

OVERVIEW

This Report contains two Chapters on the observations of Audit on the State's Finance and Appropriation Accounts for the year 2007-08 and three other Chapters comprising five reviews and 24 paragraphs (including three general paragraphs) 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

The key fiscal parameters-revenue, fiscal and primary deficits-reveal a significant improvement in the fiscal situation of the State during 2007-08 over the previous year. An increase of Rs 1,015 crore in revenue surplus in 2007-08 relative to the previous year may however be assessed in view of the fact that 56 *per cent* of the incremental revenue receipts (Rs 5,189 crore) is contributed by central transfers comprising State's share in Union taxes and duties and grants-in-aid from GOI. Moreover, 17 *per cent* of the incremental State's own resources (Rs 2,290 crore) during the year were on account of book adjustments only, i.e. transfer of Rs 350 crore from Public Account under Miscellaneous General Services on account of winding up of Sinking Fund and classified as non-tax receipts of the State. Although revenue expenditure as a percentage to total expenditure indicated declining trends it still constitutes 81 *per cent* of the total expenditure during 2007-08. The non-plan revenue expenditure (NPRE) at Rs 23,994 crore during 2007-08 was higher than both the normatively assessed level of Rs 19,889 crore by the TFC and the projected level of Rs 22,263 crore by the State Government in MTFPS/FCP for the 2007-08. Moreover, within the NPRE four components – Salary expenditure, pension liabilities, interest payment and subsidies constitute about 77 *per cent* of NPRE during 2007-08. Forty-seven *per cent* (Rs 822 crore) of the total increase of Rs 1,746 crore in capital expenditure over the previous year was on account of transfer from the Consolidated Fund of the State to Rajasthan State Investment Fund created under Public Account and classified as capital expenditure during the year. Moreover, of the total recovery of loans from power projects amounting to Rs 1,730 crore, Rs 1,666 crore was adjusted against the enhanced subsidies to erstwhile Rajasthan State Electricity Board (RSEB) during the year which notionally increased both the non-debt capital receipts and NPRE of the State Government during the year. The increasing fiscal liabilities accompanied with negligible rate of return on government investments and inadequate interest cost recovery on loans and advances continued to be a cause of concern. Moreover, although the fiscal liabilities relative to GSDP ratio exhibited a declining trends since 2005-06

and reached the level of 48 *per cent* in 2007-08 but if the contingent liabilities and off budget borrowings are also included in the total liabilities of the State, this ratio exceeds 65 *per cent* indicating the significance of the latter from the point of view of the fiscal and debt sustainability of the State.

2. Allocative Priorities and Appropriation

Against total budget provisions of Rs 42,931.53 crore, actual expenditure was Rs 39,301.30 crore. The overall savings of Rs 3,630.23 crore was the net result of excess of Rs 19.50 crore and savings of Rs 3,649.73 crore. The excess of Rs 19.50 crore requires regularisation by the State Legislature under Article 205 of the Constitution of India. Rupees 3,505.01 crore were surrendered on the last working day of the financial year, while in seven cases savings of Rs 83.79 crore were not surrendered.

3. Performance Audit

National Rural Health Mission

Government of India launched the National Rural Health Mission (NRHM) in April 2005 throughout the country for providing accessible, affordable, accountable, effective and reliable health care facilities in the rural areas of the entire country. In Rajasthan, only 65 *per cent* of the total available funds were utilised during 2005-08. Three District Health Societies had taken three to thirty months in transferring funds of Rs 16.87 crore to the implementing agencies. Household survey and facility survey required to identify the health care needs of the rural areas were not conducted adequately. The District Health Societies did not prepare Perspective Plan for the Mission period. Health Action Plan was not prepared in most of the villages, blocks and districts. Village Health and Sanitation Committees were formed in 16 *per cent* villages against the targets of 30 *per cent* upto 2007. Residential buildings (493) completed at a cost of Rs 24.81 crore were not taken over, while 565 buildings were incomplete after spending Rs 19.34 crore. Construction of 364 new sub-centre buildings was not started. Against 46,624 Accredited Social Health Activists required by December 2007, 39,325 were selected by March 2008. Eighty *per cent* medical staff and 60 *per cent* paramedical staff were not imparted necessary training. There were deficiencies in upgradation of Community Health Centers in respect of manpower, infrastructure and equipment, as compared to Indian Public Health Standards norms. Fifty-two Mobile Medical Units could not be made operational for want of vehicles for carrying equipment and diagnostic facilities. Out of 137 blood storage units, 126 could not be set up as the generator sets and other equipment (Rs 2.56 crore) were not installed/utilised. There was significant shortfall in DT and TT immunisation. Male participation in family planning was 24 *per cent* of targets set. Shortfall in institutional delivery was 45 *per cent* of the targets in 2007-08. Under *Janani Suraksha Yojana*, 2.78 lakh women were not provided cash assistance during 2006-08. In 614 cases, payment of cash assistance was delayed by one to 18 months.

