



**Report of the
Comptroller and Auditor General of India
on
Revenue and Economic Sectors
for the year ended 31 March 2019**



लोकहितार्थ सत्यनिष्ठा
Dedicated to Truth in Public Interest

Government of Rajasthan
Report No. 2 of the year 2020

Presented to the legislature on 21.08.2020

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Comptroller and Auditor General of India
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TABLE OF CONTENTS

	Reference to	
	Paragraph	Page
Preface		v
Overview		vii-xii
Part-1 : REVENUE SECTOR		
CHAPTER-I : GENERAL		
Trend of revenue receipts	1.1	1
Analysis of arrears of revenue	1.2	4
Arrears in assessments	1.3	4
Evasion of tax detected by the Department	1.4	5
Pendency of refund cases	1.5	5
Response of the Government/Departments to Audit	1.6	6
Analysis of the mechanism for dealing with the issues raised by Audit in Mines & Geology Department	1.7	8
Audit Planning	1.8	10
Results of audit	1.9	10
Coverage of this Report	1.10	10
CHAPTER-II : TAXES ON SALES, TRADE, SUPPLIES, etc.		
Tax administration	2.1	11
Internal audit	2.2	11
Results of audit	2.3	12
Audit of Goods and Service Tax	2.4	13
Compliance audit observations	2.5	20
CHAPTER-III : TAXES ON VEHICLES		
Tax administration	3.1	25
Results of audit	3.2	25
Performance Audit on “Functioning of Transport Department”	3.3	26
Non/short realisation of outstanding instalments of lump-sum tax	3.4	55
Taxes on motor vehicles not realised	3.5	55
CHAPTER-IV : LAND REVENUE		
Tax administration	4.1	57
Internal audit	4.2	57
Results of audit	4.3	58
Non-compliance with provisions of Act/Rules	4.4	59

	Reference to	
	Paragraph	Page
CHAPTER-V : STAMP DUTY AND REGISTRATION FEE		
Tax administration	5.1	61
Internal audit conducted by the Department	5.2	61
Results of audit	5.3	62
Deficit Stamp Duty and Registration fees	5.4	63
CHAPTER-VI : STATE EXCISE		
Tax administration	6.1	67
Internal audit	6.2	67
Results of audit	6.3	68
Implementation of State Excise and Temperance Policy	6.4	69
Compliance audit observations	6.5	87
CHAPTER-VII: NON-TAX RECEIPTS		
Tax administration	7.1	89
Results of audit	7.2	89
Receipts from major minerals	7.3	91
Short recovery due to incorrect revision of royalty collection contracts	7.4	105
Short levy of interest for non/delayed payment of dead rent	7.5	107
Effectiveness of internal control	7.6	108
Part-2 : ECONOMIC SECTOR		
CHAPTER-VIII: Compliance Audit of Economic Sector		
Introduction	8.1	111
Functioning of Department of Science and Technology	8.2	115
Payment of final bills without ensuring proper application of price escalation clause led to over payment/excess payment to contractors	8.3	136
Irregular expenditure on construction of Gramin Gaurav Path roads in violation of the prescribed guidelines	8.4	139
Acceptance of conditional bids and improper technical evaluation/processing of tenders resulted in irregular expenditure	8.5	142
Unfruitful expenditure on construction of road under the Pradhan Mantri Gram Sadak Yojna	8.6	145

	Reference to	
	Paragraph	Page
Advance payment to the contractor	8.7	147
APPENDICES		
Appendix 8.1	8.2.6	151
Appendix 8.2	8.4	152
Appendix 8.3	8.4	153
Appendix 8.4	8.4	154
Appendix 8.5	8.5	156

PREFACE

This Report of the Comptroller and Auditor General of India for the year ended 31 March 2019 has been prepared for submission to the Governor of Rajasthan under Article 151 of the Constitution of India.

This Report contains significant findings of audit of Receipt and Expenditure of the major Revenue Sector and Economic Service Departments conducted under the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 and Regulations on Audit and Accounts, 2007 issued thereunder by the Comptroller and Auditor General of India.

The instances mentioned in this Report are those, which came to notice in the course of test audit during the period 2018-19 as well as those which came to notice in earlier years but could not be reported in the previous Audit Reports; instances relating to the period subsequent to 2018-19 have also been included, wherever necessary.

The audit has been conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.

OVERVIEW

OVERVIEW

This Report contains 19 paragraphs involving ₹ 316.42 crore, including a Performance Audit on 'Functioning of Transport Department'. Some of the significant audit findings are mentioned below:

I. General

The total revenue receipts of the Government of Rajasthan during 2018-19 were ₹ 1,37,873 crore as against ₹ 1,27,307 crore for the year 2017-18. The revenue raised by the Government amounted to ₹ 75,983 crore comprising tax revenue of ₹ 57,380 crore and non-tax revenue of ₹ 18,603 crore. The receipts from the Government of India were ₹ 61,890 crore (State's share of divisible Union taxes of ₹ 41,853 crore and grants-in-aid of ₹ 20,037 crore).

(Paragraph 1.1)

The office conducts audit of Revenue Collecting Departments viz Commercial Taxes, Transport, Land Revenue, Registration and Stamps, State Excise and Mines, Geology and Petroleum Department and issues inspection reports for the units audited. Analysis of Inspection Reports (IRs) issued up to December 2018 disclosed that 7,424 paragraphs involving ₹ 3,407.25 crore relating to 2,281 IRs remained outstanding at the end of June 2019.

(Paragraph 1.6)

Total recoveries of ₹ 87.01 crore were made at the instance of Audit during the year under Report.

(Paragraph 1.10)

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

The office conducted audit of 162 units of Commercial Taxes Department. The major irregularities noticed are:

- Audit noticed that data related to date of application for registration under GST was not available with the Department, therefore possibility of irregular claim of input tax credit on pre-registration stock cannot be ruled out.
- There were total 132 taxpayers under VAT having gross turnover of more than ₹ 25 crore during the period 2016-17, of which, 70 taxpayers finally not migrated to GST.

(Paragraph 2.4.2)

- In six cases, SGST Authorities refunded ₹ 2.21 crore against admissible ₹ 1.70 crore. Thus excess refund of ₹ 0.51 crore has been erroneously granted. Government accepted the facts and recovered ₹ 0.41 crore in four cases.

(Paragraph 2.4.3.5)

- Examination of 123 taxpayers of State Jurisdiction revealed that 14 taxpayers claimed excess transitional credit of SGST of ₹ 94.77 lakh and nine taxpayers claimed excess transitional credit of CGST of ₹ 128.47 lakh in their TRAN-1 returns against the closing balance available in the respective returns as on 30.06.2017.

(Paragraph 2.4.4.3)

- Audit observed during test-check of the assessment records of CST/VAT/entry tax 58 cases of non/short levy of tax/interest, irregular allowance of Input Tax Credit and non-observance of provisions of Acts/Rules involving ₹ 59.29 crore.

(Paragraph 2.5)

III. Taxes on Vehicles

A Performance Audit on ‘**Functioning of Transport Department**’ disclosed the following:

- Applications for registration were submitted after a delay of *one to seven* years, in absence of provision in rules RCs were issued with validity upto 15 years from the date of issue. Thus, these vehicles would ply for more than 15 years.

(Paragraph 3.3.8.2)

- Motor vehicle tax and special road tax of ₹ 20.24 crore in respect of 2,736 vehicles for the period between April 2014 and March 2019 were not paid.

(Paragraph 3.3.9.1 and 3.5)

- Lump-sum tax of ₹ 11.04 crore in respect of 1,133 transport vehicles was short paid.

(Paragraph 3.3.9.3 and 3.4)

- Due to non-realisation of revised fees for issue/renewal of RC, FC, licence and endorsing hypothecation agreement, fees amounting ₹ 70.87 lakh was short recovered.

(Paragraph 3.3.9.4 and 3.3.10.3)

- Exemption of ₹ 38.32 lakh in respect of 51 vehicles was granted irregularly under Amnesty Scheme.

(Paragraph 3.3.9.5)

- Construction of automated tracks were completed in 12 offices at a cost of ₹ 13.23 crore but were not operational.

(Paragraph 3.3.10.1)

- Only 2.47 to 11.68 *per cent* Pollution Under Control Certificates were issued during the year 2014-15 to 2018-19.

(Paragraph 3.3.15.1)

- The State Road Safety policy states its firm commitment to reduce the road accident fatalities in the State by 50 *per cent* of the base line figure

of 2015, by 2020. There were only 0.43, 0.62 and 1.80 per cent decrease in accident fatalities against annual target of 15, 15 and 20 per cent for the year 2018, 2019 and 2020 respectively.

(Paragraph 3.3.18.2)

- Out of the 8,964 accidents which took place during 2017-18, non-transport vehicle were involved in 5,968 accidents (67 per cent), of which 93 per cent accidents were caused due to rash driving and negligence on the part of driver. This requires training and refresher course at regular interval for the purpose of Road Safety.

(Paragraph 3.3.18.3)

IV. Land Revenue

The office conducted audit of 105 units of Land Revenue Department. The major irregularities noticed in three units (six cases) relating to non-compliance of provision of Act/Rules resulted in short levy of cost of land and regularisation charges due to application of incorrect rates and un-authorised use of agriculture land for non-agriculture purposes amounting to ₹ 3.98 crore.

(Paragraph 4.4)

V. Stamp Duty and Registration Fee

The office conducted audit of 100 units of Registration and Stamps Department. The major irregularities noticed in 23 units whereas 104 cases were registered as sale deeds/lease deeds/gift deeds/mining leases/mortgage deeds/release deeds/certificate of sales pertaining to agriculture/residential/marriage garden/commercial/institutional land(s). Either complete information was not given in check lists or facts were mentioned in recital of instruments/supporting instruments were enclosed but incorrect input was given in 'E-Panjiyan'. This resulted in non/short levy of SD and registration fee of ₹ 17.82 crore.

(Paragraph 5.4)

VI. State Excise

An examination of 'Implementation of State Excise and Temperance Policy' disclosed:

- Norms for production of alcohol (40 BL per quintal) from grain and measurement of spirit in 98% V/V prescribed by the Department are not accurate and need to be rectified as per Fermentation and Distillation Efficiency adopted by the distillers.

(Paragraph 6.4.7.1 and 6.4.7.2)

- Breweries were not achieving the minimum prescribed norms of production of beer from malt and other raw material which resulted in short production of beer.

(Paragraph 6.4.7.3)

- Consumption of liquor gradually increased from 4830.45 lakh BL in 2014-15 to 5726.23 lakh BL in 2017-18. It indicates that the Department could not create proper awareness through the temperance policy.

(Paragraph 6.4.9.1)

- Public awareness campaigns were not properly organized as only 53 per cent of the allotted budget was spent on the broadcasting during the year 2015-18.

(Paragraph 6.4.9.1)

- There was shortfall in monthly guarantee of excise duty in respect of 228 licensees amounting to ₹ 6.05 crore during 2015-18.

(Paragraph 6.4.10.2)

- Selection of 13 shops/groups was required to be cancelled due to non-deposit of required security amount and advance EPA during the prescribed time limit. Lack of action by the concerned DEO deprived the Government of ₹ 3.13 crore of earnest money, security deposit, advance EPA deposited which should have been forfeited.

(Paragraph 6.4.11.1)

- Composite fee of ₹ 56.50 lakh was to be decided for six composite shops/groups of peripheral area but the concerned DEOs decided and recovered only ₹ 13.33 lakh from these licensees. This resulted in loss of revenue amounting to ₹ 43.17 lakh.

(Paragraph 6.4.11.2)

Further, the office conducted audit of 34 units of State Excise Department. The major irregularities noticed are:

In violation of Rajasthan State Excise and Temperance Policy, 249 licensees did not enhance lifting of IMFL and Beer upto the prescribed limit during 2017-18. Incorrect calculation and levy of composite fee by the District Excise Officers resulted in short realisation of ₹ 206.99 lakh.

(Paragraph 6.5)

VII. Non-Tax Receipts

An examination of 'Receipts from major minerals' disclosed the following:

- The survey and prospecting work done by the Department of Mines and Geology with reference to Mineral Policy 2015 is negligible as it was done only in 19.89 square kilometres (0.61 per cent) against the targeted increase of 3,287.59 square kilometres.

(Paragraph 7.3.6.1)

- The Department of Mines and Geology did not stop mining operations in the mining lease areas as directed by Government of India resultantly 2.41 crore MT of mineral lignite worth ₹ 2,937.42 crore was despatched between 25 May 2015 and March 2019 from two mines of which

49 per cent (₹ 1,439.34 crore) gone to the subsidiary of public limited company.

(Paragraph 7.3.6.2)

- In absence of departmental mechanism to get the samples examined in its laboratory, 63.09 to 76.98 *per cent* of total revenue of the Department from major minerals was being paid by the eight major mineral lessees on the basis of *percentage* of metal content in ore/concentrate as decided by them between 2015-16 to 2018-19.

(Paragraph 7.3.6.3)

- In absence of provision for payment of District Mineral Foundation Trust (DMFT) Fund amount through departmental web portal an amount of ₹ 36.96 crore was short paid towards DMFT Fund by 21 major mineral lease holders.

(Paragraph 7.3.7.1)

- Department did not ensure correct payment of contribution towards NMET Fund which resulted in short payment of National Mineral Exploration Trust Fund amount of ₹ 19.54 crore during the period from 2015-16 to 2017-18 by 22 major mineral lease holders.

(Paragraph 7.3.7.2)

- Department did not levy interest on delayed payment of royalty and other sums due to Government ranging between 38 to 2,764 days resulted in non-levy of interest of ₹ 30.16 crore.

(Paragraph 7.3.7.3)

- Non applying correct Clinker-Limestone ratio while finalising royalty assessment of two limestone (cement grade) mining leases resulted in short levy of royalty of ₹ 0.87 crore.

(Paragraph 7.3.7.4)

Short recovery of royalty and DMFT Fund amount of ₹ 1.97 crore due to incorrect revision of royalty collection contracts by Department.

(Paragraph 7.4)

VIII. Compliance Audit of Economic Sector

The Accountant General (Economic and Revenue Sector Audit)*, Rajasthan, Jaipur conducts Audit of the expenditure of twelve economic sector departments. These Departments are headed by Additional Chief Secretaries / Principal Secretaries / Secretaries, who are assisted by Commissioners /Deputy Secretaries and subordinate officers. This section contains audit findings on nine of these departments as audit observations department of Energy, Tourism and Industries are covered under CAG's report on PSU of Rajasthan.

During 2018-19, in Economic Sector-II Audit Wing[#], 1699 party-days were utilised to carry out audit of 256 units. Further, 201 party-days were utilised

* Erstwhile Office of the Accountant General (Economic and Revenue Sector Audit) has been renamed as Office of the Accountant General (Audit-II) with effect from 18.05.2020.

[#] Erstwhile Economic Sector-II Audit Wing has been renamed as AMG-II (Office of the Accountant General (Audit-II)) with effect from 18.05.2020.

for conducting one thematic audit. As of March 2019, 2,680 Inspection Reports (11,248 paragraphs) were outstanding against nine departments under the Economic Sector.

Functioning of Department of Science and Technology

The Department of Science and Technology (the Department) was established in the year 1983 with the aim to develop scientific temper in the society and to uplift the socio economic status of the masses especially in the rural areas and the weaker sections of the society by utilising the benefits of science and technology. The audit was conducted during January to June 2019 covering the period from 2016-17 to 2018-19. Records were examined in the office of the Director, Science & Technology Department, Rajasthan, Jaipur along with five Regional Offices.

- The Department could not achieve the financial and physical targets as only 45.65 per cent of allotted budget was utilised, entire budget allotted under State Plan head for various projects of SATCOM Division was surrendered during 2015-16 to 2018-19.
- No comprehensive policy (long term/short term) and guiding principles except Bio-Technology Policy 2015 were framed by the Department; and even objectives of this policy could not be achieved.
- The Department surrendered ₹ 29.93 crore during 2016-19 allotted under various projects by GoI/State Government. Thus it failed to achieve its main objectives to develop scientific temper in the society and uplifting the socio-economic status of the weaker section of the society by utilising the benefits of science and technology.

(Paragraph 8.2)

Public Works Department/Water Resource Department

Public Works Department and Water Resource Department, passed final bills without ensuring proper adjustment under price escalation clause, calculated and paid escalation claims based on wrong Wholesale Price Index base years and wrongly considered the technical bid opening date as the base date instead of the date of opening of financial bid which resulted in overpayment to the contractors.

(Paragraph 8.3)

The Public Works Department incurred unfruitful expenditure of ₹ 1.22 crore on construction of flush causeway at wrong chainage in the *Ramgarh Pachwara* to *Kanwarpura* road under Pradhan Mantri Gram Sadak Yojna, as a result, a 800-metre portion of the road was washed away during rains.

(Paragraph 8.6)

The Public Works Department, in violation of Public Works Financial and Accounts Rules paid a sum of ₹ 0.78 crore to a contractor within a week of awarding of the work order. The work, however, was started only after a year from the award of the work order.

(Paragraph 8.7)

PART-1
REVENUE SECTOR

CHAPTER-I

GENERAL

CHAPTER-I : GENERAL

1.1 Trend of revenue receipts

1.1.1 The tax and non-tax revenue raised by the Government of Rajasthan during the year 2018-19, the State's share of net proceeds of divisible Union taxes and duties assigned to the State and grants-in-aid received from the Government of India during the year and corresponding figures for the preceding four years are mentioned in the Table 1.1.1.

Table 1.1.1

(₹ in crore)

Sl. no.	Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
1	Revenue raised by the State Government					
	• Tax revenue ¹	38,672.87	42,712.92	44,371.66	50,605.41	57,380.34
	• Non-tax revenue ²	13,229.50	10,927.87	11,615.57	15,733.72	18,603.01
	Total	51,902.37	53,640.79	55,987.23	66,339.13	75,983.35
2	Receipts from the Government of India					
	• Share of net proceeds of divisible Union taxes and duties ³	19,817.04	27,915.93	33,555.86	37,028.01	41,852.35
	• Grants-in-aid ⁴	19,607.50	18,728.40	19,482.91	23,940.04	20,037.32
	Total	39,424.54	46,644.33	53,038.77	60,968.05	61,889.67
3	Total revenue receipts of the State Government (1 and 2)	91,326.91	1,00,285.12	1,09,026.00	1,27,307.18	1,37,873.02
4	Percentage of 1 to 3	57	53	51	52	55

The above table indicates that there was continuous increase in collection of revenue during the last five years. The revenue raised by the State Government (₹ 75,983.35 crore) was 55 per cent of the total revenue receipts (₹ 1,37,873.02 crore) during the year 2018-19. The balance 45 per cent of receipts during 2018-19 was from the Government of India by way of share of net proceeds of divisible Union taxes and duties and grants-in-aid.

¹ For details, please see table Number 1.1.2 of this chapter.

² For details, please see table Number 1.1.3 of this chapter.

³ For details, please see Statement Number 14 - Detailed accounts of revenue by minor heads in the Finance Accounts of the Government of Rajasthan for the year 2018-19. Figures under the head 0005 - Central Goods and Service Tax, 0008 - Integrated Goods and Service Tax, 0020 - Corporation Tax, 0021 - Taxes on income other than corporation Tax, 0022 - Taxes on agriculture income, 0032 - Taxes on wealth, 0037 - Customs, 0038 - Union excise duties and 0044 - Service Tax and 0045 - Other Taxes and Duties on Commodities and Services - share of net proceeds assigned to State booked in the Finance Accounts.

⁴ For details, please see Statement Number 14 of Finance Accounts of the Government of Rajasthan for the year 2018-19 major Head - 1601.

1.1.2 The details of the revised budget estimates (RE), and the actual receipts in respect of the tax revenue raised during the period 2014-15 to 2018-19 are given in the table 1.1.2.

Table 1.1.2

(₹ in crore)

Sl. no.	Heads of revenue	RE Actual	2014-15	2015-16	2016-17	2017-18	2018-19	Percentage of increase (+) / decrease (-) in 2018-19 over 2017-18
1	Taxes on sales, trade, etc.	RE	24,120.00	27,635.00	27,767.60	18,800.00	15,900.00	
		Actual	22,644.89	24,878.67	27,151.54	18,285.44	14,225.31	(-)22.20
	Central sales tax	RE	1,505.00	1,615.00	1,227.40	700.00	600.00	
		Actual	1,525.02	1,466.10	1,406.88	722.80	565.65	(-)21.74
2	State Goods and Service Tax.	RE	-	-	-	11,700.00	23,500	
		Actual	-	-	-	12,137.02	22,938.33	(+)88.99
3	State excise	RE	5,330.00	6,350.00	7,600.00	7,800.00	9,300	
		Actual	5,585.77	6,712.94	7,053.68	7,275.83	8,694.10	(+)19.49
4	Stamp duty and registration fee							
	Stamps-judicial	RE	156.66	105.00	103.34	92.58	104.07	
		Actual	54.27	97.45	73.94	59.78	60.70	(+)1.54
	Stamps-non-judicial	RE	2,823.35	2,785.00	2,701.00	3,346.15	4,035.94	
		Actual	2,705.10	2,574.88	2,502.86	3,070.79	3,255.34	(+)6.01
	Registration fee	RE	520.00	560.00	445.66	611.27	609.99	
Actual		429.52	561.67	476.45	544.21	569.99	(+)4.74	
5	Taxes on motor vehicles	RE	2,800.00	3,300.00	3,650.00	4,300.00	5,000	
		Actual	2,829.86	3,199.44	3,622.83	4,362.97	4,576.45	(+)4.89
6	Taxes and duties on electricity	RE	1,697.18	2,000.00	2,172.00	3,500.00	2,339.50	
		Actual	1,534.51	1,921.29	738.24	3,376.67	2,147.95	(-)36.39
7	Land revenue	RE	324.69	320.00	359.01	566.71	463.16	
		Actual	288.58	272.47	314.69	363.86	289.94	(-)20.32
8	Taxes on goods and passengers	RE	360.00	800.00	750.00	328.00	37.57	
		Actual	956.52	847.72	803.28	340.78	50.79	(-)85.10
9	Other taxes and duties on commodities and services	RE	99.99	171.79	200.00	62.00	28.38	
		Actual	113.68	170.96	220.08	63.93	5.14	(-)91.96
10	Other taxes ⁵ , etc.	RE	50.17	50.20	10.00	10.00	10.00	
		Actual	5.15	9.32	7.19	1.33	0.65	(-)51.13
	Total	RE	39,787.04	45,691.99	46,986.01	51,816.71	61,928.61	
		Actual	38,672.87	42,712.92	44,371.66	50,605.41	57,380.34	(+)13.39
	Percentage of increase of actual over previous year		15.52	10.45	3.88	14.05	13.39	

There had been a continuous increase in overall revenue collection of the taxes during last five years but the collection for each year has been less than the revised estimates. The percentage of growth of revenue, however, declined during the year 2018-19 in comparison to the year 2017-18.

