# Chapter II
# Performance Audit

This chapter presents the performance audits of Rashtriya Krishi Vikas Yojana, National e-Governance Plan and Commissionerate of Industries.

## Agriculture Department

### 2.1 Implementation of Rashtriya Krishi Vikas Yojana in the State


**Executive Summary**

The Rashtriya Krishi Vikas Yojana (RKVY) was launched in 2007-08 by the Government of India, Ministry of Agriculture, Department of Agriculture and Cooperation as Additional Central Assistance with objective of achieving four *per cent* growth rate in the agriculture sector during Eleventh Five Year Plan period (2007-12) by increasing public investment in agriculture and allied sectors.

State Level Sanctioning Committee (SLSC) approved projects without preparation of Detailed Project Reports (DPR) encompassing feasibility of the projects and anticipated benefits to beneficiaries.

The expenditure was understated by ₹ 112.52 crore in the accounts of State while ₹ 116.88 crore received directly by the Implementing Agency (IA) for implementation of the RKVY, were kept out of State treasury.

Project-wise accounts were not maintained which led to non-determination of the project-wise allotment of funds and expenditure thereagainst. RKVY funds were irregularly diverted for investment in equity (₹ 2 crore), acquisition of land (₹ 0.68 crore) and purchase of tractors (₹ 0.37 crore). Interest income of ₹ 5.33 crore remained unutilised in the absence of any investment policy.

Project activities like crop demonstration, farmers' training and hi-tech agriculture, amounting to ₹ 6.34 crore were awarded to a Non Government Organisation (NGO) without ascertaining its financial status and capability to perform the jobs.

Full payment of ₹ 2.29 crore was made to the supplier of olive plants, without factoring in survival of supplied plants, short supply and supply of defective plants.

Date Palm cultivation and plantation was launched without proper assessment of the demands of the farmers resulting in 55,447 date palm plants costing ₹ 12.89 crore lying in the Jodhpur nursery.

Even after incurring an expenditure of ₹ 19.34 crore, International Horticulture Innovation and Training Centre could not achieve self sustainability in operational expenses as its administrative expenses increased by 376 *per cent* between 2008 and 2011.

## 2.1.1 Introduction

In the backdrop of inadequate public investment in the agriculture sector and declining agricultural growth rate, a new State Plan Scheme of Additional Central Assistance, *Rashtriya Krishi Vikas Yojana* (RKVY) was launched (August 2007) by Government of India (GoI) for agriculture and allied sectors, to reverse this trend. Initially envisaged for the Eleventh Five Year Plan, it was continued in the Twelfth Five Year Plan. The funds under the scheme were provided as 100 *per cent* grant from GoI. RKVY mainly aimed at achieving four *per cent* annual growth in the agriculture sector during the Eleventh Five Year Plan (2007-12) by ensuring a holistic development of agriculture and allied sectors.

### *2.1.1.1 Objectives of the scheme*

(i) To incentivise the States to increase public investment in agriculture and allied sectors;

(ii) To provide flexibility and autonomy to the State in the process of planning and executing agriculture and allied sector schemes;

(iii) To ensure the preparation of Agriculture Plans for the districts and the State based on agro-climatic conditions, availability of technology and natural resources;

(iv) To achieve the goal of reducing the yield gaps in important crops through focused attention;

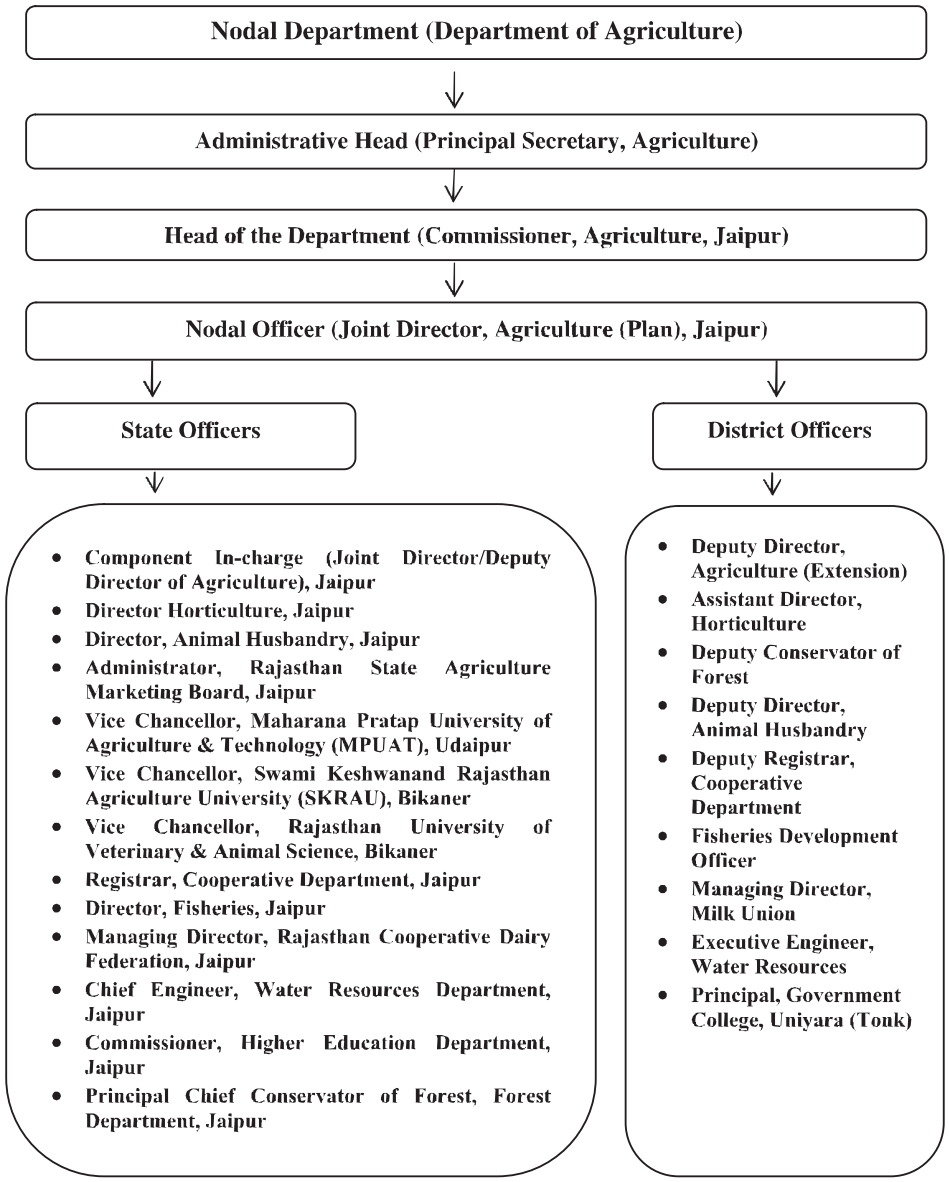
(v) To maximise returns to the farmers in agriculture and allied sectors;

(vi) To ensure that the local needs/crops/priorities are better reflected in the agriculture plans of the States; and

(vii) To bring about quantifiable changes in the production and productivity on various components of Agriculture and allied sectors by addressing them in a holistic manner.

### 2.1.2 Organisational Set-up

The organisational set up for implementation of the RKVY projects is given below:




A State Level Sanctioning Committee (SLSC) headed by Chief Secretary of the State is the authority to sanction specific projects and monitor their implementation. The Department of Agriculture (DoA) is the Nodal

Department and the State Government has identified 13 implementing agencies [1] for implementation of RKVY.

### 2.1.3 Audit Objectives

The objectives of the Performance Audit were to assess whether:

- The planning process was effective and according to the RKVY guidelines;
- Financial management ensured adequate and timely availability of funds and their effective and economic utilisation;
- Projects were implemented according to the regulatory structure in place and the intended objectives of the projects were achieved; and
- Coordination mechanism among various projects was put in place to ensure comprehensive delivery of intended service and internal control mechanism existed to ensure efficient and effective monitoring and control over implementation.

### 2.1.4 Audit Criteria

The audit criteria adopted were as under:

- RKVY guidelines of Government of India (GoI);
- Comprehensive State Agriculture Plan (C-SAP);
- Guidelines for projects under implementation;
- Instructions and directions issued at State/District level for implementation of RKVY; and
- State General Financial and Accounts Rules (GF & ARs).

### 2.1.5 Audit Coverage and Methodology

PA of 'Implementation of RKVY' for the Eleventh Five Year Plan (2007-12) was conducted in the backdrop of State agriculture and allied sectors' annual targeted of 4 *per cent* against 2.4 *per cent* growth rate during the Tenth Five Year Plan period (2002-07). Moreover, allocation on RKVY comprised 30.10 *per cent* of the total Plan allocation on these Sectors in Rajasthan. Under the scheme, 282 projects pertaining to 18[2] sectors were implemented

1. Animal Husbandry; Cooperative; Forestry; Fisheries; Horticulture; Higher Education; Maharana Pratap University of Agriculture and Technology, Udaipur; Rajasthan State Agriculture Marketing Board; Rajasthan University of Veterinary and Animal Science; Bikaner; Rajasthan Cooperative Dairy Federation; Rajasthan State Seed Corporation; Swami Keshwanand Rajasthan Agriculture University; Bikaner and Water Resources Department.
2. Research, Crop development, Dairy development, Extension, Fertilizer and INM, Fisheries, Horticulture, Marketing and Post Harvesting Management, Micro/Minor Irrigation, Agriculture Mechanisation, Animal Husbandry, Integrated Pest Management, Natural Resource Management, Seed, Cooperatives and Cooperation, Innovative Programmes, Organic Farming Bio Fertilizer and Information Technology.

during 2007-13. Out of these, records of 71 projects of 14 sectors were test checked from April to September 2012 and findings were updated from April to September 2013. Implementation of selected projects was also reviewed in nine districts[3] using random sampling. An entry conference was held on 4 July 2012 wherein methodology, audit criteria and performance indicators[4] were discussed and audit findings were discussed at an exit conference held on 20 December 2013 with the Principal Secretary, Agriculture Department.

## Audit Findings

### 2.1.6 Planning

Para 3.1 and 3.2 of guideline provides formulation of District Agriculture Plan (DAP) by each district and preparation of C-SAP by integrating DAPs. The C-SAP required approval of Department of Agriculture and Cooperation (DAC), Ministry of Agriculture, Government of India and Planning Commission. DAPs were to be prepared to know the resources available from other existing schemes and to aim at moving towards projecting the requirement for development of agriculture and allied sectors of the districts. Audit observations are discussed below:

#### *2.1.6.1 Delay in preparation of District Agriculture Plan and Comprehensive State Agriculture Plan*

Para 3.3 of the RKVY guidelines stipulates preparation of DAPs within three months from the date of issue of the guidelines (August 2007), if not already prepared. It was observed that final shape to DAPs of 24 districts was given only in March 2009. DAPs of 3 districts[5] were not finalised at the time of integration of DAPs into C-SAP. This also resulted in delay in finalisation and submission of C-SAP to Planning Commission (May 2010). Admitting the facts (January 2014), the State Government attributed the delay to time taken for imparting training to the District Officers and coordination with other Departments. This indicated preparation and implementation of the district projects without proper planning and ensuring project requirements.

#### *2.1.6.2 Non-preparation of Shelf of projects and Detailed Project Reports*

Para 3.5 of RKVY guidelines provides for preparation of shelf of projects at the district level for submitting the group of specific/new projects to SLSC. Nodal Department was to compile such projects from each district, prioritise and place them before the SLSC. Further, para 7.1 of the guidelines also provides submission of the Detailed Project Reports (DPRs) for each project having feasibility study of the project, competencies of the Implementing

3. Banswara, Bharatpur, Hanumangarh, Jaipur, Jaisalmer, Jhalawar, Jodhpur, Rajsamand and Sikar.
4. State eligibility under RKVY, Management information system, Release of fund and Flow of crop benefits to the farmers.
5. Bundi; Rajsamand and Jaisalmer.

Agency (IA), anticipated benefits that would flow to beneficiaries in definite time line *etc.* for approval to SLSC.

Audit observed that the shelf of projects or DPRs were not prepared by any of the nodal agencies. State Government stated (February 2013) that shelf of projects was not prepared at the time of start of the scheme. As regards non-preparation of DPRs, it was stated (September 2013) that only the DPRs of projects related to construction *etc.* were prepared. It was further intimated (January 2014) that checklists as per guidelines were prepared, which consisted of all important information related to project. Reply was not acceptable as in the absence of DPRs, feasibility of the project, competencies of the IA and anticipated benefits to beneficiaries could not be ensured by SLSC. This was evident from the large number of projects being abandoned as detailed in the next paragraph.

### *2.1.6.3 Projects abandoned /dropped/not started*

Para 7.1.3 of the guideline provides that 50 *per cent* of the project cost should be released to nodal department/nodal agency as first instalment after approval of SLSC.

- Audit scrutiny revealed that 3 projects[6] were abandoned after incurring an expenditure of ₹ 20.14 crore and 15 projects (***Appendix 2.1***) were dropped/not started despite their approval having been accorded for their implementation from the period 2008-09 to 2012-13. The Joint Director (JD) DoA (Plan), Jaipur, intimated (July 2013) that these projects were not given priority or implementing agencies/nodal agencies did not demand funds for their implementation.

- Further, SLSC approved (March 2008) a project for establishment of small scale ornamental fish breeding cum culture units at a cost of ₹ 75 lakh, for which maximum of ₹ 25,000 per unit was to be granted as assistance. It was noticed that the project was dropped (2013-14) after incurring an expenditure of ₹ 5 lakh on the ground that a similar activity, which was more beneficial, was being run under Centrally Sponsored Scheme since April 2007, where fish farmers were granted subsidy with a ceiling of ₹ 1.50 lakh.

Accepting the facts, the State Government stated (January 2014) that project was dropped due to non-receipt of proposals from fish farmers. Facts remained that the project was dropped after incurring an avoidable expenditure of ₹ 5 lakh, due to lack of proper planning and coordination.

## 2.1.7 Financial Management

RKVY funds were provided to the State as 100 *per cent* grant by the GoI, in two distinct streams. Further, Para 7.1.6 and 7.2.1 of the guideline provides that at least 75 *per cent* of the allocated amount was for specific and new projects under stream-I and maximum of 25 *per cent* was to be utilised for strengthening the existing state sector schemes and filling the resources gaps

6. Strengthening of extension system: ₹ 0.62 crore; Green fodder cultivation: ₹ 19.51 crore and Evaluation chickpea etc.: ₹ 0.004 crore.

under stream-II. Assistance was to be released in three instalments[7] under stream-I and in two equal instalments under stream-II.

The GoI provided ₹ 2,143.91 crore as grant in aid to RKVY including its sub schemes during 2007-13, of which an expenditure of ₹ 2,129.97 crore was incurred. Year-wise details are given in the table below:

**Table 1: Position of the grant received and expenditure incurred thereagainst**

**(₹ in crore)**

| Year | Project proposals (in Nos) | Total project cost | Opening balance | Receipt from GoI | Total | Expenditure | Closing balance | *Percentage* of under utilisation |
|---|---|---|---|---|---|---|---|---|
| 2007-08 | 22 | 120.46 | - | 55.76 | 55.76 | - | 55.76 | 100.00 |
| 2008-09 | 44 | 503.45 | 55.76 | 233.76 | 289.52 | 175.78 | 113.74 | 39.29 |
| 2009-10 | 46 | 797.89 | 113.74 | 186.12 | 299.86 | 248.62 | 51.24 | 17.09 |
| 2010-11 | 102 | 1,082.20 | 51.24 | 628.01 | 679.25 | 615.28 | 63.97 | 9.42 |
| 2011-12 | 18 | 131.88 | 63.97 | 692.08 | 756.05 | 650.44 | 105.61 | 13.97 |
| 2012-13 | 50 | 519.32 | 105.61 | 348.18 | 453.79 | 439.85 | 13.94 | 3.07 |
| **Total** | **282** | **3,155.20** | **390.32** | **2,143.91** | **2,534.23** | **2,129.97** | | |

Source: JD, Agriculture (Plan), Jaipur

Grant of ₹ 55.76 crore received during 2007-08 remained unutilised as the same was received at the end of the financial year (January to March 2008). Under utilisation of grants ranged between 3.07 *per cent* and 39.29 *per cent* during 2008-2013. This was due to lack of control over implementation and non-release of funds to IAs due to non- receipt of utilisation certificates (UCs).

Audit observations are enumerated below:

### *2.1.7.1 Account figures not depicting correct picture of expenditure*

During 2007-13, the State Government showed total expenditure of ₹ 1,952.07 crore under RKVY, whereas the Nodal Officer's figures were ₹ 2,129.97 crore in the UCs submitted to DAC. Thus, the expenditure was understated by ₹ 177.90 crore by State Government, as shown in the table below:

7. 50 *per cent* of the project cost as first instalment, 40 *percent* cost after utilisation of 50 *per cent* of the first instalment and 10 *per cent* after completion of the project.

**Table 2: Expenditure exhibited in budget head of the State Government and that of Nodal Officer**

**(₹ in crore)**

| Sl. No. | Year | Expenditure under budget head: RKVY* | | | Expenditure shown by Nodal Officer** | Difference (Under stated) |
|---|---|---|---|---|---|---|
| | | Revenue | Capital | Total | | |
| 1 | 2007-08 | - | - | - | - | - |
| 2 | 2008-09 | 116.87 | 41.34 | 158.21 | 175.78 | (-) 17.57 |
| 3 | 2009-10 | 161.11 | 24.93 | 186.04 | 248.62 | (-) 62.58 |
| 4 | 2010-11 | 479.84 | 102.82 | 582.66 | 615.28 | (-) 32.62 |
| 5 | 2011-12 | 568.30 | 82.39 | 650.69 | 650.44 | (+) 0.25 |
| 6 | 2012-13 | 347.60 | 26.87 | 374.47 | 439.85 | (-) 65.38 |
| **Total** | | **1,673.72** | **278.35** | **1,952.07** | **2,129.97** | **(-) 177.90** |

Source:- * As per Detailed Appropriation Accounts
** Provided by the Department

Further, ₹ 116.88 crore[8] received in February 2009 from GoI under RKVY were deposited directly in the accounts of State Institute of Agriculture Management (SIAM), Durgapura, Jaipur, and thus this amount escaped depiction in State budget of 2009-10.

Admitting the facts, the State Government clarified (September 2013) that ₹ 116.88 crore was released directly to SIAM by GoI and UCs had been submitted to GoI separately. For the difference of ₹ 112.52 crore (up to 2011-12) it was intimated that the figures could not be reconciled as expenditure of ₹1,690.12 crore (up to 2011-12) included expenditure incurred from ₹116.88 crore received from GoI directly. This indicated that accounts of the State did not depict the correct picture and the expenditure under RKVY was inflated. The reasons for the difference of ₹65.38 crore during 2012-13 have been called for.

### *2.1.7.2 Non-maintenance of project wise accounts*

Para 7.1.5 of RKVY guidelines provides maintenance of project wise accounts.

Audit scrutiny revealed that though GoI allocated funds separately for the projects of *stream-I*, *stream-II* and sub-schemes, the DoA released funds to IAs in lump sum, without specifying project wise allocations. This resulted in non-maintenance of project-wise accounts by IAs. The State Government stated (January 2014) that project-wise allotment of funds would adversely affect the allotment of funds from GoI and expenditure against them under the scheme. The reply of the Government was not correct as non-maintenance of project-wise accounts led to non-determination of the project-wise allotment of funds and expenditure thereagainst.

### *2.1.7.3 Non-accounting of interest income*

RKVY guidelines do not provide for utilisation of interest earned on RKVY funds kept in interest bearing accounts.

8. Additional Central Assistance released by DAC (sanction No: 1-11/ 2008-RKVY; dated: 24 February 2009).

It was observed that interest of ₹ 5.33 crore, earned by eight implementing agencies[9], was lying unutilised in their bank accounts in absence of clear provisions. Admitting the facts, State Government stated (January 2014) that amount of interest would be adjusted against expenditure in running projects after approval of SLSC in next meeting. The advice of the Government of India may be obtained before the interest is utilised.

### *2.1.7.4 Diversion of funds*

Para 4 of the guidelines has enlisted the components/activities eligible for project based assistance and allows the State Government to choose other components/ activities with the condition that it should be reflected adequately in the C-SAP and got approved by Planning Commission.

In the following cases, RKVY funds were utilised in other components/ activities without reflecting them in C-SAP and approval of Planning Commission.

