

Chapter I Introduction

1.1 About this Report

This Report of the Comptroller and Auditor General of India (C&AG) relates to matters arising from Performance Audit of selected programmes and activities and Compliance Audit of various Departments of State Government.

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 competent authorities are being complied with. On the other hand, performance audit, besides conducting a compliance audit, also examines whether the objectives of the programme/activity/department are achieved economically and efficiently.

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

This chapter, in addition to explaining the planning and extent of Audit, provides a synopsis of the significant deficiencies in performance of selected programme, significant audit observations made during the compliance audit and follow-up on previous Audit Reports. Chapter-II of this report contains findings arising out of performance audit of selected programme/activity/departments. Chapter-III contains observations on the compliance audit in Government Departments.

1.2 Profile of the Audited Entity

Under General and Social Sector of the Government of Rajasthan, there are 47 departments and 22 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. A brief profile of the Departments is discussed in *Appendix-1.1*.

The comparative position of expenditure incurred by the Government of Rajasthan during 2013-14 to 2015-16 is given in **Table 1.1**.

Table 1.1: Comparative position of expenditure

(₹ in crore)			
Particulars	2013-14	2014-15	2015-16
Revenue expenditure			
General services	23,339	27,868	31,016
Social services	31,486	37,754	43,349
Economic services	20,436	28,920	31,874
Grants-in-aid and Contribution	249	-*	-**
Total	75,510	94,542	1,06,239
Capital and other expenditure			
Capital Outlay	13,665	16,103	21,985
Loans and Advances disbursed	811	701	36,602
Payment of Public Debt	4,116	4,960	4,959
Contingency Fund	-	300	-
Public Accounts disbursement	1,05,605	1,22,061	1,40,432
Total	1,24,197	1,44,125	2,03,978
Grand Total	1,99,707	2,38,667	3,10,217

Source: Audit Reports on State Finances of the respective years.

*₹ 9 lakh only. **₹ 10 lakh only.

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. Principles and methodologies for various audits are prescribed in the Regulations on Audit and Accounts, 2007 and the Auditing standards, 2002 issued by the C&AG.

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 Government Departments/Offices/Autonomous Bodies/Institutions under the General and Social Sector, which are spread all over the State. During 2015-16, financial, performance and compliance audits 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 were conducted by 49 audit parties, manned by Senior Audit Officers/Audit Officers and Assistant Audit Officers who conducted the Audit in the field.

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 1,157 out of the 20,281 units of General and Social Sector Departments, 9,912 audit party days were used during 2015-16. 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. The specific audit findings that have emerged from the Performance Audit/Compliance Audit during the last five years are listed in *Appendix-1.2*.

The current report brings out deficiencies in critical areas which impact the effectiveness of functioning of programmes/activities of the Departments. The significant areas of concern requiring corrective action are discussed below:

1.6.1 Performance audit of programmes/activities of departments

Chapter II of this report contains the performance audits of ‘National Rural Health Mission’ and ‘Implementation of Right of Children to Free and Compulsory Education Act, 2009’. Brief summaries of the Performance Audits are discussed in the following paragraphs:

1.6.1.1 National Rural Health Mission

The National Rural Health Mission (NRHM) was launched by the Government of India (GoI) on 12 April 2005 throughout the country for providing accessible, affordable, accountable, effective and reliable healthcare facilities in the rural areas especially to poor and the vulnerable section of the population.

Baseline survey comprising of Household Survey and Annual Facility Survey was not conducted in the State during 2011-16. Annual State Programme Implementation Plans were submitted with delays and consequently approvals of GoI were also delayed.

Health centres were constructed at inaccessible and uninhabited locations and contracts for construction of buildings were awarded to the contractors without ensuring the availability of land. Less number of health centres were provided in the tribal areas as compared to non-tribal areas. Rural Health Centres (Community Health Centres (CHCs), Primary Health Centres (PHCs) and Sub Centres (SCs)) were having more shortages of essential equipment as compared to District Hospitals. Further, equipment were lying unutilised due non-availability of trained staff. There were shortages in the availability of essential drugs particularly at CHCs and PHCs.

There was a 62.93 *per cent* shortage of manpower in health centres located in rural areas. Only 64.73 and 58.45 *per cent* persons were appointed on contractual basis during 2014-16 respectively. There was shortage of 12.73 *per cent* in selection of Accredited Social Health Activists (ASHAs) and only 42.90 *per cent* of ASHAs could be imparted induction training in the State.

