

**Report of the  
Comptroller and Auditor General of India**  
**on**  
**General and Social Sector**  
**for the year ended 31 March 2013**

The Report has been laid on the table of the State Legislature Assembly on 18-07-2014

**Government of Rajasthan**  
**Report No. 2 of the year 2014**

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## **PREFACE**

1. This Report is prepared for submission to the Governor of the State of Rajasthan under Article 151 of the Constitution of India.
2. The audit of expenditure by the Departments of the State Government is conducted under Section 13 of the Comptroller and Auditor General's Duties, Powers and Conditions of Service Act, 1971.
3. This Report presents the results of audit of expenditure of the Government of Rajasthan. The cases mentioned in this Report are those, which came to notice in the course of test audit during the year 2012-13 as well as those, which came to notice in earlier years, but could not be dealt with in the previous Reports; matters relating to the period subsequent to 2012-13 have also been included, wherever necessary.
4. The audit has been conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.

# **Chapter I**

## **Introduction**

## **Chapter I Introduction**

### **1.1 About this Report**

This Report of the Comptroller and Auditor General of India (CAG) relates to matters arising from compliance audit of General and Social Sector Departments. The Reports containing the observations arising out of audit of Statutory Corporations, Boards and Government Companies, Economic Sector Departments, Revenue Receipts of the State Government, observations on the finances of the State Government and Local Bodies are presented separately.

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.

The basic purpose of this Report is to bring to the notice of the State Legislature, important results of compliance audit. Auditing Standards require that the materiality level for reporting is commensurate with the nature, volume and magnitude of the transactions. Findings of audit are expected to enable the Executive to take corrective measures and frame policies and directives that will lead to improve 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, important audit observations made during the audit of transactions and follow up action on previous Audit Reports. Chapter II contains observations on compliance audit of Government departments.

### **1.2 Profile of the Audited Entity**

Under General and Social Sector of the Government of Rajasthan, there are 37 departments and 72 autonomous bodies, headed by Chief Secretary/Principal Secretaries/Secretaries, assisted by Deputy Secretaries/Commissioners and subordinate officers, which are audited by the Principal Accountant General (General and Social 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
<b>Revenue expenditure</b>			
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
<b>Total</b>	<b>44,873</b>	<b>53,654</b>	<b>63,462</b>
<b>Capital and other expenditure</b>			
Capital Outlay	5,251	7,119	10,684
Loans and 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
<b>Total</b>	<b>1,25,128</b>	<b>1,34,038</b>	<b>1,67,978</b>
<b>Grand Total</b>	<b>1,70,001</b>	<b>1,87,692</b>	<b>2,31,440</b>

Source: Audit Reports on State Finances of the respective years

### 1.3 Authority for Audit

The authority for audit by the Comptroller and Auditor General of India (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 Principal Accountant General (General and Social Sector Audit), Rajasthan, Jaipur, conducted audit of expenditure of General and Social Sector Departments and Autonomous Bodies of Government of Rajasthan, under Sections 13<sup>1</sup>, 14<sup>2</sup>, 15<sup>3</sup>, 17<sup>4</sup>, 19(2)<sup>5</sup>, 19 (3) and 20<sup>6</sup> of the CAG's DPC Act. The principles and methodology for compliance audit are prescribed in the various manuals issued by the CAG.

1. Audit of (i) all expenditure from the Consolidated Fund of the State, (ii) all transactions relating to Contingency Fund and Public Accounts and (iii) all trading, manufacturing, profit & 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 grants or loans 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 the accounts of Corporations (not being Companies) established by or under law made by the Parliament in accordance with the provisions of the respective legislations.
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 Principal Accountant General (General and Social Sector Audit), Rajasthan, Jaipur**

Under the directions of the CAG, the office of the Principal Accountant General (General and Social Sector Audit), Rajasthan conducts audit of



General and Social Sector Departments and Autonomous Bodies through four groups. During 2012-13, financial and compliance audit of the selected units under various General and Social Sector Departments, Autonomous Bodies (except Panchayati Raj Institutions and Urban Local Bodies) and externally aided projects of the State

Government was conducted by 36 audit parties.

#### **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 assessment is based on expenditure, criticality/complexity of activities, level of delegated financial powers, assessment of overall internal controls and the concerns of stakeholders. Audit findings during the previous years are also considered in this exercise.

After completion of audit of each unit, Inspection Reports containing audit findings are issued to the Heads of the units/departments with the request to furnish replies on 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.

To carry out audit of 931 out of the 11,739 units of General and Social Sector Departments, 6,304 audit party days were used during 2012-13. The audit plan covered those units/entities, which were vulnerable to significant risk, as per the risk assessment.

#### **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, which had impacted the success 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 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 (16 long draft paragraphs/draft paragraphs) have been reported in Chapter II. The major observations relate to the following categories:

### **1.6.1.1 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 preventing irregularities, misappropriation and frauds. This report contains instances of non-compliance with rules and regulations as given below:

In Medical and Health Department, funds of ₹ 3.32 crore under National Rural Health Mission, meant for school health programme in rural areas, were irregularly spent on urban schools.

*(Paragraph 2.1.1)*

Funds of ₹ 2.15 crore under National Rural Health Mission in Medical and Health Department were diverted unauthorisedly and irregularly.

*(Paragraph 2.1.2)*

In Urban Development and Housing Department, State Government failed to finalise the contract within the extended validity period, which led to award of work at extra cost of ₹ 1.16 crore.

*(Paragraph 2.1.3)*

### **1.6.1.2 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 ₹ 12.07 crore. Audit findings are as under:

Unfruitful expenditure of ₹ 1.47 crore was incurred by the Medical and Health Department due to non-utilisation of advance life support equipments for more than four years.

*(Paragraph 2.2.1)*

Public Health Engineering Department failed in assessing the requirement of pumping stations and constructed bituminous road instead of water bound macadam road, which resulted in avoidable expenditure of ₹ 9.76 crore.

*(Paragraph 2.2.2)*



The Public Health Engineering Department incurred avoidable expenditure of ₹84.23 lakh due to award of work without providing dispute free land, drawing and design of causeway and level sheet.

*(Paragraph 2.2.3)*

#### **1.6.1.3 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 wilful deviations from observance of rules/regulations and results in weakening of administrative structure. Audit observed the following instance of persistent and pervasive irregularity:

Treasury officers failed to exercise prescribed checks in payment of pension/family pension which led to excess/ irregular payment amounting to ₹ 0.92 crore despite the fact that this was pointed out through earlier Reports also.

*(Paragraph 2.3.1)*

#### **1.6.1.4 Failure in implementation, monitoring and governance**

Government has an obligation to improve the quality of life of the people in the areas 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 supervision or concerted action at various levels. Test check of cases revealed that failure in implementation, monitoring and governance involved ₹ 325.40 crore. Audit findings are as under:

Biomedical Waste (BMW), is generated by hospitals and other health providers during diagnosis, treatment, immunisation of human beings and animals and consists of discarded drugs, waste sharps, microbiological and biotechnological waste, human anatomical waste, animal waste etc. This waste is potentially infectious and harmful to human health and a threat to the environment, if not treated properly. Biological agents in BMW pollute water and food and cause alimentary infections like cholera, typhoid, dysentery, infective hepatitis etc. BMW, during incineration, emits toxic gases which damage the environment and are generally cause of incurable diseases like cancer.

In Medical and Health, Animal Husbandry and Environment Departments, provisions of the Biomedical Waste (Management and Handling) Rules were not complied by the government healthcare facilities. Non-obtaining authorisation in time, non-segregation of BMW, improper storage and transportation of BMW, improper disposal of BMW, non-adoption of safety measures, non-maintenance of records, non-compliance of provisions of the

Act/Rules and guidelines by Common Biomedical Waste Treatment Facilities, improper collection and transportation of BMW, storage of BMW in improper places at the Waste Treatment Facility, location for disposal of biomedical waste in close proximity of residential area, non-conducting inspection of health care facilities by Rajasthan State Pollution Control Board etc. were some of the irregularities noticed by audit.

***(Paragraph 2.4.1)***

To reduce the pressure on Sawai Man Singh (SMS) Hospital, Jaipur and treatment of BPL families, Manas Arogya Sadan Hospital at Mansarovar, Jaipur was constructed in April 2009. In principle approval to run the hospital as a joint venture was granted in January 2010 by the State Government. Improper analysis of financial eligibility conditions of bidders resulted in delay in finalisation of bids. Rejection of financially higher proposals resulted in loss of revenue to the State Government. Projected gross revenue (₹ 5,580.90 crore) and concession fee (₹ 401.82 crore) were arbitrarily reduced by ₹ 4,029.38 crore and ₹ 290.16 crore respectively in the signed agreement. No clause was provided in the agreement to protect the government revenue and impose penal action in the event of failure. Main objective of reducing pressure on SMS Hospital and treatment of BPL families was also not achieved.

***(Paragraph 2.4.2)***

The Ministry of Human Resource Development, Government of India launched a Scheme in November 2008 for setting up of 6,000 Model Schools as benchmark of excellence at the block level. The objective of the scheme was to provide quality education to rural talented children by setting up a model school on Kendriya Vidyalaya template in each Educationally Backward Block.

Rajasthan Council of Secondary Education, Jaipur under School and Sanskrit Education Department, acquired land for model schools in 31 blocks with a delay by one to three years. Other irregularities viz. land allotted for model schools without proper planning, non-conducting of survey and feasibility study, delay in finalisation of the executing agency for construction of model schools, non-compliance of norms and guidelines in construction of model schools set by Ministry of Human Resource Development, Government of India, short drawal/non-utilisation of the grant due to non-submission of UCs, avoidable expenditure on payment of pro rata charges, and non-monitoring of the construction work of model schools by Rajasthan Council of Secondary Education and its committees were noticed in audit.

***(Paragraph 2.4.3)***

Post matric scholarship scheme is a centrally sponsored scheme to provide financial assistance to the students belonging to Scheduled Caste, Scheduled Tribe and Other Backward Class, studying at post matriculation or post secondary stage to enable them complete their education.

Out of the total 49,196 students whose disbursements were checked, irregular/excess payments were made to 6,731 students. Such payments were highest (22 *per cent*) in Jaipur and Tonk districts. The irregularities viz. payment of scholarship to private colleges/institutions instead of direct payment to students through account payee cheques, payment of fraudulent claims, excess reimbursement of fee to students studying in private institutions, payment of scholarship to students of unrecognised institutions, excess/double payment of scholarships, poor persuasion for compliance by Internal Audit Wing etc. were noticed by audit.

***(Paragraph 2.4.4)***

Non-functioning of Trauma Care Centres despite incurring an expenditure of ₹ 9.47 crore and failure of the Departments of Medical Health & Family Welfare and Medical Education to demand the remaining assistance of ₹ 21.76 crore, deprived the accident victims from services of these centres.

***(Paragraph 2.4.5)***

Medical and Health Department did not recover ₹1.50 crore from the supplier of medicines found 'Not of Standard Quality'.

***(Paragraph 2.4.6)***

Unproductive expenditure of ₹ 1.70 crore was incurred due to non-utilisation of Trauma Centre, Burn Ward, ICU and Rehabilitation Centre constructed under Rajasthan Health System Development Project in Medical and Health Department.

***(Paragraph 2.4.7)***

Women and Child Development Department suffered loss of ₹ 1.82 crore due to unauthorised and irregular destruction of supplementary nutrition and beneficiaries were deprived of the nutritional inputs.

***(Paragraph 2.4.8)***

Audit is an aid to management for efficiency, effectiveness and good governance. Failure of the Government in taking proper corrective action on audit findings indicated weak governance.

***(Paragraph 2.4.9)***

## **1.7 Response of the Departments to 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 State Legislature, it would be desirable to include their comments. They are also advised to have meetings with the Principal Accountant General to discuss the draft audit paragraphs, proposed for inclusion in the Audit Reports. Accordingly all the draft paragraphs proposed for inclusion in this report, were forwarded to the Principal Secretaries/ Secretaries concerned.

The concerned departments did not send replies to 4 out of 16 paragraphs featured in Chapter II. The responses of the concerned departments received in respect of 12 paragraphs have been suitably 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 (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 December 2013, revealed that four ATNs<sup>7</sup> were pending from the concerned Departments.

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7. Paragraphs 1.5.1, 3.2 and 3.5 of the Audit Report (State Finances) 2011-12 and paragraph 2.1 of the Audit Report (G&SS) 2011-12.

## **Chapter II**

### **Compliance Audit**

## **Chapter II**

### **Compliance Audit**

Audit of transactions of the Government Departments, their field formations as well as audit of the autonomous bodies brought out lapses in management of resources and failures in the observance of the norms of regularity, propriety and economy, which have been presented in the succeeding paragraphs under broad objective heads.

#### **2.1 Non-compliance with rules and regulations**

##### **Medical and Health Department**

##### **2.1.1 Irregular expenditure**

###### **National Rural Health Mission funds of ₹ 3.32 crore meant for school health programme in rural areas, irregularly spent on urban schools**

To provide effective health care throughout the country, Government of India (GoI) merged the School Health Programme (SHP) with National Rural Health Mission (NRHM) and issued guidelines in January 2009, laying its main focus on addressing the health needs of children, both physical and mental. NRHM was a scheme launched by GoI in 2005 for bringing about dramatic improvement in the health system and the health status of the people living in the rural areas of the country. The framework for implementation (2005-2012) of NRHM sets the vision and mission of the scheme as to provide effective health care to rural population and also to improve access to rural people, an equitable, affordable, accountable and effective primary health care. It follows therefore, that any activity under NRHM should invariably have a rural face.

Test check of the records (February 2013) of Mission Director (MD), NRHM, Jaipur revealed that while approving State Programme Implementation Plan (SPIP), GoI allocated a budget of ₹ 9.31 crore<sup>1</sup> for SHP activities<sup>2</sup> in 1.18 lakh schools across 34 districts of Rajasthan for the period 2009-10 to 2011-12. For implementing SHP under NRHM, a memorandum of understanding (MoU) was signed (September 2009) between Director, Reproductive and Child Health Programme, Medical & Health, Jaipur and Chief Executive Officer, NICE Foundation, Hyderabad, a non-governmental organisation (NGO), for three years (2009-10 to 2011-12) retrospectively from April 2009 for approximately 1,51,000 students in around 797 schools primarily located

1. 2009-10: ₹ 1.40 crore; 2010-11: ₹ 2.02 crore + ₹ 3.48 crore and 2011-12: ₹ 0.87 crore + ₹ 1.54 crore
2. Screening of general health, assessment of anaemia/nutritional status, visual acuity, hearing problems, dental checkup, common skin conditions, heart defects, physical disabilities, providing basic medicine kit for common ailments among school going children, referral cards for priority services at district/sub-district hospitals, immunisation, micronutrient management, de-worming, first-aid room/clinics etc.

in Bikaner, Jodhpur and Udaipur Cities. The MoU was against the vision of NRHM as it covered only schools in cities instead of covering schools<sup>3</sup> in rural areas. The Department made a total payment of ₹ 3.32 crore to the NGO for the period 2009-10 to 2011-12.

In reply MD, NRHM stated (October 2013) that the SHP is not area specific (urban and rural). The reply was not acceptable as NRHM aims to provide effective health care to rural population.

Thus incurring an expenditure of ₹ 3.32 crore on schools of urban area, was in contravention of the basic spirit of NRHM to provide effective healthcare to rural population. This amounted to diversion of NHRM funds to urban areas and resulted in depriving health benefits to the children of rural areas.

Reply of the State Government was awaited (December 2013).

### **2.1.2 Unauthorised diversion of funds**

#### **Unauthorised and irregular diversion of funds of ₹ 2.15 crore under National Rural Health Mission**

As per National Rural Health Mission (NRHM) programme guidelines, any diversion of funds from one programme to another programme is not permitted without the approval of the Ministry of Health and Family Welfare (MoHFW), Government of India, as this tends to adversely impact the implementation of approved activities under the mission. This was reiterated in December 2010. Moreover, construction of new facilities was also not permissible as per the guidelines of Programme Implementation Plan (PIP) 2008-09.

Test check of records of Mission Director (MD), NRHM, Rajasthan State Health Society (RSHS), Jaipur (February 2013), revealed that:

- As per Programme Implementation Plan (PIP) approved for the year 2006-07, funds of ₹ one crore was allocated (February 2008) for establishing State Health System Resource Centre (SHSRC) with the condition that SHSRC may be located within State Institute of Health & Family Welfare (SIHFW) and that it was to register as a separate legal and functional entity before incurring expenditure.

However, it was observed that MD, NRHM transferred these funds (November 2008) for 'construction of two training halls at SIHFW', on the recommendation of the Director SIHFW. As these funds were allocated for establishing SHSRC, diversion of the same for construction of training halls was against NRHM guidelines. Moreover, this also resulted in non-fulfilment of the objectives of SHSRC like programme planning, strategy development, innovation and change management and other activities assigned to it.

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3. Government schools, government-aided schools and registered Madrasas



- Similarly, as per the approved PIP 2008-09, funds of ₹ one crore was allocated for ‘carrying out repairs/renovations of training institutions (SIHFW, HFRTC, Ajmer and State Drug Warehouse, Jaipur)’ under the head RCH/PIP. Accordingly, MD, NRHM, issued administrative and financial sanctions (June 2008) of ₹ 50 lakh for the work ‘repair/renovation work at SIHFW, Jaipur’. This sanction was modified (October 2008) to ₹ 85 lakh<sup>4</sup> for the work ‘repair/renovation and construction of additional rooms in hostel block at first floor’ and later on the amount was increased to ₹ 1.15 crore (July 2009).

It was observed that the department actually undertook the works of construction of hostel (second floor), new hostel block and tubewell, in place of repairs/renovations of training institutions for which the PIP was approved. This resulted in diversion of funds for constructions of new facilities, which were not permissible under the guidelines.

