

Chapter I Introduction

1.1 About this Report

This Report of the Comptroller and Auditor General of India (CAG) relates to matters arising from performance audit of selected programmes and activities and compliance audit of Economic Sector departments and autonomous bodies.

Compliance audit refers to examination of the transactions relating to expenditure 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. On the other hand, performance audit, besides conducting a compliance audit, also examines whether the objectives of the programme/activity/department are achieved economically and efficiently.

The basic 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 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 a synopsis of the significant deficiencies in implementation of selected schemes, significant audit observations made during the audit of transactions and follow-up on previous Audit Reports. Chapter II of this Report contains findings arising out of performance audit of programmes/activities of the department of Agriculture, Information Technology & Communication and Industries. Chapter III contains observations arising out of compliance audit of the Government departments.

1.2 Profile of Audited Entity

Seventeen economic sector departments, headed by Additional Chief Secretary/Principal Secretary/Secretaries, who are assisted by Commissioner/Deputy Secretaries and subordinate officers and also their autonomous bodies are audited by the Accountant General (Economic and Revenue Sector Audit), Rajasthan, Jaipur.

The comparative position of expenditure incurred by the Government of Rajasthan during 2010-11 to 2012-13 is given in Table 1.

Table 1: Comparative position of expenditure

(₹ in crore)

Particulars	2010-11	2011-12	2012-13
Revenue expenditure			
General Services	16,737	18,709	20,496
Social Services	17,895	21,928	25,293
Economic Services	10,220	12,744	17,408
Grants-in-aid and Contribution	21	273	265
Total	44,873	53,654	63,462
Capital and other expenditure			
Capital Outlay	5,251	7,119	10,684
Loans & Advances disbursed	262	1,109	2,412
Payment of Public Debt	3,317	3,490	4,707
Contingency Fund	-	-	-
Public Accounts disbursement	1,16,298	1,22,320	1,50,175
Total	1,25,128	1,34,038	1,67,978
Grand Total	1,70,001	1,87,692	2,31,440

Source: Audit Reports on State Finances of the respective years

1.3 Authority for Audit

The authority for audit by the CAG is derived from Articles 149 and 151 of the Constitution of India and the CAG's Duties, Powers and Conditions of Service (DPC) Act, 1971. The Accountant General (Economic and Revenue Sector Audit), Rajasthan, Jaipur conducts audit of expenditure of Economic Sector Departments, Autonomous Bodies, Authorities and State Corporations of the Government of Rajasthan under Sections 13¹, 14², 15³, 17⁴, 19⁵ and 20⁶ of the CAG's DPC Act. The principles and methodology for the performance and compliance audit are prescribed in the manual issued by the CAG.

1. Audit of (i) all expenditure from the Consolidated Fund of the State, (ii) all transactions of the State relating to Contingency Fund and Public Accounts and (iii) all trading, manufacturing, profit and loss accounts, balance sheets and other subsidiary accounts.
2. Audit of (i) all receipts and expenditure of a body or authority substantially financed by grants or loans from the Consolidated Fund of the State and (ii) all receipts and expenditure of any body or authority where the grant or loan to such body or authority from the Consolidated Fund of the State in a financial year is not less than ₹ 1 crore.
3. Audit of grant or loan given for any specific purpose from the Consolidated Fund of India or State to any authority or body, to scrutinise the procedures by which the sanctioning authority satisfies itself as to the fulfilment of the conditions subject to which such grants or loans were given.
4. Audit of accounts of stores and stock.
5. Audit of accounts of a corporation established by law made by the State Legislature on the request of the Governor.
6. Audit of accounts of any body or authority on the request of the Governor, on such terms and conditions as may be agreed upon between the CAG and the State Government.

1.4 Organisational Structure of the Office of the Accountant General (Economic and Revenue Sector Audit), Rajasthan



Under the directions of the CAG, the office of the Accountant General (Economic and Revenue Sector Audit), Rajasthan, Jaipur conducts audit of Revenue and Economic Sector Departments including Public Sector Undertakings and

Autonomous Bodies through three groups.

