975 MT *vide* permit number 45 dated 23 July 2008 (One year) + 57,718 MT *vide* permit number 741 dated 28 July 2009 (Five years).

<sup>37</sup> 26 November 2014 to 25 June 2017 (31,194 MT) + 26 June 2017 to 26 November 2017 (4,025 MT) + 27 November 2017 to 27 July 2019 (11,200 MT).

<sup>38</sup> 46,419 MT brick earth X ₹ 25 (royalty rate) X 10 = ₹ 1,16,04,750.



**Public Health Engineering Department**

**2.9 Lackadaisical approach for recovery of amount against fake bank guarantee -Avoidable loss of ₹ 2.27 crore.**

**In a case of release of security against fake Bank Guarantee, inordinate delay by Public Health Engineering Department (PHED) Behror office to communicate about recovery to other PHED offices and inaction on the part of other offices resulted in release of payments to contractor and non-recovery of dues.**

A work order<sup>39</sup> of ₹ 24.04 crore was issued (March 2016) in favour of M/s Deem Construction Company Private Limited, Jaipur (Contractor) by the Additional Chief Engineer, PHED, NCR, Alwar. The stipulated dates of commencement and completion of work were 13 April 2016 and 12 October 2017 respectively. As per Condition No. 59.1 of the Contract a Performance Security equal to 10 *per cent* of contract price was to be provided by the contractor valid upto 28 days from the date of issue of the certificate of completion.

The contractor failed to maintain progress of work since beginning as activities such as projectwise detailed work plan, designs approval and survey work were delayed. The contractor stopped the work in October 2019 and could complete the work amounting to ₹ 9.09 crore only. Due to fundamental breach of contract conditions, PHED decided (May 2020) to terminate the contract, to effect recovery and to call for fresh tender for the balance work. PHED measured (September 2020) the final outcomes of the contract and worked out the recoverable amount against the contractor as ₹ 11.98 crore<sup>40</sup>.

As per Condition no. 59 of the contract, the contractor furnished Bank Guarantee (BG) of ₹ 2.27 crore (March 2016) valid up to 16 September 2017. However, due to non-extension of BG by contractor, the Executive Engineer (EE), Behror invoked the BG and retained ₹ 2.27 crore (September 2017).

Subsequently, the contractor requested (September 2019) for release of retained amount by submitting another BG of ₹ 2.27 crore, issued (13 September 2019) by SBI, JVPD Scheme Branch, Mumbai (SBI Mumbai). EE Behror released (24 September 2019) the retained BG of ₹ 2.27 crore after confirmation of BG from SBI Mumbai branch on the basis of e-mail (20 September 2019). Later, the contractor submitted (October 2019) another BG of ₹ 0.80 crore for release of retained Security Deposit-II (SD-II)<sup>41</sup>. On being asked through e-mail to confirm the second BG, SBI Mumbai intimated (October 2019) about non-issuance of any BG to the said contractor including the one for ₹ 2.27 crore stated to have been issued on 13 September 2019. EE Behror lodged (February 2020) First Information Report (FIR) against the submission of fake BG by the contractor which is still under investigation.

---

<sup>39</sup> Work of providing, laying, jointing and commissioning of elevated services reservoirs and providing pumping system and ancillary works in Behror including provisional sum of ₹ 1.32 crore.

<sup>40</sup> ₹ 6.82 crore (50 *per cent* value of balance ₹ 13.64 crore) + ₹ 5.16 crore recovery against Bill of Quantities (BoQ) items.

<sup>41</sup> ₹ 0.80 crore.

EE informed (November 2019) the contractor about the fake BG and asked the contractor to submit a fresh BG of ₹ 2.27 crore. However, the contractor did not submit any fresh BG.

After lapse of six months, EE Behror requested (April 2020) other PHED offices<sup>42</sup> for recovery of the aforesaid amount from other ongoing works of the contractor. Audit observed that in PHED Project Division Bundi, this contractor had an ongoing work. However, even after being aware of the above incident of fake BG and recovery directions, PHED Project Division Bundi released ₹ 3.11 crore<sup>43</sup> to the same contractor between June 2020 to August 2021<sup>44</sup> without any recovery on this account.

Due to lackadaisical approach of PHED, the contractor found enough time to entangle the case in legal complications. The contractor filed a suit in the Commercial Court wherein it was decided (October 2020) to defer the recoveries. High Court Rajasthan further directed (March 2021) that fresh bids should be subject to final outcome of the present writ petition and the writ petition is under process (May 2022).

Thus, even after knowing about the fake BG, EE Behror did not take immediate steps for recovery and communicated other PHED offices for recovery after a lapse of six months. Further, even after this communication, EE Project Division Bundi failed to recover this amount and released ₹ 3.11 crore to the contractor. Consequently, the PHED was left with financial hold of only ₹ 1.46 crore against the recoverable amount of ₹ 11.98 crore.

On being reported (September 2021), the State Government replied (May 2022) that the firm filed a petition before the Commercial Court Jaipur who passed a stay order on 12 October 2020 and the matter is still sub-judice. The fact remains that due to lackadaisical approach to make recoveries after knowing about the fake BG and release of ₹ 3.11 crore (₹ 1.89 crore before the court stay order) to the contractor, the Department failed to recover ₹ 2.27 crore. This has resulted in avoidable loss of ₹ 2.27 crore. Even after being pointed out by audit no specific rectification steps to strengthen the system and to fix responsibility at project Division Bundi were taken so far.

## **2.10 Excess payment of price variation ₹ 17.04 crore**

**Incorrect indices, non-monitoring of declining trend of indices and lack of effective internal control resulted in over payment of price variation claims of ₹ 17.04 crore.**

As per Rule 22 (xviii) of Public Works Financial & Accounting Rules (PWF&AR) Part-I, the Divisional Officer will be responsible for timely payment to contractors as per terms of contract after safeguarding the Government interest. Rule 378 of PWF&AR Part-I provides that in lump sum contracts costing more than ₹ 100 crore with stipulated completion period exceeding 18 months, price variation will be applicable as per terms and

<sup>42</sup> Including Zonal, Circle and Division offices in Kota and Bundi

<sup>43</sup> ₹ 2.41 crore (Running Bill Payments) + ₹ 0.70 crore (SD-II)

<sup>44</sup> June 2020 to October 2020 (till Court stay order) - ₹ 1.89 crore, November 2020 to August 2021 - ₹ 1.22 crore



conditions of the contract. Clause 45 of conditions of contract stipulates that if during the progress of the contract, price of any material/bitumen/diesel/petrol/cement and steel incorporated in the work increases or decreases as compared to the price prevailing on the date of opening of tender or negotiation (where negotiated rates have been accepted), the amount payable to the contractor for the work shall be adjusted for increase or decrease in the rates.

Additional Chief Engineer, Public Health Engineering Department (PHED), Bikaner Region, issued (August 2013) a work order<sup>45</sup> for ₹ 475.90 crore<sup>46</sup> on turn key basis in favour of M/s L&T Limited Construction, Chennai (Contractor) with stipulated date of commencement and completion as 02 September 2013 and 01 September 2016 respectively. The work was completed on 02 January 2019 and contractor was paid ₹ 433.05 crore including ₹ 14.34 crore (December 2020) on account of price variation.

Test check of records at PHED Project Divisions Taranagar and Khetri revealed that as per contract terms, for calculation of price variation claims, prices of Hot Rolled Coil (HRC) were to be considered.

Soon after issue of work order, the HRC indices declined<sup>47</sup> continuously from the level of 153.1 (March 2014) to 127.8 (August 2016) and fell even below the Base indices (149.8). However, while computing price variation claim, the basis of indices of Steel Rods was considered in place of HRC.

Thus, due to adoption of incorrect indices for computation of price variation and non-monitoring the declining trend of indices, the Department made excess payments against price variation amounting to ₹ 17.04 crore (*Appendix-4*) indicating weak internal control System. Further, the financial hold against the Contractor under the contract was found only ₹ 0.09 crore which is negligible against the amount required to be recovered.

The State Government accepted the point (July 2022) and directed PHED to propose recovery from the firm. The fact however remains that the excess payment was made due to taking incorrect indices while allowing price variation and with negligible financial hold with the Department it would be very difficult to affect recovery.

---

<sup>45</sup> Providing, laying, jointing, testing and commissioning of transmission pipelines from Jhunjhunu tehsil and rejuvenation and improvement of water supply system of Churu Bissau Project and allied works, O&M for 10 years after completion of defect liability period under Package-2 of Integrated Taranagar Jhunjhunu Sikar Khetri Drinking water supply project.

<sup>46</sup> ₹ 440.07 crore capital works + ₹ 35.83 crore O&M works.

<sup>47</sup> 153.1 (March 2014), 151.5 (June 2014), 149.9 (September 2014), 148.2 (December 2014), 144.8 (March 2015), 138.5 (June 2015), 131.1 (September 2015), 126 (December 2015), 125 (March 2016), 130.9 (June 2016) and 127.8 (September 2016).



## ***PART-II***

### **Compliance Audit Observations relating to State Public Sector Undertakings and Autonomous Bodies**





## **1. Introduction of State Public Sector Undertakings and Autonomous Bodies**

### **General**

**1.1** State Public Sector Undertakings (SPSUs) consist of State Government Companies, Government Controlled other Companies and Statutory Corporations. SPSUs are established to carry out activities of commercial nature keeping in view the welfare of people and they occupy an important place in the economy of the State. As on 31 March 2021, there were 45 SPSUs in Rajasthan. Out of these 45 SPSUs<sup>1</sup>, audit of 31 SPSUs is entrusted to the office of the Accountant General (Audit-II) Rajasthan. Besides, audit of four Autonomous Bodies (ABs) of Rajasthan is also entrusted to the office of the Accountant General (Audit-II) Rajasthan. A list of the SPSUs/ABs under the audit jurisdiction of this office is detailed in *Appendix-5*.

### **Audit mandate**

**1.2** The mandate for Audit by the Comptroller and Auditor General of India (CAG) is derived from Articles 149 and 151 of the Constitution of India and section 13 to 20 of the CAG's (Duties, Powers and Conditions of Service) Act, 1971 (DPC Act). Principles and methodologies for various audits are prescribed in the Regulations on Audit and Accounts, 2007, as amended in 2020, and the Auditing Standards, 2017 issued by the CAG. Accordingly, this office carries out audit of SPSUs and ABs under its audit jurisdiction.

### **Audit universe and coverage**

**1.3** During 2020-21, 1074 units pertaining to 31 SPSUs and four units pertaining to ABs were under audit universe of this office. Besides financial attest audit of these SPSUs/ABs, 133 units of SPSUs and two units of ABs were selected for compliance audit.

### **Compliance Audit Paragraphs**

**1.4** Part-II of this Report consists of one compliance audit paragraph and two compliance audit paragraphs relating to one AB<sup>2</sup> and two SPSUs<sup>3</sup>, respectively. These compliance audit paragraphs were issued to the concerned Principal Secretary of the Government of Rajasthan as well as to the Head of concerned SPSUs/AB. The compliance audit paragraphs were issued with the

<sup>1</sup> 38 Government Companies, four Government Controlled other Companies and three Statutory Corporations.

<sup>2</sup> Rajasthan Electricity Regulatory Commission (RERC).

<sup>3</sup> Rajasthan State Mines and Minerals Limited (RSMML) and Rajasthan Rajya Vidyut Prasaran Nigam Limited (RRVPNL).

request to furnish replies within a period of two weeks from issue of the paragraphs. By the end of October 2022, replies on two compliance audit paragraphs have been received from the State Government as well as the concerned SPSU/AB *i.e.* RRVPNL and RERC and the same have been suitably incorporated in this Report. In case of one compliance audit paragraph, in addition to reply of the State Government on the factual statement, reply furnished by the concerned SPSU (RSMML) on the draft paragraph has also been considered in this Report. Further reply of the State Government on the paragraph was, however, awaited (June 2023) as the SPSU did not furnish further progress of the case to the State Government. After incorporation of the replies, the revised paragraphs were again issued (18 December 2023) to the concerned Principal Secretary of the Government of Rajasthan as well as to the Head of concerned SPSUs/AB with request to furnish further reply in a period of two weeks and the replies received (upto February 2024) have been suitably included in the Report. The total financial impact of the compliance audit paragraphs is ₹ 16.93 crore.

### **Follow up action on Audit Reports and Inspection Reports**

**1.5** The Report of the CAG is the product of audit scrutiny. It is, therefore, necessary that they elicit an appropriate and timely response from the executive. The Finance Department, GoR issued (July 2002) instructions to all Administrative Departments to submit replies/explanatory notes to paragraphs/performance audits (PAs) included in the Reports of the CAG within a period of three months after their presentation to the Legislature, in the prescribed format, without waiting for any questionnaire from the Committee on Public Undertakings (COPU). The GoR again reiterated (September 2022) its directions for submission of replies/explanatory notes in time. No explanatory notes were pending till September 2021.

Audit observations noticed during audit and not settled on the spot are communicated through Inspection Reports to the Heads of respective SPSUs/ABs. The Heads of SPSUs/ABs are required to furnish replies to the Inspection Reports within a period of one month.

Inspection Reports issued upto 31 March 2021 pertaining to 31 SPSUs disclosed that 2671 paragraphs relating to 581 Inspection Reports involving monetary value of ₹ 58228.17 crore remained outstanding at the end of September 2021. Further, in case of ABs, 80 paragraphs relating to 12 Inspection Reports involving monetary value of ₹ 170.29 crore remained outstanding at the end of September 2021. SPSU and AB wise status of Inspection Reports and audit observations remained outstanding as on 30 September 2021 is given in ***Appendix-6***.

Further, during 2020-21, compliance audit of the selected units was conducted. During the year 83 Inspection Reports containing 574 paragraphs and two



Inspection Reports containing 12 paragraphs were issued for SPSUs and ABs, respectively. In order to expedite settlement of outstanding paragraphs, Audit Committees were constituted in 14 SPSUs.