- Rajasthan Horticulture Development Society (RHDS) incorporated (November 2008) a new company[10] for implementation of RKVY project "Date palm tissue culture laboratory and nursery" with an investment of ₹ 8 crore of which equity shares of ₹ 2 crore were from RKVY funds. Investing RKVY funds in equity shares was not an activity under the guidelines of GoI. Moreover, this was also not reflected in approved C-SAP. The diversion of RKVY funds for investment in equities was irregular. The State Government stated (January 2014) that the company was formed under Public Private Partnerships (PPP) to develop date palm cultivation in the State, to prevent import of date palm plants and to develop tissue culture techniques. Reason for utilisation of funds for investment in equities has not been intimated. Reply was not acceptable as this diversion/ investment was in contravention of the guidelines.

- It was observed that the Commissioner, Agriculture, Jaipur sanctioned (March 2009) ₹ 0.60 crore under "miscellaneous expenses" to Rajasthan Olive Cultivation Limited (ROCL)[11] for clearing outstanding liabilities and monthly expenses of January 2009 from RKVY funds. In reply, the Government stated (January 2014) that fund was utilised for promotion of olive cultivation. As no payment account was maintained hence, the assertion of the Government could not be verified.

Rajasthan Cooperative Dairy Federation (RCDF) acquired land worth ₹ 0.68 crore[12]. Three IAs also purchased seven tractors and one motor van for four projects at a cost of ₹ 0.37 crore[13]. As acquisition of assets was not provided

9. RCDF: ₹ 190.59 lakh (June 2013); RAJFED: ₹ 145.78 lakh (March 2012); College Education: ₹ 3.92 lakh (March 2012); Cooperative: ₹ 14.76 lakh (March 2012); SIAM Durgapura: ₹ 111.69 lakh (March 2012); IHITC, Durgapura: ₹ 46.39 lakh (March 2012); RHDS: ₹ 14.29 lakh (March 2013) and SIAM society: ₹ 6.04 lakh (August 2011).
10. M/s Atul Rajasthan Date Palm Limited.
11. IA for olive cultivation in the State.
12. Construction of chilling plant: ₹ 35 lakh; (land: ₹ 20 lakh and boundary wall: ₹ 15 lakh at Hindaun City (April 2009)) and Establishment of milk processing unit: ₹ 32.81 lakh at Jaisalmer (2009-12).
13. IHITC: ₹ 0.06 crore; MPUAT: ₹ 0.04 crore; and SKRAU: ₹ 0.27 crore.

under the guidelines, expenditure incurred on these items was irregular. Admitting the facts, the Government stated (January 2014) that for achieving the objectives of the projects, the land were purchased by RCDF, tractors were utilised for crop demonstration activities and seed production programmes were carried out in adaptive trial centres. Reply was not acceptable and the expenditure of ₹ 1.05 crore was irregular as the purchases were not as per the guidelines of GoI.

### 2.1.8 Implementation

The SLSC approved 282 projects under 18 sectors for the period 2007-13. Overall status of the RKVY projects, as on 31 March 2013, was as under:

**Table 3: Status of the RKVY projects**

**(₹ in crore)**

| S. No | Sector | Project cost | Amount released | Expenditure incurred | No. of projects | Status of projects | | |
|---|---|---|---|---|---|---|---|---|
| | | | | | | Complete | Under progress | Not Started/ Abandoned/ Dropped |
| 1 | Crop development | 224.29 | 149.25 | 126.06 | 15 | 4 | 9 | 2 |
| 2 | Research (Agriculture/ Horticulture/ Animal Husbandry *etc.*) | 106.90 | 33.92 | 30.81 | 33 | 9 | 22 | 2 |
| 3 | Dairy development | 282.45 | 105.69 | 100.87 | 13 | 6 | 6 | 1 |
| 4 | Animal Husbandry* | 232.85 | 69.23 | 65.85 | 47 | 6 | 37 | 3 |
| 5 | Extension* | 159.34 | 57.37 | 55.35 | 19 | 5 | 11 | 2 |
| 6 | Fertiliser and INM | 283.76 | 145.80 | 139.07 | 10 | 3 | 6 | 1 |
| 7 | Fisheries | 33.13 | 7.05 | 5.84 | 13 | 4 | 9 | 0 |
| 8 | Horticulture | 345.15 | 239.60 | 210.41 | 32 | 12 | 19 | 1 |
| 9 | Marketing and Post Harvest Management | 166.68 | 53.80 | 46.96 | 15 | 4 | 10 | 1 |
| 10 | Micro/Minor Irrigation | 787.58 | 542.00 | 441.85 | 14 | 6 | 7 | 1 |
| 11 | Agriculture Mechanisation | 97.76 | 44.55 | 40.90 | 13 | 2 | 10 | 1 |
| 12 | Natural Resource Management | 24.14 | 17.52 | 14.34 | 6 | 0 | 5 | 1 |
| 13 | Integrated Pest Management | 3.84 | 3.30 | 2.66 | 4 | 2 | 2 | 0 |
| 14 | Seed | 256.01 | 191.96 | 185.20 | 22 | 13 | 9 | 0 |
| 15 | Cooperative and Cooperation | 80.62 | 51.54 | 47.84 | 11 | 5 | 6 | 0 |
| 16 | Innovative Programmes | 26.61 | 10.49 | 7.96 | 10 | 5 | 4 | 1 |
| 17 | Organic Farming/ Bio Fertiliser | 39.10 | 7.52 | 6.57 | 4 | 1 | 3 | 0 |
| 18 | Information Technology | 5.00 | 0.00 | 0.00 | 1 | 0 | 0 | 1 |
| | **Total** | **3,155.21** | **1,730.59** | **1,528.54** | **282** | **87** | **175** | **18** |

* 1+1=2 projects status not available

Source: Information provided by the Agriculture Department.

Sector-wise implementation of projects and audit observations are given below:

### *2.1.8.1 Sector-Crop Development*

***Golden Rays Project Rajasthan***

Under the 'Golden Rays Project Rajasthan', poor tribal cultivators of five districts[14] were to be provided hybrid maize seeds during kharif by M/s Monsanto India Limited (Monsanto). The project was extended and continued in 2012-13. The deficiencies noticed in implementing the project are contained in the succeeding paragraphs.

- The Commissioner, Agriculture, Jaipur conducted (March 2010) a study on implementation of 'Golden Rays Project' Kharif 2009 by contacting 160 farmers in Udaipur and 80 in Banswara. The study revealed that 94 farmers (59 *per cent*) in Udaipur and 80 farmers (100 *per cent*) in Banswara received the seeds only after the peak season. However, no action for delay in supply of seeds was taken against Monsanto. The State Government stated (January 2014) that order for supply of maize seeds was given in July 2009 and same were distributed to the farmers as soon as these were received at the onset of monsoon. The reply is not acceptable as it is contrary to the facts given in study report of the Agriculture Department.

- Though Monsanto had agreed (May 2010) to distribute hybrid maize seeds free of cost, equal to 10 *per cent* of the project cost, no such clause for free distribution was incorporated in the Memorandum of Understanding (May 2010). A sum of ₹ 37.29 crore[15] was paid (at the rate of ₹ 99.38 per kilogram) for distribution of 3917.37 MT of hybrid maize seeds, which included 165 MT distributed free of cost. While finalising the dues, an adjustment of 165 MT only was made against the agreed 10 *per cent* (391.737 MT) of total supply of seeds. This resulted in short adjustment of 226.737 MT of seeds and excess payment of ₹ 2.25 crore to Monsanto.

The Government stated (January 2014) that 9.575 MT maize seeds were distributed free of cost in Baran district during kharif 2010. The Government further stated that on being pointed out by audit, the company supplied 216.990 MT hybrid maize seed free of cost during kharif 2013.

### *2.1.8.2 Sector-Micro/Minor irrigation*

***Artificial recharge of tube wells in Bharatpur***

The project envisaged construction of 1,000 tube well recharge structures for artificial recharge of ground water in 9 blocks of Bharatpur district, at a unit cost of ₹ 10,000 each during 2009-10. Fifty *per cent* of the unit cost was to be borne by the farmers. The project was implemented by M/s Lupin Human Welfare and Research Foundation, Bharatpur, a non-governmental organisation (NGO).

14. Udaipur, Banswara, Dungarpur, Pratapgarh and Sirohi.
15. 3917.37 MT - 165.00 MT =3752.37 MT x ₹ 99.38 per kilogram.

Scrutiny of records of DD, Bharatpur, revealed that the project was abandoned after construction of only 122 structures at a cost of ₹ 12.50 lakh. First instalment of ₹ 12.50 lakh was released in September 2010 and instead of releasing the second instalment the project was abandoned. This resulted in excess release of ₹ 0.30 lakh as well as short achievement of targets and non-fulfilment of the objective of increasing the ground water level.

The Government stated (January 2014) that the second instalment was not released to the NGO, as it was busy in implementation of the projects of other departments and not paying attention towards completing the project. It is therefore evident that competency of the NGO was not properly assessed which resulted in non-fulfilment of the objectives.

***Construction of diggis/plastic lined diggis in canal command areas***

To increase the water storage capacity and proper utilisation of water in canal command areas of the State, the project for construction of diggis/ plastic lined diggis, was approved (June 2009) for a period of five years. A subsidy of ₹ 1.50 lakh per diggi during 2009-10 and ₹ 2 lakh during 2010-11, limited to 50 *per cent* of the actual cost was to be paid to the farmers.

Scrutiny of the records of DD, Jaisalmer revealed that the Collector, Jaisalmer issued instructions (April 2011) not to construct plastic lined diggis due to risk of damage to the lining, its short durability because of the high temperature and frequent dust storms in Jaisalmer. Meanwhile, 21 plastic lined diggis were constructed by the farmers and a subsidy of ₹ 42 lakh (***Appendix* 2.2**) was paid during 2010-11. This indicated that these aspects were not kept in mind while approving the project. The Government stated (January 2014) that after issue of instruction by the District Collector; Jaisalmer, parameters of the construction were changed. An avoidable expenditure of ₹ 42 lakh was incurred as initial detailed study was not conducted and the parameters had to be changed subsequently.

### *2.1.8.3 Sector-Extension*

***Strengthening of extension system***

The project envisaged engagement of 800 agriculture graduates as Multipurpose Extension Workers (MEW) at the sub-block level of the districts on contractual basis at ₹ 8,500 per person per month for five years with effect from June 2009. Main objective of the project was to strengthen the National Agriculture Extension System by engagement of the specialists at the sub-block level.

Audit observed that the above project was abandoned (2010-11) after engagement of 354 MEWs in 24 districts (hired for 2 to 3 months only) and after incurring an expenditure of ₹ 62.55 lakh ( 2009-10), despite vacancies ranging from 50 to 68 *per cent* in Assistant Agriculture Officers (AAOs) cadre and 16 to 23 *per cent* in Agriculture Supervisors cadre during 2007-12.

Accepting the facts, the Government stated (January 2014) that the project was abandoned because of non-availability of agriculture graduates due to lower remuneration, adverse geographical conditions in desert districts and

agriculture graduates not being interested to work in remote areas. This indicated that a non-feasible project was approved, implemented for a short while and then abandoned. With the abandonment of the project the agriculture extension system failed to be strengthened.

***Strengthening and modernisation of agriculture training infrastructure***

Infrastructure at SIAM, Durgapura, Jaipur was to be strengthened with construction of 5 storeyed training building, conference hall, computer hall, laboratory, library, store, guest house, canteen and hostel under the project. Audit scrutiny revealed that the work of the renovation of faculty guesthouse, alteration in mess space of residence of Deputy Director and guard/cleaner/*choukidar* room were not included in the original estimates approved by SLSC but expenditure of ₹ 1.39 crore was sanctioned by Commissioner, Agriculture (July 2010) on these works without approval of the SLSC. Accepting the facts the Government stated (September 2013) that additional construction works were included for execution in accordance with the demand and necessity. The expenditure of ₹ 1.39 crore however, was still irregular.

### *2.1.8.4 Sector-Marketing and Post- Harvest Management*

***Gramin Bhandaran Yojana***

The objectives of the project was creation of scientific storage capacity with allied facilities in rural areas to meet the requirement of farmers to store farm produce, improve their marketability and prevent distress sale immediately after harvest. For this, each Gram Seva Sahakari Samiti (GSS) was to be paid ₹ 8 lakh for construction of a godown of 100 metric ton capacity.

During joint physical verification (May to July 2012) of 17 godowns constructed at a cost of ₹ 1.36 crore in 6 test checked districts[16], it was observed that the godowns were not being used to store the farm produce of farmers.

Accepting the fact, the Government stated (February 2013) that farmers could not be forced to store their farm produce in godowns. Further, it was stated (January 2014) that godowns are being used for advance stocking of fertilisers. The objective of the project was defeated as requirement of godowns by the farmers was not assessed before starting the project. The expenditure of ₹ 1.36 crore was thus wasteful.

***Distribution of storage bins to farmers***

The project envisaged distribution of storage bins (capacity of three quintals) to 57,000 farmers of all the districts during 2008-09, with a subsidy of ₹ 500 per bin. The period was extended to 2009-10. Against the project cost of ₹ 6.20 crore, an expenditure of ₹ 4.47 crore was incurred.

16. Banswara (one): ₹ 8 lakh; Bharatpur (three): ₹ 24 lakh; Hanumangarh (one): ₹ 8 lakh; Jaipur (seven): ₹ 56 lakh; Rajsamand (three): ₹ 24 lakh and Sikar (two): ₹ 16 lakh.

Audit observed that in six out of nine test checked districts[17], DD, Agriculture (Extension) surrendered (February 2009) the entire provision of ₹ 47.50 lakh and no storage bins were distributed. In reply, the Government stated (January 2014) that the farmers in Jaisalmer district, did not require the storage bins. It further stated that storage bins could not be distributed in remaining five districts, as manufacturer of storage bins had not got authorisation from Department of Industries, the meagre amount of subsidy available and lack of interest among farmers. The reply of Government is not acceptable as the level of subsidy available was adequate as ₹ 4.47 crore had been spent on the same and thus farmers were interested in the bins. It was not stated as to why the Industries Department had not authorised manufacture of the bins in these five districts as bins were manufactured for distribution to farmers in the other districts of the state.

### *2.1.8.5 Sectors-Innovative Programmes*

#### *Socio-economic development through dissemination of appropriate technology*

Para 7.1.1 of the guidelines provides that funds are to be released by the nodal agency to IAs after satisfying the competencies of the IA and also that the project fulfils the objectives.

Audit scrutiny revealed that project activities (₹ 6.34 crore) like crop demonstration, farmers training and assistance for hi-tech agriculture were awarded to an NGO[18], on the basis of recommendation (March 2011) of District Collector and DD, Agriculture (Extension), Jodhpur, instead of following competitive and transparent selection procedure. The work was awarded without ascertaining the NGO's financial status and available working staff. Resultantly, the project was not implemented even after release of ₹ 41.25 lakh (July 2011) which was an undue financial benefit to the NGO.

The Government stated (September 2013) that decision for implementation of the project by the NGO was taken at a higher level and efforts were being made for obtaining physical and financial progress and action for termination of work would be taken after receipt of the report from the DD, Jodhpur. The selection of an incompetent NGO resulted in waste of money and the matter needs to be investigated. Further, the benefits under this project were denied to the farmers.

#### *Establishment of College of Fisheries*

In annual budget 2010, the DoA proposed for establishment of College of Fisheries at Udaipur under Maharana Pratap University of Agriculture and Technology (MPUAT) for development of aquaculture and fishery industries in the State, from the academic year 2010-11. *Ex post facto* approval of SLSC was accorded in October 2010.

17. Bharatpur, Bundi, Dholpur, Jaisalmer, Kota and Sirohi.
18. Shri Marudhar Bagwani Krishi Utpadan Vikas Samiti, Tehsil Bhopalgarh, Jodhpur.

Audit scrutiny revealed that the college was established by upgrading the existing Department of Limnology and Fisheries in Rajasthan College of Agriculture (RCA), Udaipur. Against total release of ₹ 4 crore under the project, expenditure of only ₹ 0.51 crore was incurred and the remaining funds were lying with MPUAT. As per the recommendation of the Indian Council for Agriculture Research (ICAR), the college required at least five departments[19] with minimum 10 faculty members. The MPUAT submitted (July 2011) requirement of ₹ 59.79 crore for smooth running of the college during 2012-17. The college was established as per the recommendation of ICAR without providing appropriate teaching, non-teaching, supporting staff and funds.

Accepting the facts, the Government stated (January 2014) that provision is being made for creation of a full fledged college, as per ICAR norms, with all five departments.

### *2.1.8.6 Sector-Cooperative and Cooperation*

#### *Computerisation of Cooperative Institution*

The main objective of the project was to provide banking facilities by establishing 1,667 computerised mini banks at Rajiv Gandhi Seva Kendras (RGSK) in 29 districts at a cost of ₹ 25 crore. Audit observed that:

- During 2011-12, an amount of ₹ 1.50 lakh[20] each, was provided to 1,667 RGSK mini banks for purchase of computers and furniture. However, computers (total cost of ₹ 7.81 crore) were not purchased (March 2013) by 468 RGSKs of 11 districts.

Accepting the facts the Government stated (September 2013) that for purchase of computers a district level committee was constituted (November 2011), which includes representative of National Informatics Centre (NIC). Delay in purchase of computers was due to delay in nomination of representative of the NIC and adopting the long procedure laid down under GF&AR. Fact remained that due to unusual delay in purchasing computers, the objective of providing the banking facilities at the RGSKs could not be started.

- Joint inspection (July 2012) of RGSK, Khedapa (Jodhpur) by audit team along with departmental officers, revealed that computer was installed but banking transaction process was not started due to non-availability of staff. Details of operation of computers in other RGSKs of Jodhpur district were not made available to audit (January 2014).

### *2.1.8.7 Sector-Dairy Development*

#### *Establishment of milk processing and packing unit*

The project envisaged establishment of milk processing and packing units of capacity of 50 and 25 kilolitres per day, at Bharatpur and Karauli respectively.

19. Departments of Aquaculture, Post-Harvest Technology, Fisheries Resources Management, Aquatic Environment and Basic Sciences.

20. ₹ 0.90 lakh for infrastructure development (furniture) and ₹ 0.60 lakh for computerisation.

An expenditure of ₹ 7.24 crore was incurred (March, 2013) against the project cost of ₹ 9.50 crore. Audit revealed the following:

- The duration of the project was four years from the date of approval (July 2008). However, installation and commissioning of plant and machinery could not be undertaken till date (June 2013) due to non-completion of civil works.

- Due to delay in establishment of the milk processing unit at Bharatpur, processing and packing of milk was being done at Alwar and an avoidable expenditure of ₹ 27.74 lakh on transportation of milk was incurred by Bharatpur Milk Union from January to September 2012. The Government stated (January 2014) that due to delay in installation of machinery, processing and packing of milk was carried out at Alwar. Steps may be taken to complete the construction work so that the units can start functioning at the earliest.

***Installation of Bulk Milk Coolers***

Under the project, Bulk Milk Coolers (BMCs) were to be installed in 18 districts[21] with the objective to enhance the keeping quality of milk and to avoid economic losses to farmers due to spillage/souring of milk. The project was approved (April 2011) by SLSC for a duration of six years and against the release of fund of ₹ 31.76 crore, the expenditure was ₹ 31.75 crore (March 2013).

Scrutiny revealed that out of 37 BMCs installed in Sikar district, 4 BMCs worth ₹ 32.51 lakh, installed during October 2010 to February 2012, were lying unutilised (July 2013) due to disputes between Cooperative Society and Management Committee (two), non requirement of BMC (one) and death of Secretary (one). Further, three BMCs worth ₹ 17.25 lakh were lying idle (July 2013) due to non-completion of civil work. Thus, non-utilisation of seven BMCs worth ₹ 49.76 lakh ***(Appendix 2.3)*** resulted in depriving the beneficiaries from BMCs. Accepting the facts, the State Government stated (January 2014) that one BMC has now been installed in Badsinghwali.

### *2.1.8.8 Sector-Horticulture*

***Olive Cultivation Projects***

Olive cultivation has been implemented by a Joint Venture Company Rajasthan Olive Cultivation Limited (ROCL) incorporated on 10 August 2007 and consisting of Indolive Ltd, Plastro Plasson Industries India Limited and Rajasthan State Agriculture Marketing Board with holding of one-third equity of the Joint Venture Company under Public Private Partnership mode. Three projects[22] out of seven, approved during 2007-12, were test checked by audit. Audit scrutiny revealed that:

21. Ajmer, Alwar, Bharatpur, Bhilwara, Bikaner Chittorgarh, Churu, Jalore, Nagaur, Sriganganagar, Jaipur, Jodhpur, Kota, Pali, Sikar, Tonk, Sawai Madhopur and Udaipur.

