

## Overview

This Report contains two Chapters on the observations of Audit on the State's Finance and Appropriation Accounts for the year 2003-04 and three other Chapters comprising six reviews and 22 draft paragraphs based on the audit of certain selected programmes and activities and financial transactions of the Government.

A mechanism to hold the meetings of the Audit with the Administrative Secretaries was institutionalised. Accordingly, 12 meetings were held between September 2004 to December 2004 with the Principal Secretaries/Secretaries of 12 departments in which paragraphs (17 draft paragraphs included in the Audit Report) pertaining to these departments were discussed. Out of six reviews and 22 draft paragraphs, replies in respect of three reviews and 19 draft paragraphs have been received as of November 2004. A synopsis of findings contained in Report is presented in this Overview.

### 1. Finances of the State Government

- Of total receipts of Rs 64,072 crore of the State Government for the year 2003-04, the revenue receipts of the State Government were Rs 15,424 crore only, constituting 24 *per cent* of the total receipts. The balance of receipts came from Capital receipts and Public Account receipts.
- While nearly 60 *per cent* of the revenue came from the State's own resources, Central tax transfers and grants-in-aid together continued to contribute around 40 *per cent* of the total revenue.
- The arrears of revenues increased by 73 *per cent* from Rs 1,393 crore in 1999-2000 to Rs 2,409 crore at the end of 2003-04. Of these, Rs 418 crore were outstanding for a period of more than five years.
- The growth rate of total expenditure was higher than the growth rate of revenue receipts during the year. Revenue receipts could cover only about 67 *per cent* of total expenditure in 2003-04 leaving the balance to be financed from borrowings.
- Revenue expenditure accounted for 82 *per cent* of total funds available during 2003-04. This was higher than the share of revenue receipts (67 *per cent* of total receipts) of the State Government, which led to revenue deficit. Salaries, interest payments and pensions alone consumed 79 *per cent* of total revenue receipts of the State during the year.
- Interest payments increased steadily by 69 *per cent* from Rs 2,825 crore in 1999-2000 to Rs 4,777 crore in 2003-04 primarily due to continued reliance on borrowings for financing the fiscal deficit.
- Out of the total subsidies borne by the Government, 98 *per cent* was paid to the Power Sector alone.
- The financial results of five major and 12 medium irrigation projects with a capital outlay of Rs 3,240.52 crore at the end of March 2004 showed that these suffered a net loss of Rs 354.06 crore.
- As of 31 March 2004, Rs 2,558.96 crore were blocked in 374 incomplete projects.
- As on 31 March 2004, two statutory corporations, 12 rural banks, 11 government companies and seven joint stock companies with an aggregate investment of Rs 291.82 crore were incurring losses and their accumulated losses amounted to Rs 1,794.66 crore.
- Total outstanding balance of the loans advanced by the Government was Rs 3,721 crore as on

31 March 2004. Overall interest received against these advances declined from 11 *per cent* in 1999-2000 to 3 *per cent* in 2003-04.

- Overall fiscal liabilities of the State increased by 78 *per cent* from Rs 30,011 crore in 1999-2000 to Rs 53,361 crore in 2003-04. These liabilities as ratio to Gross State Domestic Product increased from 38 *per cent* in 1999-2000 to 53 *per cent* in 2003-04 and stood at 3.46 times of its revenue receipts and 5.73 times of its own resources comprising its own tax and non-tax revenue.
- The net funds available on account of the internal debt and loans and advances from Government of India after providing for the interest and repayments ranged between 25 and 43 *per cent* during 1999-2004. Only one-fourth funds were available in the current year.
- The fiscal deficit, which represents the total borrowings of the Government and its total resource gap, increased from Rs 5,361 crore in 1999-2000 to Rs 7,367 crore in 2003-04.
- Though the revenue deficit, ratio of revenue expenditure to total expenditure and ratio of revenue deficit to fiscal deficit decreased and percentage of Plan, Capital and Developmental expenditure to total expenditure increased during the year, indicating a favourable trend for the State finances, other factors such as increased interest payments, outstanding fiscal liabilities, ratio of fiscal liabilities to GSDP, and reduced availability of the borrowed funds etc. were indicative of deterioration in state's fiscal situation.

**(Paragraphs 1.5 to 1.10)**

- Funds of Rs 81.48 lakh either remained unutilised with *Zila Parishads* or with NGOs. Besides, due to non-implementation of the works envisaged the second instalment also could not be availed.