Thus, a total of ₹ 2.15 crore was irregularly diverted and utilised for non-approved activities without obtaining prior approval of MoHFW.

The Director, SIHFW, Jaipur admitted (March 2013) that the funds of ₹ 2.15 crore were received for construction works which was expended in accordance with the administrative and financial sanctions as approved by Government of Rajasthan.

The reply confirms the diversion of funds and construction of new facilities which were not permissible without prior approval and concurrence of MoHFW. Thus, the department had unauthorisedly and irregularly diverted funds of ₹ 2.15 crore

The matter was referred to the State Government in June 2013; its reply was awaited (December 2013).

## Urban Development and Housing Department

### 2.1.3 Award of work at higher rate due to non-finalisation of bid within the validity period

**Failure of the State Government to finalise the contract within the extended validity period led to award of the work at extra cost of ₹ 1.16 crore**

Asian Development Bank (ADB) approved the Project – 2, ‘Rajasthan Urban Sector Development Investment Programme (RUSDIP)’ of the second phase of Rajasthan Urban Infrastructure Development Project (RUIDP), financed under ADB loan No. 2506-IND. Para 3.4.1 of ADB’s guide on Bid Evaluation Procedure and Reporting (Part -I) prescribes a bid evaluation period of at least 120 days from the date of opening bids. Para 1.5 (d) and (e) of the guide

4. ₹ 35 lakh was charged to Interest component under RCH-PIP



stipulates that the Executing Agency shall make every effort to complete bid evaluation and contract award before expiry of bid validity. The validity of bids may only be extended in exceptional circumstances and with the prior approval of the ADB. Rejection of all bids and calls for new bids solely for reason of high price are not accepted by ADB.

Test check of records (December 2011 to March 2012) of office of the Project Director (PD), RUIDP, Jaipur and information collected (August 2012 and May 2013) revealed that bids were invited (25 February 2009) by RUIDP for the work 'design, construction, supply, erection testing, commissioning and five years operation and maintenance of sewage treatment plant (STP) at Bundi' at an estimated cost of ₹ 22.94 crore (excluding provisional sum of ₹ 0.93 lakh), based on RUIDP schedule of rates (SoR) January 2008. Last date for opening of bids (14 May 2009) was extended to 30 July 2009. The price bids were opened on 18 September 2009 and the bid of M/s SIERRA ICOMM TELE INFRA (JV), Hyderabad (bidder 'A') for ₹ 31.98 crore was found lowest. The rates were found very high (39.40 *per cent* above the engineer's estimate) by the Tender Evaluation Committee (TEC), the Tender Approval Committee (TAC) as well as the State Government and recommended for negotiation thrice (12 January, 02 March and 22 May 2010). Accordingly, negotiations were held (17 February, 4 March and 27 May 2010) and the bidder 'A' finally reduced his rates to ₹ 26.85 crore (17.03 *per cent* above the engineer's estimate) with extended validity up to 30 June 2010. The Department submitted (3 June 2010) to the State Government for approval, the proposal of awarding the work to bidder 'A'. While the rates were under consideration of the State Government, the Financial Adviser, RUIDP, requested (21 June 2010) the bidder 'A' to extend the bid validity up to 31 August 2010. Bidder 'A', expressed (30 June 2010) his inability to extend the validity due to lapse of time and steep increase in market prices.

Resultantly, the State Government ordered (July 2010) for rejection of the earlier bid and re- invitation of bid after linking the work of water recycling for non- domestic purpose. The bid was re-invited (27 December 2010) with minor reduction in the scope of work (₹ 0.81 crore) and addition of work (₹ 5.53 crore) of water recycling of one million litre per day (MLD) for estimated cost of ₹ 27.66 crore<sup>5</sup>. Of the two bids received, technically responsive bid of M/s JIL-AQUAFIL (JV), Kolkata (bidder 'B') for ₹ 33.77 crore (22.07 *per cent* above estimate) was recommended for negotiation (March 2011) by TEC. However, ADB advised the State Government (May 2011) to consider awarding the contract to the lowest bidder. Accordingly, the work was awarded to bidder 'B' (September 2011) for ₹ 33.77 crore (excluding provisional sum) with 17 February 2014 as the date of completion.

Audit observed that the department did not comply with the guidelines of ADB in finalising bids within the evaluation period of 120 days from the date of opening bids. It did not make efforts to complete bid evaluation and award contract before expiry of bid validity period. It also undertook unauthorised negotiations and extension of validity period without prior approval of ADB.

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5. Original estimate ₹ 22.94 crore - ₹ 0.81 crore (work reduced) + ₹ 5.53 crore (additional work) = ₹ 27.66 crore

High price was the sole reason for rejection of bids and inviting new bids, which was against the guidelines of ADB. Unusual delay of 251 days (18 September 2009 to 27 May 2010) on negotiation and re-negotiation and non-finalisation of bid even at re-negotiated rate of ₹ 26.85 crore (17.03 per cent above estimate) led to award of work at ₹ 33.77 crore (22.07 per cent above estimate). This resulted in incurring of additional liability of ₹ 1.16 crore<sup>6</sup>.

The State Government, accepting the facts, stated (August 2012) that the original estimate of ₹ 22.94 crore was revised to ₹ 27.66 crore, therefore difference in the bids was due to change in the original scope of work amounting to ₹ 4.72 crore and price escalation due to time gap in two bids. There had not been any financial loss to the State Government.

The reply was not acceptable as the work was allotted to bidder 'B' at a rate which was higher by ₹ 1.16 crore than the rates offered by bidder 'A' (₹ 26.85 crore). Thus, failure of the State Government to finalise the contract within the extended validity period led to award of the work at an extra cost of ₹ 1.16 crore. Further, the objective of providing STP was also delayed.

## **2.2 Audit against propriety and cases of expenditure without adequate justification**

### **Medical and Health Department**

#### **2.2.1 Unfruitful expenditure**

##### **Unfruitful expenditure of ₹1.47 crore due to non-utilisation of Advance Life Support equipments for more than four years**

With an objective to provide comprehensive emergency response services to the people of Rajasthan, the State Government launched 'Emergency Response Services' popularly known as '108 Ambulance Service' and entered (May 2008) into a Memorandum of Understanding with M/s Emergency Management and Research Institute (EMRI), Hyderabad which envisaged operationalisation of 150 ambulances in a phased manner spread over a period from July 2008 to March 2009. EMRI was responsible to recruit, train and position the required manpower and to ensure that in every ambulance operated under the scheme and that at least one pilot and one Emergency Medical Technician (EMT) should be present. The project report submitted by EMRI stipulated that 75 per cent of all ambulances were to be basic life support (BLS) model and the remaining 25 per cent were to be advance life support (ALS) model. The scheme was implemented through the National Rural Health Mission (NRHM), Jaipur. The services were operated by EMRI

6. ₹ 33.77 crore – (₹ 4.72 crore (net additional work) + ₹ 1.04 crore (tender premium 22.07 per cent) - ₹ 26.85 crore (re-negotiated rate) = ₹ 1.16 crore

till June 2010 and thereafter by M/s Ziqitza Health Care Limited, Mumbai (ZHL).

During test check (January 2013) of records of Mission Director (MD), NRHM, Jaipur it was observed that a decision was taken (June 2010) to remove ALS equipments (purchased by EMRI during the period August-December 2008 at a cost of ₹ 1.94 crore) and shift them to hospitals/medical college, because of the very low or almost nil usage of these ALS equipment in 39 ambulances (39 defibrillators<sup>7</sup> and 12 ventilators<sup>8</sup>). The reasons stated were that these ambulances were not stipulated to have qualified doctors/specialists, and the scope of work of the new service provider M/s ZHL included only basic life support (BLS) system. Accordingly, all the ALS devices were ordered (July 2010) to be detached and to be taken over by identified 10 Principal Medical Officers (PMOs) and 1 Medical College (17 defibrillators and 12 ventilators) for use in Community Health Centres (CHCs) and Hospitals. For the remaining 22 defibrillators, Additional Director, Hospital Administration, Jaipur was asked to submit demands. However, only eight CM&HOs/PMOs/hospitals took over 9 defibrillators and 6 ventilators between September 2010 and April 2012 and the remaining equipment remained with M/s ZHL. All other CM&HOs and PMOs did not collect the equipment in spite of several reminders (July 2010 to April 2012) by PD, NRHM. Therefore, the remaining 30 defibrillators and 6 ventilators were taken over (June 2012) by State Drug Warehouse from M/s ZHL. These were finally issued to other CM&HOs/PMOs/hospitals between June 2012 and May 2013. Information collected (April-May 2013) from various CMHOs/PHOs revealed that 32 defibrillators and 6 ventilators were lying unutilised (June 2013) even after their transfer to CHCs/ hospitals due to reasons like non availability of specialists and equipments not in working condition/installed or lying in store.

Procurement of these expensive equipments, without ascertaining availability of specialised manpower to operate them either in ambulances or in hospitals, shows defective planning on the part of the department. These equipments remained idle ever since their purchase (August-December 2008) and the warranty period of these equipments (36 months from installation) also expired. This imprudent decision by the department, resulted not only in unfruitful expenditure of ₹1.47 crore but also in non-fulfilling the basic objective of providing emergency response related services to the people.

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7. An instrument for delivering a therapeutic dose of electrical energy to the affected heart. This depolarises a critical mass of the heart muscle, terminates the dysrhythmia, and allows normal sinus rhythm to be re-established by the body's natural pacemaker, in the senatorial node of the heart.
  8. A machine designed to mechanically move breathable air into and out of the lungs, to provide the mechanism of breathing for a patient who is physically unable to breathe, or breathing insufficiently.

The matter was referred to the State Government in June 2013; reply was awaited (December 2013).

### Public Health Engineering Department

#### 2.2.2 Avoidable expenditure

#### **Avoidable expenditure of ₹ 9.76 crore due to failure of department to assess the requirement of pumping stations and construction of Bituminous road instead of Water Bound Macadam road**

To meet drinking water demand of 531 villages and 10 towns from two major dams (Jawai and Hemawas) of Pali district, Policy Planning Committee (PPC) of Rajasthan Water Supply and Sewerage Management Board (RWSSMB), Public Health Engineering Department (PHED), accorded (June 2005) administrative and financial sanction of ₹ 354.73 crore<sup>9</sup> to 'Jawai Pipeline Project'. It aimed to meet drinking water demand of the population of design year 2021. The whole project was divided (October 2005) into five packages<sup>10</sup> and was to complete by March 2009.

Package 2 of the project 'Jawai - Pali transmission system' involved the works of providing, laying and jointing of pipeline, construction of pumping stations each at Jawai and Hemawas dams, power connections, 31.79 km of single lane Water Bound Macadam (WBM) road (subsequently changed to Bituminous (BT) road) and other ancillary works. The work was awarded (April 2007) to contractor 'A' for a total lump sum price of ₹ 266.99 crore. The stipulated date of completion was 3 August 2008. The work was completed (June 2013) pending approval of final time extension.

Principal Secretary, PHED, while reviewing the progress of the work, directed (17 October 2008) that looking to budgetary constraints, the low priority works pertaining to construction of pump houses, construction of service roads, ancillary buildings and instrumentation etc. be deferred till March 2009. Accordingly, Chief Engineer (CE) (Project), PHED submitted proposals (August 2009 and May 2010) for deletion/deferment of seven non-essential components<sup>11</sup> from the scope of the work of package 2, without any impact on the outcome of the project. The consent of the contractor to these changes was also obtained (November 2009 and January 2010). The deletion/deferment proposal was approved by the State Government in September 2010.

9. Subsequently revised to ₹ 395.83 crore (May 2006) and to ₹ 634.79 crore (October 2007)

10. Package: 1- Outlet at Jawai dam ₹ 6.11 crore; Package: 2- Jawai dam to Mandli/Pali and Hemawas Interconnection ₹ 195.52 crore; Package:3- Works at Pali City ₹ 6.97 crore; Package: 4- Mandli to Sojat city and Rohat and Kherwa Branch ₹ 79.72 crore and Package: 5- Sojat city to Chandawal to Bar and Anandpur Kalu ₹ 66.41 crore

11. Jawai PS, Hemawas PS, service BT road, ancillary works, communication system, spare parts and tools and tackles

- The component ‘construction of Pumping Station (PS) at Jawai Dam’ was proposed to be deferred till 2016 on the ground that water from the Jawai Dam could be drawn through gravity flow without the aid of pumping station till the demand (193.04 million litre per day) of 2016 was generated. The component ‘PS at Hemawas Dam’ was deferred due to non-availability of water in the dam until the next monsoon.

Test check (July 2012) of records of Executive Engineer (EE), PHED Division, Pali and further information collected (April-June 2013) revealed that deferment of these two components was proposed despite the fact that the department had already paid ₹ 4.08 crore<sup>12</sup> (March to June 2008) to Jodhpur Vidyut Vitaran Nigam Limited (JVVNL) for laying electric power lines and the contractor had also executed work of supply of instrumentation, equipment and accessories for these pumping stations worth ₹ 1.49 crore during August 2009 to May 2010 (supply of equipment worth ₹ 0.16 crore was made in March 2012, i.e. after approval of the deferment proposal), stating that the power lines as well as the instrumentation/equipment shall be used when the work of PSs is taken up in future. This implies that payments were made to JVVNL (₹ 4.08 crore) for power lines and to the contractor (₹ 1.65 crore) for supply of instrumentation/ equipment without considering the facts that Jawai PS would not be required before 2016 and Hemawas PS would not be feasible unless it is filled with water during monsoon. This resulted in incurring of avoidable expenditure of ₹ 5.73 crore.

The State Government stated (July-August 2013) that though the PS was deleted from the present contract, the Jawai electric sub station was required to operate the PS under Jawai cluster project (Package 1) and the expenditure made for electric power lines would be utilised for this PS. As per technical sanction, there was a common power connection to operate both Hemawas and Mandli under Package 3. It was further stated that out of ₹ 1.49 crore payment for PS spares, ₹ 0.23 crore value of valves were utilised on pipe line and spares of ₹ 1.26 crore only are in stores.

The reply is not acceptable as the work of Jawai cluster project and Mandli PS has not been started/completed, as such the question of utilising the feeder lines on these works does not arise. Moreover, the valves and electric equipment were lying unutilised in the divisional stores since their purchase and getting depreciated in their value and utility. Thus, incurring expenditure in 2008-12 on items which were not required before 2016, was indicative of poor planning.

- Similarly, another component viz. ‘service BT road, was proposed (August 2009 and May 2010) for deletion with the justification that the WBM

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12. For Jawai PS: 33 KV power line, Transformer, HT transmission, CTPT and bays ₹ 2.59 crore and Hemawas PS: 33 KV HT transmission, Transformer and bays ₹ 1.49 crore



service road which existed along the canal could be utilised during execution and it could be deferred for the present. However, repair of this old and damaged WBM road along with construction of new road in identified reaches would be required during operation and maintenance and the same could be taken up later through a separate contract.

In the meanwhile, the contractor requested the department (July 2010) that due to heavy rains the pipeline at some places had become unapproachable and the kachcha road was totally damaged, hence he might be allowed to construct the road in a few stretches for better O&M of pipeline. On the recommendation of his request by the Technical Committee, State Government approved (September 2010) the proposal for deletion of only 37 km of road (as against 82 km in work order), thereby retaining construction of 45 km<sup>13</sup> road by the contractor. Thus, despite the recommendation of construction of WBM road in the engineering report as well as in original administrative and financial sanction and deletion of BT road in the deferment/deletion proposals (August 2009 and May 2010), the contractor was allowed to construct 45 km of BT road and receive payment (March 2012) of ₹ 7.03 crore<sup>14</sup> (43 km)<sup>15</sup> thereagainst. This resulted in incurring avoidable expenditure of ₹ 4.03 crore on BT road.

The State Government stated (July-August 2013) that construction of WBM road for approach to the existing BT road/NH 14 was taken up and pipe line was proposed along these roads. During technical sanction the laying of pipe line along canal was found to be feasible as NH 14 was likely to be widened in future. It was also stated that construction of BT road in above said reaches was necessary for regular patrolling during O&M and transportation of 1100 mm to 1500 mm dia pipes required for emergency repairs in case of any breach of pipelines.

The reply is not acceptable as the engineering report recommended for construction of 31.79 km single lane WBM road apprehending undesirable traffic from nearby areas. Accordingly, construction of only WBM road was contemplated in the original administrative and financial sanction (June 2005). The provision of BT road was made in the revised administrative and financial sanction (May 2006) without any justification. Moreover, the proposals submitted (August 2009 and May 2010) for deletion/deferment, clearly mentioned that there was no need for construction of BT road as most of the contractor's work had been completed and the road was required only for O&M works. Therefore, construction of BT road was not warranted. The fact of laying the pipe line along the canal was already in the knowledge of the Department at the time of deferment of the proposal.

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13. RD 20.2 km to 22.2 km and RD 41.7 km to 84.7 km

14. Construction of road formation, subways and WBM road: ₹ 3.00 crore; Surface dressing: ₹ 2.56 crore, Semi dense bituminous carpet: ₹ 1.47 crore

15. Claim for two km to be finalised in contractor's Final Bill.

Thus, failure of department to assess the requirement of pumping stations and construction of BT road instead of WBM road resulted in avoidable expenditure of ₹ 9.76 crore<sup>16</sup>.

### 2.2.3 Avoidable expenditure

#### **Avoidable expenditure of ₹ 84.23 lakh incurred due to award of work without providing dispute free land and drawing and design of causeway and level sheet**

Rule 351 of Public Works Financial and Accounts Rules (as amended from time to time) stipulates that no work should commence on a land which has not been duly made over by a responsible civil officers. Sub rule (a) of rule 348 *ibid* provides that no work shall commence unless, *inter alia*, a properly detailed design issued by competent authority. Clause 3 of the conditions of contract provides that action could also be taken to get the work executed from another contractor at the risk and cost of defaulting contractor.