22. Hi-tech agro-horticulture Research and Demonstration Centre at Bassi: ₹ 22 crore; Demonstration Hub for Vegetable at Hi-tech agro-horti research and Demonstration Centre Bassi: ₹ 6.50 crore; Centre of Excellence at Bassi: ₹ 5.50 crore.

- Para no 7.1.5 of the guidelines provides that the nodal agency should ensure project-wise maintenance of accounts by IA. It was observed that ROCL was not maintaining project-wise accounts which resulted in variation of ₹ 3.97 crore in expenditure, as reported (May 2012) by Nodal Department to SLSC and that intimated by ROCL to audit as shown below:

**Table 4: Variation in figures of expenditure of Nodal Department and IA**

**(₹ in crore)**

| Name of project | Expenditure reported by nodal department (March 2012) | Expenditure reported by ROCL (March 2012) | Variation |
|---|---|---|---|
| Demonstration Hub for Vegetable at Hi-tech agro-horticulture research and Demonstration Centre, Bassi | 3.50 | 3.35 | 0.15 |
| Establishment of Hi-tech agro-horticulture Research and Demonstration Centre at Bassi | 4.40 | 1.31 | 3.09 |
| Centre of Excellence at Bassi | 1.82 | 1.09 | 0.73 |
| **Total** | **9.72** | **5.75** | **3.97** |

Source: JD, Agriculture (Plan), Jaipur and Chief Operation Officer (COO), ROCL, Jaipur

The State Government intimated (January 2014) that the company follows mercantile system of accounting hence, liability created or to be created is treated as committed expenses and maintenance of accounts on cash basis system has now been started separately. Reply was not acceptable as project wise accounts were not maintained and was the reason for variation.

- Under the project, olive plants were imported from M/s Mihar Enterprises Limited, Israel (MELI), a company of which the Managing Director of ROCL was the owner. Though the nodal agency Rajasthan State Agriculture Marketing Board (RSAMB) issued instructions (May 2007) to ROCL not to pay more than required advance until the plants attain height of at least one metre ROCL however made payment of ₹ 2.29 crore ($ 4.94 lakh) to MELI for supply of 1,12,339 olive plants without ensuring survival and hardening of plants, till attaining the required height. MELI supplied only 90,495 plants and a large number of plants supplied were too small, of bare roots and without roots which died during the hardening process.

Accepting the facts, the State Government stated (January 2014) that legal notice for recovery of ₹ 44.45 lakh has been issued (July 2013) to MELI and recovery proceeding initiated. However, action for recovery of amount for supply of defective plants was not intimated. Further it was observed that MELI in a letter to Government in June 2011 had stated that besides ₹ 44.45 lakh which was recoverable an amount of ₹ 5.75 lakh spent on maintenance by ROCL was recoverable from MELI. This claim has not been lodged with MELI.

***Date Palm Cultivation and Plantation***

Under the project, date palm planting materials were to be imported and before supply of these plants to farmer fields, plants were to undergo the process of secondary hardening for nine months at Jodhpur nursery of

Horticulture Department. Subsidy of 90 *per cent* of the cost was to be borne from RKVY funds and remaining amount was to be collected from beneficiaries. The project duration was eight years starting from 2008. An expenditure of ₹ 64.40 crore (March 2013) was incurred against project cost of ₹ 88.65 crore. Following audit observations were made:

- As per approval (March 2008) of the SLSC the project was to be implemented in Barmer, Bikaner, Jaisalmer and Jodhpur districts and a total area of 900 hectares was to be covered for planting of date palm on farmers' fields during 2007-12. It was, however, observed that only 443.94 hectare (49.33 *per cent)* area was covered up to October 2012. The State Government replied (September 2013) that targets were not achieved as the farmers did not take interest due to prolonged time in fruiting (Barmer, Bikaner and Jodhpur) and shortage of staff (Jaisalmer). It was further stated (January 2014) that 576 hectare area has been covered for planting of date palm on farmer fields up to November 2013.

- Scrutiny of records of Jodhpur nursery revealed that out of 1,32,912 date palm plants received during 2009-11, only 77,076 plants were distributed and 389 plants replaced to the farmers as of July 2013. The remaining 55,447 (41.72 *per cent*) date palm plants costing ₹ 12.89 crore were lying in the nursery. The State Government replied (September 2013) that no fresh order for import of date palm plants had been issued and all future orders would strictly be governed by field demands. Further, it was intimated (January 2014) that out of 55,447 date palm plants, 12,784 plants were planted in farmer fields up to November 2013. Thus 42,663 plants procured since 2011and valuing ₹ 9.94 crore were lying in the nursery. This indicated that the project was launched without proper assessment of demand and led to blocking of funds of ₹ 9.94 crore.

***Horticulture Development programme in non-National Horticulture Mission Districts***

Under the project, various activities running through National Horticulture Mission (NHM) were to be implemented in nine[23] non-NHM districts. Erection of the poly greenhouses and construction of community water harvesting structures (CWHS) were important activities under the project. Audit observations are as under:

- ***Erection of Poly Greenhouses***

Poly Greenhouses of sizes ranging from 560 to 4000 square metres were to be erected under the activity, to cultivate vegetables, flowers and fruits under controlled agro-climatic atmosphere. Subsidy of 50 *per cent* of actual cost, limited to rates prescribed by RHDS, was to be paid to the farmers.

During joint inspection (21 June 2012) of farmers' fields in Bharatpur district, two units of poly greenhouse on which a subsidy of ₹ 7.10 lakh was paid during 2009-11, were found damaged and out of operation. Accepting the

23. Bharatpur, Bikaner, Churu, Dausa, Dholpur, Hanumangarh, Pratapgarh, Rajsamand and Sikar.

facts the Government stated (January 2014) that the poly greenhouses were destroyed due to natural calamities and that the Insurance company has been contacted for repairing the poly greenhouses.





**Picture-1** **Picture-2**

**Damaged Poly greenhouses in Bharatpur district**

- There was nil achievement in Hanumangarh district against the target of erection of 4000 square metre of poly greenhouses during 2010-13. The Government stated (January 2014) that due to difficulties in sale of high value crops the farmers did not show any interest.

***Construction of Community Water Harvesting Structures***

Subsidy for construction of Community Water Harvesting Structures (CWHS) was to be paid to farmers limited to actual cost or ₹ 10 lakh for 2009-10, ₹ 15 lakh[24] for 2010-11 and ₹ 7.50 lakh[25] for 2011-12 whichever is less. Audit scrutiny revealed that:

In Hanumangarh district, estimates for construction of CWHS for the year 2008-09 and 2009-10 were prepared by taking a rate of ₹ 100 per cubic metre (cum) for item "earth work in excavation" while during 2010-11, rate of ₹ 36 per cum were taken for the same item of work. Thus, higher rates were taken during 2008-09 and 2009-10 which resulted in extra expenditure of ₹ 25.18 lakh ***(Appendix 2.4)*** in 14 cases.

The Government stated (January 2014) that during 2008-09 and 2009-10 the work of excavation was carried out manually at the rate of ₹ 100, as the excavation with JCBs/ Tractors was not frequent and during 2010-11 the work of excavation was carried out with JCBs/ Tractors at the rate of ₹ 36. The reply is not acceptable as excavation would have been carried out with JCBs/ Tractors even in the earlier years.

In Bharatpur and Hanumangarh districts, the targets for construction of 12 and 39 CWHS respectively, were fixed during 2008-12. Against this, 7 in Bharatpur and 10 in Hanumangarh were incomplete. In 5 cases of Hanumangarh, construction of CWHS could not be started as the farmers

24. size 100 x 100 x 3 cubic metre
25. size 50 x 50 x 3 cubic metre

expressed their inability to construct CWHS (June 2012). Accepting the facts the State Government stated (September 2013) that CWHS could not be completed due to delay in receipt of applications from farmers and selection of submerged fields. This indicated poor supervision and wrong selection of sites.

***Establishment of International Horticulture Innovation and Training Centre***

The project envisaged construction of Demonstration Rooms, Library, Dining-hall, Utility Building, Laboratory, Technical Building, Farm Pond, Landscaping, Green Houses and Cold Storage *etc.* at International Horticulture Innovation and Training Centre (IHITC), Durgapura, Jaipur at a cost of ₹ 25.71 crore within a period of five years. Audit scrutiny revealed the following:

- IHITC was stipulated (July 2008) to achieve self-sustainability in operational expenses during the period 2008-12. It was, however, observed that collection of training fee, the main source of income of IHITC, ranged between 23.25 and 59.89 *per cent* of the operational costs during 2008-11. Thus, the objective of making IHITC a self-sustaining entity was not achieved and achieving the same appears remote as the administrative expenses increased by 376 *per cent* during 2008-11. The State Government stated (January 2014) that efforts are being made for attaining self-sustainability by introducing new training programmes.

- Under the project, ₹ 1.81 crore was allotted to IHITC for imparting training to 4,500 farmers up to March 2012. Against this, only ₹ 68.42 lakh was utilised on training 1,419 farmers (March 2013). Thus, the shortfall in imparting training was 68.47 *per cent*. Admitting the facts the Government stated (January 2014) that farmers were actually called in accordance with the capacity of hostel but their attendance was very few.

- Two trainers, four assistant trainers and one crop supervisor were imparted technical training in the Netherlands (March-April 2009). Two assistant trainers left the institute (April 2011 and February 2013). No recovery of surety bond amount of ₹ 2.50 lakh each was effected from these trainers. Admitting the facts, the State Government stated (January 2014) that action against trainers have been initiated.

- The SLSC approved (October 2010) ₹ 2.25 crore for an additional hostel building at IHITC. An amount of ₹ 0.50 crore and ₹ 1.75 crore were released in March 2011 and March 2012 respectively. Scrutiny revealed that the entire amount was lying unutilised due to non-commencement of construction work. This resulted in blocking of funds of ₹ 2.25 crore. The State Government replied (January 2014) that matter regarding construction of additional hostel building is under consideration.

***Distribution of Vegetable Mini kits***

The project for free distribution of vegetable mini-kits was approved (May 2010) by SLSC for a period of three years.

Audit scrutiny revealed that the Principal Secretary, DoA approved (January 2011) ₹ 2 crore for procurement and distribution of the vegetable mini kits during zaid-2011 in all the districts. However, no mini kits were distributed to the farmers. The State Government replied (January 2014) that RHDS made strenuous efforts for implementation of the project but due to delay in receipt of direction and non-supply of mini kits by Rajasthan State Seed Corporation (RSSC) during peak season, the programme could not be implemented. The farmers were deprived from the benefit of use of the mini kits.

### 2.1.9 Monitoring and evaluation

DoA is the Nodal Department for implementation of the schemes and responsible for effectively coordinating between various departments and IAs with respect to implementation, monitoring and evaluation of programmes. SLSC was also responsible for monitoring the progress of the schemes and to ensure that all programmes are being implemented in accordance with the provisions laid down in guidelines. Following observations were made.

- Para 6.4 of the guidelines provides SLSC to meet as often as required but at least once in a quarter. The first meeting of SLSC was held in March 2008. It was supposed to hold at least 20 meetings during 2008-09 to 2012-13 but only 7 meetings were held during this period. Thus, there was a shortfall of 13 meetings. Accepting the facts, the Government stated (September 2013) that meeting four times a year was not possible. The Government adduced no reasons as to why it was not possible to hold the meetings. In the absence of prescribed meetings, lack of proper monitoring of implementation of the scheme was evident.

- As per para 6.3 of the guidelines, the SLSC was responsible for initiating evaluation studies from time to time. An analysis of minutes of the meeting of SLSC indicated that no evaluation study was suggested or undertaken for reviewing implementation of projects. The State Government stated (January 2014) that DAC, GoI had nominated (July 2013) the Institute for Social and Economic Changes, Bangalore for impact evaluation study of RKVY. The fact remained that the SLSC did not initiate any evaluation study.

### 2.1.10 Impact of RKVY in agriculture sector

RKVY was implemented with the objective of achieving four *per cent* annual growth in the Agriculture Sector during the Eleventh Five Year Plan (2007-12). However, only 3.3 *per cent* growth was registered. Analysis of data from the 'Economic Review 2011-12' of the Socio Economic Development conducted by the Planning Department, Directorate of Economic and Statistics, Rajasthan, Jaipur revealed that Gross State Domestic Product[26] (GSDP) for agriculture and allied sectors showed an increase of 2.5 *per cent* during 2011-12. The State Government clarified (September 2013) that growth in the agriculture sector depends mainly upon monsoon. Reply confirms that annual agricultural growth could not be enhanced even after

26. At constant (2004-05) prices

spending an amount of ₹ 2,129.97 crore under RKVY and the increase in GSDP was the result mainly of good monsoon in 2011-12.

### 2.1.11 Conclusion

- The scheme was implemented without preparation of a shelf of projects and DPRs and prior assessment of the scheme components was not carried out.
- A number of projects were abandoned, dropped or not started which indicated non-preparedness and poor planning.
- Due to sanction of funds to IAs without specific allocation and non-maintenance of project wise accounts, availability/requirement of funds under some project could not be assessed, necessitating diversion of funds and indicating poor financial management.
- The scheme was implemented in the state without taking concerted steps to provide sufficient staff (Assistant Agriculture Officers and Agriculture Supervisors), responsible for implementing it at grassroots level, indicating poor human resource management.
- Inadequate awareness programmes before launching of the scheme, resulted in farmers poor response and demand, leading to non utilisation of godowns, short distribution of planting material and surrender of provision for distribution of storage bins.
- An NGO was engaged without following a transparent procedure and ensuring its financial status and capability to undertake work was not assessed which ultimately resulted in abandoning the project.
- Poor contract management in execution of the civil works and non-release of funds to the contractor 'M/s Lupin Human Welfare and Research foundation, Bharatpur' adversely impacted the programme.
- Agriculture growth rate of targeted four *per cent* during the Eleventh Five Year Plan (2007-2012), was not achieved. The State Government could not reduce dependence on monsoons despite implementation of new and innovative projects.

### 2.1.12 Recommendations

- SLSC should be made more effective. It should ensure that comprehensive and proper DPRs are prepared before new projects are sanctioned and monitor the progress of implementation of various projects at different stages.
- System of financial control over implementation of projects should be strengthened by ensuring project wise fund release and account maintenance. Similarly, project wise feedback mechanism should be evolved for better control over implementation and effective utilisation of funds.
- Progress/performance of the projects/schemes should regularly be evaluated.

# Department of Information Technology & Communication

## 2.2 Performance Audit on the creation of infrastructure for National e-Governance Plan and delivery of services to common citizens through Common Service Centres

***Executive Summary***

National e-Governance Plan (NeGP) was envisioned to make all government services accessible to the common man in his locality, through common service delivery outlets and ensure efficiency, transparency and reliability of such services at affordable costs.

Performance audit revealed that core infrastructure projects like State Wide Area Network (SWAN), State Data Centre (SDC), State Service Delivery Gateway (SSDG) and Common Service Centre (CSC) were not completed as of March 2013.

Department could utilise only 6 to 30 *per cent* of the available funds on various activities, except SDC (107 *per cent*) and Capacity Building (CB) (58 *per cent*). Funds of ₹ 25.15 crore were parked in non-interest bearing Personal Deposit (PD) account resulting in loss of interest of ₹ 4.39 crore. Funds of ₹ 42.35 lakh allotted for project trainings were diverted for other activities.

Excess liability of ₹ 1.36 crore was created due to delay in implementation of SWAN project. Frequent changes in finalisation of Request for Proposal (RFP) and not deciding integration issues of Computerisation Automation Refinement of Integrated System of Management and Accounts (CARISMA) with SWAN resulted in delay in the implementation of the project by six years and cost overrun of ₹ 18.03 crore.

Services of other than those approved by Government of India (GoI) were included in RFP. Liquidated damages of ₹ 1.05 crore and penalties of ₹ 3.06 crore were not levied under SSDG. Liquidated Damages of ₹ 6.23 crore for default in rolling out CSCs and ₹ 22.01 crore for non-creation of CSCs were not levied on Service Centre Agency (SCA).

### 2.2.1 Introduction

Approved by the Government of India (GoI) in November 2003, NeGP was envisioned to make all government services accessible to the common man in his locality, through common service delivery outlets and to ensure efficiency, transparency and reliability of such services at affordable costs.

### 2.2.2 Organisational set up

NeGP is a multi agency programme involving various Central Ministries/ Departments and State Governments. An Apex Committee at the Centre with Cabinet Secretary as its Chairman and Secretary, Department of Electronics and Information Technology (DEITY) as its member convener has been

constituted to oversee the programme and provide policy and strategic directions for its implementation and resolve inter ministerial issues.

At state level, Secretary cum Commissioner, Department of Information Technology and Communication (DoIT&C) is the nodal officer for implementation through RajCOMP Info Services Limited (RISL), a State Designated Agency (SDA) for implementing various schemes/components. At district level, District e-Governance Society (DeGS) is the body to certify and monitor the roll out and operation of common service centres.

### 2.2.3 Audit Objectives

The audit objectives were to examine whether:

- the planning, coordination and programme formulation for creation of common infrastructure were in line with the objectives of NeGP;
- the core infrastructure (SWAN, SDC and SSDG) was planned and created in a coordinated manner to facilitate effective implementation of NeGP;
- the support infrastructure (CSCs and CB) was planned and implemented to promote NeGP effectively; and
- the delivery of services by Mission Mode Projects (MMPs) offered at CSCs was citizen centric and the user departments delivered the services by effectively utilising the common infrastructure created under NeGP.

In addition, the efficacy of financial management was also to be examined.

### 2.2.4 Audit criteria

Following audit criteria were adopted for performance audit:

- Administrative sanctions issued by GoI;
- Guidelines of SWAN, SSDG, CSC, SDC, e-Districts and capacity building (CB);
- Request for proposals (RFP);
- Conditions of Agreements/contracts; and
- General Financial and Accounts Rules.

### 2.2.5 Scope of audit and methodology

The scope of the performance audit was to cover the activities undertaken by DoIT&C and SDA under NeGP during 2006-07 to 2012-13. The performance audit was conducted from September 2012 to January 2013, to examine the effective and efficient implementation of the NeGP. Of the 2,760 CSCs, 40 were also selected for joint inspection on random basis. Entry conference was held on 7 September 2012 with Secretary, DoIT&C wherein the objectives, criteria and methodology of the performance audit were apprised to them through video conferencing by Deputy Comptroller and Auditor General (Defence, Communication and Railways). An exit conference was conducted

on 3 October 2013 and all the paras were discussed with the Secretary, DoIT&C.

## 2.2.6 Components of NeGP

NeGP broadly consists of the following three major components/ projects/schemes:

- Core infrastructure (State Wide Area Network, State Data Centre and State Service Delivery Gateway);
- Common Service Centres; and
- Mission Mode Projects embracing e-Districts and Capacity Building.

## 2.2.7 Financial Management

### *2.2.7.1 Poor absorption of Central Assistance*

The position of the funds received from GoI and expenditure incurred by the Department during 2005 – 2012, was as under:

**Table 5: Position of the funds received and expenditure incurred**

**(₹ in crore)**

| Name of project | Total outlay | Funds received from GoI | | Interest earned on grant-in-aid | Total funds available | Expenditure incurred | Balance | *Percentage* of expenditure |
|---|---|---|---|---|---|---|---|---|
| | | Grant-in –aid | ACA# | | | | | |
| SWAN | 189.79[27] | 15.80[28] | 13.01 | 8.95 | 37.76 | 4.67 | 33.09 | 12 |
| SSDG | 11.51 | 3.70 | 3.70 | 0.68 | 8.08 | 0.47 | 7.61 | 6 |
| SDC | 48.92 | 4.05 | 6.69 | 0.74 | 11.48 | 12.30 | (-) 0.82 | 107 |
| CSC | 105.08 | 13.39 | 17.52 | 7.49 | 38.40 | 5.96 | 32.44 | 16 |
| e-Districts | 6.42 | 3.21 | - | 0.41 | 3.62 | 1.08 | 2.54 | 30 |
| Capacity Building | 5.15 | 5.15 | - | 0.36 | 5.51 | 3.22 | 2.29 | 58 |
| **Total** | **366.87** | **45.30** | **40.92** | **18.63** | **104.85** | **27.70** | **77.15** | **26** |

# Additional Central Assistance

Source- Utilisation Certificates (UCs) and information provided by SDA

The Department could utilise only between 6 and 30 *per cent* of the available funds on four projects. Under SDC and Capacity Building the fund utilisation was 107 *per cent* and 58 *per cent* respectively. Due to poor utilisation the Department could not access the remaining funds of ₹ 262.02 crore (71 *per cent*) approved under the projects.