During 2020-21, 29 meetings of the Audit Committees were held in respect of SPSUs wherein position of outstanding paragraphs was discussed with the respective Executive/Administrative Departments to ensure accountability and responsiveness.

#### ***Recovery at the instance of Audit***

1.6 During the course of compliance audit in 2020-21, recoveries of ₹ 1158.82 crore were pointed out to the Management of SPSUs/ABs. Further, recovery of ₹ 750.37 crore (₹ 44.33 crore against the recoveries pointed out during 2020-21 and ₹ 706.04 crore towards the recoveries pointed out in previous years) had been affected by SPSUs/ABs during the year 2020-21.

#### **Status of placement of Separate Audit Reports of autonomous bodies in the State Legislature**

1.7 The audit of accounts of four autonomous bodies in the State are under the jurisdiction of this office. As per prescribed time schedule, ABs are required to submit accounts of a financial year upto the 30<sup>th</sup> June of succeeding financial year. The status of entrustment of audit, rendering of accounts to audit, issuance of Separate Audit Reports (SARs) and its placement in the Legislature is given in **Appendix-7**. Delay in submission of annual accounts by these four autonomous bodies ranged from three months to 90 months upto 31 December 2021. Delay in finalisation of accounts carries the risk of financial irregularities going undetected, and therefore, the accounts need to be finalised and submitted to Audit at the earliest.

#### **Discussion of Audit Reports by COPU**

1.8 The status of discussion by the COPU on the Performance audit and Compliance audit paragraphs that appeared in Audit Reports (PSUs) as on 30 September 2021 was as under:

**Table 1.1: Status of Performance audit and Compliance audit paragraphs appeared in Audit Reports vis-a-vis discussed by COPU as on 30 September 2021**

Period of Audit Report	Appeared in Audit Report <sup>4</sup>		Paragraphs discussed	
	Performance Audit	Compliance Audit	Performance Audit	Compliance Audit
2015-16	2	10	1	9
2016-17	1	10	1	4
2017-18	1	7	-	-
2018-19	1	9	-	-

Source: Compiled based on the discussions by COPU on the Audit Reports.

<sup>4</sup> Includes Performance audit and compliance audit paragraphs belonging to SPSUs under the audit jurisdiction of office of the Accountant General (Audit-II) Rajasthan.



The discussion on Audit Reports (PSUs) up to 2014-15 has been completed.

## **2 Compliance Audit Observations on Autonomous Bodies**

This part includes important audit findings emerged during compliance audit of Autonomous Bodies.

### **Rajasthan Electricity Regulatory Commission (RERC)**

#### **Introduction**

**2.1** India's Power Sector was beset with problems which impeded its capacity to respond to the rapidly growing demand for energy brought about by economic liberalisation. As a step towards implementing reforms in the Power sector, the GoI realised the need for establishment of the Central Electricity Regulatory Commission (CERC) at central level and State Electricity Regulatory Commissions (SERCs) at State levels. The concept of CERC and SERC as statutory bodies responsible for determination of tariff and grant of license at intra-State level was envisaged in the erstwhile Regulatory Commissions Act, 1998. The concept has been continued in the Electricity Act, 2003 (Act 2003) which was enacted (10 June 2003) by the Government of India (GoI) to consolidate the laws relating to generation, transmission, distribution, trading and use of electricity and for taking measures conducive to development of power industry. The Act 2003 also embedded laws required for promoting competition in power industry, protecting interest of consumers, rationalization of electricity tariff, ensuring transparent policies, constitution/ establishment of independent agencies viz. Central Electricity Authority (CEA), CERC/SERCs and Appellate Tribunal (APTEL), *etc.*

As per provisions of the Act 2003, the main responsibilities of the SERC are to determine the tariff for generation, supply, transmission and wheeling of electricity, wholesale, bulk or retail sale within the State; to issue licenses for intra-State transmission, distribution and trading; to promote co-generation and generation of electricity from renewable sources of energy, *etc.*

The GoR established (December 1999) the Rajasthan Electricity Regulatory Commission (RERC) as the SERC for the State of Rajasthan and it became operational *w.e.f.* 2 January 2000.

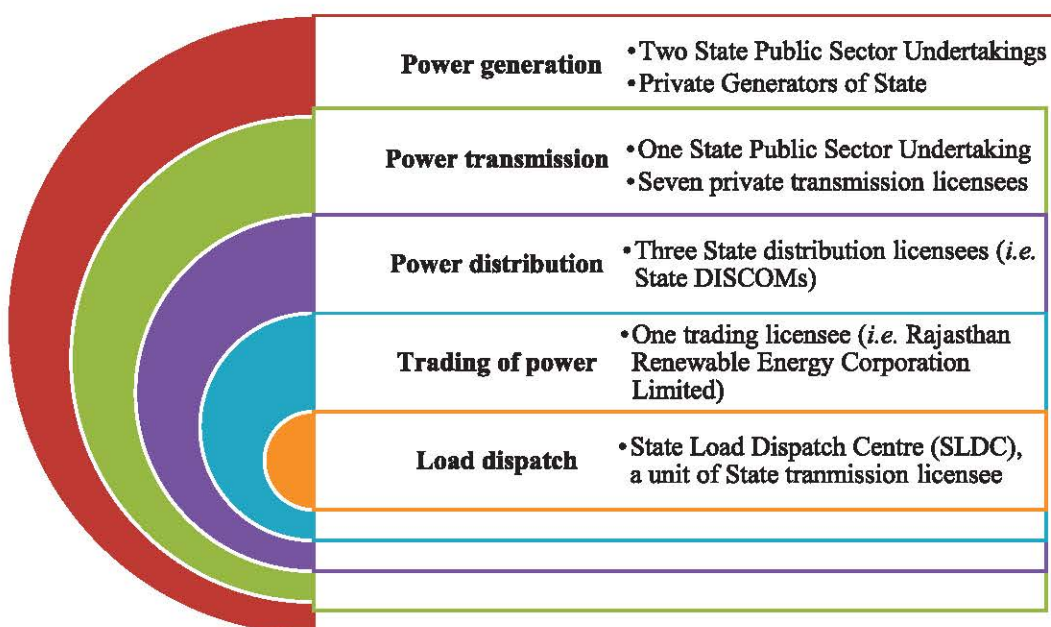
The GoI notified (January 2016) the Tariff Policy 2016 to promote transparency, consistency and predictability in regulatory approaches across jurisdictions and minimize perceptions of regulatory risks.

## Purpose and composition of the Rajasthan Electricity Regulatory Commission

### Purpose of constituting the RERC

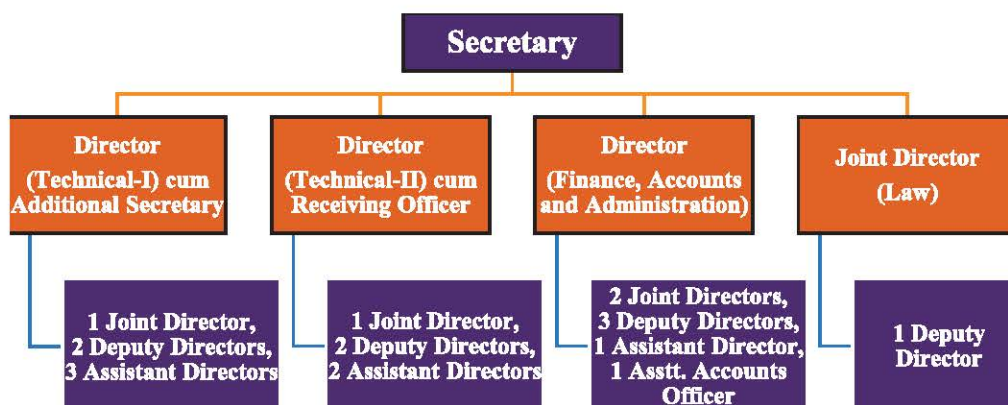
2.2 The RERC was constituted to regulate the Power Sector, viz. generation, transmission and distribution of power in Rajasthan. As on 31 March 2021, the regulatory control of the RERC was spread over the entities detailed in *Appendix-8*. The regulatory control of the RERC covered various entities and actions, described as hereunder:

### Regulatory control of the RERC



### Composition of the RERC

2.3 The RERC consisted of a Chairman and two Members. Besides, the RERC had appointed a Secretary, who being the principal officer, carries out the day-to-day functions. For assistance of the Secretary, the RERC has created four wings, *i.e.* two wings to deal with the technical matters, one wing to deal with the matters relating to finance, accounts and administration, and one wing to deal with the legal matters. The wing-wise hierarchy is as under:





**Manpower in the RERC**

**2.4** Audit noticed that as on 31 March 2021, the RERC had 46 personnel (including Secretary) as against the sanctioned strength of 71 personnel and 25 posts were lying vacant. Out of these 46 personnel, 40 personnel were deployed through deputations from other entities. Further, sanctioned strength prescribed by the RERC provided for deployment of 26 professional personnel (37 *per cent*) having professional qualification and/or work experience in administrative/technical/ financial/ legal sectors. Out of these professional posts, nine posts<sup>5</sup> (35 *per cent*) were vacant as on 31 March 2021.

**Powers of the Rajasthan Electricity Regulatory Commission**

**2.5** The Act 2003 extended the following three powers to the RERC:

Description of Power	Relevant provisions of the Act 2003
To frame regulations	Section 181 of the Act 2003 provided that the SERC may, by notification, frame regulations to carry out the provisions of this Act and the rules framed thereunder. Further, all regulations framed by the SERC shall be subject to the conditions of previous publication. Section 182 provided that every regulation framed by the SERC shall be laid, as soon as may be after it is framed, before the State Legislature.  The status of major regulations framed by the RERC that remained in force during 2016-21 is depicted in <i>Appendix-9</i> .
To adjudicate upon disputes	Section 86 (1) (f) of the Act 2003 stipulated that SERCs are to adjudicate upon the disputes between the licensees and generating companies, and to refer any dispute for arbitration. Section 111 and Section 125 of the Act 2003 further provided that any person aggrieved by an order made by an adjudicating officer or SERC under this Act and by APTEL may prefer an appeal to APTEL and Supreme Court of India, respectively. The GoI constituted APTEL in the year 2005 to hear appeals against the orders of the adjudicating officer or SERC.
Executive powers	The executive powers/functions of the RERC are given under Section 86 (1) {except the adjudicative function defined in sub-section 86 (1) (f)} of the Act 2003.

<sup>5</sup> Five posts of Joint Director level (*i.e.* Law-1, Finance, Accounts and Administration-2, Technical-2), Two posts of Deputy Director level (*i.e.* Law-1 and Economic Analyst-1) and two posts of Assistant Director level.



### **Functioning of the Rajasthan Electricity Regulatory Commission**

Audit has reviewed and analysed the performance of the RERC in respect of its executive functions as against the laid down laws, rules and regulations for the period 2016-21. Our examination of records related to executive functions of the RERC disclosed that the RERC could not enforce timely submission of tariff and ARR applications from the entities under its regulation as there was no effective mechanism for its timely compliance and there were significant delays, ranging from 11 days to 428 days, in the submission of these applications. Additionally, the RERC itself exceeded the stipulated timeframes for issuing tariff orders. The proper implementation of the True-up mechanism for ARR on an annual basis was also not effectively ensured by the RERC. These delays were often caused by incomplete information or data provided by the regulated entities, further exacerbating the timely issuance of orders.

The RERC overlooked the directives of NTP 2016, which discourages creation of regulatory assets, and continuously allowed addition of revenue gap to distribution licensees. The RERC allowed revenue gaps to distribution licensees without ensuring efficiency improvements, which could have resulted in reducing the electricity costs for consumers in future.

The approach of RERC in allowing ROE in ARR and their truing up lacked consistency as it allowed varied rates of ROE to the regulated entities. There were shortcomings in monitoring mechanism as regards purchase of power agreements, Renewal Purchase Obligation (RPO) compliance as well as examination of Standard of Performance (SOP) reports. The RERC also did not prescribe automatic payment of compensation mechanism for 16 guaranteed standard of services in SOP Regulation 2021.

**2.6** Audit has reviewed and analysed the performance of the RERC in respect of its executive functions as against the laid down laws, rules and regulations for the period 2016-21 and the same are discussed from **sub-paragraph to 2.6.1 to 2.6.15**. The powers of RERC to frame regulations, except sufficiency and adequacy of the framed regulations, and to adjudicate upon disputes are not audited.

#### **Audit objectives**

**2.6.1** The Audit was conducted to assess whether:

- An efficient and effective process, conforming to the guiding principles of the Act, existed for determination of tariff;
- An effective monitoring mechanism was in existence to ensure that entities adhere to the determined Standard of Performance and redressal of consumer grievance;

- The RERC was prompt in discharging its functions of extending advice to the GoR in the matters referred to it and promoting use of renewable sources of electricity.

### **Audit findings**

**2.6.2** The audit findings were communicated (March 2022) to the State Government as well as the RERC. Reply furnished (April 2022) by the RERC was endorsed by the State Government and the same has been considered.

### **Executive Function**

**2.6.3** Section 86 (1) of the Act 2003 *inter alia* included the following executive functions of the RERC:

- Determining the tariff for generation, supply, transmission and wheeling of electricity, wholesale, bulk or retail, as the case may be, within the State;
- Regulating electricity purchase and procurement process of distribution licensees including the price at which electricity shall be procured from the generating companies/licensees/other sources through agreements for purchase of power for distribution and supply within the State;
- Promoting co-generation and generation of electricity from renewable sources of energy by providing suitable measures for connectivity with the grid and sale of electricity to any person; and to specify, for the purchase of electricity from such sources, a percentage of the total consumption of electricity in the area of distribution licensee; and
- Specifying or enforcing standards with respect to quality, continuity and reliability of services by licensees.