Test check (November 2012) of records of Executive Engineer (EE), Public Health Engineering Department (PHED), Rajiv Gandhi Lift Canal Division II, Jodhpur revealed that the State Government issued an order (October 2011) sanctioning an amount of ₹ 31.70 lakh<sup>17</sup> for payment to contractor M/s Chagni Ram Gehlot against the award passed by the single arbitrator and after dismissal of the departmental appeal by Hon'ble High Court (HC). On further study, the following facts emerged:

(a) The work of 'gravel road to bitumen carpeting with Water Bound Macadam (WBM) road from RD 47 to 69' under Package 7 of the project 'Rajiv Gandhi Lift Canal Project Modified Phase II', was awarded (17 April 2003) to M/s Chagni Ram Gehlot (contractor 'A') for ₹ 1.18 crore, at 18 *per cent* below Schedule 'G' rates (₹ 1.44 crore), with the stipulated date of completion as 26 December 2003.

(b) Contractor 'A' executed WBM work worth ₹ 63.00 lakh up to May 2004 and thereafter the work was stopped. The date of completion of work was extended up to October 2004.

(c) Since no progress was shown by the contractor, EE, Division III Phalodi, issued notices to the contractor between May 2004 and February 2006 for maintaining *pro rata* progress but the same was not conceded to by the contractor.

(d) Ultimately the Finance Committee, Rajasthan Water Supply and Sewerage Management Board, decided (12 December 2006) to take action under clause 3 of conditions of contract and the work was rescinded at risk

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16. Payment to JVVNL: ₹ 4.08 crore; payment to contractor for equipment: ₹ 1.65 crore; and payment to contractor for BT Road: ₹ 4.03 crore

17. Earnest money: ₹ 6.30 lakh; penalty deducted: ₹ 8.28 lakh; site clearing: ₹ 0.20 lakh; compaction of soil: ₹ 0.63 lakh; deduction in specified rates: ₹ 0.99 lakh, material cost for extra work: ₹ 0.96 lakh; deposit for arbitration: ₹ 0.55 lakh; interest payment: ₹ 6.81 lakh and ₹ 6.98 lakh

and cost of the contractor. In the meanwhile the WBM road was damaged at a few places.

(e) The left over work was awarded (November 2007) to M/s Bohra Construction Company (contractor 'B'), Phalodi for ₹ 1.12 crore, at 65 *per cent* above Schedule 'G' rates (₹ 68.07 lakh), with date of completion as 23 February 2008. Contractor 'B' completed the work (June 2008), but was paid ₹ 1.22 crore (up to November 2009) including extra work on repair of road. Final payment is yet to be made (August 2013). This has resulted in incurring of an extra expenditure of ₹ 52.95 lakh<sup>18</sup> on the left over work and of ₹ 14.16.lakh on repair of road, damaged due to non-completion of bituminous work by contractor 'A'.

(f) Aggrieved by the action taken by the department to rescind the contract under clause 3 of conditions of contract, contractor 'A' filed a writ petition in the Hon'ble High Court. The Hon'ble High Court appointed (4 December 2007) an arbitrator to decide the matter. The single arbitrator, in his order (15 September 2008) observed that the farmers were posing hindrance at the work site which was brought to the notice of the department by the contractor and, therefore, concluded that the department did not take any action to resolve the matter and did not make available a complete dispute free site to the contractor, which was their primary responsibility. The department also did not make available, drawing design of causeway and level sheet to contractor well in time. Under these circumstances it was not possible for the contractor to show *pro rata* progress. Therefore, the department was held fully responsible and liable for payment of ₹ 24.72 lakh, along with interest up to the date of payment.

(g) The department filed an appeal against the decision of the arbitrator in the District Sessions Court which was dismissed (4 August 2010) by the District Judge. The department again filed an appeal in Hon'ble High Court against the decision of the District Judge, which was also dismissed (16 March 2011) and resulted in issue of sanction for payment.

The State Government accepted (August 2013) the facts and stated that sanction order (October 2011) issued also provided for an enquiry of the whole issue and recovery from the officers responsible for the same. Accordingly, Superintending Engineer, PHED, Jodhpur Circle had been appointed as the Enquiry Officer (November 2011) and action would be taken on receipt of the report. State Government further stated that the entire exercise was made in public interest according to prevailing circumstances and that the payment of ₹ 31.70 lakh to the first contractor was made after approval of the Finance Department.

The reply is not acceptable because the department failed to resolve the issues at the site and provide drawing, design of causeway to the contractor, resulting in avoidable expenditure.

Thus, award of work without providing dispute free land, inaction for solving the problem of hindrance at the work site and non-providing of drawing

18. ₹ 107.95 lakh-(₹ 118 lakh – ₹ 63 lakh)



design of causeway and level sheet to the contractor, resulted in incurring of an avoidable expenditure of ₹ 84.23 lakh<sup>19</sup>.

## 2.3 Persistent and pervasive irregularities

### Finance Department

#### 2.3.1 Persistent excess payment of pension

**Failure of the treasury officers to exercise prescribed checks led to excess/irregular payment of pension/family pension amounting to ₹ 91.69 lakh**

Rule 9 of Appendix VI of Rajasthan Civil Services (Pension) Rules, 1996 stipulates that Treasury Officer (TO) will check the correctness of the payments made by the Banks with reference to the records maintained by him and thereafter incorporate the transaction in his accounts.

Pursuant to recommendations of Public Accounts Committee (PAC) the Department issued (June 2011 and January 2012) further instructions to TOs for concurrent scrutiny of payment made by banks for ensuring correct payment of pension.

Test check (April 2012 to March 2013) of records relating to pension payments made by 70 banks and 188 treasuries/sub-treasuries, however, revealed that excess/irregular payments of superannuation/family pensions were made to 193 pensioners, amounting to ₹ 91.69 lakh during August 2002 to March 2013 of which ₹ 10.02 lakh was recovered at the instance of audit, as detailed below:

S. No.	Particulars	Excess payment made		Recoveries effected at the instance of audit	
		Number of cases	Amount	Number of cases	Amount
1.	Family pension not reduced after expiry of the prescribed period (Rule 62 of Rajasthan Civil Services (Pension) Rules 1996)	44	31.36	05	1.55
2.	Family pension not stopped after attaining the age of 25 years/ marriage/ employment of dependents (Rule 67)	01	1.17	-	-
3.	Pension not reduced after its commutation (Rule 28)	100	20.98	09	3.96
4.	Pension paid after death of pensioners	2	0.25	-	-

19. Difference of cost: ₹ 52.95 lakh, extra work for damaged WBM: ₹ 14.16 lakh, site clearing and compaction of soil: ₹ 0.83 lakh, procuring, spreading, consolidation and compaction of material: ₹ 1.95 lakh, deposit for arbitration: ₹ 0.55 lakh and interest: ₹ 13.79 lakh

S. No.	Particulars	Excess payment made		Recoveries effected at the instance of audit	
		Number of cases	Amount	Number of cases	Amount
5.	Dearness relief paid to pensioners during the period of their re-employment (Rule 164)	01	1.38	01	1.38
6.	Dearness Pay wrongly paid	01	0.56	-	-
7.	Pension and Dearness Relief paid at higher rate than admissible	34	31.36	06	3.13
8.	Non-recovery of dues from gratuity payments (Rule 92)	09	4.37	-	-
9.	Miscellaneous	01	0.26	-	-
	<b>Total</b>	<b>193</b>	<b>91.69</b>	<b>21</b>	<b>10.02</b>

The irregularities persisted due to failure of the TOs in conducting concurrent checks of payments made by banks and avoiding excess payment of pension. Evidently, the recommendations of the PAC for avoiding recurrence of such irregularities in future were not being followed scrupulously.

State Government while accepting the facts stated (October 2013) that ₹ 41.37 lakh has further been recovered.

## 2.4 Failure in implementation, monitoring and governance

### Departments of Medical and Health, Animal Husbandry and Environment

#### 2.4.1 Management and handling of biomedical waste by 79 government hospitals in Jaipur and regulation by the Rajasthan State Pollution Control Board

##### 2.4.1.1 Introduction

Biomedical Waste (BMW) is generated by hospitals and other health providers during diagnosis, treatment, immunisation of human beings and animals and consists of discarded drugs, waste sharps, microbiological and biotechnological waste, human anatomical waste, animal waste etc. This waste is potentially infectious and harmful to human health and a threat to the environment, if not treated properly. Biological agents in BMW pollute water and food and cause alimentary infections like cholera, typhoid, dysentery, infective hepatitis etc. BMW, during incineration, emits toxic gases which damage the environment and are generally cause of incurable cancer.

To ensure proper management of BMW, Biomedical Waste (Management and Handling) Rules, 1998 (Rules) were notified (20 July 1998) by the Government of India under the Environment (Protection) Act, 1986 (the Act), and amended in 2000 and 2003. State Government vide notification (May 1999)

empowered Rajasthan State Pollution Control Board (RSPCB) for implementation of BMW Rules. Under rule 4 of the Rules, every occupier of an institution generating BMW shall ensure that such waste is handled without any adverse effect to human health and environment. Any occupier failing to comply with or contravening any of the provisions of the Act/Rules is liable to punishment under section 15 of the Act.

There are 784 BMW generating centres (79 Health Care Facilities (HCFs) under government and 705 HCFs under private sector) and one Common Bio-medical Waste Treatment Facility (CBWTF) under private sector in Jaipur city, as of March 2013. Field study covering period from 2010-11 to 2012-13 was conducted between April and June 2013 by test-check of records of the Environment Department and RSPCB, Jaipur. Joint inspections of selected 22 HCFs<sup>20</sup> and CBWTF were conducted during April to June 2013 along with the representatives of RSPCB and HCF management, to ascertain whether they are complying with the relevant provisions of Act/Rules.

Jaipur is the capital city of Rajasthan, having 79 government HCFs catering to the medical needs of the population of the state as well as of the neighbouring states. The underlying presumption of audit is that the findings would be equally relevant for government hospitals located across the State.

#### ***2.4.1.2 Non-compliance of provisions of the Act and Rules by government HCFs***

HCFs comprising hospitals, nursing homes, pathological laboratories, blood banks, clinics etc. are the main BMW generating establishments. Non-compliance of the various provisions of the Act/Rules in these facilities, is enumerated below:

##### ***Authorisation not being obtained in time***

**21 HCFs did not obtain authorisation for three years as prescribed in Rules**

Rule 3 (3) defines authorisation as permission granted by the prescribed authority (RSPCB) for the generation, collection, reception, storage, transportation, treatment, disposal and/or any other form of handling of BMW in accordance with the Rules. Rule 7 (5) provides that authorisation should be granted for a period of three years, including an initial trial period of one year from the date of issue. Thereafter an application shall be made by the occupier/operator for its renewal. All such subsequent authorisation shall be for a period of three years. Rule 8 (1) provides that every HCF treating 1000 or more patients per month is required to obtain authorisation. For renewal of such authorisation, application should be submitted at least 120 days before the date of its expiry.

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20. 20 HCF selected on the basis of random sampling by categorizing 79 HCFs under Government sector hospitals, District Hospitals, Satellite Hospitals, City dispensaries, Primary Health Centres, Veterinary Hospitals and dispensaries and selecting 20 per cent in each category. One Veterinary Polyclinic and one Dental college and Hospital was also selected.

It was seen that during 2010-11, out of 56 government HCFs requiring authorisation, only 52 HCFs obtained the same, that too on yearly basis. Four did not obtain the requisite authorisation. Of these, 30 HCFs did not apply for renewal during 2011-12 while 50 did not apply during 2012-13. Government Dental College and Hospital, Jaipur was granted renewal for three years for 2012-15. Moreover, 26 HCFs (3 in 2010-11, 18 in 2011-12 and 5 in 2012-13) submitted application for renewal after the prescribed period of 120 days. Thus, these government HCFs were not following the provisions and functioning unauthorisedly. Therefore, they were liable to prosecution under Section 15 of the Act *ibid*.

The State Government, accepting the facts, stated (November 2013) that State Board was aware of non-compliance of the provisions of BMW Rules. It had taken action against the defaulting HCFs and the matter had also been brought to the notice of State Advisory Committee and the Government. Show-cause notices have also been issued to Government Hospitals. Authorisation had been obtained by 15 Veterinary hospitals from RSPCB. Fact remains that concrete action was yet to be taken against the defaulting HCFs.

### ***BMW not being segregated***

21 test checked  
HCFs did not  
segregate BMW  
with appropriate  
colour code

Rule 6(1) provides that BMW shall not be mixed with other wastes while Rule 6 (2) provides segregation of BMW at the point of generation (HCFs), prior to its storage, transportation, treatment, and disposal. Schedule II prescribes the colour coding and type of containers for disposal of BMW as under:

Colour Code	Waste Category	Mode of Treatment
Yellow	human anatomical waste, animal waste, micro-biological and bio-technological waste, solid waste contaminated with blood etc	incineration/ deep burial
Red	disinfected containers and solid waste such as dressings soiled plaster casts, beddings etc	autoclaving/ microwaving/ chemical treatment
Blue/ White translucent	needles, syringes, scalpels, blades, glass, tubes, catheters etc	autoclaving/ microwaving/ chemical treatment and destruction/ shredding
Black	discarded medicines and cytotoxic drugs, incineration ash and chemical waste	disposal in secured landfill

Out of 79 government HCFs, 22 were inspected jointly. It was observed that segregation of BMW at the point of generation as per colour coding was being done only in one HCF (Haribux Kanwatia Hospital). In the remaining 21 HCFs, while BMW was being kept in common containers without following colour coding, it was also being mixed with Municipal Solid Waste (MSW). In Sawai Man Singh Hospital (SMS), out of the 23 wards inspected, containers of all the four colours were not provided in 10 wards while BMW was not being segregated in the remaining 13 wards, even though all types of containers were provided.

State Government, accepting the facts, stated (November 2013) that action was being taken against the individual Government Hospital and show-cause notices had been issued to these hospitals.

#### ***Improper storage and transportation of BMW***

**Keeping of untreated BMW beyond stipulated period**

Rule 6 (5) of BMW Rules provides that no untreated BMW should be kept stored beyond a period of 48 hours. In the joint inspection of 18 HCFs<sup>21</sup>, it was noticed that untreated BMW was being kept beyond the stipulated period of 48 hours in violation of the stated rule in these HCFs.

State Government, accepting the facts, stated (November 2013) that action was being taken against the individual Government Hospital and show-cause notices had been issued to these hospitals.

#### ***Improper disposal of BMW***

**23 veterinary dispensaries did not connect with CBWTF for disposal of generated BMW and 30 other HCFs were also not connected during 2010-13**

- Rule 5 (2) of BMW Rules provides for setting up of requisite BMW treatment facilities like incinerator, autoclave, microwave system for treatment of waste or ensuring requisite treatment of waste at CBWTF. Burning of BMW in open spaces causes emission of carcinogenic gases into air which could prove hazardous to the health of nearby residents.

It was observed that of 56 HCFs (other than 23 veterinary dispensaries), 4 HCFs in 2010-11, 7 HCFs in 2011-12 and 19 HCFs in 2012-13 did not have their own treatment facility and were also not connected with CBWTF. Record of generation of BMW and the manner in which it was being disposed of was also not being maintained by them. Therefore, it could not be ascertained as to how the BMW generated by these HCFs were disposed of. All the 23 veterinary dispensaries were not connected with CBWTF and the generated BMW was either being burnt or dumped in open pits.



BMW burnt at Veterinary Hospital, Jagatpura, Jaipur

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21. Except SMS Hospital, Mahila Chikitsalaya, Shri Haribux Kanwatia Hospital and Veterinary Poly Clinic, out of 22 HCFs test checked

- In joint inspection (27 May 2013) of Jaipuria Hospital, it was noticed that BMW was not lifted by CBWTF after 23 May 2013 and the generated BMW was being burnt outside the hospital premises. Similarly, the generated BMW in four HCFs<sup>22</sup> was disposed of by burning the same in their premises during 2010-13 for which people living in nearby area might be prone to bad effects of such emitted gases.



- According to Schedule I of the Rules, wastes such as intravenous fluid bottles and sharps (needles/syringes) were to be disinfected with one *per cent* hypochlorite solution, autoclaved/ microwaved, shredded and disposed of in municipal landfills or recycled.

In 20 test checked government HCFs, bottles, intravenous fluid bottles, needles, syringes etc. were not being disinfected before sending them to CBWTF. In Government Dispensary, Purani Basti, used vials, syringes/ needles, fluid bottles were being stored in paper cartoons without disinfection. The possibility of unauthorised recycling of the used articles could not be ruled out.

- According to Schedule V of the Rules, the effluents generated from hospitals should conform to the specified limits<sup>23</sup>.

It was observed that in five<sup>24</sup> out of six HCFs, effluent treatment plants (ETPs) were not established for treatment of liquid wastes and the HCFs were discharging such wastes directly into the public sewer. In *Mahila Chikitsalaya* where the ETP was established in September 2011, samples of liquid waste were not taken by RSPCB for ascertaining the effluent limits.

State Government, accepting the facts, stated (November 2013) that action was being taken against the individual Government Hospital and show-cause notices had been issued to these hospitals. As regards to veterinary

22. Tilak Nagar; Barkat Nagar; Mansarovar, Sector-8 and Malviya Nagar, Sector-6

23. pH, suspended solids; oil and grease; BOD, COD; bio assay test

24. SMS Hospital, Government Dental College and Hospital, Jaipuria Hospital, Haribux Kanwatia Hospital and Veterinary Poly Clinic



dispensaries, the State Government stated (November 2013) that BMW generated by the all dispensaries would be disposed of in future by M/s Instromedix (India) Private Limited, as per prescribed procedure.