Government admitted (October 2013) the facts and attributed the reasons of incurring less expenditure under NeGP to (i) the guidelines issued by GoI being quite new for the State to adopt and develop complete understanding;

27. Against total outlay of ₹ 189.79 crore, GoI share was ₹ 77.37 crore, and state share was ₹ 112.42 crore.
28 . Includes ₹ 33 lakh received in 2004-05 for preparation of feasibility study for SWAN.

(ii) e-governance/IT projects being complex in nature with multipronged approach; (iii) e-governance projects having multi stakeholders viz GoI, CDAC, Standardisation, Testing and Quality Certification (STQC) and line departments which required more coordinated efforts within DoIT &C and subsequent delay in projects; and (iv) each project's requirements being different in terms of vendor management, specifications, monitoring and are time taking.

The reply is not acceptable as the nodal agency should have assessed the pros and cons of the projects in September 2005. The issue relating to adaptation of technology and integration of CARISMA was not settled for five years from the date of administrative approval (30 September 2005) as no costing of lease line technology was assessed in compliance of Empowered Committee decision (July 2009).

### *2.2.7.2 Loss of interest due to parking of funds in non-interest bearing Personal Deposit Account*

As per administrative approval (September 2005) issued by the Department of Electronics and Information Technology (DEITY), SDA was to open a separate project bank account in a scheduled bank for transfer of funds. Scrutiny of records revealed that funds received under Additional Central Assistance (ACA) were parked under non-interest bearing PD account, instead of deposit in bank account. A balance of ₹ 25.15 crore under various projects was available as on 31 March 2012 in this account, resulting in loss of interest of ₹ 4.39 crore (***Appendix 2.5)*** which could have been utilised in NeGP activities. The State Government stated (May 2013) that the condition of opening a separate project bank account was not applicable on ACA funds. The reply is not correct. DEITY had called for (February 2008), the details like name and address of the bank, bank account number, IFSC code, MICR code for the purpose of fund transfer under ACA and budgetary allocations from the State Government. This clearly indicated that ACA funds were to be credited to bank account.

Government further stated (October 2013) that States will need to designate a Nodal Agency for Capacity Building and ACA funds released to States will have to be released to the designated agency by the State government within 30 days of receipt of funds and accordingly funds were kept in SDA's PD Account.

The reply is not correct as both the Nodal Agency and Designated Agency existed and funds should have been kept in bank account of the SDA as per DEITY's instruction of 2008.

### *2.2.7.3 Excess expenditure of ₹82 lakh under SDC*

Under SDC project, total expenditure of ₹ 12.30 crore was incurred against the available funds of ₹ 11.48 crore. This resulted in excess expenditure of ₹ 0.82 crore. Accepting the facts, State Government stated (May 2013) that expenditure of ₹ 12.30 crore was booked on accrual basis and there were creditors in respect of ₹ 2.48 crore as on 31 March 2012. Thus, SDA had sufficient funds for meeting the expenses under SDC project. The reply

indicated that monitoring of expenditure was weak as no expenditure in excess of available funds was permissible.

Government further stated (October 2013) that total funds available were ₹ 11.48 crore against which an expenditure of ₹ 12.30 crore was booked on accrual basis in accordance with applicable accounting standards. However, actual expenditure incurred on cash basis was ₹ 9.82 crore only. Thus, RISL had sufficient funds to meet the actual cash outflow.

The reply was not acceptable as liability beyond funds available could not be created under the scheme.

### *2.2.7.4 Diversion of funds of ₹42.35 lakh*

As per the guidelines of CB (November 2008), the States were to nominate their Project e-Governance Mission Teams (PeMTs) for the centrally organised orientation programme by DEITY.

GoI sanctioned (28 February and 14 March 2008) ₹ 4 crore for capacity building, of which ₹ 0.45 crore was allotted for the training of PeMTs. It was observed that SDA did not nominate any PeMT for the said programmes organised by DEITY. Funds received were diverted to other activities.

DoIT&C clarified (May 2013) that expenditure on the said trainings had been done as per GoI guidelines. The reply was not correct as PeMT guidelines specifically excluded operational expenses on training of PeMT through other mechanisms including trainings through state training institutions. Hence funds of ₹ 42.35[29] lakh were diverted unauthorisedly.

Government stated (October 2013) that "States will need to designate a Nodal Agency for Capacity Building and ACA funds released to States will have to be released to the designated agency by the State government within 30 days of receipt of funds." Accordingly, funds were kept in SDA PD, Account.

Reply was not relevant to the audit observation.

### *2.2.7.5 Unauthorised expenditure under administrative charges*

The SSDG project profile did not provide for payment of administrative charges out of SSDG funds. Scrutiny of records revealed that during September 2009 to March 2012, SDA incurred expenditure of ₹ 20.72 lakh under administrative and contingency charges.

On this being pointed out by audit (December 2012) the government accepted (October 2013) the fact and intimated that the SDA had since transferred back ₹ 17.11 lakh by transfer entry. However, the amount of ₹ 3.62 lakh is yet to be recouped.

### *2.2.7.6 Blocking and non-utilisation of funds*

As per guidelines, the project was to be completed within 18 months from the date of approval of the pilot project report.

29. e-Governance project life and change management training: ₹ 12.85 lakh; smart government training: ₹ 12.85 lakh; web quality assurance training: ₹ 0.71 lakh and state leadership meet: ₹ 15.94 lakh.

The pilot project of e-district was approved on 17 March 2010 and assistance of ₹ 3.21 crore was released (26 March 2010) by GoI. The project was to be completed by 16 September 2011. It was observed that the project was not completed even after a period of 30 months (September 2012) and after incurring an expenditure of ₹ 1.30 crore on consultancy services/ administrative expenses.

Non-completion of the project resulted in blocking of ₹ 1.30 crore and non-utilisation of central assistance of ₹ 2.32 crore including an interest of ₹ 41.39 lakh earned on this amount.

State Government admitted (May 2013) the facts and stated that time was taken up in constitution of implementation support committee and in coordination between 12 departments providing 27 services.

Government stated (October 2013) that e-governance projects are complex in nature and do require time for compilation. This indicated poor monitoring and co-ordination in implementation of the project.

### 2.2.8 State Wide Area Network

The State Wide Area Network (SWAN) project was the core infrastructure for supporting e-Governance initiatives. It proposed to connect the State headquarters with all the district and block headquarters through leased line. The objective of the project was to create a secure government network for the purpose of delivering government to citizen (G2C) and government to government (G2G) services.

Audit observations on implementation of SWAN are enumerated below:

#### *2.2.8.1 Delay in constitution of Project Implementation Committee*

As per administrative approval (30 September 2005), a State Level SWAN Project Implementation Committee (PIC) was to be constituted within 15 working days of receipt of the approval. It was, however, noticed that the committee was constituted only on 3 March 2006 and its first meeting to discuss implementation of SWAN project was held on 4 April 2006.

Government admitted the delay and stated (October 2013) that it was not practically possible to constitute a committee within the given time period as Government procedures and formalities had to be complied with.

#### *2.2.8.2 Inordinate delay in implementation of SWAN*

Administrative approval for ₹ 96.62 crore[30] was issued on 30 September 2005 for setting up SWAN project. First instalment of ₹ 15.47 crore was received in 2005-06, for completion of the project within a period of five years *i.e.* by 2009-10.

It was observed that the project has not been completed up to the date of audit (March 2013) and is now expected to be completed only by August 2017 as

30. Against the sanction of ₹ 96.62 crore, GoI share was ₹ 77.37 crore, and State share is ₹ 19.25 crore.

per the information sent (September 2011) by SWAN operator to the SDA, indicating a delay of seven years. This inordinate delay in implementation will not only result in cost overrun but also deprive the citizens from availing the SWAN network for G2C and G2G services.

Government intimated (October 2013) that with the expectation of testing by December 2013, the Operator shall have to run the project for 5 years up to December 2018 and finally hand over the complete SWAN to Government of Rajasthan. Thus, the Department admitted the delay in completion of project and handing over to the State Government.

The various factors attributable for this delay are discussed in the following paragraphs.

#### *2.2.8.3 Frequent changes in RFP and NITs*

The first RFP, submitted by the consultant on 5 April 2005, was revised on the recommendations of working groups constituted (November 2006) to optimise technical solutions for SWAN by effectively utilising the existing CARISMA network. Based on the recommendations, revised RFP was submitted by the consultant M/s 3i-Infotech Limited, Mumbai (Formerly M/s ICICI InfoTech Ltd.) on 26 February 2007.

Notice Inviting Tender (NIT), as per revised RFP, was floated on 3 April 2007, which was cancelled in August 2007 on the ground of integration issues of CARISMA and SWAN. A third RFP was then prepared and submitted by the consultant on 11 September 2007. NIT was floated on 28 January 2008, which was again cancelled in April, 2009 due to lapse of validity period and introduction of new techniques. NIT was further revised and issued on 9 February 2010 which was finally accepted and work order was issued to M/s Bharti Airtel Limited (SWAN operator) on 15 April 2011. Thus, frequent changes in RFP and cancellation of bid processes delayed the project by more than six years (5 April 2005 to 15 April 2011).

State Government replied (May 2013) that RFPs were modified to cover the latest technology, having integration with existing network and to make efficient use of SWAN. These facts were further affirmed by the Government in October 2013. The argument is not correct since the delay in awarding the work by six years was not justified and noting that there were rapid and continuing technological advances in this sector, the specifications should have been frozen at some stage. Further, the delay in finalising the tender of January 2008 which was cancelled in April 2009 due to lapse of validity period and the floating of another tender in February 2010 with issue of work order in April 2011, showed that the delays were directly attributable to the Implementing Agency.

#### *2.2.8.4 Reappointment of consultant - creation of excess liability of ₹1.36 crore*

The work of feasibility study for design and implementation of SWAN project was awarded (January 2005) to M/s ICICI Infotech Limited (consultant). As per terms of the contract, payment of ₹ 16.76 lakh towards cost of project

consultancy during Stage I and ₹ 11.19 lakh towards monitoring fee during Stage II in five years, was to be made.

It was observed that the first RFP submitted by the consultant on 5 April 2005 was finalised on 9 February 2010 by DoIT&C, after a delay of nearly five years. Work order for execution of RFP on build, own, operate and transfer (BOOT) basis, was issued (15 April 2011) in favour of M/s Bharti Airtel Limited. Meanwhile the consultant refused (29 February 2012) to continue its work on existing terms and conditions, due to inordinate delay in the project. Accordingly, SDA terminated the contract in August 2012 with the consultant with retrospective effect from 20 January 2012, after forfeiting security deposit of ₹ 1.67 lakh. Thereafter, the work of Stage II, which included project management, acceptance, testing and consultancy services for SWAN, was awarded (10 December 2012) to M/s Telecommunications Consultants India Limited (TCIL) for ₹ 1.47 crore from the date of signing the agreement till the submission of all deliverables as specified in the scope of work of the RFP document. Thus, inordinate delay in finalisation of RFP and implementation of SWAN Project resulted in creation of an extra liability of ₹ 1.36 crore (₹ 1.47 crore - ₹ 0.11 crore).

Admitting the facts, the State Government stated (May 2013) that the difference in the amount was attributable to scope of work and time value of money. Government further intimated (October 2013) that the scope of work of TCIL included other activities, which were not part of scope of work of M/s 3i-Infotech and additional activities assigned to M/s TCIL led to the enhanced charges.

The reply was not acceptable as the extra liability was created due to the inordinate delay in implementation of the scheme by the SDA, which compelled the earlier consultant to refuse to continue with the work. Additional activities mentioned in the reply (October 2013) were already covered under the agreement executed with M/s 3i Infotech Limited which laid down that project consultant would render the services to perform such acts in order to implement a SWAN. As per RFP clause the consultant would supervise the hardware, install, integrate, test and commission the SWAN project as per the overall solution suggested in RFP/final design.

### *2.2.8.5 Retendering of the project - cost overrun ₹18.03 crore*

SDA invited tenders (28 January 2008) for setting up internet protocol networking and communication and for its operational and managerial services. The financial bids were opened on 28 June 2008 and negotiations were held (18 July 2008) for ₹ 102.19 crore with the lowest bidder, M/s ITI Limited. However, the matter moved between the Finance Department and DoIT&C from July 2008 to April 2009 for a decision on the issue. Finally Finance Department opined (April 2009) that due to involvement of technical points, decision should be taken by DoIT&C at its own level. In this futile exercise, the validity period (31 March 2009) of the lowest bidder expired and they refused to extend the same. The bid was then cancelled.

DoIT&C decided (July 2009) that CARISMA network technology be used for providing horizontal connectivity to local offices, after verifying the feasibility

and carrying out the cost benefit analysis for leased line connectivity. However, the RFP of February 2010 and the final RFP of July 2010 did not contain the cost analysis of CARISMA network technology. The work was finally awarded (15 April 2011) to M/s Bharti Airtel Limited for ₹ 120.22 crore after re-tendering. Thus, due to indecisiveness and non-settlement of integration issues, a period of two years and nine months was wasted in the process of finalisation of bids, which resulted in a cost overrun of ₹ 18.03 crore (₹ 120.22 crore - ₹ 102.19 crore).

State Government clarified (May 2013) that RFPs were modified due to various changes and non-acceptance of extension of validity period by original L1. Government further stated (October 2013) that both the RFPs referred herein were altogether different and are non-comparable and the reasons for delay are not related to poor planning but a result of the changes that had to be incorporated along with new technology and experience gained from CARISMA.

The reply was not acceptable as the CARISMA project was started in December 2005 and the experience of the CARISMA project was available to the SDA when the first tender was invited in July 2008 and should have been suitably factored in when the tender was invited in July 2008.

### *2.2.8.6 Delay in signing of agreement – Non-forfeiture of earnest money*

For implementation of SWAN, work order was issued to M/s Bharti Airtel Limited (SWAN operator) on 15 April 2011, with the condition of executing an agreement and depositing performance security within 15 days. Scrutiny of records revealed that the agreement was executed on 26 August 2011 and performance bank guarantee was deposited on 29 September 2011. This resulted in delay in execution of the project by five months. No action for forfeiture of earnest money of ₹ 3.20 crore of the SWAN operator was taken by the SDA.

State Government stated (May 2013) that there were shortcomings in the readiness of the vertical PoPs, delay in approval of horizontal offices and resolution of the issues related to original equipment manufacturer change.

Government further stated (October 2013) the period between April and September 2011 was utilised in preparation of sites and approval of Horizontal offices *etc*. Thus the delay was not on account of the RajSWAN Operator and forfeiture of Earnest Money and cancellation of work order for non-signing of agreement would not have served any purpose and would have further delayed the project.

The reply was not acceptable as the signing of agreement and deposit of the performance security were independent actions. The reply also showed that the SDA had not prepared and delayed the handing over the site to the RajSWAN operator which indicated lack of proper planning to ensure smooth implementation of the project.

### 2.2.9 State Service Delivery Gateway

The State Service Delivery Gateway (SSDG) project was conceptualised to act as standard-based messaging switch and provide seamless interoperability and exchange of data across the departments. The gateway acts as the single point of access to backend departments for all external entities.

Audit observations on functioning of SSDG are detailed below:

#### *2.2.9.1 Inclusion of new services not contemplated in DPR*

State Government sent (May 2009) a list of 81 services in Detailed Project Report (DPR), for approval of GoI under SSDG. GoI approved (July 2009) 41 services. Contrary to this, the State Government finalised 42 services for RFP, incorporating 26 approved and 16 new services which were neither surveyed nor contemplated in DPR.

State Government stated (May 2013) that the purpose of DPR was not defeated as only few services from the DPR were changed on request of departments concerned. The detailed survey was carried out for these new services at the time of Functional Requirement Specifications (FRS) preparation and therefore these services were included in the RFP. The RFP was got approved by GoI which included these changed services.

Government further stated (October 2013) that list of services given in the DPR is indicative only and it was expected that the same will undergo refinement during implementation.

The reply was not acceptable because lists of services were basic factors as these were prioritised in consultation with concerned departments during survey before preparation of DPR, and thereafter included and sanctioned by GoI. Incorporating new services which were not surveyed on volume/utility basis and not approved by GoI will lead to escalation in cost of implementation of the project.

#### *2.2.9.2 Delay in finalisation of implementing agency*

The administrative sanction (21 July 2009) of SSDG stipulated completion of work within six months. For this project, a list of empanelled Implementing Agencies (IAs) was communicated (August 2009) by the GoI to the State Government, to expedite the process of implementation. DoIT&C took 15 months to finalise and select its IA (M/s Wipro Limited). Letter of intent (LoI) was issued finally on 18 December 2010. This has not only delayed the project but also deprived the citizens from the facility.

The State Government accepted the facts (May 2013) stating that due to delay in preparation of FRS, RFP document and bidding process, project was delayed.

The Government later stated (October 2013) that 15 months was not a long time for issuing work order because it had to be preceded by a number of sequential steps for preparation of FRS and its vetting by various departments, preparation of RFP and its approval by GoI and bid processing.

The reply was not acceptable because six months was the time set for implementation of project keeping in mind all activities required.

### *2.2.9.3 Non-integration of State Service Delivery Gateway with National Service Delivery Gateway*

GoI issued instructions (22 October 2008) that the State Portals (SP) were ultimately going to be integrated with the National Portal (NP) and advised State Government to take necessary steps for the same. IA was to undertake the implementation work of the project including integration of SSDG with National Service Delivery Gateway (NSDG), National Service Directory (NSD) and SP.

During test check, it was noticed that the stage of integration with NSDG was not achieved by the IA. State Government accepted (May 2013) and stated that integration would be done at the time of implementation of the project after completion of development work.

Government subsequently stated (October 2013) that SSDG has since been integrated with NSDG.

### *2.2.9.4 Liquidated damages of ₹ 1.05 crore and penalty of ₹ 3.06 crore not levied*

Para 18.2 of RFP and clause 10.1 of agreement envisaged imposition of liquidated damages (LD) at the rate of 10 *per cent* on a delay, exceeding three fourth of period prescribed for completion of the project. In addition, penalty as per provision under clause 14.1 of agreement was also imposable.

An agreement for ₹ 10.46 crore was signed with IA (21 January 2011) for implementation of SSDG project within 24 weeks. Accordingly SSDG work was to be completed by 8 July 2011. Project plan was revised as the State Government decided to merge objectives of Rajasthan Service Delivery Guarantee Act 2011, e-Mitra and Rajasthan online with SSDG Project. Resultantly, scope of work was revised and the project was rescheduled to be completed by 26 September 2012. CSC/e-Mitra portal was already functioning and providing services to citizens since September 2011.

During scrutiny, it was observed that the SSDG project was not completed (March 2013) even after a delay of more than 24 weeks from re-scheduled date. Accordingly, the IA was liable for LD of ₹ 1.05 crore and penalty of ₹ 3.06 crore as detailed in ***Appendix 2.6***.

State Government accepted (May and October 2013) the facts and stated that the applicability of LD/penalty will be determined at the time of approval of time extension/release of payment to the IA. Fact remained that the amount was still to be recovered from IA.

### *2.2.9.5 Non-signing of end user licence*

As per the implementation guidelines, C-DAC was to provide SSDG software product and technical assistance to the IA for implementation of the connectors, to integrate the e-form application on SP and backend of e-form

application with SSDG. Para 3.1 of user manual issued by C-DAC provides that an end user licence must be signed between C-DAC and State Government for the same.

It was observed in audit that although the soft version of the C-DAC component was received, no agreement was signed with C-DAC by SDA. The State Government stated (May 2013) that the work was assigned to C-DAC by GoI. Government further stated (October 2013) that the user licence for C-DAC automatically gets signed at the time of installation of SSDG as stake licence agreement is part of installation process.

The reply is not acceptable as an end user licence should have been signed between C-DAC and State Government, as per the implementation guidelines. However, even as on date (October 2013), only 5 services out of the 42 finalised for the RFP have been developed but not implemented. Government may ensure that all the 42 services are provided at the earliest.

### 2.2.10 Common Service Centres

The CSC project was conceived as the front-end delivery points for government, private and social sector services to rural citizens of India, in an integrated manner. The project had a three tier implementation structure comprising of the SDA, Service Centre Agencies (SCAs) and the Village Level Entrepreneurs (VLEs). Discrepancies noticed in running these delivery points are discussed below:

#### *2.2.10.1 Non-fixing of targets of transactions in the Agreement*

To provide G2C services to the common citizen under NeGP scheme, the work of creating, operating and managing Common Service Centres (CSCs) was awarded to two SCAs, namely M/s CMS Computers Limited (15 July 2008) for the four divisions of Jaipur, Ajmer, Kota and Udaipur (4,054 CSCs) and M/s Zoom Developers Private Limited (23 January 2009) for the three divisions of Bharatpur, Bikaner and Jodhpur (2,572 CSCs).