**(Paragraph 1.7.1)**

- Out of 3840 Personal Deposit (PD) accounts maintained, in 1067 cases accounts involving Rs 615.60 crore had not been reconciled as of 31 March 2004. Important points noticed were (i) blocking of funds of Rs 33.63 crore in PD accounts, (ii) diversion of funds of Rs 1.80 crore and (iii) short deposit of interest of Rs 3.87 crore by the State Government in Calamity Relief Fund.

**(Paragraph 1.7.2)**

<h2 style="margin: 0;">2. Allocative Priorities and Appropriation</h2>
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- The excess of Rs 324 crore under 12 grants/appropriations during the year requires regularisation. Excess expenditure of Rs 1,009.40 crore pertaining to years 2000-2003 was also to be regularised.
- The supplementary provisions (Rs 8,021.91 crore) made during the year constituted 25 *per cent* of the original provision (Rs 31,463.63 crore); these were higher by Rs 267.28 crore than those in the previous year.
- Supplementary provisions of Rs 120.79 crore made in 13 cases during the year proved unnecessary in view of aggregate saving of Rs 330.23 crore.
- In 10 cases, after partial surrender, savings of Rupees one crore and above in each case aggregating Rs 97.66 crore remained un-surrendered. In seven cases excess surrender (more than five *per cent*) of Rs 37.54 crore was made.
- Rupees 2,956.79 crore were surrendered on the last working day of the financial year as such amount could not be transferred to needy sectors. In 23 cases, surrender exceeding Rs 20

crore in each case amounted to Rs 2,713.45 crore.

- Expenditure of Rs 94 lakh was incurred under Grant No.27 – Drinking Water Scheme without any provision having been made either in the original estimates/ supplementary demands or through re-appropriation.

*(Paragraphs 2.1 to 2.3)*

- Unspent balances of Rs 19.40 crore pertaining to dead/closed schemes not credited to Government accounts resulting in blocking of this amount.

*(Paragraph 2.4)*

- Irregular adjustment of Rs 67.31 lakh was made by the District Rural Development Agencies, without incurring any actual expenditure on works inflating the expenditure figures.

*(Paragraph 2.5)*

- A test-check of 6554 Abstract Contingent (AC) bills aggregating Rs 630.05 crore, drawn during 2001-02 to 2003-04 was conducted in 111 offices of nine districts from May 2004 to August 2004. Irregularities noticed include non-submission of 337 Detailed Contingent (DC) bills aggregating Rs 61.46 crore, non-forwarding of original paid vouchers for Rs 32.78 crore alongwith 137 DC bills for Rs 40.66 crore, delayed submission of 3687 DC bills in 89 offices, non-adjustment of AC bills, non-recovery of disallowed amount of Rs 2.69 crore, drawal of funds through 502 AC bills without assessing requirement and non-writing-off/adjustment of stolen amount etc.

*(Paragraph 2.7)*

### **3 Rajiv Gandhi Sidhmukh Nohar Irrigation Project**

The Sidhmukh and Nohar Irrigation Projects for irrigation in Culturable Command Area (CCA) of 1,12,000 ha were administratively sanctioned by State Government in August 1990 for Rs 103 crore and Rs 40.59 crore respectively. The European Economic Community approved the combined Sidhmukh Nohar Project in June 1993 reducing the CCA to 84,170 ha excluding the Sidhmukh distributaries and its system for grant under its aid programme. The project was declared complete at a total cost of Rs 258.39 crore in December 2001. Besides, a sub-project for construction of Sidhmukh and Ratanpura distributaries for irrigation in CCA of 13,600 ha sanctioned for Rs 27.53 crore under the loan assistance of NABARD due to be completed by March 2001 was under progress as of March 2004 after incurring an expenditure of Rs 18.60 crore. The flow of water in the canal system of Sidhmukh Nohar Project under rotation system started from May 2002 but water was not utilised for irrigation purpose due to non-construction of water courses. Significant points noticed were as under:

- Due to non-construction of water courses the irrigation potential was not being utilised and entire expenditure of Rs 290.94 crore on construction of canals was of no use.
- Expenditure of Rs 18.60 crore on construction of Sidhmukh and Ratanpura distributaries, much before construction of lined water courses, was not only unfruitful but also created unnecessary liability of interest of more than Rs 3.25 crore.
- Expenditure of Rs 5.97 crore on acquisition of land for plantation on both sides of canals was unfruitful owing to non-plantation due to lack of coordination between Forest and Irrigation Departments.
- Unfruitful expenditure of Rs 4.50 crore was incurred on construction of canals of higher discharge despite lesser requirement.

- An expenditure of Rs 81.18 lakh incurred on construction of residential and non-residential buildings proved unfruitful as the buildings remained unoccupied.

