

OVERVIEW

This Report contains two Chapters on the observations of Audit on the State's Finance and Appropriation Accounts for the year 2006-07 and three other Chapters comprising six reviews and 34 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. 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

During 2006-07, revenue receipts (Rs 25,592 crore) and revenue expenditure (Rs 24,954 crore) increased at a growth rate of 23 *per cent* and 16 *per cent* respectively over the previous year. As a result Government succeeded in generating revenue surplus (Rs 638 crore) and also containing fiscal deficit (Rs 3,970 crore) to three *per cent* before the targeted year 2009, as stipulated in Rajasthan Fiscal Responsibility and Budgetary Management Act, 2005. The State's own resources, comprising tax and non-tax revenue contributed 59 *per cent* of the revenue receipts. Non-Plan revenue expenditure increased to Rs 21,154 crore in 2006-07, up by 15 *per cent* over the previous year and exceeding normative assessment made by Twelfth Finance Commission by Rs 3,614 crore. The developmental expenditure constituted 64 *per cent* of total expenditure. Fiscal liabilities (Rs 71,146 crore) increased by seven *per cent* over the previous year. The percentage of total expenditure to revenue receipts was 118 indicating that about 85 *per cent* of the State's total expenditure was met from its current revenues, leaving the balance to be financed by borrowings. The negligible return on Government investments (less than one *per cent*) especially in the power sector and inadequate recovery of interest receipts on loans and advances vis-à-vis the higher cost of the borrowed funds put the strain on the fiscal budget of the State. An amount of Rs 14,709 crore was outstanding as of March 2007, guaranteed by the Government on behalf of Statutory Corporations, Government Companies etc.

2. Allocative Priorities and Appropriation

During 2006-07, the overall savings of Rs 4,827.37 crore was the net result of saving of Rs 4,827.79 crore offset by excess of Rs 0.42 crore. The excess expenditure requires regularisation under Article 205 of the Constitution of India. Rupees 4,730.36 crore were surrendered on the last working day of the

financial year. While in 16 cases savings of Rs 157.23 crore were not surrendered, in six cases, Rs 62.40 crore were surrendered in excess of savings. The review of Budget Formulation and Budgetary Control under Grant No. 27 relating to Public Health Engineering Department revealed lapsing of budget provision (Rs 61.46 crore) surrender/re-appropriation of entire budget provision (Rs 243.46 crore) and irregular re-appropriation of Plan provision to Non-Plan heads (Rs 11.62 crore).

3. Performance Audit

Accelerated Rural Water Supply Programme

The Accelerated Rural Water Supply Programme (ARWSP) aims at providing safe and adequate drinking water facilities to the rural population. The Annual Action Plans did not focus on coverage of non-covered habitations, targeted population and water source sustainability. Government was deprived of Central assistance of Rs 188.59 crore due to slow spending. Its contribution towards matching share in Minimum Needs Programme was less by Rs 174.95 crore. Expenditure of Rs 140.05 crore was charged to ARWSP in violation of programme guidelines. More than 65,000 habitations in the State did not have adequate drinking water as against about 38,000 in April 2002. Six fluoride control projects planned in 1994 were not completed. More than 8,000 rural schools were yet to be provided with drinking water under ARWSP. The Field Testing Kits for water quality monitoring were not procured despite availability of funds. Water supplied in 49 habitations contained Total Dissolved Solid much above the permissible limit of 1500 Parts per Million. Sixty water supply schemes were lying incomplete after spending Rs 78.48 crore. Pipes valued Rs 3.46 crore were not used and water supply schemes under Sector Reform (Rs 5.67 crore) were lying incomplete. Expenditure of Rs 4.62 crore was incurred on poor performance of pipeline and extra liability of Rs 8.70 crore was committed due to delays in issue of technical sanctions and finalising the tenders for the works. No Vigilance and Monitoring Committees were set up at State, district and village levels. The Research and Development Cell for investigation works was not established and Management Information System was inadequate.