During scrutiny of Master Service Agreement (MSA) executed with these SCAs, it was observed that there was no condition regarding minimum transactions at CSCs. In its absence, the effectiveness of SCAs and VLEs in delivering G2C services could not be ensured.

State Government admitted (May 2013) the facts and stated that with the increasing number of services, the clause of minimum 30 transactions per CSC/month, has been introduced at a later stage and the revenue support was being released only for the CSCs who have completed G2C transactions.

### *2.2.10.2 Non-creation and operationalisation of the targeted Common Service Centres*

*Annexure-A* of guidelines (August 2006) provided for completion of roll out and operationalisation of 100 *per cent* CSCs within 19 months from the date of RFP.

During scrutiny of the records (September 2012), it was observed that though in the RFP, establishment of 6,626 CSCs was approved in April 2008, only one CSC was created by M/s CMS Computers Limited by November 2009 (19 months after approval). However, 5,012[31] numbers of CSCs were created and operationalised as of March 2013, as against the target of 6,626 CSCs. This indicated that the Department did not monitor creation of CSCs as per time schedule, which resulted in non-achievement of targets on one hand and non- delivery of services to the rural population on the other.

State Government replied (May 2013) that based on ground realities, recommendations made by state level competent authorities and Empowered Committee (6 July 2012) of GoI, the project timelines was extended up to 31 March 2013. Reply was not acceptable as CSCs were to be created by SCAs within the stipulated period (April 2008 to November 2009) while the suggestion of the Empowered Committee applies to time extension cases submitted by SCAs after 6 July 2012.

Government again stated (October 2013) that the delay was due to the fact that CSC Scheme was entirely a new concept based on PPP model and finalisation of the RFP took time. It further stated that CSC roll out has been delayed for all the States and the issue has been raised at national level and discussed with DEITY. Therefore, based on recommendations of Empowered Committee, GoI and State level competent authorities, extension has been granted for CSC roll out to M/s Vakrangee Software Ltd. The contract with M/s Zoom Developers Private Limited was terminated with effect from February 2011 and M/s Vakrangee Software was entrusted the work till 30 September 2013 and M/s CMS Computers till 31 December 2013.

The reply is not acceptable because the guidelines of the scheme emphasise that SDA was to facilitate implementation of the scheme within the State and provide requisite policy, content and other support to the SCAs. State government was required to take an appropriate decision on the mode and degree of integration with the CSC scheme of the existing physical, digital and institutional infrastructure of various Government Agencies/Departments in the State and to decide on the extent and modalities of integration with the CSC Scheme of existing Government schemes. The state government should formalise the SWAN implementation plan (not yet commenced till October 2013) along with the CSC related activities in the State at the earliest.

31. DeGS: 28; M/s Vakrangee Software Ltd.: 2,212 and M/s CMS Computers Ltd.: 2,772.

### *2.2.10.3 Non-imposition of liquidated damages*

- ***Non-imposition of Liquidated Damages for non-operationalisation Common Service Centres***

As per para 5 and 5.2 (g) of operational guidelines of RFP (Volume I), the CSCs should function every day between nine *am* and six *pm*, except on bank holidays. Serial number 2 of Schedule I of RFP envisaged that a CSC would be deemed inoperable if it is not offering available government services for a continuous period of 7 days or more than a cumulative period of 10 days in a month. In case any CSC was found inoperable then, apart from not providing any monthly revenue support,[32] a penalty of 20 *per cent* per CSC/per week of monthly revenue support sought or ₹ 1,000 per CSC/ per week, whichever is more, would be applicable on SCA.

During scrutiny of records, it was observed (September 2012), that 1,795 CSCs were established and rolled out by M/s CMS Computers (SCA) between November 2009 and June 2012 for which the SCA was eligible for revenue support for a period of 28,848 months if CSCs remained functional. Against this, SCA claimed revenue support of 13,278 months only. This indicated that for a period of 15,570 months the CSCs were not in operation and thus SCA was liable to pay LD of ₹ 6.23 crore[33] for non-operationalisation of CSCs, as detailed in ***Appendix 2.7.***

State Government stated (May 2013) that a kiosk (CSC) would be deemed operational only after being certified by SDA or its authorised agency. In the absence of Online Monitoring Tools (OMTs), complaints received from the districts were the only source for counting any kiosk as non-operational.

The reply is not acceptable as certification by SDA or its authorised agency may certify operationalisaition of the CSC but the running/operational status of the CSC could not be monitored as OMT was absent.

Government further stated (October 2013) that the project started with basic utility services of electricity and water bills only. The billing cycle for the electricity bill is bi-monthly which means that the delivery of such service through CSC network was on a bi-monthly pattern. Therefore, it was difficult to deliver the services from CSC kiosks on daily basis, even if the kiosks were functional throughout.

The reply is not acceptable because agreement executed (August 2008) with the SCA laid down that in services relating to submission of application forms/grievances, information services including utility bills and other government dues were to be provided by the SCAs. The providing of services of utility bills only is not acceptable as revenue support claims were to include other services. The Government may take steps to ensure that all the services are rendered by the CSCs at the earliest.

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32. Revenue support: for operational CSC ₹ 1,000 per month or 50 *per cent* of tender price, whichever is higher.
33. Non-functional months of CSC x 4,000 ( for four weeks say one month @ ₹ 1,000 per week) = LD to be imposed i.e. 15,570 x 4,000= 6,22,80,000 say 6.23 crore

- ***Non-imposition of Liquidated Damages of ₹ 22.01 crore for non-creation/roll out of Common Service Centres***

As per Schedule 1 of MSA (August 2008), the SCA was required to establish and operationalise CSCs in phases as per the time schedule i.e. 25 *per cent* in five months, 50 *per cent* in seven months, 75 *per cent* in nine months and 100 *per cent* in twelve months, from the date of signing of MSA, failing which no revenue support is to be granted during the period of delay. LD of ₹ 200 per day/per CSC or maximum 10 *per cent* of total revenue support sought for four years (per CSC), whichever is higher, from the scheduled date, is to be charged for CSCs, whose creation/roll out has been delayed.

Letter of intent (LoI) was issued (January 2009) to M/s Zoom Developers Private Limited (SCA) for creation of 2,572 CSCs in three divisions of Bharatpur, Bikaner and Jodhpur. MSA was executed on 2 March 2009 and work was to be completed on or before 1 March 2010 (within 12 months from MSA). It was observed that SCA failed to establish even a single CSC up to 13 December 2009. Only 488 CSCs were created and made operational between 14 December 2009 and 22 February 2011. Thus, the SCA defaulted in creating and making CSCs operational. The contract was terminated on 23 February 2011 on grounds of financial irregularities and performance bank guarantee of ₹ 1.26 crore was forfeited. However, no action was taken for imposition of LD of ₹ 22.01 crore ***(Appendix 2.8)*** for non-creation of required number of CSCs within the stipulated time. Further, the chances of recovery are remote because the contract has already been terminated.

State Government in final reply stated (October 2013) that after detailed deliberation, the Apex Committee extended (December 2011) the time period for establishment of the targeted number of CSCs by M/s CMS Computers till 31 March 2012 without LD. This committee was also apprised that the termination of contract with M/s Zoom Developers Private Limited was on account of non-performance and not on account of delay in roll out. The Government further stated that the roll out scenario was similar for both the SCAs and therefore the matter was put up for project timeline extension before the competent authorities and on the same grounds for difficulties in the roll out of CSCs, M/s CMS Computers was given extension till March 2012 without LD. Therefore, no LD was applicable on M/s Zoom Developers Private Limited on the same ground.

The reply is not acceptable as the contract of M/s Zoom Developers Private Limited was terminated on 23 February 2011 and the Apex Committee did not deliberate (December 2011) on issue of waiver of LD to M/s Zoom Developers Private Limited. Also, the Empowered Committee had advised (July 2012) the State Government to consider waiver of accumulated penalties as a one-time measure for the delay in roll out of CSCs, if the same is attributable to genuine reasons, but in the case of M/s Zoom Developers Private Limited, this advice was not applicable as the contract was terminated much earlier i.e. in February 2011.

### *2.2.10.4 Common Service Centres shown operational in spite of non-availability of connectivity*

LoI was issued (July 2008) to M/s CMS Computers Limited (SCA) to create, operate and manage 4,054 CSCs for four years. From the list of CSCs, it was observed that 1,739 CSCs were created by SCA up to 2 June 2012. The SCA intimated the SDA on 4 June 2012 that the Bharat Sanchar Nigam Limited (BSNL) connectivity was available only in 1,485 stations and it was not possible to provide connectivity without broadband. This indicated that 254 CSCs were non-operational in view of non-availability of broadband facility.

State Government replied (May 2013) that apart from BSNL connectivity, data cards of different service providers were being used to deliver the services from CSCs. It was also stated that very less internet bandwidth was required for the delivery of some G2C services like railway ticket bookings, recharge services *etc*, for which these data cards are helpful.

Government further intimated (October 2013) that there were other service providers/ methods for internet connectivity available at that time and thus 1,739 CSCs were connected.

The reply is not correct because an analysis of the details given in reply to audit by the SDA (December 2012) revealed that connectivity was provided to 1,293[34] CSCs only.

### *2.2.10.5 Joint inspections of Common Service Centres*

Joint inspections of 40 CSCs (January 2013) by audit team along with representatives of SCA and District e-Governance Society (DeGS) revealed the following:

- CSC, Jahota (Amer) was closed for the last two months. CSC at Delari (Dausa) was found locked. Locals informed that CSC was operational for two/ three days. CSC, Pali (Dausa) was not in existence. CSC, Sattasar (Bikaner) was found closed.

State Government admitted the facts and stated (May 2013) that all these CSCs were withdrawn at a later stage and that concerned DeGS have been directed to take necessary action in this regard and the SCAs have been notified to open the CSCs at the same locations.

The Government further stated (October 2013) that new CSCs have been created except CSC, Delari which was closed since 26 April 2013.

- Para 5.2 (b) (2) Volume I of the RFP (May 2008) provides that SCA will have to provide minimum revenue support to the VLEs for the entire project period. Joint inspection revealed that revenue support was not disbursed to the following VLEs, though the SCA had drawn the same for disbursement to VLEs:

34. Aircel: 4; Airtel: 258; BSNL BB: 533; BSNL dialup: 127; Data card - BSNL: 75; Idea: 17; MTS: 52; Reliance: 72; Tata: 23 and Vodafone: 132.

**Table 6: Non-disbursement of revenue support**

| Sl. No. | Details of revenue support provided to SCAs and disbursed to VLEs | | | | Amount (in ₹) | Balance Amount lying undisbursed with SCA (in ₹) |
|---|---|---|---|---|---|---|
| | Name of SCA | Revenue support drawn from Government by SCA (in ₹) | No. of VLEs for which Revenue support was drawn | No. of VLEs to whom Revenue support was given by SCA | | |
| 1 | 2 | 3 | 4 | 5 | 6 | (3-6) |
| 1 | DeGS | 1,98,220 | 16[35] | 5[36] | 78,984 | 1,19,236 |
| 2 | ZOOM | 8,100 | 1[37] | 0 | 0 | 8,100 |
| 3 | CMS | 11,000 | 8[38] | 2[39] | 8,700 | 2,300 |

This indicated that the amount was not being disbursed by SCA and was retained unauthorisedly.

Government stated (October 2013) that the Department is again verifying the amount of revenue support disbursed to the VLEs vis-à-vis the amount claimed by the SCAs and shall immediately take necessary action in case of any default on SCAs part.

- Para 1.9 of RFP Volume I (May 2008) provides that delivery of government services namely land records, vehicle registration, issue of certificates, employment exchange, ration cards, electoral services, pension schemes, road transport, public grievance and utility/telephone bills would be mandatory for the CSCs. All the 40 test checked CSCs were delivering only two services *i.e.* issue of certificates (*bona fide* residence and caste) and acceptance of payments for utility bills.

State Government informed (May 2013) that service integration is a continuous process. The project started with basic utility services of electric and water bills and today more than 40 services are being provided. It was further mentioned that in April 2013, more than 8 lakh citizens of rural areas have been served by CSC network. The reply was not acceptable as the list provided by the SDA (February 2013) showed that only seven services[40] are proposed/running in the selected zones.

- As per para 5.9 (b) of RFP Volume I (May 2008) the minimum educational qualification of VLE should be class ten pass. However,

35. Karauli: Rampur, Sahar, Kota; Jodhpur: Asop-Bhopalgarh; Salwa Khurd-Bhopalgarh; Cherai-Osian; Dholpur: Basai Khare; Hinota; Badarika; Bikaner: V-2KWM-Khajuwala; Bana; Gajner-Kolayat; Sawai Madhopur: Bonli; Talawara; Malana Chore; Peepalwara;
36. Jodhpur: Asop-Bhopalgarh, Cherai-Osian; and Sawai Madhopur: Wazirpur, Bonli, Malana Chore.
37. Sawai Madhopur: Wazirpur.
38. Alwar: Sakat, Kahnawas, Sapna NGO; Jaipur: Madhorajpura, Jaisinghpura, Hastera; and Dausa: Sainthal, Gorlara.
39. Only two CSCs (Saithal, Garlera) in Dausa, acknowledged the receipt of revenue support.
40. (i) Online RSRTC bus ticketing of RSRTC; (ii) payment of various dues /fees of Municipal Corporation; (iii) Application for revaluation of marks for Board of Secondary Education; (iv) Payment of various dues/fee of Rajasthan Hosing Board; (v) Application for Ration card, Caste certificate, Bona fide residence certificate, Birth & Death Certificate; (vi) Access to Land & Revenue Records; and (vii) Sale of stamp paper, revenue ticket , deed writing.

qualification of VLE at Bonli (Sawai Madhopur) was class nine pass only. Thus, the selection of the said VLE was not in order.

Government intimated (October 2013) that DeGS has taken necessary action in this regard and setting up of a new kiosk is under process.

- CSC at village Kota (Karauli), sanctioned to a person was not found in operation. VLE informed that the centre was being operated at another village Karsai. There was no indication of CSC being run even at village Karsai.

Government intimated (October 2013) that the kiosk is working at Karsai.

The reply is not acceptable because during joint physical verification (January 2013) by the audit party, the centre was not found in operation in Kota village and this fact was confirmed by the residents of the village. Representative of the said VLE had intimated to the representative of SCA that the said centre was being operated at village Karsai. On the basis of the above information a joint physical verification was made of village Karsai where it was found that a banner was tied up temporarily with rope at a shop. The display board or the list/rate of services provided was not displayed at the kiosk at village Karsai. The VLE herself admitted that the centre was closed during July - August 2012.

- As per para 5.4 (d) of the RFP Volume I (May 2008), the VLE should issue a receipt to all citizens. One copy of computerised receipt should be issued to the customer for all transactions while another copy should be kept at CSCs and the VLE should maintain these receipt books for at least 3 years for audit. This procedure was not being followed in any of the 24[41] test checked CSCs.

Government admitted (October 2013) the facts and stated that as per audit observation, strict instructions have again been issued to all district administrations and SCAs to comply with the RFP terms and conditions and project guidelines.

- Para 4.2.4 of the tripartite agreement (November 2009) provided that the SCA should ensure that a complaint and suggestion book is kept at a prominent place at each kiosk. The book would be sent to the concerned Nodal Officer at DeGS every month for its perusal and such action as may be considered necessary. The SCA should provide online grievance monitoring system for handling the complaint received from the kiosks. No such complaint/suggestion book was being kept/ maintained by 26 VLEs[42].

41. Karauli: Rampur; Sahar; Kaimri; and Karsai. Sawai Madhopur: Bonli. Alwar: Sakat; Kanhawas; Mohalariyan; Kadooki and Gadoowas. Dholpur: Singhawali; Khera; Basai Khare; Hinota and Badarika. Jaipur: Madhorajpura and Hastera. Bikaner: V-2KWM-Khajuwala; Kakra and Gajner- Kolayat. Jodhpur: Cherai. Dausa: Golara; Baswa and Sainthal.

42. Karauli: Rampur, Sahar, Kaimri, Gudhchanda Ji, Karsai; Sawai Madhopur: Peepalwara; Alwar: Sakat, Kanhawas, Mohalariyan, Sapna NGO, Gadoowas; Dholpur: Singhawali, Khera,, Basai Khare, Hinota, Badarika; Jaipur: Madhorajpura; Bikaner: Kakra, Bana, Gajner- Kolayat; Jodhpur: Doli, Salwa Khurd, Sangariya, Cherai; and Dausa: Golara, Sainthal.

Government admitted (October 2013) the facts and stated that as per audit observation, strict instructions have again been issued to all district administrations and SCAs to comply with the RFP terms and conditions and regularly monitor all the kiosks for further compliance of Project guidelines.

#### *2.2.10.6 Non-production of records by the Service Centre Agency*

During audit it was found that SCAs M/s Zoom Developers (P), M/s Vakrangee Software and M/s CMS Computers were assigned implementation of the CSC scheme in the State.

Records of the above SCAs were requisitioned through the SDA but were not provided to audit. State Government stated (May 2013) that the Department has issued directions to the SCAs to comply with the audit observation and provide the requisite documents/ information to the audit team.

Government intimated (October 2013) that as per information received from the SCAs, a set of documents have been submitted by them. Additional documents, if specified by the Audit, can be furnished again.

The reply is not acceptable as no initial detailed record was provided by the SCA during field study despite frequent requisition for the same.

### 2.2.11 Capacity Building

As per para 1.3 and 2.2 of the Guidelines for implementation of Capacity Building (CB) Project and utilisation of DIT Grant-in-aid and ACA, the CB Project is mainly to provide technical and professional support to state level policy and decision-making bodies and to develop specialised skills for e-Governance.

Audit observations on functioning of CB are detailed below:

#### *2.2.11.1 Non-creation of long term capacity building*

As per para 2.3.3.4 of the said Guidelines the CB was planned to facilitate building a long term capacity of State e-Mission Team (SeMT) with an aim to retain the knowledge within the government. The three suggested sources for the selection of candidates for SeMTs were: deputation from within the government/PSUs, direct recruitment and temporary staffing through reputed organisations.

Audit scrutiny revealed that though the project was sanctioned in February 2008 for a period of three years yet personnel were not recruited till January 2011. Thereafter, temporary arrangement was made by the Central Government Agency by hiring manpower and engaging them in SeMT. However, such temporary arrangement was not provided in the guidelines.

State Government stated (May 2013) that long term capacity building measures are being taken by means of creating permanent IT cadre. The reply is not acceptable as the project was sanctioned in February 2008 for a period of three years but personnel were not recruited within that period.

Government stated (October 2013) that the State government is building required manpower capacity by means of regular new recruitments and

promotions and utilising National e-Governance Division (NEGD) consultants to their full capacity.

The reply is not acceptable as the services of new recruitees will be available after the scheme initiated in 2008 has expired.

### 2.2.12 Monitoring

- As per para 14 of the guidelines for Capacity Building and Institutional Framework for e-Governance under NeGP (March 2005) an Apex Committee was to be set up by August 2006 to provide strategy direction, oversee the SeGP and ensure inter-departmental coordination.

It was observed that an Empowered Committee constituted by the State Government in October 2004, was renamed as State Level Apex Committee (SLAC) with effect from 15 February 2007. Although SLAC held 18 meetings up to December 2012, yet it did not provide any strategy directions, oversee the SeGP and ensure inter-departmental coordination. This was evident from non-completion of most of the projects (March 2013) and poor performance of the scheme as brought out in the foregoing paragraphs.

- As per administrative approval (July 2009), the grantee institution should maintain a register for permanent/semi-permanent assets acquired solely or mainly out of DEITY grants.

It was observed that no assets register was maintained by SDA. State Government stated (May 2013) that SDA has opened an assets register in which assets would be entered on receipt of the invoices and hardware installation reports. The reply is not acceptable as the assets were required to be entered in assets register as and when acquired/purchased.

### 2.2.13 Conclusion

The Government of Rajasthan stepped into the realm of e-Governance in the year 2005. Except SDC, none of the projects were completed as of March 2013. Due to improper financial planning, the State Government could utilise only 26 *per cent* of the funds available for NeGP during the period 2005-2012. Funds received under ACA were kept in PD account resulting in loss of interest.