Decrease in Central Sales Tax (21.74 per cent), Taxes on sales, trade, etc. (22.20 per cent) was due to decrease of tax on petrol and diesel by State Government and Central Government. Decrease in Taxes and duties on

⁵ Other taxes include taxes on income and expenditure alongwith taxes on immovable property other than agriculture land.

electricity (36.39 per cent) was due to the fact that payment of urban cess had been exempted on energy consumed in RIICO Industrial Areas situated in any Municipal Area. Increase in State Goods and Service Tax (88.99 per cent) was due to fact that in the year 2017-18 only nine months revenue was taken into account, whereas for the year 2018-19 full year revenue was taken into account. Increase in State Excise (19.49 per cent) was due to implementation of new Excise Policy.

1.1.3 The details of the RE and the actual receipts in respect of the non-tax revenue raised during the period 2014-15 to 2018-19 are given in the table 1.1.3.

Table 1.1.3

(₹ in crore)

Heads of revenue	RE Actual	2014-15	2015-16	2016-17	2017-18	2018-19	Percentage of increase (+)/ decrease (-) in 2018-19 over 2017-18
Non-ferrous mining and metallurgical industries	RE	3,566.00	4,250.00	4,200.00	4,900.00	6,000.00	
	Actual	3,635.46	3,782.13	4,233.74	4,521.52	5,301.48	(+)17.25
Interest receipts	RE	1,959.83	1,860.58	2,002.97	4,924.14	5,810.44	
	Actual	2,065.39	1,982.39	1,933.37	4,858.90	5,790.87	(+)19.18
Miscellaneous general services	RE	920.88	885.72	859.39	888.31	1,171.34	
	Actual	963.85	700.90	660.70	762.36	783.86	(+)2.82
Police	RE	220.10	213.00	220.15	333.73	360.95	
	Actual	240.03	162.02	190.78	296.56	345.38	(+)16.46
Other administrative services	RE	107.19	162.44	222.35	228.41	258.82	
	Actual	133.21	161.98	210.51	207.55	246.49	(+)18.76
Major and medium irrigation	RE	90.90	112.50	129.79	90.30	115.26	
	Actual	67.08	68.72	112.77	277.72	179.31	(-)35.43
Forestry and wild life	RE	80.20	111.65	123.95	173.82	154.01	
	Actual	89.31	133.75	113.00	182.26	147.45	(-)19.10
Public works	RE	74.76	79.51	95.30	107.37	126.50	
	Actual	71.74	97.89	84.31	109.26	125.92	(+)15.25
Medical and public health	RE	105.07	108.99	115.74	152.34	166.01	
	Actual	116.43	119.21	125.39	130.67	163.59	(+)25.19
Co-operation	RE	16.52	14.52	41.25	47.75	29.02	
	Actual	16.88	14.64	44.10	63.11	22.24	(-)64.76
Other non-tax receipts ⁶	RE	6,327.04	4,072.75	4,458.43	4,813.11	5,774.05	
	Actual	5,830.12	3,704.24	3,906.90	4,323.81	5,496.42	(+)27.12
Total	RE	13,468.49	11,871.66	12,469.32	16,659.28	19,966.44	
	Actual	13,229.50	10,927.87	11,615.57	15,733.72	18,603.01	(+)18.23
Percentage of increase of actual over previous year		(-2.55)	(-17.40)	6.29	35.45	18.23	

It would be seen from above that though the collection of non-tax revenue during 2018-19 was less than the REs, there was overall increase in revenue collection by 18.23 per cent as compared to the previous year. This was mainly due to

⁶ Other non-tax receipts constitute income from petroleum, public service commission, jails, housing, village and small industries, fisheries, dividends and profit, contribution and recoveries towards pension and other retirement benefits, etc.

increase (19.18 per cent) in 'interest receipts' on loan given to electricity companies under Uday Yojana, increase (16.46 per cent) in 'police' was due to increased receipts from police deployed to other State Governments, GOI, PSUs, Banks, Private companies and other agencies. Increase (15.25 per cent) in Public Works was due to increased receipt of agency/percent charges for the work done by department for NHAI. Decrease (64.76 per cent) in Co-operation was due to less receipt of registration fee and other miscellaneous heads. Decrease (19.10 per cent) in Forestry and wild life was due to decline in sale of Tendu Pata.

1.2 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2019 relating to certain principal heads of revenue amounted to ₹ 12,794.49 crore, out of which ₹ 2,289.58 crore was outstanding for more than five years as given in the Table 1.2.

Table 1.2

Sl. no.	Heads of revenue	Total amount outstanding as on 1 April 2018	Total amount outstanding as on 31 March 2019 and percentage of increase in comparison to previous year		Amount outstanding for more than five years as on 31 March 2019
					(₹ in crore)
1	Commercial Taxes	8,717.81	11,325.40	(+)29.91	1,611.26
2	Transport ⁷	60.27	61.01	(+) 1.23	34.47
3	Land Revenue*	543.50	478.80	(-)11.90	274.68
4	Registration and Stamps	454.02	494.72	(+)8.96	87.29
5	State Excise	193.86	194.52	(+) 0.34	192.84
6	Mines, Geology and Petroleum	217.38	240.04	(+)10.42	89.04
	Total	10,186.84	12,794.49	(+)25.60	2,289.58

Source: Furnished by the concerned Departments.

The stages at which arrears were pending for collection though called for (May 2019 and August 2019) have not been received except Mines and Geology Department which informed that amount of ₹ 95.36 crore was covered by various stay orders issued by appellate authorities and courts.

1.3 Arrears in assessments

The details of cases pending at the beginning of the year, cases becoming due for assessment, cases disposed of during the year and number of cases pending for finalisation at the end of the year as furnished by the respective Department in respect of Commercial Taxes, Registration and Stamps and Mines, Geology and

⁷ * The figures shown as outstanding balance(s) on 1 April 2018 were at variance with the balances on 31 March 2018 (Transport ₹ 1.02 crore and Land Revenue ₹ 27.81 crore, Reasons for the variation were not received.

Petroleum are given in the Table 1.3.

Table 1.3

Name of the Department	Opening balance	New cases due for assessment during 2018-19	Total assessments due	Cases disposed of during 2018-19	Balance at the end of the year	Percentage of disposal (col. 5 to 4)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Commercial Taxes	10	5,37,964	5,37,974	5,37,935	39	99.99
Registration and Stamps ⁸	3,988	5,819	9,807	4,827	4,980	49.22
Mines, Geology and Petroleum	6,102	11,645	17,747	12,166	5,581	68.55

Source: Furnished by the concerned Departments.

It can be seen that Commercial Taxes Department has performed exceedingly well to clear all the cases including those under deemed assessment scheme. Disposal of cases was much lower in Registration and Stamps Department and Mines, Geology and Petroleum Department in comparison to Commercial Taxes Department. These Departments may take necessary action for speedy disposal of the cases.

1.4 Evasion of tax detected by the Department

According to the information furnished by the Commercial Taxes Department 1,838 cases of tax evasion were noticed, out of which in 1,791 cases assessment/investigation was completed and additional demand with penalty *etc.* amounting to ₹ 3,057.47 crore was raised. The Department recovered ₹ 1,343.57 crore and settled 88.80 *per cent* cases of the total cases during the year 2018-19. Land Revenue, State Excise, Transport, Registration and Stamps Departments informed no such cases were detected and Mines and Geology Department did not provide information though called for (May and June 2019). This shows that mechanism was not developed for intelligence gathering to check revenue leakage in these Departments despite the fact that print media continuously published cases regarding vehicles plying without permits, illegal mining, non-conversion of agricultural land for residential or commercial purpose, illegal transportation of liquor and other drugs which involved significant amount of tax evasion.

1.5 Pendency of refund cases

The refund cases pending at the beginning of the year 2018-19, claims received during the year, refunds allowed during the year and the cases pending

⁸ Adjudication Cases.

at the close of the year 2018-19 as reported by the Departments are given in the Table 1.5.

Table 1.5

(₹ in crore)

Sl. no.	Particulars	Commercial Taxes		Registration and Stamps	
		Number of cases	Amount	Number of cases	Amount
1	Claims outstanding at the beginning of the year	920	211.35	1,181	8.59
2	Claims received during the year	3,020	251.37	998	6.47
3	(i) Refunds made during the year (ii) Rejected during year	3,759	359.30	1,205	9.79
4	Balance outstanding at the end of year	181	103.42	974	5.27

Source: Furnished by the concerned Departments.

The Department may consider steps for speedy settlement of refund cases. This would not only benefit the claimants but would also save the Government from payment of interest on the delayed payment of refunds.

1.6 Response of the Government/Departments to Audit

The Accountant General (Economic and Revenue Sector Audit), Rajasthan, Jaipur conducts periodical inspection of the Government/Departments to test check the transactions and verify the maintenance of important accounts and other records as prescribed in the rules and procedures. These inspections are followed by Inspection Reports (IRs) which incorporate irregularities detected during the inspection and not settled on the spot. The IRs are issued to the heads of the offices inspected with copies to the next higher authorities for taking prompt corrective action. The heads of the offices/Government are required to promptly comply with the observations contained in the IRs, rectify the defects and omissions. They have to report compliance through initial reply to the Accountant General within one month from the date of issue of the IRs. Serious financial irregularities are reported to the heads of the Department and the Government.

Analysis of Inspection Reports issued upto December 2018 disclosed that 7,424 paragraphs involving ₹ 3,407.25 crore relating to 2,281 IRs remained outstanding at the end of June 2019. The figures as on June 2019 along with the corresponding figures for the preceding two years are given in the Table below:

Table 1.6

Particulars	June 2017	June 2018	June 2019
Number of IRs pending for settlement	2,961	3,062	2,281
Number of outstanding audit paragraphs	8,691	9,075	7,424
Amount of revenue involved (₹ in crore)	2,877.01	3,319.89	3,407.25

It would be seen that though the number of outstanding paragraphs have decreased the amount of revenue involved therein has increased as compared to previous year. There is a need to speed up the compliance for timely settlement of audit paragraphs.

1.6.1 The Department-wise details of the IRs and audit paragraphs outstanding at the end of June 2019 and the amounts involved are mentioned in Table 1.6.1.

Table 1.6.1

Sl. no.	Name of the Department	Nature of receipts	Number of outstanding IRs	Number of outstanding audit paragraphs	Amount involved (₹ in crore)
1	Commercial Taxes	Taxes on sales, trade, etc.	448	1,768	442.22
2	Transport	Taxes on motor vehicles	262	1,148	90.74
3	Land Revenue	Land revenue	89	358	329.78
4	Registration and Stamps	Stamp duty and registration fee	1,067	2,684	358.34
5	State Excise	State excise	116	287	73.95
6	Mines, Geology and Petroleum	Non-ferrous mining, metallurgical industries and petroleum	299	1,179	2,112.22
Total			2,281	7,424	3,407.25

The pendency is indicative of the fact that the heads of offices and the Departments need to take effective action to rectify the defects and irregularities pointed out by Audit through the IRs.

1.6.2 Departmental Audit Committee Meetings

The Government constituted Audit Committees⁹ to monitor and expedite the progress of the settlement of the paragraphs in the IRs. The details of the Audit Committee/Audit sub-committee meetings held during the year 2018-19 and the paragraphs settled are mentioned in the Table 1.6.2.

Table 1.6.2

Sl. no.	Name of the Department	Number of Audit Committee meetings held	Number of Audit sub-committee meetings held	Number of paragraphs settled	Amount (₹ in crore)
1	Commercial Taxes	03	06	187	22.05
2	Transport	02	02	07	0.17
3	Land Revenue	03	06	22	4.66
4	Registration and Stamps	03	18	581	20.79
5	State Excise	03	-	-	-
6	Mines, Geology and Petroleum	03	03	203	108.58
Total		17	35	1,000	156.25

It would be seen that 1,000 paragraphs involving ₹ 156.25 crore were settled in Audit sub-committee meetings held in respect of Commercial Taxes, Transport, Land Revenue, Registration and Stamps and Mines, Geology and Petroleum Departments. No Audit sub-committee meeting was held in State Excise Department. Transport and State Excise Departments need to make concerted efforts to settle outstanding paragraphs.

⁹ Audit Committees, *inter alia*, comprising of Secretary of concerned Departments and Accountant General/his representative, were formed as per Circular No. 1/2005 dated 18 January 2005 of Government of Rajasthan and decided that one Audit Committee meeting shall be held in each quarter. In addition to this, Audit sub-committees comprising of officers of the Departments and representative of Accountant General, are also formed.

1.6.3 Response of the Departments to the draft audit paragraphs

Factual statements followed by draft audit paragraphs proposed for inclusion in the Report of the Comptroller and Auditor General of India are forwarded to the Principal Secretaries/Secretaries of the concerned Departments, drawing their attention to audit findings and requesting them to send their response within six weeks. The fact of non-receipt of the replies from the Department/Government is invariably indicated at the end of such paragraphs included in the Audit Report.

47 draft paragraphs (clubbed into 13 paragraphs) including one Performance Audit were sent to the Principal Secretaries/Secretaries of the respective Department between April and February 2020. The Transport Department did not send reply (May 2020) to one draft paragraph.

1.6.4 Follow-up on the Audit Reports - summarised position

The Rules and Procedures of the Public Accounts Committee (PAC) of the Rajasthan State Assembly framed in 1997 prescribe that after the presentation of the Report of the Comptroller and Auditor General of India in the Legislative Assembly, the Departments shall initiate action on the audit paragraphs. The action taken explanatory notes thereon should be submitted by the Government within three months of tabling the Report, for consideration of the PAC. In spite of these provisions, the explanatory notes on audit paragraphs of the Reports were being delayed. One hundred and fifty nine paragraphs (including performance audit) included in the Reports of the Comptroller and Auditor General of India on Revenue Sector of the Government of Rajasthan for the years ended 31 March 2014, 2015, 2016, 2017 and 2018 were placed before the State Legislative Assembly between 25 March 2015 and 17 July 2019. The action taken explanatory notes from the concerned Departments on these paragraphs were received late with an average delay of 42 days in respect of each of these Audit Reports. The PAC discussed 119 selected paragraphs pertaining to the Audit Reports for the years from 2013-14 to 2016-17 and its recommendations on 50 paragraphs were incorporated in their ten Reports¹⁰ (2018-19).

1.7 Analysis of the mechanism for dealing with the issues raised by Audit in Mines and Geology Department

To analyse the system of addressing the issues highlighted in the Inspection Reports/Audit Reports by the Departments/Government, the action taken on the paragraphs included in the Inspection Reports/Audit Reports of the last five years for Mines and Geology Department was evaluated.

The succeeding paragraphs 1.7.1 to 1.7.2 discuss the performance of the Mines and Geology Department on the cases detected in the course of local audit and also the cases included in the Audit Reports.

¹⁰ Ten Reports pertaining to: Commercial Taxes (1), Land Revenue (3), Mines and Geology (1), Motor Vehicle Tax (2), Registration and Stamps (2) and State Excise (1).

1.7.1 Position of inspection reports

The summarised position of the inspection reports pertaining to Mines and Geology Department issued during 2014-15 to 2018-19, paragraphs included in these reports and their status shown in the Table 1.7.1.

Table 1.7.1

(₹ in crore)

Position upto Year	Opening balance			Addition during the year			Clearance during the year			Closing balance at the end of the year		
	IRs	Para-graphs	Money value	IRs	Para-graphs	Money value	IRs	Para-graphs	Money value	IRs	Para-graphs	Money value
2014-15	308	1,232	2,164.49	41	286	152.30	27	258	621.52	322	1260	1,695.27
2015-16	322	1,260	1,695.27	31	240	287.33	18	188	94.80	335	1312	1,887.80
2016-17	335	1,312	1,887.80	50	282	177.32	16	256	393.81	369	1338	1,671.31
2017-18	369	1,338	1,671.31	34	267	682.09	7	107	36.68	396	1498	2,316.72
2018-19 upto June 2019	396	1,498	2,316.72	11	76	32.88	108	395	237.38	299	1179	2,112.22

The Government arranges Audit sub-committee meetings between the Department and the Audit Office at regular interval to settle the old paragraphs. During 2018-19 three Audit sub-committee meetings were held and 203 paragraphs were settled.

1.7.2 Position of paragraphs and recovery of accepted cases included in the Audit Reports

The details of paragraphs relating to Mines and Geology Department included in the Audit Reports of the last five years, those accepted by the Department and the amount recovered are mentioned in the Table 1.7.2.

Table 1.7.2

(₹ in crore)

Year of Audit Report	Number of paragraphs included	Money value of the paragraphs	Number of paragraphs accepted	Money value of accepted paragraphs	Amount recovered during the year 2018-19	Cumulative position of recovery of accepted cases as of 30 June 2019
2013-14	3	92.00	2	65.03	0.07	9.81
2014-15	9	39.49	8	16.73	0.55	2.72
2015-16	9	23.98	8	12.95	0.05	1.25
2016-17	4	52.08	4	40.86	0.33	0.88
2017-18	5	196.46	4	55.33	-	1.69
Total	30	404.01	26	190.90	1.00	16.35

The Department recovered an amount of ₹ 16.35 crore only during the period of five years, out of ₹ 190.90 crore accepted by it. The recovery was only 8.56 per cent of the accepted amount of paragraphs.

It is recommended that the Mines and Geology Department may take steps to recover the accepted amount on priority.

1.8 Audit Planning

The unit offices working under various departments were categorised into high, moderate and low risk units according to their revenue position, past trends of the audit observations and other parameters. The annual audit plan was prepared on the basis of risk analysis which, *inter-alia*, included critical issues in Government revenues and tax administration *i.e.* performance indicators in annual administrative reports of the departments, budgetary provisions, trend of revenue, average revenue of the units for the last three years, internal audit findings, media reports, recommendations of State Audit Advisory Board, past audit coverage, past audit findings, changes in legislation, *etc.* During the year 2018-19, there were 2,073 total auditable units, out of which 455 units were planned and audited. Besides, compliance audit, a performance audit on 'Functioning of Transport Department' was also conducted.

1.9 Results of audit

Position of local audit conducted during the year

Test check of the records of 455 units¹¹ of 'Commercial Taxes', 'Transport', 'Land Revenue', 'Registration and Stamps', 'State Excise', 'Mines, Geology and Petroleum' Departments and other offices conducted during the year 2018-19 disclosed under assessments, short levy/loss of revenue, *etc.* aggregating ₹ 427.64 crore in 19,010 cases. During the year, the concerned Departments accepted under assessments and other deficiencies in 17,419 cases involving Government revenue of ₹ 176.89 crore, of which 5,457 cases involving ₹ 62.46 crore were pointed out in audit during 2018-19 and the rest in the earlier years. The Departments recovered ₹ 24.78 crore in 8,240 cases up to 31 March 2019.

1.10 Coverage of this Report

This Report contains 13 paragraphs including a Performance Audit on 'Functioning of Transport Department'. The total financial impact of the paragraphs is ₹ 255.51 crore, out of which the financial impact of the performance audit is ₹ 56.53 crore. These are discussed in Chapters II to VII. The Departments/Government have accepted (March 2020) audit observations involving ₹ 186.42 crore. Of the accepted audit observations, the Departments had recovered ₹ 29.19 crore up to March 2020 which was in addition to the recoveries (₹ 24.78 crore) made through local audit inspection report during the year 2018-19. Further, Department made recovery of ₹ 33.04 crore during the year 2018-19 in respect of objections raised in previous Audit Reports. Thus, the total recoveries made at the instance of audit during the year aggregated to ₹ 87.01 crore.

¹¹ Total 628 IRs were issued which includes audit findings for 173 implementing units also.

CHAPTER-II
**TAXES ON SALES, TRADE,
SUPPLIES, *etc.***

CHAPTER-II : TAXES ON SALES, TRADE, SUPPLIES, etc.

2.1 Tax administration

The receipts from the Goods and Services Tax/Value Added Tax/Central Sales Tax/Entry Tax payable under the respective laws relating to state taxpayers are administered at the Government level by the Principal Secretary (Finance). The Commissioner is the head of the Commercial Taxes Department (Department) and is assisted by 23 Additional Commissioners, 46 Deputy Commissioners, 91 Assistant Commissioners, 136 Commercial Taxes Officers, 405 Assistant Commercial Taxes Officers and a Financial Advisor. They are assisted by Junior Commercial Taxes Officers and other allied staff for administering the relevant tax laws and rules.

2.2 Internal audit

Financial Advisor is the head of the Internal Audit Wing. There are 17 internal audit parties. The status of internal audit conducted during the period from 2014-15 to 2018-19 is as under:

Year	Units Pending for audit	Units due for audit during the year	Total units due for audit	Units audited during the year	Units remaining unaudited	Shortfall in per cent
2014-15	310	413	723	471	252	35
2015-16	252	413	665	181	484	73
2016-17	484	468	952	426	526	55
2017-18	526	468	994	526	468	47
2018-19	468	467	935	847	88	9

Source: Information furnished by Commercial Taxes Department.

It was noticed that 18,598 paragraphs of the internal audit reports were outstanding as on 31 March 2019. Year-wise break up is as under:

Year	Upto 2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	Total
Paragraphs	10,758	426	614	685	2,134	3,981	18,598

Source: Information furnished by Commercial Taxes Department.

Out of 18,598 paragraphs, 10,758 paragraphs were outstanding for more than five years for want of compliance/corrective action.

2.3 Results of audit

There are 486 auditable units in the Commercial Taxes Department, out of these, audit selected 162 units for test check wherein 2.47 lakh assessments were finalised. Out of these, audit test checked 26,051 assessments (approximate 10.53 per cent) during the year 2018-19 and noticed 918 cases (approximate 3.51 per cent of audited sample) of non/short levy of tax/interest, irregular allowance of Input Tax Credit, non-imposition of penalty for misuse of declaration forms, irregular allowance of investment subsidy, application of incorrect rate of tax and non-observance of provisions of Acts/Rules etc. involving an amount of ₹ 138.12 crore. These cases are illustrative only as these are based on test check of records. Audit pointed out some of the similar omissions in earlier years also however, not only these irregularities persist; but also remain undetected till next audit is conducted. There is a need for the Government to improve the internal control system including strengthening of internal audit so that recurrence of such cases can be avoided. Irregularities noticed broadly fall under the following categories:

(₹ in crore)			
Sl. No.	Category	Number of cases	Amount
1	Registration under GST	1	0.00
2	Irregular claim of Transitional credit	1	2.25
3	Refunds under Goods and Services Tax	1	0.51
4	Under assessment of tax	328	83.41
5	Acceptance of defective statutory forms	21	15.47
6	Evasion of tax due to suppression of sales/purchase	185	16.15
7	Irregular/incorrect/excess allowance of Input Tax Credit	96	10.06
8	Other irregularities relating to		
	(i) Revenue	231	10.26
	(ii) Expenditure	54	0.01
Total		918	138.12

During the year 2018-19, the Department accepted underassessment and other deficiencies of ₹ 8.65 crore in 390 cases, of which 47 cases involving ₹ 4.09 crore were pointed out in audit during the year 2018-19 and the rest in the earlier years. During the year 2018-19, the Department recovered/ adjusted ₹ 1.70 crore in 107 cases, of which 6 cases involving ₹ 24.65 lakh pertained to the year 2018-19 and the rest to earlier years.

