

Chapter 1

Introduction

1.1 About this Report

This Report of the Comptroller and Auditor General of India (C&AG) relates to matters arising from compliance audit of the transactions of the Civil and Works Departments of the Government of Rajasthan (GoR), audit of externally-aided projects, Centrally Sponsored and State plan schemes and audit of autonomous bodies of the State, including performance audit of selected schemes and departments.

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

Compliance audit refers to examination of the transactions relating to expenditure, receipts, assets and liabilities 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 competent authorities are being complied with.

Performance audit is an independent assessment or examination of the extent to which an organization, programme or scheme operates economically, efficiently and effectively.

This chapter provides the auditee profile, the planning and extent of audit and follow-up on audit reports. Chapter 2 of this Report deals with the findings of performance audit and Chapter 3 deals with compliance audit in the various departments and autonomous bodies. Chapter 4 contains observations on evaluation of internal controls in the Forest Department.

The cases mentioned in the Report are among those which came to notice in the course of test audit of accounts during the year 2008-09 as well as those which had come to light in earlier years but could not be dealt with in previous Reports. Matters relating to the period subsequent to 2008-09 have also been included wherever necessary.

1.2 Auditee profile

There are 88 departments in the State at the Secretariat level, headed by Chief Secretary/Principal Secretaries/Secretaries, who are assisted by Deputy Secretaries/Commissioner and subordinate officers under them and 107 autonomous bodies which are audited by the Principal Accountant General (Civil Audit).

The comparative position of expenditure incurred by the GoR during 2008-09, and in the preceding two years, is given below:

Table 1.1 Comparative position of expenditure

(Rupees in crore)

Particulars	2006-07			2007-08			2008-09		
	Plan	Non-Plan	Total	Plan	Non-Plan	Total	Plan	Non-Plan	Total
Revenue expenditure									
General services	81	10,268	10,349	143	10,779	10,922	110	12,840	12,950
Social services	1,601	7,333	8,934	1,919	8,281	10,200	2,677	11,376	14,053
Economic services	2,118	3,545	5,663	3,072	4,917	7,989	2,984	4,283	7,267
Grants-in-aid	-	8	8	-	17	17	-	26	26
Total	3,800	21,154	24,954	5,134	23,994	29,128	5,771	28,525	34,296
Capital expenditure									
Capital Outlay	4,667	142	4,809	5,611	944	6,555	6,096	(-) 196 ¹	5,900
Loans & Advances disbursed	298	15	313	199	89	288	324	16	340
Payment of Public Debt			1,780			1,846			2,433
Contingency Fund			-			-			165
Public Accounts disbursement			55,859			74,735			91,779
Total			62,761			83,424			1,00,617
Grand Total			87,715			1,12,552			1,34,913

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 Principal Accountant General (Civil Audit) conducted audit of expenditure of Civil and Works Departments, Autonomous Bodies of the GoR under Sections 13, 14, 15, 17, 19(2) and 20 of the C&AG's (DPC) Act². The principles and methodology for compliance audit are prescribed in the manuals issued by the C&AG.

1.4 Organisational Structure of the Office of the Principal Accountant General (Civil Audit), Rajasthan

Under the directions of the C&AG, the Office of the Principal Accountant General (Civil Audit), Rajasthan, conducts audit of civil and works



departments and autonomous institutions through three groups for inspection of civil departments and one for works departments. During 2008-09, 48 audit parties (Civil: 31, Works: 17) conducted compliance audit of the selected units under various civil and works departments of the State Government, autonomous bodies, externally aided projects etc.

1. minus figure is due to transfer of Rs 212 crore from Rajasthan State Investment Fund.
2. see glossary at page 175.

1.5 Planning and conduct of audit

Audit process starts with the assessment of risk exposure of various Government departments/organizations/autonomous bodies and schemes/projects, etc. based on expenditure, criticality/complexity of activities, level of delegated financial powers, assessment of overall internal controls and the concerns of stakeholders. Previous audit findings are also considered in this exercise.

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

During 2008-09, 13309 audit party days were used to carry out compliance audit of 1759 out of 12407 units in civil and works departments. The audit plan covered those units/entities, which were vulnerable to significant risk, as per the assessment.