1.5 Planning and conduct of audit

The Audit process starts with the assessment of risk exposure of various Government departments/organisations/autonomous bodies and schemes/projects, *etc.* Risk assessments are 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 compliance is advised. The important audit observations arising out of these Inspection Reports are processed for inclusion in the Audit Reports.

1.6 Significant audit observations

During the last few years, Audit has reported several significant deficiencies in implementation of various programmes/activities as well as the quality of internal controls in selected departments through Performance Audits (PAs) which had impacted the successful implementation of programmes and functioning of the departments. Similarly, the deficiencies noticed during compliance audit of the Government departments/organisations were also reported.

1.6.1 Performance Audit of programmes/activities/departments

Chapter II of this Report contains the performance audits of Rashtriya Krishi Vikas Yojana, National e-Governance Plan and Commissionerate of Industries. The salient features of the performance audits are discussed below:

1.6.1.1 Performance Audit of Implementation of Rashtriya Krishi Vikas Yojana in the State

The Rashtriya Krishi Vikas Yojana was launched in 2007-08 by the Government of India, Ministry of Agriculture, Department of Agriculture and Cooperation with the objective of achieving four *per cent* growth rate in the agriculture sector during Eleventh Five Year Plan period (2007-12) by increasing public investment in agriculture and allied sectors.

Scrutiny of the records of Agriculture Department disclosed that the scheme was implemented without preparation of a shelf of projects and Detailed Project Reports. A number of projects were abandoned, dropped or not started which indicated non-preparedness and poor planning.

Due to non-authorisation of funds to Implementing Agencies with specific allocation and non-maintenance of project wise accounts, availability/requirement of funds under some projects could not be assessed.

Concerted steps were not taken for providing sufficient staff, responsible for implementing the scheme at grassroot level indicating poor human resource management. Inadequate awareness programmes before launching of the scheme resulted in farmers' poor response and demand, leading to non utilisation of godowns, short distribution of planting material and surrender of provision for distribution of storage bins.

Non Government Organisation was engaged, without ensuring its financial status and capability of undertaking the work which resulted in abandonment of the project. Poor contract management in execution of the civil works through agencies other than the designated agency and non-release of funds to the contractor adversely impacted the programme.

Targeted growth rate of four *per cent* during the Eleventh Five Year Plan was not achieved and the State Government could not reduce the dependence on monsoon despite implementation of new and innovative projects.

(Paragraph 2.1)

1.6.1.2 Performance Audit of the creation of infrastructure for National e-Governance Plan and delivery of services to common citizens through Common Service Centres

The Government of Rajasthan stepped into the realm of e-Governance in the year 2005. Except State Data Centre, none of the components/projects were completed as of March 2013. Due to improper financial planning, the State Government could utilise only 26 *per cent* of the funds available for National e-Governance Plan during the period 2005-2012. Funds received under Additional Central Assistance were kept in Personal Deposit account resulting in loss of interest.

Due to lackadaisical approach in planning and execution, State Government wasted eight years in implementation of the e-Governance Plan. Frequent changes in finalisation of Request for Proposal and indecisiveness on integration of Computerisation Automation Refinement of Integrated System of Management and Accounts with State Wide Area Network resulted in lapse of validity period, retendering and cost overrun.

Under State Service Delivery Gateway project, new services not included in Detailed Project Report were considered in Request for Proposal in violation of Government of India approval. Delay in implementation of State Service Delivery Gateway occurred due to delay of 15 months in finalisation of implementing agency.

Targeted numbers of Common Service Centres did not roll out within the stipulated period to provide government services to citizens in rural areas. Bharat Sanchar Nigam Limited Broad Band Connectivity was not ensured in Common Service Centres because of which the objective of providing connectivity remained unfulfilled.

Non-creation of long term capacity at State e-Mission Team and non-recruitment of Project e-Mission Teams personnel affected the strengthening of capacity building.

