

**Chapter I**  
**Introduction**



## 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 economic sector departments.

Compliance audit refers to examination of the regularity and propriety of 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 important results of audit to the notice of the State Legislature. Auditing Standards require that the materiality level for reporting should be commensurate with the nature, volume and context of transactions. The findings of audit are expected to enable the Executive to take corrective measures. This would provide them inputs 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 on Contract Management of Road Works in Public Works Department and performance audit on Protection of Forest and Wildlife in Rajasthan. 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 departments<sup>1</sup>. These Departments are headed by Additional Chief Secretaries/Principal Secretaries/Secretaries, who are assisted by Commissioners/Deputy Secretaries and subordinate officers.

The summary of fiscal operations of Government of Rajasthan during the year 2016-17 and 2017-18 is given in table below:

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<sup>1</sup> Public Works Department, Water Resources Department, Forest, Command Area Development, Indira Gandhi Nahar Project, Science & Technology, Information Technology & Communication, Ground Water Department, Environment Department, Tourism, Energy and Industries.

## Summary of fiscal operations

(₹ in crore)

Receipts			Disbursements		
	2016-17	2017-18		2016-17	2017-18
<b>Section-A: Revenue</b>					
Tax Revenue	44,371.66	50,605.41	General Services	39,203.26	43,450.36
Non-Tax Revenue	11,615.57	15,733.72	Social Services	49,371.68	53,064.07
Share of Union Taxes/ Duties	33,555.86	37,028.01	Economic Services	38,565.14	49,326.98
Grants-in-aid from Government of India	19,482.91	23,940.04	Grants-in-aid and Contributions	0.06	0.11
<b>Total Section-A Revenue Receipts</b>	<b>1,09,026.00</b>	<b>1,27,307.18</b>	<b>Total Section-A Revenue Expenditure</b>	<b>1,27,140.14</b>	<b>1,45,841.52</b>
<b>Section-B: Capital and others</b>					
Miscellaneous Capital Receipts	27.84	16.61	Capital Outlay	16,979.72	20,623.28
Recoveries of Loans and Advances	1,713.53	15,133.41	Loans and Advances disbursed	12,965.45	1,334.02
Public Debt Receipts*	43,888.85	28,556.57	Repayment of Public Debt*	5,014.57	11,673.66
Contingency Fund	-	-	Contingency Fund	-	-
Public Account Receipts#	1,56,044.35	1,56,811.26	Public Account Disbursements#	1,48,885.50	1,47,088.02
Opening Cash Balance	8,397.27	8,112.46	Closing Cash Balance	8,112.46	9,376.99
<b>Total Section-B Receipts</b>	<b>2,10,071.84</b>	<b>2,08,630.31</b>	<b>Total Section-B Disbursements</b>	<b>1,91,957.70</b>	<b>1,90,095.97</b>
<b>Grand Total (A + B)</b>	<b>3,19,097.84</b>	<b>3,35,937.49</b>	<b>Grand Total (A + B)</b>	<b>3,19,097.84</b>	<b>3,35,937.49</b>

Source: Finance Accounts for the respective years

\*Excluding net transaction under Ways and Means advances and overdraft

#The figures of Public Account Receipts/Disbursements are shown on gross basis.

### 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 Comptroller and Auditor General's (Duties, Powers and Conditions of Service) 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 Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 and the Regulations on Audit and Accounts,

2007 issued there under by the Comptroller and Auditor General of India. The principles and methodology for the performance and compliance audit are prescribed in the guidelines and manual issued by the CAG. The office also conducts audit of six revenue earning departments of the State.

#### 1.4 Planning and conduct of audit

Audit process starts with the assessment of risk of various Government departments/organisations/autonomous bodies and schemes/ projects, etc. Risk assessments are based on quantum of expenditure, criticality of activities, position of overall internal control systems and the concerns of stakeholders. Previous audit findings are also considered in this exercise. During 2017-18, in Economic Sector -II Audit Wing, 1855 party-days were utilised to carry out audit of 255 units. Further, 1234 party-days were utilised for conducting two performance audits and one thematic audit.

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.