*(Paragraph 3.1)*

#### **4. Pradhan Mantri Gram Sadak Yojana**

Pradhan Mantri Gram Sadak Yojana (PMGSY) was launched in December 2000 by the Government of India with the objective of providing good all weather road connectivity to unconnected rural habitations with population of 1000 and above upto March 2003 and of 500 and above by the end of X Five Year Plan (March 2007). Of 2504 roads sanctioned by the State Government, only 1867 were completed and an expenditure of Rs 735.64 crore was incurred upto March 2004. Significant points noticed were as under:

- Only 25 *per cent* connectivity was provided upto March 2003 (targeted period) to unconnected habitations of 1000 and above population.
- Avoidable expenditure of Rs 5.32 crore (stacking charges: Rs 2.36 crore, sub-base construction : Rs 2.58 crore and primer coat : Rs 0.38 crore) was incurred.
- Irregular expenditure of Rs 5.88 crore (on non-permissible carriage of soil: Rs 4.36 crore, excess over approved STA estimates : Rs 1.32 crore and on existing Black Topped roads : Rs 0.20 crore) was incurred.
- Extra/excess expenditure of Rs 3.08 crore (due to poor evaluation of tenders: Rs 1.90 crore, allotment of work without inviting competitive bidding : Rs 0.29 crore, adoption of higher rates for construction of shoulders : Rs 0.78 crore and application of unrequired tack coat : Rs 0.11 crore) was incurred.
- Delayed transfer of funds to bank led to loss of interest of Rs 1.07 crore.
- Rupees 59.78 lakh were spent from interest without instructions from Government of India.

*(Paragraph 3.2)*

#### **5. District Primary Education Programme- Phase-I**

District Primary Education Programme (DPEP)-Phase-I was launched in 1999-2000 by the State Government with the assistance of Government of India and the World Bank with the main objective of providing access to all children to primary education (classes I to V) by 2007. Ten districts of Rajasthan were covered under DPEP-Phase-I. An expenditure of Rs 287.63 crore was incurred up to March 2004. The significant points noticed were as under:

- Out of total expenditure of Rs 287.63 crore incurred upto March 2004, an amount of Rs 38.46 crore was diverted to the activities not covered under DPEP scheme/State Plan and hence, did not qualify for reimbursement from World Bank.
- Teachers' guide and work books were not provided to teachers and students. Besides, there was a shortfall in induction and refresher trainings for teachers. Training to teachers of private schools was neither financed nor arranged.
- Splitting of purchase of stores (amount involved: Rs 2.26 crore) made to avoid sanction of

higher authorities was against procurement guidelines.

- In order to show timely release of matching share, the State Government released their matching share of Rs 3.53 crore for the year 2002-03 by crediting non-interest bearing Personal Deposit account and simultaneously banning its withdrawal.
- Appointment of Junior Engineers and Assistants was made on deputation and not on contract basis at fixed payment as per provision in budget approved by GOI and World Bank which resulted in excess payment of Rs 1.18 crore on account of salary.
- Excess payment of Rs 73.34 lakh was made on account of honorarium to additional para-teachers.

*(Paragraph 3.3)*

## **6. Review on Implementation of Child Labour (Prohibition and Regulation) Act, 1986**

The Child Labour (Prohibition and Regulation) Act was enacted on 23 December 1986 to prohibit the engagement of children in certain employments and to regulate the conditions of work of children in certain other employments. Government of Rajasthan framed Rajasthan Child Labour Rules in 1996 for carrying into effect the provisions of the Act. However, the provisions of the Act and the Rules were not implemented effectively in the State. Significant points noticed were as under :

- Against 712 prosecution cases filed in courts, 300 were decided, of which 273 resulted in acquittal. Scrutiny of 40 acquittal cases revealed that court pointed out serious irregularities and lapses on the part of Labour Department.
- In 1298 offences of child labour identified in hazardous and non-hazardous establishments, no prosecution was preferred in courts even after lapse of seven years.
- Out of Rs 6.05 crore recoverable from employers of 3026 child labourers, Rs 2.80 lakh was recovered in respect of 14 child labourers only. Demand notices in respect of 903 child labourers for recovery of penalty were not issued.
- No financial relief to the guardians of 2803 child labourers was provided out of interest of Rs 41.88 lakh earned on Rs 1.40 crore being the share of the State Government deposited (September 1998) in Child Labour Rehabilitation and Welfare Fund.
- Out of 3026 child labourers required to be admitted in formal education centres, the fate of 736 children was not known to the Labour Department, in six districts the admission of children ranged between five and 88 *per cent*.
- Mainstreaming of 3450 children of 69 special schools in Jodhpur and Udaipur was not done in formal education centres even after completion of non-formal education for the prescribed period of three years.
- In 11 test-checked districts, shortfall of 75 and 89 *per cent* in inspection of establishments during 2002-03 and 2003-04 respectively was noticed.