Due to lackadaisical approach in planning and execution, State Government wasted seven years in implementation of NeGP. Frequent changes in finalisation of RFP and indecisiveness on integration of CARISMA with SWAN resulted in lapse of validity period, retendering and cost overrun.

Under SSDG project, new services not included in DPR were considered in RFP in violation of GoI approval. Delay in implementation of SSDG occurred due to finalisation of implementing agency with a delay of 15 months.

Targeted numbers CSCs did not roll out within the stipulated period to provide G2C services in rural areas, BSNL Broad Band Connectivity was not ensured in CSCs for which the objective of connectivity remained unfulfilled.

Non-creation of long term capacity at SeMT affected the strengthening of capacity building.

Thus, the Department failed to implement the NeGP within the stipulated period of five years and the objectives were thus not achieved. There was complete failure in respect of SWAN, SSDG and CSC even after eight years of implementation.

### 2.2.14 Recommendations

- The State Government should take immediate action to complete the remaining works speedily to provide the required services to its citizens through SWAN, SDCs, SSDG and CSCs.
- The State Government should set up a proper monitoring mechanism to oversee the progress of implementation of the schemes.
- The State Government should ensure proper coordination among all the agencies implementing the schemes so that benefits accrue to the targeted population especially in the rural areas.
- The State Government should launch awareness programmes to educate and propagate to stakeholders of the facilities and benefits available under the various schemes.
- The State Government should immediately create a backbone of well trained IT personnel at various levels to enable the benefits of the scheme to percolate to the intended beneficiaries.
- The State Government may commission an independent accredited agency to evaluate the effectiveness of the schemes at the earliest.

# Department of Industries

## 2.3 Performance Audit of Commissionerate of Industries

### 2.3.1 Introduction

The Industrial sector plays an important role in the economic development of the State. It raises the productive capacity of people and creates employment opportunities, thereby raising the living standard of people. The State Industrial Policy adopted in 1994 was revised in 1998 with the objective to accelerate the overall pace of industrial growth and to strengthen the Small Scale Industry (SSI) and Cottage Industry in the State. The Commissionerate is working with the objective to promote, assist and protect small scale industrial units and artisan sectors of Handloom, Handicraft and Household *etc*. for accelerating industrialisation in the State and to implement the schemes /programmes of the Central/State Government.

### 2.3.2 Organisational Structure

The administrative control of the Department of Industries vests in two Secretaries[43]. The Commissioner is the head of Commissionerate and reports to both the Secretaries. The Additional Directors, Joint Directors and Financial Adviser assist the Commissioner. At the field level, there are 35 District Industry Centres (DICs) headed by General Managers (GMs) and seven sub-centres to cater to the needs of small scale industries of the area.

### 2.3.3 Audit Objectives

The Audit of Commissionerate of Industries, Rajasthan, Jaipur was conducted to assess whether there exists:

- Efficient financial administration with reference to allocated priorities and optimum utilisation of resources;
- Effective project management in terms of planning and delivery of goals of the schemes/programmes;
- Efficient human resource management in terms of sanctioned strength and deployment of personnel; and
- Adequate supervision and monitoring systems including the internal control mechanism.

### 2.3.4 Audit Criteria

The Audit was conducted keeping in view the audit criteria derived from following sources:

- State Industrial Policy, 1998;

43. Additional Chief Secretary (Industry) and Principal Secretary (SSI).

- State Budget Manual, Departmental Manual/Policies/Rules and Regulations;
- Government notifications and instructions issued for the implementation of schemes;
- State Financial Rules and Subsidiary Treasury Rules;
- Procedures prescribed for monitoring and evaluation of schemes/programmes; and
- Guidelines of schemes and programmes.

### 2.3.5 Scope and Audit Methodology

The Audit sought to examine and evaluate the important aspects of the functioning of the Commissionerate of Industries as well as to assess its performance with reference to its objectives. The coverage under audit was for the period from 2008-09 to 2012-13.

The audit of functioning of the Commissionerate and 10[44] out of 35 DICs was conducted. The Commissionerate implemented 26 major schemes/ programmes during 2008-09 to 2012-13, of which 10 schemes/programmes *i.e.* State Cluster Development Programme, Mahatma Gandhi Bunkar Bima Yojana, Health Insurance Scheme, Urban Haat, Rural Haat, Salt Industries, Integrated Handloom Development Scheme, Reimbursement of rebate on sale of handloom products, Weights and Measures and Rajasthan Micro, Small and Medium Enterprises Development Assistance Scheme were selected for detailed study. Audit findings pertaining to nine schemes/programmes have only been incorporated in the Report in view of 'Reimbursement of rebate on sale of handloom products' scheme having been discontinued after 2008-09. The field study was conducted from September 2010 to January 2011 and updated during July-August 2012 and May-June 2013. Besides, the records of selected Non-Government Organisations (NGOs) implementing State cluster development programme were also test checked during the field study.

The objectives, scope, period of coverage and audit methodology for the Audit were discussed in an entry conference held on 31 May 2010 with Principal Secretary, SSI. Subsequently, audit findings were reported to the State Government and to the Commissioner of Industries in September 2013. The reply of the State Government was received in October 2013, which has been suitably incorporated while finalising the report. The Exit Conference was held on 27 November 2013 with the Additional Chief Secretary (SSI) and Commissioner of Industries and the findings pointed out in Audit were discussed therein.

The audit findings are discussed in the succeeding paragraphs.

### 2.3.6 Financial Management

A proper financial management is essential for optimum utilisation of limited resources and compliance with budgetary and financial provisions. The office

44. Ajmer, Alwar, Banswara, Dungarpur, Jaipur City, Jaipur Rural, Jaisalmer, Jodhpur, Kota and Udaipur.

of the Commissioner incurred actual expenditure of ₹ 295.64 crore (revenue and capital) during the years 2008-09 to 2012-13 against Revised Estimate (RE) of ₹ 329.41 crore as detailed below:

**Table 7: Statement of BE, RE and Actual Expenditure**

**(₹ in crore)**

| Year | Category | BE | RE | Difference (4-3) | Percentage (5 to 3) | Actual Expenditure | Excess (+)/saving (-) w.r.t. RE | Percentage of Excess/ savings w.r.t. RE |
|---|---|---|---|---|---|---|---|---|
| 1. | 2. | 3. | 4. | 5. | 6. | 7. | 8. | 9. |
| 2008-09 | Plan | 15.24 | 15.41 | (+) 0.17 | 1.12 | 14.68 | (-) 0.73 | (-) 4.74 |
| | CSS | 11.56 | 9.08 | (-) 2.48 | 21.45 | 8.44 | (-) 0.64 | (-) 7.05 |
| | Non Plan | 22.55 | 28.96 | (+) 6.41 | 28.43 | 27.12 | (-) 1.84 | (-) 6.35 |
| | **Total** | **49.35** | **53.45** | **(+) 4.10** | **8.31** | **50.24** | **(-) 3.21** | **(-) 6.01** |
| 2009-10 | Plan | 9.70 | 8.62 | (-) 1.08 | 11.13 | 9.94 | (+) 1.32 | (+) 15.31 |
| | CSS | 10.59 | 2.67 | (-) 7.92 | 74.79 | 1.67 | (-) 1.00 | (-) 37.45 |
| | Non plan | 34.77 | 31.92 | (-) 2.85 | 8.20 | 31.10 | (-) 0.82 | (-) 2.57 |
| | **Total** | **55.06** | **43.21** | **(-) 11.85** | **21.52** | **42.71** | **(-) 0.50** | **(-) 1.16** |
| 2010-11 | Plan | 7.06 | 26.52 | (+) 19.46 | 275.64 | 24.79 | (-) 1.73 | (-) 6.52 |
| | CSS | 2.05 | 2.52 | (+) 0.47 | 22.93 | 1.37 | (-) 1.15 | (-) 45.63 |
| | Non plan | 32.52 | 33.47 | (+) 0.95 | 2.92 | 30.65 | (-) 2.82 | (-) 8.42 |
| | **Total** | **41.63** | **62.51** | **(+) 20.88** | **50.16** | **56.81** | **(-) 5.70** | **(-) 9.12** |
| 2011-12 | Plan | 21.77 | 26.75 | (+) 4.98 | 22.88 | 21.30 | (-) 5.45 | (-) 20.37 |
| | CSS | 2.19 | 3.53 | (+) 1.34 | 61.19 | 2.58 | (-) 0.95 | (-) 26.91 |
| | Non Plan | 35.74 | 46.45 | (+) 10.71 | 29.97 | 43.81 | (-) 2.64 | (-) 5.68 |
| | **Total** | **59.70** | **76.73** | **(+) 17.03** | **28.53** | **67.69** | **(-) 9.04** | **(-) 11.78** |
| 2012-13 | Plan | 24.28 | 26.99 | (+) 2.71 | 11.16 | 23.11 | (-) 3.88 | (-) 14.38 |
| | CSS | 3.60 | 12.39 | (+) 8.79 | 244.17 | 3.00 | (-) 9.39 | (-) 75.79 |
| | Non Plan | 39.07 | 54.13 | (+) 15.06 | 38.55 | 52.08 | (-) 2.05 | (-) 3.79 |
| | **Total** | **66.95** | **93.51** | **(+) 26.56** | **39.67** | **78.19** | **(-) 15.32** | **(-) 16.38** |
| 2008-13 | Plan | 78.05 | 104.29 | (+) 26.24 | 33.62 | 93.82 | (-) 10.47 | (-) 10.04 |
| | CSS | 29.99 | 30.19 | (+) 0.20 | 0.67 | 17.06 | (-) 13.13 | (-) 43.49 |
| | Non Plan | 164.65 | 194.93 | (+) 30.28 | 18.39 | 184.76 | (-) 10.17 | (-) 5.22 |
| | **Grand Total** | **272.69** | **329.41** | **(+) 56.72** | **20.80** | **295.64** | **(-) 33.77** | **(-) 10.25** |

**Source: Information supplied by the Commissionerate of Industries**

The Commissioner of Industries is responsible for collecting and reviewing the estimates of receipts and expenditure from DICs. He prepares the budget and submits it to the Finance Department for approval as per timeline specified in budget circular. Scrutiny of records disclosed the following deficiencies:

### *2.3.6.1 Budget Management*

As per Para 177 of Rajasthan Budget Manual (RBM), REs should be prepared with great care so that they may approximate as closely as possible to the

actual expenditure. However, details given above disclosed that REs proved to be inaccurate as actual expenditure varied substantially in comparison to REs under various heads and savings with respect to REs ranged between 2.57 *per cent* and 75.79 *per cent*.

The State Government stated (October 2013) that savings were due to late receipt of grant from GoI under Central Sponsored Schemes and revision in plan heads under Rajasthan Micro, Small and Medium Enterprises Development Assistance Scheme (RMSMEDAS).

### *2.3.6.2 Excess Supplementary Grant*

Para 198 of RBM provides that the supplementary grants are permissible only when necessity is clearly established and requirement is unavoidable. Scrutiny of records, however, disclosed that out of additional funds of ₹ 9.84 crore provided under various heads through supplementary grants during 2008-09 and 2010-11 to 2012-13, an amount of ₹ 6.85 crore remained unutilised at the end of the financial years as shown in ***Appendix 2.9.***

The State Government attributed (October 2013) the reasons of non-utilisation of supplementary grant to non-receipt of expenditure proposals from subordinate offices, unit remaining non-functional, non-availability of qualified bidder *etc.* The requirement of supplementary grant was thus avoidable.

### *2.3.6.3 Surrender and reappropriation*

The detailed study of some cases of surrender and reappropriation is discussed below:

- Scrutiny of surrender and reappropriation of funds under Plan and Centrally Sponsored Schemes (CSS) disclosed that during 2012-13, the original budget provision under major heads 2851 and 2852 was made in excess of requirement. In six cases, ₹ 3.60 crore were surrendered on 31 March 2013 against original allotment of ₹ 4.97 crore. The surrender ranged between 54.55 and 90.60 *per cent* of the original grant as shown in ***Appendix 2.10***.

The reasons of surrender given by the State Government (October 2013) were non-utilisation of funds under the head tour, training and conference due to non-availability of trainees *etc.* under miscellaneous schemes and non-implementation of Terracotta Cluster, Sagwara, Dungarpur.

- Para 138 of RBM stipulates that all the savings must be surrendered immediately to Government as and when these are noticed without waiting up to end of the financial year. No saving should be kept in reserve for probable requirement in future.

Audit observed that against the budget estimate of ₹ 8 crore for the year 2009-10 under CSS for reimbursement of rebate to handloom societies on sale of handloom cloth, REs of ₹ 12 lakh were finalised in January 2010. The amount of ₹ 12 lakh also remained unutilised at the end of the year. Out of

total savings of ₹ 8 crore, an amount of ₹ 2.05 crore was surrendered and ₹ 5.95 crore reappropriated to other heads on 31 March 2010.

Audit further observed that out of the amount of ₹ 5.95 crore reappropriated, an amount of ₹ 2 crore was deposited in personal deposit (PD) account of Rajasthan State Pollution Control Board (RSPCB) on 31 March 2010 for establishing Common Effluent Treatment Plant unit IV at Pali. The decision taken to transfer the savings at the fag end of the year was to avoid lapse of the grant and in contravention to the provision of the RBM.

The State Government stated (October 2013) that funds were utilised by transferring the same to RSPCB. The reply was not acceptable as the funds transferred at the fag end of the year remained unutilised at the end of the year.

- Funds of ₹ 1,000 only were provided in original budget during 2011-12 for RMSMEDA Scheme. Supplementary grant of ₹ 4.41 crore was obtained for the scheme, but funds of ₹ 1.22 crore only were utilised, whereas ₹ 3.19 crore was surrendered/reappropriated to other heads. It was noticed in audit that the entire amount was allotted to DICs at the fag end of the year. As a result, ₹ 3.19 crore remained unutilised.

The State Government replied (October 2013) that due to new scheme, adequate proposals for utilisation of funds were not received and amount remained unutilised. The reply was not acceptable as the scheme was not new but was introduced in 2008.

- An amount of ₹ 35 lakh was provided in original budget during 2012-13 for construction of Common Facility Centre (CFC) at 'Stone Art ware Cluster', Dungarpur under cluster development scheme, despite availability of ₹ 35 lakh already sanctioned during 2009-11. Thus, the allotment of ₹ 35 lakh made during 2012-13 was without any justification.

The State Government replied (October 2013) that funds were provided to complete the CFC. However, the funds had been surrendered to Government. The reply was not acceptable as ₹ 35 lakh were already lying with the implementing agency and the further allotment of funds of ₹ 35 lakh and not utilising the same was unjustified.

### *2.3.6.4 Rush of Expenditure*

Para 139 of RBM provides that expenditure in a year is to be evenly managed and rush of expenditure particularly in the closing month of the financial year would ordinarily be regarded as a breach of financial regularity.

Scrutiny of expenditure of plan and CSS activities in the Commissionerate and 10 test checked DICs disclosed that during 2009-13 there was rush of expenditure in the last quarter and month of the financial year as detailed below:

**Table 8: Year-wise details of expenditure incurred**

**(₹ in crore)**

| Year | Total expenditure in Commissionerate and test checked DICs | Expenditure during last quarter | Percentage of total expenditure during last quarter | Expenditure during last month | Percentage of expenditure during last month |
|---|---|---|---|---|---|
| 2009-10 | 3.55 | 1.48 | 42 | 1.04 | 29 |
| 2010-11 | 4.77 | 2.63 | 55 | 2.35 | 49 |
| 2011-12 | 5.39 | 4.07 | 76 | 3.50 | 65 |
| 2012-13 | 6.93 | 5.66 | 82 | 4.49 | 65 |

Heavy and disproportionate expenditure in the last quarter and month of the financial year indicated inadequate planning at the Commissionerate and DICs. The DICs, Jodhpur and Jaisalmer replied (June 2013) that rush of expenditure during last quarter and month was due to delay in receipt of funds and implementation of schemes.

The State Government accepted (October 2013) the facts and stated that in future effective action would be taken to utilise the budget proportionately.

### *2.3.6.5 Non-verification of challans*

Rule 59 of General Financial and Account Rules (GF&AR) provides that all the drawing and disbursing officers have to arrange reconciliation of remittances made into treasury with the record of the Treasury Office and get it certified every month by the Treasury Officer. During scrutiny of records, it was observed that in four DICs, ₹ 4.99 crore remitted through 639 challans during the period 2009-13 ***(Appendix 2.11)*** were not reconciled and not certified from Treasury Officers, in the absence of which, possibility of irregularities cannot be ruled out.

The State Government replied (October 2013) that this was a regular process and verification of challans was under progress.

### *2.3.6.6 Non-recovery of financial assistance*

The State Capital Investment Subsidy Scheme was implemented during 1990 to 1998. The beneficiaries got financial assistance against investment made as per rules under the scheme. The guidelines of this scheme provided that the assisted unit had to remain in production during next five years after receipt of financial assistance and prescribed that Annual Production Report was to be submitted to DIC, failing which the assistance provided was to be recovered with interest.

Scrutiny of records of selected DICs (except Jaisalmer) disclosed that as on 31 March 2013, principal amount of ₹ 6.12 crore and interest of ₹ 5.16 crore could not be recovered from 168 units which were not in production for five years after receipt of assistance and had not submitted annual production reports to concerned DICs.

The State Government stated (October 2013) that cases for recovery of dues had been registered under Public Demand Recovery/Land Revenue (PDR/LR) Act and a few cases were under litigation in the Courts.

### 2.3.7 Planning

The Government of Rajasthan promulgated State Industrial Policy in 1994, which was revised in 1998. The principal objective of the State Industrial Policy was to lay special emphasis on accelerating the overall pace of industrial growth and strengthening the small scale industry and cottage industry sector. For fulfilment of these objectives and implementation of the schemes, the Commissionerate of Industries prepared Annual Plan in accordance with the framed five year plan. The shortcomings noticed in compliance and implementation of the industrial policy are discussed below:

***2.3.7.1*** A core team comprising industry leaders, scientific community members and government representatives for working out a plan for developing a major Research and Development (R&D) Laboratory with a focus on long term projects in pure/applied sciences was not constituted by the State Government as laid down in Industrial Policy.

The State Government while accepting the facts stated (October 2013) that informal efforts were made with Director General, Council of Scientific Research, New Delhi to obtain the list of suitable persons but further progress could not be made.

***2.3.7.2*** Based on findings of comprehensive export potential survey of the State carried out by a professional agency, a new action plan for export promotion was to be implemented but no action in this regard was taken.

The State Government intimated (October 2013) that survey report submitted (October 1998) by Tata Economic Consultancy Services was considered as non-satisfactory and thereafter no action was taken on the issue. The reply confirmed that despite engaging a professional agency neither was any action plan prepared nor was any further action was taken.

***2.3.7.3*** As laid down in the Industrial Policy, the consultative committees for SSIs were to be constituted in respect of specific sectors to review the existing technology status and advise on measures for technological advancement and quality upgradation. Audit, however, noticed that no such committees were constituted.

The State Government stated (October 2013) that there was no need to constitute new committees. The reply was not acceptable as this was clearly spelt out in the Industrial Policy.

***2.3.7.4*** With the changed industrial climate and need of industry to adopt the necessary safeguard for increasing awareness regarding environment and pollution control, the Rajasthan State Pollution Control Board (RSPCB) had to delegate necessary powers to the nodal officers in DICs for enabling them to issue 'No Objection Certificate' (NOC) within seven days from the date of receipt of application to SSI and tiny units. Audit, however, observed that necessary powers to the nodal officers in DICs were not delegated.

The State Government stated (October 2013) that due to shortage of manpower, RSPCB could not appoint the nodal officers in DICs which delayed the process of issuing of NOCs.

***2.3.7.5*** Item No. 5 of State Industrial Policy envisages improvement in the system and timely clearance of issues/applications received for investment. Scrutiny of details of Eligibility Certificates (ECs) issued by the Commissionerate under "Investment Promotion Scheme 2003" disclosed that 6,252 applications involving proposed investment of ₹ 61,573.39 crore were received for issuing ECs during 2008-09, 2009-10 and 2011-12. Details for the year 2010-11 and 2012-13 were not provided to audit. Out of these, 1,191 applications were pending for disposal.

The State Government replied (October 2013) that only 31 cases were pending with the State Level Scrutiny Committee, but no details of settled cases were provided to audit.

