

OVERVIEW

This Report contains two Chapters on the observations of Audit on the State's Finance and Appropriation Accounts for the year 2005-06 and three other Chapters comprising eight reviews and 25 paragraphs (including one general paragraph) based on the audit of certain selected programmes and activities and financial transactions of the Government.

The audit has been conducted in accordance with the Auditing Standards prescribed for the Indian Audit and Accounts Department. Audit samples have been drawn based on statistical sampling methods as well as on judgment basis. The specific audit methodology adopted for programmes and schemes has been mentioned in the reviews. The audit conclusions have been drawn and the recommendations made taking into consideration the views of the Government.

A summary of the financial position of the State and the audit findings is given below:

1. Financial Position of the State Government

The revenue receipts of the State Government during 2005-06 were Rs 20,839 crore, registering an increase of 17 *per cent* over 2004-05. The revenue expenditure during the year was Rs 21,499 crore, an increase of eight *per cent* over 2004-05. Consequently, the revenue deficit declined to Rs 660 crore during 2005-06 from Rs 2,143 crore in the previous year. This positive development enabled reduction of fiscal deficit and eliminated the Primary Deficit. However, return on investment of the Government funds in companies, rural banks, co-operative units etc., was only 0.5 *per cent* during the year while the Government continued to borrow funds from market at a higher rate of interest. Moreover, the revenue realised by the Government from its investment of Rs 3,708 crore in 17 irrigation projects was just one *per cent* and was not even sufficient to cover their maintenance and interest charges. The fiscal liabilities of the State Government were more than thrice its revenue receipts during the year. The percentage of total expenditure to revenue receipts was 126, indicating that only about 79 *per cent* of the State's total expenditure was met from its current revenues, leaving the balance to be financed by borrowings.

2. Allocative Priorities and Appropriation

During 2005-06, expenditure of Rs 28,503.22 crore was incurred against the total grants and appropriations of Rs 33,678.95 crore, resulting in a saving of Rs 5,175.73 crore. The overall savings was the net result of saving of Rs 5,225.06 crore offset by excess of Rs 49.33 crore. This excess requires regularisation under Article 205 of the Constitution of India. Rupees 5,125.80 crore were surrendered on the last working day of the financial year, while in

18 cases savings of Rs 120.96 crore were not surrendered. In three cases, Rs 5.74 crore were surrendered in excess of savings and in four cases Rs 11.84 crore were surrendered even though the expenditure exceeded the budget provision. In 41 cases, augmentation/reduction of provision by re-appropriation proved either in excess of requirement or insufficient or unnecessary as the final expenditure of the re-appropriated sub-heads resulted in savings/excess by at least Rs one crore.

3. Performance Audit Reviews

Performance Audit of Relief Operations during the years 2004 and 2005 by Disaster Management and Relief Department

The State Government declared 31 of the 32 districts in the Rajasthan State as drought and/or hail storm affected during the years 2004 and 2005. To provide relief to the affected population, funds were transferred by Government of India and State Government to Calamity Relief Fund. Government of India also extended grant for relief operation activities to the State Government out of National Calamity Contingency Fund. Performance Audit of relief operations during the years 2004 and 2005 by Disaster Management and Relief Department revealed that the total expenditure of Rs 554.66 crore incurred was even less than the grants received from Government of India (Rs 717.24 crore). Submission of detailed contingent bills for Rs 6.16 crore was overdue (June 2006). Funds of Rs 4.37 crore provided for different relief activities in four districts were surrendered. Banswara district was declared drought affected though it did not satisfy the prescribed determinants (deficiency in rainfall etc.) for such declaration. Therefore, expenditure of Rs 10.21 crore incurred on various relief activities there was unjustified. Relief works on which Rs 2.79 crore were incurred were left incomplete or abandoned. There was delay of two to 172 days in payment of wages of Rs 4.13 crore to 56,575 labourers. *Gaushala* subsidy of Rs 2.67 crore was paid to nine *gaushalas* though they had sound financial position.

Implementation of Sarva Shiksha Abhiyan

Sarva Shiksha Abhiyan, a Centrally sponsored scheme is being implemented since 2001-02 in all the districts of the State to cover elementary education by laying special emphasis on enrollment, retention and quality education in primary and upper primary schools. The achievement of the objective to enroll all children in school was below target. Similarly, targets relating to providing infrastructure facilities to schools were not fully achieved.

- Funds were not provided as per Annual Work Plan during 2001-05. Out of funds given to seven test-checked districts during 2002-05, Rs 5.67 crore were lying unutilised as of March 2005. In 21 blocks and 115 School Development and Management Committees Rs 2.92 crore were lying unutilised as of March 2005.