The percentage of women registered in first trimester of the pregnancy, though increased from 46.59 *per cent* to 60 *per cent* during 2011-16, yet 26.93 *per cent* to 31.02 *per cent* pregnant women did not get all three mandatory checkups. Only 67.77 *per cent* pregnant women were given Iron Folic Acid tablets. There was no significant variation in institutional deliveries in the State during 2011-16. There was significant shortfall in Measles, Oral Polio Vaccine booster, Diphtheria, Pertussis and Tetanus booster and Tetanus Toxoid 10/16 immunisation. Involvement of men in the family planning process continued to be abysmally low.

State Health Society utilised 75.11 *per cent* fund during 2011-16. Instances of delay in release of proportionate share by the State Government, diversion of funds, huge unadjusted advances were noticed. State Health Mission did not hold any meeting during 2011-16 and only two meetings of Governing Body were conducted.

The State continues to lag behind the All India Average and stood at 23rd position (out of 28) in Infant Mortality Ratio, 25th position (out of 28) in Maternal Mortality Ratio and 17th (out of 20) in Total Fertility Rate.

(Paragraph 2.1)

1.6.1.2 Implementation of Right of Children to Free and Compulsory Education Act, 2009

To provide free and compulsory education to all children in the age group of 6-14 years, Government of India (GoI) enacted the Right of Children to Free and Compulsory Education (RTE) Act in August 2009. The RTE Act provides that every child of the age of 6-14 years shall have a right to free and compulsory education in a neighbourhood school till completion of elementary education. The RTE Act became operative in the State with effect from 1 April 2010.

Free and compulsory education to all children upto 14 years of age through proper identification, enrolment and retention has not been achieved as 12.40 to 18.74 *per cent* children of 6-13 years of age were not enrolled in any class during 2012-16. Reduction in number of schools by 14.90 *per cent* in 2014-16 and non-distribution of transport allowance to children was noticed.

Admission under 25 *per cent* RTE quota were delayed by two years by the State Government and 11,300 Non-Government Schools representing 16.36 *per cent* did not adhere to the provision of 25 *per cent* RTE quota. The prescribed Pupil Teacher Ratio was not achieved even after five years in 30,549 schools which constitute 51.52 *per cent* and there were huge gaps in infrastructure facilities in the schools. Large numbers of contractual teachers in Government schools are yet to acquire the minimum qualifications. State Advisory Council met only three times against 15 in the last four years.

Thus, the key objective of RTE Act 2009 of universalisation of elementary education encompassing three major aspects of access, enrolment and retention of children in the age group of 6-14 years, was not fully achieved.

(Paragraph 2.2)

1.6.2 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 (three thematic audit paragraphs and 11 draft paragraphs) have been reported in Chapter III. The major observations relate to the following categories:

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

1.6.2.1 Non-compliance with rules and regulations

For sound financial administration and control, it is essential that expenditure conforms to financial rules, regulations and orders issued by the competent authority. This helps in maintaining financial discipline and preventing irregularities, misappropriation and frauds. This report contains instances of non-compliance with rules and regulations involving ₹ 261.66 crore, as given below:

By adopting incorrect norms, Disaster Management and Relief Department incurred inadmissible and irregular extra expenditure of ₹ 47.74 crore towards payment of agriculture input subsidy to farmers.

(Paragraph 3.1)

Avoidable extra expenditure of ₹ 132.88 crore was incurred by Public Health Engineering Department on tender sanction at significantly high rate from typical rates.

(Paragraph 3.2)

Public Health and Engineering Department approved irregular and unauthorised expenditure of ₹ 81.04 crore on execution of additional works in contravention of financial rules.

(Paragraph 3.3)

1.6.2.2 Audit against propriety and cases of expenditure without adequate justification

Authorisation of expenditure from public funds has to be guided by the principles of propriety and efficiency of public expenditure. Authorities empowered to incur expenditure are expected to enforce the same vigilance as a person of ordinary prudence would exercise in respect of his own money. Audit scrutiny revealed instances of impropriety and extra expenditure involving ₹ 36.86 crore. Audit findings are as under:

Establishment of model and small nurseries under National Horticulture Mission without assessing the requirement of plants by Agriculture Department, resulted in unfruitful expenditure of ₹ 1.59 crore.

