

OVERVIEW

About this Report

This Report of the Comptroller and Auditor General of India (C&AG) relates to matters arising from Compliance Audit of selected Departments of Government of Rajasthan (GoR). Compliance Audit refers to whether the rules and procedures are designed to secure an effective check on the assessment, collection and proper allocation of revenue and examination of the transactions relating to expenditure incurred by the audited entities and 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.

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 magnitude of transactions. The findings of Audit are expected to enable the Executive to take corrective actions and also to frame policies and directives that will lead to improved financial management of the audited entities, thus, contributing to better governance.

This report has two parts:

Part-A includes audit observations noticed during Audit of revenue earning Departments i.e. Commercial Taxes, Land Revenue, Stamps & Registration and State Excise.

Part-B includes audit observations related to expenditure incurred by various State Government Departments.

PART-A

Revenue Sector

The Part-A contains 23 paragraphs involving ₹ 54.94 crore. Some of the significant audit findings are mentioned below:-

I. General

- The total revenue receipts of the Government of Rajasthan during 2019-20 were ₹ 1,40,114 crore as against ₹ 1,37,873 crore for the year 2018-19. The revenue raised by the Government amounted to ₹ 74,959 crore comprising tax revenue of ₹ 59,245 crore and non-tax revenue of ₹ 15,714 crore. The receipts from the Government of India were ₹ 65,155 crore (State's share of divisible Union taxes of ₹ 36,049 crore and grants-in-aid of ₹ 29,106 crore).

(Paragraph 1.1)

- Analysis of Inspection Reports (IRs) issued upto March 2020 disclosed that 5,151 paragraphs involving ₹ 1,053.38 crore relating to 1,727 IRs remained outstanding at the end of October 2020 in these four departments.

(Paragraph 1.8)

II. Taxes on Sales, Trade, Supplies, etc.

The office conducted audit of 132 units of Commercial Taxes Department. The major irregularities noticed are:

- Excess Input Tax Credit (ITC) of ₹ 0.41 crore were allowed on goods consigned outside the state through branch transfer.

(Paragraph 2.4.1)

- Irregular allowance of ITC of ₹ 0.37 crore on the goods sold at subsidized price.

(Paragraph 2.4.2)

- Assessing authorities failed to take purchase return into account resulting in non-levy of reverse tax of ₹ 2.15 crore.

(Paragraph 2.4.3)

- Assessing Authority failed to add the reverse tax liability in the total tax liability and erroneously carried forward the excess amount of ₹ 0.42 crore under VAT for adjustment of CST dues.

(Paragraph 2.4.4)

- ITC on inadmissible item resulted in irregular allowance of ITC of ₹ 0.54 crore.

(Paragraph 2.4.5)

- A dealer submitted returns with 'nil' turnovers but in reality, sold goods to other registered dealers and collected tax, for which tax liability was not assessed resulting in non-levy of tax amounting to ₹ 0.40 crore and interest ₹ 0.20 crore.

(Paragraph 2.5)

- A dealer disclosed gross turnover of ₹ 13.16 crore in his return. The assessing authority passed an assessment order for 'nil' tax resulting in non-levy of tax amounting to ₹ 0.45 crore.

(Paragraph 2.6)

- The assessing authorities did not levy tax on the goods purchased from outside the state and utilised in the execution of the works for which Exemption Certificate was granted, resulting in short levy of tax amounting to ₹ 0.39 crore and interest of ₹ 0.15 crore.

(Paragraph 2.8)

- Assessing Authorities did not utilize the information available on the web-based application *RajVISTA* to impose entry tax which resulted in short/non-levy of entry tax of ₹ 2.87 crore and interest of ₹ 1.63 crore.

(Paragraph 2.9)

- Irregular refund of unutilised Input Tax Credit of ₹ 0.91 crore was allowed besides non levy of interest ₹ 0.32 crore and penalty ₹ 0.09 crore under Goods and Services Tax.

(Paragraph 2.10.2)

III. Land Revenue

The office conducted audit of 99 units of Land Revenue Department. The major irregularities noticed are:

- The land allotted for setting up of the industry was not used for the intended purpose within the prescribed time period in Jhalawar district. However, the allotting authority did not take action to take back the land resulting in non-utilisation of land valuing ₹ 33.11 lakh.

(Paragraph 3.4)

- Agricultural lands were being used for commercial purposes (for hotel and resorts) in 26 cases in Jaisalmer district without permission of the competent authority which resulted in non-recovery of conversion charges of ₹ 81.94 lakh.