- *Sarva Shiksha Abhiyan* funds were overcharged by State Government to the tune of Rs 17.11 crore on account of honorarium paid to para teachers.
- Advances given during 2002-04 amounting to Rs 32.55 crore were pending adjustment for want of expenditure statements/utilisation certificates as of March 2005.
- Teacher pupil ratio in primary schools during 2001-05 in six of the test checked districts ranged between 1:43 and 1:106 as against the stipulated 1:40.
- Zero rejection policy in case of children with special needs was not achieved.

Information Technology Audit - Rajasthan State Pollution Control Board

The Rajasthan State Pollution Control Board was constituted under the Water (Prevention and Control of Pollution) Act, 1974 enacted by Parliament with a view to plan a comprehensive programme for the prevention and control of water pollution in the State and its execution. Water (Prevention and Control of Pollution) Cess Act, 1977 was enacted by Parliament to make the State Board financially independent. An integrated software to computerise its core activities as well as house keeping functions was planned for development in September 2001. The software was to be developed by January 2002. The software developed by the consultant RajCOMP was non-operational/incomplete (June 2006) even after incurring Rs 1.39 crore. Important findings were as under:

- Due to non-functioning of the software, Board assigned the work of 'upgradation' of the existing system to National Informatics Centre (NIC) at the cost of Rs 2.39 crore rendering the earlier expenditure of Rs 1.39 crore as wasteful.
- The Board could not realise the benefits of computerisation in collecting the interest and penalty due.
- Out of total 8,109 assessments of 164 major industrial units made since April 1978 to December 2005, 7,288 (90 *per cent*) assessments for a total assessed value of Rs 46.93 crore (60 *per cent* of the total water cess assessed) were not based on quantity of water consumed as was to be recorded from the meters.
- Computerised data relating to the water cess revealed gaps between two successive assessments ranging between 2 to 3,958 days which shows that the assessments for the period covered under gaps have not been made resulting in the loss of revenue to the Government.
- Non-renewal of consent for periods ranging from one year to 26 years led to the failure of the Board in exercising a check to control water pollution besides non-realisation of consent fee.

Conservation of flagship species - Tiger including India Eco-Development Project (IEDP) in Tiger Reserve

To conserve the tiger, 'Project Tiger' was launched in 1973 as a Centrally Sponsored Scheme. In Rajasthan, Ranthambhore and Sariska Tiger Reserves were covered. The objective of saving the tigers from imminent extinction seems far from realisation as effective measures to stop the degradation and fragmentation of the habitats were not taken during 2000-06. This review revealed that there were delays in preparation of management plan and transfer of funds, failure in fixing time schedules for achieving targets and improper management of Tiger Reserve. There was failure in control of poaching and encroachment on forest lands. India-Eco Development Project was conceived in 1996 as a pilot project with the objective of improving the capacity of protected area in Ranthambhore Tiger Reserve (RTR) to conserve biodiversity and increase opportunity for local participation in management activities. The scheme/works executed under India-Eco Development Project could also not achieve the desired objectives. The important findings are as follows:

- Management Plan (MP) of RTR was prepared after a delay of seven years and works were executed (1995-2001) without the MP. The provisions of both the MPs were not periodically reviewed.
- Final notifications in respect of complete area of both the reserves were not issued in spite of clear direction (August 1997) of the Supreme Court to notify the areas as Sanctuaries and National Park within a period of six months.
- Tiger population reduced drastically from 47 in 2004 to 26 in 2005 in Ranthambhore Tiger Reserve and from 16 to Nil in Sariska Tiger Reserve. This showed complete failure of the project authorities and monitoring at Government level.
- Against Rs 38.38 crore projected as estimated expenditure under India Eco-Development Project, only Rs 18.40 crore were spent.

District Poverty Initiatives Project

With a view to reduce poverty in some of the poorest districts of Rajasthan, District Poverty Initiatives Project was launched in May 2000 with assistance of US Dollars 100.48 million from International Development Association of World Bank. Project period was extended from June 2005 to December 2007. Significant points noticed were:

- Actual expenditure during 2000-2006 was Rs 329.32 crore against projected expenditure of Rs 643.63 crore.
- Expenditure was inflated by Rs 58.08 crore by including in the booked expenditure the transfer of funds made to Personal Deposit/Bank accounts.