Thus, the Department failed to implement the National e-Governance Plan and the objectives of the scheme were not achieved within the stipulated period of five years. There was complete failure in respect of State Wide Area Network, State Service Delivery Gateway and Common Service Centres as only 12, 6 and 16 *per cent* financial targets respectively were achieved even after eight years of implementation.

(Paragraph 2.2)

1.6.1.3 Performance Audit of Commissionerate of Industries

Audit of Commissionerate of Industries disclosed weaknesses in the financial management and implementation of selected schemes. The revised estimates prepared were inaccurate and action plans though prepared were not implemented as envisaged in State Industrial Policy. The departmental manual was not updated since 1983. Internal audit of District Industry Centres was not conducted annually as prescribed. The working of Chief Vigilance Officer in the Department was ineffective.

The Department did not ensure an effective mechanism for cluster development as mid-term and final evaluation of programme was not conducted. Payment to implementing agencies was made without approval of final evaluation and impact assessment by State Level Empowered Committee. Besides, non-submission of inspection reports, Monthly Progress Reports and negligence in quarterly inspections by Commissionerate indicated poor monitoring. Monitoring and evaluation of the Mahatma Gandhi Bunkar Bima Yojana was weak as instances of forwarding of applications of ineligible weavers were noticed.

Cases of non-issuance of health cards by ICICI Lombard General Insurance Company Limited and delayed settlement of medical claims of weavers were noticed. The list of hospitals/nursing homes was not updated by ICICI Lombard General Insurance Company Limited. No haats were developed at village level which deprived the rural artisans to avail benefit of better marketing facilities. Expenditure was incurred without approval of project by Government of India. Approved calendar for organising fair and exhibition was not adhered to.

Vacant saline land was not allotted for cultivation despite lapse of 15 years of formulation of State Industrial Policy. Final lease rent was not fixed and cases of unauthorised possession of land and non-recovery of lease rent were also noticed. Infrastructure facilities under Namak Mazdoor Awaas Yojana were not provided, as a result of which, houses remained unoccupied and the intended objective of the scheme was not fulfilled.

Provisions of Integrated Handloom Development Scheme guidelines were not adhered to. Funds provided through State Plan were not recovered despite non-approval of projects by Government of India. Excess/irregular reimbursement was allowed for International Standardisation Organisation certification fee, consultancy fee, training fee and calibration charges. Systematised mechanism was not evolved for stamping of each weight and measure every year. The registration of Weights & Measures users was not provided in revised rules in the absence of which there was no mechanism to have data of all Weights & Measures users.

(Paragraph 2.3)

1.6.2 Significant audit observations arising out of Compliance Audit

Audit observed significant deficiencies in critical areas, which had impacted the effectiveness of the State Government. Some important findings of compliance audit have been reported in Chapter III. The major observations relate to the following categories:

1.6.2.1 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, prevent irregularities, misappropriation and frauds. Audit scrutiny revealed instances of non-compliance with rules and regulations involving ₹ 15.41 crore as mentioned below:

Scrutiny of the records of Agriculture Department relating to a scheme called 'Agriculture Resource Information System Network' disclosed that there was lackadaisical approach of the Department towards implementation of the project and development of application software, delay in submission and approval of proposals, indecisiveness of the department delayed preparation of Detailed Project Report and implementation of project, non-utilisation of grants, premature purchase of computers, avoidable expenditure on Soil Health Card Application, non-establishment of "Kisan Suchana Sampreshan Kendra", insufficient capacity building and lack of monitoring and evaluation.

(Paragraph 3.1.1)

Unauthorised utilisation of rural road funds of ₹ 2.75 crore for construction of roads in municipal corporation area of Kota violated the guidelines of Rural Road Infrastructure Development Fund.

(Paragraph 3.1.2)

Unauthorised payment of ₹ 1.64 crore from Pradhan Mantri Gram Sadak Yojana funds to Railway for construction of 'C' class manned level crossing⁷ on railway track.

