

Chapter I Introduction

1.1 About this Report

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

Compliance audit refers to examination of the transactions relating to expenditure of the audited entities. This is to ascertain whether the provisions of the Constitution of India, applicable laws, rules and regulations, various orders and instructions issued by the competent authorities are being complied with. Performance audit examines whether the objectives of the programme or activity are achieved economically, efficiently and effectively.

The primary purpose of the Report is to bring to the notice, important results of audit to the State Legislature. Auditing Standards require that the materiality level for reporting should be commensurate with the nature, volume and magnitude of transactions. The findings of audit are expected to enable the Executive to take corrective measures. This would enable them to frame policies and directives to improve financial management of the organisations for better governance.

This chapter, in addition to explaining the planning and extent of audit, provides a synopsis of the significant deficiencies noticed in Performance and Compliance Audit. Chapter II of this Report contains findings arising out of performance audit of Irrigation potential created in Narmada Canal Project. Chapter III contains observations arising out of compliance audit of the Government Departments.

1.2 Profile of Audited Entities

The Accountant General (Economic and Revenue Sector Audit), Rajasthan, Jaipur conducts Audit of the expenditure of Twelve economic sector department. These Departments are headed by Additional Chief Secretaries/Principal Secretaries/Secretaries, who are assisted by Commissioners/Deputy Secretaries and subordinate officers.

The comparative position of expenditure incurred by the Government of Rajasthan during 2013-14 to 2015-16 is given in **Table 1** as follows:

Table 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 CAG is derived from Articles 149 and 151 of the Constitution of India and the CAG's Duties, Powers and Conditions of Service (DPC) Act, 1971.

The Accountant General (Economic and Revenue Sector Audit), Rajasthan, Jaipur conducts audit of expenditure of Economic Sector Departments, including Public Sector Undertakings and Autonomous Bodies of the Government of Rajasthan under the provisions of the CAG's DPC Act, 1971 and the C&AG's Regulations on Audit and Accounts, 2007 issued there under. The principles and methodology for the performance and compliance audit are prescribed in the guidelines and manual issued by the CAG.

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



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

Undertakings and Autonomous Bodies of the Government of Rajasthan through three groups.

1.5 Planning and conduct of audit

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

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

1.6 Significant audit observations

During the last few years, Audit has reported several significant deficiencies relating to implementation of various programmes/activities as well as the quality of internal controls. These findings had impacted the successful implementation of programmes and functioning of the departments through Performance Audit. The deficiencies noticed during compliance audit of the Government departments/organisations were also reported.

The present report contains one Performance Audit on Irrigation Potential created in Narmada Canal Project, three Compliance Audits covering themes on Planning, Implementation and Monitoring of Common Effluent Treatment Plants, Rajasthan Minor Irrigation Improvement Project and Soil and water conservation in catchments of River Valley Projects and 10 individual paragraphs. The highlights are given in the following paragraphs.

1.6.1 Performance Audit of programmes/activities

Performance Audit of Irrigation potential created in Narmada Canal Project.

The Narmada Canal Project is an inter-state project shared by the States of Gujarat and Rajasthan. The Narmada Canal starts from the Sardar Sarovar Dam and after traversing 458 km in Gujarat enters in Rajasthan. The total length of the main canal, distributaries and secondary canal system in Rajasthan is 1792.67 km. The Narmada Canal Project in Rajasthan was approved (January 1996) by Government of India with stipulated date of completion as March 2003. The Culturable Command Area was taken as 1.35 lakh hectares which were subsequently increased from 1.35 lakh hectares to 2.46 lakh hectares.

The Narmada Canal Project has some unique features like irrigation through micro-irrigation system, delivery of irrigation water to farmer groups through

Water User Associations, plantation along canal for bio-drainage and conjunctive use of surface and ground water for prevention of water logging. The concerns in implementation of key aspects of the project are highlighted below:

In the progress reports, the Department had shown the irrigated area as 2.15 lakh hectares (87.40 *per cent*) against 2.46 lakh hectares as envisaged in project report. Till March 2016, only 1193 *diggies* (55 *per cent*) were electrified which showed that the command area shown as irrigated was not actually irrigated through sprinkler or drip irrigation system. This was an important aspect of the project. The land acquired for construction of canal, distributaries, minors and sub-minors was not mutated in the name of the Water Resources Department.