#### 1.5 Significant audit observations

This report contains two Performance Audits i.e. performance audit on Contract Management of Road Works in Public Works Department and performance audit on Protection of Forest and Wildlife in Rajasthan, a compliance audit on Rajasthan Farmers Participation in Management of Irrigation Systems Act, 2000 and six individual paragraphs. The highlights are given in the following paragraphs.

##### 1.5.1 Performance Audit of programmes/activities

Chapter II of this Report contains two Performance Audits i.e. performance audit on Contract Management of Road Works in Public Works Department and performance audit on Protection of Forest and Wildlife in Rajasthan. The salient findings of the performance audits are discussed below:

##### ***Contract Management of Road Works in Public Works Department***

Rajasthan has 2,36,572 kilometers (km) of various categories of roads such as National Highways (NH), State Highways (SH), Major District Roads (MDR), Other District Roads (ODR) and Village Roads (VR).

Contract Management is a critical component for the Public Works Department. Given the volume of transactions involved it is desirable that the Department should have a robust system for ensuring proper implementation of the contracts. We audited the system of contract management to assess whether:

- planning of road works was comprehensive and sanctions of works were compliant with prescribed technical and financial norms/standards;

- tendering and contract management was fair, transparent and competitive and consistent with sectors' best practices and contract variations and payments were managed efficiently as per provisions of agreements and financial rules;
- sound management information system existed for effective planning, monitoring and decision making at all levels in the Department with effective disputes redressal system and the prescribed quality control norms and timelines were adhered to.

During Performance Audit we observed certain deficiencies at different stages of contract management system. The existing framework of rules has gaps and is not consistent with best practices. The Department lacks a comprehensive implementation plan incorporating suitable provisions for prioritization of road works. There were instances where basic norms for cost estimation were not adhered to, tenders were invited before issue of technical sanctions, contractors not meeting the minimum technical requirements were allowed to participate in tenders, *etc.* Cases of violations of Indian Road Congress (IRC) specifications and norms were noticed in designing of roads and their construction such as non-conducting traffic census, wrong calculation of Million Standard Axle, non-testing of California Bearing Ratio of soil, *etc.* Policy objective of ensuring environmental protection through extensive plantation along the roads was not achieved. Many road projects were delayed, however, liquidated damages from the contractors in most of the cases were not recovered attributing the reasons for delay on the part of the Department without justified grounds. Price Variation claims were not calculated correctly, thereby, undue benefit was extended to contractors. Quality testing in road works was not being carried out properly in many divisions. Payments to contractors were being made without ensuring receipt of quality test reports.

- Based on these findings we recommend that the State Government may prepare a comprehensive Road Development Policy for the state. The Department may consider preparation of comprehensive Five Year and Annual Plans for road development to achieve desired objective of providing complete habitation connectivity, improved maintenance and up gradation of all roads. The Department may consider to improve efficiency and competitiveness of the tendering process by issuing guidelines for signing of integrity pact, adoption of proper parameters for assessment of bid capacity of contractors, adoption of an efficient IT solution for various aspects of assets construction and management. The Department may revise and update its Manual to incorporate extant instructions and best practices to improve its efficiency and ensuring transparency in execution of works. The Department may ensure that preliminary/detailed estimates are prepared according to IRC norms and government instructions, duly supported by prescribed tests and survey results. Complete database of registered contractors including registration status, detail of available equipment and technical staff, balance sheets, works executed, *etc.* may be maintained by the Department. The human resources requirements, both in terms of number and qualification, may be assessed in view of the changes in the style of operations in the Department.

***(Paragraph 2.1)***

***Protection of Forest and Wildlife in Rajasthan***

Forests are essential to sustain the life support system on earth. Article 48-A of the Constitution of India requires that the State shall endeavour to protect and improve the environment and to safeguard the forest and wildlife of the country. Recognizing the fact that preservation and conservation of wildlife is an onerous task, 'forests' and 'Protection of wild animals and birds' have been placed in the Concurrent List of the Seventh Schedule of the Constitution so as to enable both the Centre and State Governments to regulate on this matter.