The findings on the executive function of the RERC are discussed below:

### **Determination of tariff**

#### **Tariff and Aggregate Revenue Requirement**

**2.6.4** Section 62 of the Act 2003 (Determination of Tariff) provided that an SERC shall determine the tariff for supply of electricity by a generating company to a distribution licensee; transmission of electricity; wheeling of electricity; and retail sale (distribution) of electricity.

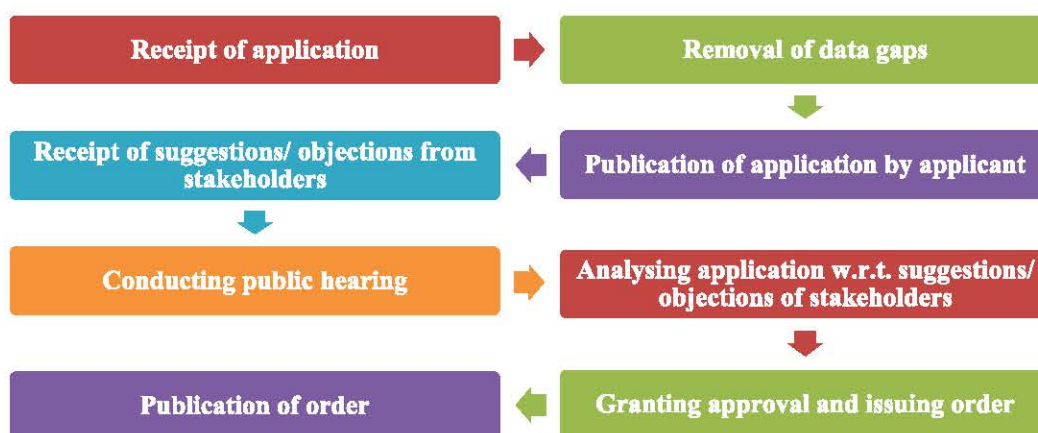
The RERC notified (24 February 2014 and 10 May 2019) the RERC (Terms and Conditions for Determination of Tariff) Regulations 2014 (Tariff Regulation 2014) and Tariff Regulation 2019 for the five years' period from



2014-15 to 2018-19 and 2019-20 to 2023-24 respectively. In addition to approval of tariff, both the tariff regulations prescribed provisions for approval of Aggregate Revenue Requirement (ARR<sup>6</sup>) and their truing up<sup>7</sup>.

The process of determination of tariff and approval of ARRs (including their truing up) is depicted in the flow-chart given below:

**Chart 2.1: Process of Determination of Tariff**



During 2016-21, the RERC determined tariff and approved ARRs and their truing up of three generating companies<sup>8</sup>, one State transmission licensee<sup>9</sup> which was also maintaining the State Load Dispatch Centre (SLDC) and three distribution licensees<sup>10</sup>. As regards the generating companies and transmission licensees where tariff was determined through transparent process of bidding, the RERC adopted such tariff as per Section 63 of the Act 2003.

### **Submission of applications for approval of ARR and determination of tariff**

**2.6.5** Section 64 of the Act 2003 (Procedure for Tariff Order) provided that an application for determination of tariff shall be made by a generating company/ licensee.

Regulation No. 6 of the RERC (Terms and conditions for determination of Tariff) Regulations 2014/2019 (Tariff Regulations) provided that every generating company/licensee shall file the application/ petition for approval of

<sup>6</sup> ARR means the requirement of generating company/licensee for recovery, through tariff, of allowable expenses and return on equity capital pertaining to their business.

<sup>7</sup> Truing up means the adjustment of the actual amount incurred by the licensee against the estimated/ projected amount determined under the ARR.

<sup>8</sup> Rajasthan Rajya Vidyut Utpadan Nigam Limited (RRVUNL), Giral Lignite Power Limited (GLPL) and Raj West Power Limited (RWPL).

<sup>9</sup> Rajasthan Rajya Vidyut Prasaran Nigam Limited (RRVPNL).

<sup>10</sup> Three State DISCOMs, viz. Jaipur Vidyut Vitran Nigam Limited, Ajmer Vidyut Vitran Nigam Limited and Jodhpur Vidyut Vitran Nigam Limited.



ARR and determination of tariff for the ensuing year latest by 30<sup>th</sup> November of each year.

Audit analysed the timeliness of the applications/petitions furnished by the generating companies and transmission/distribution licensees for approval of ARR and determination of tariff for the periods from 2016-17 to 2021-22. The delay in receipt of tariff applications beyond the prescribed schedule was as below:

**Table 2.1: Delay in furnishing applications for the periods from 2016-17 to 2021-22**

Name of regulated entity	(Delay in days)					
	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
RRVUNL	134	44	54	11	No delay	32
GLPL	207	63	32	14	No delay	120*
RWPL <sup>11</sup>	232	No delay	No delay	No delay	No delay	120*
RRVPNL (including SLDC)	42	62	27	50	No delay	31
Three State DISCOMs	427-428	61-62	No delay	256	360	No delay

\*Not filed till 31 March 2021.

Source: Information compiled on the basis of Tariff and ARR orders issued by the RERC.

Audit observed that there were events where the applications were filed even after commencement of the financial year concerned.

The RERC stated (April 2022) that the regulated entities seek time extension in case of delay. The RERC further stated (February 2024) that the DISCOMs filed (30 November 2022) the ARR and tariff application for 2023-24 in time.

The reply was not satisfactory as the RERC was unable to ensure timely submission of applications by the regulated entities. Had the RERC prescribed penal provision, as per Section 142 of the Act 2003, in its Tariff Regulations, it could have enforced the regulated entities for timely submission of the applications. Delay in submission of application for ARR by the regulated entities cause cascading effect on the approval of tariff for ensuing year.

***Recommendation 1: The RERC may lay down and exercise necessary penal provisions through relevant regulations to ensure strict compliance with the regulations.***

## **Determination of tariff by the RERC**

**2.6.6** Section 64 of the Act 2003 (Procedure for Tariff Order) provided that the SERC shall either issue a tariff order by accepting the application with such modifications/conditions as may be specified in that order or reject the application for reasons to be recorded in writing within a period of 120 days from receipt of the application. Further, every applicant was to publish the application as specified by the SERC.

<sup>11</sup> Renamed as JSW Energy (Barmer) Limited in October 2018.

The APTEL too had issued (November 2011) directions to all SERCs which stipulated that every SERC should endeavour to ensure determination of tariff before 1<sup>st</sup> April of the tariff year concerned. Further, in the event of delay in filing the application beyond one month, the SERC must initiate *suo-moto* proceedings for determination of tariff for distribution licensees. These directions were also reiterated by the GoI in the Tariff Policy 2016 which stipulated that any gap due to delay should be on account of the distribution licensee.

The time taken for issuing the tariff orders in excess of the prescribed period in respect of the tariff applications relating to 2016-17 to 2021-22 was as detailed below:

**Table 2.2: Delay in issuing order/rejecting tariff applications for the periods from 2016-17 to 2021-22**

		<i>(Delay in days)</i>				
Name of regulated entity	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
RRVUNL	68	38	No delay	60	167	249
GLPL	46	307	27	126*	142*	Not filed
RWPL#	215	415	443	No delay	No delay	Not filed
RRVPNL (including SLDC)	154	No delay	7	65	198	237
Three State DISCOMs	155-156	155-156	59	64	245	245

\* Application rejected as the plants of the regulated entities did not remain in operation.

# The RERC determined only interim tariff pending decision on coal transfer price.

Source: Information compiled on the basis of Tariff and ARR orders issued by the RERC.

Audit observed that the RERC could not determine the tariff within the time limit prescribed in the Act 2003. Further, the tariff was determined after commencement of that financial year for which it was to be made applicable. The delay was mainly attributable to not ensuring acceptance of only complete application from the regulated entities. Further, the RERC also took a long time in arranging for additional information/data from the regulated entities and issuing tariff orders even after completion of public hearing. Audit also observed that the RERC had not initiated *suo moto* proceedings for determination of tariff in any of the cases where delay in submission of application by the State DISCOMs was beyond one month. As a result, the RERC could not ensure determination of tariff before commencement of the tariff year concerned.

The RERC, while quoting provisions of Section 64 of the Act 2003, stated (April 2022) that 120 days for deciding the application should be counted from the date from which application has been completed by the applicant and not from the date of filing. As regards delay in issue of tariff orders for RRVUNL and RRVPNL, the RERC further stated (February 2024) that it generally adhered to the timeline, however there was some delay due to delay in filing of applications, submission of reply on comments/suggestions of stakeholders, furnishing of additional information *etc.*

The reply was not acceptable as the Act 2003 clearly stipulated a timeframe of 120 days from the date of receipt of application for issue of the tariff order or



rejecting the same if not found in prescribed manner and therefore, the RERC was required to ensure issue of tariff orders within the timeline stipulated under the Act 2003. Further, delay in determination of tariff puts additional burden on the distribution licensees as the generating companies and transmission licensees can recover the revised tariff from them retrospectively whereas they have to apply the revised tariff prospectively. During 2016-21, tariff was revised for the year 2019-20 with an estimated revenue increase of ₹ 4,817 crore for the DISCOMs. However, the revised tariff order came into force from 01 February 2020 instead of applicable date of 01 April 2019 due to delay in application by DISCOMs and approval by RERC. Thus, as tariff revision was effective for lesser period, the additional revenue for the year 2019-20 works out to ₹ 792 crore only for the DISCOMs.

### Truing up of ARR

**2.6.7 (i)** Regulation No. 6 (read with Regulation No. 5) of Tariff Regulations provided that every generating company/licensee, latest by 30<sup>th</sup> November of each year, shall file the application/petition for truing up of ARR of previous year based on the audited financial statements.

Audit analysed the timeliness of the applications/petitions furnished by the generating companies and transmission/distribution licensees for truing up of ARR for the periods from 2014-15 to 2019-20. The delay in receipt of tariff applications beyond the prescribed schedule was as detailed below:

**Table 2.3: Delay in furnishing applications for truing up of ARRs for the periods from 2014-15 to 2019-20**

Name of regulated entity	(Delay in days)					
	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
RRVUNL	410	44	54	31	No delay	32
GLPL	763	397	32	31	No delay	NA*
RWPL	Application for truing up of ARRs not received as approvals of ARRs were provisional.					
RRVPNL (including SLDC)	58	62	27	50	No delay	36
Three State DISCOMs	375-382	9-16	No delay	0-1	47-58	1-29

\* Not applicable as application of ARR and tariff was rejected.

Source: Information compiled on the basis of orders issued by the RERC for truing up of ARR.

Audit observed that the RERC did not initiate any penal action against the regulated entities under Section 142 of the Act 2003 for not complying with the tariff regulations.

**(ii)** The APTEL, in its directions (November 2011), stipulated that every SERC has to ensure that true up of ARRs is conducted on year-to-year basis as per the time schedule specified in regulations. Thus, true up of an ARR is to be done in the subsequent year.

The Scheduled *vis-à-vis* True up year of ARR and the time taken by the RERC for truing up of ARRs *i.e.* calling information from receipt of application,

receiving the information from the regulated entities and thereafter in taking the true up decisions for the periods from 2014-15 to 2019-20 was as detailed below:

**Table 2.4: Scheduled *vis-à-vis* True up year of ARR and time taken for truing up of ARRs for the periods from 2014-15 to 2019-20**

(Time in days)								
Name of regulated entity	Year of ARR		2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
	Scheduled year of true up		2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
RRVUNL	True up year		2017-18	2017-18	2018-19	2019-20	2020-21	2021-22
	Time taken to	Call for the information	48	48	56	99	48	215
		Receive the information	78	78	34	30	123	112
		Take the decision	32	32	25	88	116	21
		Total time	158	158	115	217	287	348
GLPL	True up year		2018-19	2018-19	2018-19	2019-20	2020-21	NA*
	Time taken to	Call for the information	99	99	99	99	NA	NA
		Receive the information	10	10	10	23	NA	
		Take the decision	38	38	38	89	NA	
		Total time	147	147	147	211	262	
RWPL	Truing up of ARRs was not done as approval of ARRs were provisional.							
RRVPNL (including SLDC)	True up year		2016-17	2017-18	2018-19	2020-21	2020-21	2021-22
	Time taken to	Call for the information	63	27	15	22	48	223
		Receive the information	47	25	76	135	123	110
		Take the decision	164	63	36	28	147	24
		Total time	274	115	127	185	318	357
Three State DISCOMs	True up year		2017-18	2017-18	2018-19	2019-20	2020-21	2021-22
	Time taken to	Call for the information	31	31	70	38	37	56
		Receive the information	113	113		130	160	113
		Take the decision	149	149	109	228	169	83
		Total time	293-300	293-300	179	396-397	366-377	252-286

\* Not applicable as application of ARR and tariff was rejected.

Source: Information compiled on the basis of orders issued by the RERC for truing up of ARR.

Audit observed that the RERC did not ensure acceptance of complete true up application from the regulated entities. It also took inordinate time in calling for information from the regulated entities (ranging between 15 days and 223 days) and taking decision on the applications after receipt of the requisite information (ranging between 21 days and 228 days). Thus, the RERC took long time ranging upto 397 days in issuing the true up orders by completing the truing up process. Further, the RERC did not conduct true up of ARRs on a year-to-year basis.



The RERC, while quoting provisions of Section 64 of the Act 2003, stated (April 2022) that 120 days for deciding the true up orders should be counted from the date from which application has been completed by the applicant. As regards delay in issue of true up orders for RRVUNL and RRVPNL, the RERC further stated (February 2024) that it generally adhered to the timeline, however there was some delay due to delay in filing of applications, submission of reply of comments/suggestions of stakeholders and additional information *etc.*

The reply did not address the audit observation as regards to delay in submission of true up applications by the regulated entities and inordinate time taken by the RERC in taking the decision after receiving the information. The fact thus remained that the RERC could not ensure true up of ARR on year-to-year basis.