### *2.3.7.6 Non-updation of Departmental Manual*

The manual is a source of information and procedures regarding Commissionerate for the guidance of the officials working at various levels. The purpose of manual is to dispose of cases on rationalised system to save time and labour and to streamline procedures. The work of preparation of Departmental manual taken up in 1975 on the initiative of the Accountant General, Rajasthan, Jaipur, was finalised in May 1983. The manual was not updated by incorporating changes and amendments made after May 1983. Thus, the compliance to latest prescribed procedures and system to be followed by the officials of the Commissionerate and field offices could not be ensured. Besides, the manual does not contain instructions on financial control, manpower management, and internal audit. The State Government stated (October 2013) that work for updation of the manual was under progress.

## 2.3.8 Human Resource Management

### *2.3.8.1 Staff working in excess of sanctioned strength*

There was no policy regarding transfer and posting of personnel in the Department of Industries. The details of sanctioned and working strength in the Commissionerate and in the selected DICs revealed overall staff shortage of 33.33 *per cent*. Besides, 6 officials in the Commissionerate and 10 officials in five DICs were in excess of sanctioned strength.

The State Government while accepting the facts stated (October 2013) that there was no separate policy regarding transfer and posting of personnel. Posting of excess staff in the Commissionerate was due to importance of work. Steps may be taken to conduct a work study to post personnel appropriately.

### *2.3.8.2 Longer stay of staff at one place*

The rotation of an employee helps to ensure that one person does not deal with all the key aspects of transactions or events for undue length of time. The State Government (General Administration Department) issued (1990) instructions that no official was to be posted for more than five years in a division. In case,

the services of any official were essential for more than five years, permission of General Administration Department (GAD) was required.

Scrutiny of records of Commissionerate and selected DICs revealed that among the total working staff of 454 personnel, 286 persons (63 *per cent*) were working in the same office for more than 5 years. Further, 109 and 95 personnel out of the 286 were working for more than 10 and 20 years respectively. In the Commissionerate 67 employees (31.16 *per cent*) out of 215 were working for more than 20 years without obtaining required permission of GAD (***Appendix 2.12***).

The State Government stated (October 2013) that staff were posted for longer period due to their efficiency and experience. The reply is not acceptable as the staff posted for longer period were not technical ones and the permission of GAD for retention beyond five years was not obtained as prescribed. The Government may like to review the situation.

## 2.3.9 Monitoring

### *2.3.9.1 Internal Control Mechanism*

Internal Control Mechanism is a process meant to ensure that the departmental operations are carried out according to the applicable laws and regulations.

***Internal Audit***

Internal Audit (IA) is a part of internal control mechanism. It evaluates and contributes to the ongoing effectiveness and level of compliance. IA must be independent, impartial and should not be entrusted with operational responsibilities. The internal audit wing is comprised of one Assistant Accounts Officer and one Junior Accountant under Financial Adviser. It was noticed that internal audit mechanism was deficient as discussed below:

- There was no manual prescribing the principles and practices which the internal audit was required to follow.
- The audit of DICs was not conducted annually as prescribed although full sanctioned strength during April 2008 to March 2013 was available.
- As of March 2013, 8 units were due/pending for audit since 2010.
- As of March 2013, 313 Inspection Reports and 2,284 paras were pending for compliance as detailed below:

| 1976 to 1990 | | 1991 to 2000 | | 2001 to 2013 | | Total | |
|---|---|---|---|---|---|---|---|
| IR | Paras | IR | Paras | IR | Paras | IR | Paras |
| 93 | 207 | 88 | 739 | 132 | 1,338 | 313 | 2,284 |

Source: Commissionerate office

IA loses its effectiveness unless the deficiencies pointed out are promptly attended to.

The State Government intimated (October 2013) that efforts were being made to conduct internal audit annually and to clear the pendency of old paras. Further, it was also stated that 14 IRs and 308 paras were settled but no specific details were provided.

#### *2.3.9.2 Response to Audit*

The Accountant General (E&RSA), Rajasthan conducts audit of the Commissionerate of Industries and its subordinate offices and irregularities are reported through Inspection Reports. First reply of IR is to be furnished within four weeks. A six monthly report on pending IRs and paragraphs is sent to the Secretary for necessary action on the observations. As on 30 October 2013, 79 IRs and 170 paragraphs were pending for compliance. Out of these, 1 IR and 1 paragraph was pending for more than 10 years and 78 IRs and 169 paragraphs were pending for 1 to 10 years despite six Audit committee meetings being held during 2010-13 for disposal/settlement of outstanding paras.

#### *2.3.9.3 Deficiencies in working of Vigilance Cell*

- The head of the Department was responsible to maintain honest, transparent and corruption-free administration by appointing Chief Vigilance Officer (CVO). One of the main functions of the CVO was to make regular scrutiny of working system, sensitive areas and contact point with public in the Department. Based on such review and study, the CVO was to submit proposal and action plan to the Government to prevent probable corrupt practices. Scrutiny of records disclosed that neither any scrutiny was conducted nor any proposal and action plan was submitted by the CVO (July 2013) during the period of Audit.

- The CVO had to prepare and maintain a list of officers whose integrity was judged doubtful as per the prescribed procedure. The list of such doubtful officers was to be sent to the Anti Corruption Bureau (ACB) in the month of January every year. The list of such cases sent to ACB during 2008-09 to 2012-13 was not found on record.

The State Government stated (October 2013) that no such cases were noticed. The reply is not correct as the State Government itself had provided a list of seven cases of corruption as on March 2013 in the Commissionerate which were pending enquiry with ACB with the earliest one dating as far back as 1987. Action may be taken to finalise these cases at the earliest.

### 2.3.10 Scheme Implementation

#### *State Cluster Development Programme*

***2.3.10.1*** The "State Cluster[45] Development Programme" (Cluster Programme) was introduced (2005-06) for support and growth of artisans and entrepreneurs

45. The term 'Cluster' represents 50 or more artisans/ small entrepreneurs producing same products by using same raw material and production process located within the area of 10 to 15 kilometres.

through developing collective efforts to find and solve common problems under cluster approach. As per para 3 of the Cluster Manual, the proposals of probable clusters requiring development activities for artisans were to be obtained from DICs. The proposals were to be prepared on the basis of baseline survey conducted, Strength, Weakness, Opportunities and Threats (SWOT) analysis made, contribution by artisans in the cost of action plan and recommendations made by GMs of DICs. The preliminary selection of clusters was to be made by Commissioner of Industries, out of the proposals received from DICs. Subsequently, Diagnostic Study cum Detailed Project Reports (DS cum DPRs) were to be prepared by NGOs for these selected clusters. The final selection was to be made by State Level Empowered Committee [46] (SLEC) on the basis of DS cum DPRs presented by NGOs.

During 2006-07 to 2012-13, 39 cluster projects involving total project cost of ₹ 29.77 crore[47] were approved. Of these, only 30 cluster projects were completed by March 2013 at a cost of ₹ 13.07 crore, 3 projects had been cancelled by SLEC after incurring an expenditure of ₹ 0.25 crore and the remaining 6 projects were under progress (March 2013). 10 cluster projects were selected for detailed study as exhibited in ***Appendix 2.13***. The deficiencies noticed in selection and implementation of these cluster projects are as under.

- The Principal Secretary, Industry directed (March 2005) that cluster project reports should spell out envisaged benefits *i.e.* increase in income, turnover of artisans and social cost benefits to be achieved after implementing the cluster activities. The guidelines adopted (April 2006) for implementation of projects through NGOs also reiterated the same. Audit, however, noticed that approved DS cum DPR in all selected cases did not clearly indicate outputs to be achieved through development of those cluster projects.

The State Government accepted (October 2013) the facts and stated that record maintenance was difficult due to illiteracy of artisans. The reply is not acceptable because project reports were not to be prepared by artisans.

### *2.3.10.2 Lack of Monitoring and evaluation of cluster project*

- GMs of DICs were required to submit Monthly Progress Report (MPR) of physical and financial progress of the cluster activities implemented during preceding month to the Commissioner in respect of each cluster. Audit, however, noticed that there was shortfall in submission of MPRs by 20 DICs (31 clusters) which ranged between 31 *per cent* and 100 *per cent* during 2008-13.

- The GMs of DICs were directed (May 2008) by the Commissionerate to monitor the implementation of cluster activities and submit monthly inspection report in prescribed proforma. The important aspects to be incorporated in the inspection report were number of participants benefitted

46. Constituted in November 2007 by State Government under Chairmanship of the Principal Secretary, Industry to take decision regarding implementation of cluster programme.

47. Excluding approved project cost of one cluster-Embroidery Cluster, Shiv (Barmer); information of which has not been provided to Audit.

through the activities implemented, trainer and description of training programmes, machinery, equipment and raw material purchased, disposal of products prepared during training, assets and permanent articles purchased along with deficiencies noticed during inspection and suggestions to rectify them.

Audit observed that in test checked DICs, no record regarding inspections and inspection reports was being maintained nor were inspection reports issued.

The State Government replied (October 2013) that mechanism would be developed for receipt of Monthly Progress Reports online, directly from Implementing Agencies and Nodal officers.

- SLEC directed (July 2008) that quarterly inspection of each cluster be conducted by Industry Extension Officer and officers belonging to accounts cadre. Audit, however, noticed that details of inspections carried out were not compiled at Commissionerate level, in the absence of which, it could not be vouchsafed that the directions of SLEC were complied with. The Commissioner replied (October 2013) that inspection of clusters was carried out at the time of inspection of DICs. The reply is not acceptable as no specific details of quarterly inspections were made available to audit despite requisition for the same. This reflected deficiency in inspection and monitoring of the scheme.

- Cluster Manual provides that mid-term evaluation of each cluster project be conducted through independent agencies after 18 months of commencement of cluster activity so that necessary improvement may be carried out on the basis of findings of such evaluation. Audit, noticed that mid-term evaluation was conducted only in one cluster (leather cluster, Kishangarh Rainwal) against 30 completed clusters up to March 2013 on which an expenditure of ₹ 13.07 crore was incurred.

- Sub-Paras 6 to 10 of Para 9 of Cluster Manual provide that after completion of cluster project, a final report should be obtained from Implementing Agency (IA) in which detailed study on income, production, turnover, export and employment generating opportunity *etc*. had to be included. Further, final evaluation and impact assessment were required to be obtained from independent agency evaluating the work of IA and got approved by SLEC. It was noticed in Audit that out of 30 completed cluster projects, final evaluation and impact assessment was done and approved by SLEC in only 3 clusters[48]. The Department could thus not ensure that the envisaged benefits of cluster development programme had reached the artisans.

The State Government while accepting the audit observations as regards not conducting the mid-term evaluation, final evaluation and impact assessment stated (October 2013) that due to lack of manpower and resources, these could not be conducted. The reply was not convincing as the Department was required to ensure effective implementation of the cluster projects through proper monitoring to provide the envisaged benefits of cluster development to the artisans.

48. Alwar, Dausa, Jaipur

### *2.3.10.3 Creation and operation of Common Facility Centre*

The Common Facility Centre (CFC) was to be established in a cluster project for providing services of common nature like arrangement of raw material, facility of equipment and machinery for job work, adoption of improved technology, training, marketing assistance *etc*. to keep the cluster running and operative for the benefit of artisans on the basis of assessment of necessity and approval by the SLEC. Further, a Special Purpose Vehicle (SPV) in the form of a cooperative society/ federation/ association/ producer company/ private limited company was to be constituted compulsorily in each cluster for construction and operation of CFC.

- Scrutiny of records disclosed that construction of one CFC for Kotadoriya cluster at Kaithun, Kota was sanctioned, for which ₹ 1.72 crore was released to the Rajasthan State Road Development Corporation (RSRDC) up to March 2008. The stipulated date of start and completion were 16 January 2011 and 15 December 2011 respectively. However, the construction of CFC has not been completed (July 2013) even after delay of 18 months. RSRDC had incurred an expenditure of ₹ 0.65 crore on building work and installation of plant and machinery and ₹ 1.07 crore was lying with RSRDC unused (July 2013).

- One CFC for leather cluster at Bansoor, Alwar was also sanctioned for which ₹ 24 lakh was released (November 2006) to Implementing Agency (IA) without ascertaining the availability of clear and undisputed title of land. Further, these funds were diverted (February 2009) after more than two years for construction of another CFC for leather cluster at Bhinmal, Jalore without obtaining any feasibility report. The construction of CFC at Bhinmal, Jalore was subsequently cancelled (June 2011) by SLEC due to non-availability of suitable land and non-submission of any justification report (December 2010) by the GM, DIC, Jalore. These funds were surrendered (December 2011) by the IA. Thus, an amount of ₹ 24 lakh remained idle for five years due to defective planning of the Department.

- It was noticed that under Stone Art ware Cluster Scheme at Dungarpur, one CFC was sanctioned for ₹ 55.25 lakh with stipulated date of start and completion as January 2011 and September 2011 respectively. An amount of ₹ 55 lakh was issued to RSRDC for construction of this CFC. After incurring an expenditure of ₹ 20 lakh, the work was left incomplete due to illegal encroachment on land by a local resident (February 2011). Since then, no efforts were made by the Department to vacate the encroached land, which resulted in unfruitful expenditure of ₹ 20 lakh (March 2013). The remaining amount of ₹ 35 lakh was lying with RSRDC unused (July 2013).

The State Government accepted (October 2013) the facts and stated that establishment of plant and machinery in CFC, Kaithun, Kota was under process. In respect of CFC, Bansoor amount had been deposited in Government treasury and regarding Stone Art ware Cluster, Dungarpur, matter had been placed in the meeting of SLEC for taking decision.

***Mahatma Gandhi Bunkar Bima Yojana***

***2.3.10.4*** The Government of India (GOI) introduced (December 2003) "Bunkar Bima Yojana" and renamed it as "*Mahatma Gandhi Bunkar Bima Yojana* (MGBBY) in 2005-06. The basic objective of the MGBBY was to provide enhanced insurance cover to the handloom weavers in case of natural as well as accidental death and in case of total or partial disability. The annual premium of ₹ 330 was to be shared[49] by GoI, State, Life Insurance Corporation (LIC) and the weaver. GOI share was to be released directly to LIC in advance based on the number of handloom weavers to be covered under the scheme.

During examination of records of Commissionerate and seven selected DICs[50] where the scheme was in operation, the following points were observed:

***Scrutiny of application***

According to the guidelines of scheme, all weavers whether male or female between the age group of 18 and 59 years were eligible to be covered under the scheme. Scrutiny of records of DIC, Jodhpur disclosed that the GM, DIC being nodal officer did not scrutinise the application forms of insurance policies and forwarded the same to LIC without ensuring eligibility criteria. In five cases, applications of beneficiaries having age of 59 years or more were forwarded. In one case, insurance policy was issued in March 2008 on the basis of age of 58 years shown in application. Subsequently, the policy holder died in April 2008. At the time of death, in the application for insurance claim, the age was shown as 65 years and hence, the claim was rejected. This showed lack of scrutiny of applications at the level of GM, DIC.

The State Government while accepting the facts stated (January 2013) that directions would be issued for fixing the responsibility at DIC level regarding such cases.

***Monitoring***

Implementation of the scheme was to be reviewed in the meetings held every month at district level between Assistant Director, Handloom and LIC representatives. However, no such meetings were held in selected DICs during 2008-13.

The State Government stated (October 2013) that directions for monitoring at district level had been issued but as only two LIC Centres (Jaipur and Jodhpur) are functional, it was not possible for them to attend meetings in all the districts of the State. It further stated that efforts were being made to conduct meetings monthly.

***Health Insurance Scheme***

***2.3.10.5*** GOI introduced (2005-06) the Health Insurance Scheme (HIS) for Handloom Weavers to be implemented through ICICI Lombard General

49. GoI-₹ 150, LIC-₹100, State-₹ 40 and weaver-₹ 40
50. Ajmer, Alwar, Jaipur (City), Jaipur (Rural), Jaisalmer, Jodhpur and Kota.

Insurance Company Limited (ICICI Lombard). The State Director of Handlooms/Director of Industries and his subordinate officers in the field were nodal officers and responsible for efficient implementation of the scheme. The premium of policy was revised from time to time and for the year 2012-13 it was fixed at ₹ 939.76 to be shared by GoI (₹ 769.36) handloom weaver/State Government (₹ 170.40)[51]. After receipt of Health Cards (HCs) from ICICI Lombard, the Commissionerate along with the implementing agency was liable to inform individual beneficiaries about the coverage.

Scrutiny of records maintained at the Commissionerate and seven selected DICs[52] disclosed the following irregularities:

- During 2008-13, though 9,787 applications of weavers along with state/weavers share were submitted to ICICI Lombard, only 8,842 HCs were issued to weavers. The remaining 945 HCs pertaining to the period from January 2009 to March 2013 had not been issued till date (October 2013).

The State Government stated (October 2013) that target for issuing HCs have been achieved by ICICI Lombard due to which balance HCs were not issued. The reply was not acceptable as no time limit had been fixed by the Government for issue of the HCs once ICICI Lombard received the premium.

- Against the provision to reimburse medical claims within 15 days of its receipt, medical claims of ₹ 7.50 lakh of 307 weavers of four selected DICs[53], submitted between November 2007 and March 2013 were not settled by ICICI Lombard till May 2013. Further, claims of 109 weavers of ₹ 2.42 lakh were reimbursed with delay of 4 to 36 months.

The State Government accepted (October 2013) the facts and stated that pending claims would be settled promptly.

- ICICI Lombard or its authorised representative had to furnish a list of medium class hospitals/nursing homes for medical treatment to the handloom weavers, State Government and Office of Development Commissioner for Handlooms. This list was to be updated quarterly. Audit scrutiny disclosed that the list of medium class hospitals/nursing homes was not updated quarterly during 2008-13 by ICICI Lombard or its authorised representatives. Resultantly, beneficiaries remained unaware of the nearest authorised hospitals for getting treatment.

- Further, ICICI Lombard did not adhere to the scheme, guidelines/GoI instruction (October 2008) as its representatives never visited villages to collect the medical reimbursement claims of the weavers as was required.

- At the district level a committee consisting of Assistant Director, Handloom of the State Government and representatives of ICICI Lombard was required to meet in the first week of every month to monitor the progress of enrolment of applicants and to resolve the issue with regard to payment of claims. Scrutiny of records of selected DICs disclosed that no such type of meeting was held during audit period.

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51. Including handloom weaver's contribution of minimum ₹ 50.
52. Ajmer, Alwar, Jaipur (City), Jaipur (Rural), Jaisalmer, Jodhpur and Kota.
53. Alwar, Jodhpur, Jaipur (City), Kota.

The State Government stated (October 2013) that directions would be issued for prompt implementation of scheme.

### *2.3.10.6 Urban and Rural Haat*

***Urban haat***

The Development Commissioner (Handloom), Ministry of Textiles, GoI was implementing various schemes since 1996-97 for successful growth and development of handloom sector. The component of urban haat was introduced in 1997-98, to provide adequate direct marketing facilities to the craft persons/weavers for selling their products directly to the customers. The estimated project cost of ₹ two crore per haat was to be shared by the GoI and State Government in the ratio of 70:30. Expenditure in excess, if any, was to be borne by the State Government.

***Rural haat***

The rural artisans do not have the wherewithal to connect themselves to the market as they lack adequate capacity, market intelligence and negotiation skills. Therefore, to bridge these inadequacies, the setting up of rural haats for promotion of rural products at village, district and state level was provided under the *Swarnjayanti Gram Swarozgar Yojana* (SGSY) of the GoI. The project cost of rural haat at village, district and State level was maximum up to ₹ 0.15 crore, ₹ 1.50 crore and ₹ 3 crore respectively, to be shared by the GoI and State Government in the ratio of 75:25.

Ten rural haats and three urban haats were developed in 13 districts[54] up to March 2013. The scrutiny of records of urban and rural haats at Commissionerate and five DICs[55] disclosed that:

- The GoI made provisions of ₹ 10 lakh and ₹ 5 lakh in the first and second years for publicity for each urban haat under the scheme. It was observed during audit that urban haats were developed at Ajmer, Jaipur and Jodhpur during 2008-13 but publicity of the project was not done despite provision of ₹ 45 lakh under the scheme. State Government informed (October 2013) that efforts were being made for receiving funds from GoI.

- As per Rule 8 (2) of GF & AR, withdrawal of money from Government account was to be made for immediate requirement. The project reports for urban haats at Alwar and Sikar were submitted (July 2009) to the GoI for approval and release of central share. Audit observed that funds of ₹ 90 lakh were released and transferred (January 2010) by the State Government to the Personal Deposit (PD) account of *Udyam Protsahan Sansthan* Jaipur, of which an expenditure of ₹ 84.16 lakh was incurred up to November 2011, though the approval of the project report submitted (July 2009) was neither received nor the central share released by the GoI.