1.6 Significant observations of performance audit

Performance Audit is undertaken to ensure whether Government programmes have achieved the desired objectives at the minimum cost and given the intended benefits.

In the last few years, Audit has reported on several significant deficiencies in implementation of various programmes/activities through performance audits, as well as on the quality of internal controls in selected departments, which impact on the success of programmes and functioning of the departments.

This report contains performance audit of 'Preservation of Monuments and upkeep of Museums', 'Implementation of Juvenile Justice (Care and Protection of Children) Act' and 'Development of Sports and Physical Education in Rajasthan'. Besides, Internal Controls in the Forest Department were also reviewed. The focus has been on auditing the specific programmes/schemes and offering suitable recommendations, with the intention of providing an aid to the Executive in taking corrective action, and improving service delivery to the citizens. The salient features of the performance audits are discussed below:

1.6.1 Preservation of Monuments and upkeep of Museums

A review of the performance of the Department of Archaeology and Museums during 2004-09 revealed that it had carried out commendable work, such as opening 700 feet long historical tunnel of Amber Mahal, Jaipur, restoration of 5,777 metre long city wall of Jodhpur and restoration and development works of the Albert Hall Museum, Jaipur. However, the Department does not have a long-term policy for planning and executing the preservation works.

Commercial activities were allowed in violation of rules, which resulted in modification of the original shape and structure of the protected monuments. The Chandrawati Art Gallery, Abu Road, constructed in March 2006 was not opened to visitors as of September 2009. At the Government Museum, Jodhpur 6,978 antiquities were lying in the store. Monitoring system for preservation and maintenance works of monuments and museums was absent.

1.6.2 Implementation of Juvenile Justice (Care and Protection of Children) Act

The Department of Social Justice and Empowerment (Department), GoR is entrusted with the responsibility to provide protection and rehabilitation to neglected children and juveniles in conflict with law, and thereby help them to lead a meaningful life by evolving appropriate strategies and programmes for their reintegration into the mainstream. A review of the Department's performance revealed that juveniles in conflict with law were retained in observation homes for long periods delaying their post-discharge rehabilitation. Against 33 Child Welfare Committees (CWCs) only 16 were functioning in the State. Children, in need of care and protection, were exposed to juveniles in conflict with law as both categories were being housed in the same premises. In the absence of sufficient number of homes for children with special needs, the Home at Jaipur remained occupied beyond its capacity (up to 311 *per cent*). Only one Probation Officer was in position against 60 required in 12 select Homes, undermining the rehabilitation of juveniles. The safeguard of rights and privileges of the adopted children was not ensured as the guidelines of Central Adoption Resource Agency were not followed. Owing to non-establishment of After Care Organizations, children released from homes were deprived of facilities of vocational training, employment and services of peer counselors among others. Against the requirement of 198 inspections of test-checked Non-government Organisation homes, only three inspections were conducted.

1.6.3 Development of Sports and Physical Education in Rajasthan

A review of development of sports and physical education in Rajasthan revealed that the State does not have a sports policy or any long-term plan for the development of sports. Bureaucrats have been administering the State Sports Council since January 2004. Minimal sports infrastructure like outdoor stadia, swimming pools and indoor stadia, crucial for sports development, was not available in many districts. Under-utilisation of government grants, delays in initiation and completion of the projects were some of the other deficiencies noticed. Scheme for development of playgrounds in villages was not implemented in 84 villages. Against the requirement of 200 coaches, there was a shortfall of 83. Coaches for particular sports were posted where no facilities of that sport were available. Also, more than one coach of same sport were posted at one coaching centre. Physical education in schools suffered due to shortage of physical education teachers, lack of sports infrastructure like playgrounds, lack of funds and inadequate supervision. The Talent Search Scheme was not properly implemented. Scheme for sports academies, sports hostels and sports schools did not provide for dietician and doctors. Women

Hockey Academy, Ajmer did not have its own building and grounds. Proper playgrounds were not available in Sports School, Kothyari (Sikar).