*(Paragraph 3.4)*

## **7. Review on Secondary Education Department**

The Secondary Education Department covers education up to +2 level and specifically aims to provide vocational, science and professional education with special emphasis on training and orientation of teachers, education for girls, minorities and other educationally backward sections and areas and delinking degrees from job etc. as envisaged in the National Policy on Education. Significant points noticed during the review were as under:

- The State Government had not yet framed its own education policy, which would suit the specific needs of the State of Rajasthan.
- The expenditure on establishment ranged from 93-95 *per cent* of the total expenditure leaving little room for effective implementation of educational schemes.
- Against 1760 schools upgraded during 1999-2004, only 76 schools were upgraded as per prescribed norms and 176 schools were without norms. The remaining 1508 schools were upgraded by the Government in an arbitrary manner.
- Unfruitful expenditure of Rs 6.59 crore was incurred due to improper utilisation of girls' hostels.
- Unjustified payment of grants-in-aid of Rs 139.47 crore was made on provisional basis to 286 non-government educational institutions as reimbursement of expenditure on their establishment without conducting review of admissible posts.
- Equipment worth Rs 3.54 crore were lying idle after closure of the vocational education scheme.
- Secondary Education Department did not open a single school in science and commerce faculties during 1995-2004.
- In the districts test-checked, in 252 cases, schools/faculties were intimated as being uneconomical by the concerned District Education Officers to Director, Secondary Education Department but in absence of any decision at Government level to discontinue them, services of 1665 teachers were not being properly utilised. This involved an annual expenditure of Rs 16.49 crore on their minimum pay and allowances from 2003-04 and onwards.
- There was shortage of working strength of teachers and other staff ranging between eight and 26 *per cent* during 2002-03 and five to 46 *per cent* in 2003-04 due to non-recruitment of staff by the Government.
- Shortfall of in-service training to teachers with reference to number of courses targeted and held and number of teachers called for and actually who attended training, ranged between seven and 30 *per cent*, and 51 to 70 *per cent* respectively.

(Paragraph 3.5)

## 8. Fraudulent drawal/misappropriation/embezzlement/losses

(i) Failure in maintaining proper records by the District Education Officers and allowing distribution of wheat without verification of the information received from subordinate offices resulted in excess consumption of wheat costing Rs 2.37 crore. In addition, there was short supply of wheat valuing Rs 96.27 lakh by transporters, non-recovery of Rs 12.80 lakh towards cost of wheat from contractors and excess payment of Rs 19.10 lakh towards cooking charges.

(Paragraph 4.1.1)

(ii) Failure of the department to monitor and to take prompt action for obtaining benefit of Excise Duty exemption resulted in loss of Rs 9.11 crore to Government. Besides, the benefit of providing

drinking water at a reduced cost was not availed by the department.

*(Paragraph 4.1.2)*

(iii) Failure of the Government to make specific rules relating to fixation of rate structure etc. resulted in foregoing potential revenue of Rs 9.89 crore due to non-levy of surcharge on stamp duty on sale of properties in rural areas and on mandi fees during 2002-04, while Panchayati Raj Institutions were not enabled to mobilise their own resources.

*(Paragraph 4.1.3)*

## **9. Avoidable/excess/unfruitful expenditure**

(i) Lack of proper planning of the Command Area Development and Water Utilisation Department and its failure to ensure co-ordination with the Colonisation Department resulted in blocking of Rs 24.81 crore on water courses lying unutilised. Further, due to construction of water courses in areas already having a sufficiently high water table between two to 10 metres below ground levels expenditure of Rs 69.94 lakh proved unfruitful.

*(Paragraph 4.2.1)*

(ii) The imprudent change in decision, improper handling of tenders and rescinding of old contract/tender led to avoidable excess expenditure of Rs 38.75 lakh as of August 2003 on re-tendering. This would further increase on completion of two works under progress.

*(Paragraph 4.2.2)*

(iii) Abnormal delay by the State Government in sanction of tender for manufacturing and supplying of 4.28 crore *pucca* bricks by installing Semi Mechanical Kiln at Deva village, resulted in avoidable payment of escalation charges of Rs 1.12 crore to the contractor.