Audit pointed out (April and May 2019) non/short levy of tax and interest amounting to ₹ 3.46 crore in four cases. Thereafter, the Department recovered/adjusted (between December 2018 and September 2019) the entire amount in these cases, therefore, these cases have not been discussed in this report, however, a brief of these cases is as follows:

- A dealer was granted exemption certificate on the condition that if the dealer procures or purchases any goods other than from the registered dealer of the State, he shall, in addition to the exemption fee, be liable to pay an amount equal to the amount of tax that would have been payable had the goods been purchased in the State from a registered dealer. The

Assessing Authority (AA), however, failed to assess the tax liability on inter-state purchased goods used in execution of works by a dealer which resulted in short levy of tax amounting to ₹ 19.57 lakh.

- According to the notification issued under Rajasthan VAT Act, input tax credit was not to be allowed on the goods utilised in the works contracts for which exemption certificates (EC) were granted. AA failed to levy reverse tax of ₹ 50.41 lakh on a dealer for purchase of goods within the State, which were utilised in the execution of EC works.
- A dealer disclosed his taxable turnover as ₹ 109.63 crore, however, the AA assessed the tax liability only on taxable turnover of ₹ 40.40 crore, which resulted in short levy of tax and interest amounting to ₹ 2.65 crore.
- A dealer (works contractor) had submitted quarterly VAT returns and trading account for the year 2015-16, however, did not furnish annual VAT return for the period. The AA failed to assess the tax liability on taxable turnover of ₹ 1.18 crore of a works contractor which resulted in short levy of tax amounting to ₹ 11.07 lakh.

2.4 Audit of Goods and Service Tax

With automation of the collection of Goods and Service Tax (GST) having taken place, it is essential for Audit to transition from sample checks to a comprehensive check of all transactions, to fulfil the CAG's Constitutional mandate. The State Government did not provide access to the data related to GST. This is in violation of constitutional provisions (Article 149) and the Section 18 of the Duties, Powers & Conditions of the Services of CAG Act 1971. The following audit observations are based on some hard copy documents which were made available for audit of refunds and transitional credit pertaining to previous years.

Not having access to the data pertaining to all the GST transactions has come in the way of comprehensively auditing the GST receipts.

Registration, Refund and Transitional Credit under GST

2.4.1 Introduction

The Goods and Services Tax Act, 2017 (GST Act) was rolled out with effect from 1st July 2017 with the objectives of reducing tax cascading, ushering in a common market for goods and services and bringing in a simplified, self-regulating and non-intrusive tax compliance regime. Provisions have been made in the Rajasthan Goods and Services Act, 2017 (Rajasthan GST Act) for registration of the supplier under GST if the aggregate turnover of taxable supplies in a financial year exceeds ₹ 20 lakh.

2.4.2 Registration under GST regime

Section 22 (2) of Rajasthan GST Act provides that every person who, on the day immediately preceding the appointed day, is registered or holds a license under an existing law, shall be liable to be registered under this Act with effect from the appointed day.

Further, Section 139 of Rajasthan GST Act read with Rule 24(2) (a) of the Rajasthan GST Rules, 2017 (Migration of persons registered under the existing law) provides that every person who has been granted a provisional registration under sub-rule (1) shall submit an application electronically in the prescribed form *i.e.* 'GST REG 26', duly signed or verified through electronic verification code, along with the information and documents specified in the said application, on the common portal.

Section 25 of the Rajasthan GST Act provides that every person who is liable to be registered under Section 22 or Section 24 shall apply for registration within 30 days from the date on which he becomes liable to registration, in such manner and subject to such conditions as may be prescribed. Further, Rule 9 of the Rajasthan GST Rules, 2017 (verification of the application and approval) provides the details for the registration process. The Section 18(1)(a) of the Rajasthan GST Act provides that a person who has applied for registration under this Act within thirty days from the date on which he becomes liable to registration and has been granted such registration shall be entitled to take credit of input tax in respect of inputs held in stock and inputs contained in semi-finished or finished goods held in stock on the day immediately preceding the date from which he becomes liable to pay tax under the provisions of this Act.

Data regarding registration of the new taxpayers as of 31 March 2018 provided by the Department was scrutinised. Following observations have been noticed in Audit:

Sl. No.	Particulars of irregularities	Reply of Government/ remarks
1.	<p>Taxpayers not finally migrated under GST regime</p> <p>There were 83,173 existing registered VAT taxpayers who were granted provisional registration but did not finally migrate to GST. Out of which there were 132 taxpayers having gross turnover of more than ₹ 25 crore during the period 2016-17 under VAT, of which, 38 taxpayers registered with new GSTIN, 24 taxpayers cancelled their registration under VAT and 70 taxpayers were finally not registered. Out of these 70 taxpayers, 24 taxpayers pertained to Zone-I, II and III of Jaipur. Records of these 24 taxpayers along with reasons for non-migration were checked by audit. It was noticed that four taxpayers had been registered in other states and did not finally migrate to Rajasthan.</p>	<p>On being pointed out (September 2019), Government replied (January 2020) that two taxpayers did not register due to amalgamation/merger in other firm, four due to not uploading of necessary documents and another four due to closure of business. Reasons were not furnished in respect of remaining 10 taxpayers. Further, documents in support of cases related to closure of business were not provided to Audit. This indicates lack of effective internal control mechanism within the department.</p>
2.	<p>New Registrations beyond the prescribed time limit</p> <p>It was observed that 4,076 taxpayers out of 1,91,172 new registered taxpayers during the year 2017-18 were registered in a period ranging from 31 to 270 days from the date on which they became liable to registration.</p> <p>Audit requested for further information <i>viz.</i> date of submission of application by the taxpayers for registration to ascertain delay in applying for registration and number of days under which registration granted by the department. Department did not provide the information despite reminders issued in April and June 2019. Further, access to the data related to GST was also not provided to audit. The omission was pointed out to the Department (June 2019) and reported to the Government (October 2019).</p>	<p>Government stated (January 2020) that Rajasthan is a model II state under GST system and the relevant software and data is maintained by the Goods and Service Tax Network (GSTN) therefore, the desired information is not available. Further only the information as provided by the GSTN through Secure File Transfer Protocol (SFTP) server is available with the Department. Availability and access to the GST data for the State Tax Department is very limited and it is not possible to provide additional information/data except</p>

	information provided by the GSTN through SFTP server.
<p>The reply indicates that internal control mechanism within the Department for maintaining and ensuring availability of the data on registration process under GST was not effective.</p> <p>Due to non-availability of the desired information, Audit could not ascertain the delay in applying/granting of new registration under GST. Further, in cases where taxpayers applied for registration beyond 30 days from the date on which they become liable to be registered, the veracity of the input tax credit claimed, if any, by the taxpayers on pre-registration stock could not be ensured in Audit.</p>	
<p>Conclusion and Recommendations</p> <p>The Department did not ascertain the reasons of non-migration of existing taxpayers. It was noticed that 4,076 taxpayers were registered under GST with delays ranging from 31 to 270 days. In absence of the information regarding date of application by the new applicants, Audit could not ascertain the delay in applying/granting of new registration. Further, the possibility of irregular claim of input tax credit on pre-registration stock in cases where the taxpayer has applied for registration beyond 30 days, cannot be ruled out. Non-production of records severely limits the exercise of CAG's constitutional mandate and results in lack of accountability by State Government functionaries.</p> <p>Audit recommends that:</p> <ul style="list-style-type: none"> • <i>The Department may analyse the reasons for non-migration of existing tax payers and to ensure that the business activities are not being run without registration under GST.</i> • <i>An efficient information data base needs to be maintained to obtain necessary data/information from GSTN so as to ensure compliance to the provisions regarding applying/granting of new registrations under the Act/rules.</i> 	

2.4.3 Refunds under Goods and Services Tax

2.4.3.1 Introduction

Accurate and timely refund mechanism is an important part of an efficient tax administration as it facilitates the trade through release of blocked funds for working capital, expansion and modernization of existing business.

2.4.3.2 Legal provisions

The refund procedure under GST is governed under Section 54 to 58 of the Central Goods and Services Tax (CGST) Act, 2017, Section 54 to 58 of the Rajasthan Goods and Services Tax (RGST) Act, 2017, Rule 89 to 97 of the Rajasthan Goods and Services Tax (RGST) Rules, 2017, Section 16 of the Integrated Goods and Services Tax (IGST) Act, 2017 and notifications/circulars issued there under from time to time. The refund amount under CGST, IGST and cess is sanctioned by the Central tax authority, while refund under SGST is sanctioned by the State tax authority. In case the jurisdiction of the taxpayer has been changed from Central to State tax authority or vice-versa, the refund order issued by the original authority is communicated to the concerned counter-part authority within seven working days for the purpose of payment of the sanctioned amount.

2.4.3.3 Refund of tax

Section 54 (1) of RGST Act provides that any person claiming refund of any tax and interest, if any, paid on such tax or any other amount paid by him, may make an application before expiry of two years from the relevant date in prescribed form and manner. Further, Section 54 (3) provides that a registered person may claim refund of any unutilised input tax credit (ITC) at the end of any tax period.

Provided that no refund of unutilised ITC shall be allowed in cases other than-

- (i) Zero-rated supplies made without payment of tax;
- (ii) where the credit has accumulated on account of rate of tax on inputs being higher than the rate of tax on output supplies (other than nil rated or fully exempt supplies), except supplies of goods or services or both as may be notified by the Government on the recommendations of the Council.

Provided further that no refund of unutilised ITC shall be allowed in cases where the goods exported out of India are subject to export duty.

Provided also that no refund of ITC shall be allowed, if the supplier of goods or services or both claims refund of the integrated tax paid on such supplies.

2.4.3.4 Scope and methodology of Audit

Audit of refund cases was undertaken with a view to assess the performance of the State tax authorities and its field formations in sanctioning refund under the RGST Act. The audit examined the adequacy of the relevant administrative procedures and their effective implementation by the authorities concerned.

In Rajasthan, 776 refund cases involving ₹ 107.58 crore were sanctioned between July 2017 and March 2018 under 13 Zonal tax Offices of the State. Audit selected the zones on the basis of maximum cases of refunds sanctioned for amounts more than ₹ five lakh with at least 10 refund cases in a zone. Hence, seven zones¹ were selected wherein 717 refunds were sanctioned, out of which 348 refund cases involving more than ₹ five lakh were examined during April to June 2019. However, the Department did not provide access to the GSTN database, Audit could analyse only the physical documents/records made available.

2.4.3.5 Audit findings

Sl. No.	Particulars of irregularities	Reply of Government/ remarks
1.	<p>Delay in sanction of refunds</p> <p>Rules 91 (2) and 92 of RGST Rules provides that provisional refund to the extent of 90 <i>per cent</i> of the amount claimed on account of zero-rated supplies in terms of Section 54(6) of the RGST Act, has to be given within seven days from the date of acknowledgement under Sub-rule (1) or sub-rule (2) of rule 90 of RGST Rules. Further, complete refund has to be sanctioned within 60 days in terms of Section 54 (7) from the date of receipt of application complete in all respects. If refund is not sanctioned within the said period of 60 days, interest at the rate notified will have to be paid in accordance with Section 56 of the RGST Act.</p>	
	<p>During scrutiny of the selected GST refund sanctioned cases in five RGST Zones (nine circles), it was noticed that refund of the balance 10 per cent amount in 70 cases involving ₹ 3.45 crore was sanctioned after expiry of stipulated period of 60 days with delays ranging between nine to 418 days. Further, in 15 cases of two RGST Zones the balance 10 per cent refund amount of ₹ 57.23 lakh is yet (March 2019) to be sanctioned despite lapse of more than one year since their acknowledgment. The delay in sanctioning of refund is against the spirit of the legislation and will result in payment of interest liability</p>	<p>The omission was reported to the Government (September 2019). Government while accepting the facts (November 2019) attributed the delay to excess time taken in verification of the proof of export from ICEGATE portal and non-availability of online verification of ITC on GST portal. It was also stated that at present the balance 10 per cent refund amount is being sanctioned within the prescribed time.</p>

¹ Zone: Alwar, Bhilwara, Jaipur I, II, III, Jodhpur and Udaipur.

	on the part of the Department, besides causing hardship to the dealers in the interim.	
2.	Excess payment of refunds Rule 89 (4) of RGST Rules provides that in the case of zero rated supply of goods or services or both without payment of tax under bond or letter of undertaking in accordance with the provisions of sub-section (3) of section 16 of the IGST Act, refund of input tax credit shall be granted as per the prescribed formula: Refund Amount = (Turnover of zero-rated supply of goods + Turnover of zero-rated supply of services) X Net Input Tax Credit ÷ Adjusted Total Turnover	
	During scrutiny of the records of the selected GST refund cases sanctioned in five RGST Zones (six circles) on account of zero-rated supplies made without payment of tax, audit observed that refunds were not granted in six cases as per the prescribed formula. The Authorities refunded ₹ 2.21 crore instead of ₹ 1.70 crore. This resulted in excess sanction of refund of ₹ 0.51 crore against the eligible refund amount.	The omission was reported to the Government (September 2019). Government while accepting the facts stated that (November 2019) excess refund of ₹ 33.43 lakh alongwith interest ₹ 7.28 in respect of four taxpayers has been recovered. Further, recovery of ₹ 2.42 lakh was also intimated in one case, which is not as per provisions of RGST/CGST; therefore, is not acceptable and notice has been issued in the remaining case.
3.	Refunds sanctioned without obtaining the Export General Manifesto (EGM) Rule 89 (2) (b) of the RGST Rules (Rules) provides that the application for refund shall be accompanied by a statement containing the number and date of shipping bills or bills of export and the number and the date of the relevant export invoices, in a case where the refund is on account of export of goods without payment of tax. Statement 3 under Rules 89 (2) (b) and 89 (2) (c) was designed for this purpose, which required the EGM number and date in case of export of goods without payment of tax. Further, Rule 90 (3) of the Rules, provides that where any deficiencies are noticed, the proper officer shall communicate the deficiencies to the applicant in Form GST RFD-03 requiring him to file a fresh refund application after rectification of such deficiencies.	
	During scrutiny of records in five RGST zones ² it was noticed that 325 shipping bills involving export value of ₹ 20.56 crore out of total of 667 shipping bills in these zones did not contain the EGM number and date. However, the Department sanctioned refund of ₹ 6.01 crore related to these 667 shipping bills without obtaining the EGM details of 325 shipping bills. Department did not issue the deficiency memo to the taxpayers and thus erroneously sanctioned the refund claims.	The omission was reported to the Government (September 2019). The Government accepted the facts (November 2019) and forwarded the EGM details in respect of 315 out of 325 shipping bills. EGM details of the remaining shipping bills involving export value of ₹ 93.33 lakh were not provided by the Department.
	The reply indicates that the EGM details of the 325 shipping bills were not available at the time of processing of refund claims. Thus, lack of monitoring on part of the Department resulted in processing of refunds without obtaining of EGM details which was mandatory under the Rules <i>ibid</i> . Further, in absence of EGM details of 10 shipping bills, it could not be ascertained whether the goods were actually exported.	
Conclusion The Department delayed sanction of refunds in 70 cases and in 15 cases refunds are yet (March 2019) to be sanctioned which in turn will attract the liability of interest. Excess refunds were sanctioned against the eligible amount on account of zero-rated supplies made without payment of tax and refunds were sanctioned in case of shipping bills without obtaining EGM details.		

2.4.4 Irregular claim of Transitional credit

2.4.4.1 Introduction

Transitional arrangements for availing input tax credit are included in Section 140 of the Rajasthan GST Act, 2017 and Central GST Act, 2017. The

² RGST Zones: Jaipur-II, III, Alwar, Jodhpur and Udaipur.

registered persons are entitled to take, in their electronic ledger, credit of the amount of VAT/CENVAT carry forward in the return filed under the existing law, credit of unavailed input tax credit/CENVAT in respect of capital goods not carried forward in the returns and credit of the VAT/CENVAT in respect of inputs held in stock and inputs contained in semi-finished or finished goods held in stock on the appointed day. The registered persons were required to file a return in prescribed form TRAN-1.

The credit attributable to any claim related to section 3, sub-section (3) of section 5, section 6, section 6A or sub-section (8) of section 8 of the Central Sales Tax Act, 1956 (Central Act No. 74 of 1956) which is not substantiated in the manner, and within the period, prescribed in rule 12 of the Central Sales Tax (Registration and Turnover) Rules, 1957 is not eligible to be credited to the electronic credit ledger.

2.4.4.2 Scope and Methodology of Audit

According to the information (dump data) provided (June 2018) by the Department, 61,517 taxpayers filed TRAN-1 and claimed transitional credit of ₹ 4,758.66 crore of which 46,138 taxpayers were under the jurisdiction of the State Government and had claimed transitional credit of ₹ 2,200.73 crore.

There were 2704 taxpayers under jurisdiction of Zone –II, Jaipur who claimed transitional credit. A sample of 123 taxpayers (transitional credit claimed ₹ 163.52 crore) of the State jurisdiction registered in the Zone-II, Jaipur where transitional credit as CGST and SGST of more than ₹ 20 lakh was claimed in each case was selected for audit scrutiny. Taxpayers claimed transitional credit in following categories:

					(₹ in crore)
Credit claimed	Credit carried forward	Un-availed credit	Input held in stock	Goods held in stock on behalf of Principal	Total
CGST	66.74	6.05	72.09	1.14	146.02
SGST	15.46	-	2.04	-	17.50

Central excise/service tax returns submitted by the selected taxpayers for the month/quarter ending on 30 June 2017 and Departmental web portal *RajVISTA* for the VAT returns for the quarter ending on 30 June 2017 of the selected taxpayers were reviewed.

Results of cross verification of transitional credit (CGST and SGST) claimed as per TRAN-1 with VAT returns and central excise/service tax returns submitted for the month/quarter ending 30 June 2017 and other relevant records revealed:

2.4.4.3 Audit Finding

Sl. No.	Particulars of irregularities	Reply of Government/ remarks
1.	Excess claim of transitional credit as carried forward a) Transitional credit (SGST) of ₹ 15.46 crore was claimed by 51 taxpayers as credit carried forward in TRAN-1. We observed that 14 taxpayers claimed transitional credit (SGST) of ₹ 94.77 lakh in excess of ITC	The matter was pointed out to the Department (November 2019) and reported to the Government (November 2019). The Government replied (March 2020) that credit of ₹ 9.47 lakh have been reversed in two cases while ₹ 1.04 lakh (Tax ₹ 1.03 lakh and interest ₹ 0.01 lakh) have been recovered in four

	<p>shown in VAT returns under TRAN-1.</p> <p>b) Transitional credit (CGST) of ₹ 66.74 crore was claimed by 40 taxpayers in TRAN-1, of which returns of 31 taxpayers were provided to Audit. After scrutiny of these returns, Audit observed that nine taxpayers claimed transitional credit (CGST) of ₹ 128.47 lakh in excess of CENVAT credit shown in ER-1/ST-3 returns</p> <p>Further, central excise/service tax returns of nine taxpayers were not provided by the Department, therefore, these cases could not be scrutinised.</p>	<p>cases. Further in one case the dealer has erroneously shown the excess ITC in column 1.31 instead of Column 1.32 of VAT-10 however the dealer has not claimed any refund of excess ITC. Notices have been issued in remaining cases. Further progress is awaited (May 2020).</p> <p>The matter was pointed out to the Department (November 2019) and reported to the Government (November 2019). The Government replied (March 2020) that credit of ₹ 0.55 lakh have been reversed/recovered in two cases. Further Government stated in one case that the amount belongs to credit received after filing of ER-1 and before filing of TRAN-1. Reply is not acceptable as the dealer did not claim this credit under table 7(b) prescribed in TRAN-1 for this purpose. Notices have been issued in remaining cases. Further progress is awaited (May 2020).</p>
2.	<p>Irregular claim of transitional credit on closing stock</p> <p>A Guidance Note on Transitional Credit was issued (March 2018) by CBIC wherein procedure for verification of credit was defined. As per the Guidance Note, Department was required to collect specific information which would assist in verification of credit. Further, the Commercial Taxes Department, Rajasthan also issued (April 2018) guidelines for verification of Transitional Credit.</p> <p>Transitional credit of ₹ 72.09 crore on input held in stock was claimed by 92 taxpayers. However, detail of closing stock and supporting invoices thereof was produced in one case only. Scrutiny of this case disclosed that the taxpayer irregularly claimed transitional credit of 'Bidi worker's welfare cess and NCCD', which was not allowable as per the Explanation-3 given below Section 140 of CGST Act. This resulted in excess claim of transitional credit (CGST) amounting to ₹ 1.75 lakh.</p> <p>The Department did not collect the essential information (details of un-availed credit, closing stock and supporting invoices) in remaining cases to verify the transitional credit claimed in the categories other than credit carried forward (un-availed credit, input held in stock and goods held in stock on behalf of principal). Therefore, correctness of Transitional Credit claimed in these categories could not be ascertained.</p> <p>Thus, possibility of non-compliance to the provisions of GST Act/Rules and relevant provisions of pre-GST laws by the taxpayers in claiming Transitional Credit cannot be ruled out.</p>	<p>The matter was pointed out to the Department (November 2019) and reported to the Government (November 2019). The Government replied (March 2020) that the dealers in two cases claimed transitional credit for excise duty/import duty/ITC on goods lying as closing stock as on 30 June 2017. However, no evidence in support of above was provided. Further, it was stated that, notices had been issued in remaining cases. Further progress is awaited (May 2020).</p>
3.	<p>Limitations on scope and nature of audit</p> <p>(i) The Commercial Taxes Department did not provide access to GST portal.</p> <p>(ii) The Department did not provide the details of closing stock alongwith purchase invoice and details of capital goods alongwith purchase invoices of which credit was not</p>	

	<p>claimed in earlier tax laws. In absence of these details, Audit could not verify the transitional credit claimed in other categories i.e. un-availed credit, input held in stock and goods held in stock on behalf of principal.</p>	
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2.5 Compliance audit observations

Audit observed during test-check of the assessment records of CST/VAT/entry tax several cases of non/short levy of tax/interest, irregular allowance of Input Tax Credit and non-observance of provisions of Acts/Rules. Audit pointed out some of the similar omissions in earlier years also, but not only the irregularities persist; these remain undetected till an audit is conducted. There is need for the Government to improve the internal control system including strengthening of internal audit so that occurrence of such cases can be avoided. A few cases involving ₹ 59.29 crore are discussed in the succeeding paragraphs. These cases are illustrative only as these are based on a test check of records.