- Against completion certificates for Rs 261.50 crore due upto March 2006, only certificates amounting to Rs 67.58 crore were adjusted.
- There was shortfall in imparting Orientation Training to Common Interest Groups (40 *per cent*) and Skill Based Training (69 *per cent*).
- Rupees 3.25 crore were sanctioned for items like sanitation, causeway/bridge, marble slurry road/brick works which were not to be covered under the project.
- Despite transfer of Rs 1.09 crore to the accounts of Common Interest Groups for construction of 82 irrigation/drinking wells in Baran, Dholpur and Jhalawar, the works remained incomplete.

Food Security, Subsidy and Management of Foodgrains

Improving the access to food by the poor through the various foodgrain distribution schemes under Targeted Public Distribution System has been at the core of Government of India's food security strategy. However, Government of Rajasthan could not fully implement this objective as foodgrains allotted by Government of India for distribution to public could not be fully lifted by it during the years 2001-06. Other important findings are as follows:

- During 2001-06, shortfall in lifting of wheat allotted for Below Poverty Line families ranged from seven to 32 *per cent* and for *Antyodaya Anna Yojana* introduced for poorest of the poor ranged between four to 13 *per cent*.
- No foodgrains were distributed to additional beneficiaries to be covered under *Annapurna* Scheme with effect from April 2005.
- Due to shortfall in availability of wheat in some Food Corporation of India depots, foodgrains were not distributed as per prescribed scales.
- Cases of quality of wheat being lower than that prescribed were noticed.
- There was lack of adequate inspections in Fair Price Shops at district levels besides shortfall in targets for meetings of Vigilance Committees.
- Submission of Utilisation Certificates of foodgrains to Government of India was delayed.

Implementation of Tourism Policy of Rajasthan

The Tourism Policy of Rajasthan, formulated in September 2001 envisaged optimum utilisation of rich tourism resources of the State, develop ready market for the rich and varied handicrafts and preserve bio-diversity, natural, historical and cultural heritage of the State. Review of implementation of this

policy revealed that it was not implemented effectively in the State. A comprehensive Tourism Master Plan for development of tourism was not formulated. A Tourism Trade Regulation Act to protect possible exploitation and harassment of tourists was not enacted. There was shortage of accommodation for tourists. Delay in release of funds adversely affected improvement of infrastructure for tourism development. Performance of tourism units availing subsidy was not monitored. Nazool properties were not developed for tourism. Ready market for rich handicrafts was not developed. The objective of preservation of historical and cultural heritage with private participation was not met. There was inadequate and inappropriate manpower in the Tourist Information Centres.

4. Audit of Transactions

Besides the above, audit of financial transactions test checked in various Departments of the Government and their field functionaries revealed instances of wasteful expenditure and other irregularities involving Rs 50.48 crore as mentioned below:

Wasteful/unfruitful expenditure of Rs 25.19 crore in Social Welfare Department (Rs 13.66 crore), Department of Personnel (Rs 3.91 crore), Public Works Department (Rs 3.34 crore), Water Resources Department (Rs 1.58 crore), Home Department (Rs 1.30 crore), Public Health Engineering Department (Rs 84.32 lakh), Higher Education Department (Rs 55.89 lakh) was noticed in addition to excess payment of Rs 2.16 crore in Finance Department (Rs 1.79 crore) and Department of Personnel (Rs 36.57 lakh).

Avoidable expenditure of Rs 7.88 crore was noticed in Public Health Engineering Department (Rs 3.78 crore), Public Works Department (Rs 2.56 crore), Water Resources Department (Rs 82 lakh) and Higher Education Department (Rs 71.86 lakh).

Idle investment and blockage of funds of Rs 7.86 crore were noticed in Medical and Health Department (Rs 7.07 crore), Home Department (Rs 48.40 lakh) and Water Resources Department (Rs 30.33 lakh).

Apart from these, there were regulatory issues and other points involving Rs 7.39 crore in Home Department (Rs 3.64 crore), Medical and Health Department (Rs 3.14 crore) and General Administration Department (Rs 61.48 lakh).

5. Internal Control System in Social Welfare Department

Internal Control System in an organisation is meant to ensure that its operations are carried out according to applicable regulations and in an economical and effective manner. Review of Social Welfare Department revealed that generally during 2001-06 there were persistent and substantial

savings under Plan, Non-plan and Centrally sponsored schemes which is indicative of weak budgetary control. There was unnecessary drawal of Rs 23.57 lakh to avoid lapse of budget. Expenditure during the month of March in the years 2001-06 ranged from 25 to 36 *per cent* of the total annual expenditure against proportionate expenditure of 8.33 *per cent* per month. Utilisation certificates for Rs. 8.58 crore released to various Departments, Non-government Organisations, local bodies etc. during 1996-97 to 2004-05 were pending. Internal audit was conducted only to the extent of 29 *per cent* and no Vigilance Cell was established in the Department.