***Recommendation 2: The RERC may ensure strict adherence to the prescribed timeline for furnishing applications by the licensees and determination of tariff as well as approval/true up of ARR.***

### **Components of tariff and ARR**

**2.6.8** Section 61 of the Act 2003 stipulated that the SERC, while specifying the terms and conditions for the determination of tariff, shall be guided by certain factors/principles. These factors/principles, *inter alia*, consisted of (i) distribution and supply of electricity on commercial principles; (ii) safeguarding consumers' interest along with recovery of the cost of electricity in a reasonable manner; (iii) the tariff progressively reflects the cost of supply of electricity; (iv) Tariff Policy, *etc.*

During the course of audit, it was noticed that the RERC considers various factors while determining tariff and approving ARRs submitted by the generating companies/ licensees. Audit reviewed the components considered by the RERC while determining the tariff and approving the ARRs with a view to analyse any inconsistency with the provisions laid down in the Act 2003 and rules framed thereunder, regulations adopted by the RERC, *etc.* The inconsistencies noticed in the components of tariff/ARRs, *viz.* regulatory assets/revenue gap and its carrying cost as well as Return on Equity (ROE) are discussed in paragraphs 2.6.9 and 2.6.10.

#### ***Regulatory assets/ revenue gap***

**2.6.9** The Tariff Policy 2016, issued by the GoI, provided that the facility of a regulatory asset<sup>12</sup> should only be adopted by SERCs as a very rare exception. Further, the circumstances should be clearly defined through regulations and should only include natural causes or *force majeure* conditions.

---

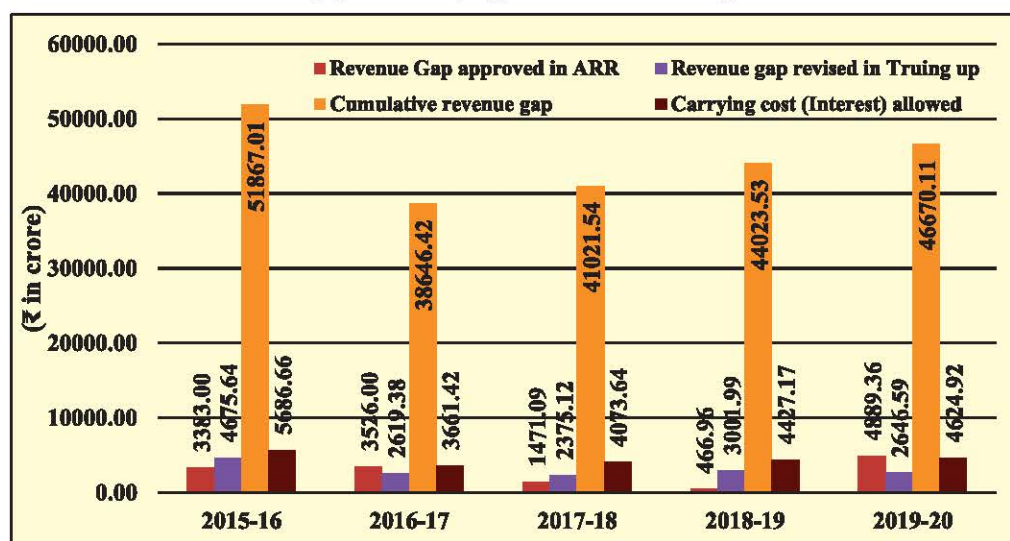
<sup>12</sup> Regulatory Asset is the previously incurred expenditures/losses that have been deferred and can be recovered from consumers by regulatory authorities in future through tariff revision.

The Tariff Regulations 2009, 2014 and 2019 framed by the RERC, also provided that Regulatory Asset shall be created only under exceptional circumstances, such as *force majeure* conditions, like natural calamities, court decree having very high impact, *etc.* and not to limit the tariff hike in any particular year. These regulations further provided that the Regulatory Asset shall be amortised in such a manner that it is co-terminus with the Multi-Year Tariff Control Period and carrying cost shall be allowed to be added to the revenue requirement of each year till such time the Regulatory Asset is fully amortised.

The RERC's orders on tariff and ARR of distribution licensees for the period 2015-16 to 2019-20 reflected that the RERC approved the ARRs of the distribution licensees with revenue gap, *i.e.* difference of expenditure and revenue approved in the ARR for the year. The RERC further revised the revenue gap so approved while truing up of ARRs of these periods. The RERC also allowed addition of carrying cost (interest) on the opening cumulative revenue gap of the distribution licensees approved by it.

The revenue gap and carrying cost (interest) allowed for the years during 2015-16 to 2019-20 are given in the Chart 2.2 below:

Chart 2.2: Revenue gap and carrying cost allowed during 2015-16 to 2019-20



Source: Orders issued by the RERC for truing up of ARRs.

Audit noticed that accumulated losses of the distribution licensees during the corresponding period ranged between ₹ 86,867.75 crore and ₹ 94,633.19 crore. Further, despite infusion of subsidy worth ₹ 46,816.47 crore under Ujwal DISCOM Assurance Yojana (UDAY) by the GoR, the level of accumulated losses of the distribution licensees remained almost unchanged. This indicates that one time liquidation of accumulated debt was not enough and there were other factors which needed to be reviewed for better financial management/closing the revenue gap.

NITI Aayog, in its report (Turning Around the Power Distribution Sector), also suggested (August 2021) that no new regulatory assets



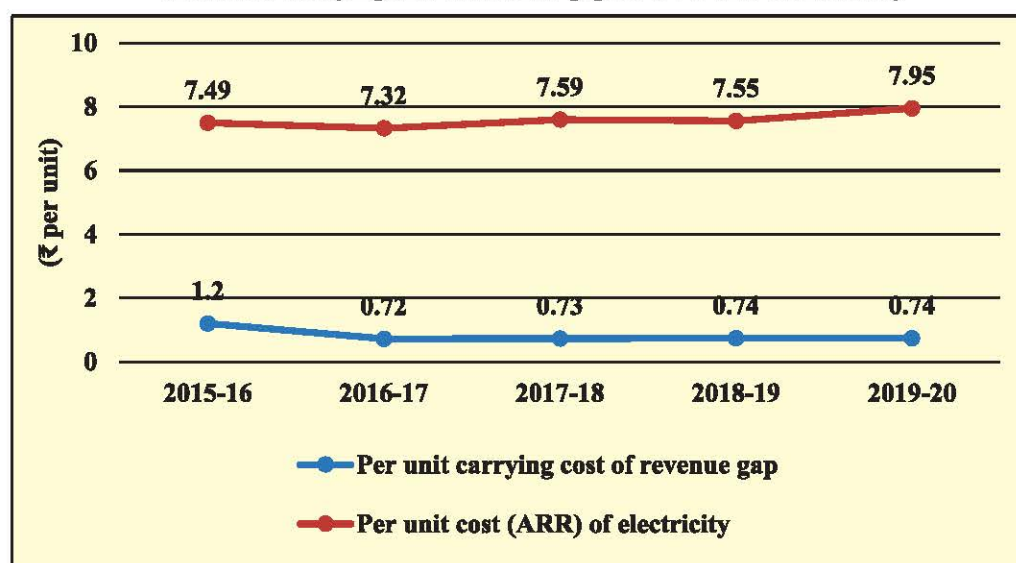
should be created. Further, the existing regulatory assets should be cleared according to a defined schedule over the next three-to-five years through appropriate tariff changes.

Since the distribution licensees were commercial entities, their revenue/ tariff estimates for a financial year should have been higher as compared to the expenditure envisaged for the year. Tariff and ARR applications and truing-up applications filed by the distribution licensees for 2015-16 to 2019-20, however, reflected the reverse position as they claimed significant revenue gap ranging between ₹ 4,816.04 crore and ₹ 11,240.77 crore.

Audit observed that:

- (i) The RERC kept on allowing addition of revenue gap on year-on-year basis which could not be construed as an exceptional circumstance. Thus, the revenue gap allowed in ARRs/truing up of ARRs of the distribution licensees for the period from 2015-16 to 2019-20 was not in consonance with the provisions of the Act 2003, the Tariff Policy of the GoI and Tariff Regulations issued by the RERC itself. Further, the RERC could not devise any mechanism to amortise the cumulative revenue gap of distribution licensees;
- (ii) The RERC considered the carrying cost of revenue gap and allowed its addition on the opening cumulative revenue gap of the distribution licensees. The share of carrying cost of revenue gap in per unit cost of electricity was significant as it ranged between 9.31 *per cent* and 16.02 *per cent* during 2015-20 as shown in the **Chart 2.3** below:

**Chart 2.3: Carrying cost of revenue gap vis-a-vis cost of electricity**



Source: Orders issued by RERC for truing up of ARRs.

- (iii) Due to continuing the practice of allowing revenue gap, the carrying cost allowed by the RERC on the cumulative revenue gap during each of the five years had surpassed the amount of revenue gap allowed for the respective year as shown in **Chart 2.2**; and

- (iv) The RERC, belatedly, advised (March 2021) the GoR to constitute a Task Force immediately to monitor the performance of the State DISCOMs and to take corrective measures for improving their operational efficiency and financial management. The GoR did not respond to the advice till 31 March 2022.

The RERC stated (April 2022) that the tariff order is issued after following due procedure, considering the suggestions/objections of stakeholders and keeping in view of the orders of the Supreme Court, APTEL, provisions of National Tariff Policy (NTP), National Electricity Policy, etc. to keep balance between consumer interest and recovery of cost of electricity. It further stated that amortization of regulatory assets would be possible only when distribution licensees would have surplus revenue for adjusting the regulatory assets. The RERC further stated that in its recent order (24 November 2021), it has started reducing the gap so as to amortise the regulatory gap.

The reply was not acceptable as NTP 2016 prohibits creation of regulatory assets. Further, the accumulated regulatory gap not only pose a possible tariff shock for the consumers but also is a burden for the DISCOMs which would have to resort to borrowings to meet the revenue gap. The RERC also could not devise any mechanism in reducing/ amortising the regulatory gaps of the DISCOMs which had been accumulated to dangerous levels over the years.

The RERC informed (February 2024) that it had not created any new regulatory assets in ARR orders for 2022-23 and 2023-24 and had taken a view regarding amortisation of the regulatory assets by levying regulatory surcharge, tariff increase or adjustment against revenue surplus.

***Recommendation 3: The RERC may take stricter measures to improve efficiency of distribution licensees and allow revenue gap only in exceptional circumstances, as already envisaged.***

### ***Return on Equity***

**2.6.10** Regulation No. 20 of the Tariff Regulations 2014 provided that Return on Equity (ROE) shall be computed at the rate of 15.50 *per cent* for generating companies and transmission licensees and at the rate of 16 *per cent* for distribution licensees. The RERC revised the rate of ROE to 14 *per cent* for transmission licensees and SLDC and to 15 *per cent* for generating companies under Regulation No. 20 of the Tariff Regulations 2019.

Clause 4.2 (Return on Equity) of Rajasthan Power Sector Financial Restructuring Plan (FRP-2013) stipulated (June 2013) that no ROE has been considered for the three distribution licensees of the State during the projection period till 2021-22. It further stipulated that the GoR has also committed not to consider any ROE from RRVUNL (Generation Company of the GoR) and RRVPNL (Transmission licensee) during the same period.

Further, the distribution licensees did not claim any ROE for the periods from 2015-16 to 2018-19 and 2020-21. They claimed ROE (₹ 840 crore) in the tariff and ARR application for the period 2019-20 which was not considered by the RERC.



Audit noticed that RRVPNL and RRVUNL claimed ROE in their tariff and ARR applications for the periods from 2015-16 to 2020-21. The RERC, while approving the ARRs and their truing up, considered ROE for these periods as detailed below:

**Table 2.5: ROE allowed to RRVPNL and RRVUNL for the period 2015-16 to 2020-21**

Financial year	ROE allowed to RRVPNL		ROE allowed to RRVUNL	
	Amount (₹ in crore)	%	Amount (₹ in crore)	%
2015-16	259.53	8.00	201.25	5.00
2016-17	427.78	12.00	700.40	15.50
2017-18	75.74	2.00	752.59	15.50
2018-19	79.94	2.00	788.00	15.50
2019-20	83.80	2.00	0.00**	0.00
2020-21	95.69*	2.00	955.21*	15.00
Total	1022.48		3397.45	

\* Based on orders approving ARRs.

\*\* RRVUNL, as against RoE allowed in ARR (15 per cent), claimed zero RoE in true up application as per GoR permission

Source: Orders of truing-up of ARRs.

Audit observed that:

- (i) RRVPNL and RRVUNL, while claiming ROE in the applications submitted for tariff and ARR and for truing-up of ARR, did not disclose the commitment of the GoR under FRP-2013 wherein both these State PSUs were restricted to claim any ROE till 2021-22. The RERC also did not consider this commitment while analysing the ARRs/truing up of ARRs. Resultantly, the RERC allowed ROE in ARRs of RRVPNL and RRVUNL for the periods from 2015-16 to 2020-21 whereas it should have been disallowed;
- (ii) It was also noticed by Audit that GoR gave approval for RoE to RRVPNL and RRVUNL for the years 2015-16 to 2017-18 in contradiction to its own commitment. However, though it denied (January 2020 and August 2020) approval for the years 2018-21, RERC allowed ROE to RRVUNL and RRVPNL for 2018-21 without ensuring proper approval of the GoR, whereas in case of DISCOMs it had denied the claim for the year 2019-20 due to the absence of proper approval.

Thus, the RERC, despite providing for ROE in its regulations, did not adopt a uniform and rational approach in permitting ROE in ARRs and their truing up. It did not observe the commitments of the GoR under the FRP-2013 and did not ensure requisite approval of the GoR in all cases.