54. Rural-Bhilwara, Bikaner, Bharatpur, Chittorgarh, Dausa, Jhunjhunu, Jaisalmer, Rajsamand, Kota, Udaipur, Urban-Ajmer, Jaipur and Jodhpur.
55. Ajmer, Jaisalmer, Jodhpur, Kota and Udaipur.

The State Government stated (October 2013) that action was being taken to obtain the sanction of GoI.

- All the 10 rural haats were developed at district level whereas no haats were developed at village level which deprived the rural artisans to avail benefit of better marketing facilities at village level to sell their products throughout the year. The objective of creation of rural haats was thus defeated.

The State Government stated (October 2013) that the rural haats were developed at district headquarters as per sanction issued by GoI. The reply was not acceptable as rural haats were not constructed at village level as envisaged in the guidelines.

- The actual benefits to artisans were to be extended by utilisation of haats through organising fairs and exhibitions for which a calendar of programmes for each year was to be followed. Approved calendar relating to organising fairs and exhibitions was not adhered to. There was a shortfall ranging between 57 and 100 *per cent* in organising fairs and exhibitions during 2008-09 to 2010-11. Besides, shortfall in stalls actually allotted during each fair/exhibition to artisans against available stalls ranged between 7 and 95 *per cent* in nine haats. Information for 2011-13 was not provided by the Department (October 2013).

The State Government stated (October 2013) that instructions had been issued to GMs to organise the fairs and exhibitions as per approved calendar.

- As per guidelines issued by the GoI and project reports approved, operation and maintenance of haats was to be carried out from the income generated from operation of these haats through fair, exhibition *etc.* Audit found that during 2008-12, in five selected DICs, expenditure of ₹ 70.71 lakh was incurred against income of ₹ 31.91 lakh. Against deficit of ₹ 38.80 lakh, Commissionerate provided funds of ₹ 52.02 lakh. Information for 2012-13 was still awaited (October 2013). Thus, the amount of ₹ 13.22 lakh was allowed in excess by the Commissioner, Industries without justification. No specific reply was given by State Government.

***Salt Industries***

***2.3.10.7*** In November 2007, the State Government revised rules prescribing the conditions on which available saline land for the purpose of the Salt industry is allotted on lease. Scrutiny of records at the Commissionerate and three DICs[56] where activities of salt industry were operational disclosed the following irregularities:

***Vacant saline land not allotted for cultivation***

State Industrial Policy, 1998 envisaged that the vacant saline land measuring about 18,000 acres would be brought under cultivation in a phased manner. Audit, however, noticed that no saline land was allotted for cultivation despite a lapse of more than 15 years.

56. Jaisalmer, Jodhpur and Ajmer.

The State Government stated (October 2013) that allotment could not be made due to geographical conditions of saline land, water logging in the area, legal dispute etc. and hence a proposal to declare salt area as non-saline is under process. The fact remains that the vast saline area was not brought under cultivation even after 15 years of the State Industrial Policy.

***Lease rent for saline area***

Rule 7 of Rajasthan Land Revenue (Allotment of Land in Saline Area) Rules, 1997 (Rules 1997) and Rule 9 of revised Rules 2007 (Rules 2007) provide that lease rent for each saline area is required to be fixed considering the salinity and availability of brine in the area. Until lease rent is fixed by the State Government, an interim lease rent as mentioned in the rules was to be charged.

Scrutiny of records disclosed that the State Government did not fix the lease rent for each saline area and an interim lease rent was being charged for all the saline area at the rate of ₹ 100 per acre and ₹ 161.88 per acre per annum for the period January 1997 to November 2007 and December 2007 to date respectively without considering the salinity and availability of brine in each area.

The State Government stated (October 2013) that due to availability of different types of brine in the same area, it was not practically possible to fix lease rent as per the salinity. The reply is not acceptable as the Rules lay down that survey of saline areas was to be undertaken through samples taken and based on the survey the area proposed to be declared as saline area was to be mapped out. Further, under Rules 2007 only land with brine density of more than 10 *per cent* is to be considered as saline area. Because adequate action was not taken as per the Rules, the revenue due to Government was affected, non-saline areas were not allotted for cultivation and saline areas were not mapped.

***Unauthorised possession of salt land by ex-lessee***

Rule 14 and 16 of Rules 2007 provide renewal of lease of allotted saline land after expiry of validity period of 20 years. Test check of records of 184 leases in DICs, Jaisalmer and Jodhpur and 85 leases in DIC, Kishangarh (Ajmer) disclosed that in 198 cases[57], though the lease period had expired between March 1994 and March 2008, no action was initiated to either terminate the lease or to take over possession of the areas. This resulted in unauthorised possession of salt land and loss of revenue to Government.

The State Government stated (October 2013) that action to terminate and regularise lease cases was under process.

***Non-recovery of lease rent***

Rule 7 of Rules 1997 and Rule 9 of Rules 2007 provide that lease rent for each saline area is to be fixed considering the salinity and availability of brine in the area.

57. Jaisalmer-25, Jodhpur-134 and Kishangarh (Ajmer)-39.

Audit noticed that no mechanism had been evolved to ensure realisation of lease rent as the Commissionerate did not have details of outstanding lease rent. It was also noticed (July 2012) that an amount of ₹ 8.99 lakh was shown as outstanding lease rent in DIC, Jaisalmer but details of the same could not be verified in the absence of proper records.

The State Government stated (October 2013) that all records regarding recovery of lease rent were maintained at DIC level. The reply is not acceptable as no proper record was found maintained at the Commissionerate or at DIC level.

***Namak Mazdoor Awaas Yojana***

***2.3.10.8*** The *Namak Mazdoor Awaas Yojana* (NMAY) was formulated (October 2003) by the Department of Industrial Policy and Promotion, GoI to ameliorate the living condition of salt workers by providing dwelling units to salt workers. The project cost of each dwelling unit was ₹ 50,000 including ₹ 10,000 for infrastructure facility. 10 *per cent* of the cost was to be shared by the beneficiary.

Scrutiny of records of Commissionerate and DIC, Jodhpur disclosed that central assistance of ₹ 2.03 crore was released up to June 2011 for construction of 450 houses[58]. State Government released ₹ 1.61 crore to beneficiaries for construction of houses on the land provided to them free of cost and ₹ 45 lakh to concerned DICs for infrastructure facilities. Out of 450 sanctioned houses, 449 houses were completed as of March 2009, whereas one house was completed in November 2011.

During joint inspection (September 2010) of houses constructed at Baap (Phalodi), Jodhpur by Audit with Deputy Director, DIC, Jodhpur, it was observed that the doors/windows were in broken condition. Further, other infrastructure facilities such as approach road, drinking water and electricity connections *etc.* were either not completed or in bad condition. As a result, these houses were not being utilised by the salt workers. Thus, the intended purpose of construction of houses under NMAY was not fulfilled even after completion of houses by incurring an expenditure of ₹ 2.06 crore (January 2013).

The State Government stated (October 2013) that at the time of production of salt, maximum number of houses remain occupied and adequate infrastructure facilities have been provided as per available resources. The reply was not acceptable as no evidence in support of adequate facilities provided had been furnished to audit.

As per para 4 of NMAY guidelines, *pattas* were to be issued to allottees of houses. However, Audit observed that *pattas* were not issued to allottees, even after expiry of more than six years from the date of issue (November 2006) of allotment letters of houses.

The State Government stated (October 2013) that work of issuing of Pattas is done by Panchayats/Nagarpalikas. The reply was not acceptable as the Department did not pursue the matter with *Panchayats/Nagarpalikas*.

58. Jodhpur-89 houses and Nagaur-361 houses.

### *Integrated Handlooms Development Scheme*

***2.3.10.9*** The GOI formulated (December 2007) Integrated Handloom Development Scheme (IHDS) to facilitate sustainable development of handloom weavers located in and outside identified handloom clusters into cohesive, self managing and competitive socio-economic units. The maximum permissible project cost for each cluster was not to exceed ₹ 60 lakh for a project period of three years.

The GoI approved (January 2008) two handloom cluster projects at Pokhran (Jaisalmer) and Napasar (Bikaner) at a cost of ₹ 1.05 crore as detailed below:

**Table 9: Details of approved handloom cluster projects under IHDS**

**(₹ in lakh)**

| Sl. No. | Name of handloom cluster project | Name of implementing agency | Project cost | Central share | State share | Beneficiary share |
|---|---|---|---|---|---|---|
| 1. | Pokhran | M/s Urmul Marusthaliya Bunkar Vikas Samiti, Phalodi, Jodhpur | 46.19 | 38.33 | 6.12 | 1.74 |
| 2. | Napasar | M/s Rangsutra Craft Duniya Producer Company Ltd. | 58.70 | 49.03 | 7.82 | 1.85 |
| **Total** | | | **104.89** | **87.36** | **13.94** | **3.59** |

**Source: Information provided by Department**

The position of funds received from the GoI and provided to IAs is detailed below:

**Table 10: Details of funds received and provided to IAs**

**(₹ in lakh)**

| Sl.No. | Name of cluster project | Funds received from the GoI | | Funds provided to the IA | | Time taken to provide funds (in months) |
|---|---|---|---|---|---|---|
| | | Month/Year | Amount | Month/ Year | Amount | |
| 1. | Pokhran | 1/08 | 12.45 | 3/09 | 11.72 | 14 |
| | | 8/10 | 14.20 | 2/11 | 14.20 | 6 |
| 2. | Napasar | 1/08 | 13.70 | 3/09 | 11.71 | 14 |
| | | 8/10 | 19.28 | 1/11 | 19.28 | 5 |
| **Total** | | **-** | **59.63** | **-** | **56.91** | **-** |

**Source: Departmental Information**

Scrutiny of records relating to the above cluster projects, scheduled to be completed by March 2011 disclosed following irregularities:

- The GoI sent (April 2007) Diagnostic Study Reports (DSRs) for above clusters to State Government for returning the same with acceptance by May 2007 but the required acceptance was submitted to GoI in December 2007

with delay of seven months. State Government confirmed (October 2013) that the delay of seven months was due to examination of feasibility of DSRs.

- Para 6 (iii) of the IHDS guidelines provides submission of quarterly report indicating the impact of the scheme on weavers after commencement of project. Audit observed that the first instalment of assistance from the GoI was received in January 2008 but the report indicating financial progress without any impact assessment was submitted to the GoI belatedly in July 2010. Resultantly, the GoI released funds in August 2010 with a delay of 30 months.

The State Government stated (October 2013) that due to delay in obtaining utilisation certificates, physical progress reports and impact assessment reports, quarterly report could not be sent to GoI in time.

- Para 6 (x) of IHDS guidelines provides release of funds to IA by State Government within three months from the date of transfer/ adjustment to the State fund. The GoI released funds of ₹ 26.15 lakh (January 2008) and ₹ 33.48 lakh (August 2010) out of central share of ₹ 87.36 lakh sanctioned (January 2008). However, the State Government provided (March 2009 and February 2011) funds to the IAs after a delay of 14 and 6 months respectively without assigning any reason. As a result, central assistance to the extent of ₹ 27.73 lakh (32 *per cent*) was not released up to June 2011 despite expiry of scheduled completion period (March 2011) of these projects. Thus, weavers were deprived of the benefit available under the scheme.

Scrutiny of records of DIC, Jaisalmer disclosed the following:

- The Self Help Groups (SHGs) of weavers were to be formed under the scheme. As against 575 weavers, SHGs were formed for only 160 weavers (28 *per cent* only) during the project period.

- It was also noticed that against the project cost of ₹ 46.19 lakh, an amount of ₹ 34.25 lakh was released to IA, out of which expenditure of ₹ 23.15 lakh (50 *per cent*) had been incurred (as of July 2010). However, no expenditure was incurred on basic inputs like margin money and machinery for which provision of ₹ 11.40 lakh was available in project cost.

The State Government stated (October 2013) that ₹ 3.24 lakh had been spent against margin money and machinery and efforts were being made to grant more margin money to weavers.

### *2.3.10.10 Funds released in anticipation of approval*

The Commissioner of Industries sanctioned seven cluster projects[59] under IHDS and funds of ₹ 37.64 lakh were provided (March 2008) to the Rajasthan Bunkar Sahakari Sangh Limited, whereas the proposals of these clusters were sent in November 2008 to GoI for approval. Reasons for releasing the funds in advance without approval of proposals were not found on record.

The State Government informed (October 2013) that GoI approved (February 2011) only three projects along with central assistance of ₹ 39.88

59. Dariba (Churu), Mangool (Barmer), Barmer, Junia (Ajmer), Asnawar (Jhalawar), Leta (Jalore) and Shahpura (Bhilwara) at ₹ 5.37 lakh each.

lakh for which utlisation report had been sent to GoI. It further stated that the funds provided through State Plan for four clusters were lying in PD account of Rajasthan Bunkar Sahakari Sangh Limited and action was being taken to recover the same. The fact remains that undue benefit of ₹ 37.64 lakh was given to the Sangh for three years i.e. from March 2008 to February 2011 and action was not taken immediately to recover the surplus funds.

***Rajasthan Micro, Small and Medium Enterprises Development Assistance Scheme***

***2.3.10.11*** With a view to strengthening the institutional support framework, improving quality of Micro, Small and Medium enterprises products through research and development and compatibility with the environmental benchmark, 'The Rajasthan Micro, Small and Medium Enterprises Development Assistance Scheme' was introduced under incentive package in 2008.

Para 7 (iii) of the scheme provides that reimbursement of expenses subject to a limit of ₹ two lakh or 10 times of the fee whichever is lower incurred for filing and obtaining Patent/ISO certificates during the period between 1 April 2007 and 31 December 2011 by an industrial enterprise will be allowed. Further, as per declaration given by the enterprise/applicant, in case of availing of excess benefits or non-compliance with the provisions/conditions of the scheme, the applicant was liable to repay whole of amount actually availed under the scheme along with interest at the rate of 18 *per cent* per annum on such amount from the date on which the benefit was availed for the first time. In August, 2011 the Commissioner instructed all DICs that reimbursement of expenses would include application, registration and certification audit fees.

During review of records of three DICs out of ten, it was noticed that the Department had reimbursed excess expenses for ISO certification fees and irregular reimbursement on items i.e. consultancy fee, training fee, calibration charge *etc.* of ₹ 95.27 lakh in respect of 72 beneficiaries.

The State Government stated (October 2013) that in 33 cases, action for recovery was under process. In the exit conference, it was stated that a committee was being constituted for reviewing the cases.

***Weights and Measures***

***2.3.10.12*** The Commissionerate renders services to citizens by ensuring compliance of rules and regulations regarding Weights and Measures (W&M) so that consumer's interest can be safeguarded. With a view to ensure delivery of accurate weights and measures of articles and to protect consumer's interest, Rajasthan Weights and Measures Standard (Enforcement) Rules, 1997 were made effective in the State from January 1998. These rules were amended in May 2011. Rule 13 of Rajasthan Legal Metrology (Enforcement) Rules, 2011 (effective from 3 May 2011) provides that the accuracy of W&M as per standard is to be verified and stamped every year. Besides, inspection of W&M is also required to be carried out to ensure the compliance of above rules.

Audit observed that:

- The provision for registration of W&M users was removed while amending the rules in 2011 due to which the data of all W&M users were not available with the Controller, Legal Metrology. In the absence of such data the Controller was not in a position to ensure that verification and stamping of each W&M was done every year. Further, the Controller did not evolve any mechanism to have data of W&M users who had come for verification and stamping of W&M at the office of the Legal Metrology Officer or other specified places.

- Audit obtained the details of total number of metered taxi/auto rickshaws plying in Jaipur and Jodhpur districts from Transport Department and results of verification and stamping of taxi meters conducted by the Controller during 2008-09 to 2012-13. Scrutiny of these details disclosed ***(Appendix 2.14)*** that percentages of verified and stamped taxi-meters in these two districts were 33.24 and 61.51 *per cent*.

The State Government stated (October 2013) that registration of W&M users was not provided in the Central Act (Central Metrology Act, 2009 effective from 13 January 2010) and accordingly this was not provided in the State rules. It further stated that 100 *per cent* verification and stamping of auto/taxi-meters is possible through effective enforcement and procedural improvement by the Transport Department. A proper mechanism may be evolved by the Department to collect data of W&M users. In respect of verification and stamping of auto/taxi meters, effective enforcement may be ensured.

### *2.3.10.13 Non-utilisation of Machinery and Equipment*

Two 'Mobile Standard Weight Kit with Crane' (Mobile kit), costing ₹ 1.24 crore were provided (May 2010) by GoI for verification of weigh bridges. Scrutiny of records disclosed that one Mobile kit provided at DIC, Udaipur was lying idle due to non-availability of operator. As per log book of vehicle, the kit was used only for 19 days during 2010-11 to 2012-13.

The State Government intimated (October 2013) that mobile kit operator was arranged temporarily from DIC, Jodhpur and action for appointment of a regular operator had been initiated.

### *2.3.10.14 Non-utilisation of Mass Flow Meter*

During the review of records of DIC, Jaipur City, it was noticed that two mass flow meter machines valuing ₹ 12.50 lakh were received from Government of India in September 2012 for verification of LPG dispenser for vehicles. Due to non-availability of trained operators, these machines were lying idle (June 2013). This resulted in blockage of funds of ₹ 12.50 lakh and loss of revenue to be earned from verification of LPG dispensers.

The State Government stated (October 2013) that verification of LPG pumps by mass flow meters was going to be started soon. The reply is not acceptable as the machines were still lying packed and the guarantee period of one year had already expired in September 2013.

## 2.3.11 Conclusion

Audit of Commissionerate of Industries disclosed several weaknesses in the financial management, human resource management and implementation of selected schemes. The revised estimates prepared were inaccurate and action plans were prepared but not implemented as envisaged in State Industrial Policy. Departmental manual was not updated since 1983. Internal audit of DICs was not conducted annually as prescribed. The working of Chief Vigilance Officer in the Department was ineffective.

**State Cluster Development Programme-** The Department did not ensure an effective mechanism for cluster development as mid-term/final evaluation of programme was not conducted. Payment to implementing agencies was made without approval of final evaluation and impact assessment by SLEC. Besides, non-submission of IRs, MPRs and negligence in quarterly inspections by Commissionerate indicated poor monitoring.

**Mahatma Gandhi Bunkar Bima Yojana**- Monitoring and evaluation of the scheme was weak as instances of forwarding of applications of ineligible weavers were noticed.

**Health Insurance Scheme**- Cases of non-issuance of health cards by ICICI Lombard and delayed settlement of medical claims of weavers were noticed. The list of hospitals/nursing homes were not updated by ICICI Lombard.

**Urban & Rural Haat**- No haats were developed at village level which deprived the rural artisans to avail benefit of better marketing facilities. Expenditure was incurred without approval of project by GoI. Approved calendar for organising fair and exhibition was not adhered.

**Salt Industries-** Vacant saline land was not allotted for cultivation despite lapse of 15 years of formulation of State Industrial Policy. Final lease rent was not fixed and cases of unauthorised possession of land and non-recovery of lease rent were also noticed.

**Namak Mazdoor Awaas Yojana -**Infrastructure facilities were not provided as a result of which, houses remained unoccupied and the intended objective of the scheme could not fully accrue.

**Integrated Handloom Development Scheme-** Provisions of IHDS guidelines were not adhered to. Funds provided through State Plan were not recovered despite non-approval of projects by GoI.

**Rajasthan Micro, Small and Medium Enterprises Development Assistance Scheme**- Excess/irregular reimbursement was allowed for ISO certification fee, consultancy fee, training fee and calibration charges.

**Weights and Measures-** Systematised mechanism was not evolved for stamping of each weight and measure every year. The registration of W&M users was not provided in revised rules in the absence of which there was no mechanism to collect data of all W&M users.

### 2.3.12 Recommendations

The Department may

- ensure completion of tasks envisaged in the State Industrial Policy;
- ensure compliance of the provisions of Rajasthan Budget Manual in finalising the budget estimates, revised estimates, supplementary grants, surrender and reappropriation of funds;
- evolve effective internal control mechanism for implementation of various schemes and disposal of outstanding paras of internal and external audit;
- ensure compliance of provisions of cluster manual prepared for operating and monitoring the activities of cluster programmes;
- make an effort to terminate or take possession of salt land where lease period has expired;
- make efforts to realise lease rent from salt cultivators, map out non-saline areas and allot the same to cultivators;
- ensure prompt issue of health cards by ICICI Lombard and timely settlement of medical claims under Health Insurance Scheme;
- take measures to upgrade the infrastructural facilities so that the houses constructed under NMAY are occupied;
- ensure compliance of rules and regulations regarding weights and measures so that the consumer's interest is safeguarded; and
- monitor and evaluate impact of the schemes/programmes.