(Paragraph 3.5.1)

- Agricultural lands were used for setting up residential colonies in five cases in two *tehsils* without permission of the competent authorities which resulted in non-recovery of conversion charges of ₹ 35.59 lakh.

(Paragraph 3.5.2)

- Use of agricultural land for institutional purposes, bricks kilns, marriage garden without conversion and conversion of agriculture land by applying incorrect rate resulted in non-recovery/short-recovery of conversion charges of ₹ 1.27 crore.

(Paragraph 3.5.3)

- Application of incorrect conversion rate for converting use of land from agricultural to institutional purposes resulted in short- recovery of conversion charges of ₹ 58.08 lakh.

(Paragraph 3.5.4)

IV. Stamp Duty and Registration Fee

The office conducted audit of 84 units of Registration and Stamps Department. The major irregularities noticed are:

- Non-levy of Stamp Duty of ₹ 23.75 lakh on conversion of Companies into Limited Liability Partnerships.

(Paragraph 4.4)

- Failure to take cognizance of the recitals of the documents resulted in short levy of Stamp Duty, surcharge and registration fee totalling ₹ 1.44 crore on instruments of Powers of Attorney.

(Paragraph 4.5)

- Irregular exemption of Stamp Duty of ₹ 76.97 lakh allowed under Rajasthan Investment Promotion Scheme on production of wrong entitlement certificates.

(Paragraph 4.6)

- Short recovery of Stamp Duty, surcharge and registration fee on instruments of transfer of lease by way of assignment totalling ₹ 15.99 lakh.

(Paragraph 4.7)

- Short levy of Stamp Duty, Surcharge and Registration Fee on developer agreements executed between landowners and developers totalling ₹ 3.32 crore.

(Paragraph 4.8)

- Registering Authorities failed to levy and recover Stamp Duty and Surcharge totalling ₹ 34.79 lakh on contribution of immovable properties to partnership firms.

(Paragraph 4.9.1)

- Registering Authorities failed to levy and recover Stamp Duty and Surcharge totalling ₹ 64.83 lakh on the transfer of immovable properties on retirement of partner(s).

(Paragraph 4.9.2)

- Short levy of Stamp Duty, Surcharge and Registration Fee totalling ₹ 47.87 lakh on amalgamation/ reconstruction of companies.

(Paragraph 4.10)

- Undervaluation of immovable properties resulted in short levy of Stamp Duty, Surcharge and Registration Fee totalling ₹ 3.33 crore.

(Paragraph 4.11)

V. State Excise

The office conducted audit of 39 units of State Excise Department. The major irregularities noticed are:

- Non-recovery of additional amount from retail-off licensees for short lifted quantity of IMFL and Beer and failure to recover the additional amount of ₹ 2.65 crore.

(Paragraph 5.4)

- Incorrect calculation of composite fee for shops of peripheral area resulted in short realisation of revenue of ₹ 1.23 crore.

(Paragraph 5.5)

- Lack of proactive action by the Department led to short recovery of license fee of ₹ 31 lakh from hotel bar licensees.

(Paragraph 5.6)

- Short recovery of penalty ₹ 7.94 crore on non-maintenance of minimum yield efficiency by the breweries for production of beer.

(Paragraph 5.7)

- Non-forfeiture of Security Deposit and advance Exclusive Privilege Amount from Country Liquor groups led to loss of revenue of ₹ 77.31 lakh.

(Paragraph 5.8)

- Short realisation of Monthly Guarantee Amount from Country Liquor licensees led to loss of revenue of ₹ 13.37 crore.

(Paragraph 5.9)

PART-B

Expenditure Sector

VI. General

- There are 66 Departments, 234 Autonomous Bodies (ABs) and 14 Public Sector Undertakings (PSUs) of the Government of Rajasthan, headed by Additional Chief Secretary/ Principal Secretaries/Secretaries, which are audited by the Accountant General¹ (Audit-I), Rajasthan, Jaipur.

(Paragraph 6.1)

- During 2019-20, audit of 951 out of the 22,016 units of General and Social Sector Departments, have been carried out. Further, 19,693 mandays (for financial audit and compliance audit) were used.

(Paragraph 6.3)

- A review of the outstanding ATNs on paragraphs/performance audits included in the Reports of the Comptroller and Auditor General of India pertaining to various Departments as on 31 January 2021 revealed that 13 ATNs were pending from the concerned Departments.