Audit also observed that the RERC had overlooked the fact of non-payment of dividend by RRVPNL and RRVUNL on the equity infused by GoR and continuously allowed ROE worth ₹ 2002.64 crore<sup>13</sup> for 2016-21 to these two State PSUs in their power tariff.

The RERC stated that as per the tariff regulations, it was not required to obtain approval of GoR regarding ROE. It further stated that directions of the GoR

<sup>13</sup> RRVPNL: ₹ 259.43 crore and RRVUNL: ₹ 1743.21 crore.

were to be followed by RRVPNL and RRVUNL while claiming ARR or were to be disputed by the distribution licensees as respondents.

The reply was not acceptable as the RERC disallowed ROE to the distribution licensees in 2019-20 as they did not furnish approval of the GoR. Thus, the RERC adopted different approaches in allowing ROE in ARR and their truing up during 2018-19 and 2020-21 on one hand and disallowing it in 2019-20.

The RERC replied (February 2024) that from 2021-22 onwards, it had sought clarification regarding approval of the GoR for ROE claimed by RRVPNL and RRVUNL.

### **Scrutiny of power purchase agreements (PPAs)**

**2.6.11** Regulation No. 7 of the RERC (Power purchase & procurement process of distribution licensee) Regulations, 2004 provided that any new power purchase arrangement/agreement and amendments to existing agreements entered into by distribution licensees shall be subject to scrutiny of the RERC (after execution) under Section 86 of the Act. The scrutiny of the RERC was to be in respect of necessity, reasonability of cost, promoting efficiency, economy, equitability and competition, conformity with regulations for investment approval, conformity with requirements of quality, continuity and reliability of supply, conformity with safety and environmental standards, conformity with criterion of power purchase as laid down by the RERC, and conformity with policy directives of the GoR and National Power policies.

Audit observed that despite laying down provisions in the regulations, the RERC did not evolve any mechanism to conduct scrutiny of PPAs which is evident from the fact that out of 37 PPAs submitted (May 2017) by the distribution licensees, nothing was found on record as regards scrutiny of these PPAs.

The RERC stated (April 2022) that the power requirement is scrutinized through ARR and Tariff orders. It also analysed power requirement and cost from every plant and assessed the energy availability and power purchase quantum. It further stated that the details of PPA executed by DISCOMs was sought (August 2021) and perused. Besides, it allowed (October 2021) the three DISCOMs to exit from five<sup>14</sup> PPAs aggregating to 252 MW and also it did not approve (December 2021) the three DISCOMs' proposal for procurement of up to 266 MW long-term power through bidding and asked them to reassess the availability and demand of power in the State.

The reply was not relevant as orders allowing exit from the five PPAs pertain to PPAs executed long back (more than 25 years). In the sixth case, the RERC denied approving standard bidding document. Further, the reply was silent on the issue of not conducting scrutiny of the PPAs submitted by the distribution licensees in May 2017 which indicated that the RERC did not review these PPAs.

---

<sup>14</sup> Anta Gas, Auriya Gas, Dadari Gas, FUGTPS (i), Farraka TPS power plants executed in January 1994.



The RERC informed (February 2024) that it had approved PPAs of 69 projects during 2023-24 after considering provisions of various regulations.

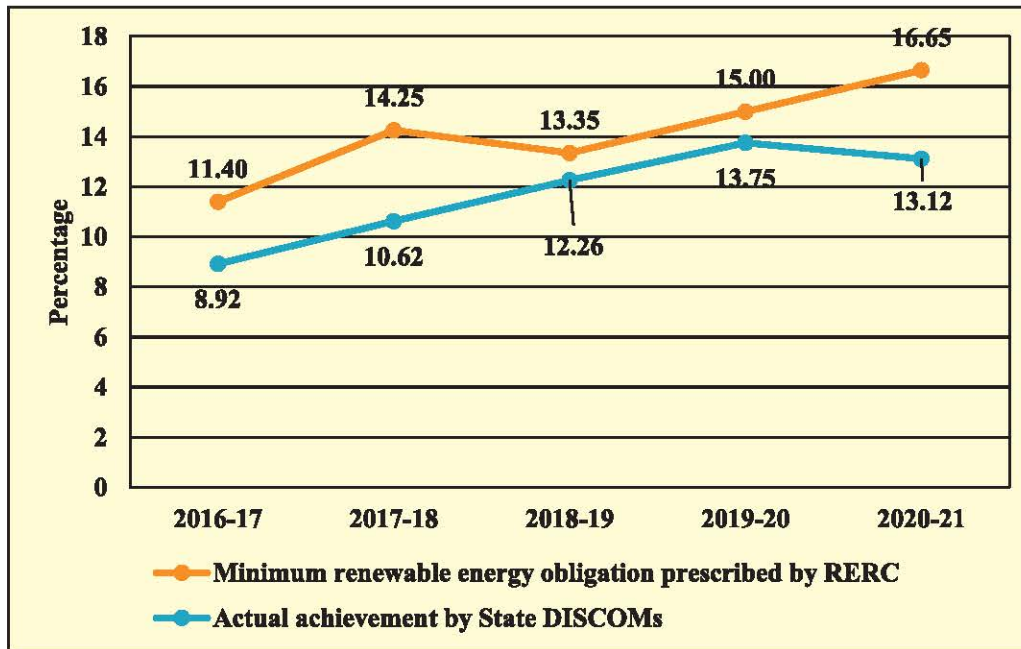
### **Promoting use of renewable sources of electricity**

#### ***Compliance with the minimum renewable energy obligations***

**2.6.12** The RERC notified (December 2010) the RERC (Renewable Energy Certificate and Renewable Purchase Obligation Compliance Framework) Regulations 2010 (Regulations 2010). The Regulation also provided that the Obligated Entity shall procure electricity generated from renewable energy sources as per purchase obligation and any shortfall in RPO can be fulfilled by purchase of renewable energy and/or REC up to 30th June of the next financial year. Further, the RERC prescribed (May 2014, June 2017, January 2019) percentage of minimum renewable energy obligation for the three State DISCOMs<sup>15</sup> for the periods 2016-17, from 2017-18 to 2018-19 and from 2019-20 to 2020-21 respectively.

The actual achievement of the three State DISCOMs against the minimum renewable energy obligation prescribed by the RERC for the period 2016-17 to 2020-21 (upto January 2021) is depicted in **Chart 2.4**.

**Chart 2.4: Actual achievement vis-à-vis minimum renewable energy obligations prescribed by the RERC for the period 2016-17 to 2020-21**



Source: RPO compliance reported by RRECL.

Audit noticed that the State DISCOMs remained far behind the percentage prescribed by the RERC for the period from 2016-17 to 2020-21. Besides, the State DISCOMs also had an unachieved shortfall of 11842 Million Units (December 2020) against the targets of renewable energy obligations fixed for prior periods (upto March 2016).

<sup>15</sup> Jaipur Vidyut Vitran Nigam Limited, Ajmer Vidyut Vitran Nigam Limited and Jodhpur Vidyut Vitran Nigam Limited.

Audit observed that despite prescribing penal provision in RPO Regulations and under the Act 2003, the RERC could not enforce the laid down minimum renewable energy obligation on the three State DISCOMs during the period.

The RERC stated (April 2022) that after considering the facts/circumstances of the cases and being satisfied with efforts made by the OEs (including State DISCOMs), it passed orders and allowed to achieve the previous shortfall of RPO in future years.

It was therefore evident that the State DISCOMs were therefore neither procuring the renewable energy as per prescribed targets nor adhering to the provisions of Regulation 2010 regarding purchase of the Renewal Energy Certificates for the shortfall. Despite this, the RERC time and again extended the timeline to meet the RPO shortfall in future years upto 2023-24.

#### **Standard of Performance for licensees**

**2.6.13** The RERC, pursuant to provisions contained in Section 57 (Consumer Protection: Standards of Performance of licensee) and Section 59 (Information with respect to levels of performance) of the Act 2003, prescribed (February 2014) the RERC (SOPs for Distribution Licensees) Regulations 2014 (D-SOP Regulations 2014) for distribution licensees. Later, the RERC prescribed (31 March 2021) new SOPs for distribution licensee namely the RERC (SOPs of Distribution Licensee) Regulations 2021 (D-SOP Regulations 2021).

#### ***Submission of half-yearly Standard of Performance (SOP) Reports***

**2.6.14** Clause 8 of the SOP Regulations 2014 stipulated that the distribution licensee shall furnish half-yearly reports to the RERC as well as to the Electricity Ombudsman, within 45 days from 30<sup>th</sup> September and 31<sup>st</sup> March of each financial year. These half-yearly reports shall contain actual performance of the distribution licensees in respect of establishment of call centres, redressal of consumer complaints, details of compensation paid and reliability indices, i.e. system average interruption frequency index (SAIFI) and system average interruption duration index (SAIDI).

Audit noticed that during 2016-17 to 2020-21, against 10 half-yearly SOP reports scheduled against each, the three distribution licensees, viz. Jaipur DISCOM, Ajmer DISCOM and Jodhpur DISCOM furnished nine, ten and eight half-yearly SOP reports respectively with delay ranging between 26 days and 147 days, 14 days and 59 days, and one day to 183 days respectively as depicted in **Appendix-10**. Thus, the RERC could not ensure adherence to the laid down provisions for submission of half yearly SOP reports by distribution licensees. Resultantly, the basic purpose of periodic and timely monitoring of performance of the distribution licensees and issuing necessary directives to the distribution licensees for taking corrective action was affected.



**Best practice adopted by some SERCs of other States**

**SERCs of some other States/UTs<sup>16</sup>, in their SOP regulations, provided for imposition of penalty on case-to-case basis in respect of non-achievement of individual target of overall SOP and violation of prescribed provisions and to conduct investigation for not complying with the obligations laid down under these regulations.**

Had the RERC included specific provisions in its regulations to address the issue of non-compliance by the licensees, then it might have had more enforceable powers to make the distribution licensees comply.

The RERC, while accepting the observation, assured (April 2022) to consider inclusion of penalty clause for late filing of SOP reports in the regulations as per requirement which was not ensured till date (July 2023).

***Guaranteed Standards of Performance***

**2.6.15** Clause 4 of the SOP Regulations 2014 provided that the distribution licensee shall provide best services well within the time limits specified in these regulations for 19 guaranteed standards for various consumer services, viz. no current complaints, overhead line/cable breakdowns, underground cable breakdowns, transformer failure, scheduled outages, voltage variations, complaints for testing/ replacement of meters, shifting of meters/service lines, release of new connections, transfer of ownership, change of category, consumer bill complaint, disconnection of supply, restoration of a disconnected consumer, system reliability, etc. The failure of distribution licensee to achieve these guaranteed standards shall entail payment of monetary compensation to the affected persons/consumers.

Clause 6 of the SOP Regulations 2014 provided that in the event of non-fulfilment of any guaranteed standards of performance, the affected person may file an application, within 30 days of expiry of the specified time, with the Assistant Engineer concerned for the claim of compensation as per rates prescribed in these regulations. The distribution licensee shall pay the compensation, through electricity bills, not later than 90 days from the date of violation of guaranteed standard. Failure to pay the compensation as per these regulations shall constitute a grievance which shall be dealt with and decided by the respective Consumer Grievance Redressal Forum (CGRF) and thereafter, by the Electricity Ombudsman.

Audit observed that out of 113.06 lakh complaints lodged during 2016-21, the three distribution licensees redressed 6.68 lakh complaints beyond stipulated timeframe. However, none of the aggrieved consumers<sup>17</sup> claimed any compensation for the delayed redressal of the grievances.

---

<sup>16</sup> Himachal Pradesh and Delhi.

<sup>17</sup> Except payment of compensation worth ₹ 50,500 to 10 consumers of Kota Electricity Distribution Limited (KEDL), distribution franchisee of Kota city.

Audit is of the view that complexity in the compensation mechanism and the commensurate compensation rates prescribed<sup>18</sup>, act as a deterrent for the consumers in filing the compensation claims.

**Best practice adopted by some SERCs of other States**

**SERCs of some other States/UTs<sup>19</sup> instituted mechanism of automatic compensation payment in respective State/UT where in the event of failure to adhere to the guaranteed standards within the stipulated timeframe, compensation is to be paid to the affected consumers without lodging of any compensation complaint separately.**

Audit observed that the RERC, while issuing SOP Regulation 2021 (March 2021), had prescribed automatic compensation mechanism for three guaranteed standards of service<sup>20</sup> only. For the remaining 16 guaranteed standards of service, the aggrieved consumers had to face the complexities for claiming the compensation.

The RERC may consider extending the mechanism for automatic payment of compensation for the remaining guaranteed standards of services too.

***Recommendation 4: The RERC may adopt universal and transparent mechanism to allow ROE, and strengthen the monitoring mechanism as regards power purchase agreements, RPO compliance and SOP reports.***

***Recommendation 5: The RERC may extend the automatic payment of compensation against valid complaints for all guaranteed services.***

---

<sup>18</sup> Ranged between ₹ 50 per instance and ₹ 2000 per instance as per the SOP Regulations 2014.

<sup>19</sup> Haryana, Odisha and Tamil Nadu in 2004.

<sup>20</sup> No Current complaints, No-current complaint due to meter and Testing of Meters.



### **3 Compliance Audit Observations on SPSUs**

This part includes important audit findings emerging from test check of transactions of the SPSUs.

#### **Rajasthan State Mines and Minerals Limited**

##### **3.1 Lapses in setting up of the plant and ensuring its operation and maintenance**

**Failure of the Company in taking appropriate action against the Contractor for shortfall in guaranteed electricity generation resulted in undue benefit of ₹ 9.69 crore.**

The Rajasthan State Mines and Minerals Limited (Company) awarded (June 2014) the work of setting up a five-megawatt peak (MWp)<sup>21</sup> grid interactive solar photovoltaic power plant (solar plant) to Rays Power Experts Private Limited (Contractor). The Contractor was required to (i) commission the solar plant at a total cost of ₹ 26.50 crore within six months from the date of award; and (ii) carry out comprehensive operation and maintenance (O&M) of the solar plant for a period of 20 years from the date of commercial operation. The remuneration for O&M activities was ₹ 0.15 crore for the first year, with a five percent annual increase thereafter.