#### *Non-adoption of safety measures*

**Safety measures were not being used by waste handlers in all inspected HCFs**

Rule 4 of the Rules provides that every occupier of an institution generating BMW should take all steps to ensure that such waste is handled without any adverse effect to human health and the environment. As a protective measure, Department of Medical & Health has listed items (protective clothing, boots, gloves, apron, cap, mask) on its website, for proper implementation of healthcare waste management at the HCFs.

It was observed that none of the 22 inspected HCFs provided these items to waste handlers. No storage room was provided for BMW and BMW bags were kept on open ground in Veterinary Poly Clinic. In Haribux Kanwatia Hospital, Jaipuria Hospital and Government Dental College and Hospital, liquid waste from storage rooms was coming out to the open ground, percolating the earth and contaminating the ground water. In 6 HCFs<sup>25</sup>, no covered trolleys were provided for internal transportation of BMW.



No safety measures for waste handlers at SMS Hospital, Jaipur



No covered trolley for internal transportation of BMW at Veterinary Polyclinic, Jaipur

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25. SMS Hospital, Mahila Chikitsalaya, Government Dental College and Hospital, Jaipuria Hospital, Haribux Kanwatia Hospital and Veterinary Poly Clinic

State Government, accepting the facts, stated (November 2013) that action was being taken against the individual Government Hospital and show-cause notices had been issued to these hospitals. It was further stated that safety items viz. face mask, gum boot, apron and gloves, etc. have now been made available to staff dealing with BMW and a separate room is being utilised for keeping BMW.

### ***Non-maintenance of records***

**Records not maintained as prescribed in rules**

Rule 11(1) of the Rules provides that all authorised persons are required to maintain records relating to the generation, collection, reception, storage, transportation, treatment and disposal of BMW in accordance with these Rules.

It was seen that of the 22 HCFs test checked, 18 HCFs<sup>26</sup> did not maintain records relating to generation, collection and transportation of BMW during the period 2010-13.

State Government, accepting the facts, stated (November 2013) that action was being taken against the individual Government Hospital and show-cause notices had been issued to these hospitals and that the registers had now been provided to all dispensaries for maintaining the record.

### ***2.4.1.3 Non-compliance of provisions of the Act/ Rules and guidelines by CBWTF***

As per Rule 14 of the Rules (as amended), Municipal Corporations, Municipal Boards or Urban Local Bodies, as the case may be, shall be responsible for providing suitable common disposal/incineration sites for the BMW generated in the area under their jurisdiction. Accordingly, Jaipur Municipal Corporation contracted (September 2001) with M/s Instromedix (India) Private Limited to install and operate the incinerator, microwave/autoclave and shredder at village Khor-Ropara of district Jaipur. The firm was duly authorised by RSPCB to operate as CBWTF for disposal of BMW. Discrepancies observed in functioning of CBWTF are enumerated below:

### ***Improper collection and transportation of BMW***

**Collected BMW was not transported in coloured compartments by CBWTF**

Paras H.1 and H.2 of Central Pollution Control Board (CPCB) guidelines (August 2003) envisage that the person responsible for collection of BMW should carry a register to maintain the record of type and quantity of the waste received. BMW collected from HCFs in coloured containers/bags, should be

26. Government Dental College and Hospital; City Dispensary, Purani Basti; City Dispensary, Sirah Dyodi; City Dispensary, Banipark; City Dispensary, Tilak Nagar; City Dispensary, Sachivalaya; City Dispensary, Barkat Nagar; City Dispensary Durgapura; PHC, Sector-8 Mansarovar; PHC, Sector-6 Malviya Nagar; Veterinary Polyclinic, Panchbatti; Veterinary Hospital, Heerapura; Veterinary Hospital, Jagatpura; Veterinary Hospital, Jaipuria; Veterinary Hospital, Mansarovar; Veterinary Dispensary, Jamdoli; Veterinary Sub-centre, Paldimeena; Veterinary Sub-centre, Ramnagar, Sodala



transported to CBWTF in a fully covered vehicle dedicated for transportation of BMW only. The waste cabin should be designed for storing waste containers in tiers.

It was seen during the joint inspection (29 May 2013) that the BMW collected by CBWTF from SMS Hospital was not put in separate coloured compartments and all the bags were kept commonly in the cabin violating the provision of guidelines. Details such as weight were not taken and the entries were only made in the register on an estimate basis.



State Government stated (November 2013) that RSPCB had issued show-cause notice (August 2013) for revocation and legal action against CBWTF.

#### ***Storage of BMW in improper place at the CBWTF***

**BMW was stored in covered tin shed where basic facilities were not provided**

As per para F of CPCB guidelines waste shall be stacked with clear distinction as per the colour coding of the containers in main storage room. From here, the coloured containers may be sent to the respective treatment equipments. The main storage shall have provisions such as roofing, well ventilated easy to wash floors and walls, smooth and fine surface etc.

During the joint inspection (6 June 2013), it was seen that the existing store room of CBWTF was damaged and BMW was being stored in a covered tin shed. Necessary provision such as roofing, easy to wash floors and fine surface were not provided in the temporary storage room. BMW bags were dumped commonly and not segregated.

State Government accepted the facts and stated (November 2013) that actions had been taken against CBWTF by issuing show-cause notice.

#### ***Disposal of BMW not done in the prescribed manner at the CBWTF***

The following violations of the Rules/Guidelines were noticed at the CBWTF during the joint inspection:

**Required  
temperature was not  
maintained in  
primary and  
secondary chambers  
of incinerator**

- As per Para G of CPCB guidelines, a log book should be maintained for each treatment equipment and it should include measurement of weight of each batch.

It was seen that weight of each batch of BMW to be incinerated was not being shown by automatic recording device of the incinerator and the entries in log book were being made on the basis of estimation.

- Schedules V (A and B) of the Rules provide that while operating the incinerator, the temperature of the primary and secondary chambers was to be maintained at  $800 \pm 50$  °C and  $1050 \pm 50$  °C respectively.

It was seen that though the temperature was being displayed in automotive recording device of incinerator, CBWTF did not maintain the prescribed temperature of chambers regularly for each and every batch of BMW (July 2011 to May 2013). The possibility of emission of toxic pollutants could not therefore, be ruled out.

- According to the standards prescribed for incinerator under Schedule V of Rules *ibid*, five parameters were required to be monitored by the RSPCB.

Scrutiny of data of incinerator revealed that the parameter of 'volatile organic compounds in ash' was not being monitored by RSPCB to maintain the pollution limit.

- According to Schedule I of Rules *ibid*, microbiology and biotechnology waste, waste sharp and solid waste were required to be treated through autoclave.

It was seen that the data of autoclave recording device were not available since 12 April 2013. Autoclave was found to be out of order during inspection on 6 June 2013, as such it could not be ensured whether plastic material and waste sharp were disinfected during this period.

- As per standards under Schedule V of Rules *ibid*, for an autoclave, temperature of not less than 121°C and pressure of 15 pounds per square inch at residence time of not less than 60 minutes should be maintained.

It was seen that the minimum temperature was not achieved during autoclave process and the pressure of autoclave was not being shown in data scanner. As such, it could not be ascertained whether the BMW was properly treated during the autoclave process.

- As per Schedule II of Rule 6 *ibid*, BMW in red bags (disinfected containers, dressings, soiled plaster casts, bedding etc.) should be autoclaved and chemically treated before incineration.

It was seen that the same was being incinerated without disinfecting in autoclave.

State Government, accepting the facts, and stated (November 2013) that actions had been taken against CBWTF by issuing show-cause notice.

***Acceptance of non-segregated BMW by CBWTF***

**CBWTF accepted non-segregated BMW from HCF**

Check list of CPCB guidelines provides that CBWTF operator shall not accept non-segregated waste and report such matters to the prescribed authority.

As already pointed out at para 2.4.1.2 above, 21 HCFs were not segregating BMW. Thus, BMW was being lifted by the operator of CBWTF in non-segregated form. Accepting non-segregated BMW without reporting the matter to prescribed authority was violative of above guidelines.

The State Government, accepting the facts, stated (November 2013) that the problem was largely due to the government hospitals not being able to segregate the BMW as per prescribed colour coding. That is why, the CBWTF was compelled to lift the non-segregated waste. The matter had been taken up with individual hospitals and Medical and Health Department. Fact remains that the CBWTF did not follow the provisions of Rules.

***Location for disposal of bio-medical waste in close proximity of residential area***

As per para B of CPCB's guidelines, CBWTF was required to be located at places which were reasonably far away (500 metres) from residential and sensitive areas so that they had minimal impact on these areas.

CBWTF was located at Khori-Ropara, Kanota, Jaipur, a place where the human population was in close proximity to the facility, in violation of the provisions of guidelines, and thus exposing the residents to harmful environment.

The State Government stated (November 2013) that land to CBWTF was provided by the Local Self Government Department (LSGD). The reply was not acceptable as circular dated 19 January 2010 of LSGD had categorically declared area within a radius of 500 metres of such plant as 'buffer zone' and authorisation to CBWTF was granted by RSPCB ignoring the provision of guidelines.

***Periodical tests not conducted by CBWTF***

**CBWTF did not conduct quarterly test as prescribed in guidelines**

As per para K (7) CPCB guidelines, the CBWTF operator shall carry out stack emission test of the incinerator for parameters, incineration ash test, validation test of autoclave and applicable parameters of any effluent being discharged from the CBWTF, from approved laboratory at least quarterly and submit the report to RSPCB.

Records of RSPCB revealed that the CBWTF operator did not carry out above tests quarterly and submit report to RSPCB during 2010-11 and 2012-13.

The State Government accepting the facts stated (November 2013) that RSPCB would ensure conducting such tests by CBWTF in future.

#### ***2.4.1.4 Monitoring and supervision by RSPCB***

Non-implementation of provisions of Act/Rules with regard to collection, segregation and disposal of BMW on such a wide scale by HCF and CBWTF raises serious questions regarding the efficacy of the regulatory functioning of the RSPCB. Therefore, the records of RSPCB were scrutinised during April to June 2013, which revealed the following deficiencies:

##### ***Identification of HCFs not done by RSPCB***

No survey was conducted by RSPCB for identification of HCFs

Scrutiny of records of RSPCB revealed that identification of operative HCFs was not carried out by the RSPCB.

The State Government stated (November 2013) that the same could not be done due to limited staff and infrastructure facilities. It further stated that there are no specific regulations under which new HCFs were required to get themselves registered.

The reply was not acceptable in the absence of identification of HCF and it could not be ensured whether all the operative HCFs located in Jaipur have been authorised by RSPCB.

##### ***Inspection of HCFs not conducted by RSPCB***

Inspection of HCFs was not conducted by RSPCB

According to Rule 11 of the BMW Rules, all records maintained by the HCFs under the Rules were to be subject to inspection and verification by RSPCB at any time.

No inspection was conducted in 71 HCFs during the period 2010-13 while inspection in 8 hospitals was carried out intermittently.

The State Government stated (November 2013) that due to limited human resources and other infrastructure facilities, the inspection of HCFs could not be conducted. The fact is that RSPCB failed to fulfil its responsibility.

##### ***Non-submission of complete Annual Reports by RSPCB to CPCB***

Delay in submission of Annual Reports to CPCB

As per Rule 10 of BMW Rules, every occupier was to submit an annual report to the RSPCB by 31 January every year about the categories and quantities of BMW generated and disposed of by him during the preceding year. RSPCB was to send this information to the CPCB by 31 March every year.

Scrutiny of the annual reports of RSPCB revealed that the annual reports for the year 2010-11 and 2011-12 were sent to CPCB on 1 September 2011 and 22 August 2012 respectively as against the scheduled date of 31 March of the respective year. Category-wise BMW generated and treated was not indicated in the reports. Per day generation of BMW in the report was shown as 12,640.06 kg and 14,171.05 kg during 2010-11 and 2011-12 respectively, while per day treatment was shown as 7,554.04 kg and 9,646.25 kg BMW only. There was no indication of the manner in which the remaining quantity of 5,086.02 kg and 4,524.80 kg BMW were disposed of. Of 79 government HCFs, 70 HCFs did not send the prescribed annual reports to RSPCB, while 9 HCFs<sup>27</sup> sent their annual reports after a delay of up to five months.

The State Government stated (November 2013) that Annual Report was prepared as per the format prescribed by CPCB. As regard the discrepancies in the figures of BMW generated and treated, the State Government stated that the figures of BMW generated were on estimated basis whereas figures of BMW treated were based on actual basis. Moreover, RSPCB is taking action against all such HCFs which are not connected with CBWTF.

The reply was not acceptable as in the absence of details of quantities and categories of BMW required to be indicated, the annual report was incomplete.

## Medical Education Department

### **2.4.2 Public private partnership for lease of Manas Arogya Sadan heart care and multi speciality hospital: Loss of ₹ 290.16 crore due to manipulation of tender evaluation and agreement**

#### **2.4.2.1 Introduction**

Mention was made in paragraph 3.5.3 of the Report of the Comptroller and Auditor General of India (Civil) for the year ended 31 March 2010 that Manas Arogya Sadan hospital building constructed at Mansarovar, Jaipur at a cost of ₹ 26.08 crore in April 2009 was not utilised for 20 months. In-principle approval of the State Government was taken to invite private participation to run the hospital as a joint venture in January 2010. A committee under the chairmanship of Principal Secretary, Medical Education Department, was constituted in March 2010 to examine the proposals and finalise the private partner. PDCOR Limited (PDCOR), a joint venture company of Government of Rajasthan and Infrastructure Leasing & Financial Services Limited (IL&FS) were engaged as consultants for processing, documentation,

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27. Satellite Hospital, Banipark; Satellite Hospital, Sethi Colony; SMS Hospital; Mahila Chikitsalaya; Zanana Hospital; J.K. Lon Hospital; Chest diseases hospital; Haribux Kanwatia Hospital; Jaipuria Hospital

formulation of Request for Proposal (RFP) document, documents related to signing of agreement etc. A concession agreement was finally executed on 7 December 2011 with M/s Metro Institute of Medical Sciences Private Limited, New Delhi (METRO) to operate the hospital on lease for a period of 30 years or until its earlier termination. The hospital began its operations (September 2012) after 40 months of completion of the building.

Scrutiny of the process of invitation of proposals, evaluation of bids, execution of the agreement and the performance of the hospital was undertaken in audit to examine whether norms of propriety and transparency, with due regard to indices like inviting Expressions of Interest (EoI)/Request for Qualification (RFQ), RFP and signing of agreement etc. were followed to obtain optimum value for money. Audit findings, duly discussed with Principal Secretary, Medical Education Department on 12 November 2013, are discussed in the succeeding paragraphs.

#### ***2.4.2.2 Poor appreciation of industry financial ratios leading to unrealistic financial criteria and resultant loss of time***

**Stipulation of financial eligibility conditions far from the industry averages**

In the EoI issued in February 2010, the financial eligibility was stated as minimum net worth of ₹ 30 crore as on 31 March 2009 and minimum average net cash accrual of ₹ 50 crore in the last three consecutive financial years (2006-07 to 2008-09) or Return on Net Worth (RoNW) of almost 167 *per cent* ( $50/30 \times 100$ ). All the six bids received (20 March 2010), which included large hospitals such as M/s Escorts Hospital, New Delhi, M/s Max Health Care Institute, New Delhi, Soni Hospital, Jaipur and Alchemist Hospital, New Delhi could not meet such stringent requirements and were therefore rejected.

Scrutiny of financial results of other two prominent public limited companies (Fortis and Apollo) running large hospitals, showed that their RoNW ranged only between 5 and 11 *per cent*, because of the huge capital investment in land, buildings and equipment. Hence criteria of financial capability required under the EoI, were not realistic. In the revised notice inviting RFP, issued in January 2011, the financial eligibility was changed to a more realistic minimum net worth of ₹ 20 crore and turnover of ₹ 50 crore.

Thus, stipulation of financial eligibility conditions far from the industry averages resulted in loss of precious 11 months. This indicated that financial eligibility conditions put in the EoI were not properly analysed by the PDCOR, resulting in revision of RFP and delay in finalisation of bid. This also raises questions about the competence of the consultant.

Accepting the facts, State Government stated (October 2013) that delay in examining/processing the EoI was made good when single stage bidding route was adopted, i.e. the RFP document was floated in January 2011 without inviting a fresh EoI. Further, it was also contended (November 2013) that the health care sector was relatively a newer territory for PDCOR.



The reply is not acceptable as inclusion of unrealistic financial conditions in the EoI, which was indicative of incomplete analysis by PDCOR, led to issue of revised notice (January 2011) with changed financial eligibility conditions.

#### 2.4.2.3 Manipulation of concession fee in evaluation of bids

##### Rejection of financially higher proposals

In consonance with the widely prevalent practice for Public Private Partnership (PPP), the RFP document *ibid* stipulated that subject to fulfilment of technical and financial benchmarks, the final selection was to be made on the basis of the concession fee quoted by the concessionaire. The evaluation of bids in such cases involves calculating net present value (NPV) of the revenue projections and the fee quoted. Guidelines issued (January 2006) by the Government of India for PPP in the Central Sector prescribe a detailed memorandum to be submitted to the PPP Appraisal Committee including *inter alia* the revenue streams of the project (annual flows over project life) and the NPV of revenue streams with 12 *per cent* discounting. The State Government also issued detailed guidelines in May 2012 entirely based on GoI guidelines *ibid*.