(Paragraph 6.6)

VII. Compliance Audit of Expenditure Sector

The significant audit observations are:

- The Maharana Pratap University of Agriculture and Technology (MPUAT), Udaipur disallowed certain items in a construction contract in order to keep additional expenditure under the permissible limit in terms of Rajasthan Transparency in Public Procurement (RTPP) Rules. Later MPUAT got these items re-executed by the same contractor under a new tender in violation of provisions of PWF&ARs.

(Paragraph 7.1)

- The Employees' State Insurance Scheme (ESIS) was started for protecting employees against the impact of incidences of sickness, maternity, death or disablement due to employment injury and occupational disease and to provide medical care to Insured Persons (IPs) and their families. The scheme is administered by a corporate body called the Employees' State Insurance Corporation (ESIC). The Scheme is

1 Erstwhile Office of the 'Principal Accountant General (General and Social Sector Audit)' has been renamed as Office of the 'Accountant General (Audit-I)' with effect from 18.05.2020.

financed by contributions raised by employees covered under the scheme and their employers as a fixed percentage. Important reforms under ESIC 2.0 for expansion of ESIS in the state to cover all the IPs and for providing better services to IPs were not implemented. The State Government did not utilise the unspent 60.63 *per cent* of maximum admissible expenditure as per prescribed ceiling for managing manpower and to provide required medical facilities to the IPs. Due to shortage of Medical Specialists/Officers and Para Medical staff such as nursing staff, pharmacists etc., the hospitals/dispensaries could not function at their optimal potential. ESI hospitals/dispensaries lacked infrastructure and laboratory facilities. This resulted in decreasing trend in number of patients attending OPD/IPD and patients had to be referred to tie up/government hospitals for basic tests/investigations and specialist facilities. Even though ESIC initiated an IT project for hospital management, the same could not be implemented completely by ESIS. To improve the services being provided in the hospitals and dispensaries, ESI Society was to be formed under section 58(5) of the Act. It was not formed by the State Government despite the fact that 100 *per cent* expenditure upto the prescribed ceiling was to be borne by Employees State Insurance Corporation (ESIC) upto three years.

(Paragraph 7.2)

- Failure of the Medical Education Department to apply for increase in sanctioned load led to avoidable payment of demand surcharges and irregular payment of electricity duty by Medical Colleges/Hospitals amounting to ₹ 1.40 crore.

(Paragraph 7.3)

- Lack of action on part of the Medical Education Department led to short receipt of concession fee plus penal interest for delay in payment, short-recovery of amount related to unutilised below poverty line quota and resultant extension of undue benefit to the concessionaire causing a loss of revenue of ₹ 5.09 crore to the State Government.

(Paragraph 7.4)

- Irregular expenditure of ₹ 3.72 crore on the execution of additional works in contravention of Rajasthan Public Works Financial and Accounts Rules by Medical and Health Department.

(Paragraph 7.5)

- Failure to recover loan from beneficiaries and irregular utilization of funds by Department of Minority Affairs and WAQF Board, for repayment to National Minorities Development and Finance Corporation resulted in avoidable penal interest of ₹ 3.17 crore.

(Paragraph 7.6)

- Imprudent decision to change construction site for Directorate building and non-completion of Rehabilitation and Research Institute building not only led to non-utilization of Central Grant of ₹ 3.27 crore and unfruitful expenditure of ₹ 5.47 crore but also deprived the beneficiaries from the intended benefits even after lapse of more than eight years in Social Justice and Empowerment Department.

(Paragraph 7.7)

- In Social Justice and Empowerment Department, non-adherence to rules of procurement and poor monitoring resulted in unfruitful expenditure of ₹ 1.24 crore on non-functional Solar Home Lighting Systems.

(Paragraph 7.8)

- In Social Justice and Empowerment Department, non-adherence to procurement rules relating to execution of contract and performance security resulted in unfruitful expenditure of ₹ 2.98 crore incurred on non-functioning 256 Solar Water Heating Systems.

(Paragraph 7.9)

- The Water Resources Department, while making payment of compensation for acquisition of land falling under urban area, considered the incorrect multiplying factor applicable to rural areas resulting in an excess payment of ₹ 1.65 crore.

(Paragraph 7.10)

- Unauthorised execution of additional works worth ₹ 1.55 crore in gross violation of Public Works Financial & Accounts Rules by Water Resources Department.

(Paragraph 7.11)