The terms and conditions of the work order *inter alia* provided for (i) ensuring Net Minimum Guaranteed Generation (NMGG) every year<sup>22</sup> during the O&M period; (ii) making payment of compensation at the tariff rate<sup>23</sup> for the shortfall in NMGG in a block period of two years; (iii) computing the maximum compensation per year at seven *per cent* of the contract value; and (iv) not stopping/abandoning the work due to dispute/ differences.

The Contractor commissioned (31 December 2014) the solar plant as per the prescribed schedule and provided (July 2015) bank guarantee of ₹ 5.30 crore (*i.e.* 20 *per cent* of the contract value) as retention money towards performance of solar power plant. The Contractor, however, could not ensure NMGG prescribed in the work order in any of the seven years ended December 2021.

Audit noticed that against shortfall in NMGG in the first block (2015-2016), the Company demanded (January 2017) compensation of ₹ 3.07 crore from the Contractor which was later revised (June 2018) to ₹ 2.58 crore on request of the Contractor. The Contractor contested (July 2018) the revised/reduced demand due to non-availability of grid and did not deposit the compensation amount till December 2018. On this, the Company forfeited (December 2018) the bank guarantee of ₹ 5.30 crore furnished by the Contractor against the shortage in

---

<sup>21</sup> MWp is an abbreviation for **Megawatt peak** – a unit of measurement for the output of power from a source such as solar or wind where the output may vary according to the strength of sunlight or wind speed. MWp is a measure of the maximum potential output of power.

<sup>22</sup> NMGG per year means the minimum number of units guaranteed by the Contractor to be fed to the grid from the power plant after deducting the power drawn from the grid for captive use.

<sup>23</sup> ₹ 12 per unit for initial three years and ₹ 9 per unit for remaining 17 years.

generation for 2015-18. Responding to the forfeiture, the Contractor served (18 February 2019) notice to the Company for surrendering the solar plant site and asked the Company to construct its own electricity evacuation line within one month. On assurance of the Company to review the issue of non-availability of grid, the Contractor further demanded to reduce the tariff rate for compensation and served (23 February 2019) another notice to discontinue O&M of the solar plant in case the dispute remained unresolved.

The Board of Directors (BoD), while considering the options of resolving the dispute or terminating the O&M contract, approved (April 2019) the former option. As per BoD's approval, the Contractor was to be allowed to install additional solar panels for ensuring regular achievement of NMGG every year and for meeting the past shortfall in NMGG. The Contractor was also to be provided funds upto ₹ 5.30 crore through an escrow account or any other method for installation of additional solar panels. The BoD also authorized the Managing Director of the Company to frame suitable mechanism/ modalities to ensure smooth and uninterrupted operation of the solar plant. The BoD also approved for reconciliation of the grid availability figures.

Accordingly, the Company reworked (July 2019) the compensation at ₹ 4.12 crore for shortfall in generation during 2015-18<sup>24</sup>. Further, in addition to the BoD's approval, the Management of the Company allowed (August 2019) replacement of the existing panels with new higher efficiency and higher capacity panels, releasing ₹ 4.30 crore as advance to the Contractor for procuring the solar modules/ panels on receipt of proforma invoice.

The Company released (September 2019) ₹ 4.41 crore from the escrow account considering request of the Contractor. The Company also extended (January 2020) the completion schedule upto 20 February 2020. Despite this, the Contractor demanded (May 2020) extension upto September 2020 which was not granted. Subsequently, on being informed (13 August 2020) by the Contractor, the Company visited (21 August 2020) the site to verify installation of additional solar panels. The additional solar panels were, however, not found installed at the site and the existing solar panels (around 1200 kW) were also found removed from the plant.

On being enquired upon by the Company regarding supply of the panels, the vendor informed that the said panels were supplied to the Contractor. On further enquiry with the Contractor, it informed that the panels supplied had been used by them elsewhere.

Audit noticed that the solar plant could generate only 370.43 lakh units of electricity as against the NMGG requirement of 585.92 lakh units during 2015-2021 resulting in a shortfall of 190.60 lakh units<sup>25</sup> in NMGG and other shortfall of 24.89 lakh units on the part of the Company during 2015-2021.

---

<sup>24</sup> ₹ 1.96 crore for block period 2015-2016 (i.e. 16.35 lakh units at the rate of ₹ 12 per unit) and ₹ 2.16 crore for block period 2017-2018 (i.e. 10.64 lakh units at the rate of ₹ 12 per unit and 9.81 lakh units at the rate of ₹ 9 per unit).

<sup>25</sup> Yearly shortfall in NMGG in 2015: 8.45 lakh units, 2016: 7.90 lakh units, 2017: 10.64 lakh units, 2018: 9.81 lakh units, 2019: 30.02 lakh units, 2020: 52.66 lakh units and 2021: 71.12 lakh units.



Audit observed that as per the terms and conditions of the work order, the Company was required to bind the Contractor for not abandoning the O&M work and maintaining the power evacuation system. However, the Company, to avoid dispute with the defaulting Contractor, reverted its penal action of charging compensation for shortfall in NMGG. Further, due to non-inclusion of risk and cost clause in the work order at the awarding stage, the Company did not have the option to get the O&M work executed from other contractor at the risk and cost of the defaulting Contractor.

Further, the BoD had not approved granting any advance to the Contractor and removing the existing solar panels, yet the Management of the Company agreed (August 2019) to release the advance and permitted removal of the existing solar panels also. Besides, the escrow account mechanism proved futile as the Company released significant part of the forfeited amount in advance without any security/ guarantee. The Company, in contravention to the provisions of work order, also dispensed with the requirement of security/ guarantee for underperformance in future. The Company also did not ensure receipt as well as pledging of the additional solar panels in its favour. Thus, the Company was left with no financial hold against the defaulting Contractor.

Audit further observed that the Contractor not only misappropriated<sup>26</sup> the additional solar panels but also removed the existing solar panels<sup>27</sup> belonging to the Company without their replacement. Despite serious implications, the Company neither initiated any legal action against the defaulting Contractor nor reported the matter to the BoD.

Thus, due to lack of prudence and financial control, extension of undue relaxations, non-initiation of requisite legal action against the defaulting Contractor in time and failure to ensure proper O&M of the solar plant, generation of electricity was affected severely. Resultantly, the Company suffered shortage of 190.60 lakh units of electricity against NMGG assured by the Contractor till November 2021. The Company also failed to take necessary steps to bind the Contractor for honouring its commitments and could not ensure recovery of applicable compensation of ₹ 9.69 crore<sup>28</sup> for shortfall in NMGG upto November 2021 as per provisions laid down in the work order.

The Government (March 2022) while accepting the facts stated that the Contractor did not install the additional solar panels despite receipt of supply from the supplier firm concerned and regular correspondence made by the Company. It further stated that a legal notice was served (November 2021) to the Contractor including claim for compensation and assured to take appropriate decision/ action in due course.

---

<sup>26</sup> ₹ 4.41 crore were released from the ESCROW Account to vendor for supply of required solar panels however, the supplied solar panels were used elsewhere by the Contractor.

<sup>27</sup> Existing solar panels of around 1206 kilowatt found to be removed during site visit in August 2020.

<sup>28</sup> ₹ 4.12 crore for 2015-2018 + ₹ 5.57 crore for 2019-2021 (*i.e.* ₹ 1.855 crore per year \* three years where maximum annual compensation has been restricted to seven *per cent* of the contract value).

In subsequent reply (June 2022), the Company informed that the major part of the existing solar panels<sup>29</sup> which were removed from the site earlier were found reinstalled at site but none of the additional solar panels were found installed at site during verification (April-May 2022). It further stated that a high-level committee has been formulated to deal with the matter and to give its recommendations on the issue. In view of Company's reply, the Government sought (October 2022) further progress of the case from the Company which was awaited (June 2023).

Thus, the Company is yet (September 2023) to take tangible action in this regard.

### **Rajasthan Rajya Vidyut Prasaran Nigam Limited**

#### **3.2 Idle payment of transmission charges**

**The Company raised demand for two line-bays without assessing viability/ feasibility of the transmission line concerned. Inordinate delay in awarding the line work attracted idle payment of transmission charges worth ₹ 7.24 crore.**

The Central Electricity Regulatory Commission (CERC) determines tariff for an inter-State transmission of electricity as per CERC (Terms and Conditions of Tariff) Regulations, 2014 (Tariff Regulations 2014). The Tariff Regulations 2014 and CERC decision (August 2015) has mandated that the State Transmission Utility (STU) concerned, who had requested for keeping provision of line bays<sup>30</sup> for downstream transmission network<sup>31</sup>, shall bear the transmission charges in case of delay in completion of the downstream system.

In the 34<sup>th</sup> meeting (August 2014) of the Standing Committee on Power System Planning of Northern Region (Standing Committee), the Power Grid Corporation of India Limited (PGCIL), being the CTU, proposed augmentation of transformation capacity of its 400/220 kV substation, Sikar by 500 MVA. Rajasthan Rajya Vidyut Prasaran Nigam Limited (Company) also agreed to the proposal of PGCIL and assured the Standing Committee to confirm details of two 220 kV line bays required by it within a fortnight. The Company also confirmed (September 2014) the requirement of two 220 kV line bays with 500 MVA transformer at the proposed 400 kV GSS, Sikar of PGCIL and laying of 220 kV double circuit line from the proposed GSS to its nearby 220 kV GSS/line after getting the technical feasibility examined as per field conditions. The confirmation was reiterated in the 35<sup>th</sup> meeting (November 2014) of the Standing Committee.

<sup>29</sup> 1005 kilowatt (3350 solar panels of 300 watt each) against 1206 kilowatt (4019 solar panels of 300 watt each).

<sup>30</sup> A bay is a power line within an electrical substation which connects a circuit (such as a power line or transformer) to a busbar. Each bay typically includes circuit breakers, disconnectors, instrument transformers, surge arresters, etc.

<sup>31</sup> It stands for the circuit/transmission line passing onward from the line bays to connect the sub-transmission/ distribution system.



The Project Planning and Monitoring (PPM) wing of the Company sought (between September 2014 and July 2017) technical feasibility report from its transmission and construction (T&C) Circle concerned (*i.e.* T&C, Sikar) for the interconnection proposed at PGCIL's 400 kV GSS, Sikar. The feasibility report was to include status/details in respect of right of way (ROW), bays, line length, *etc.* as it was essential for carrying out the load flow studies. The T&C, Sikar belatedly forwarded (July 2017) the feasibility report along with four different proposals. Since the feasibility report/ proposals were found incomplete, the PPM wing sought (August 2017 to January 2018) feasibility report with complete details. The T&C Circle, Sikar furnished (July 2018) the final feasibility report. Meanwhile, PGCIL informed (between April 2017 and January 2018) the Company about progress of the bay work with expected commissioning schedule. Besides, PGCIL requested the Company to expedite the construction of downstream transmission lines so as to match the construction schedule of lines with construction of bays but the same was not acted upon.

PGCIL completed the construction of both the bays by 31 March 2018 and approached (Year 2017) CERC for approval of COD of the assets belonging to these two bays in accordance with the regulation no. 4 (3) (ii) of the Tariff Regulations 2014. The notice issued by the CERC in this regard remained unanswered by the Company. The CERC approved (July 2018) COD of both the bays with effect from 1 April 2018 and decided annual transmission charges of ₹ 1.81 crore for the assets created by PGCIL (two 220 kV bays). The CERC also ordered the Company to bear the transmission charges which were to be paid from the COD of these bays/assets created by PGCIL till the COD of the downstream assets (transmission lines) committed by the Company.

Looking at the order of the CERC, the Company requested (November 2018) PGCIL to allocate these bays to any renewable energy developers but the proposal could not materialise. Thereafter, the Company belatedly decided (April 2019) to erect a 220 kV transmission line from PGCIL's 400 kV GSS, Sikar to its nearby 220 kV GSS, Dhod. After inordinate delay, the Company issued (April 2020) work order for construction of the proposed transmission line with scheduled completion by October 2020. The Company, however, could not commission the downstream assets and incurred ₹ 7.24 crore<sup>32</sup> towards transmission charges till 31 March 2022.

Audit observed that the Company, without any proper planning and feasibility study, committed for erecting transmission line from PGCIL's 400 kV GSS, Sikar and accordingly, raised requirement of two 220 kV bays. The Company also failed to chalk out and communicate a viable proposal to PGCIL in time as it neither assessed the technical feasibility of the line to be erected in the area nor conducted the requisite load flow study. The Company also did not respond to the correspondence of PGCIL and proceedings of the CERC. Since the Company did not have any reason to justify the delay in construction of the transmission line, it was imposed significant and recurring transmission charges by the CERC.

The Government accepted (October 2021) that the interconnecting line was to be constructed in matching timeframe (upto March 2018). It also accepted the

---

<sup>32</sup> ₹ 1.81 crore per annum\*4 years (2018-22).

facts of delay in furnishing the feasibility report by the T&C, Sikar. It further stated that selection of feasible proposal was dependent on completion of another transmission line (*i.e.* 220 kV Dhod to Danta Ramgarh) which could be completed in November 2018. Due to constraints in getting ROW, the Company also requested (November 2018) PGCIL for using the bays for solar developers/ other consumers but the same could not materialise. Thereafter, the Company awarded (April 2020) the erection work of 220 kV Sikar-Dhod line which faced severe ROW issues and stay order. It further informed (May 2022) about commissioning of the line as on 31 March 2022.