(Paragraph 3.1)

Modernisation of Police Force

Government of India launched the Scheme of Modernisation of Police Forces in the States to enable the police to face the emerging challenges to internal security effectively. State Government did not contribute its matching share during 2002-07. Even the available funds were not utilised to the extent of 24 to 40 *per cent*. Due to slow utilisation of funds, State was deprived of Central grant of Rs 154.22 crore. Forty three forensic equipment worth Rs 8.52 crore remained unutilised for five to 49 months. Automated Finger Print Identification System procured at a cost of Rs 1.82 crore for modernisation of Finger Print Bureau was not functioning. There was no improvement in mobility as the vehicles purchased were mainly used to replace the

unserviceable ones. No standards have been fixed for police response time to reach the crime site. Information and Technology equipment worth Rs 72.15 lakh remained idle for 16 to 21 months in three training institutes. Three simulators were lying idle or out of order for 16 to 36 months for want of maintenance and manpower. No monthly monitoring was done by the State Level Empowered Committee.

(Paragraph 3.2)

Rajasthan Water Sector Restructuring Project (RWSRP)

To fulfill the objective of strengthening the capacity for planning, development and management of surface and ground water resources, the Rajasthan Water Sector Restructuring Project was launched in March 2002 to be completed in March 2008 with World Bank loan assistance of Rs 645.16 crore against Project cost of Rs 830.41 crore. Only 52 per cent funds for the Project was utilised in five years. Neither rates of irrigation water charges were revised nor staff was down sized so as to reduce the operation and maintenance cost as envisaged in the Project. Liquidated damages of Rs 4.38 crore imposed for five works were not recovered from a contractor due to arbitrations. Besides, in nine works, not completed within the stipulated period, liquidated damage was not levied. Delayed acceptance of tenders for two works resulted in extra expenditure of Rs 2.49 crore towards price escalation. Excise duty exemption certificates issued contrary to the provisions of agreements resulted in undue financial benefit of Rs 4.76 crore to contractors. Fifteen works were allotted beyond qualifying criteria to four contractors. Three works were not started, three were delayed and four were left incomplete by them. The report of the consultant for independent monitoring and evaluation, likely to be received in February 2008, would not serve any purpose as the project was due for completion in March 2008.

(Paragraph 3.3)

Rajasthan Urban Infrastructure Development Project

Rajasthan Urban Infrastructure Development Project (RUIDP) was started in January 2000 covering six divisional headquarters of Rajasthan with total outlay of Rs 1,529 crore. The project was substantially financed by Asian Development Bank. The project aimed at social and economic development of six major cities which was to be completed by December 2004 was extended to March 2009. Due to delayed preparation of base maps (cost: Rs 3.69 crore) the consultants could not use those in designing. Short drawal of loans in the initial years resulted in extra liability of Rs 31.46 crore towards commitment charges. Delay in project implementation led to extra expenditure of Rs 13.93 crore on consultancy services. Contribution of Rs 38.36 crore from Urban Local Bodies were not received and recovery of loan amount of Rs 122.06 crore and interest thereon from Local Bodies was not initiated. Project Management Unit extended undue benefit of Rs 13.75 crore to contractors by issue of irregular certificates for excise duty, payment of advances and irregular concessions in violation of agreements.

(Paragraph 3.4)

Computerisation of Treasuries

Rajasthan State Government implemented the Treasury Computerisation System (TCS) in 1996-97 to overcome the weakness of the manual system and for providing financial information from treasuries to the Finance Department. Absence of any policy towards deployment in treasuries and inadequate training to the treasury personnel led to uncontrolled operations in the TCS. Implementation of untested software, lack of change management and version controls, poor documentation led to unsynchronized operations. Lack of appropriate input controls and non-mapping of business rules led to presence of inaccurate and incomplete data in the system making the data unreliable. Due to absence of the internal control, check on the inaccuracies and incompleteness in the data could not be ensured. The Department did not have any backup policy to ensure the continuity of the operations and could not derive full benefits from the application as it failed to utilise the available features in the application and continued with manual operation. Lack of the Wide Area Network restricted the utility of the system in centralised compilation of data and use of the system for any financial management. In the Data Depository System (DDS), lack of input and validation checks made the data unreliable for meeting the objectives of personnel management and budgetary control through the DDS. Thus, the systems of TCS and DDS could not be used gainfully.

(Paragraph 3.5)

4. Audit of Transactions

Besides the above, audit of financial transactions test checked in various Departments of the Government and their field functionaries showed instances of loss to Government and other irregularities involving Rs 140.41 crore as mentioned below:

Instances of losses of Rs 2.31 crore were noticed in Higher Education Department (Rs 1.02 crore) and Public Health Engineering Department (Rs 1.29 crore).