Sl. No.	Number of AAs (Date of assessment)	Particulars of irregularities	Reply of Government/remarks
1.	17 AAs ³ (between October 2015 and March 2018)	<p>Non/short levy of Entry Tax</p> <p>Audit collected information from <i>RajVISTA</i> regarding goods received/purchased using declaration forms in respect of few evasion prone notified goods for the financial years 2013-14 to 2015-16 during audit of 17 Circles and cross checked it with the assessment records of 44 dealers. It was noticed that AAs did not utilise the information regarding inter-State purchases available in the <i>RajVISTA</i> and omitted to levy the taxes on these goods.</p> <p><i>This resulted in non-levy of entry tax and interest amounting to ₹52.52 crore.</i></p>	<p>The Government replied (October 2018) that in 41 cases demand of ₹ 21.22 crore has been raised of which ₹ 10.51 crore has been recovered.</p>
2. Non/short levy of reverse tax			
2(i)	AA Circle Special-III, Jaipur (February 2018)	<p>Two dealers purchased goods⁴ and claimed input tax credit⁵ during the year 2015-16 on the purchases made in the State. Thereafter, the dealers received discounts/rebates⁶ from the selling dealers.</p> <p>Scrutiny of returns disclosed that these goods were sold at the value less than the purchase value <i>i.e.</i> at subsidised price as the buyers received discounts/rebates from the selling dealers. Therefore, the input tax credit should have been allowed only to the extent of output tax payable on these goods. The AAs, however, could not detect the excess claim of input tax while finalising the assessments and did not levy reverse tax.</p>	<p>The Government intimated (July 2019) that demand of ₹ 44.80 lakh (tax ₹ 29.93 lakh and interest ₹ 14.87 lakh) had been raised which was stayed (May 2019) by the Appellant Authority. Further, progress is awaited (May 2020).</p>

³ Circle: A-Bharatpur; Special-I, Jaipur; Special-III, Jaipur; Special-XI, Jaipur; Special-II, Kota; Works contract and leasing tax-III, Jaipur; Special-II, Udaipur; Gangapur City; Shahjhanpur; Special-II, Bhiwadi; Works contract and leasing tax, Bhiwadi; M-Jaipur; Works and leasing tax, Alwar; C-Udaipur; Works contract and leasing tax, Bhilwara; C-Jaipur and A-Bhiwadi.

⁴ Value of goods purchased: ₹ 33,421.19 lakh (₹ 12,844.28 lakh + ₹ 20,576.91 lakh).

⁵ ITC claimed: ₹ 1,266.45 lakh (₹ 593.47 lakh + ₹ 672.98 lakh).

⁶ Discounts/rebates received: ₹ 1,512.84 lakh (₹ 614.5 lakh + ₹ 898.34 lakh).

		<i>This resulted in non-levy of reverse tax amounting to ₹ 28.49 lakh besides leviable interest of ₹ 13.94 lakh (calculated up to March 2019).</i>	
2(ii)	AA Circle Anti-evasion, Bhiwadi (December 2016 and April 2017)	<p>A dealer (Manufacturer) disclosed his purchase ₹ 106 crore (₹ 55.45 crore Intra-State + ₹ 50.55 crore Inter-State) and sale ₹ 128.47 crore (₹ 54.68 crore Inter-State/Intra-State + ₹ 73.79 crore Inter-State branch transfer) transactions for the year 2014-15 in annual VAT return.</p> <p>The dealer claimed ITC amounting to ₹ 2.79 crore on Intra-State purchases of ₹ 55.45 crore. However, the dealer did not show any reverse tax regarding branch transfer of goods amounting to ₹ 73.79 crore during the course of inter-State transactions in compliance of the notification <i>ibid</i>.</p> <p>While finalising the assessment of the dealer, the AA levied reverse tax of ₹ 18.01 lakh. Thereafter, the dealer was selected for audit under Section 27 <i>ibid</i>. The AA after conducting the audit finalised the assessment of the dealer, but did not levy any additional reverse tax.</p> <p>Scrutiny of returns disclosed that the dealer consigned goods outside the State by way of branch transfer which was 57.44 per cent of total turnover during the year 2014-15. The inter-State purchase of the dealer was only 47.69 per cent of the total purchases. Thus, the dealer used 9.75 per cent⁷ (57.44 – 47.69) of total purchased goods in stock transfer out of the goods purchased within the State. Therefore, reverse tax amounting to ₹ 41.34 lakh at the rate of four per cent on ₹ 10.34 crore⁸ was leviable.</p> <p><i>This resulted in short levy of reverse tax amounting to ₹ 23.33 lakh (₹ 41.34 lakh – ₹ 18.01lakh) besides interest of ₹ 15.24 lakh (calculated upto March 2019).</i></p>	<p>The Government intimated (July 2019) that demand of ₹ 36.39 lakh had been raised. Reasons for short levy of demand were called for (July 2019). The Government intimated (November 2019) that Appellate Authority Alwar had remanded (September 2019) the case for reassessment. Further progress is awaited (May 2020).</p>
2(iii)	AA Circle-A, Bhiwadi (April 2016 and August 2017)	<p>Two dealers disclosed their gross turnover of ₹ 1173.24 crore for the years 2013-14 to 2015-16 including branch/stock transfer of ₹ 758.07 crore in annual VAT returns. The dealers showed inter-state purchases of ₹ 591.43 crore and intra-State purchases of ₹ 415.42 crore and claimed ITC amounting to ₹ 20.87 crore on intra-State purchases. The dealers did not show any reverse tax regarding stock/branch/depot transfer of goods during the course of inter-State transaction in compliance of the notification <i>ibid</i>.</p> <p>Scrutiny of the returns disclosed that the goods amounting to ₹ 59.94 crore purchased within the State were used in stock/branch/depot transfer. Therefore, reverse tax amounting to ₹ 2.40 crore at the rate of four per cent was leviable. The AA while finalising (April 2016 and August 2017) the assessments levied reverse tax amounting to ₹ 0.20 crore in one case for</p>	<p>The Government intimated that (July 2019) demands amounting to ₹ 1.48 crore had been raised and ₹ 0.10 crore had been recovered. It was also intimated that the Appellant Authority had stayed the recovery of remaining demand. Further, progress is awaited (May 2020). However, reasons for short levy of reverse tax were not intimated.</p>

⁷ Details of purchased goods used in inter-State branch transfer were not available in the assessment record, therefore, entire inter-State purchases (47.69 per cent) were assumed to be used for branch transfer. Thus, 9.75 per cent of goods purchased within the State were utilised for branch transfer.

⁸ ₹ 10.34 crore i.e. 9.75 per cent of total purchase of ₹ 106.00 crore.

		the period 2013-14. However, no action regarding levy of reverse tax was taken in other cases. <i>This resulted in short levy of reverse tax amounting to ₹2.20 crore.</i>	
3. Irregular allowance of Input Tax credit			
3(i)	3AAs ⁹ (between June 2016 and March 2018)	Three dealers, who were involved in the business of mining of lime stone and manufacturing of cement, purchased explosive within the State and availed ITC during the years 2013-14 to 2015-16. In the light of the Section 2(22) of the Act, mining cannot be treated as manufacturing since mining does not involve any processing of goods which brings into existence a commercially different and distinct commodity. Further, explosive cannot be used as a raw material in manufacturing of cement, therefore, ITC should not have been allowed to the dealers. On the contrary, the AAs while finalising the assessments, did not detect the irregular claim and allowed the ITC. <i>This resulted in irregular allowance of ITC amounting to ₹1.51 crore besides non-levy of interest of ₹0.80 crore.</i>	The Government intimated (October 2019) that demand of ₹ 2.63 crore ¹⁰ had been raised in two cases. Out of total demand raised, ₹ 80.53 lakh had been recovered in one case, while, Rajasthan Tax Board has granted stay on recovery of remaining demand. Another dealer also obtained stay on recovery of demand from Addl. Commissioner (Appeals) Udaipur. In the remaining case the Rajasthan High Court ordered that no coercive action should be taken by the Department against the dealer. Further progress is awaited (May 2020).
3(ii)	2AAs ¹¹ (March 2017 and February 2018)	Three dealers had disclosed input tax amounting to ₹ 7.22 crore for the year 2014-15 and 2015-16 in their quarterly VAT returns. The dealers deducted input tax of ₹ 49.14 lakh related to the purchase returns in their annual returns and claimed ITC amounting to ₹ 6.73 crore. The AA cross-checked the amount of ITC disclosed in the quarterly returns with the details available at departmental web-application <i>RajVISTA</i> and allowed ITC amounting to ₹ 7.09 crore. Scrutiny of the assessment records revealed that the AAs while finalising the assessments of the dealers, did not notice the purchase returns. Therefore, the AAs irregularly allowed excess ITC amounting to ₹ 49.14 lakh related to purchase returns. <i>This resulted in excess allowance of ITC of ₹49.14 lakh.</i>	The Government intimated (December 2019) that demand of ₹ 60.51 lakh ¹² was raised in these cases, out of which ₹ 8.20 lakh had been recovered in one case and ₹ 29.40 lakh had been adjusted with the ITC available in remaining two cases. Further, progress of recovery of pending demand is awaited (May 2020).
4	AA Works Contract and Leasing Tax, Kota (March 2017 and	Non-levy of tax on inter-state purchases A dealer had exercised option 'A' for issuance of EC. The dealer disclosed his turnover under the works contracts amounting to ₹ 7.31 crore in its VAT returns for the years 2014-15 to 2015-16. The AA assessed	The omission was reported to the State Government (June 2019). The Government intimated

⁹ Circle: Banswara; Chittorgarh and Special-Rajasthan, Jaipur.

¹⁰ ₹ 2.63 crore: Tax of ₹ 1.29 crore + Interest of ₹ 0.62 crore + Penalty of ₹ 0.72 crore.

¹¹ Circles: M-Jaipur and F-Jodhpur.

¹² (Tax ₹ 49.65 lakh + Interest ₹ 10.86 lakh).

	March 2018)	<p>the exemption fee accordingly.</p> <p>Scrutiny of the information available on the departmental web-application 'RajVISTA' disclosed that the dealer purchased goods <i>i.e.</i> electronic goods, copper pipe, control panel, cable, flow-meter <i>etc.</i> amounting to ₹ 6.80 crore from outside the State. These goods were utilised in the execution of the works for which EC was granted under option 'A'. Therefore, VAT amounting to ₹ 44.07 lakh¹³ at the rate of 5/5.5/14/14.5 <i>per cent</i> was leviable on these goods in addition to exemption fee. However, while finalising the assessment of the dealer, the AA failed to levy tax on these goods.</p> <p><i>This resulted in short levy of tax amounting to ₹ 44.07 lakh besides interest of ₹ 25.75 lakh (upto December 2018).</i></p>	(January 2020) that demand of ₹ 69.80 lakh (tax ₹ 44.42 lakh and interest ₹ 25.38 lakh) had been raised Out of which ₹ 2.24 lakh had been recovered, while Appellate Authority Ajmer had granted stay on recovery of demand ₹ 63.35 lakh. Notices had been issued for recovery of remaining demand of ₹ 4.21 lakh. Further progress is awaited (May 2020).
5	AA Circle, C Jaipur (between May 2016 and February 2018)	<p>Failure to levy tax on interstate purchases</p> <p>Two dealers submitted their VAT returns with nil turnover for the years 2013-14 to 2014-15. Later, one of the dealers submitted his return for the year 2015-16. The dealers did not furnish returns thereafter. Therefore, the Department cancelled their registration with effect from 30 June 2017. The AA assessed the dealers with nil turnovers for the years 2013-14 to 2016-17.</p> <p>Scrutiny of information available on departmental web-based application <i>RajVISTA</i> disclosed that these dealers purchased/received goods (edible oil, iron and steel) worth ₹ 3.98 crore against declaration forms 'C' and 'F' during 2013-14. The dealers did not disclose sale or transfer of these goods till the cancellation of their registration. Therefore, the closing balance of these goods was liable to be taxed according to the Rule 43 <i>ibid</i>. The AA, however, assessed nil tax for the period 2013-14 to 2016-17.</p> <p><i>This resulted in non-levy of tax at the rate of five per cent amounting to ₹ 19.92 lakh besides interest of ₹ 6.57 lakh.</i></p>	The Government replied (August 2019) that the Department had conducted investigation and found that business activities were not being carried out at the business places of these dealers. Therefore, declaration forms had been cancelled and letters had also been sent to the assessing authorities of selling dealers of other States who sold/transferred goods against these declaration forms on concessional tax rate/without tax. Government further intimated (November 2019) that prosecution in these cases is under process.
<i>The Government needs to improve the internal control system including strengthening of internal audit so that recurrence of such cases can be avoided.</i>			

Further progress is awaited in these cases (May 2020).

The required access to GST data is yet to be provided. Not having access to the data pertaining to all GST transactions has come in the way of comprehensively auditing the GST receipts. The accounts for the year 2018-19 are, therefore, certified on the basis of test audit, as was done when records were manually maintained, as a one-time exception.

¹³ Leviable VAT ₹ 44.07 lakh: ₹ 14.97 lakh on ₹ 1.06 crore at the rate of 14/14.5 *per cent* and ₹ 29.10 lakh on ₹ 5.74 crore at the rate of 5/5.5 *per cent*.

CHAPTER-III
TAXES ON VEHICLES

CHAPTER-III: Taxes on Vehicles

3.1 Tax administration

The receipts for the Transport Department (Department) are regulated under the provisions of the Central and the State Motor Vehicles Acts and rules made thereunder, and are under the administrative control of the Department. The receipts from road tax and special road tax are regulated under the provisions of the Rajasthan Motor Vehicles Taxation (RMVT) Act, 1951, the Rules framed thereunder and notification issued from time to time.

3.2 Results of audit

There are 54 Transport Districts headed by RTOs/DTOs and 1,62,80,006 vehicles were registered therewith. There were 122 auditable units including 26 implementing units in the Transport Department. Out of these, 31 units including 09 implementing units were selected for test check wherein 76,87,802 vehicles were registered. Out of these, 97,109 vehicles were selected for test check. During scrutiny, audit noticed non/short payment of tax, surcharge and penalty, *etc* of ₹ 87.17 crore in 11,390 cases. These cases are illustrative and are based on a test check of records. Audit pointed out some of the similar omissions in earlier years, not only these irregularities persist but also remain undetected till an audit is conducted. Thus, there is a need to improve the internal control system including strengthening of internal audit and setting up a monitoring system by way of periodical returns to ensure collection of tax, fee, *etc*. These irregularities broadly fall under the following categories:

(₹ in crore)			
Sl. No.	Category	Number of cases	Amount
1	Performance Audit on 'Functioning of Transport Department'	1	56.53
2	Non/short payment of tax, surcharge and penalty, <i>etc</i> .	11,252	31.38
3	Irregularities relating to non/short determination of tax, <i>etc</i> .	11	0.03
4	Other irregularities relating to		
	(i) Revenue	116	0.04
	(ii) Expenditure	10	0.26
Total		11,390	88.24

During the year, the Department accepted underassessment and other irregularities of ₹ 33.21 crore in 8,849 cases, out of which 2,601 cases involving ₹ 7.19 crore were pointed out in audit during the year 2018-19 and the rest in earlier years. During the year 2018-19, an amount of ₹ 3.00 crore were recovered in 2,568 cases, out of which ₹ 0.90 crore in 178 cases were pointed out in 2018-19 and rest in earlier years.

A performance Audit on 'Functioning of Transport Department' involving ₹ 56.53 crore and systemic issues is discussed in succeeding paragraphs.

3.3 Performance Audit on “Functioning of Transport Department”

3.3.1 Introduction

Functions of the Transport Department are laid down under the provision of Section 213 of Motor Vehicles (MV) Act, 1988. The Department has the primary duty to enforce provisions of motor vehicles laws in the State. It deals with activities such as registration of vehicles, issue of licences to drivers, conductors and traders, fitness of vehicles, issue of permits, enforcement of rules, taxation and recovery, operation of routes, implementation of road safety policy and control of vehicular pollution *etc.* It also assists other organizations in the development of transport facilities and endeavors to provide an efficient, adequate and economic transport service for movement of passengers and goods by road.

Government of India (GoI) developed two standardised software ‘*SARATHI*’ and ‘*VAHAN*’ to provide faster, better and transparent services. These were introduced in the State with effect from September 2009 and October 2009 respectively in phased manner. *VAHAN* is used for processing transactions related to vehicles *i.e.* registration, permit, tax, fitness and *SARATHI* is for processing driving licence & related activities.

3.3.2 Organisational set-up

The Department is headed by the Transport Commissioner (CoT) cum Secretary to the Government of Rajasthan (GoR). He is administrative as well as departmental head. For smooth functioning of transport services, the state has been divided into 12 transport regions¹ and 54 transport districts² headed by Regional Transport Officers (RTOs)/District Transport Officers (DTOs).

Overall administration of transport activities in the regions lies with the RTO. He is also the Appellate Authority under the RMVT Act, 1951. DTO is the Licensing and Registering Authority for the transport district. He is also taxation officer for the purpose of RMVT Act/Rules, 1951.

Performance of the Department on important activities was as under:

Activity	2014-15	2015-16	2016-17	2017-18	2018-19
Registration of vehicles	11,94,589	12,53,157	12,68,386	13,79,444	14,29,943
Issue of Licence	7,52,861	9,06,791	8,78,792	6,25,893	6,04,922
Mechanical Fitness of vehicle	3,20,065	3,76,971	4,10,232	4,37,813	4,28,004
Challan of overload vehicles	2,21,538	1,11,440	1,11,441	1,01,141	1,03,635

Source: Statistical Abstract of Transport Department 2018-19

It is evident from the above that the work of the Department has increased significantly during 2018-19 over 2017-18.

¹ Regions: Ajmer, Alwar, Bharatpur, Bikaner, Chittorgarh, Dausa, Jaipur, Jodhpur, Kota, Pali, Sikar and Udaipur.

² Districts: Abu Road, Balotra, Banswara, Baran, Barmer, Beawar, Bhilwara, Bhinmal, Bhiwari, Bundi, Chomu, Churu, Deedwana, Dholpur, Duda, Dungarpur, Hanumangarh, Jaisalmer, Jalore, Jhalawar, Jhunjhunu, Karauli, Kekri, Khetri, Kishangarh, Kotputali, Nagaur, Nohar, Nokha, Phalodi, Pratapgarh, Rajsamand, Ramganj Mandi, Ratanpur (TCC), Sawai Madhopur, Shahjahanpur (TCC), Shahpura (Bhilwara), Shahpura (Jaipur), Sirohi, Sri Ganganagar, Sujangarh, Tonk and twelve districts at regional level.

3.3.3 Trend of Revenue

The Transport Department is the third largest tax collecting Department of the State Government. Tax receipts of the State and the Transport Department for the last five years are as under:

(₹ in crore)

Year	Tax revenue of State	Tax on Motor Vehicle	Percentage growth over last year	Percentage of Tax Revenue
2014-15	38,672.87	2,829.86	13.23	7.32
2015-16	42,712.92	3,199.44	13.06	7.49
2016-17	44,371.66	3,622.83	13.23	8.16
2017-18	50,605.41	4,362.97	20.43	8.62
2018-19	57,380.34	4,576.45	4.89	7.98

Source: Statistical Abstract of Transport Department 2018-19

During the year 2018-19, the Department contributed 7.98 *per cent* of the total tax revenue of the State. Although the overall revenue of department in monetary terms has been increasing, its percentage to the total revenue collection has decreased during 2018-19 in comparison to 2017-18.

3.3.4 Audit Objectives

The performance audit (PA) was undertaken with a view to ascertain whether:

- the extant provisions prescribed under the Act and Rules were adequate to safeguard the revenue;
- an adequate procedure is prescribed for levy, assessment, collection and remittances of Government revenues and implementation of Act and Rules;
- the National Road Safety Policy (March 2010) was implemented effectively;
- enforcement wing of the Department was effective in monitoring the transport vehicles plying within the State to ensure conformity with the provisions regarding fitness, carriage capacity and pollution clearance *etc.* and
- adequate and effective monitoring and internal control mechanism including information technology systems are in place to ensure effective and efficient functioning of the Department.

3.3.5 Audit criteria

The Performance Audit (PA) was based on the following criteria:

- The Motor Vehicles Act, 1988
- Central Motor Vehicles Rules, 1989
- Rajasthan Motor Vehicles Taxation Act, 1951
- Rajasthan Motor Vehicles Taxation Rules, 1951
- Rajasthan Motor Vehicles Rules, 1990
- National Road Safety Scheme, 2010
- Rajasthan State Road Safety Policy, 2017
- Rajasthan Pollution Check Centre Scheme (online), 2017
- Air (Prevention and Control of Pollution) Act, 1981

- Rajasthan State Environment Policy, 2010 and
- Notifications, Circulars, Orders, Guidelines issued by the Government of India and Transport Department, Rajasthan from time to time.
- Best practices as mentioned in the Motor Vehicle Acts/Rules of Other States (Haryana & Karnataka)

3.3.6 Scope and methodology

The PA covered the period from 2014-15 to 2018-19. A sample of Ten RTO offices³ and six DTO offices⁴ were selected for scrutiny of records by adopting Probability Proportionate to Size (Systematic) Method. Apart from this, office of the CoT was also covered. Field study was conducted between November 2018 and July 2019.

Methodology adopted for the PA included scrutiny of files, records maintained in the selected offices, information provided by the Department, previous Audit Reports and Public Accounts Committee (PAC) recommendations *etc.* Further, the electronic data/dump data of VAHAN for the years 2015-16 to 2018-19 was also analysed.

An Entry Conference was held on 12 March, 2019 with the CoT and other officers of the Department wherein objectives, scope and methodology of PA were explained in detail. Exit conference was held on 28 November 2019, wherein audit findings were discussed in detail with the Department. The replies received in exit conference and at any other point of time have been incorporated appropriately in the respective paras.

3.3.7 Acknowledgement

Indian Audit and Accounts Department acknowledges the co-operation of Transport Department in providing necessary information and records for Audit.

Audit Findings

Deficiencies/irregularities noticed during scrutiny of the record and information of selected 16 transport offices and CoT are discussed in the succeeding paragraphs. These audit findings are based on our analysis of sample cases only and there is a possibility of more such cases occurring in the Department. Therefore, the Government is expected to review all other cases having possibility of similar deficiencies/irregularities and required to take corrective action in cases where similar deficiencies/irregularities are found.

3.3.8 Registration

According to Section 39 of the MV Act, 1988, no person shall drive a motor vehicle without registration. Audit observations in registration of vehicles are discussed below:

3.3.8.1 Registration of ‘Omnibuses’

Section 2 (29) of MV Act 1988 defines “*omnibus*” as any motor vehicle constructed or adapted to carry more than six persons excluding the driver.

³ RTOs: Alwar, Bharatpur, Bikaner, Chittorgarh, Jaipur, Jodhpur, Kota, Pali, Sikar and Udaipur.

⁴ DTOs: Bhilwara, Chomu, Deedwana, Dholpur, Nohar and Sri Ganganagar.

The GoI *vide* notification S.O.1248 (e) dated 05.11.2004 classified *omnibus* in the category of Transport Vehicle.

Rule 62 of the CMV Rules, 1989 provides that a Fitness Certificate (FC) granted in respect of a newly registered transport vehicle is valid for two years and is required to be renewed every year thereafter.

During test check of registration records of selected 16 RTOs/DTOs, it was observed that 20,330 *omnibuses* were registered as non-transport vehicles. Non-registration of *omnibuses* in category of transport vehicles was in contravention of provisions of the CMV Rules, 1989.

It was further noticed that due to registration of omnibuses in non-transport category fitness of these vehicles remains valid till the expiry of registration. Thus, irregular registration eventually resulted in non-adherence to fitness norms as provided in Rules *ibid*. However, in RTOs Udaipur and Chittorgarh, fitness test was being conducted on arrival of such vehicles. Had *omnibuses* been registered as transport vehicles, the Department would have realised revenue of ₹ 1.53 crore for fitness test and issue of fitness certificate. Further, plying of omnibuses without fitness may lead to risk of life of road users and may cause adverse effect on environment.