*(Paragraph 4.2.3)*

(iv) Non-sanction of posts in Education Department on the basis of students' strength during 2001-02 and non-review of posts during 2002-03 led to payment of excess grant of Rs 4.44 crore to Non-Government Educational Institutions during 2000-2003 for the staff in excess of prescribed norms.

*(Paragraph 4.2.4)*

(v) Failure of the Treasury Officers to exercise prescribed checks led to excess payment of pension/family pension amounting to Rs 40.94 lakh, although mention was made in earlier Audit Reports (Civil) about the excess payment made to State Pensioners by Banks.

*(Paragraph 4.2.5)*

(vi) Non-adherence by Commissioner, College Education to instructions of the Finance Department to include total tuition fees charged by aided colleges in total income for calculating admissible grant led to excess payment of grant of Rs 1.30 crore to six institutions.

*(Paragraph 4.2.6)*

(vii) Wrong classification of land by the Land Acquisition Officer resulted in excess payment of compensation of Rs 52.18 lakh including 30 *per cent* solatium (Rs 10.30 lakh) and interest (Rs 7.55 lakh) at the rate 12 *per cent* per annum on compensation.

*(Paragraph 4.2.7)*

(viii) The Water Supply Scheme, Bhawani Mandi (Jhalawar district) had not been commissioned even after spending Rs 4.38 crore and its use in future is also remote due to drying of source rendering expenditure of Rs 4.38 crore unproductive. Besides, an avoidable expenditure of Rs 81 lakh was incurred on transportation of water.

(Paragraph 4.2.8)

(ix) Unwarranted execution of pre-mix patching work in seven Public Works Department divisions of Kota Zone at the rates and specification other than that approved by the Chief Engineer resulted into avoidable extra expenditure of Rs 27.30 lakh and undue benefit to the contractors.

(Paragraph 4.2.9)

(x) Imprudent action of the Public Works Department burdened the State exchequer with avoidable payment of huge interest of Rs 1.42 crore on land acquisition for construction of roads. Further, the trend of payment of compensation in bits and pieces over so many years did not rule out the possibility of giving undue benefits to the land owners.

(Paragraph 4.2.10)

(xi) Failure of the department to acquire land for construction of two black topped approach roads under NABARD assistance scheme before awarding the work resulted in unfruitful expenditure of Rs 47.03 lakh on roads lying incomplete.

(Paragraph 4.2.11)

(xii) Failure of the Public Works Department in handing over structural drawings to contractor, lack of coordination in planning and irregular diversion of funds resulted in unfruitful expenditure of Rs 1.71 crore on works lying incomplete, adversely affecting the promotion of tourism.

(Paragraph 4.2.12)

(xiii) While *Panchayat Samitis* failed to recover Rs 84.72 lakh from *Sarpanchs*, 59 works remained incomplete despite Rs 58.40 lakh spent on these works.

(Paragraph 4.2.13)

## 10. Idle investment/idle establishment/blockage of funds

While construction of quarters was hanging fire due to failure in planning and execution by Public Works Department; an amount of Rs 32.33 lakh remained blocked on incomplete works. An avoidable expenditure of Rs 7.99 lakh was also incurred on payment of house rent allowance to the RAC staff.

(Paragraph 4.3.1)

## 11. Regulatory issues and other points

(i) Collectors (Relief), Bundi and Chittorgarh in violation of the guidelines irregularly diverted the relief funds amounting to Rs 73.83 lakh for purchasing material for construction of 67 building works depriving the drought affected people of the benefits towards labour component to that extent.

(Paragraph 4.4.1)

(ii) In execution of Rajasthan Urban Infrastructure Development Project works, an inadmissible reimbursement of remuneration of Rs 78.43 lakh of secretarial/clerical staff was made to the firms.

(Paragraph 4.4.2)



**12. Evaluation of Internal Control System in Tribal Area Development Department**

Internal Control is an integral part of administration and carries out basic internal auditorial functions for the management. Some important findings noticed during test-check of Tribal Area Development Department were as under:

- Government decision regarding adoption of "Maharashtra Pattern of development system" was not implemented.
- Central funds worth Rs 1.96 crore remained blocked for more than four years because of non-release of State share due to inadequate pursuance by the department.
- Utilisation Certificates worth Rs 240.39 crore were pending as of March 2004, even complete details of such pendency were not available with the department.
- In contravention of the guidelines, Special Central Assistance Rs 37.32 crore was spent on pay and allowances, maintenance of hostels and *Basti Vidyutikaran* etc.
- Internal audit system remained inoperative since May 1996.

*(Paragraphs 5.1.4 to 5.1.7)*