The Department had formed 2145 Water User Associations against 2236 to be formed and handed over assets like *diggies*, pipelines and mono block pumps to 1885 Associations. The Distributary and Project Committees were not formed in any of the water user areas. In absence of electrification of *diggies* (45 *per cent*), the Water User Associations remained largely non-functional. Necessary amendments in rules framed under 'Rajasthan Farmers' Participation in Management of Irrigation Systems Act, 2000' were not carried out to strengthen Participatory Irrigation Management. Water charges were not recovered by Water User Associations as required and absence of recovery/less recovery of water charges indicated lack of monitoring by the Department. The Narmada Main Canal and its distributaries and minors suffered the problem of water theft by nearby cultivators who lifted water from canals to irrigate their fields by using their own water pumps.

The objective of providing bio-drainage in the command area suffered due to lesser plantation and planting of species other than the species mentioned in the project report. No action was taken by the Department to ensure the conjunctive use of ground and surface water for prevention of water logging.

(Paragraph 2.1)

1.6.2 Significant audit observations arising out of Compliance Audit

Planning, Implementation and Monitoring of Common Effluent Treatment Plants

Under the Water (Prevention and Control of Pollution) Act, 1974, every industry has to provide adequate treatment of its effluent before disposal irrespective of whether it is discharged in stream, land, sewerage or sea. The Common Effluent Treatment Plants are considered a viable treatment solution for collective or centralized treatment of effluent, particularly generated from small and medium scale industries. Common Effluent Treatment Plants potentially help in achieving treatment of combined waste water from various industries at lower unit cost and to facilitate compliance with waste water discharge standards.

Rajasthan State Pollution Control Board is the facilitator to coordinate and provide financial assistance, technical guidance and monitoring of the Common Effluent Treatment Plants.

The Rajasthan State Pollution Control Board had neither prepared any comprehensive programme for establishing Common Effluent Treatment Plants in areas where large number of small and medium scale industries were functioning without proper treatment of effluent. It also did not prepare a policy for conducting periodical survey to identify industries which were contributing to water pollution. The Board had also not taken any concrete action for setting up of Common Effluent Treatment Plant in Sanganer, Jaipur in a timely manner.

In Pali district, the functioning of all Common Effluent Treatment Plants was not satisfactory. The treated waste water did not conform to the prescribed standards and was being discharged into *Bandi* river. In Bhiwadi, dried hazardous sludge was lying on open *Kaccha* land in huge quantity without covering shed near a residential area. The Common Effluent Treatment Plant, Jodhpur never operated at its optimum capacity and excess effluent discharged by industrial units was being discharged into *Jojri* river. The Plant also discharged treated waste water into same channel from where it was withdrawing untreated water resulting in mixing of treated waste water with untreated waste water.

Consent to operate/authorization was being given with retrospective effect without ascertaining the compliance of the conditions included in the consent letter. No third party monitoring mechanism was evolved. There was huge shortfall in collection and analysis of samples to ensure that the prescribed effluent standards were met.

(Paragraph 3.1)

Rajasthan Minor Irrigation Improvement Project

The Rajasthan Minor Irrigation Improvement Project was approved (March 2005) by the Government of Rajasthan. The main objective of the project was to rehabilitate the existing minor irrigation facilities and improve water management and agricultural practices, thereby enhancing agriculture income and alleviating poverty. In order to achieve the desired objectives, three components i.e. civil works, technical and institutional support services and consulting services were determined. The main executing agency and the focal point in implementation of the project was the Water Resources Department. The Agricultural Department was responsible for implementation of agriculture extension activities and Medical and Health Department was responsible for controlling malaria.

The delay in appointment of Engineering and Management Consultant adversely affected all activities under civil work component. As a result, the project was delayed and the objective of utilizing surface water through rehabilitation of sub-projects was not fully achieved. Loan from Japan International Cooperative Agency could not be fully availed due to less utilization of budget by implementing agencies. Premature closure of sub-

projects resulted in less creation of capacity for storage of water and less irrigation of Culturable Command Area. Non-completion of work of construction of watercourse structures resulted in non-achievement of the objectives to check the water losses, enhance cultivable area up to the desired extent and extend the benefit of irrigation facilities to the farmers. The failure of Water User Associations in realizing water charges resulted in non-availability of funds for operation and maintenance of sub-projects. The consultant clearly indicated in its report that the evaluation of the impact of the project was premature and the system to succeed would require financial base, enforcement of power and experience of running the system.

(Paragraph 3.2)

Soil and water conservation in catchments of River Valley Projects

The soil and water conservation scheme in the catchments of River Valley Projects was undertaken under 'Macro Management of Agriculture' up to 2012-13. Thereafter this scheme was under 'Rashtriya Krishi Vikas Yojana'. The main objectives of the scheme were to prevent land degradation; soil loss by adoption of multi-disciplinary integrated approach of soil conservation and watershed management; improvement of land capability and moisture regime in the watersheds; promotion of land use to match land capability from the catchments to reduce siltation of multipurpose reservoirs.