1.6.4 Internal Control in Forest Department

An evaluation of internal controls in the Forest Department in Rajasthan revealed certain weaknesses in budgetary, regulatory, administrative, and operational controls during 2004-09. The Forest Department has not evolved a State Forest Policy nor did it have an action plan to achieve targets as envisaged in the National Forest Policy. The Rajasthan Forest Manual and Departmental Accounts Procedure Code have not been updated from 1961 and 1978 respectively. Besides, deprivation of Centrally Sponsored Scheme funds due to non-utilisation of sanctioned grants, rush of expenditure during the last month of year, lack of physical verification of cash book balances were also noticed. The Department had not formulated any site-specific schemes that led to non-utilisation of Rs 421 crore under the Compensatory Afforestation Fund Management and Planning Authority. The Department did not take adequate measures to protect plants and ensure tree growth, which resulted in failure of plantations. Instances of encroachment on forest land have also increased.

1.7 Significant audit observations during Compliance Audit

Audit observed significant deficiencies in critical areas, which impact the effectiveness of the State Government. Some important findings of compliance audit (26 paragraphs) have also been reported. The major observations relate to:

- Non-compliance with rules and regulations.
- Audit against propriety and cases of expenditure without adequate justification.
- Persistent and pervasive irregularities.
- Failure of oversight/governance.

1.7.1 Non-compliance with rules and regulations

For sound financial administration and control, it is essential that expenditure conforms to financial rules, regulations and orders issued by the competent authority. This helps in maintaining financial discipline and prevents irregularities, misappropriation and frauds. This report contains instances of non-compliance with rules and regulations involving Rs 24.47 crore. Some important audit findings are as under:

- The Chief Minister's Secretariat directly hired private planes on five occasions, instead of sending requisition for State planes to the Civil Aviation Department, as required under 'The Use and Requisition of the Rajasthan Government Aircraft Rules, 1977'. Civil Aviation Department incurred an extra expenditure of Rs 32.03 lakh on payment of the bills.

(Paragraph 3.1.1)

- In contravention of the instructions issued by Disaster Management and Relief Department, the spinners and weavers were not paid cash relief by the Rajasthan Khadi and Village Industries Board. The relief funds of Rs 1.15 crore were lying with *Khadi Sansthan/Samitis* for more than five years, being used as their working capital.

(Paragraph 3.1.4)

- Non-observance of the Rule 378 of Public Works Financial and Accounts Rules by the Public Health Engineering Department and inclusion of price variation clause from the standard form of agreement which was not applicable to works executed under lump sum contract, led to inadmissible payment of price escalation charges of Rs 17.11 crore to the contractors.

(Paragraph 3.1.7)

- In contravention of Rule 351 of Public Works Financial and Accounts Rules, four road works were awarded by Public Works Department before acquisition of private land and without obtaining Government of India approval for execution of works on forest land. This rendered the expenditure of Rs 1.58 crore largely unfruitful on incomplete roads.

(Paragraph 3.1.10)

1.7.2 Audit against propriety and cases of expenditure without adequate justification

Authorization of expenditure from public funds has to be guided by the principles of propriety and efficiency of public expenditure. Authorities empowered to incur expenditure are expected to enforce the same vigilance as a person of ordinary prudence would exercise in respect of his own money. Audit scrutiny revealed instances of impropriety and extra expenditure involving Rs 21.88 crore. Some important audit findings are as under:

- Due to non-inclusion of any penal clause to safeguard Government interest, except for charging interest at commercial rates, loans and interest of Rs 1.94 crore were not recovered by the Co-operative Department from six co-operative institutions, even after a lapse of three to 14 years.

(Paragraph 3.2.1)

- Excess deposit of Rs 7.03 crore by Forest Department in Corpus Fund against the provisions of the Rajasthan Forestry and Bio-diversity Project resulted in avoidable extra liability of loans and interest thereon for the State Government.

(Paragraph 3.2.2)

- Equipment and furniture procured for starting science stream in government colleges remained idle due to delay in completion of buildings and for want of students. Total unfruitful expenditure incurred was Rs 5.37 crore.

(Paragraph 3.2.3)

- The action of the Water Resources Department to ignore the critical component of training, an integral component of procurement of expensive motorboats (cost Rs 2.44 crore), is indicative of lack of prudence.