We conducted audit with the objective of assessing the effectiveness of:

- a. measures taken to protect forest and wildlife in the protected area network;
- b. measures taken to protect forest and wildlife outside the protected area network and;
- c. utilization of fund for protection of forest and wildlife.

Audit analysis revealed that although the Department has taken certain proactive steps which have culminated in increase in number of tigers in Ranthambhore Tiger Reserve, creation of a new biological park at *Machiya*, Jodhpur, initiation of Leopard Safari at *Jhalana*, Jaipur and development of park at *Nahargarh*, measures still need to be taken for enhancing protection of Forest and Wildlife in the State. The working plans for the Forest Divisions were not being implemented properly due to budget constraints. The Department submitted incomplete proposals for formation of Eco-Sensitive Zone which resulted in delay in their notifications. State Level Inter-Agency Coordination Committee as well as Wildlife Crime Control Units were not constituted despite directions received from Wildlife Crime Control Bureau. Concrete action has not been taken by the Department for removal of commercial shops/ activities which are operating in the Sariska Tiger Reserve without approval of National Board of Wildlife. Work of outlining of forest land on revenue maps, its mutation and demarcation through boundary pillars and digitization of forest maps has been very slow. Sampled divisions did not use satellite imagery system to trace forest areas affected by illegal mining. Human Resource Management was weak in the Department with significant vacancies in cadre of protection, technical and field supervisory staff.

➤ In view of these findings we recommend that the the State Government and the Department may take concrete steps to achieve the target of increasing the forest cover in the State; special attention may be devoted for restoration of areas affected by anthropogenic activities and other disturbances. A State Level Inter Agency Coordination Committee and Wildlife Crime Control Unit may be set up for ensuring effective deterrence and punishment of wildlife crimes. Mutation, notification, demarcation and digitization of forest land may be completed under a time bound programme. The State Government may like to strengthen the mechanism to prevent illegal mining/encroachment/ fires on forest land. The Department may strengthen its human resources management functions to fill up vacancies in frontline and technical staff.

**(Paragraph 2.2)**

### **1.5.2 Significant audit observations arising out of Compliance Audit**

#### ***Rajasthan Farmers Participation in Management of Irrigation Systems Act, 2000***

Participatory Irrigation Management (PIM) through association of farmers in planning, operation and maintenance of the irrigation system is essential for effective management of an irrigation system. It provides opportunities for collective action, dialogue between users, agencies and governments.

Audit analysis revealed that the Apex Committee for laying down the policies for implementation of the Rajasthan Farmers Participation in Management of Irrigation Systems Act has not been constituted. In selected 18 divisions, against the target of 867 Water Users Associations (WUAs), only 519 WUAs were formed in 16 divisions while WUAs were not formed in two divisions. There were significant shortfalls in formation of Distributary Committees and Project Committees for various projects.

Out of 16 divisions where WUAs were constituted, WUAs in 11 divisions were not performing its mandated functions. The functioning of WUAs was unsatisfactory in the test-checked four divisions as only 26.26 *per cent* of total demand of the water charges from farmers were collected during 2015-16 to 2017-18. Financial Management and accounting systems in WUAs were poor as prescribed guidelines were not followed.

Elections were not conducted after the expiry of regular tenure of five years. Monitoring system at the Departmental level was non-existent. The cell to monitor the activities relating to PIM was not constituted and Performance Measurement Criteria were not adopted to evaluate the functioning of the WUAs.

Audit recommends that the Department may constitute the Apex committee as envisaged under the Act as well as the PIM cell so that proper monitoring of implementation of the Act can be ensured. The Department may take steps for formation of Water User Associations, Distributary and Project committees for all the projects. The Department may ensure proper collection of water charges from users so that financial resources for smooth functioning of WUAs can be arranged. The Department may ensure timely election of WUAs.

***(Paragraph 3.1)***

Non-approval of the proposed eco-development project led to non-utilization of the eco-development surcharge amounting to ₹ 16.12 crore recovered from tourists visiting the Keoladeo National Park.

***(Paragraph 3.2)***

Wrong costing of excavated forest produce (stones) resulted in non-recovery of ₹ 0.83 crore from the user agency.