(Paragraph 3.4)

Unfruitful expenditure of ₹ 6.55 crore incurred by Public Health Engineering Department on incomplete works under Regional Water Supply Scheme. Besides, the objective of the scheme to provide safe drinking water was also defeated, depriving the habitation from fluoride free water for more than six years.

(Paragraph 3.5)

Unfruitful expenditure of ₹ 0.96 crore incurred by Social Justice and Empowerment Department on construction of Navjeevan Hostel without proper assessment and contrary to the provisions of the scheme.

(Paragraph 3.6)

1.6.2.3 Persistent and pervasive irregularities

An irregularity is considered persistent if it occurs year after year. It is deemed pervasive when prevalent in the entire system. Recurrence of irregularities, despite being pointed out in earlier audits, is indicative of slackness on the part of the executive and lack of effective monitoring. This in turn encourages willful deviations from observance of rules/regulations and results in weakening of administrative structure. Audit observed instances of persistent and pervasive irregularities of ₹ 3.51 crore.

Failure of the treasury officers to exercise prescribed checks led to excess/short/irregular payment of pension/family pension amounting to ₹ 3.51 crore.

(Paragraph 3.7)

1.6.2.4 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. Audit findings are as under:

The **Consumer Protection Act, 1986** (CP Act) was enacted by the Parliament to provide simple, speedy and inexpensive redressal for the consumers' grievances. The CP Act gives the consumer an additional remedy besides those already available under other existing laws. The CP Act and the Consumer Protection Rules, 1987 came into effect on 15 April 1987 and the Consumer Protection (Rajasthan) Rules 1987 came into force from 23 July 1987.

The pendency of consumer cases was increasing from 2012 to 2016 and was as high as 46,266 as of 31 March 2016. The disposal of complaint/appeal cases within the prescribed period was only 9.89 *per cent*. The delays were attributable to the lack of adequate infrastructure and manpower. The Rules prescribing the procedure and methodology for smooth functioning of the State Consumer Protection Council and District Consumer Protection Councils were not yet notified and the meetings of the State Council and District Councils were not held regularly.

The purpose of increasing consumer awareness could not be fulfilled as the adequate manpower could not be posted, Consumer Welfare Fund could not be fully utilised and only very few Consumer Clubs in schools were formed. Even though the Consumer Forums were set up to supplement the existing judicial system without all the formal procedures of a Court, 99 *per cent* of the complainants were not confident of filing the case without an Advocate to support them.

(Paragraph 3.8)

Jail Department is functioning to keep the safe custody of prisoners, organise activities to improve and change their living style and habits so that they may join the mainstream of society as useful and good citizens on their release.

Performance Audit (PA) of Jail Department was conducted in 2005. A follow-up audit to review the status of implementation of recommendations of PAC/Audit was carried out in the test checked units covered in earlier PA, to assess the compliance by the Department with reference to issues raised in Audit Report and recommendations of PAC.

It was revealed that there was inadequate security system in Jails and cases of escaping of inmates were increasing. Health facilities to prisoners continued to be inadequate. Further, Department has not made adequate efforts in

revamping Jail industries and ensure sale of Jail products at the competitive prices. Sanctioned works were not completed in time and the completed building were also not utilised.

(Paragraph 3.9)

Hospital Management Information System (HMIS) known as '*Arogya Online*' was an initiative of Government of Rajasthan to deliver better quality of healthcare to citizens of the State through automation. The Arogya Online of Sawai Man Singh Hospital, Jaipur was envisaged to manage critical health related data of hospital operations including vital patient's records and providing solution to support the hospital administration. The system was designed to streamline workflow operations by optimisation of tasks to be performed and enable transition to a paperless clinic. The system also sought to facilitate better sharing of information in the hospital.

Arogya Online project has benefitted both out patients and in-patients due to automation of some of the critical hospital activities, however, non-operationalisation/delayed development of certain modules for operation theatre, bio-medical waste, linen & laundry, sterilisation of equipment, etc., has resulted in not harnessing most of the advantages of a fully automated IT system.

Manual preparation of the reports and patients' register by the hospital staff defeated the objective of transition to a paperless system. Comprehensive and time bound training for acquaintance with HMIS applications was not imparted to all the users. Lack of adequate application controls and validation controls resulted in feeding of wrong patient data into the system which compromised the reliability of database. In absence of proper planning for procurement of hardware and non execution of AMC, large number of hardware equipment became condemnable and lying idle. Disaster recovery and business continuity plan were not formulated to meet the threat to the information.