(Paragraph 3.1)

Accelerated Irrigation Benefits Programme

The Accelerated Irrigation Benefits Programme (AIBP) was launched (1996-97) by the Government of India with the objective to accelerate the completion of ongoing selected irrigation projects on which substantial investment had already been made and which were beyond the State's resource capability. A review of implementation of AIBP revealed that State Government would have to refund the additional Central Loan Assistance of Rs 129.39 crore with interest due to non-revision of water rates and the opportunity of conversion of loan of Rs 175.23 crore (2004-06) into grant was not availed. Due to non-completion of the projects within stipulated period Central grant of Rs 202.65 crore (2005-08) was treated as refundable loan. Irrigation potential created (88.09 thousand hectare) through construction of *diggis* could not be utilised as only 60 Water User Associations were formed against the requirement of 2,240. None of them took power connection on the *diggis*. The AIBP funds of Rs 182.25 crore were diverted on activities not covered under the programme. Delayed execution of projects resulted in time and cost overrun of Rs 670.20 crore. During construction of syphon on Luni river Rs 72.32 lakh were paid in excess to the contractor. Compensation of Rs 5.30 crore was recoverable from the contractors due to delay in execution of works by them. Unfruitful/infructuous expenditure of Rs 11.70 crore was incurred on works which were not completed/not required.

(Paragraph 3.2)

Integrated Child Development Services

The 'Integrated Child Development Services' (ICDS) Scheme is a centrally sponsored scheme launched in the State during October 1975, for providing nutrition, health and education services to expectant and lactating mothers adolescent girls and children of age group 0 to 6 years. A review of the implementation of the scheme revealed that against the original budget provision of Rs 1,641.74 crore for the period 2003-08, savings amounted to Rs 238.31 crore. The saving ranged upto to 30 *per cent*. A sum of Rs 1.15 crore was lying unutilised in Personal Deposit account for two years. Due to delay in responding to GOI proposal State Government could not avail Central assistance of Rs 0.94 crore for construction of 100 *Anganwadi* Center buildings. The benefit of supplementary nutrition was extended to 40 to 42 *per cent* children in tribal areas and only 29 to 35 *per cent* children in other rural areas. The State Level Co-ordination Committee for monitoring and evaluation of the implementation of the scheme though constituted, no meetings were held since October 2002. Three out of seven districts test checked did not have any District Level Co-ordination Committee to monitor the ICDS activities.

(Paragraph 3.3)

**Information Technology Audit of Citizen Centric Service Delivery Project
(e-Mitra)**

Government integrated *Lok Mitra* and *Jan Mitra* under new title *e-Mitra* (in October 2005) with the objective to provide integrated services pertaining to Government Departments to the public in an efficient, transparent, convenient and friendly manner using Information Technology. The Directorate of Information Technology and Communication had prepared a project report without conducting a feasibility study and there was no documented disaster recovery and business continuity plan. All the Departments were not within the ambit of the *e-Mitra* project. Those within ambit were not fully prepared as they lagged in computerisation. The Local Service Providers (LSPs) provided limited services of bill collection only to the citizen and none of the LSPs provided the public information services, application and grievance related services to the citizen. Only the Government run *e-Mitra* centers provided these services. Kiosks were not opened in rural areas in Sawaimadhopur District, normal working hours were not followed and hygienic facilities were not provided to the citizen in violation of Service Level Agreement. Penal provisions for delayed deposit of the amounts collected and deficient performance were not imposed on the LSPs.

(Paragraph 3.4)

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 infructuous/wasteful, avoidable/excess expenditure and other irregularities involving Rs 146.33 crore as mentioned below:

Infructuous/wasteful expenditure and overpayment of Rs 7.60 crore was noticed in Elementary Education Department (Rs 81.15 lakh), Higher Education Department (Rs 43.59 lakh), Social Justice and Empowerment Department (Rs 58 lakh) and Water Resources Department (Rs 5.77 crore).

Avoidable/excess/unfruitful expenditure of Rs 72.14 crore was noticed in Civil Aviation Department (Rs 1.14 crore), Forest Department (Rs 59.05 crore), General Administration Department (Rs 1.58 crore), Public Works Department (Rs 9.82 crore) and Water Resources Department (Rs 54.63 lakh).