The relevant clauses in the RFP document and the manner of conducting pre-bid conference, evaluation of bids and selecting the successful bidder for award of concession/contract were as follows:

- Clause 1.1 (Volume-IV-Draft Concession Agreement) of RFP document defines "Concession Fee" as the fee payable by the Concessionaire to the Concessioneing Authority as a percentage of gross revenue generated from the project to be paid to the Concessioneing Authority in quarterly instalments, beginning from commercial operations date till the end of the concession period, in accordance with the provisions of sub-clause 11.1 of this agreement. Likewise, Clause 11.1 *ibid* states that the Concessionaire shall, with effect from the date of starting partial commercial operations till the end of the concession period, pay in each financial year a concession fee to the Concessioneing Authority in Indian rupees equivalent to the agreed percentage of gross revenue generated from this project, as quoted by the preferred bidder in the financial proposal (as specified in format at Appendix-13<sup>28</sup> of volume-III of RFP document) and accepted by the concessioneing authority.
- Clause 35.2 Volume-III of RFP document stipulates "the financial proposals shall be ranked on the basis of the concession fee (percentage of gross revenue generated from the project and to be paid to the authority in quarterly instalments beginning from the date of starting of partial commercial operations till the end of concession period) quoted by the bidders in the

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28. Appendix-13 (Volume-III) prescribed formats for the Financial Proposal containing information about the financial plan for the project including revenue estimates and projected Annual Income Statements from each revenue source, projected Profit and Loss Statement, projected Cash Flow Statement and the projected Balance Sheet.

format as specified at Appendix-13 of this volume. The bidder quoting the highest annual concession fee shall be ranked as highest bidder (H-1).

Audit scrutiny revealed that in response to the RFP, only three bids were received from METRO, M/s Max Health Care Institute Limited, New Delhi (MAX) and M/s Escorts Heart Institute and Research Centre Limited, New Delhi (ESCORTS). All the three were found eligible by the project committee, based on the technical and financial benchmarks. The project committee considered the criteria for evaluation of financial proposals, as laid down in clause 35.2 volume-III, but ignored the last sentence of the clause stated above that would have made the bid of METRO as the H-1. Based on the 7.20 *per cent* of gross revenue quoted by them (METRO), the project committee decided to invite (METRO) for a presentation on 26 April 2011. PDCOR was directed to prepare the financial proposal evaluation report, taking into consideration all financial aspects of the project. PDCOR also ignored the above condition while preparing the report. After considering the evaluation report, the project committee decided (3 June 2011) to issue letter of award (LoA) to METRO.

Audit observed that the annual concession fee, as per RFP, was dependent on three variables viz. the percentage of gross revenue, total gross revenue and duration of the lease (i.e. 30 years). The gross revenue would in turn depend also on the investment the private partner would make and the consequent quality and range of services that would be offered. While all these information were sought and received from the bidders, they were overlooked by the committee. In the evaluation report these were incorporated as 'other information'. The following variables were included in the financial proposal evaluation report but ignored in making the selection.

- MAX had proposed investment of ₹ 60 crore and ESCORTS of ₹ 36.38 crore, as against ₹ 30 crore shown by METRO.
- As per the agreement with METRO, the gross revenue projected for 30 years was ₹ 1,551.52 crore and the corresponding State Government's share @ 7.20 *per cent* was ₹ 111.66 crore. As against this, MAX had projected gross revenue of ₹ 16,638.21 crore and ESCORTS had projected ₹ 3,334.49 crore. Thus, the share due to GoR would have been ₹ 332.26 crore and ₹ 144.05 crore from MAX and ESCORTS respectively, even at the lower percentages<sup>29</sup>. This shows that the amount of concession fee quoted by MAX was ₹ 220 crore and that of ESCORTS was ₹ 33 crore higher than the amount accepted by the committee for METRO.

Therefore, deviation from relevant provision and ignoring other information submitted in the bids, impacted in rejection of financially higher proposals of

29. MAX: one *per cent* in first year and 2 *per cent* second year onwards of gross revenue; and ESCORTS: 4.32 *per cent* of gross revenue



MAX and ESCORTS, which would not only have provided higher capital investment but also higher revenue to the State Government.

The State Government stated (October 2013) that there could be no question of any clause of the RFP document, partly or entirely, that could be excluded/overlooked while evaluating the bids. They argued that the gross revenue projections given by the bidders are estimates and not assured returns and this could not form the basis for deciding the concession fee, besides capital investment was as per the patients' requirement. It was further clarified (November 2013) that as per first para of clause 35.2 'financial proposals shall be ranked on the basis of the concession fee (*percentage* of gross revenue generated from the project) quoted by the bidders'. Once this had been stated as the criteria, the second part, read with the first part did not, and could not have, conveyed any other exclusive criteria.

The reply was not acceptable as the condition of ranking the bidder quoting the highest Annual Concession Fees as H-1, under clause 35.2 of volume-III of RFP document, was not to be ignored while evaluating the bids, as the criteria for selection of bidder should be derived by considering full text of clause 35.2. Procedure for selection of the highest bidder quoting highest annual concession fee has further been elaborated in clauses 35.6, 35.7 and 35.8 *ibid*. It was not correct to say that gross revenue projections given by the bidders could not form the basis for deciding the concession fee as the project committee got the revenue commitments (April 2011) from the pre-qualified bidders indicated in their financial proposals. Moreover, the argument that capital investment was as per the patients' requirement, was also not correct as the facilities available to the patients would be directly related to investment by the Concessionaire.

#### ***2.4.2.4 Manipulation in projected profitability statement of the concession agreement***

**Projected gross revenue and the concession fee were arbitrarily reduced in the signed agreement**

In the presentation made after opening of financial proposals on 26 April 2011, before a final decision was taken by the committee, METRO projected 30 years' revenue stream aggregating ₹ 5,580.90 crore and concession fee of ₹ 401.82 crore. This was also included in the projected profitability statement in the format prescribed under Appendix 13, submitted on 27 April 2011. These figures were also reflected in the financial proposal evaluation report (4 May 2011) and considered by the project committee on 3 June 2011. The final evaluation concluded that the METRO proposal would yield higher gross revenue as well as higher concession fee. However, the 30 year projections of gross revenue and concession fee were shown as ₹ 1,551.52 crore and ₹ 111.66 crore respectively in projected profitability statement annexed to the agreement.

After having used higher projections in the evaluation, the projected gross revenue and the concession fee were arbitrarily reduced in the signed agreement by ₹ 4,029.38 crore and ₹ 290.16 crore respectively. In fact, even the projections of ₹ 5,580.90 crore in evaluation report were based on an

assumption of 10 *per cent* Compound Annual Growth Rate (CAGR) which too was low as compared to the performance (13 to 21 *per cent* CAGR) of the healthcare sector during the relevant period. Assuming an average CAGR of 15 *per cent* during this period, a reasonable revenue flow for 30 years would have been nine times (₹ 13,820 crore) of the amount (₹ 1551.52 crore) taken in the agreement. Thus, a manipulation in the figures of projected profitability statement in the agreement resulted in loss of ₹ 290.16 crore.

The State Government stated (October 2013) that the concession fee discovered through competitive bidding process was 7.2 *per cent* of the gross revenue on actual basis. Therefore, the statement showing the projections/estimates of financial performance was only the supplementary information and does not affect Government interest. As per provisions of RFP, these estimations/projections did not have any bearing on the sole bid criteria to award the project. It was further clarified (November 2013) that as no bidder was ready to commit to the projected revenue, therefore, mere projections were not taken into account.

The reply is not acceptable as the Project Committee in their meeting (April 2011), prior to opening of the financial proposals, asked the representatives of the prequalified bidders whether they were willing to commit their revenue and revenue share of the State Government, as per the percentage revenue quoted in Financial Proposals. Out of three bidders, MAX had shown willingness to give required commitment even if the revenue/turnover mentioned in the business plan was not achieved. Moreover, these financial projections/estimations were also incorporated in the Financial Proposal Evaluation Report (4 May 2011). Therefore, it was incorrect to contend that projections/estimates of financial performance did not affect Government interest as the same were calculated on the basis of projected revenue for evaluation and comparison of the bids for ranking. In case, these estimations/projections did not have any bearing on the sole bid criteria to award the project, the necessity of keeping these provisions in the RFP needed to be explained. Moreover, no clarification for manipulation in projected profitability statement was given by the State Government.

#### ***2.4.2.5 Failure to protect Government revenue by not making revenue projections binding on the concessionaire***

##### **Non-making of any clause in the agreement to protect Government Revenue**

As stated in the para above, selection of the concessionaire as the highest bidder (H-1) was to be made on the basis of projected annual income and concession fee over 30 years. No provision was made in the agreement to penalise the Concessionaire in case the revenue projections and the service delivery targets were not met. As per the agreement with METRO the first year fee was projected as ₹ 2.29 crore. As against this, the Concessionaire deposited concession fee of ₹ 0.16 crore for the period September 2012 to March 2013 against the projected concession fee of ₹ 1.34 crore for seven months. In the absence of any clause in the agreement there is no recourse for the State Government to protect revenue and ensure optimum utilisation of the infrastructure.

The State Government stated (October 2013) that revenue projections were not made binding on the Concessionaire because such a provision would have defeated the purpose of providing high quality healthcare services at affordable prices to the common people and providing applicable elements to the below poverty line (BPL) patients. Further, applicable penalties on the Concessionaire in case of deviation are adequately addressed in schedule-VI of volume-IV of the concession agreement.

The reply is not acceptable as the condition of revenue share of the State Government was incorporated in the concession agreement and was not necessarily in conflict with the condition of providing high quality healthcare services at affordable prices to the common people. Applicable penalties on the Concessionaire in case of deviation under schedule-VI are also not leviable in case of non-achievement of service delivery targets as envisaged under paragraph 4 'Social obligations and entitlements' of schedule-I of concession agreement.

***2.4.2.6 The object of reducing the pressure on Sawai Man Singh Hospital and treatment of BPL families not realised***

**No reduction in the pressure of Sawai Mansingh Hospital**

The primary purpose for sanction of this project was to reduce pressure on Sawai Man Singh (SMS) Hospital, Jaipur. As per reports of the Medical Education Department, SMS Hospital handles approximately 5,000 outdoor patient department (OPD) patients and 429 indoor patient department (IPD) patients per day. In peak seasons, this number could go up to 10,000.

In the first 13 months of its commercial operation (September 2012 to September 2013), M/s Metro MAS Hospital Private Limited<sup>30</sup> handled only 75 OPD and 7 IPD patients per day. There has obviously been no reduction in the pressure on SMS Hospital.

In terms of sub-clause 2.1.4 (b) of the concession agreement, Concessionaire was required to ensure that at least 20 *per cent* of the patients were from BPL families failing which they would be required to pay to the Government for the unutilised quota at the rate of annual average revenue per BPL patient.

Audit scrutiny of statistical reports submitted by the Concessionaire to the Concessioning Authority, revealed that out of 29,277 OPD patients treated in the M/s Metro MAS Hospital during September 2012 to September 2013, only 573 patients (1.95 *per cent*) were from BPL families. Likewise out of 2,237 IPD patients, only 52 (2.32 *per cent*) treated during December 2012 to September 2013 and 204 out of 13,748 (1.48 *per cent*) diagnostic/ investigations were carried out during September 2012 to March 2013.

The State Government stated (October 2013) that as per concession agreement, the Concessionaire is liable to make payment for the unutilised quota of BPL patients at the end of every financial year and needful is being done in this regard. The State Government intimated (November 2013) that there has been a steady increase in the number of OPD and IPD patients.

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30. Registered name (10 June 2011) of the hospital run by METRO

The reply is not acceptable as objectives of concession agreement were to provide special care for the BPL patients and any other disadvantageous category of patients as may be notified by the State Government. Moreover, there is always a scope for avoiding such category of patients by giving preference to patients of general category on payment of a meagre sum for unutilised quota. Moreover, the increase in number of OPD and IPD patients was also not significant as shown above.

#### ***2.4.2.7 Rights of property handed over to Concessionaire without registration of project site lease deed***

**Movable and immovable assets were handed over to concessionaire without registration.**

According to Clause 4.1.3 of Concession Agreement, the project site shall be given on lease by the Concessioneing Authority to the Concessionaire on or before the compliance date on an "as-is-where-is basis" inclusive of all movable and immovable assets under a valid and binding project site lease deed for a period that shall be co-terminus with the concession period. The project site lease deed shall be duly registered with the competent authority at the Concessionaire's cost at the earliest.

Audit scrutiny revealed that the project site comprising land measuring 15,028 square metres (sqm) and building together valuing ₹ 147.27 crore (cost of land ₹ 120.77 crore at district level committee rate of ₹ 80,366 per sqm and cost of building ₹ 26.50 crore (May 2012)) was handed over to the Concessionaire without registration of a valid and binding project site lease deed at the Concessionaire's cost. The Concessionaire started partial commercial operation from September 2012 against the provision of the concession agreement.

The State Government stated (October 2013) that the Concessionaire was handed over the project site only after fulfilment of the condition precedent (clause 3.3 of volume-IV) as given in the concession agreement. The Concessionaire has, however, opted for submission of applications to various authorities for exemption/waiving-off of the stamp duty/registration fee. It was further informed (November 2013) that matter was pending for decision in Finance Department.

The reply is not acceptable because under sub-clauses 3.2.1 (a) and (b), the Concessioneing Authority is required to execute project site lease deed and hand over the project site only after execution of such project site lease deed in accordance with clause 4.1.3.

#### ***2.4.2.8 Delay in execution of concession agreement at Government Level***

**Delay in execution of concession agreement**

In terms of the Letter of Award (LoA) issued by the Principal, SMS Medical College, Jaipur to METRO, the concession agreement was to be executed within 15 days from the date of issue of award (9 June 2011).

The concession agreement was, however, executed only on 7 December 2011 by the State Government after 181 days.

The State Government stated (October 2013) that delay in execution of concession agreement was due to examination/review of the same at various department/levels of the Government.

The reply is not acceptable as duly examined draft concession agreement was incorporated in the RFP document with the condition that agreement was to be executed within 15 days from the date of issue of letter of award.

Thus, manipulation in tender evaluation and agreement by omitting crucial condition for deciding H-1 bid, rejection of the financially higher proposals of MAX and ESCORTS, absence of a provision for penalising the concessionaire in case the revenue projections and service delivery targets were not met and irregular handing over of property to the Concessionaire without registration of project site lease deed indicated undue favour given to the Concessionaire leading to revenue loss of ₹ 290.16 crore.

### **School and Sanskrit Education Department**

#### **2.4.3 Setting up of Model Schools at block level as benchmark of excellence**

##### **2.4.3.1 Introduction**

The Ministry of Human Resource Development (MoHRD), Government of India (GoI) launched a Centrally Sponsored Scheme in November 2008 for setting up of 6,000 Model Schools as benchmark of excellence at the block level. The objective of the scheme was to provide quality education to rural talented children in the Educationally Backward Blocks (EBBs) by setting up a model school in each EBB on Kendriya Vidyalaya (KV) template. The scheme was to be financed by GoI and the State Government in the ratio of 75:25 during the 11<sup>th</sup> Five Year Plan and 50:50 during the 12<sup>th</sup> Five Year Plan.

MoHRD selected 186 EBBs in 2007-08, for setting up of model schools in Rajasthan and approved opening of 160 schools in three phases (91 in July 2010, 43 in December 2010 and 26 in September 2012).

Rajasthan Council of Secondary Education (RCSE)<sup>31</sup>, Jaipur, a registered society under chairmanship of Principal Secretary, School and Sanskrit Education Department, is an independent body like Kendriya Vidyalaya Sangathan and is responsible to implement the scheme and manage model schools established in EBBs.

##### **2.4.3.2 Implementation of the scheme**

Scrutiny of records of the RCSE, Jaipur, during June to August 2013, revealed that work of construction of only 71 schools<sup>32</sup> was taken up and only 7 were

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31. Registered under the Rajasthan Societies Registration Act, 1958 (February 2009)

32. Schools completed but possession not taken over: 7; construction at foundation level: 5; plinth level: 13; roof level: 22; and finishing stage: 24



completed but possession of these was not taken over. In the remaining 64 schools construction was at different stages as of May 2013.

As per the time schedule furnished by the State Government to MoHRD, the construction work including preconstruction work, survey and tendering process was to be completed in 11 months and the schools were supposed to be functional from the academic year 2011-12. Deficiencies noticed in implementation and completion of the scheme are enumerated below:

### ***Delay in acquisition of land***

**RCSE acquired land for model schools in 31 blocks with a delay by one to three years**

Para 4.3 of the scheme guidelines (guidelines) provided that land for schools would be identified and provided by the State Government free of cost.

Scrutiny of records of RCSE revealed that the Project Approval Board (PAB) approved (July 2010) schools in 91 blocks. However, the position of land available with RCSE for construction of model schools, was as under:

**Position of land acquired for construction of model schools**

Year of acquisition	Number of sites selected during the year	Change of sites during 2012
Before approval of first phase		
2009	49	04
2010	10	
<b>Total</b>	<b>59</b>	<b>04</b>
After approval of first phase		
2010	02	
2011	14	09
2012	13	11
2013	02	-
<b>Total</b>	<b>31</b>	<b>20</b>
Land yet to be acquired (Nagaur)		
-	<b>01</b>	-
<b>Grand Total</b>	<b>91</b>	<b>24</b>

Source: As per information provided by RCSE

The table shows that RCSE possessed land in 59 blocks only at the time of approval (July 2010) of the proposal of first Phase. Thus, RCSE got the proposal approved for 91 schools (first phase) without having clear possession of land in 32 blocks. It took one to three years (2010-13) after approval of the proposal in acquiring land in 31 blocks while it is yet to be acquired in 1 block (Nagaur).

The State Government stated (November 2013) that as per the guidelines, allotment of land for model schools was to be made free of cost. Accordingly, the proposals were submitted to GoI on allotted land by the District Collector.

The fact, however, remained that proposals for 32 blocks were submitted to GoI without acquisition of land which ultimately delayed setting up of schools in these blocks.

**Land allotted for model schools without proper planning, survey and feasibility study**

### ***Changes in location of schools***

RCSE conducted a feasibility study of all the lands for construction of schools through State level inspection parties. Based on their reports, the Executive Committee, RCSE recommended (January 2012) change in the location of 24 schools as the land allotted by District Collectors for these schools was not found feasible due to absence of provision of hostel, medical, and drinking water facilities. A proposal to this effect was submitted (January 2013) by RCSE to MoHRD, approval of which was awaited (August 2013).