(Paragraph 3.1.3)

Non-adherence to the provisions of the guidelines of Pradhan Mantri Gram Sadak Yojana and Rural Road Manual in proposing, approving and executing the road works with excess width of 0.75 metre resulted in unauthorised expenditure of ₹ 1.28 crore.

(Paragraph 3.1.4)

Irregular utilisation of savings of ₹ 9.74 crore of Pradhan Mantri Gram Sadak Yojana on additional works of the same packages without obtaining prior approval from National Rural Road Development Agency.

(Paragraph 3.1.5)

7. Manually controlled full width lifting barrier/mechanical full width swinging barrier.

1.6.2.2 Audit against propriety and cases of expenditure without adequate justification

Authorisation 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 ₹ 18.89 crore as detailed below:

Injudicious expenditure of ₹ 1.81 crore on improvement of riding quality of pavement between km 4/0 and 22/0 of National Highway 11-A extension (Dausa-Lalsot-Kothun Road).

(Paragraph 3.2.1)

Lack of proper planning, coordination among different agencies and storage facilities forced the Department to dispose of garlic at throw away prices under Market Intervention Scheme resulted in loss of ₹ 6.99 crore.

(Paragraph 3.2.2)

Establishment of Germ Plasma Station without procuring required numbers of bulls and without ascertaining the clients for supply of frozen semen doses resulted in under utilisation of the plant costing ₹ 7.28 crore.

(Paragraph 3.2.3)

Blockage and idling of funds on new bypass protein plant established at a cost of ₹ 1.31 crore.

(Paragraph 3.2.4)

Unfruitful expenditure of ₹ 1.50 crore on establishment of tissue culture laboratory defeated the objective of developing disease free plants for distribution to Agriculture and Horticulture Departments.

(Paragraph 3.2.5)

1.6.2.3 Persistent and pervasive irregularities

An irregularity is considered persistent if it occurs year after year. It is deemed pervasive if it is 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 wilful deviations from observance of rules/regulations and results in weakening of administrative structure. Audit observed an instance of persistent and pervasive irregularity as detailed below:

Proposing and awarding of road through forest land led to road work remaining incomplete and not providing the connectivity to temple even after incurring an expenditure of ₹ 84.26 lakh.

(Paragraph 3.3.1)

1.6.2.4 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 unutilised/blocked or proved unfruitful/unproductive due to indecisiveness, lack of administrative oversight or concerted action at various levels. Test-check cases of failure of oversight/governance noticed in audit involved ₹ 4.03 crore as discussed below:

Expenditure of ₹ 2.50 crore incurred on creation of asset under experiential learning for Vermiculture, Micro propagation, Bio-agent projects and processing and value addition of agriculture products was infructuous.

(Paragraph 3.4.1)

Failure of the Department in multiplication of bio-agents in bio-control lab established under National Horticulture Mission resulted in unfruitful expenditure of ₹ 80 lakh.

(Paragraph 3.4.2)

Avoidable payment of interest and pro rata charge of ₹ 73 lakh on acquisition of land for construction of Alwar-Rajgarh-Mahuva-Hindaun-Karauli-Mandrail road (Hindaun Bypass).

(Paragraph 3.4.3)

1.7 Response of the Departments to PAs/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 were 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 was 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 State Legislature, it would be desirable to include their comments. They were also advised to have meetings with the Accountant General to discuss the PAs/draft audit paragraphs, proposed for Audit Reports.

All the replies furnished by the State Government to draft paragraphs and draft performance audits forwarded to the Principal Secretaries/Secretaries have been appropriately incorporated in the Report.

1.8 Follow-up on Audit Reports

The Finance Department of the State Government decided (December 1996) that Action Taken Notes 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 Action Taken Notes on paragraphs/performance audits included in the Reports of the Comptroller and Auditor General of India pertaining to various Economic Sector Departments as of February 2014 revealed that one Action Taken Note⁸ was pending from the concerned Department.

8. Paragraph 2.1 of the Audit Report (General & Social Sector) 2011-12.