In absence of the constitution of Watershed Development Teams, the project was deprived of the expertise required for execution of watershed and other activities. Unplanned construction of permanent structures without ensuring that the vegetative soil conservation works had taken shape. This resulted in non-achievement of the objective of the project to prevent siltation and enhance surface rainwater storage in the multipurpose reservoirs. In absence of the constitution of Self Help Groups, the revolving fund was not disbursed for executing the farming. The allied activities to improve the living standards of the beneficiaries and the objective of the scheme to develop livelihood activities for the landless persons, production system and micro enterprises, therefore, got defeated.

The work of operation and maintenance of assets created under the project suffered due to non-constitution of User Groups. The objective to enhance knowledge and skill of functionaries could not be achieved as workshops and training programmes were not held. Non-utilisation of Corpus Fund and non-collection of user charges affected the maintenance of assets created under the project. Due to non-development of online web-based monitoring system, watershed-wise and activity-wise data for ongoing watershed works were not fed on the website. Third party evaluation of the projects was not done.

(Paragraph 3.3)

Public Works Department (PWD), Rajasthan included *pro-rata* charges of ₹ 7.44 crore on works executed by Rajasthan State Road Development Construction Corporation Limited in contravention to the Rules 5(a) and (d) of Appendix V of Public Works Financial and Accounting Rules (Part-II). According to Rule, when the construction works are executed by an agency

other than the Public Works Department, then agency charges should not be recovered by PWD.

(Paragraph 3.4)

Lack of proper assessment of diversion of traffic from other roads, degree of overloading and non-preparation of cost estimates for normal traffic led to infructuous expenditure of ₹ 3.99 crore on upgradation of road, before the lapse of defect liability period, under Pradhan Mantri Gram Sadak Yojana.

(Paragraph 3.5)

Non-levy of compensation of ₹ 4.66 crore for not maintaining the span-wise progress of work and irregular payment of price escalation of ₹ 0.44 crore.

(Paragraph 3.6)

The construction of road under *Gramin Gaurav Path* Scheme had to be undertaken on already existing Cement Concrete/bitumen roads. A new sub-base on preparation of ground for fresh Cement Concrete roads was not required. The Public Works Department, Rajasthan incurred an avoidable expenditure of ₹ 2.05 crore by inclusion of items of excavation of earth, construction of granular sub-base and laying of compacted graded stone aggregate in the estimates prepared under *Gramin Gaurav Path* Scheme.

(Paragraph 3.7)

The work of construction of bituminous road was awarded above the administrative and financial sanction without proper fund arrangements. This resulted in failure to complete the work and non-fulfilment of the objective of road connectivity even after incurring an expenditure of ₹ 1.78 crore under Pradhan Mantri Gram Sadak Yojana.

(Paragraph 3.8)

The Public Works Department, Rajasthan utilised funds of ₹ 1.72 crore for maintenance of urban roads under 13th Finance Commission. This was unauthorised as the funds released were meant only for the maintenance and renovation of village roads.

(Paragraph 3.9)

Out of 30 roads, 3 roads had already been sanctioned and constructed five to 15 months earlier under other schemes and were under guarantee period. These roads were again sanctioned by the Public Works Department and constructed by incurring an avoidable expenditure of ₹ 1.42 crore against the rule of financial propriety.

(Paragraph 3.10)

The excavated material such as the muck including soil and hard/soft rock generated on account of tunnel excavation was to be used in the construction of road. The cost of the same was required to be deposited by the user agency to the Forest Department. The Forest Department did not raise the demand/realise the cost of excavated material of ₹ 1.52 crore.

(Paragraph 3.11)

Lack of proper watch and ward and non-transfer of the surplus land costing ₹ 9.12 crore by Water Resources Department to Revenue Department resulted in encroachment of the land.

(Paragraph 3.12)

The work was awarded by Water Resources Department before finalisation of the detailed technical estimates. This resulted in avoidable expenditure of ₹ 6.85 crore on price escalation and also delayed the work for more than five years.

(Paragraph 3.13)

1.7 Response of the Departments to Performance Audit /Compliance Audit Paragraphs

The draft paragraphs are forwarded to the Additional Chief Secretary/Principal Secretary/Secretary of the departments concerned, drawing their attention to the audit findings and seeking their response on these findings. 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 Accountant General to discuss the performance audit/draft paragraphs proposed for inclusion in the Audit Report. Accordingly, the performance audit/draft paragraphs proposed for inclusion in this Report are forwarded to the Additional Chief Secretary/Principal Secretary/Secretary concerned.

All the replies to draft paragraphs and performance audit furnished by the State Government have been appropriately incorporated in the Report.

1.8 Follow-up on Audit Reports

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