Blocking of funds/idle investment of Rs 12.28 crore was noticed in Medical and Health Department (Rs 11.38 crore) and Tribal Area Development Department (Rs 90.33 lakh).

Apart from these, there were instances of irregular expenditure and other points involving Rs 54.31 crore in Agriculture Department (Rs 32.60 crore), Disaster Management and Relief Department (Rs 3.91 crore), Finance Department (Rs 1.22 crore), Forest Department (Rs 3.95 crore), Higher Education Department (Rs 4.48 crore), School Education and Sanskrit Education Departments (Rs 7.61 crore), Department of Personnel (Rs 30.89 lakh) and Social Justice and Empowerment Department (Rs 22.54 lakh).

Some of the important findings were as follows:

- Projection of wrong catchment area/selection of wrong site for dam besides using unsuitable soil in construction of dam by Water Resources Department led to infructuous expenditure of Rs 5.77 crore on Dharia Irrigation Project, District Pali defeating the very objective of providing irrigation.

(Paragraph 4.1.4)

- Lack of planning, arranging qualified manpower (pilots as well as technicians) and infrastructure (Workshop), by the Civil Aviation Department, before committing a huge expenditure on the purchase of helicopter led to avoidable expenditure of Rs 1.14 crore on its maintenance and hiring of other helicopters.

(Paragraph 4.2.1)

- Failure of the Forest Department in recovering Net Present Value and taking preventive action against mining activities in the forest land led to undue benefit of Rs 59.05 crore to Udaipur Mineral Development Syndicate Private Limited, Bhilwara.

(Paragraph 4.2.2)

- Proposing roads having alignment through private lands/forest land by Public Works Department without acquisition/approval of Forest Department led to 17 roads lying incomplete rendering the expenditure of Rs 9.82 crore as unfruitful.

(Paragraph 4.2.4).

- Failure of the Medical and Health Department in monitoring the progress of work resulted in blocking of funds of Rs 5.93 crore, unfruitful expenditure of Rs 1.36 crore on 22 buildings lying incomplete and a loss of Rs 4.09 crore towards interest on Rs 5.93 crore lying with Rajasthan Housing Board.

(Paragraph 4.3.1)

- Failure of the Agriculture Department in preparing single series of crop yield estimates led to unnecessary burden of Rs 32.60 crore towards payment of insurance claims.

(Paragraph 4.4.1)

- In Disaster Management and Relief Department, non-adherence to the norms prescribed by Government of India led to inadmissible expenditure of Rs 3.91 crore on payment of assistance out of Calamity Relief Fund to farmers for removal of crop waste.

(Paragraph 4.4.2)

- Compensatory Afforestation Fund Management and Planning Authority funds of Rs 3.95 crore were unauthorisedly retained by the Forest Department in violation of orders of Supreme Court/instruction of Government of India.

(Paragraph 4.4.4)

- Non-adherence to the provisions of the Ordinance of the Rajasthan University led to short realisation of Rs 3.27 crore towards affiliation fee from 43 private engineering colleges.

(Paragraph 4.4.7)

- Non- observance of instructions issued by Finance Department led to excess payment of Grant-in-Aid amounting to Rs 7.61 crore to 91 non-Government Educational Institutions by School Education and Sanskrit Education Departments.

(Paragraph 4.4.8)

5. Internal Control Mechanism in Agriculture Department

A built in Internal Control Mechanism and proper adherence to statutes, codes and manuals minimise the risk of errors and irregularities and helps to protect resources against losses due to waste abuse and mismanagement etc. An evaluation of the Internal Control Mechanism (ICM) in the Agriculture Department revealed that the inbuilt controls of the Department were inadequate when compared to the range of activities of the Department. The Departmental manual published in 1997 does not contain instructions for financial control, asset management, manpower management, inventory management and internal audit. Budgetary and expenditure controls were weak as reflected from excess provision of funds made in both original and supplementary budget, rush of expenditure at the close of the financial year and underutilisation of Central assistance. Cash management was deficient, as the prescribed rules to prevent fraud and misappropriation of cash were not strictly followed. Inventory controls were ineffective as receipt and issue of stores was not recorded properly, physical verification of all available stores was not conducted and utilisation of idle equipment and machineries was not ensured. The quality testing laboratories of seeds, fertilizers and pesticides were underutilised. Internal Audit was inadequate and ineffective. The monitoring was poor as prescribed departmental inspections were not conducted and evaluation was not got conducted concurrently and through an independent agency.

(Paragraph 5.1)