***(Paragraph 3.3)***

In violation of the condition stipulated by the Ministry of Environment and Forest (MoEF), Government of India, only 419.70 hectares of revenue land was transferred in favour of Forest Department against 2380 hectares required to be transferred. Further, payment for the compensatory afforestation



amounting to ₹ 34.26 crore is pending towards Urban Improvement Trust, Kota.

***(Paragraph 3.4)***

In violation of the departmental directions stipulating use of steel sourced from primary producers only, steel was procured from local manufacturers for construction of buildings, which resulted in irregular expenditure of ₹ 1.24 crore. Besides, there was a possibility of lack of quality in the construction works.

***(Paragraph 3.5)***

Non- adherence to the provisions of Pradhan Mantri Gram Sadak Yojana and PWF&AR for ensuring availability of land before taking up proposed road works led to non-achievement of objective of providing road connectivity to the end point habitation despite incurring an expenditure of ₹ 2.07 crore on incomplete roads.

***(Paragraph 3.6)***

Due to negligence of the concerned authorities the appeal against the arbitration award was filed at the wrong legal forum which resulted in delay and the appeal became time-barred and the Department could not contest the matter effectively. The Department prolonged the matter which finally resulted in excess payment of ₹ 15.01 crore to the contractor.

***(Paragraph 3.7)***

**1.6 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. 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. Replies to draft paragraphs and performance audit furnished by the State Government have been appropriately incorporated in the Report.

As of 31 July 2019, 2408 Inspection Reports (10278 paragraphs) were outstanding against nine departments under the Economic Sector. Year-wise details of the outstanding IRs and paragraphs are given in table below:

### Year-wise details of the outstanding Inspection Reports

S. No.	Department	Upto 2013-14		2014-15		2015-16		2016-17		2017-18		Total	
		IRs	Paras	IRs	Paras	IRs	Paras	IRs	Paras	IRs	Paras	IRs	Paras
1.	Public Works Department	881	3695	155	893	112	707	107	677	88	620	1343	6592
2.	Water Resources Department	344	951	26	110	47	207	66	356	65	347	548	1971
3.	Forest Department	221	520	24	94	27	148	51	314	50	319	373	1395
4.	Command Area Development	54	74	02	03	02	05	03	19	01	01	62	102
5.	Indira Gandhi Nahar Project	22	52	01	01	03	11	03	15	01	01	30	80
6.	Science & Technology	05	05	-	-	02	02	01	03	04	11	12	21
7.	Information Technology & Communication	01	01	-	-	-	-	01	01	02	11	04	13
8.	Ground Water Department	19	32	01	01	01	01	06	11	02	08	29	53
9.	Environment Department	04	27	01	05	-	-	01	17	01	02	07	51
<b>Total</b>		<b>1551</b>	<b>5357</b>	<b>210</b>	<b>1107</b>	<b>194</b>	<b>1081</b>	<b>239</b>	<b>1413</b>	<b>214</b>	<b>1320</b>	<b>2408</b>	<b>10278</b>

### 1.7 Follow-up on Audit Reports

The Finance Department of the State Government decided (December 1996) that explanatory notes on all paragraphs/performance audits that have appeared in Audit Reports be submitted to the Public Accounts Committee (PAC), duly vetted by Audit, within three months from the date of laying of the Reports in the State Legislature. No explanatory note on paragraphs/performance audits is pending as of 31 July 2019.

#### *Discussion of Audit Reports by PAC*

The status of discussion of Performance Audits and Paragraphs which appeared in Audit Reports (Economic Sector) by the PAC as of 31 July 2019 is as under:

#### **Performance Audits/Paragraphs appeared in Audit Reports vis-a-vis discussed**

Period of Audit Report	Number of Performance Audit/Paragraphs			
	Appeared in Audit Report		Paragraphs discussed	
	Performance Audit	Paragraphs	Performance Audit	Paragraphs
2016-17	1	11	-	9

The discussion on Performance Audits and Paragraphs which appeared in Audit Reports (Economic Sector) up to 2015-16 has been completed.