The matter was pointed out to the Department and reported to the Government (December 2019). During Exit Conference (November 2019), it was stated by the Department that a detailed explanatory order would be issued for registration of Omnibuses as motor car. Later the Government replied (January 2020) that the vehicles involved in the para were simply Motor Cars and not omnibus. Reply is not tenable as the vehicles involved in the paragraph are '*omnibuses*' which are constructed or adapted to carry more than six persons excluding driver as defined in Section 2 (29) of the MV Act, 1988. The Government should issue clear directions in this regard.

It is recommended that the Government may consider developing a uniform mechanism for classification and registration of omnibuses vehicles.

3.3.8.2 Lacunae in Rules

Section 41(7) of the MV Act, 1988 prescribes that RC shall be valid only for a period of 15 years from the date of issue of such certificate and shall be renewable. Rule 47(1) of CMVR 1989 provides that application for registration shall be made within a period of seven days from the date of taking delivery of vehicle. Further, Rule 48 provides that on receipt of application and after verification of documents, the registering authority shall issue certificate of registration.

A total of 22,769 vehicles were registered in "E" series⁵ during 2014-15 to 2018-19 in the State, out of which 12,357 vehicles were registered in the selected RTOs/DTOs. Of which 4,943 transport vehicles were selected for scrutiny.

During the scrutiny of records of selected offices, it was observed in 11 cases pertaining to five offices⁶ that applications for registration of construction equipment vehicles (E series) were submitted after a delay of one to seven

⁵ E Series: vehicles fitted with equipment like rig, generator, crane mounted vehicles, fork lift *etc.* or any other non-transport vehicles not covered under any category.

⁶ RTOs: Bharatpur, Chittorgarh and Sikar DTOs: Deedwana and Shahpura.

years but RCs were issued with validity upto 15 years from the date of issue of RC. The period during which the vehicle plied without RC was not added to the validity period. The rules do not clearly prescribe this feature. Thus, due to lacuna in rules/law these vehicles would ply for more than 15 years without fitness test compromising safety of road users and pollution norms.

The matter was pointed out to the Department and reported to the Government (December 2019). The Government replied (January 2020) that a lacuna in CMV Rules can only be amended by the Central Government, therefore, a letter pointing out the lacuna and its rectification was being forwarded to MoRTH.

3.3.9 Taxes and Fees

There were 9,29,573 transport vehicles registered in the State upto December 2018, out of which 6,00,617 vehicles were registered in the selected RTOs/DTOs. Of which 67,615 transport vehicles were selected for scrutiny. Audit noticed non/short realisation of tax and fee, as enumerated in succeeding paragraphs.

3.3.9.1 Non/Short realisation of MVT and SRT on Transport Vehicles

As per section 4 and 4B of the RMVT Act, 1951 and the rules made thereunder, motor vehicle tax (MVT) and Special Road Tax (SRT) are to be levied and collected on all transport vehicles used or kept for use in the state at the rates prescribed by the GoR from time to time except those transport vehicles which have paid Lump Sum Tax (LST) under section 4C besides surcharge is also leviable on tax due. In case of non-payment of the tax, penalty at the rate of 1.5 *per cent* per month or part thereof subject to twice the amount of tax due is also leviable after the expiry of admissible period. Further, Taxation Officer is empowered to serve notice for recovery of tax under Rule 8 and 33 of the RMVT Rules, 1951 and to recover due tax or penalty by attachment and sale of the movable property of the person liable for payment under Section 13A of the RMVT Act, 1951.

During test-check of records for the period April 2014 to March 2019 in the selected 16 offices, it was noticed that owners of 2,232 vehicles had either not paid or short paid the tax. There was no evidence on record to show that the vehicles were off the roads/were transferred to other Districts/States or their registration certificates were surrendered. Although information of tax defaulters was available in VAHAN software yet there was nothing on record to show that the Taxation Officers initiated action to realise the due tax. This resulted in non-realisation of tax (including surcharge) and penalty amounting to ₹ 17.78 crore.

The matter was pointed out to the Department and reported to the Government (December 2019). The Government replied (January 2020) that ₹ 1.68 crore had been realised in 252 cases in eight RTOs/DTOs⁷ and offices concerned had been directed to realise the remaining amount.

⁷ RTOs: Bharatpur, Bikaner, Jodhpur, Sikar and Udaipur; DTOs: Deedwana, Dholpur and Nohar.

3.3.9.2 Non/Short realisation of MVT and SRT from vehicles plying on scheme route (Lok Parivahan Seva)

Rajasthan Lok Parivahan Seva (RLPS) was inaugurated on 13 December 2015 to provide accessible, inexpensive and safe transport service to the public. 476 nationalised routes were denationalised⁸ for permitting private bus operators to ply on these routes. Under section 102 of the MV Act 1988, schemes have been modified for issuing permit to private stage carriage buses in accordance with scope determined by the GoR and conditions imposed by the state transport authority. A total of 1,563 permits have been sanctioned for single and joint routes of RLPS. 1,435 permits have been granted to vehicle owners upto December 2018.

MVT and SRT are leviable at the rates prescribed by the GoR from time to time under Section 4 and 4B of the RMVT Act, 1951 besides surcharge. Penalty is also leviable after the expiry of admissible period. Further, Taxation Officer is empowered to serve notice for recovery of tax and to recover due tax or penalty by attachment and sale of the movable property of the person liable for payment.

During test-check of the registration record, permit and General Index registers of RLPS, it was noticed that tax was either not paid or paid short in respect of 81 vehicles in 11 RTOs/DTOs⁹. There was no evidence on record to show that the vehicles were off the roads/were transferred to other Districts/States or their registration certificates were surrendered. The Taxation Officers, however did not initiate any action to realise the tax due. This resulted in non/short recovery of ₹ 1.85 crore.

These matters were pointed out to the Department and reported to the Government (December 2019). The Government replied (January 2020) that ₹ 5.56 lakh had been realised in six cases of two RTOs¹⁰ and offices concerned had been directed to realise the remaining amount.

3.3.9.3 Non-realisation of outstanding instalments of LST

According to Section 4-C of RMVT Act, 1951 and the Rules made thereunder, lump-sum tax on transport vehicles is levied at the rate prescribed through notifications¹¹ issued from time to time by the GoR. The LST payable can be paid at the option of vehicle owner either in full or in six equal instalments with effect from 14 July 2014 within a period of one year. Surcharge is leviable on tax. Penalty is also leviable after the expiry of admissible period. Further, Taxation Officer is empowered to serve notice for recovery of tax and to recover due tax or penalty by attachment and sale of the movable property of the person liable for payment.

LST has been made compulsory to be levied on taxi/maxi cab vehicles, goods vehicles upto 12000 kg GVW and 16500 kg GVW with effect from 1 April 2015, 1 April 2016 and 1 April 2017 respectively.

⁸ Administrative Report 2018-19.

⁹ RTOs: Alwar, Bikaner, Chittorgarh, Jaipur, Jodhpur, Kota, Pali, Sikar and Udaipur; DTOs: Nohar and Sri Ganganagar.

¹⁰ RTOs: Bikaner and Udaipur.

¹¹ Notifications number: 22 dated 16 February 2006, 22-A dated 9 March 2007, 22-C dated 14 July 2014 and 22-D dated 8 March 2016.

During test check of the records of selected offices, it was noticed that out of 83282 vehicle, owners of 761 transport vehicles (267 goods vehicles and 494 Taxi/Maxi) did not pay all the instalments. There was nothing on record in the tax ledger or the registration records or in VAHAN to indicate that the vehicles were transferred to other States or registration certificates of these vehicles were surrendered. However, action was not taken to realise the tax due. This resulted in non/short realisation of LST (including surcharge) and penalty amounting to ₹ 6.95 crore. It was further noticed that in case of short payment of instalments, the vehicles were not displayed in defaulter list in VAHAN software.

These matters were pointed out to the Department and reported to the Government (December 2019). The Government replied (January 2020) that ₹ 58.09 lakh had been realised in 85 cases of seven RTOs/DTOs¹² and offices concerned had been directed to realise the remaining amount.

3.3.9.4 Short realisation of fee for Registration, Hypothecation and Fitness

Section 51 of MV Act, 1988, provides that the registering authority shall make an entry in the registration certificate regarding the existence of hypothecation agreement. Rule 81 of the CMV Rules, 1989 prescribes the fee which shall be charged for grant or renewal of registration certificate, endorsing hypothecation agreement and issue or renewal of fitness certificate. The GoI *vide* notification¹³ revised fees in respect of grant or renewal of registration certificate, endorsing hypothecation agreement and issue or renewal of fitness certificate *etc.*

During test check of the registration and fitness records of the selected offices, it was observed that the Department did not initiate timely action to make necessary changes in the software to realise fees at revised rates.

Therefore, the fee was not charged in accordance with revised rates as detailed below:

S. No.	Purpose	No. of cases (30 December 2016 to 13 January 2017)	Fees short paid (₹ in lakh)
1	Grant or renewal of registration certificate	2,811	9.56
2	Endorsing hypothecation agreement	2,019	25.37
3	Issue and renewal of fitness certificate	934	1.87
	Total	5,764	36.80

This resulted in short recovery of fees amounting ₹ 36.80 lakh in 13 RTOs/DTOs¹⁴.

These matters were pointed out to the Department and reported to the Government (December 2019). The Government replied (January 2020) that

¹² RTOs: Bharatpur, Bikaner, Sikar and Udaipur; DTOs: Deedwana, Dholpur and Nohar.

¹³ The Ministry of Road Transport and Highways Notification no. R.T.11017/12/2013/MVL dated 29.12.2016.

¹⁴ RTOs: Alwar, Bharatpur, Bikaner, Jaipur, Jodhpur, Pali, Sikar and Udaipur; DTOs : Chomu, Deedwana, Dholpur Nohar and Sri Ganganagar.

₹ 0.25 lakh had been realised in four cases in two RTO/DTOs¹⁵ and offices concerned had been directed to realise the remaining amount.

3.3.9.5 Irregular exemption granted under Amnesty Schemes

In exercise of the powers conferred by Section 3 (1) of the RMVT Act, 1951 the GoR introduced three Amnesty Schemes *vide* notifications dated 9 March, 2013, 06 December, 2016 and 12 February, 2018 for destroyed and other than destroyed vehicles. The Department *vide* office order nos. 4/2015, 43/2016 and 6/2018 prescribed terms, conditions and eligibility criteria for rebate of penalty and interest as mentioned in the table below:

Scheme	Date on which tax and surcharge was due for payment and is outstanding	Last date to deposit upto date due tax	Period of rebate allowed if tax was paid upto the date mentioned in column 3 (upto the end of)
1	2	3	4
Amnesty Scheme 9 March 2013	31 March 2012	30 June 2015	31 March 2012
Amnesty Scheme 6 December 2016	31 March 2015	31 December 2016	31 March 2015
Amnesty Scheme 12 February 2018	31 March 2016	30 September 2018	31 March 2016

- (i) During the period 2014-15 to 2018-19 total 1773 vehicle owners granted exemption under the schemes, out of these 422 vehicles were selected for test check. Test-check of files, orders and other records related to amnesty schemes in nine RTOs/DTOs offices¹⁶, it was noticed that rebate was granted beyond the period prescribed for exemptions mentioned in column 4 of the table. This resulted in irregular exemption amounting to ₹ 12.86 lakh in 49 cases.
- (ii) Amnesty Scheme 2018 prescribed that:
- prior to grant of benefit, it should be ensured that no challan or audit paragraph remained outstanding against the vehicle.
 - interest and penalty is to be exempted if tax and surcharge upto the 31 March 2016 is payable and outstanding.

During test-check of records in RTO Udaipur, it was found that demand of OTT ₹ 13.87 lakh and penalty ₹ 23.15 lakh was raised (February 2017) against M/s Rajasthan State Mines & Minerals Limited (RSMML) due to non-registration of two non-transport vehicles. Tax amount was deposited in March 2017. M/s RSMML applied (May 2018) for rebate of penalty under Amnesty Scheme. Rebate of ₹ 25.46 lakh was granted (September 2018) against leviable penalty of ₹ 27.75 lakh as on that date. Scrutiny revealed that no tax was outstanding against M/s RSMML for the period upto March 2016, therefore it was not eligible for rebate. However, rebate of ₹ 25.46 lakh was granted in contravention of provision of scheme.

These matters were pointed out to the Department and reported to the Government (December 2019). The Government replied (January 2020) that out of ₹ 38.32 lakh ₹ 0.70 lakh had been realised in four cases of

¹⁵ RTO: Sikar and DTO: Dholpur.

¹⁶ RTOs: Alwar, Bharatpur, Chittorgarh, Kota, Sikar and Udaipur; DTOs: Deedwana, Dholpur and Sri Ganganagar.

two RTO/DTOs¹⁷ and offices concerned had been directed to realise the remaining amount.

3.3.10 Licences

According to Section 3 of the MV Act, 1988, no person shall drive a motor vehicle in any public place unless he holds a valid driving licence issued to him by the competent authority. Rule 11 of the CMV Rules, 1989 provides for preliminary test for learner's licence. Rule 15(2) *ibid* prescribe for test of competence to drive. Further, Rule 32 *ibid* prescribes the fee which shall be charged for issue of licence. Rule 2.1 of the RMV Rules 1990 provides that the DTO shall be the licensing authority. Further, Rule 2.2 of the RMV Rules, 1990 provides that for getting authorisation for driving a transport vehicle, a licence holder may apply with the driving certificate issued by an approved school of motoring.

3.3.10.1 Non-operation of Automated Driving Tracks

With the aim to make the test of competence to drive more efficient and transparent the Department decided to develop Automated Driving Tracks for conducting driving test before the issue of driving license.

The steering committee of dedicated road safety fund approved an amount of ₹ 39 crore to build automated driving tracks in 37 RTOs/DTOs (15 September 2017). An amount of ₹ 23.66 crore was sanctioned for building automated tracks in 13 RTOs/DTOs¹⁸ (9 November 2017). The Department awarded two contracts to construct and develop, operate and maintain automation of driving test track centres.

During scrutiny of records and information furnished by the Department, it was observed that automated tracks were completed in 12 offices with delays ranging from two to 13 months. Track was not completed in RTO Chittorgarh. An expenditure of ₹ 13.23 crore was incurred in constructing these tracks up to March 2019. However, the tracks were not operational at all the 13 locations. Thus, objectives of construction of automated tracks could not be achieved even after more than two years and spending an amount of ₹ 13.23 crore.

The matter was pointed out to the Department and reported to the Government (December 2019). The Government replied (January 2020) that process of determining standards for driving test was under progress and operation would be started after completion of the process. The reply is not tenable as driving test standards would have been determined before awarding contract for construction of automated tracks.

3.3.10.2 Discrepancies in issue of licences

The Department *vide* office order 36/2015 dated 20 November 2015 envisaged that generally a two-wheeler test takes five minutes while a four-wheeler test takes eight to 10 minutes of time for completion. Thus, order prescribed limit of taking driving test per day by one MVI/MVSI. *i.e.* 100 and 50 driving tests per day for two-wheeled and four-wheeled vehicles respectively.

¹⁷ RTO: Sikar and DTO: Dholpur.

¹⁸ RTOs: Alwar, Bharatpur, Bikaner, Chittorgarh, Dausa, Kota, Jaipur, Jodhpur, Pali, Sikar and Udaipur; DTOs: Jhalawar and Deedwana.

Scrutiny of records and information furnished by 15 transport offices¹⁹ except RTO Jaipur for the month of December 2018 revealed that:

- DTO Dholpur issued 31 to 52 licences against allotted 30 slots in a day. Excess issue of licence was noticed on 12 days out of 19 working days. No reason was found on record for accepting applications without slot booking. Taking tests and issuing licences in excess of allotted slots defeated the objective of online slot booking system.

In case the DTO had the facility to entertain more applicants, as is seen from the available evidence, the number of slots per day should have been increased. This would have benefitted the applicants also as they would have to wait for less time to book a slot.

- Eight RTOs/DTOs²⁰ took excess driving tests per MVI/MVSI per day than the prescribed limit of 100. The number of excess tests varied in the range of 102 to 524. Excess tests were taken on five to 14 days out of 20 working days. Six RTOs/DTOs²¹ took tests within the limit prescribed. Conduct of test in excess of prescribed norms was likely to affect proper evaluation of the driving skills which would, in turn, would lead to issue of licences to persons with inadequate driving skills.

This issue also needs to be analysed from the perspective of the growing population and demand for licenses (inspite of the Department still maintaining the prescribed limit of 100 tests per day). Another limiting factor is that Department has 38 per cent vacancies in the critical cadre of MVI/MVSI. The strength of MVI/MVSI has also not been revised since the year 2012-13. Going by current trends, the demand for licenses is only likely to increase over time. The Department may consider rationalising the strength of MVI/MVSIs which are critical operational posts, in the field for providing satisfactory services to the general population.

Excess number of licences issued indicates towards malpractice of issuing licence without driving tests and possibilities of corruption in these offices.

The cases were pointed out to the Department and reported to the Government (December 2019). The Government replied (January 2020) that directions issued *vide* order dated 20 November 2015 would be reiterated to ensure compliance. Fact remains that directions are yet to be issued (May 2020).

3.3.10.3 Short recovery of Licence Fees

The GoI *vide* notification²² revised fees in respect of issue of learner's licence, driving licence, renewal of driving licence *etc.* with effect from 29 December 2016.

During test check of the licence records of nine offices²³, it was observed that the Department did not revise the fee in software timely accordingly fees was charged at old rates during the period 30 December 2016 to 13 January 2017. This resulted in short recovery of licence fees amounting to ₹ 34.07 lakh in 8,596 cases.

¹⁹ RTOs: Alwar, Bharatpur, Bikaner, Chittorgarh, Jodhpur, Kota, Pali, Sikar and Udaipur; DTOs: Bhilwara, Chomu, Deedwana, Dholpur, Nohar and Sri Ganganagar.

²⁰ RTOs: Bharatpur, Bikaner, Chittorgarh, Sikar and Udaipur; DTOs: Bhilwara, Dholpur and Sri Ganganagar.

²¹ RTOs: Alwar, Kota and Pali; DTOs: Chomu, Nohar and Deedwana.

²² The Ministry of Road Transport and Highways Notification no. R.T.11017/12/2013/MVL dated 29.12.2016.

²³ RTOs: Bharatpur, Chittorgarh, Kota, Sikar and Udaipur; DTOs: Deedwana, Dholpur, Sri Ganganagar and Nohar.

These cases were pointed out to the Department and reported to the Government (December 2019). The Government replied (January 2020) that process to start sending mobile messages to the concerned through NIC for recovery of the difference amount was under progress.

3.3.11 Fitness of Vehicles

According to Section 56 of MV Act, 1988 read with rule 62 of CMV Rules, 1989, a transport vehicle shall not be deemed to be validly registered unless it carries a certificate of fitness (FC) issued by competent authority in the prescribed form. Rule 62 of the CMV Rules provides that a FC granted in respect of a newly registered transport vehicle is valid for two years and is required to be renewed every year thereafter. Rule 81 of the CMV Rules prescribes fees for conducting fitness test and grant renewal of FC. The GOI *vide* notification dated 29 December 2016 amended these fees.

Non-monitoring of renewal of fitness certificate

Analysis of the dump data of VAHAN software provided by the Department for the period April 2012 to December 2018 related to fitness of transport vehicles revealed that validity of FCs of 1.85 lakh transport vehicles had expired on 31 December 2018. There was nothing on record to show that these vehicles were not plying in the state or transferred to other states. Year wise break up of FCs expired was as under:

Year	No. of transport vehicles whose fitness expired during the year	No. of transport vehicles whose fitness required to be renewed during the year
2014-15	11,530	11,530
2015-16	30,153	41,683
2016-17	40,163	81,846
2017-18	71,092	1,52,938
2018-19	32,051	1,84,989

*Transport vehicle registered prior to 2012-13 have not been taken into consideration.

Though the data related to vehicles whose validity of FCs expired, was available with the Department, yet it failed to initiate action against the defaulters. Possibility of these vehicles still plying cannot be ruled out. Non-renewal of FCs also resulted in non-realisation of FC fee of ₹ 9.46 crore. Further, fee for conducting test of fitness amounting to ₹ 16.22 crore²⁴ also could not be realised. Thus, the Department failed to monitor renewal of fitness of transport vehicles. Plying of unfit vehicles may lead to serious threat to road safety and environment also.

The matter was pointed out to the Department and reported to the Government (December 2019). The Government replied (January 2020) that fitness of vehicles was being monitored by enforcement staff. The reply is not acceptable as the enforcement staff failed to take action against the defaulters 1.85 lakhs vehicle owners. Further the Department did not use the data to initiate action or issue notices to the defaulters.

²⁴ Calculated on the basis of minimum fee applicable in the rules *i.e.* ₹ 200 up to 29 December 2016 and ₹ 400 thereafter.

3.3.12 Permit

Section 66 of the MV Act 1988 provides necessity of permit for use of transport vehicle in any public place. Further, Section 81 provides that permit shall be effective for a period of five years from the date of issue or renewal and may be renewed on an application made at least 15 days before from the date of its expiry. Rules 87(1) of the CMV Rules 1989 prescribes fees for grant of an authorisation for a national permit. Rule 87(3) *ibid* provides that the period of validity of an authorisation shall not exceed one year at a time.

3.3.12.1 Non-renewal of permit of Auto-rickshaws

There were 1,67,779 Auto-rickshaw registered in the State up to 31 March 2019, out of which 1,09,274 were registered in the selected 16 transport district.

Test-check of the permit records of 100 auto-rickshaws each in nine RTOs/DTOs²⁵ (total of 900) revealed that 240 auto-rickshaws (26.66 *per cent*), did not get their permits renewed. There was nothing on record to show that these vehicles were not plying. No action to issue notice was found on record. The authorities failed to monitor the status of renewal of permits of auto-rickshaws. Further, information of permits of these vehicles was not entered in VAHAN software also.

The matter was pointed out to the Department and reported to the Government (December 2019). The Government replied (January 2020) that plying of auto-rickshaw was being monitored by enforcement staff regularly. The Department also stated that issuance and renewal of permits has been made online. The reply is not acceptable as the permits objected were older permits and notices to the defaulters should be issued by the department besides checking through regular enforcement work.

3.3.12.2 Non-compliance of PAC recommendation in respect of renewal of National permits

The Public Accounts Committee (PAC), in its 303rd report, recommended (16 August 2018) that the Department may initiate the process of renewal of authorisation of national permit under new national permit system through new software promptly and issue notices through the software. In compliance of the recommendation, the Department informed (28 February 2019) that two separate web based software, which were synchronized with each other, were being used for issue of national permit and authorisation. RTOs/DTOs can get the list of vehicles whose validity of permit and authorisation had expired. Issue of notices as per the list was expected to be done at their level.

Information regarding issue of notices through software was called for from selected 16 RTO/DTO offices but 12 offices²⁶ did not furnish the information. Scrutiny of information provided by the four RTOs/DTOs²⁷ (May to September 2019) revealed that notices were not being issued through software by these offices. Thus, PAC's recommendation has not been complied by the department in letter and spirit.