The fact remained that improper assessment of viability of line, failure in matching line construction schedule, delay in awarding the work contract for downstream lines resulted in idle payment of transmission charges of ₹ 7.24 crore.



**(ARCHANA GURJAR)**  
**Accountant General**  
**(Audit-II), Rajasthan**

**JAIPUR**  
**The 17<sup>th</sup> April 2024**

**Countersigned**



**(GIRISH CHANDRA MURMU)**  
**Comptroller and Auditor General of India**

**NEW DELHI**  
**The 6<sup>th</sup> May 2024**





## **Appendices**





## Appendix-1

(Refer Paragraph 1.2; page 1)

## Brief profile of the Departments

Sl. No.	Name of Department	Objectives/Functions of the Department
1.	Civil Aviation	Main objective of the Department is to establish an integrated eco-system which will lead to significant growth of civil aviation sector, which in turn would promote tourism, industries, increase employment and lead to a balanced regional growth.
2.	Colonisation	Main objective of the Department is development and allotment of land.
3.	Energy	Being administrative Department of the state power sector Companies, Department's main function includes pursuing/dealing the matters of such Companies with GoR/Finance Department (FD)/World Bank/Ministry of Power, GoI and other agencies. Department is mainly responsible for coordination among all power sector Companies. Apart from this, it also issues guidelines/directions to these Companies on different subject matters. Further, Department also monitors different schemes, plans (including central agencies and others such as Ujwal DISCOM Assurance Yojana (UDAY), Deen Dayal Upadhyaya Gram Jyoti Yojana (DDUGJY) etc.) being carried out by power sector Companies. Department also arranges various sanctions pertaining with loans availed from financial institutions by these Companies.
4.	Environment	Main objective of the Department is to conduct environmental appraisal at planning level related to development schemes, formulate and execute schemes, plans, Programmes for environmental conservation and scrutinize the environment related proposals prepared by other Government agencies & non-government organizations.
5.	Factory and Boilers	The main functions of the Department are to ensure Safety, Health and Welfare of the Factory Workers. Investigation of accidents and dangerous occurrences in factories and to Conduct Medical Surveillance of Industrial Workers.
6.	Forest	Main objective of the Department is to achieve environmental stability and ecological security through increasing vegetal cover. This is to be accomplished by undertaking massive afforestation for expanding the natural cover of the State, combating desertification, conserving floral and faunal diversity and gene pool reserve through a network of protected areas, such as National Parks, Sanctuaries, Conservation reserves and Community Reserves.
7.	Industries	Main objectives of the Department are promotion of Micro, Small and Medium Enterprises (MSMEs), to assist in the marketing of their products, development of salt areas, handicrafts artisan development, development of handloom, etc. The Department also provides various concessions, facilities and assistance for setting up of industrial enterprises in the State.
8.	Information Technology & Communication	The Department of Information Technology & Communication (DoIT&C) is working to put technology to its highest and best use throughout the various Departments/Autonomous Bodies of Rajasthan Government to improve the administration of



Sl. No.	Name of Department	Objectives/Functions of the Department
		State programmes and services. The Department also provides guidance on technical matters, vetting Information Technology (IT) projects. The Department formulates and implement the IT Policy in the State.
9.	Mines and Geology	The Department of Mines and Geology (DMG) has been formed with the purpose of discovery, development and administration of mineral resources in the State. The Department conducts Survey and prospecting for new mineral deposits and their conformity evaluation by geological, geophysical, geochemical and drilling techniques to make them ready for exploitation.
10.	Petroleum	Main functions of the Directorate are processing of proposals for grant of Petroleum Exploration Licenses (PELs) & Petroleum Mining Leases (PMLs), Effective enforcement of Rules & Regulations viz. Oil Field (Regulation & Development) Act, 1948 & Petroleum & Natural Gas Rules, 1959 etc., Collection of Revenues from Petroleum Sector, Pursuance of various issues such as implementation of Minimum Work Programme (MWP) awarded blocks for Oil, Gas & Coal Bed Methane (CBM) under New Exploration Licensing Policy (NELP) / CBM Policy regime and new blocks under Discovered Small Field (DSF)/ Open Acreage Licensing (OALP) of Hydrocarbon Exploration and Licensing Policy (HELP).
11.	Public Health Engineering	Public Health Engineering Department (PHED) is committed to provide potable water to every citizen of the State. PHED with a state-wide office network and use of state of art Reverse Osmosis, De-fluoridation, Supervisory Control And Data Acquisition (SCADA), IT and Solar Energy technology is providing safe drinking water in the remotest places of Rajasthan. PHED is shifting from ground water based schemes to surface water source based schemes in a phased manner. This will help in combating water quality problem and make potable water supply sustainable.
12.	Public Works	The Public Works Department is mainly entrusted with construction and maintenance of roads, bridges and Government buildings. The Department also act as technical advisor to the State Government in these matters.
13.	Rajasthan State Motor Garage	Main objective of the Department is to implement motor vehicle policy of State Government. Further, it ensures availability of motor vehicles to the functionaries from State/District pool.
14.	Science and Technology	Main objective of the Department is to promote new areas of science and technology and to play the role of a nodal department for organizing, coordinating and promoting science and technology activities in the State.
15.	State Enterprises	Main objective of the Department is to provide safety to the employees of public sector enterprises effected with the reconstitution of such public sector enterprises.
16.	Transport	Main objectives of the Department comprises registration and fitness of motor vehicles, levy and collection of motor vehicle tax, issuing of driving licences, issuing permits to motor vehicles, determination of routes for benefit of public at large and work towards controlling vehicular pollution.

Appendix-2

(Refer Paragraph 1.5.1; page 4)

Statement showing age-wise analysis of the outstanding inspection reports and audit paragraphs

Sl. No.	Name of the Department	Number of outstanding IRs				Number of outstanding audit paragraphs				Amount involved (₹ in crore)			
		Older than five years	Between three to five years	Upto three years	Total	Older than five years	Between three to five years	Upto three years	Total	Older than five years	Between three to five years	Upto three years	Total
1.	Civil Aviation	2	2	3	7	2	8	16	26	1.33	36.79	13.77	51.89
2.	Colonisation	9	5	0	14	14	13	0	27	42.04	27.06	0	69.10
3.	Energy	0	0	5	5	0	0	15	15	0.00	0.00	4.14	4.14
4.	Environment	5	2	3	10	31	18	21	70	138.21	474.84	27.70	640.74
5.	Factory and Boilers	4	0	3	7	4	0	18	22	0.07	0.00	1.74	1.81
6.	Forest	196	94	119	409	571	433	752	1756	723.06	447.38	643.25	1813.70
7.	Industries	19	8	14	41	42	18	84	144	19.87	33.38	114.42	167.66
8.	Information Technology and Communication	0	3	8	11	0	6	40	46	0.00	49.89	1592.54	1642.43
9.	Mines and Geology	196	75	76	347	571	330	575	1476	1432.73	452.04	541.58	2426.35
10.	Petroleum	0	1	3	4	0	1	7	8	0.00	0.00	137.64	137.64
11.	Public Health Engineering	721	231	214	1166	1976	1553	1536	5065	3885.18	4749.40	7842.03	16476.61
12.	Public Works	949	195	241	1385	4368	1138	1548	7054	3905.03	695.17	2389.28	6989.48
13.	Rajasthan State Motor Garage	2	0	4	6	2	0	23	25	0.43	0.00	18.48	18.91
14.	Science and Technology	3	4	9	16	3	10	32	45	2.02	6.30	28.98	37.30
15.	State Enterprises	2	0	2	4	2	0	8	10	0.08	0.00	22.01	22.09
16.	Transport	200	46	51	297	704	255	398	1357	22.61	17.76	31.35	71.72
<b>Total</b>		<b>2308</b>	<b>666</b>	<b>755</b>	<b>3729</b>	<b>8290</b>	<b>3783</b>	<b>5073</b>	<b>17146</b>	<b>10172.66</b>	<b>6990.01</b>	<b>13408.89</b>	<b>30571.57</b>



**Appendix-3**

**(Refer Paragraph 2.7.10.1(ii)(a); page 37)**

**Statement showing the details of non-deduction or short deduction of royalty, DMFT and RSMET amount**

Name of works Department	Number of offices	Royalty (₹ in lakh)				DMFT contribution (₹ in lakh)				RSMET contribution (₹ in lakh)			
		No. of works	Due amount	Recovered	Short recovery Amount	No. of Works	Due amount	Recovered	Short recovery Amount	No. of Works	Due amount	Recovered	Short recovery Amount
Public Health Engineering Department (PHED)	9	75	92.73	61.51	31.22	89	5.67	0.34	5.33	47	0.19	0	0.19
Public Work Department (PWD)	8	43	51.18	24.75	26.43	523	16.87	4.74	12.13	70	0.14	0	0.14
Water Resources Department (WRD)	3	24	11.51	0	11.51	63	3.55	0.40	3.15	20	0.50	0	0.50
Municipal Council Bhilwara	1	2	0.64	0.26	0.38	2	0.06	0.02	0.04	0	0	0	0
Additional District Project Coordinator, Samagra Shiksha (ADPC)	2	2	3.90	1.54	2.36	2	0.39	0.13	0.26	0	0	0	0
Ajmer Smart City Limited (ASCL)	1	6	22.38	17.68	4.70	6	2.24	1.27	0.97	0	0	0	0
Municipal Board (MB)	1	20	0	0	0	20	1.61	0	1.61	0	0	0	0
<b>Total</b>	<b>25</b>	<b>172</b>	<b>182.34</b>	<b>105.74</b>	<b>76.60</b>	<b>705</b>	<b>30.39</b>	<b>6.90</b>	<b>23.49</b>	<b>137</b>	<b>0.83</b>	<b>0</b>	<b>0.83</b>

**Appendix-4**

(Refer Paragraph 2.10; page 42)

**Price Variation Computation Sheet -Khetri**

Name of Contractor -M/S L&T Ltd., Construction, Chennai							
Date of Opening of Tender- 19.07.2013,				Negotiation Date-19.08.2013			
Total Sanction Cost- ₹ 4,40,07,14,703/-							
Execution Period-		02.09.2013 To 01.09.2016					
Formulae -0.75*Ps/100*R(Ls1-Ls0)/Ls0							
Period (1)	Factor (2)	Component (3) Ps/100	Work Executed (4) R	Current Index (5) Ls1	Base Index (6) Ls0	P V Amount ₹ (7)	Amount Paid ₹ (8)
10/13-12/13	0.75	0.35	18,33,63,113	151.70	149.80	6,10,496	39,88,148
1/14-3/14	0.75	0.35	25,88,21,986	153.10	149.80	14,96,693	75,70,543
4/14-6/14	0.75	0.35	36,07,55,486	151.50	149.80	10,74,680	1,34,74,217
7/14-9/14	0.75	0.35	50,91,31,206	149.90	149.80	89,217	2,05,05,259
10/14-12/14	0.75	0.35	36,34,21,594	148.20	149.80	-10,18,939	1,27,83,355
1/15-3/15	0.75	0.35	15,81,37,743	144.80	149.80	-13,85,553	46,13,669
4/15-6/15	0.75	0.35	55,00,89,338	138.50	149.80	-1,08,92,540	1,20,88,213
7/15-9/15	0.75	0.35	55,00,89,338	131.10	149.80	-1,80,25,708	61,05,992
10/15-12/15	0.75	0.35	48,89,68,300	126.00	149.80	-2,03,92,720	28,60,465
1/16-3/16	0.75	0.35	36,67,26,225	125.00	149.80	-1,59,37,168	28,87,969
4/16-6/16	0.75	0.35	30,56,05,186	130.90	149.80	-1,01,21,387	68,76,117
7/16-9/16	0.75	0.35	3,09,23,695	127.80	149.80	-11,92,152	9,27,711
			4126033210		Payable Amount	-7,56,95,081	9,46,81,658
					Amount Paid	9,46,81,658	
					Difference	-17,03,76,739	



**Appendix-5**

**(Refer Paragraph 1.1; page 43)**

**List of State Public Sector Undertakings and Autonomous Bodies under audit jurisdiction**

<b>Sl. No.</b>	<b>Name of State Public Sector Undertaking/ Autonomous Body</b>
<b>A</b>	<b>State Public Sector Undertaking</b>
1	Rajasthan State Road Development and Construction Corporation Limited
2	Rajasthan State Industrial Development & Investment Corporation Limited
3	Rajasthan State Mines & Minerals Limited
4	RajCOMP Info Services Limited
5	Barmer Lignite Mining Company Limited
6	Rajasthan Financial Corporation
7	Rajasthan Small Industries Corporation Limited
8	Rajasthan State Handloom Development Corporation Limited
9	Rajasthan State Road Transport Corporation
10	Rajasthan Rajya Vidyut Utpadan Nigam Limited
11	Rajasthan Rajya Vidyut Prasaran Nigam Limited
12	Jaipur Vidyut Vitran Nigam Limited
13	Jodhpur Vidyut Vitran Nigam Limited
14	Ajmer Vidyut Vitran Nigam Limited
15	Rajasthan Renewable Energy Corporation Limited
16	Rajasthan SolarPark Development Company Limited
17	Rajasthan Urja Vikas Nigam Limited
18	Rajasthan State Gas Limited
19	Rajasthan State Petroleum Corporation Limited
20	Chhabra Power Limited
21	Dholpur Gas Power Limited
22	Giral Lignite Power Limited
23	Banswara Thermal Power Company Limited

Sl. No.	Name of State Public Sector Undertaking/ Autonomous Body
24	Barmer Thermal Power Company Limited
25	Jaipur Metro Rail Corporation Limited
26	Jaipur Smart City Limited
27	Ajmer Smart City Limited
28	Kota Smart City Limited
29	Udaipur Smart City Limited
30	Rajasthan Civil Aviation Corporation Limited
31	Rajasthan Urban Drinking Water Sewerage and Infrastructure Corporation Limited
<b>B</b>	<b>Autonomous Body</b>
1	Rajasthan Electricity Regulatory Commission
2	Rajasthan Khadi & Village Industries Board
3	Rajasthan Real Estate Regulatory Authority
4	Rajasthan State Compensatory Afforestation Fund Management and Planning Authority