The State Government stated (November 2013) that initially, when the land for schools in 91 blocks were selected, there were no instructions from GoI that land should be within a distance of 5 kms from block headquarters and therefore, the collectors allotted land wherever it was available. On subsequent review of these sites, it was found that successful running of some of the schools was not practicable and therefore, decision to change sites of 24 schools was taken to ensure proper utilisation of the funds.

The reply was not correct as the selection of sites was made without proper planning, survey and feasibility reports.

### ***Delay in finalisation of the executing agency***

PAB, MoHRD approved (July 2010) construction of 91 model schools in first phase. RCSE discussed (September 2010) various alternatives for construction/design of model schools and considered (February 2011) getting the work done through some external agency like Public Works Department (PWD) or Rajasthan State Road Development and Construction Corporation Limited (RSRDC). Further, the State Government noticed (April 2011) that performance of RSRDC in respect of other works entrusted to it, was not satisfactory. The Government also noticed that it was not possible for the Council to carry out the work as it did not have separate field engineers and its technical branch was not in full operation. RCSE finally decided (July 2011) to entrust the work to PWD.

Accepting the facts, the State Government intimated (November 2013) that due to the absence of experienced engineers and involvement of high construction cost it was decided to get this work done through PWD. Fact remained that the Government took 12 months in deciding the agency, which resulted in delay in the construction of the schools.

### ***Standard specifications of schools not followed***

**Norms and guidelines of MoHRD, not followed in construction of model schools**

Para 3 of the guidelines provided that the model schools would have infrastructure and facilities of the same standard as in KVs. As per building plan approved by MoHRD (July 2010), sixteen class rooms, two computer rooms, four laboratories, one library, one office room, one principal room, one



vice principal room and eleven other rooms<sup>33</sup>, were to be constructed in a model school.

Scrutiny of records revealed that RCSE, in its meeting (24 January 2013) noticed construction work by PWD in an area of approximately 15,000 square feet per school against the estimated area of 22,287 square feet, stipulated in the detailed estimates submitted by PWD. However, no action was taken by RCSE in this regard. In a joint inspection (10 July 2013 to 22 July 2013) of five blocks, it was observed in audit that in three blocks<sup>34</sup>, only 10 class rooms and in two blocks<sup>35</sup>, only 6 class rooms were being constructed. Computer rooms, library and 7 other rooms<sup>36</sup> as provided in the guidelines, were not constructed in any of the schools. Moreover, there was no provision for play ground, garden, auditorium etc. in any of the schools. The position in other schools could not be ascertained as no information was provided (August 2013) by RCSE.

The State Government stated (November 2013) that construction work to the extent of ₹ 2.80 crore in a smaller area was being done by PWD, due to difference in the sanctioned and tendered rates. Rest of the work as per specifications, would be done on availability of funds after revision of unit rates, for which matter was being pursued with GoI. This confirms that standard specifications at par with KVs, were not being followed, thereby defeating the purpose of the scheme. Further, the unit cost of ₹ 1,867 per square foot sought by PWD against the unit cost of ₹ 1,256 per square foot estimated by it, was 49 per cent higher and did not reflect in the prevalent construction cost.

#### *Distant locations of model schools*

**Model Schools were located up to distance of 75 km from Block Headquarters**

While considering the second phase proposal of the State Government, PAB observed (December 2010) that schools located 25-30 kilometres (km) away from block headquarters would make it difficult for students from all parts of the block to attend the school and, therefore, approved only those schools which were located within 5 km from block headquarters. This implies that this aspect was to be considered by RCSE while selecting sites for model schools.

Scrutiny of records revealed that in 23 blocks, schools were located 6 to 75 km away from block headquarters.

The State Government argued (November 2013) that the criterion of distance from blocks headquarters was made by PAB for the first time in December 2010. PAB did not issue instructions to this effect during approval of first phase.

33. Resource room, activity room, art room, SUPW/Workshop, Medial Room, Examination Room, Staff Room, NCC Room, General Store, Counter Room and PET Room

34. Jugalpura (Newai Block), Todaraising (Todaraising Block, Tonk District), Deedwana (Lalsot Block, Dausa District)

35. Kheria Khurd (Dausa Block, Dausa District), Potlan (Sahada Block, Bhilwara District)

36. Resource room, activity room, art room, SUPW/Workshop, NCC Room, Counter Room and PET Room

The argument was not acceptable as even after PAB's observations, RCSE did not adopt this criterion in nine<sup>37</sup> cases where selection of land was made after December 2010.

### 2.4.3.3 Financial Management

Under para 11.1 and 11.2 of the guidelines, central share was to be released by MoHRD and the State Government share by Secretary, Education (Group-I) Department directly to the Project Director, RCSE, Jaipur. Sanction orders issued from time to time by GoI for releasing of funds, required incurring expenditure of 2.5 *per cent* of construction cost of model school on management, monitoring, evaluation and research (MMER).

The position of funds received by RCSE from GoI and State Government and expenditure incurred thereagainst, is shown below:

#### Position of funds received and expenditure incurred under the scheme

(₹ in crore)

Phase	Year	Funds released by GoI	Funds released by SG	Total funds released by GoI and SG			Funds released to PWD	Total Expenditure incurred
				Construction cost	MMER	Total		
First phase	2010-11	32.65	10.88	42.46	1.07	43.53	Nil	-
	2011-12	59.06	19.69	76.83	1.92	78.75	91.84	-
	2012-13	-	-	-	-	-	39.20	110.61
<b>Total</b>		<b>91.71</b>	<b>30.57</b>	<b>119.29</b>	<b>2.99</b>	<b>122.28</b>	<b>-</b>	<b>-</b>
Second phase	2011-12	49.92	8.21	56.71	1.42	58.13	-	-
	2012-13	Nil	8.43	8.23	0.20	8.43	-	-
<b>Total</b>		<b>49.92</b>	<b>16.64</b>	<b>64.94</b>	<b>1.62</b>	<b>66.56</b>	<b>-</b>	<b>-</b>
<b>Grand Total</b>		<b>141.63</b>	<b>47.21</b>	<b>184.23</b>	<b>4.61</b>	<b>188.84</b>	<b>131.04</b>	<b>110.61</b>

Observations on utilisation of funds are enumerated below:

#### Short drawal/non-utilisation of funds

As per para 11.3 of the guideline, 50 *per cent* of the central share would be released as first instalment after commitment for matching contribution from State Government. The remaining fund was to be released only after the receipt of expenditure statement/utilisation certificate as per General Financial Rules and at least 50 *per cent* of the grant released had been utilised by the society.

RCSE was eligible for receiving a grant of ₹ 281.69 crore<sup>38</sup> for construction of 91 schools (first phase) against which ₹ 122.28 crore only was released by the GoI and the State Government. Adequate efforts were not made by RCSE to

37. Balotra, Barmer, Dungarpur, Hurda, Kishangarh Vas, Mahuwa, Manohar Thana, Rajsamand, Sawaimadhopur

38. (₹ 3.02 crore per school including cost of construction and other facilities + 2.5 *per cent* MMER) × 91 schools

access the remaining funds of ₹ 159.41 crore of first phase. Moreover, RCSE did not furnish utilisation certificate (UCs) to GoI. This resulted in non-release of the remaining grant by GoI/State Government. Reasons for non-submission of UCs, though called for (August 2013), were not provided (November 2013).

RCSE received (2011-13) a grant of ₹ 66.56 crore for construction of model schools in 43 blocks (second phase) which remained unutilised as the construction work of these schools had not started (August 2013). RCSE decided (January 2013) that construction of 20 schools<sup>39</sup> of the first phase and 43 schools of the second phase, for which grant had already been received, would be taken up only on receipt of GoI approval of revised unit cost. This resulted in idling of the grant.

This was confirmed by the State Government (November 2013).

#### ***Avoidable expenditure***

**Avoidable expenditure of ₹ 21.83 crore on payment of *pro rata* charges**

Para 4.3 of guidelines provided that the construction of the model school buildings would be done by state societies. Contrary to this, RCSE allotted the work to PWD and a memorandum of understanding (MoU) was signed (November 2011) between State Project Director, RCSE and Chief Engineer (Buildings), PWD for a total cost of ₹ 254.80 crore including 13 *per cent pro rata* charges. Against this, RCSE released a total amount of ₹ 131.04 crore to PWD during 2011-13.

Scrutiny of records revealed that, PWD undertook construction of 71 schools only involving expenditure of ₹ 198.80 crore<sup>40</sup>, including *pro rata* charges of ₹ 21.83 crore<sup>41</sup>. Principal Secretary, School and Sanskrit Education Department suggested (July 2012) RCSE to make a request to State Government for waiver of these charges but no such request was made by RCSE. Thus, by entrusting the work to PWD, instead of getting it done by the society itself, RCSE incurred an additional liability of ₹ 21.83 crore on *pro rata* charges.

The State Government clarified (November 2013) that the proposal of waiver off of *pro rata* charges was not accepted by PWD. It was further contended that *pro rata* charges were being charged on all deposit works by PWD. Provision of *pro rata* charges was also incorporated in the MoU.

The fact remained that entrusting the work to PWD, resulted in additional liability of ₹ 21.83 crore.

#### ***Excess/irregular expenditure and diversion of management, monitoring, evaluation and research (MMER) funds***

Sanction orders of GoI, releasing funds for model schools, contained provision of incurring expenditure of 2.5 *per cent* of construction cost of model school on MMER.

39. Work of one school not started and of 19 schools transferred back to RCSE by PWD.

40. 71 schools × 2.80 crore per school

41. ₹ 2.365 crore × 13 *per cent* × 71 schools = ₹ 21.83 crore

Following irregularities in payments/diversion of MMER funds were noticed:

- RCSE incurred an expenditure of ₹ 1.12 crore on pay and allowances of Assistant/Junior Engineers in 21 districts even though PWD being the executing agency was supervising and monitoring the work and no supervisory work was done by Assistant/Junior Engineers of RCSE.
- ₹ 1.31 crore was incurred on pay and allowances of Assistant/Junior Engineers of nine districts, where works of model schools had not started and two districts which were not covered in the scheme.
- As per clause 2 of sanction order of GoI, the grant should be utilised on the programme as per approved guidelines and no deviation was permissible. This was also reiterated by State Government under clause 3 of sanction orders.

Scrutiny of records revealed that RCSE unauthorisedly diverted MMER funds amounting to ₹ 2.99 crore to other schemes (₹ 1.32 crore<sup>42</sup> for *Rashtriya Madhyamik Shiksha Abhiyan (RMSA)* and ₹ 1.67 crore for Girls' Hostel Scheme).

Accepting the facts, the State Government stated (November 2013) that as funds were not available in RMSA and Girls' Hostel Scheme, the amount was spent on these schemes, treating it as a loan. Action was being taken to get the amount transferred back to the Model School Scheme.

#### **2.4.3.4 Lack of monitoring and evaluation**

**RCSE and its committees did not monitor the construction work of model schools**

Para 12.2 of guidelines stipulated that internal monitoring would be through RCSE. Para 14 of the guidelines also provided for continuous evaluation of the working of the schools through a regular and well structured system. Besides, an independent agency may be assigned the task of monitoring the scheme, including progress of the construction work. State Government would also set up committees at District and State level for monitoring the scheme. Scrutiny of records revealed that:

- State Government constituted District Level Committees headed by respective District Collectors but the Committees have not monitored the construction work which resulted in non-completion or delay in construction works.
- RCSE also issued instructions (February 2012) to District Project Coordinators (DPCs) that Head Masters of the nearest schools would supervise the construction work of model schools and organise monthly meetings to review the progress of construction at district level. RCSE further instructed (May 2012) all DPCs and Assistant Engineers, RMSA to inspect the site of model schools and submit report to Executive Engineer.

However, neither any supervision/inspections/monthly meetings were carried out by Head Masters and Assistant Engineers nor any such reports were received by the Executive Engineer (Headquarters), RCSE.

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42. Teacher training: ₹ 97.14 lakh and purchasing computers: ₹ 34.94 lakh

The State Government stated (November 2013) that periodical inspections were carried out by District Project Coordinators/Assistant District Project Coordinators and Assistant Engineers, reports of which were available at respective offices. Inspections of model schools were also carried out by State Project Directors/Additional Project Directors, Controller, Finance, Executive Engineer (Headquarters), RCSE and other officers, reports of which were available in (Headquarters), RCSE.

The reply is not acceptable as no such reports were made available to audit by RCSE.

- Moreover, no evaluation of monitoring the scheme, including progress of the construction work, was carried out by any independent agency.

The State Government stated (November 2013) that monitoring of construction is being done regularly by engineers of PWD and monthly progress report of this, is being submitted to and reviewed by RCSE.

The reply was not acceptable as RCSE did not have any information regarding actual constructed area by the PWD for each model school which was indicative of lack of monitoring. It was also noticed that no independent agency was assigned the task of monitoring of the scheme.

#### **2.4.3.5 Recommendations**

- The Department should take all measures to get the construction work completed so that the targeted group can benefit from the scheme.
- RCSE itself should manage the construction work of model schools to avoid payment of pro rata charges to other agencies and thus reduce unit cost.
- RCSE should review why the unit cost (₹ 1,867 per sqft) is much higher than the estimated unit cost of ₹ 1,256 per sqft.
- The schools which have been completed should be taken over immediately and staffing and admission process should be started.

### **Social Justice and Empowerment Department**

#### **2.4.4 Irregularities in disbursement of post matric scholarships in Social Justice and Empowerment Department**

##### **2.4.4.1 Introduction**

Post matric scholarship scheme is a centrally sponsored scheme to provide financial assistance to the students belonging to Scheduled Caste (SC), Scheduled Tribe (ST) and Other Backward Class (OBC) studying at post matriculation or post secondary stage to enable them complete their education.

In the context of reports in the media<sup>43</sup> and complaints received on fraudulent drawals of post matric scholarships (PMS) in several districts, audit of the 'Internal Control Systems' in the Social Justice and Empowerment Department (SJED), Rajasthan, on disbursement of scholarship to students of SC, ST and OBC communities, covering the period 2008-13 was undertaken (April-June 2013) in the office of Commissioner, SJED and eight districts<sup>44</sup> selected on the basis of expenditure incurred on PMS in District Level Offices (DLOs) under SJED and complaints received. An expenditure of ₹ 1,227.23 crore was incurred by the State Government on disbursement of PMS during 2008-2009 to 2012-2013.

Test check of records of 49,196 beneficiaries (₹ 29 crore approximately), out of the 9,83,895 (₹ 578.93 crore), were conducted in selected districts to determine the *modus operandi* of these leakages. Scrutiny of records revealed irregular/excess payments to 6,731 students or 14 *per cent* out of the total 49,196 students' whose disbursements were checked. Such payments were highest (22 *per cent*) in Jaipur and Tonk districts.

The details of the irregularities are enumerated below:

#### ***2.4.4.2 Payment of scholarship to private Colleges/Institutions instead of direct payment to students through account payee cheques***

Prior to 2008-09, in case of students studying in private institutions, the department was disbursing scholarships to SC, ST and OBC students through these private institutions. Government of Rajasthan directed (December 2008) that for timely payment, scholarship would be disbursed directly to students through bank accounts from the academic year 2008-09. However, the Government clarified (February 2009) that in cases of students not in receipt of bank account numbers, the scholarship of such students for 2008-09 would be disbursed as per the earlier procedure and with effect from 1st April 2009, such scholarship should be disbursed through bank account only.

Scrutiny, however, revealed that during 2008-09 and 2009-10 an amount of ₹ 39.49 crore<sup>45</sup> was paid to private institutions/colleges in the test checked districts instead of direct payment to student through Bank Account. This indicated lack of the efforts by the department in opening the bank account for students. From 2009-10 onwards, except by DLOs, Ajmer and Alwar, payment was being made through bank account of the students.

Most of the irregularities pertained to private institutions during the year 2008-09 and were attributable to the release of scholarships to private institutions through their bank accounts, rather than to the students' accounts.

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43. Rajasthan Patrika (25, 28 January; 26 February 2013); Dainik Bhaskar (12, 30 March 2012)

44. Ajmer, Alwar, Baran, Dausa, Jaipur, Karauli, Sawaimadhopur and Tonk

45. Ajmer: ₹ 3.49 crore, Alwar: ₹ 5.57 crore, Baran: ₹ 0.74 crore, Dausa: ₹ 2.47 crore, Jaipur: ₹ 14.83 crore, Karauli: ₹ 7.95 crore, Sawaimadhopur: ₹ 1.47 crore and Tonk: ₹ 2.97 crore



To plug this loophole in 2008-09, the State Government issued instructions towards the end of the academic year (December 2008) but failed to enforce these instructions during 2008-09. Out of the irregular payment of the ₹ 4.78 crore noticed by audit during 2008-2013, payment of PMS to private institutions alone constituted ₹ 4.21 crore during 2008-2009 (88 *per cent*), as discussed in succeeding paragraphs.

#### 2.4.4.3 Irregularities in distribution of scholarship

##### *Payment of fraudulent claims*

Government of India (GoI) requested (December 2006) “to ensure that a foolproof mechanism is placed in the State Government so that PMS scheme is implemented without any pilferage and scope for fraudulent payments”. State Government endorsed the GoI instructions to DLOs and directed (March 2007) to ensure that scholarships were granted to eligible students of recognised educational institutions only.