Infructuous/wasteful expenditure and overpayment of Rs 1.75 crore noticed in Medical Education Department (Rs 62.19 lakh), Technical Education and Public Works Departments (Rs 66.24 lakh) and Water Resources Department (Rs 46.40 lakh).

Avoidable/ excess/ unfruitful expenditure of Rs 46.25 crore were noticed in Education Department (Rs 12.27 crore), Indira Gandhi Nahar Department (Rs 6.66 crore), Medical and Health Department (Rs 6.99 crore), Department of Personnel (Rs 1.21 crore), Public Health Engineering Department (Rs 3.14 crore), Public Works Department (Rs 13.47 crore) and Water Resources Department (Rs 2.51 crore).

Idle investment/blocking of funds of Rs 11.60 crore were noticed in Elementary Education Department (Rs 4.63 crore), Water Resources Department (Rs 2.11 crore) and *Sanskrit Shiksha Vibhag* (Rs 4.86 crore).

Apart from these, there were instances of irregular expenditure and other points involving Rs 78.50 crore in Ayurved Department (Rs 11.89 crore), Co-operative Department (Rs 75.34 lakh), Disaster Management and Relief Department (Rs 48.72 crore), Elementary, Secondary and Higher Education Departments (Rs 15.31 crore), Finance Department (Rs 53.76 lakh) and Medical Education Department (Rs 1.29 crore).

Some of the important findings are as follows:

- Failure of the Chief Engineer, Public Health Engineering Department in inserting the specific clause regarding refund of Excise duty in the rate contract resulted in loss of Rs 1.29 crore to Government for 94,204 metre pipes supplied by a private firm during February to April 2006.

(Paragraph 4.1.2)

- Due to slackness of the Education Department in planning and implementation the objective of the scheme of providing computer education to students remained unachieved rendering the expenditure of Rs 12.27 crore largely unfruitful. Besides, 805 computers costing Rs 3.20 crore were purchased in excess of requirement.

(Paragraph 4.3.1)

- Lack of planning of the Indira Gandhi Nahar Department in considering construction of syphon aqueduct/Cross Drainage work on Rajiv Gandhi Lift Canal led to non-utilisation of distributaries system rendering the expenditure of Rs 6.66 crore unfruitful.

(Paragraph 4.3.2)

- Staff of 25 District Tuberculosis Centres under Medical and Health Department remained idle after introduction of Directly Observed Treatment with Short Course for Tuberculosis patients and expenditure of Rs 6.99 crore incurred on their pay and allowances proved unfruitful.

(Paragraph 4.3.3).

- Non-ensuring availability of teachers for new schools by the District Project Coordinator, Bikaner before construction of school buildings in Kolayat and Nokha blocks in Bikaner District led to blocking of Rs 4.63 crore on building lying unutilised.

(Paragraph 4.4.1)

- Failure of the Jagadguru Ramanandacharya Sanskrit University, Jaipur to establish research centre not only led to blocking of loan assistance of Rs 4.30 crore for more than three years but it delayed research activities also. Besides, keeping loan assistance idle instead of investing in interest bearing Fixed Deposits resulted in loss of interest of Rs 55.78 lakh.

(Paragraph 4.4.3)

5. Internal Control Mechanism in Animal Husbandry Department

Internal Control Mechanism is meant to ensure that departmental operations are carried out according to the applicable rules and regulations in an effective manner. In Animal Husbandry Department the departmental manual published in 1965 has not been revised/modified since then despite significant changes in the organisational set up, instructions, orders etc. Expenditure in the Directorate was not incurred evenly throughout the year. Department had to refund Rs 72.20 lakh of Centrally sponsored scheme to Government of India due to non-utilisation and Rs 1.87 crore released for live stock census remained unspent. Remittances worth Rs 1.40 crore made by challans into treasuries were not reconciled. Artificial insemination fee of Rs 2.68 crore was shown outstanding as on 31 March 2007 as there was lack of reconciliation of receipt and remittance of artificial insemination fees at various level. Shortfall in departmental inspections ranged from 38 to 44 *per cent*. Internal audit function was deficient and vigilance cell was not operative. Huge vacancies in key post, non-maintenance of asset register and improper monitoring of farms led to ineffective supervision and inventory management.

(Paragraph 5.1)