**Appendix-6**

(Refer paragraph 1.5; page 44)

**Statement showing lack of responsiveness to Inspection Reports**

Sl. No.	Name of State Public Sector Undertaking/ Autonomous Body	No. of outstanding IRs				No. of outstanding audit paragraphs				Amount involved (₹ in crore)			
		Older than five Years	Between three to five Years	Upto three Years	Total	Older than five Years	Between three to five Years	Upto three Years	Total	Older than five Years	Between three to five Years	Upto three Years	Total
<b>A</b>	<b>State Public Sector Undertaking</b>												
1	Rajasthan State Road Development and Construction Corporation Limited	18	14	24	56	37	45	110	192	25.19	199.09	700.57	924.85
2	Rajasthan State Industrial Development & Investment Corporation Limited	17	30	30	77	29	80	152	261	73.06	45.35	495.42	613.83
3	Rajasthan State Mines & Minerals Limited	9	7	7	23	15	21	47	83	18.03	60.96	113.73	192.72
4	RajCOMP Info Services Limited	2	2	3	7	8	6	45	59	0.44	0.22	665.80	666.46
5	Barmer Lignite Mining Company Limited	0	1	3	4	0	1	15	16	0.00	0.00	13.97	13.97
6	Rajasthan Financial Corporation	23	18	25	66	43	42	90	175	44.15	92.99	44.09	181.23
7	Rajasthan Small Industries Corporation Limited	5	2	3	10	16	9	30	55	5.67	0.24	1.26	7.17
8	Rajasthan State Handloom Development Corporation Limited	0	2	3	5	0	2	12	14	0.00	0.00	0.73	0.73
9	Rajasthan State Road Transport Corporation	18	28	29	75	38	287	358	683	3.77	374.78	322.45	701.00
10	Rajasthan Rajya Vidyut Utpadan Nigam Limited	2	6	22	30	2	10	89	101	49.00	1058.19	31326.72	32433.91
11	Rajasthan Rajya Vidyut Prasaran Nigam Limited	0	8	21	29	0	7	71	78	0.00	19.84	104.16	124.00
12	Jaipur Vidyut Vitran Nigam Limited	2	8	43	53	2	17	226	245	0.00	22.77	3036.06	3058.83
13	Jodhpur Vidyut Vitran Nigam Limited	2	12	27	41	2	24	125	151	0.00	95.12	6859.59	6954.71
14	Ajmer Vidyut Vitran Nigam Limited	7	14	34	55	10	31	175	216	1.81	52.27	6417.99	6472.07
15	Rajasthan Renewable Energy Corporation Limited	0	1	3	4	0	3	25	28	0.00	2.63	51.64	54.27
16	Rajasthan SolarPark Development Company Limited	0	0	3	3	0	0	8	8	0.00	0.00	2.75	2.75
17	Rajasthan Urja Vikas Nigam Limited	0	0	3	3	0	0	9	9	0.00	0.00	7.23	7.23

SL No.	Name of State Public Sector Undertaking/ Autonomous Body	No. of outstanding IRs				No. of outstanding audit paragraphs				Amount involved (₹ in crore)			
		Older than five Year	Between three to five years	Upto three Years	Total	Older than five Year	Between three to five years	Upto three Years	Total	Older than five Year	Between three to five years	Upto three Years	Total
18	Rajasthan State Gas Limited	0	0	3	3	0	0	21	21	0.00	0.00	3.52	3.52
19	Rajasthan State Petroleum Corporation Limited	0	0	1	1	0	0	3	3	0.00	0.00	0.43	0.43
20	Chhabra Power Limited	0	0	4	4	0	0	8	8	0.00	0.00	774.22	774.22
21	Dholpur Gas Power Limited	0	3	0	3	0	4	0	4	0.00	1.86	0.00	1.86
22	Giral Lignite Power Limited	0	1	1	2	0	2	4	6	0.00	27.96	9.71	37.67
23	Banswara Thermal Power Company Limited	0	0	0	0	0	0	0	0	0.00	0.00	0.00	0.00
24	Barmer Thermal Power Company Limited	0	0	0	0	0	0	0	0	0.00	0.00	0.00	0.00
25	Jaipur Metro Rail Corporation Limited	1	2	3	6	2	4	19	25	1.63	41.26	203.80	246.69
26	Jaipur Smart City Limited	0	0	2	2	0	0	32	32	0.00	0.00	418.47	418.47
27	Ajmer Smart City Limited	0	0	1	1	0	0	11	11	0.00	0.00	338.10	338.10
28	Kota Smart City Limited	0	0	2	2	0	0	12	12	0.00	0.00	234.07	234.07
29	Udaipur Smart City Limited	0	0	1	1	0	0	16	16	0.00	0.00	733.11	733.11
30	Rajasthan Civil Aviation Corporation Limited	1	0	0	1	1	0	0	1	4.49	0.00	0.00	4.49
31	Rajasthan Urban Drinking Water Sewerage and Infrastructure Corporation Limited	8	2	4	14	64	17	77	158	1067.42	282.30	1676.09	3025.81
	<b>Total A</b>	<b>115</b>	<b>161</b>	<b>305</b>	<b>581</b>	<b>269</b>	<b>612</b>	<b>1790</b>	<b>2671</b>	<b>1294.66</b>	<b>2377.83</b>	<b>54555.68</b>	<b>58228.17</b>
<b>B</b>	<b>Autonomous Body</b>												
1	Rajasthan Electricity Regulatory Commission	0	0	3	3	0	0	9	9	0	0	73.66	73.66
2	Rajasthan Khadi & Village Industries Board	4	2	2	8	14	6	12	32	30.27	3.61	3.54	37.42
3	Rajasthan Real Estate Regulatory Authority	0	0	0	0	0	0	0	0	0	0	0	0
4	Rajasthan State Compensatory Afforestation Fund Management and Planning Authority	1	0	0	1	39	0	0	39	59.21	0	0	59.21
	<b>Total B</b>	<b>5</b>	<b>2</b>	<b>5</b>	<b>12</b>	<b>53</b>	<b>6</b>	<b>21</b>	<b>80</b>	<b>89.48</b>	<b>3.61</b>	<b>77.20</b>	<b>170.29</b>
	<b>Grand total (A+B)</b>	<b>120</b>	<b>163</b>	<b>310</b>	<b>593</b>	<b>322</b>	<b>618</b>	<b>1811</b>	<b>2751</b>	<b>1384.14</b>	<b>2381.44</b>	<b>54632.88</b>	<b>58398.46</b>



**Appendix-7**

**(Refer paragraph 1.7; page 45)**

**Annual return on review of entrustment of autonomous bodies audited under Section 19(2) and 20(1) of the C&AG's (DPC) Act, 1971**

<b>Sl. No.</b>	<b>Name and Address of Institution audited under Section</b>	<b>Period of entrustment of audit by Government under Section</b>	<b>Year up to which accounts rendered</b>	<b>Year up to which audit report issued</b>	<b>Placement of audit reports before the Legislature</b>	<b>Year to which accounts due</b>	<b>Period of delay in submission of accounts up to 31 December 2021</b>
1	Rajasthan Khadi and Village Industries Board under Section 20(1)	2017-18 onwards under Section 20(1)	2019-20	2019-20	2019-20 (10.02.2022)	2020-21	2020-21 (6 months)
2	Rajasthan Electricity Regulatory Commission under Section 19(2)	Under Section 19(2)	2020-21 (22.09.2021)	2020-21 (SAR issued on 06.01.2022)	2019-20 (13.02.2022)	-	2020-21 (3 months)
3	Rajasthan Real Estate Regulatory Authority under Section 19(2)	2017-18 to 2020-21	2019-20	2019-20	2019-20	2020-21	2020-21 (6 months)
4	Rajasthan State Compensatory Afforestation Fund Management and Planning Authority under Section 19 (2)	Under Section 19(2) (Sole Auditor)	2012-13	2012-13	2012-13	2013-14 2014-15 2015-16 2016-17 2017-18 2018-19 2019-20 2020-21	2013-14 (7.50 years) 2014-15 (6.50 years) 2015-16 (5.50 years) 2016-17 (4.50 years) 2017-18 (3.50 years) 2018-19 (2.50 years) 2019-20 (1.50 years) 2020-21 (6 months)

## Appendix-8

(Refer paragraph 2.2; page 47)

## Regulatory control of RERC

Sl. No.	Description	Sector
<b>A</b>	<b>Power generation</b>	
1	Rajasthan Vidyut Utpadan Nigam Limited	State PSU
2	Giral Lignite Power Limited	State PSU
3	Raj West Power Limited <i>i.e.</i> Individual Power Producers (IPPs) of Rajasthan	Private sector
<b>B</b>	<b>Power transmission</b>	
1	Rajasthan Rajya Vidyut Prasaran Nigam Limited	State PSU
2	M/s Adani Transmission (Rajasthan) Limited	Private sector
3	M/s Barmer Power Transmission Services Limited.	Private sector
4	M/s Thar Power Transmission Services Limited	Private sector
5	M/s Hadoti Transmission Services Limited	Private sector
6	M/s Maru Transmission Services Company Limited	Private sector
7	M/s Arawali Transmission Services Company Limited	Private sector
8	M/s KEC Bikaner-Sikar Transmission Private Limited	Private sector
<b>C</b>	<b>Power distribution</b>	
1	Jaipur Vidyut Vitran Nigam Limited	State PSU
2	Jodhpur Vidyut Vitran Nigam Limited	State PSU
3	Ajmer Vidyut Vitran Nigam Limited	State PSU
<b>D</b>	<b>Trading of power</b>	
1	Rajasthan Renewable Energy Corporation Limited	State PSU
<b>E</b>	<b>Load dispatch</b>	
1	State Load Dispatch Centre (SLDC)	A unit of State PSU



Appendix-9		
(Refer paragraph 2.5; page 48)		
Status of major regulations framed by RERC that remained in force during 2016-21		
Nature wise description of regulations		Date of notification (latest amendment)
<b>Tariff Regulations</b>		
RERC (Terms and Conditions for Determination of Tariff) Regulations, 2014 (Tariff Regulations 2014)		24 February 2014
RERC (Terms and Conditions for Determination of Tariff) Regulations, 2019 (Tariff Regulations 2019)		10 May 2019 (Amendment: 28 February 2020)
<b>Standard of Performance for Transmission Licensees</b>		
RERC (Transmission Licensee's Standards of Performance) Regulations, 2004 (T-SOP Regulations 2004)		20 April 2004 (Amendment: 19 January 2016)
RERC (Standards of Performance of Transmission Licensee) Regulations, 2021 (T-SOP Regulations 2021)		3 February 2021
<b>Standard of Performance (Distribution Licensees)</b>		
RERC (Standards of Performance for Distribution Licensees) Regulations, 2014 (D-SOP Regulations 2014)		17 February 2014
RERC (Standards of Performance for Distribution Licensees) Regulations, 2021 (D-SOP Regulations 2021)		31 March 2021
<b>Consumer Grievances &amp; Ombudsman</b>		
RERC (Guidelines for Redressal of Grievances) Regulations, 2008		1 March 2008
RERC (Settlement of Disputes by Electricity Ombudsman) Regulations, 2010.		23 March 2010 (Amendment: 22 January 2020)
RERC (Consumer Grievance Redressal Forum, Electricity Ombudsman and Consumer Advocacy) Regulations, 2021.		5 April 2021
<b>Renewable Purchase Obligation and Renewable Energy Certificate</b>		
RERC (Renewable Energy Obligation) 2007		23 March 2007 (Amendment: 4 February 2020)
RERC (Renewable Energy Certificate and Renewable Purchase Obligation Compliance Framework) Regulations, 2010.		23 December 2010 (Amendment: 5 March 2019)
<b>State Advisory Committee</b>		
RERC (State Advisory Committee) Regulations, 2009		9 January 2009
<b>Power Purchase</b>		
RERC (Power purchase and procurement process of distribution licensee) Regulations, 2004		26 March 2004 (Amendment: 11 January 2019)

**Annexure-10**

(Refer paragraph 2.6.14; page 63)

**Statement showing submission of half yearly SOP Report by distribution licensees during 2016-17 to 2020-21**

Year	Reporting period	Jaipur		Ajmer		Jodhpur	
		Date of submission of half yearly SOP report	Delay in submission of half yearly SOP report (in days)	Date of submission of half yearly SOP report	Delay in submission of half yearly SOP report (in days)	Date of submission of half yearly SOP report	Delay in submission of half yearly SOP report (in days)
2016-17	First half	03 January 2017	50	12 January 2017	59	16 May 2017	183
	Second half	09 October 2017	147	13 June 2017	29	15 May 2017	0
2017-18	First half	03 November 2017	0	29 December 2017	45	03 November 2017	0
	Second half	25 June 2018	41	12 June 2018	28	28 May 2018	13
2018-19	First half	02 January 2019	49	14 December 2018	30	06 December 2018	22
	Second half	11 June 2019	27	29 May 2019	14	16 May 2019	1
2019-20	First half	16 December 2019	32	09 December 2019	25	15 November 2019	1
	Second half	10 June 2020	26	15 June 2020	31	15 July 2020	61
2020-21	First half	11 December 2020	27	29 December 2020	45	12 January 2021	59
	Second half	15 June 2021	31	23 June 2021	39	16 July 2021	62









**© COMPTROLLER AND  
AUDITOR GENERAL OF INDIA**  
**[www.cag.gov.in](http://www.cag.gov.in)**



**<http://cag.gov.in/ag2/rajasthan/en>**