(Paragraph 3.10)

In Higher Education Department, Sports Infrastructure fee and penalty was not recovered from affiliated colleges due to non-maintenance of proper/effective records and non-compliance of instructions of Board of Management of University of Kota.

(Paragraph 3.11)

Failure of Tribal Area Development Department to get suitable land for construction for *Janjati Bhawans* at Dungarpur, Jaipur and Udaipur Districts and slow pace of work at Banswara, Pratapgarh and Sirohi Districts, resulted in depriving the tribal people of intended benefits.

(Paragraph 3.12)

Failure of Medical Education Department to ensure utilisation/transfer of drugs within the expiry period resulted in time barring of drugs and loss of ₹ 5.46 crore to the exchequer.

(Paragraph 3.13)

Public Health Engineering Department extended undue financial benefits of ₹ 2.97 crore to the contractors by deletion of defective liability clause in the contract agreements.

(Paragraph 3.14)

1.7 Response of the Departments to Performance Audits/Draft Paragraphs

The draft paragraphs are forwarded to the Principal Secretaries/Secretaries of the departments concerned, drawing their attention, for their response. 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 performance audits/thematic audits/draft paragraphs, proposed for inclusion in the Audit Reports. Accordingly all the performance audits/thematic audits/draft paragraphs proposed for inclusion in this report, were forwarded to the Principal Secretaries/ Secretaries concerned.

The concerned departments did not send replies to six out of 16 performance audits/thematic audit paragraphs/draft paragraphs featured in Chapter II and Chapter III. The responses of the concerned departments received in respect of 10 paragraphs have been suitably incorporated in the Report.

1.8 Lack of response to audit observations

Rule 327 (1), read with Appendix 6 of General Financial and Accounts Rules prescribes the retention period of various accounting records, which ranges between one and three years after Audit by Principal Accountants General.

Failure of departmental officers to furnish compliance of the audit observations in Inspection Reports (IRs) within the prescribed retention period of records, however, results in non-settlement of IR paragraphs due to non-availability of relevant records. As on 31 March 2016, there were 5,140 numbers of IRs containing 17,670 numbers of paragraphs, issued during the period from 1994-95 to 2015-16 (upto September 2015) which were pending for settlement. Year-wise pendency is shown in **Table 1.2**.

Table 1.2

Year	IRs	Paragraph
Upto 2008-09	1,054	2,466
2009-10	441	1,183
2010-11	591	1,762
2011-12	606	1,886
2012-13	609	2,496
2013-14	761	2,922
2014-15	776	3,367
2015-16 (upto September 2015)	302	1,588
Total	5,140	17,670

For early settlement of outstanding paragraphs in IRs, State Government issued (August 1969) instructions to all departmental officers for sending 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 for ensuring compliance to all matters relating to audit.

Detailed analysis of IRs issued to two Departments was carried out to study the pendency of responses to the paragraphs brought out in the IRs. Analysis of the IRs of various units of the Women and Child Department (432 IRs) and Public Health and Engineering Department (951 IRs) revealed that 5,400 paragraphs pertaining to 1,383 IRs were outstanding as on 31 March 2016. Category-wise details of irregularities commented in IRs is given in **Appendix I.3**. It was further noticed that first compliance in respect of 4 IRs (issued between November 2014 to October 2015) relating to Women and Child Department and 31 IRs (issued between February 2015 to February 2016) in respect of Public Health and Engineering Department, was pending.

1.9 Follow-up on Audit Reports

The Finance Department of the State Government decided (December 1996) that Action Taken Notes (ATNs) on all paragraphs/reviews that have appeared in Audit Reports be submitted to the Public Accounts Committee, duly vetted by Audit, within three months from the date of laying of the Reports in the State Legislature. A review of the outstanding ATNs on paragraphs/performance reviews included in the Reports of the Comptroller and Auditor General of India pertaining to various Departments as of November 2016, revealed that 16 ATNs¹ were pending from the concerned Departments.

1. Paragraph 3.5 of the Audit Report (State Finances) 2012-13; paragraphs 3.2 and 3.5 of the Audit Report (State Finances) 2013-14 and paragraphs 1.4.5, 1.7.5, 1.9.1, 1.9.2, 1.9.4, 1.9.8, 2.3.4, 2.4, 2.6, 3.2, 3.3, 3.4 and 3.5 of the Audit Report (State Finances) 2014-15.