²⁵ RTOs: Alwar, Bikaner, Jaipur, Jodhpur, Kota, Sikar and Udaipur; DTOs: Deedwana and Sri Ganganagar.

²⁶ RTOs : Bikaner, Chittorgarh, Jaipur, Kota, Pali and Udaipur; DTOs: Bhilwara, Chomu, Deedwana, Dholpur, Nohar and Sri Ganganagar.

²⁷ RTOs: Alwar, Bharatpur, Jodhpur and Sikar.

The matter was pointed out to the Department and reported to the Government (December 2019). The Government replied (January 2020) that in-charge of the branch concerned had been directed to comply.

3.3.13 Renewal of Trade Certificate

As per Rule 35 of the CMV Rules, 1989, on receipt of an application for grant or renewal of a trade certificate, the registering authority may, if satisfy, issue certificate. Rule 6 (1) of the RMVT Rules, 1951 provides that every dealer shall present a declaration in form MTH not later than 7th day after the expiry of time allowed for the payment of tax. Further, Rule 8 provides that the taxation officer shall satisfy himself that declaration presented is complete and correct amount of tax has been paid.

During the scrutiny of renewal of trade certificates in RTO Jaipur for the period 2017-18, it was noticed that trade certificates were renewed on the basis of declaration filed by the dealers. Audit cross linked declarations of 25 dealers with the data available in VAHAN. It was noticed that in case of seven dealers, number of vehicles actually sold during previous year was higher in range of two to 271 vehicles than the declared. The taxation officer renewed trade certificates without checking the declarations presented by the dealers. This resulted in incorrect renewal of trade certificates and short collection of trade certificate fees.

The matter was pointed out to the Department and reported to the Government (December 2019). The Government replied (January 2020) that a circular was being issued to all RTOs/DTOs for compulsory verification of dealers' declaration with VAHAN database, before renewal of trade certificates.

3.3.14 Exemption from payment of taxes for non-use of motor vehicle

Section 4(2) of the RMVT Act, 1951 read with Rule 25 and Rule 25AA of the RMVT Rules, 1951 provides that tax on vehicles (other than vehicles covered by OTT and LST) shall be payable by the owner except for the period during which the owner surrenders the certificate of registration to the taxation officer, in the prescribed manner, that the vehicle has remained out of use for such reasons as may be prescribed, or satisfies the taxation officer that vehicle has not been used.

Out of 16 offices selected for PA, the largest three units *i.e.* RTO Jaipur, Jodhpur and Udaipur were selected for examining cases of RC surrender. The study covered the period from 2016-17 to 2018-19.

Out of total 2.67 lakh registered passenger and goods vehicles in the selected three transport offices, 2255 vehicles (0.85 *per cent*) applied for exemption. Among these applications, 68 related to government (RSRTC and JCTSL). Further, RCs of 665 vehicles were pending for release.

Detail of RC surrender cases in selected offices during last three years is as under:

S.No.	Category	Total cases	Selected cases	Examined cases	Not-submitted cases
1	RC surrendered but not released	665	161	154	7
2	RC released after surrender	1590	383	271	112
	Total	2255	544	425	119

Audit could not ascertain position of applications for grant of exemption in case of vehicles where RCs were released as copies of requisite documents were not available in record. The Department may consider to ensure that copies of documents submitted with the Form MTG are kept in record for future references.

Scrutiny of records of the selected offices revealed reasons of surrender of RCs as below:

Reason	As prescribed in Rules			Not prescribed in rules	Not mentioned	Total
	Mechanical breakdown, Repair and Maintenance	Theft	Accident	Irreparable		
Number	352	6	4	36	26	425
Percentage	83.06	1.41	0.94	8.47	6.12	100

It is evident that 14.59 *per cent* of the RCs surrendered were for the reasons was not prescribed in Rules or reasons were not mentioned in applications altogether.

3.3.14.1 Approval of incomplete applications

As per Rule 25 (3) of the RMVT Rules, 1951, the owner shall along with the application submit the RC, tax certificate, tax token, fitness certificate, permit part A and B along with authorisation, insurance certificate *etc.* Rule 25 (4) *ibid* provides that the applicant shall specify the place where the motor vehicle shall be kept during the period of surrender in form MTG. Further, Rule 25 (6) provides that any application which is incomplete or does not satisfy the requirements of sub-rules (1) to (4), shall be returned and deemed as if no application has been submitted.

Scrutiny of 154 cases in which RCs were surrendered but not released, revealed that:

- Necessary documents were not enclosed with the application in form MTG in 127 cases.
- Validity of documents enclosed with application such as Fitness Certificate, Insurance Certificate, PUCC and Tax Certificate had expired in 136 cases.
- Period of surrender was not mentioned in 78 cases.

The Taxation officer however accepted incomplete applications without proper scrutiny. Incomplete applications should have been returned to the applicants but were not returned.

The matter was pointed out to the Department and reported to the Government (January 2020). The Department replied (February 2020) that after the

taxation officer satisfied himself that no tax was outstanding, the requirement of documents did not entail adverse outcome of the rule. Reply is not tenable as applications which did not satisfy the requirements of sub rule 1 to 4, were to be returned according to the provision under Rule 25(6).

3.3.14.2 Approval of application for reasons not prescribed in rules

Rule 25AA prescribes reasons for non-use and provides that the Taxation Officer shall satisfy himself and certify that the vehicle was not used due to being restrained from plying by competent authority, involvement in accident, attachment of vehicle for recovery, suspension or cancellation of RC, mechanical breakdown or repair and maintenance, prohibitory orders under any law and order situation and theft of the vehicle.

Audit noticed that in three offices, 36 applications for surrender of RCs were accepted for the reasons not prescribed in rules i.e. vehicle being irreparable or scrap. Thus, tax exemption allowed in these cases was irregular. As per rules, action for cancellation of RCs was to be initiated in these cases but was not initiated.

Audit worked out the amount of tax exempted as ₹ 1.15 crore in 30 cases. In remaining six cases amount of tax exemption could not be quantified in audit as the permit details were not available on records.

The matter was pointed out to the Department and reported to the Government (January 2020). The Department replied (February 2020) that reason of “mechanical breakdown or repair and maintenance” elucidates that RC of vehicle may be surrendered for repair breakdown reason and whether it is found irreparable after mechanical investigation later. Minor infirmities in the application did not led to tax liability. Reply is not tenable as a vehicle which is already irreparable does not require repair and maintenance. Hence, their classification under repair and breakdown as being done now by the Department is not correct. The Department should initiate action for cancellation of RCs in these cases. Further, accepting surrender of irreparable or scrap vehicles will create unwanted burden of routine monitoring and keeping records of such vehicles which need to be phased out.

3.3.14.3 Improper maintenance of RC Surrender Register

As per Rule 25 (7), acknowledged applications shall be entered serially in a register kept in Form M.T.S. and each entry made therein shall be initialed by an officer authorised in writing on that behalf by the Taxation Officer. The Taxation Officer should on the last day of every month check and sign the register below the last entry made.

The RC Surrender Register was not maintained in form MTGS in RTO Jaipur. Except RTO Jodhpur, complete entries were not made in the register in RTO Jaipur and Udaipur. Thus, in effect the Taxation Officers verified incomplete details in the register. Proper maintenance of the register provides complete information about the vehicles and helps in monitoring. In absence of proper maintenance of the register, the departmental authorities could not get details of the vehicles at a glance.

The matter was pointed out to the Department and reported to the Government (January 2020). The Department accepted and stated (February 2020) that observation was pertinent and the department was making efforts to have the

RC surrendering system as on-line on VAHAN software to eliminate the deficiencies in the present system.

3.3.14.4 Lack of proper monitoring of vehicles whose RCs were surrendered

As per Rule 25 (4), the owner shall not remove the motor vehicle from the specified place to any other place without the prior written permission of the Taxation Officer concerned. Section 4(2) of the RMVT Act, 1951 provides that if a motor vehicle is found plying after the surrender of the RC, the tax on such vehicle shall be payable forthwith for the period of surrender along with a penalty equal to five times the amount of tax.

Rule 25(8) of the RMVT Rules, 1951 provides that at the end of every week, the Taxation Officer shall prepare a list of vehicles kept in non-use and he may himself inspect or by any subordinate officer not below the rank of a MVTI shall get all such motor vehicles inspected and the reports of such inspection thereof shall be entered in the register maintained in form MTS as per Rule 25(7). In case of the vehicles of Rajasthan State Road Transport Corporation, the inspection reports shall be forwarded to the concerned Taxation Officer.

During the scrutiny of records, it was observed that the Taxation Officers were not performing this task. Inspection was carried out only once or twice during entire period of surrender, although RCs were surrendered for a period up to 34 months. Further, inspection reports pertaining to RSRTC vehicles were not available in record. Notices were not issued to RSRTC for furnishing such certificates.

On being enquired, RTO Jodhpur informed that in two cases vehicles were seen plying during the period of surrender of RC. No action was found taken in one case whereas in other case vehicle was ceased by the Department.

Further, scrutiny of vehicle inspection reports in RTO, Jodhpur revealed that in one case vehicle was not found at the place specified in form MTG. Neither permission was granted by the competent authority for removing the motor vehicle to other place nor was the action for removing vehicle without permission initiated.

It was further noticed that 18 vehicle owners surrendered RCs twice or thrice for the purpose of repairing during the period of three years. There was nothing on record to show that the vehicles required repairing frequently.

Timely Inspection of these vehicles was necessary to check the genuineness of reasons mentioned for surrender of RC as well as to protect revenue interest of the Government. In absence of proper monitoring misuse of exemption provisions cannot be ruled out.

The matter was pointed out to the Department and reported to the Government (January 2020). The Department replied (February 2020) that instructions for strict compliance of the procedure had been issued time to time.

The Department may consider to develop a proper system for monitoring these cases and obtain certificate from authorized workshop at the time of application for RC surrender and also before releasing the RC, where the RC was surrendered for one month or more.

3.3.14.5 Lacunae in provisions for RC surrender

Section 4(2) and Rule 25 of the RMVT Act and Rules, 1951 prescribe minimum period for RC surrender or non-use as seven days for stage carriages and one month for other than stage carriages but the rules do not prescribe maximum period.

Statement of objects and reasons under the Rajasthan Motor Vehicle Taxation (Amendment) Bill, 1998 said that provision of “*three months*” was proposed to be amended by “*one month*” to make it more practicable as in modern era of technological advancement, period of one month is adequate for repairing of vehicle.

Scrutiny revealed that 83 *per cent* (353 out of 425) RCs were surrendered under reason of repairs and maintenance of vehicles. It was observed that in 85 cases, applications were submitted without specifying the period of surrender whereas in 257 cases applications were submitted with period up to 12 months and in 10 cases applications were submitted for period of more than 12 months. These applications were approved by the Taxation Officers.

In absence of provision for maximum period of non-use due to repairs and maintenance, RCs were surrendered for unduly long periods. Surrendering RCs for longer periods was not only inconsistent with the spirit of the amendment but also affected revenue collection of the State.

Audit noticed that no document showing that vehicle is fit for plying on road was being submitted at the time of release of RC of such vehicles. Thus long period of surrender of RC of such vehicles could not be justified.

The matter was pointed out to the Department and reported to the Government (January 2020). The Department agreed (February 2020) to consider determination of maximum period.

The Department may prescribe maximum period of non-use of vehicle in rules.

3.3.14.6 Lack of action on expiry of period of surrender

Rule 25 (1) provides that the application for the surrender shall be made in Form M.T.G. The period of surrender of RC is required to be furnished in form MTG.

During the scrutiny of records, it was observed that in 289 cases, either period of surrender had expired or period of surrender was not mentioned in the application. In these cases, application for release of RCs was not submitted. Rules do not provide for extension of period of surrender. However, Taxation Officer did not initiate action to recover tax from the date of expiry of surrender period.

The matter was pointed out to the Department and reported to the Government (January 2020). The Department replied (February 2020) that in absence of prescribed maximum period of surrender, applicants tended to avoid mentioning the exact period. It was further stated that suitable directions would be issued and adopting online system on *VAHAN* would address such discrepancies.

It is quite evident that irregularities in approval of application, casual monitoring of vehicles by the Department and lacunae in rules resulted in loss

of revenue to the exchequer. If the exemption had not been allowed, the Government would have earned revenue of ₹ 1.15 crore in 30 cases. To analyse this issue, audit referred to MV Rules of other States. It was seen that there is no provision for tax exemption in the State of Haryana whereas facility for tax exemption has been controlled by limiting the power of certifying non-use of a motor vehicle of fleet owner with the Commissioner in the State of Karnataka.

3.3.15 Vehicular Pollution

Rule 115 of the CMV Rules 1989 provides that motor vehicle shall be maintained in such condition which comply with the standards of emission. Rule 115(7) *ibid* provides that after the expiry of a period of one year from the date on which the vehicle was first registered every such vehicle shall carry a valid “Pollution under control” (PUC) certificate issued by an agency authorised for this purpose by the State Government. The validity of the certificate shall be for six months. *Rajasthan Motor Vehicle Test Center Scheme (online) 2017* (RMVTC Scheme 2017) was introduced with the objective to prescribe operational process of Pollution Check Centers (PCCs), make the scheme job oriented and control vehicular pollution. As per MoRTH notification dated 23 February 2012, the validity of PUCC shall be one year in case of BS-IV vehicles.

3.3.15.1 Pollution Under Control Certificate

The Department initiated a good practice of keeping the database of Pollution Under Control Certificates (PUCCs) through networking provided by Rajasthan Electronics and Instruments Ltd (REIL) and send mobile text messages to remind vehicles owners for emission test, whenever due.

The detail of PUCC issued and to be issued during 2014-15 to 2018-19 are as under:

(in lakh)

Year	Vehicles registered ²⁸ (up to the end of previous year)	Number of PUC Certificates to be issued as per norms ²⁹	PUC Certificates issued during the year	Number of PUC Certificates issued (in per cent) (4)/(3)
(1)	(2)	(3)	(4)	(5)
2014-15	87.4	152.82	3.77	2.47
2015-16	96.68	181.41	9.66	5.32
2016-17	106.89	201.25	8.57	4.26
2017-18	117.03	221.38	12.06	5.45
2018-19	127.93	242.07	28.28	11.68

Source: Statistical Abstract of the Transport Department 2018-19

Above table indicates that only 2.47 to 11.68 per cent PUCCs were issued during the year 2014-15 to 2018-19. Although number of PUCC issued has increased during 2018-19 but still 88.32 per cent PUCCs could not be issued

²⁸ Vehicles registered upto 15 years ago have been excluded.

²⁹ As per MoRTH notification dated 23 February 2012, validity of PUCC in case of BS-IV vehicles shall be one year. Vehicles registered 2012 onwards have been treated as BS-IV vehicles for purpose of calculating number of PUCCs required to be issued.

as per norms. It was observed that the Department had not utilized the data of vehicles to send messages to owners who failed to appear for emission test.

The matter was pointed out to the Department and reported to the Government (December 2019). The Government replied (January 2020) that action was taken against vehicles found plying without PUC. The reply is not acceptable as the department should have used the data to issue notices to the defaulters besides regular enforcement work.

3.3.15.2 Absence of proper monitoring of vehicles failed in pollution test

Out of 16 selected offices, nine offices³⁰ did not furnish the information related to vehicles which failed the pollution test. Scrutiny of information furnished by seven offices³¹ revealed that 5823 vehicles failed the test in five offices³² whereas no vehicle failed in the test in two offices³³.

- In two offices (RTO, Udaipur and DTO, Chomu) out of 624 failed vehicles, only 150 vehicles were sent for re-test. In Pali, all 260 failed vehicles were re-tested. No action to prevent failed vehicles from plying was initiated by the department. It is evident that the department was not properly monitoring the test results.
- In two offices (RTO, Bharatpur and Jodhpur), 4,939 vehicles failed in pollution test but were not sent for re test.

No action was found initiated against the vehicles failed in pollution test and which did not turn up for re test. This shows that departmental officers were not sensitive on the issue of pollution.

The matter was pointed out to the Department and reported to the Government (December 2019). The Government replied (January 2020) that issue of PUCs was being monitored continuously and 0.30 lakh vehicles failed the emission test out of 25.33 lakh vehicles tested during April 2019 to December 2019. The reply is not acceptable as the department only monitored the data of emission test results but did not issue reminders to the defaulters for re-test.

3.3.15.3 Non-issue of authorisation letter for pollution test centre to authorized vehicle dealers having workshop

RMVTCS (online) 2017 provides that (i) the authorisation letter shall be issued by DTO; (ii) Fees of ₹ 5,000 shall be charged for authorisation of each center for diesel and petrol vehicles separately. (iii) Validity period of authorisation letter shall be two years and it is renewable on payment of renewal fee of ₹ 5,000 (iv) It is mandatory for authorized dealers having workshops to have pollution test center and; (v) New and existing dealers shall compulsorily submit authorisation letter at the time of application for issue and renewal of trade certificate respectively.

During analysis of the record of pollution check centers with the motor vehicle dealers having workshop in 16 selected RTO/DTO offices, it was observed that no dealer obtained the authorisation letter under the scheme in 15 offices whereas in RTO Jaipur, out of 231 dealers 224 dealers did not obtain the same. Thus, the authorisation letter was not obtained by 996 dealers. There was

³⁰ RTOs: Alwar, Bikaner, Chittorgarh and Jaipur; DTOs: Bhilwara, Chomu, Deedwana, Dholpur and Nohar.

³¹ RTOs: Bharatpur, Jodhpur, Pali and Uaipur; DTOs: Bhilwara, Chomu and Sri Ganganagar.

³² RTOs: Bharatpur, Jodhpur, Pali and Uaipur; DTO: Chomu.

³³ DTOs: Bhilwara and Sri Ganganagar.

nothing on record to show that efforts were made to get authorization letter by these dealers. In absence of authorisation letter, trade certificate of dealers was renewed in contravention of condition prescribed in the Scheme. This indicates that the Departmental authorities failed to implement the scheme properly. This also resulted in non-realisation of authorization fee amounting to ₹ 49.80 lakh in 996 cases.

The matter was pointed out to the Department and reported to the Government (December 2019). The Government replied (January 2020) that ₹ 0.70 lakh had been realised in 14 cases. It was further stated that there was no loss of revenue because establishment of test centre was not mandatory for dealers as per CMVR. Reply is not tenable as it is clearly mentioned in the scheme that obtaining authorisation letter for PCC by the motor vehicle dealers having workshop was mandatory.

3.3.16 Internal Control

3.3.16.1 Internal Audit

Internal audit is an essential part of internal control mechanism. The Department has an Internal Audit Wing to conduct audit of records maintained in the transport offices to ensure adherence to the provisions of the Act and Rules as well as departmental instructions issued from time to time.

The four to five inspection parties were deployed for audit against sanctioned seven parties.

- **Arrear of Internal Audit**

The position of internal audit for the last five years was as under:

Year	Pending units at the beginning of year	Units selected for audit during the year	Total units due for audit	Units audited during the year	Units remained un-audited	Shortfall in percent
2014-15	4	51	55	45	10	18.18
2015-16	10	57	67	66	1	1.49
2016-17	1	57	58	50	8	13.79
2017-18	8	57	65	44	21	32.31
2018-19	21	57	78	71	7	8.97

Source: Information furnished by the CoT

It is seen from the above that there were arrears in internal audit ranging from one unit to 21 units. Further, there were significant arrears in the years 2014-15 and 2017-18. Further, it was also seen that in the year 2018-19 total 71 units were audited by four parties against the 57 selected. Thus, quality of work done cannot be assured as audit of excess units than planned with lesser number of parties was conducted.

- **Outstanding paragraphs of Internal Audit**

Year wise break up of outstanding paragraphs of internal audit was as under:

Year	Upto 2014-15	2015-16	2015-16 (Supplementary)	2016-17	2017-18	2018-19	Total
Paras	3,262	833	866	801	1,057	220	7,039

Source: Information furnished by the CoT

Total 7,039 internal audit paragraphs were outstanding at the end of 2018-19, out of these 3,262 paras (46.34 *per cent*) were outstanding for more than five years. The huge number of outstanding paragraphs indicates that the Department did not made effective compliance of the observations raised by the Internal Audit Wing. Thus very purpose of internal audit was defeated to that extent.

The matter was pointed out to the Department and reported to the Government (December 2019). The Government replied (January 2020) that paragraph settlement camps were being organized for disposal of outstanding paragraphs.

3.3.16.2 Non-updation of Departmental Manual

With the objective of compiling departmental rules, structure, activities and duties of departmental officers/officials, Departmental Manual was prepared in the year 2001 by the Transport Department.

During the scrutiny of records in CoT, it was observed that the departmental manual used by the department was published in 2001. No reason was found on records for non-updation of manual.

Functioning of the Transport Department has changed comprehensively with introduction of Information Technology, amendments in rules and regulations, change in departmental structure *etc.* The purview of the Department is also expanding with focus on new aspects like road safety, pollution control *etc.* Therefore, in order to ensure proper functioning of various wings and help officials to cope with the new aspects by providing related guidance at one place, manual is required to be updated timely.

The cases were pointed out to the Department and reported to the Government (December 2019). The Government replied (January 2020) that work of updating the manual was in progress.

3.3.16.3 Inspection of private fitness test centers

According to point 7 of the *Vehicle Fitness Test Centre Regulation Scheme FIZA 2018*, inspection of private fitness centre is to be conducted once in every three months by DTO and once in a six month by RTO/ARTO.

Information regarding inspection of the private centres was provided only by seven offices³⁴ though called for from the selected 16 RTOs/DTOs. There were 12 private centres functioning under the jurisdiction of these offices except RTO Sikar and DTO Nohar where private fitness center was not established. Scrutiny of the information revealed that 12 inspections were conducted during 2018-19. As per the norms, 48 inspections of these centres were to be done by DTO during the year but only 10 inspections were conducted. Inspecting authority was not mentioned in remaining two cases. No inspection was conducted by RTOs against the prescribed number of 24 inspections. Reasons for non-conduct of inspection were also not available on record. Thus, it was evident from the above that functioning of these fitness centers was not properly monitored by the Department.

The matter was pointed out to the Department and reported to the Government (December 2019). The Government accepted (January 2020) that according to

³⁴ RTOs: Jodhpur, Kota, Sikar and Udaipur; DTOs: Dholpur, Nohar and Sri Ganganagar.

the scheme, private fitness centers should be inspected by DTO and ARTO/RTO concerned once in a quarter and half year respectively.

3.3.16.4 Inspections of Pollution Check Centres (PCCs)

According to point 8 of the RMVTC Scheme 2017, each PCC is required to be inspected twice a year by a transport official not below the rank of sub-inspector and the report of inspection have to be submitted to the respective RTO/DTO.

Scrutiny of the information provided (July 2019) by the CoT revealed that 1359 PCCs were functioning in the State (except RTO Dausa). There were 507 transport officials not below the rank of sub-inspector working in the Department as on 02 April 2019. As per the prescribed norms, 5436 inspections were to be conducted during the period 2017-19, however only 1249 inspections were conducted during the said period which was far away from the target. Had six inspections in a year was conducted by an official, target would have been achieved. But the department could not ensure compliance to the provision of the scheme *ibid*, accordingly control of department over functioning of these PCCs was ineffective to that extent.