(Paragraph 3.2.7)

1.7.3 Persistent and pervasive irregularities

An irregularity is considered persistent if it occurs year after year. It is deemed pervasive when prevalent in the entire system. Recurrence of irregularities, despite being pointed out in earlier audits, is indicative of slackness on the part of the executive and lack of effective monitoring. This in turn encourages willful deviations from observance of rules/regulations and results in weakening of administrative structure. Audit observed instances of persistent and pervasive irregularities of Rs 12.74 crore. Some important audit findings are as under:

- Charging assistance for input subsidy in excess of Government of India norms to Calamity Relief Fund (CRF) by the Disaster Management and Relief Department resulted in inadmissible expenditure of Rs 8.78 crore.

(Paragraph 3.3.1)

- Public Health and Engineering Department procured pipes and started the work of reservoirs etc. for two water supply schemes before developing the source of water. Despite spending Rs 2.75 crore, the objective of providing safe drinking water to the tribal areas was not achieved.

(Paragraph 3.3.3)

1.7.4 Failure of oversight/governance

Government has an obligation to improve the quality of life of the people in the area of health, education, development and upgradation of infrastructure, public services etc. Audit noticed instances where the funds released by the Government for creating public assets remained unutilized/blocked or proved unfruitful/unproductive due to indecisiveness, lack of administrative oversight and concerted action at various levels. Test-check cases of failure of oversight/governance noticed in audit involved Rs 12.08 crore. Some important audit findings are as under:

- Delay in issue of demand notices for recovery of net present value by the Forest Department from mine owners indicated weak administrative oversight. This resulted in unauthorized mining activity in forest land and loss of revenue of Rs 79.21 lakh.

(Paragraph 3.4.1)

- Lack of initiative by the Rajasthan Khadi and Village Industries Board under Industries Department in taking timely action to recover loans of Rs 1.03 crore under Consortium Bank Credit from the beneficiaries led to accumulation of dues of Rs 2.30 crore including interest of Rs 1.27 crore.

(Paragraph 3.4.2)

- Indecisiveness on the critical issue of teacher-student norm in the Secondary Education Department resulted in unproductive expenditure of Rs 7.26 crore on pay alone of 450 surplus teachers and deprived rural students of the benefit of quality education.

(Paragraph 3.4.5)

1.8 Response of the Departments to Reviews/Draft Audit Paragraphs

The Finance Department had issued directions to all departments (August 1969) to send their response to the draft audit paragraphs, proposed for inclusion in the Report of the Comptroller and Auditor General of India, within three weeks.

Accordingly, draft paragraphs are forwarded to the Principal Secretaries/ Secretaries of the departments concerned, drawing their attention to the audit findings and requesting them to send their response within three weeks. It is brought to their personal attention that in view of likely inclusion of such paragraphs in the Audit Reports of the Comptroller and Auditor General of India, which are placed before Rajasthan Legislature, it would be desirable to include their comments in the matter. They are also advised to have meetings with the Principal Accountant General to discuss the reviews/draft audit paragraphs, proposed for Audit Reports. Reviews/draft paragraphs proposed for inclusion in this report were forwarded to the Principal Secretaries/ Secretaries concerned.

Two Departments did not furnish replies to draft paragraphs and draft performance reviews forwarded to the Principal Secretaries/Secretaries. The responses of the Departments, received in respect of 28 paragraphs/ performance reviews, have been appropriately incorporated in the Report.

1.9 Follow-up on Audit Reports

The Finance Department of the State Government decided (December 1996) that Action Taken Notes (ATNs) on all paragraphs/reviews that have appeared in Audit Reports be submitted to the Public Accounts Committee, duly vetted by Audit, within three months from the date of laying of the Reports in the State Legislature. A review of the outstanding ATNs on paragraphs/ performance reviews included in the Reports of the Comptroller and Auditor General of India pertaining to various Departments as of October 2009 revealed that four ATNs³ were pending from the concerned Departments, involving a delay of 10 months.

3. Paras 2.5, 3.4, 4.2.1 and 4.4.4 of the Audit Report (Civil) 2007-08.