Scrutiny revealed that DLO Jaipur had released payment to three non recognised institutions for students not studying in these institutions and the scholarship was disbursed on the basis of documents like caste certificates, domicile certificates and income certificates whose genuineness was doubtful. As per findings (June 2010) of Deputy Director, SJED, Jaipur, the amount released to these institutions was actually drawn by one Shri Shailendra Kumar, authorised by the institutions, instead of crediting the amount in students’ accounts. Similarly DLO Bharatpur paid ₹ 5.69 lakh to concerned students through institution which was not in existence. Details of such fraudulent payments are given below:

##### Payment of fraudulent claims

(₹ in lakh)							
S. No.	Name of Institution	Name of Sanctioning Authority	Name of Scholar ship	No. of students	Amount paid	Period	Status of the institutes
1	2	3	4	5	6	7	8
1	Medical & Technology Institute of Nursing	Dy. Director, SJED, Jaipur	ST	17	07.58	2008-09	Not recognised
2.	Shri Krishna College of Nursing, Kotputli	Dy. Director, SJED, Jaipur	SC	18	08.40	2008-09	Not recognised
3.	Vinayak Veterinary College of Medicine, Sitapura Industrial Area, Jaipur	Dy. Director, SJED, Jaipur	ST	31	20.06	2008-09	Not recognised
4.	Sardar Singh Nursing College, Mangrol, Muraina ( Madhya Pradesh)	Dy. Director, SJED, Bharatpur	SC	11	04.40	2008-09	Not recognised
				10	12.71	2008-09	Not recognised
				10	05.69	2009-10	Not in existence
	<b>Total</b>			<b>97</b>	<b>58.84</b>		

**Source:** Extracted from the records of the department



Thus, scholarship was sanctioned by DLOs Jaipur and Bharatpur without verifying genuineness of the claims of students and status of the institutions which resulted in fraudulent payment of ₹ 58.84 lakh in 97 cases.

The State Government stated (October 2013) that the three institutions (serial No. 1 to 3) had been black listed, actions for recovery under LR Act against them were under process and first information reports had been lodged against them. The Government also stated that the fourth institution (Sardar Singh Nursing College Mangrol Muraina) was not in existence and the name and addresses of students were found bogus. In this case the report has also been submitted in the court. Further, action against the erring officers was under way.

#### ***Excess reimbursement of fee to students studying in private institutions***

SJED issued clarification (April 2008) for disbursement of fees prescribed by the State Government to the students of SC/ ST category studying in privately run Nursing Institutes and Industrial Training Institutes (ITIs). It further clarified (March 2010) that reimbursement of fee to students studying in private ITIs would be limited to the fee prescribed for self financing scheme in Government ITIs i.e. ₹ 12,000 Electrician trade and ₹ 11,500 for Fitter and Diesel Mechanics trades for the year 2008-09.

Scrutiny of records revealed that in seven test checked districts<sup>46</sup>, fee was reimbursed to 4,699 SC/ST students studying in private ITIs on the basis of the actual fee paid and not limited to the fee prescribed (per annum) for these courses. A total payment of ₹ 8.62 crore was made against payable amount of ₹ 5.50 crore, which led to an excess payment of ₹ 3.12 crore.

The State Government stated (October 2013) that as per clarification furnished by DLOs Alwar, Ajmer, Dausa, Jaipur, Karauli, Sawaimadhopur and Tonk, fee structure was issued in March 2010 by the directorate while the payment was made during 2008-09. It was further stated that detailed inquiry was being conducted for financial irregularities.

The reply is not acceptable as the instructions for restricting the fees was issued in April 2008 and clarified in March 2010.

#### ***Payment of scholarship to students of unrecognised institutions***

Para III (ii) of scholarship guidelines provides that scholarships will be given for the study of all recognised post matriculation/post secondary courses pursued in recognised institutions. Further, Distance Education Council (DEC) IGNOU clarified (January 2006) that the State Universities/Deemed to be Universities are not permitted to offer distance education courses outside the state and that operation of private study centres/franchising was not permissible.

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46. Ajmer (83 students: ₹ 0.02 crore), Alwar (1,037 students: ₹ 0.55 crore), Dausa (1,243 students: ₹ 0.68 crore), Jaipur (977 students: ₹ 0.75 crore), Karauli (614 students: ₹ 0.66 crore), Sawaimadhopur (297 students: ₹ 0.32 crore) and Tonk (448 students: ₹ 0.14 crore)

Scrutiny revealed that payment was made to 44 students for Air Hostess and Hospitality training courses imparted during 2008-09 by Viinzs Academy, Malviya Nagar, Jaipur, authorised by Global Open University, Dimapur, Nagaland to run these courses. Global Open University was recognised by DEC (IGNOU) for offering these courses in the State of Nagaland and not for imparting training programme in Rajasthan through private study centres. As the institution was not recognised for payment of scholarship in the State, payment of ₹ 51.34 lakh to the students of Viinzs Academy, Jaipur was irregular.

The State Government stated (October 2013) that action had been initiated for recovery. However, the fact remains that the department did not verify the recognition of the institution before sanctioning scholarships indicating poor internal controls.

### ***Excess/double payment of scholarships***

Para V (iii) of the scholarship guidelines and note below this para provides that compulsory non-refundable fee, charged by recognised institutions, can be fully reimbursed as per the fee structure which may include fee for enrolment/registration, tuition, games, library, magazine, medical examination and any other fee compulsorily payable by the students and approved by the authority. As per Para V of the said guidelines, the value of scholarship also includes maintenance allowance.

Audit scrutiny revealed that scholarship of ₹ 43.58 lakh was paid to 1,694 students against ₹ 27.32 lakh payable during 2008-09 to 2011-12 resulting in excess payment of ₹ 16.26 lakh, as detailed below:

### **Excess/double payment of Scholarships**

(₹ in lakh)

S. No.	Manner in which excess/double payment made	Name of Districts	No. of students	Amount payable	Amount paid	Excess Payment	Period
1.	Reimbursed of fee in excess of the amount paid by the students	Jaipur	11	0.68	4.96	4.28	2008-09
2.	Reimbursement of fee in excess of the fee structure/ amount approved by government authority.	Baran, Jaipur and Karauli	24	5.95	8.95	3.00	2008-09 and 2011-12
3.	Excess reimbursement of fee due to wrong /incorrect calculation	Jaipur	4	1.43	2.27	0.84	2008-09
4.	Payment of maintenance allowance in excess of the rates prescribed by government authority	Jaipur and Karauli	1640	15.90	21.01	5.11	2008-11
5.	Double payment of scholarships to the same students simultaneously by two institutions or by the same institution under different/same course or twice in a year.	Alwar, Karauli Jaipur and Tonk	15	3.36	6.39	3.03	2008-10
<b>Total</b>			<b>1694</b>	<b>27.32</b>	<b>43.58</b>	<b>16.26</b>	

**Source:** Sanctions of scholarship and paid bills of DLOs

The State Government stated (October 2013) that action was being taken for recovery. This indicated poor scrutiny of the applications by DLOs which resulted in excess/double payment.

#### 2.4.4.4 Control Weaknesses

##### *Inadequate scrutiny of applications*

As per instructions (August 2009) the students were required to submit their application forms to DLOs through the concerned institutions, along with documents like caste certificate, birth certificate, attested copy of certificates in respect of all examination passed, domicile certificate, income certificate of parents/ guardians, original copy of fee receipts etc. to avail of the scholarship.

Scrutiny of records revealed that in following cases, scholarships aggregating ₹ 40.08 lakh were sanctioned during the period 2008-13 without the requisite documents with the applications:

##### **Requisite documents not found enclosed with applications for Scholarship**

(₹ in lakh)				
S. No.	Documents not attached with application	Name of the District	No. of cases	Amount
1	Domicile /Caste Certificate	Jaipur, Sawaimadhopur and Tonk	20	4.03
2	Fee receipt	Dausa, Sawaimadhopur	08	1.14
3	Gap Certificate by the students on non judicial stamp paper if there was no continuation in study	Dausa, Jaipur, Karauli, Sawaimadhopur, Tonk, Baran	58	9.97
4	Valid proof of Income of Parents/ Guardians of students	Dausa, Jaipur, Karauli, Sawaimadhopur, Tonk	41	10.52
5	In the case of change of subjects/ course of study for which the scholarship was originally awarded without prior approval of the State Government	Dausa, Jaipur, Karauli, Sawaimadhopur, Tonk	39	6.02
6	In the case of students holding other scholarships/ stipend	Dausa	01	0.10
7	Affidavit from the Parents in support of income	Baran	11	2.19
8.	Last Mark-Sheet of qualifying examination	Jaipur, Sawaimadhopur, Tonk	14	3.53
9.	Signature of the authority of the application forwarding Institution	Sawaimadhopur, Tonk	15	2.58
	<b>Total</b>		<b>207</b>	<b>40.08</b>

**Source:** Applications of scholarships, sanctions and paid bills of DLOs

In such circumstances, irregular payment due to non-admissibility and non-entitlement could not be ruled out.

The State Government stated (October 2013) that required documents are being enclosed and recovery of irregular payment, if any, would be made.

#### ***Non-verification of income of parents***

SJED directed (August 2007) all DLOs to verify the income of parents/guardians of student randomly and to take necessary action if any case of irregularity is found. The eligibility for SC/ST candidate was ₹ one lakh per annum (April 2003) which was revised to ₹ two lakh per annum (July 2010).

Consequent upon receipt of a complaint regarding drawal of scholarships by 34 students, on the basis of false income certificate issued by Tehsildar, during 2006-07 to 2011-12, DLO, Jaipur issued notices and effected recovery of ₹ 19.19 lakh from 13 students. However, recovery of ₹ 38.66 lakh from 21 students was still pending (June 2013), despite notices (June 2013) to the concerned students.

Scrutiny revealed that random verification of Income of parents/ guardians of students was not carried out before sanctioning scholarship in Ajmer, Dausa, Sawaimadhopur and Tonk.

The State Government stated (October 2013) that due to shortage of staff random verification of income of parents/guardians of students was not done and action was being taken for recovery of the remaining amount.

#### ***Rush of expenditure during March***

A major factor responsible for inadequate scrutiny of applications and other checks was that in five out of eight test checked districts, the expenditure was more than 50 per cent in the last month of the financial year, during 2008-09 (Alwar), 2009-10 (Baran, Karauli), 2010-11 (Ajmer, Karauli), 2011-12 and 2012-13 (Ajmer, Alwar, Baran, Jaipur, Karauli). It was observed that out of 6,731 cases of irregular/excess payments pointed out by audit in the preceding paragraphs, 4,500 cases pertained to these districts (1,040 in Alwar, 683 in Karauli, 2,777 in Jaipur), indicating that rush of expenditure during the last month contributed to improper scrutiny of applications and non-verification of documents which resulted in irregular/excess payments.

The Department stated (September 2013) that last date of receipt of applications is till the last date of the financial year and that delay in receipt of applications for scholarships resulted in rush of expenditure at the end of the financial year.

The reply is not acceptable as the Department did not devise any time bound system to ensure receipt of application for scholarship throughout the year, so that rush of expenditure at the end of the year, could be avoided.

***Bank drafts/cheques lying undisbursed***

Rule 13 of Part-I of General Financial and Account Rules provides that payment of money which are indisputably due and are inevitable should not be postponed.

Scrutiny of records revealed that bank drafts/banker's cheques of the students worth ₹ 18.18 crore<sup>47</sup>, pertaining to period 2008-09 to 2012-13, were lying with the Drawing and Disbursing Officers in all test checked districts. No action for their revalidation and disbursement had been taken.

The State Government stated (October 2013) that cheques/bank drafts remained undisbursed either due to non-existence or incorrect bank accounts. It was further stated that efforts were being made to disburse these cheques/bank drafts.

The reply is not acceptable as the Government had not devised any mechanism for timely disbursement of cheques/bank drafts to the students. This raises serious doubts about the genuineness of the claims.

***Shortage of Staff***

Audit scrutiny revealed that out of 4,145 posts sanctioned in various cadres in the Department, 1,743 posts mainly Deputy Directors (14), Assistant Directors (35), District Probationary and Social Welfare Officers (38), Assistant Accounts Officers (2), Accountants (33), Junior Accountants (33), Hostel Superintendents (300), Upper Division Clerks (23), Lower Division Clerks (97) were lying vacant as of March 2013. This was affecting execution of schemes adversely as confirmed by the State Government in para 2.4.4.4.

***Poor persuasion for compliance by Internal Audit Wing***

Internal Audit is a part of internal control mechanism. It is an independent function within the organisation, providing periodical evaluation on the level of compliance with the Department rules and procedures.

Internal Audit of the Department is conducted annually by three teams under the Chief Accounts Officer, who in turn issues the report to the audited units for compliance and remedial action. Periodicity of Internal Audit is one year.

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47. Ajmer (₹ 0.11 crore), Alwar (₹ 0.11 crore), Baran (₹ 0.02 crore), Dausa (₹ 0.28 crore), Jaipur (₹ 17.46 crore), Karauli (₹ 0.03 crore), Sawaimadhopur (₹ 0.16 crore), Tonk (₹ 0.01 crore)

It was observed (June 2013) that 1,974 paragraphs of 192 Inspection Reports pertaining to the period 2008-09 to 2012-13 were pending for want of compliance indicating poor response of audited offices to the internal audit observations and poor persuasion for compliance/follow up action by Internal Audit wing.

The position of audited units *vis-à-vis* shortfall is as follows:

**Position of internal audit**

Year	Total auditable units	Units audited during the year	Percentage of shortfall
2008-09	103	101	02.00
2009-10	103	101	02.00
2010-11	103	074	28.15
2011-12	103	026	74.75
2012-13	103	036	65.05

Source: Information provided by the department

Shortfall of internal audit increased from 2 *per cent* during 2008-09 to 75 *per cent* during 2011-12. Inadequate internal audit increases risk, possibilities of non-detection/late detection of financial and administrative irregularities. Besides, Department also did not conduct any evaluation study to know the overall impact of the scheme on the beneficiaries.

The State Government stated (October 2013) that pendency in Internal Audit was due to shortage of staff.

The fact remains that internal audit needs to be strengthened to optimise the benefits of the scheme to students of weaker sections.

### Departments of Medical Health & Family Welfare and Medical Education

#### 2.4.5 Unproductive expenditure due to non-functioning of Trauma Care Centres

#### Non-functioning of Trauma Care Centres despite incurring expenditure of ₹ 9.47 crore and failure of departments to demand the remaining assistance of ₹ 21.76 crore

Memorandum of Understanding (MoU) was signed (September 2007) between Ministry of Health and Family Welfare (MoHFW), Government of India (GoI) on one part and Government of Rajasthan, Department of Medical Health & Family Welfare (DoMH&FW) and Department of Medical Education (DoME)



on the other part, to develop a network of Trauma Care Centres (TCCs), in collaboration with National Highways Authority of India, under a Centrally sponsored scheme for up-gradation and strengthening of emergency facilities in government hospitals located on national highways. The MoU was to remain operative till 31 March 2012. The objective of the scheme was to bring down the morbidity and mortality on account of accidental trauma by observing the golden hour concept. State Level Monitoring Committee, comprising of Medical Superintendents of Hospitals concerned, officers from construction agencies concerned, officers from State Procurement agency and representative from GoI (MoHFW) with Health Secretary of the State Government as its Chairman was to review the implementation of action plan once in every two months in first year and thereafter on a quarterly basis.

As per provisions of the MoU, first instalment of grant-in-aid was to be made available in second half of 2008-09, and subsequent releases were to be regulated on the basis of progress reports and submission of utilisation certificates (UCs). The commitment clauses of MoU, *inter alia*, enjoined upon the State Government to meet requirement of additional staff (for TCCs) by engaging staff on service contract basis, outsourcing sanctioned works, ensuring computerised data related to injury surveillance and furnishing UCs and duly audited statement of expenditure (SoE) to MoHFW.

GoI allocated ₹ 67.40 crore<sup>48</sup> (2008-09) for establishing 10 TCCs during 11<sup>th</sup> plan (September 2007 to March 2012), in selected Government hospitals<sup>49</sup> in the State and released ₹ 36.48 crore during the period 2008 to 2013.

Test check (August-December 2012 and January 2013) of records of four TCCs (Udaipur, Kota, Kotputli and Bhilwara) and information collected (July 2013) from the Principal Medical Officers (PMOs) of six hospitals<sup>50</sup>, revealed that the TCCs at SMS Medical College, Jaipur, JLN Medical College, Ajmer and RNT Medical College, Udaipur had started functioning.

The position in the remaining seven TCCs was as follows:

- In New Medical College, Kota, building and equipment work was completed but no staff was deployed. Principal and Controller, Medical College, Kota stated (July 2013) that TCC was being run in orthopaedic unit of the hospital. However, in the absence of required staff, satisfactory functioning of TCC was not possible.

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48. ₹ 9.65 crore each for four Level-II Trauma Centres and ₹ 4.80 crore each for six Level-III Trauma Centres

49. Level-II: Sawai Man Singh Medical College, Jaipur; RNT Medical College, Udaipur; New Medical College, Kota and JLN Medical College, Ajmer  
Level-III: Government Hospitals in Baran, Bhilwara, Chittorgarh, Dungarpur, Kotputli and Sirohi

50. Ajmer, Baran, Chittorgarh, Dungarpur, Jaipur and Sirohi



- Building work was not completed in District Hospitals, Bhilwara.
- In District Hospitals, Baran, Chittorgarh, Dungarpur, Sirohi and BDM Hospital, Kotputli, TCCs could not be made operational due to non-availability of staff and equipment.

It was observed that while three TCCs (Dungarpur, Kotputli and Sirohi) referred 2036 critically injured patients to other hospitals during 2008-13, the figures of such referred patients was not available in rest of four TCCs. Due to non-functioning of TCCs, immediate relief through trauma care facility could not be extended to the critically injured patients, thus risking their lives by referring them to other hospitals.

Non-fulfilment of the commitments/obligations under the MoU by the State Government, resulted in ₹ 7.22 crore remaining unutilised with medical colleges/hospitals and the expenditure of ₹ 9.47 crore on construction of buildings, purchase of equipments, pay and allowances of staff deployed etc., incurred in these seven TCCs (*Appendix 2.1*) was rendered unproductive. This indicated failure of the monitoring committee to monitor/review the progress/implementation of the project.