The matter was pointed out to the Department and reported to the Government (December 2019). The Government replied (January 2020) that PCCs were being inspected in every six months regularly and 869 inspections of 1409 centers were conducted recently. The reply is not tenable as inspection were not conducted as per norms.

3.3.16.5 Non maintenance of Demand and Collection Register

As per Rule 36A (7) of RMVT Rules, 1951, the taxation officer shall enter the details of the tax, penalty and interest in demand and collection register (DCR).

During the test-check of records, it was noticed that DCR was not maintained by DTO Chomu. On being asked, DTO Chomu stated that DCR was to be maintained by the RTO, Jaipur as permit were issued by them. However, according to extant rules DCR was to be maintained by the DTO being the Taxation officer.

In absence of DCR effectiveness of the office in identification of defaulters, issue of demand notices and collection of revenue could not be ascertained.

The matter was pointed out to the Department and reported to the Government (December 2019). The Government replied (January 2020) that DCR would be generated digitally as tax arrears/demands would be monitored online and tax would be auto calculated. The reply is not tenable as the Department did not maintain so far.

3.3.17 Software

'VAHAN' and 'SARATHI' softwares were introduced in the State in phased manner with effect from October 2009 and September 2009 respectively. Presently VAHAN 4.0 software is being used in 61 offices and SARATHI software in 75 offices (including 18 sub offices). The Department did not provide access to SARATHI software, therefore functioning of software could not be analysed. Study of VAHAN software revealed following deficiencies:

3.3.17.1 Partial utilisation of VAHAN

The VAHAN software was designed to automate the data management of information related to vehicles. There are five modules³⁵ provided in the software. However, Enforcement Module had not been made operational yet. Due to non-operation of the module, the Department could not analyse the offences, breach of MV laws by the vehicle drivers/owners and the outstanding challans for compounding. Thus, the Department failed to reap full benefits of the software.

The matter was pointed out to the Department and reported to the Government (December 2019). The Government replied (January 2020) that e-challan application was being implemented in field offices in a phased manner.

3.3.17.2 Partial integration of e-GRAS with VAHAN

The Finance (Economic Affairs) Department, GoR *vide* circular dated 25 July 2018 instructed the revenue Departments to integrate departmental application with e-GRAS and provide auto-deface facility for challans thereafter.

On being inquired (February 2019) regarding integration of departmental application with e-GRAS, the Department informed that departmental application of services related to licences and registration of non-transport vehicles (only at the level of dealer) had been integrated with e-GRAS. Further, the department stated that NIC had linked the VAHAN to provide auto-deface facility. Auto-deface facility was available for e-GRAS challans related to services provided through departmental application. Defacing of rest of the challans after providing the service was being done by offices concerned.

It was observed that the VAHAN was not integrated with e-GRAS for other services except registration of non-transport vehicles at the level of dealer. Hence, the e-GRAS challan related to all other services has to be presented in transport office in person by the vehicle owner and entry is made after verification of receipt. Thus public at large could not be facilitated due to non-integration of these two systems.

The matter was pointed out to the Department and reported to the Government (December 2019). The Government replied (January 2020) that a proposal had been sent to the Finance Department for complete integration of VAHAN 4.0 with e-GRAS.

3.3.17.3 Absence of provision in the software for allowing rebate

The GoR *vide* notification 1 V dated 8 March 2017 provides that in case of new vehicle/chassis, the cost of vehicle for computation of tax shall be the ex-showroom price inclusive of all taxes and levies as shown in the purchase bill but excluding any discount, rebate or concession in price given under any promotional scheme or otherwise by any manufacturer or dealer. The Department *vide* office order dated 20 September 2018 directed the RTOs/DTOs and registering authorities to ensure computation of OTT on the basis of price provided by the manufacturer on VAHAN 4.0 by capturing it from homologation³⁶ with effect from 1 October, 2018.

³⁵ Vehicle Registration, Permit, Taxes, Fitness and Enforcement Modules.

³⁶ Homologation is a portal in VAHAN software from where vehicle detail is captured through chassis number.

During review of registration records and VAHAN software, it was observed that OTT was being computed on price captured through homologation without excluding the rebate given by dealers. Thus, the department's order *ibid* abandoned the benefit given to public *vide* notification *ibid*.

The matter was pointed out to the Department and reported to the Government (December 2019). The Government replied (January 2020) that in-charge of the branch concerned had been directed to verify/comply the facts.

3.3.18 Road Safety

On the lines of the National Road Safety Policy (2010), the State Government approved Rajasthan State Road Safety Policy (21 March 2017). The Department prepared an action plan (October 2017) to achieve the goals of the state policy and fixed the targets.

Scrutiny of the records and information furnished by the Department revealed the following;

3.3.18.1 Short Utilization of Road Safety Fund

A Dedicated Road Safety Fund, 2016 was created (April 2017) to help in reduction of road accidents, implement road safety policy & activities, strengthen institutional infrastructure and make transport system safe. The transport department is the nodal department for management and operation of the fund. Road Safety Cell was empowered to accord sanction from the fund. Position of allotment and utilization of the fund during 2017-19 is as under:

(₹ in crore)

Year	Budget allotted	Budget utilized	Budget unutilized	Percentage of non-utilisation
2017-18	89.42	37.14	52.28	58.47
2018-19	80.52	9.12	71.40	88.67

It is evident that the fund was not utilized effectively.

The matter was pointed out to the Department and reported to the Government (December 2019). The Government replied (January 2020) that 2017-18 was the very first year of establishment of this fund, therefore, it could not be utilized during the year while in the year 2018-19, it could not be utilized due to time taken in opening appropriate budget head and enactment of model code of conduct. The reply is not acceptable as the budget allocation was as per detailed budget head.

3.3.18.2 Target for reducing road accident fatalities

The State policy committed to reduce the road accident fatalities in the state by 50 *per cent* of the base line figure of 2015, by 2020. Annual targets of 15, 15 and 20 *per cent* for the year 2018, 2019 and 2020 respectively were fixed to achieve the policy target.

The position of road accidents in the state is as under:

Year	No. of accidents	No. of casualties	Percentage decrease from base year <i>i.e.</i> 2015
2015	24,072	10,510	-
2016	23,066	10,465	0.43
2017	22,112	10,444	0.62
2018	21,743	10,320	1.80

Source: Administrative Report 2018-19

It is evident that there was only 1.80 *per cent* decrease in accidents fatalities even after three years. Thus, the slow pace, in first three years, reduced the feasibility of achieving the target within time.

States like Tamilnadu and Andhra Pradesh have achieved decrease of 32.26 and 6.67 *per cent* respectively in number of casualties in road accidents during 2017-18 whereas the number has decreased only by 1.80 *per cent* in Rajasthan.

Casualties in road accidents involve high human suffering and socio-economic costs in terms of premature deaths, injuries, loss of productivity for individuals concerned and their families. Therefore, reduction in number of casualties should be taken into serious consideration.

The matter was pointed out to the Department and reported to the Government (December 2019). The Government accepted (January 2020) the fact that there was no significant progress in achieving the desired targets and further stated that sincere efforts were being made by the stakeholder departments.

3.3.18.3 Driving Training Facility

Section 12 of the MV Act, 1988 and Rule, 24 to 31A deal with the provisions of licensing and regulation of Motor Driving Schools (MDS). GoR *vide* notification dated 30 June 2004 and 1 July 2004 empowered MDS for issue of learner's licence. Further, the Transport Department introduced (April 2018) Motor Driving School Control and Regulations Scheme (MDSR)-2018.

Audit observed that as per MDSR-2018, indoor training for non-transport vehicles is 21 days and 30 days for transport vehicle and outdoor training for non-transport vehicles is 10 hours and 15 hours for transport vehicles are compulsory. Instructions for practical and theoretical training have also been prescribed. However, the Department has not established any driving training centre. Further, Training for non-transport vehicle is not mandatory for acquiring licence. Further, as per Section 2(21), driver of light motor vehicle can drive transport vehicle upto the 7500 kg GVW.

Scrutiny of the data related to the road accident collected from 11 Superintendent/Dy. Superintendent of police³⁷ revealed that out of the 8,964 accidents which took place during 2017-18, non-transport vehicles were involved in 5968 accidents (67 *per cent*). Licences to drive such vehicles were granted on the basis of a test which takes 5-10 minutes without compulsion of any prior training. Further, in 208 cases the drivers did not have valid licence. Further 93 *per cent* accidents were caused due to rash driving and negligence on the part of driver.

This indicated lack of driving skills and bad driving habits among non-transport vehicle drivers. This also indicates need of training and refresher courses at regular interval for the purpose of road safety.

The matter was pointed out to the Department and reported to the Government (December 2019). The Government replied (January 2020) that 343 Motor Driving Schools had been sanctioned by the Department.

³⁷ Bharatpur, Bhilwara, Bikaner, Chittorgarh, Dholpur, Kota, Nohar, Pali, Sikar, Sri Ganganagar and Udaipur.

3.3.18.4 Non-phasing out of old vehicles

Growth in number of vehicles and expansion of roads are inherent component for growing economy. But on the other side, uncontrolled growth in vehicle population also has certain adverse side effects. To overcome the problem of traffic congestion the department should design and implement vehicle phase out policy to remove old and unfit vehicles from the road.

The Department had initiated (September 2016) action for phasing out of old vehicles in two phases.

Scrutiny of the records and information furnished by the 15 selected transport offices except RTO Jaipur revealed that validity of RCs of 9.65 lakh vehicles had expired by the end of March 2018. Out of these, RCs of 1.89 lakh vehicles were renewed and 2.42 lakh were cancelled. However, no action was initiated by the Department to phase out the remaining 5.34 lakh old vehicles. Further, no mechanism existed for disposal of vehicles whose RCs were cancelled.

The matter was pointed out to the Department and reported to the Government (December 2019). The Government replied (January 2020) that the remaining 5.34 lakh old vehicles would be phased out as per the provisions of circular dated 30 September 2016.

3.3.18.5 Best practices

The Department has made considerable progress under some of the targets listed under the action plan *i.e.* road safety audit, rectification of black spots, capacity building programs, awareness campaign for use of helmet and seat belt, special drives for schools situated on highways, training for commercial drivers *etc.*

To achieve goals of road safety policy, the Department may also consider to adopt following practices as used by the Government of Madhya Pradesh:

- Compulsory training of First Aid before issue of licence;
- Refresher course for renewal of licence of heavy vehicle;
- Awareness courses for illiterate drivers, heavy vehicle drivers and school bus drivers;
- To promote use of Simulator and driving track for training;
- To establish drivers training facilities *i.e.* Motor Driving Schools *etc.* in Public Private Partnership mode.

3.3.19 Awareness and Co-ordination

3.3.19.1 Inadequate efforts to prevent vehicle owners from incidents of fraudulent payment of tax through forged receipts

The Department *vide* order 03/2015 dated 26 February, 2015 provided facility to the vehicles registered in other states to pay taxes online through check post portal.

During test check of records in RTO Bharatpur, audit observed four cases (occurred in 2016 and 2018) where the vehicle owners made the payment through private operator but enforcement teams of the Department found the receipts issued by private operators as forged.

It was observed that the Department did not make efforts to prevent such incidents such as spreading awareness among vehicle owners, publicising facility of tax payment online through the check post portal and in cash through tax collection centres near border areas *etc.*

On being pointed out, the DTO Bharatpur stated that efforts for spreading awareness among vehicle owners for preventing such incidents were being made through hoardings, banners and press communiques. However, there was nothing on record to show that such efforts were being made by the office.

The matter was pointed out to the Department and reported to the Government (December 2019). The Government replied (January 2020) that RTOs of boarder districts and check posts had been directed to publicise about online payment facility.

3.3.19.2 Sensitisation of other Departments for implementation of Motor Vehicle laws

Transport Department is responsible for implementation of MV laws in the State. Further, for absolute implementation of MV laws, the Department needs to sensitize other Departments/agencies, where vehicles are used.

State Government prescribed rate of One Time Tax on agriculture tractor/combine harvester as 0.30 *per cent* of the cost of the vehicle. Further, under Section 4-C of the Act *ibid*, the GoR prescribed rate of lump-sum tax on non-agricultural tractor-trailers used as goods vehicle as nine *per cent* of the cost of the tractor to which the trailer is attached (14.07.2014) and revised the same at one *per cent* with effect from 8 March, 2016.

Information related to vehicles engaged in various activities *i.e.* sanitation, water supply, transportation of liquor and minerals *etc.* was collected from the concerned Departments. Scrutiny of information obtained from these Departments revealed the following:

- It was noticed that 998 tractors under the jurisdiction of 13 RTOs/DTOs³⁸ were hired for non-agricultural activities in seven Local bodies³⁹ and 12 PHED offices⁴⁰. These vehicles were paying tax prescribed for agriculture tractors instead of rates prescribed for non- agricultural use.
- In State Excise Department 622 non-transport vehicles were engaged in transporting liquor in the month of January 2019, under the jurisdiction of 15 transport offices⁴¹. One Time Tax was paid by these vehicles prescribed for non-transport vehicles in place of paying LST.

Thus, non-sensitization of user offices by the Transport Department resulted in violation of motor vehicle laws.

The cases were pointed out to the Department and reported to the Government (December 2019). The Government replied (January 2020) that letters were being sent to other departments to avoid non-transport vehicles for

³⁸ RTOs: Alwar, Bharatpur, Bikaner, Chittorgarh, Jaipur, Jodhpur, Kota, Pali, Sikar and Udaipur; DTOs: Deedwana, Nohar and Sri Ganganagar.

³⁹ Nagar Nigam/Parishad: Alwar, Bikaner, Chittorgarh, Deedwana, Pali, Sikar and Sri Ganganagar.

⁴⁰ PHED: Alwar, Bharatpur, Bikaner, Chittorgarh, Deedwana, Jaipur, Jodhpur, Kota, Nohar, Sikar, Sri Ganganagar and Udaipur.

⁴¹ RTOs: Alwar, Bharatpur, Bikaner, Chittorgarh, Kota, Jaipur, Jodhpur, Pali, Sikar and Udaipur; DTOs: Bhilwara, Chomu, Deedwana, Dholpur and Sri Ganganagar.

transportation purpose and circulars/office orders were being issued to Treasury and Accounts Department for not appropriating bills of such vehicles.

Other issues

3.3.20 Avoidable expenditure due to hiring of staff on contract

The Department accorded (March 2017 and March 2018) administrative approval for hiring of 10 Security guards and two Drivers on contract for Central Flying Squads (CFSs) for the period March 2017 to February 2019. As per condition number 3 of the order two security guards were required for one CFS. In case, CFS is not working than allocation of staff will be curtailed accordingly.

During audit of records maintained at CoT office, it was observed that the contract for supply of Security guards and Driver was awarded to the contractor M/s Rajasthan Ex-servicemen Corporation. The contractor supplied 8 to 10 security guards and two drivers during the period of March 2017 to February 2019 for CFSs. Audit noticed that no CFS was constituted during the period. Therefore, services of security guards and Drivers supplied by the contractor were not required and hiring of these personnel could have been avoided. This resulted in avoidable expenditure of ₹ 34.88 lakh towards payment made for hiring of these guards and drivers.

The cases were pointed out to the Department and reported to the Government (December 2019). The Government replied (January 2020) that the services of these security guards were utilised in other departmental activities, therefore, the expenditure remained useful for smooth operation of government work. Reply is not acceptable as the security guards were hired for the enforcement purpose and not for official work.

3.3.21 Manpower Management

The sanctioned strength and men-in-position of selected cadres of the Department (as on 02 April 2019) showed that significant vacancies exist in operational *i.e.* Addl. Regional Transport Officer (ARTO), District Transport Officer, Motor Vehicle Inspector, Motor Vehicle Sub Inspector as well as ancillary staff. Against 1608 sanctioned posts, 1038 officers/officials were working, leaving a vacancy of around 35 *per cent*. Further, almost 90 *per cent* of the positions in the cadre of drivers are vacant. However, the Department hired guards and drivers on contract to cater to the operational services.

Despite the acute shortage of MVI/MVSI it was noticed that one MVI/MVSI was deployed against 120 slots for issue of driving licenses in DTO Bhilwara whereas three/two MVIs/MVSI were deployed against 60 slots in DTO Deedwana.

Thus, appropriate assessment and allocation of manpower is required for proper functioning of the Department.

The matter was pointed out to the Department and reported to the Government (December 2019). The Government replied (January 2020) that filling of vacant posts of MVSI was in process and letter had been written to RPSC for

organising review meeting of Departmental Promotion Committee for filling vacant posts of ARTOs.

3.3.22 Non recovery of arrear

Para 5.6.7(f) of the Departmental Manual provides that DTO is responsible for realising 95 per cent of current demand and 80 per cent of outstanding demand.

During the scrutiny of DCRs of passenger vehicles in selected transport offices except DTO Chomu, it was observed that an amount of ₹ 25.35 crore was outstanding in 3231 cases till the date of audit. It was further noticed that an amount of ₹ 16.48 crore was outstanding for more than five years in 1814 cases. However, reasons for such non-recovery of arrears was not available on the record.

The matter was pointed out to the Department and reported to the Government (December 2019). The Government replied (January 2020) that taxation officers were directed to take all necessary steps to neutralize the old demands and old arrears were recovered to some extent every month.

3.3.23 Conclusion and Recommendation

The Department has taken certain proactive steps like issue of mobile SMS to vehicle owners to alert them about impending pollution check, conduct of road safety audit *etc.* However, Audit scrutiny revealed that there are many areas where the Department can improve its functioning. Taxes and Fees prescribed in rules were not/short realized. The Department failed to monitor the renewal of fitness certificate of transport vehicles. Automated Driving Tracks were not made operational in the State though constructed in 12 locations. Deficiencies were noticed in the process of issue of licences. Inspections of private fitness centres and PCCs were not being done as per the prescribed norms.

VAHAN was partially integrated with e-GRAS. Only 2.47 to 11.68 per cent PUCs were issued during the year 2014-15 to 2018-19. Action was not taken to phase out old vehicles. Utilization of Road Safety Fund was in the range of 11.33 to 41.53 per cent only during the years 2017-19.

Therefore, it is recommended that the Government may consider:

- *to start operation of Automated Driving Tracks in all transport offices to make the test more efficient and transparent;*
- *to streamline the process of registration of vehicles which were not registered timely;*
- *to make provision in rule for imposition of penalty on vehicle owners who do not come for re-test within prescribed time after the vehicle declared unfit in emission test;*
- *to send text message to vehicle owners for reminding them about impending expiry of FC, Permits and tax due;*
- *to repeal or amend the relevant provisions of Section 4(2) and Rule 25 of RMVT Act and Rules, 1951 by formulating stringent rules and regulations to ensure effective control over the procedure and stop misuse of the provision as available in the State of Haryana and Karnataka;*
- *better utilisation of IT systems e.g. ensure entries of all permits in VAHAN for proper monitoring; timely updation of revision of tax/fees in*

departmental softwares; tax payment status of vehicles through VAHAN in real time;

- to develop a mechanism in coordination with local bodies and other departments for disposal of obsolete vehicles.

3.4 Non/short realisation of outstanding instalments of lump-sum tax

According to Section 4-C of the Rajasthan Motor Vehicles Taxation Act, 1951 and the Rules made thereunder, lump-sum tax on transport vehicles is levied at the rates prescribed through notifications⁴² issued from time to time by the State Government. The lump-sum tax payable can be paid at the option of vehicle owner either in full or in six equal instalments (with effect from 14th July 2014) within a period of one year. Surcharge at the rate of 10 per cent on the lump-sum tax was also payable upto 10 October 2017, thereafter as per notification dated 11 October 2017, surcharge at the rate of 12.5 per cent is payable. According to notification dated 1 May 2003 penalty at the rate of 1.5 per cent per month or part thereof limited to twice the amount of tax due is also to be levied after the expiry of admissible period. Rule 8 and 33 of the Rajasthan Motor Vehicles Taxation Rules, 1951 empowers the Taxation Officer to serve notice for recovery of tax.

During test check (between June 2018 and January 2019) of the records of eight Transport Offices⁴³ for the years 2014-15 to 2017-18, it was noticed that in respect of 372 transport vehicles⁴⁴, the vehicle owners opted for payment of lump-sum tax in instalments. However, 75 vehicle owners did not pay the remaining instalments after paying the first or second instalments and 297 vehicle owners did not pay any instalment. There was nothing on record in the tax ledgers or registration records or in VAHAN⁴⁵ to indicate that the vehicles were transferred to other States or registration certificates of these vehicles were surrendered. The taxation officers, however, did not initiate any action to realise the tax due. This resulted in non/short realisation of lump-sum tax (including surcharge) and penalty amounting to ₹ 4.09 crore.

The cases were pointed out to the Department and reported to the Government (between July 2018 to February 2019). The Government replied (October 2019) that the amount of ₹ 0.73 crore had been recovered by seven RTO/DTO⁴⁶ in respect of 85 vehicles. Further, Progress is awaited (May 2020).

3.5 Taxes on motor vehicles not realised

As per Section 4 and 4-B of the Rajasthan Motor Vehicles Taxation Act, 1951 and the Rules made thereunder, motor vehicle tax and special road tax are to be levied and collected on all transport vehicles used or kept for use in the State at the rates prescribed by the State Government from time to time except those transport vehicles which have paid lumpsum tax under Section 4-C. As

⁴² Notifications number 22 dated 16 February 2006, 22-A dated 9 March 2007, 22-C dated 14 July 2014 and 22-D dated 8 March 2016.

⁴³ RTO: Ajmer and DTOs: Bundi, Hanumangarh, Jalore, Kishangarh, Ramganj Mandi, Sahapura (Jaipur) and Sawai Madhopur.

⁴⁴ 255 (Goods Vehicle) + 114 (Taxi/ Maxi) + 03 (Bus).

⁴⁵ VAHAN is used for processing transactions related to vehicles *i.e.* registration, permits, tax, fitness *etc.*

⁴⁶ RTO: Ajmer and DTOs: Kishangarh, Jalore, Shahpura, Bundi, Sawai Madhopur and Hanumangarh.

per notification dated 9 March 2011, surcharge at the rate of 5 per cent on tax due was also payable upto 10 October 2017, thereafter as per notification dated 11 October 2017, surcharge at the rate of 6.25 per cent, is payable. Penalty at the rate of 1.5 per cent per month or part thereof subject to twice the amount of tax due is also leviable after the expiry of admissible period vide notification dated 1 May 2003. Further, Rule 8 and 33 of the Rajasthan Motor Vehicles Taxation Rules, 1951 empowers the Taxation Officer to serve notice for recovery of tax.