It was also observed that audited UCs and SoEs, alongwith the financial and physical progress reports, were not sent to MoH&FW by any of the medical colleges/hospitals, despite repeated reminders from MoH&FW (April and July 2011; January, February and May 2012). As a result, the State Government could not demand balance amount of ₹ 21.76 crore (*Appendix 2.1*) of central assistance, thus depriving the public from the benefits of the trauma care facilities.

The State Government, accepting the facts, stated (October 2013) that procurement of equipment was in progress in TCCs, Bhilwara, Chittorgarh, Kotputli and Sirohi. They also stated that manpower was being made available in TCC, Baran, construction of building was nearly complete in TCC, Dungarpur and efforts were being made to run these centres. It was further stated that the critically injured patients were being treated with available staff and equipment or by referring them to nearby hospitals.

Reply confirms that proper relief was not being extended to the critically injured patients, ignoring the golden hour concept. Failure of the State Government to complete the work of construction and procurement of equipment within the scheduled time frame, resulted in non-operationalisation of TCCs and non-drawal of remaining central assistance.

## Medical and Health Department

### 2.4.6 Non-recovery for supply of Not of Standard Quality drug

#### Non-recovery of ₹ 1.50 crore for medicines found 'Not of Standard Quality'

The Government of Rajasthan launched (October 2011) the '*Mukhya Mantri Nishulk Dawa Yojana* (MNDY)' for providing generic medicines, free of cost, to all indoor and outdoor patients in Government Health Institutions.

Rajasthan Medical Services Corporation Limited (RMSC) was constituted (May 2011) for implementation of the scheme. RMSC was to act as Nodal agency, procure quality medicines across the State and supply to all Government Health Institutions through District Drug Warehouses (DDWs). The quality of the drugs procured was to be ensured through empanelled drug testing laboratories.

For supply of drugs, clause 16 of the tender document provided that the drugs should have the active ingredients within the permissible level throughout the shelf life period of the drug. Clause 19 (3) *ibid* provided that the supplier would not be entitled to any payment whatsoever for items found to be 'Not of Standard Quality' (NOSQ) whether consumed or not. On the basis of failure in quality test the product/supplier would be moved for being black-listed.

During test-check (February to June 2013) of records of RMSC, Jaipur it was revealed that M/s Biogenetic Drugs Private Limited was issued orders (September and December 2011) for supply of medicines. The firm supplied the medicines which included 15 batches of Erythromycin Estolate Oral Suspension USP 125 mg/5 ml (Item code no.112) costing ₹ 1.64 crore<sup>51</sup>. Drug test and analysis for this drug was conducted by the empanelled labs<sup>52</sup> (November 2011 to March 2012) and the same was declared as of standard quality. However, during the subsequent stability and quality test (February-April 2013), 14 out of the 15 batches were found 'NOSQ' and the drug was debarred (May 2013) for two years. Meanwhile payment of ₹ 1.64 crore was released to the firm which included ₹ 1.50 crore of NOSQ declared drug. However, the department did not recover ₹ 1.50 crore from the supplier, despite the fact that the drugs were declared NOSQ and failed in qualifying the stability test.

State Government accepted the facts (August 2013) and intimated that recovery of ₹ 1.50 crore had since been made from the claims of the firm.

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51. ₹ 69.35 lakh (P.O. No. 351 dated 29 September 2011; ₹ 94.97 lakh (PO No.821 dated 30 December 2011)

52. M/s Amol Pharmaceutical Limited Jaipur and M/s Oasis Test House Limited Jaipur

### 2.4.7 Unproductive expenditure

#### **Unproductive expenditure of ₹ 1.70 crore due to non-utilisation of Trauma Centre, Burn Ward, Intensive Care Unit and Rehabilitation Centre constructed under Rajasthan Health System Development Project**

Medical and Health Department, Government of Rajasthan, Jaipur accorded administrative and financial sanction (December 2009) of ₹ 87.02 lakh for construction of Intensive Care Unit (ICU) (₹ 29.79 lakh), burn ward (₹ 33.37 lakh) and rehabilitation centre (₹ 23.86 lakh) at General Hospital, Jalore and ₹ 65.00 lakh for construction of trauma centre at Bangar Hospital, Pali under Rajasthan Health System Development Project (RHSDP).

- Test check of records of Principal Medical Officer (PMO), General Hospital, Jalore revealed (January 2013) that RHSDP incurred an expenditure of ₹ 60.72 lakh<sup>53</sup> on repairs, renovation, additional and alteration work for burn ward and rehabilitation centre. The work was completed in March 2011 and handed over to PMO, Jalore in September 2011. Machineries and equipments costing ₹ 7.94 lakh for burn ward and rehabilitation centre were also supplied by the RHSDP and installed in the hospital, between September 2010 and October 2011. For running of burn ward and rehabilitation centre, State Government sanctioned (August 2009) eight posts against which only five Grade-2 nurses (burn ward: four and rehabilitation centre: one) and one junior surgeon (Burn ward) could be deployed as of June 2013.

- Similarly, repairs, renovation, additional and alteration work of trauma centre at Bangar Hospital, Pali completed in March 2011 at a cost of ₹ 70.04 lakh was handed over to PMO, Pali in April 2011. Equipments costing ₹ 31.15 lakh were also supplied by RHSDP and installed at trauma centre of the hospital. State Government sanctioned (August 2009) 16 posts<sup>54</sup> for running the centre. However, no medical personnel were deployed till June 2013.

On this being pointed out (June 2013) PMOs, Bangar Hospital, Pali and General Hospital, Jalore stated that these units could not be utilised due to non-posting of staff.

Thus, burn ward and rehabilitation centre in Jalore and trauma centre in Pali, could not be made operational for about two years, due to non-deployment of staff despite sanction of posts in August 2009. This resulted in unproductive expenditure of ₹ 1.70 crore<sup>55</sup>, apart from depriving the citizens of critical healthcare.

Reply of the State Government was awaited (December 2013).

53. Excluding ₹ 29.79 lakh for repair, renovation and addition of ICU which was in running stage.

54. Junior Specialist-MS surgeon: 1; Medical Officer: 5 and Grade-2 Nurse: 10

55. ₹ 1.31 crore: construction and ₹ 0.39 crore: machinery and equipment

## Women and Child Development Department

### 2.4.8 Loss due to unauthorised and irregular destruction of supplementary nutrition

#### Beneficiaries deprived of nutritional inputs and loss of ₹ 1.82 crore due to unauthorised and irregular destruction of supplementary nutrition

Under the 'Integrated Child Development Services (ICDS) Scheme', launched by Government of India (GoI), supplementary nutrition (SN)<sup>56</sup> is provided to children below 6 years of age and nursing and expectant women of low income families. The State Government issued (February 2008 and January 2011) instructions/ procedures for receiving, storing and distribution of SN. Accordingly, the Child Development Project Officers (CDPOs), ICDS, were required to ensure distribution of SN immediately on first-in-first-out basis. Under no circumstances should it be allowed to become time-barred (four months from the date of manufacture). The SN should also not be kept in stock in excess of one month's requirement. In case SN is not required in the following month for any reason, it should be conveyed to Additional Director (Nutrition) telephonically or through fax, up to fifteenth day of the current month. Deputy Directors (DDs), CDPOs and Supervisors, Women and Child Development Department were also required to inspect anganwadi centres (focal points for delivery of SN) and bring cases of adulterated/time-barred stock to the notice of the higher authorities immediately.

Consequent upon food poisoning incident<sup>57</sup> (May 2011), Director, ICDS, Jaipur directed (May 2011) all DDs of Jaipur Zone-A<sup>58</sup> to stop distribution of SN (*Panjiri*) of Batch No. JP-11 and JP-13. On receipt of verbal orders from the District Collector, Sikar, DD, Sikar directed (31 May 2011) all CDPOs under him, to stop distribution of all types of SN, till further orders. Samples of SN of Batch No. JP 11 and JP 13 were taken (1 June 2011) and sent to State Central Public Health Laboratory, Jaipur. As a precautionary measure, samples of other SNs were also drawn (8 July 2011). Reports conforming to the provisions of Prevention of Food Adulteration Rules, 1955 (not found contaminated/adulterated) were received on 21 June 2011 (SN of Batch No. JP 11 and JP 13) and 21 July 2011 (other SN) respectively.

On receipt of further directions from the Director ICDS (19 July 2011), DD, Sikar issued orders (21 July 2011) to all CDPOs for resumption of distribution

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56. *Panjiri*, *halwa premix* and *upama premix*

57. One incident of food poisoning reported in village Divrala (Sikar) after consumption of SN distributed to six *gadariya* girls (not registered under the scheme) by a lady assistant, one *gadariya* girl died while the other five felt seriously ill. The Chief Medical and Health Officer, Sikar took the samples of the food taken by them, the test report of which revealed that the poisoning was caused by contaminated utensils. Five girls were, however, discharged from hospital after full recovery.

58. Alwar, Dausa, Jaipur, Jhunjhunu and Sikar

of SN and destruction of Batch No. JP-11 and JP 13 along with other time-barred SN within 15 days, after constituting a committee at local level.

Test check (July-August 2012) of records of DD, ICDS, Sikar revealed that 11 CDPOs<sup>59</sup> destroyed (August 2011) SN of Batch No. JP 11 and JP 13 and other time barred SN, as shown below:

**Position of the SN destroyed**

Month of manufacture	Month of expiry	Total quantity of SN destroyed (in quintal)	Quantity of SN of Batch JP 11 and JP 13 (in quintal) <sup>60</sup>	Quantity of other SN destroyed (in quintal)	Amount involved (₹ in crore)
February 2011	June 2011	242.079	-	242.079	0.11
March 2011	July 2011	691.955	-	691.955	0.29
April 2011	August 2011	2,603.618	254.190	2,349.428	1.03
May 2011	September 2011	1,144.182	289.160	855.022	0.39
<b>Total</b>		<b>4,681.834</b>	<b>543.350<sup>61</sup></b>	<b>4,138.484</b>	<b>1.82</b>

Above table shows that SN manufactured in April and May 2011 (expiring in August and September 2011) were destroyed irregularly along with time barred batches. SN manufactured in February and March 2011 (expiring in June and July 2011) were not utilised till July 2011. Thus the CDPOs did not follow various instructions like SN not be kept in stock in excess of one month's requirement, reporting non requirement of SN to Additional Director (Nutrition) and distribution of SN on first-in-first-out basis, resulting in destruction of 4,681.834 quintal of ₹ 1.82 crore of SN. Moreover, SN was destroyed without obtaining approval of competent authority and without following procedure of General Financial and Accounts Rules (GF&AR).

The State Government accepted (August 2013) the facts and intimated that the Investigating Officer in her report (March 2013) held the DD and all CDPOs, ICDS, Sikar, prima facie responsible for non-observance of the various instructions and destruction of SN without approval of competent authority and without following procedure of GF&AR. The department has initiated disciplinary action against the DD and called for explanation from concerned CDPOs.

Thus, the unauthorised and irregular destruction of SN and failure of the department to ensure timely distribution resulted not only in loss of ₹ 1.82 crore but also in depriving the beneficiaries from the nutritional inputs.

59. Danta Ramgarh, Dhod, Fatehpur (Urban), Fatehpur (Rural), Khandela, Laxmangarh, Neem Ka thana, Piprali, Sikar City-I, Sikar City-II and Srimadhapur

60. No payment was made to the supplier firm as he did not accede the request of the department to lift back all consignments of SN of Batch No. JP 11 and JP 13 before they become time barred.

61. Costing ₹ 19.97 lakh

## General

### 2.4.9 Lack of response to audit observations

**Audit is an aid to management for efficiency, effectiveness and good governance. The failure of Government in taking proper corrective action on audit findings indicated weak governance**

According to rule 327(1) of General Financial and Accounts Rules, the retention period for various accounting records ranged between one and three years after audit. Owing to the failure of departmental officers to comply with the observations of Inspection Reports (IRs) within the prescribed retention period, the possibility of their settlement in future appeared to be bleak due to non-availability of records.

As on 31 March 2013, there were 5,270 IRs containing 17,705 paragraphs issued during the period 1991-92 to 2012-13 (up to September 2012) which were pending for settlement. Year wise pendency is as under:

Year	Numbers pending	
	IRs	Paragraphs
Upto 2006-07	978	3,062
2007-08	471	1,515
2008-09	628	1,712
2009-10	828	2,483
2010-11	1,032	3,464
2011-12	949	3,555
2012-13 (upto September 2012)	384	1,914
<b>Total</b>	<b>5,270</b>	<b>17,705</b>

For early settlement of outstanding IRs and paragraphs, the State Government issued (August 1969) instructions to all Departmental officers for sending the first reply to IRs within a month and replies to further audit observations within a fortnight. These instructions have been reiterated from time to time. The instructions issued in March 2002 envisaged appointment of nodal officers and Departmental Committee in each of the Administrative Department to ensure compliance of all the matters relating to audit. Latest instructions were issued in January 2010.

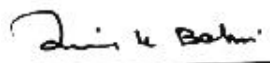
An analysis of 468 IRs issued to various units of Pension Department (421 IRs) and Cooperative Department (47 IRs) revealed that 1380 paragraphs were outstanding as on 31 March 2013. Category-wise details of irregularities commented in IRs are given in the **Appendix 2.2**. It was further noticed that first reply of 257 IRs (Pension Department: 255 and Cooperative Department: 2 IRs) was pending for 6 months to 14 years.

The Finance Department issued (November 2004) instructions for conducting four Audit Committee Meetings per year, but only three Departments adhered



to the instructions of the Finance Department in toto. Only 29 Audit Committee meetings were held by 21 Departments during 2012-13.

Audit is an aid to management for good governance. The failure of the Government in taking proper corrective action on audit findings indicated inadequate compliance mechanism. The Government should look into the matter and ensure that procedures are put in place to ensure submission of prompt and proper response to audit observations, action is taken against the defaulting officials and recoveries of losses/outstanding advances/overpayments are made in a time bound manner.

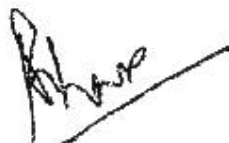


(SUNIL BAHRI)

Principal Accountant General  
(General and Social Sector Audit), Rajasthan

JAIPUR,  
The

Countersigned



(SHASHI KANT SHARMA)

Comptroller and Auditor General of India

NEW DELHI,  
The

# Appendices

## Appendix 2.1

(Refer paragraph 2.4.5; page 57)

### Statement showing unproductive expenditure and non-utilisation of central grant on seven Trauma Care Centres

S. No.	Name of trauma centre	Budget allocated by GoI	Grants released		Expenditure on Building and equipments	Expenditure on HR and other services	Total expenditure	Amount not utilised	Central grant not demanded	Scheduled date of start of construction work	Scheduled date of completion	Actual date of completion	Status of work
			Year	Amount									
Level II TCCs													
1.	New Medical College, Kota	9.65	2008-09 2010-11	0.80 5.79	6.03	0.16	6.19	0.40	3.06	12.03.2009	11.12.2009	August 2010	Unit is being run partly
	Total	9.65		6.59	6.03	0.16	6.19	0.40	3.06				
Level III TCCs													
2	District Hospital, Baran	4.80	2008-09	0.65	0.67	-	0.67	- 0.02*	4.15	NA	NA	-	Not in operation
3	District Hospital, Bhilwara	4.80	2008-09 2012-13	0.65 1.55	0.73	-	0.73	1.47	2.60	25.10.2009	24.04.2010	-	Incomplete as of October 2013
4	District Hospital, Chittorgarh	4.80	2008-09 2012-13	0.65 1.55	0.68	0.02	0.70	1.50	2.60	01.11.2009	30.04.2010	08.10.2010	Not in operation
5	District Hospital, Dungarpur	4.80	2008-09	0.65	-	-	-	0.65	4.15	26.11.2011	25.05.2012	15.04.2013	Not in operation
6	BDM Hospital, Kotputli	4.80	2008-09 2011-12	0.65 1.55	0.53	-	0.53	1.67	2.60	26.05.2009	28.11.2009	13.06.2010	Not in operation
7	District Hospital, Sirohi	4.80	2008-09 2012-13	0.65 1.55	0.65	-	0.65	1.55	2.60	22.06.2009	21.03.2010	21.10.2010	Not in operation
	Total	28.80		10.10	3.26	0.02	3.28	6.82	18.70				
	Grand Total	38.45		16.69#	9.29	0.18	9.47	7.22	21.76				

\*Incurred out of interest earned from the received funds

# Total amount released for 10 TCCs was ₹ 36.48 crore

## Appendix 2.2

(Refer paragraph 2.4.9; page 62)

### Statement showing category-wise details of irregularities commented in Inspection Reports pending as of March 2013

S.No.	Category of irregularity	Pension Department		Cooperative Department		Total	
		Number of paragraph	Amount	Number of paragraph	Amount	Number of paragraph	Amount
1.	Fraud/ misappropriation/ embezzlement/losses/ theft of stores and cash	-	-	6	5.21	6	5.21
2.	Recoveries pointed out by audit and overpayments	995	4.41	28	8.27	1023	12.68
3.	Violation of contractual obligation, undue favours to contractors	-	-	7	11.35	7	11.35
4.	Avoidable/excess expenditure	-	-	1	0.01	1	0.01
5.	Wasteful/ infructuous expenditure	-	-	-	-	-	-
6.	Regulatory issues	170	28.57	25	196.68	195	225.25
7.	Idle investment/ establishment/ stores equipment/ blocking of funds	5	0.06	1	64.08	6	64.14
8.	Delay in commissioning equipment	-	-	-	-	-	-
9.	Non-achievements of objectives	-	-	30	41.15	30	41.15
10.	Miscellaneous	92	0.84	20	5.04	112	5.88
	<b>Total</b>	<b>1262</b>	<b>33.88</b>	<b>118</b>	<b>331.79</b>	<b>1380</b>	<b>365.67</b>