During test check (Between June 2018 and February 2019) of the registration records, tax ledgers of seven Transport Offices⁴⁷ and VAHAN software for the period 2014-15 to 2017-18, it was noticed that owners of 504 vehicles did not pay the tax for the period April 2014 to March 2018. There was no evidence on record to prove that the vehicles were off the road/were transferred to other District/States or their registration certificates were surrendered. The taxation officers, however, did not initiate any action to realise the tax due. This resulted in non realisation of tax (including surcharge) and penalty amounting to ₹ 2.46 crore as mentioned below:

Sl. No.	Category of vehicles	No. of vehicles	Amount (₹ in crore)	Name of offices where irregularities noticed
1.	Goods vehicles	174	0.74	RTO- Ajmer DTOs-Bundi, Jalore, Sawai Madhopur and Ramganj Mandi
2.	Articulated goods vehicles	249	1.03	RTOs – Ajmer DTOs–Hanumangarh , Sawai Madhopur and Shahpura (Jaipur)
3.	Dumpers/Tippers	81	0.69	DTOs–Bundi, Jalore, Sawai Madhopur and Ramganj Mandi
Total		504	2.46	

The cases were pointed out to the Department and reported to the Government (between July 2018 and March 2019). The Government replied (October 2019) that the amount of ₹ 50 lakh had been recovered by seven RTO/DTOs⁴⁸ in respect of 159 vehicles. Further, progress is awaited (May 2020).

⁴⁷ RTO: Ajmer and DTOs: Bundi, Jalore, Hanumangarh, Ramganj Mandi, Shahpura (Jaipur) and Sawai Madhopur.

⁴⁸ RTO: Ajmer and DTOs: Jalore, Shahpura (Jaipur), Hanumangarh, Sawai Madhopur, Nagaur and Bundi.

CHAPTER-IV

LAND REVENUE

CHAPTER-IV: LAND REVENUE

4.1 Tax administration

Allotment of land and assessment and collection of land revenue are governed by the provisions of Rajasthan Land Revenue Act, 1956 and rules framed thereunder. Land revenue mainly comprises rent on land, lease rent, premium¹, conversion charges and receipts from sale of Government land.

The Revenue Department (Department) functions as the Administrative Department of the Government. The overall control of revenue related judicial matters, supervision and monitoring over revenue officers and maintenance of land record vested with the Board of Revenue (BOR), Ajmer. The BOR is assisted by 33 District Collectors (DCs) at district level. Further there are 289 Sub-Divisional Officers at the sub-division level and 331 *Tehsildars* at the *tehsil* level to assist the DCs.

4.2 Internal audit

The Financial Advisor, BOR is the head of the Internal Audit Wing. There are 18 internal audit parties. The status of internal audit conducted during the period from 2014-15 to 2018-19 is as under:

Year	Units pending for audit	Units due for audit during the year	Total units due for audit	Units audited during the year	Units not audited	Shortfall in per cent
2014-15	158	672	830	551	279	34
2015-16	279	809	1,088	883	205	19
2016-17	205	815	1,020	772	248	24
2017-18	248	815	1,063	739	324	30
2018-19	324	816	1,140	942	198	17

Source: Information provided by the BOR.

It was noticed that 23,071 paragraphs in the internal audit reports were outstanding as on 31 March 2019. Year-wise break up of outstanding paragraphs is as under:

Year	Upto 2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	Total
Paras	7,383	767	1,581	2,434	3,666	7,240	23,071

Source: Information provided by the BOR.

Out of 23,071 paragraphs, 7,383 paragraphs were outstanding for more than five years for want of compliance/corrective action.

The Department stated that the arrear in audit and slow pace of disposal of paragraphs was due to the shortage of manpower and deployment of staff in Assembly and Parliamentary elections during financial year 2018-19.

¹ Premium here means cost of land.

The Government may take steps to strengthen the internal audit wing and ensure expeditious compliance with the outstanding observations raised by the Internal Audit Wing.

4.3 Results of audit

There are 692 auditable units under the Land Revenue Department, out of these 105 Units (approximate 15.17 per cent) were selected for test check. Under these selected units, 9,122 cases of allotment, conversion/regularisation and lease of land etc. were executed, of which 5,154 cases (approximate 56.50 per cent) were selected for audit. During test check, audit found irregularities relating to conversion/regularisation, allotment, lease, etc. involving an amount of ₹ 37.29 crore in 460 cases (approximate 8.93 per cent of sampled cases). Audit also noticed irregularities relating to expenditure involving an amount of ₹ 0.62 crore in 283 Cases.

These cases are illustrative only as these are based on test check of records. Audit pointed out some of the similar omissions in earlier years, not only these irregularities persist but also remain undetected till next audit is conducted. Thus, there is a need for the Government to improve the internal control system including strengthening of internal audit so that recurrence of such cases can be avoided. Irregularities noticed broadly fall under the following categories:

Sl. No.	Category	₹ in crore)	
		Number of cases	Amount
1	Non-recovery/short recovery of premium and lease rent of allotted land	29	32.54
2	Non-recovery/short recovery of conversion/regularisation charges from <i>khatedars</i>	387	4.53
3	Non-reversion of land to Government	22	0.17
4	Other irregularities relating to:		
	(i) Revenue	22	0.05
	(ii) Expenditure	283	0.62
Total		743	37.91

During the year 2018-19, the Department accepted audit observations worth ₹ 23.60 crore pertaining to 737 cases, of which 81 cases involving ₹ 1.39 crore were pointed out during 2018-19 and the rest in the earlier years. The Department recovered ₹ 1.01 crore in 605 cases during the year 2018-19, of which 23 cases involving ₹ 0.11 crore related to the year 2018-19 and rest for the earlier years.

The State Government accepted and recovered the entire amount of ₹ 22.56 lakh in one case (pertaining to DC Sikar) of **Short levy of cost of land due to application of old DLC rates** after it was pointed out (May 2019) by the Audit. This paragraph has not been discussed in the Report.

Few illustrative cases involving ₹ 3.98 crore are discussed in the succeeding paragraphs.

4.4 Non-compliance with provisions of Act/Rules

The LR Act and the various rules made thereunder along with notifications of the Government provide for allotment and conversion of land.

During test check of records at the offices of three District Collectors² (DC) audit observed short levy of cost of land and regularisation charges due to application of incorrect rates and un-authorised use of agriculture land for non-agriculture purposes. These cases are illustrative only as these are based on test check of records. There is a need for the Government to improve the existing internal control of the Department in order to avoid recurrence of such cases. A few cases involving ₹ 3.98 crore noticed during 2018-19 are mentioned below:

Sl. No.	Particulars	Reply of the Government
1	<p>Short levy of regularisation charges</p> <p>A company applied (June 2013) for conversion of 6.14 <i>bigha</i> (16,946.17 square metre) of agriculture land situated in village Gunki at <i>Tehsil</i> Newai (Tonk) for residential colony purpose. In this regard the Sub-Divisional Office, Newai reported (February 2014) that gravel road had been built on the land and demarcation for plotting was also done, therefore, the land was to be converted under Rule 13 <i>ibid</i>. Accordingly the competent authority levied and recovered regularisation charges ₹ 7.74 lakh³ and issued (December 2015) conversion order. The competent authority while calculating the regularisation charges applied incorrect DLC rate (₹ 3.85 lakh per <i>bigha</i>). The regularisation charges were to be levied and recovered on the basis of prevalent DLC rate⁴ applicable for the land <i>i.e.</i> ₹ 11 lakh per <i>bigha</i>. Therefore, regularisation charges of ₹ 22.11 lakh⁵ was to be levied and recovered. Thus, application of incorrect DLC rate resulted in short levy and recovery of regularisation charges of ₹ 14.37 lakh⁶.</p>	<p>The Government replied (August 2019) that notice for recovery had been issued to the executant and the concerned officer had been instructed for compliance/recovery. Further progress of recovery is awaited (May 2020).</p>
2	<p>Short levy of cost of land due to application of incorrect rates</p> <p>Government land measuring 10 <i>bigha</i> (1,74,240 square feet) in village <i>Khirva, tehsil Bap</i> (Jodhpur) was allotted (March 2018) to the NHAI for construction of toll plaza. The allotting authority had requested (November 2017) the State Government for clarification about the cost of allocation of land. The State Government clarified (January 2018) that allotment of land was to be for free of cost only when it is not used for commercial activity. However, we observed that the allotting authority recovered an amount of ₹ 13.20 lakh⁷ only as cost of the land according to the DLC rates for agricultural land.</p> <p>Since the land was allotted for commercial activity <i>i.e.</i> operation of toll plaza, therefore, cost of the land should have</p>	<p>The Department replied (January 2020) that allotment of Government land to NHAI at DLC rates (applicable for agriculture land) for construction of toll plaza is correct because the construction of NH(s) by NHAI is being done in public interest and not for the purpose of profit earning. Collection of toll fee at NHs is being done in lieu of services given which</p>

² Jaipur, Jodhpur and Tonk.

³ ₹ 7.74 lakh: 16946.17 square metre X ₹ 11.4169 per square metre (at the rate 7.50 per cent amount of DLC rate (₹ 3.85 lakh per *bigha*) of agricultural land) X 4 times.

⁴ The DLC, Tonk revised the rate of agriculture land situated at *tehsil* Newai with effect from 29 December 2014.

⁵ ₹ 22.11 lakh: 16946.17 square metre X ₹ 32.6179 per square metre (at the rate 7.50 per cent amount of DLC rate (₹ 11 lakh per *bigha*) of agricultural land) X 4 times.

⁶ ₹ 14.37 lakh: ₹ 22.11 lakh (-) ₹ 7.74 lakh.

⁷ ₹ 13.20 lakh: 10 *bigha* X ₹ 1.32 lakh per *bigha*.

	<p>been recovered at prevailing DLC rates for commercial land <i>i.e.</i> ₹ 3.14 crore⁸. The action of the allotting authority in applying DLC rates for agriculture land despite the clarification by the State Government on the issue resulted in short levy and recovery of ₹ 3.01 crore⁹.</p>	<p>does not seem a commercial activity.</p> <p>Reply is not tenable as the NHAI is a company and as per Section 10 of The National Highways Authority of India Act, 1988, the Authority shall act on business principles and as per website of NHAI collection of toll fee is a commercial activity. Therefore, the cost of the allotted land for construction of toll plaza was to be recovered at commercial rates. Further progress and reply of the Government is awaited (May 2020).</p>
<p>3</p>	<p>Un-authorized use of agriculture land for non-agriculture purposes</p> <p>In four cases of DC Jaipur office, agriculture land was being used for non-agriculture purposes <i>i.e.</i> for residential without permission of competent authority. Scrutiny revealed that four developers applied for conversion of 2,68,221 sqm of agriculture land(s) for residential colony projects and deposited conversion charges of ₹ 13.35 lakh. Scrutiny of the records revealed that the competent authority rejected (between April 2017 and February 2018) the applications due to withdrawal of application by the developer (one case), unclear title of the land (one case) and non-compliance of required information by the applicants (two cases). According to the report(s) provided (between January 2019 and February 2019) by the concerned <i>Tehsildars</i>, residential colonies were developed on the agriculture land(s) in all the four cases. Out of these, in one case residential plots were being sold without conversion of the land. Though permission was not granted, the developers were using the land for non-agriculture purpose. However, the competent authority, neither recovered the regularisation charges nor initiated action to eject them from the land. This resulted in short levy of regularisation charges of ₹ 83.22 lakh.</p>	<p>The Government replied (December 2019) that in three cases, the concerned officers had been directed to take action against the <i>khatedars</i> as per provisions.</p> <p>In remaining one case it was stated that as per site visit there was no construction on the land/no use of non-agriculture. The reply is not tenable as plots were being sold as residential, therefore, it should be treated as residential <i>i.e.</i> the land has been put in use for non-agriculture purpose. Further progress is awaited (May 2020).</p>

⁸ ₹ 3.14 crore: 1, 74,240 square feet X ₹180 per square feet.

⁹ ₹ 3.01 crore: ₹ 3.14 crore (-) ₹ 13.20 lakh.

CHAPTER-V

**STAMP DUTY AND
REGISTRATION FEE**

CHAPTER-V: STAMP DUTY AND REGISTRATION FEE

5.1 Tax administration

Receipts from Stamp Duty (SD) and Registration Fee (RF) in the State are regulated under the Registration Act, 1908, the Rajasthan Stamps (RS) Act, 1998 and the Rules made thereunder. According to Section 3 of the RS Act, every instrument shall be chargeable with duty according to the rates mentioned in the Schedule to the RS Act. The SD is leviable on execution of instruments and RF is payable on registration of instruments. Surcharge is also chargeable on SD with effect from 9 March 2011.

The Registration and Stamps Department (Department) functions under the administrative control of Finance Department. The Inspector General, Registration and Stamps (IGRS) is the head of the Department. He is assisted by two Additional Inspector Generals in administrative matters and by a Financial Adviser in financial matters. Besides, one Additional Inspector General, Jaipur is entrusted with the work of Chief Vigilance Officer. The entire State has been divided into 18 circles which are headed by Deputy Inspector General (DIG) *cum Ex-officio* Collector (Stamps). There are 114 Sub Registrars (SRs) and 415¹ *ex-officio* SRs².

5.2 Internal audit conducted by the Department

The Department has an Internal Audit Wing under the charge of the Financial Advisor. There are six Internal Audit Parties. Planning for internal audit of units is made on the basis of importance and revenue realisation. The status of internal audit conducted during the period from 2014-15 to 2018-19 is as under:

Year	Total units due for audit	Total number of units audited	Unaudited units	Shortfall (per cent)
2014-15	523	267	256	49
2015-16	523	180	343	66
2016-17	527	109	418	79
2017-18	340	81	259	76
2018-19	573	137	436	76

Source: Information provided by the IGRS.

The short fall in coverage of units due for audit ranged between 49 *per cent* and 79 *per cent* during 2014-15 to 2018-19. The Department stated that the arrear in audit was due to the shortage of posts and deployment of staff in Assembly and Parliamentary elections during financial year 2018-19.

It was noticed that 8,789 paragraphs of internal audit reports were outstanding at the end of 2018-19. Year-wise breakup of outstanding paragraphs of internal audit reports is as under:

Year	Upto 2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	Total
Paras	6,276	81	452	416	529	1,035	8,789

Source: Information provided by the IGRS.

Out of 8,789 paragraphs, 6,276 paragraphs were outstanding for more than five years for want of compliance/corrective action. The reason stated by the

¹ As per Administrative report 2018-19 of IGRS.

² Tehsildars and Naib Tehsildars have been declared as *ex-officio* SRs.

Department for slow pace of disposal was non-realisation of recovery under all the documents objected in a para, which remains unsettled even if recovery of one of the objected document remains pending.

The Government may take steps to ensure expeditious compliance with the outstanding observations raised by the Internal Audit Wing.

5.3 Results of audit

There are 547 auditable units³ in the Registration and Stamps Department, Out of these, 100 Units (approximate 18 per cent) were selected for test check during the year 2018-19 wherein 6,29,165 instruments were registered, of these 3,32,151 instruments (approximate 53 per cent of instruments) were selected for test check⁴. During scrutiny, audit noticed short/non-realisation of SD and RF of ₹ 42.46 crore in 1413 instruments. Audit also noticed irregularities relating to expenditure involving an amount of ₹ 5.90 crore in six cases.

These cases are illustrative only as these are based on test check of records. Audit pointed out some of the similar omissions in earlier years, not only these irregularities persist but also remain undetected till next audit is conducted. Thus, there is a need for the Government to improve the internal control system including strengthening of internal audit so that recurrence of such cases can be avoided. Irregularities noticed broadly fall under the following categories:

(₹ in crore)			
Sl. No.	Category	Number of Cases	Amount
1	Incorrect determination of market value of properties	821	9.76
2	Short/non-levy of stamp duty and registration fee	457	24.76
3	Other irregularities related to:		
	(i) Revenue	135	7.94
	(ii) Expenditure	06	5.90
Total		1,419	48.36

During the year 2018-19 the Department accepted underassessment and other deficiencies of ₹ 61.65 crore pertaining to 2806 cases, of which 455 cases involving ₹ 14.14 crore were pointed out during the year 2018-19 and the rest in the earlier years. The Department recovered ₹ 6.87 crore in 2,175 cases during the year 2018-19, of which 41 cases involving ₹ 0.07 crore relate to the year 2018-19 and rest to the earlier years.

The State Government accepted and recovered the entire amount of ₹ 2.50 crore in a case (pertaining to SR Kotputali) of non-levy of surcharge on amalgamation of companies after it was pointed out (February 2019) by the Audit. This paragraph has not been discussed in the Report.

A few illustrative cases involving ₹ 17.82 crore are discussed in the succeeding paragraphs.

³ 547 auditable units: 527 SRs (Registering authorities) and 20 administrative offices as per Audit Plan.

⁴ Record for the period 2014-18 was test checked.

5.4 Deficit Stamp Duty and Registration fees

The executants while registering any instrument have to submit information, about property *i.e.* subject matter of transfer, location, area, nature of use, any other fact affecting duty, *etc.* in a prescribed check list. To assess the correct stamp duty (SD), the Sub-Registrar (SR) has to review the submitted check list along with facts contained in recital of instrument.

During test check (between December 2017 and March 2019) of records at the offices of 23 Sub-Registrars⁵ (SRs), it was noticed that 104 instruments were registered as sale deeds/lease deeds/gift deeds/mining leases/mortgage deeds/release deeds/certificate of sales pertaining to agriculture/residential/marriage garden/commercial/institutional land(s). Either complete information was not given in check lists or facts were mentioned in recital of instruments/supporting instruments were enclosed but incorrect input was given in 'E-Panjiyan'. This resulted in non/short levy of SD and registration fee (RF) of ₹ 17.82 crore as discussed in table below:

Sl. No.	Particulars	Reply of the Government
1	<p>Undervaluation of immovable properties</p> <p>34 Instruments were registered (between June 2016 and March 2018) at 13 SRs⁶ as <i>sale deeds/lease deed/gift deeds/mining leases</i> pertaining to agricultural/residential/industrial/commercial land(s)/marriage garden. Scrutiny of these instruments revealed that the concerned registering authorities had assessed the market value of the properties at ₹ 30.70 crore instead of ₹ 71.11 crore. The omissions were due to; incorrect classification of properties in 13 instruments amounting to ₹ 1.11 crore, non-consideration of cost of constructed area in one instrument amounting to ₹ 0.15 crore and application of incorrect DLC rates in 20 instrument amounting to ₹ 1.16 crore. The registering authorities therefore, levied SD, surcharge and RF of ₹ 1.72 crore⁷ instead of ₹ 4.14 crore⁸ which resulted in short levy of SD, surcharge and RF of ₹ 2.42 crore.</p>	<p>The Government replied (May 2019 and September 2019) that entire amount of ₹ 11.48 lakh had been recovered in one instrument (SR Pali-I), an amount of ₹ 2.15 lakh had been recovered against objected amount of ₹ 5.19 lakh in two instruments and efforts are being made to recover the remaining amount. Notices for recovery have been issued to the executants of 17 instruments, while cases have been registered with Collector (Stamps) in remaining 14 instruments. Further progress is awaited (May 2020).</p>
2	<p>Transfer of immovable properties</p> <p>10 instruments of immovable properties pertaining to shops in <i>Krishi Upaj Mandis</i> were registered (between April 2016 and October 2017) at two SRs⁹ as lease deeds. Scrutiny of the lease deeds disclosed that initially the shops were allotted by the <i>Krishi Upaj Mandi Samittees</i> in favour of 10 allottees (first allottees). The first allottees subsequently transferred these shops to others (next allottees) with mutual consents. However, there was nothing on record to show that these documents of transfer of immovable properties were registered and duly stamped. The transfer of immovable properties through mutual consents was to be</p>	<p>The Government replied (May 2019) that notices for recovery have been issued to the executants. Further progress of recovery is awaited (May 2020).</p>

⁵ Ajmer-I, Atru (Baran), Baran, Behror, Bhiwadi, Chittorgarh, Chomu, Jaipur-II, III, IV & IX, Kota-II, Nasirabad, Neemrana, Pali-I, Pushkar, Sanchore, Sanganer-I & II, Sayala, Tijara, Udaipur-I & II.

⁶ SR: Ajmer-I (three cases), Atru (Baran) (one case), Behror (Alwar) (two cases), Pali-I (one case), Jaipur-II (two cases), Jaipur-IX (seven cases), Nasirabad (one cases), Neemrana (Alwar) (one case), Sanganer-I (one case), Sanganer-II (two cases), Sayala (Jalore) (one case), Udaipur-I (eight cases) and Udaipur-II (four cases).

⁷ ₹ 1.72 crore: SD of ₹ 1.20 crore, surcharge of ₹ 23.84 lakh and RF of ₹ 28.23 lakh.

⁸ ₹ 4.14 crore: SD of ₹ 2.94 crore, surcharge of ₹ 58.94 lakh and RF of ₹ 60.80 lakh.

⁹ SR: Baran and Kota-II.

	categorised as conveyance. This resulted in non-levy of SD, surcharge and RF of ₹ 55.44 lakh ¹⁰ .	
3	<p>Power of attorney</p> <p>A POA was enclosed with a sale deed executed (May 2017) at SR Tijara (Alwar). The sale deed was registered on the basis of registered POA. Scrutiny of the registered POA and sale deed revealed that the POA was executed (May 2016) in favour of a company by an individual on which SD, surcharge and RF of ₹ 8.32 lakh¹¹ at the rate of two <i>per cent</i> of market value of the property was chargeable. However, the registering authority levied and recovered only RF of ₹ 10 thousand. This resulted in non-levy of SD and surcharge of ₹ 8.22 lakh¹².</p>	The Government replied (May 2019) that notice for recovery has been issued to the executant in the case. Further progress of recovery is awaited (May 2020).
4	<p>Mortgage deeds</p> <p>Three instruments of mortgage deed were registered (June 2017) at SR Pushkar (Ajmer) for availing loan from a Nationalised Bank. Scrutiny of the mortgage deeds revealed that these were registered for extension of existing loan facility on which SD of ₹ 13.71 lakh¹³ at the rate of 0.15 <i>per cent</i> of the amount (₹ 72 crore <i>i.e.</i> further loan amount) secured was chargeable. However, the registering authority levied and recovered SD of ₹ 2.40 lakh¹⁴ at the rate of 0.15 <i>per cent</i> of market value (₹ 9.17 crore) of the mortgaged properties. This resulted in short levy of SD and surcharge of ₹ 11.31 lakh¹⁵.</p>	The Government replied (May 2018) that notices for recovery have been issued to the executants. Further progress of recovery is awaited (May 2020).
5	<p>Release deeds</p> <p>Two instruments were registered (between June 2017 and July 2017) at SR Sanganer-II (Jaipur) as release deeds for releasing ancestral property to relatives. Further scrutiny revealed that the ancestral properties were released to relatives who were not specified under Article 48(a) of the Schedule to the RS Act. As the release deeds were executed in favour of relatives other than those specified in the Act, concessional rates should not have been applied and SD of ₹ 15.16 lakh¹⁶ was to be charged as on conveyance for the amount equal to the market value of the share as per Article 48(b) of the Schedule to the RS Act. The registering authority, however, irregularly extended the benefit of concessional rates and charged SD of ₹ 0.13 lakh¹⁷ only. This resulted in short levy of SD, surcharge and RF of ₹ 15.03 lakh¹⁸.</p>	The Government replied (July 2019) that cases have been registered with Collector (Stamps). Further progress is awaited (May 2020).
6	<p>Transfer of immovable properties through unregistered agreements</p> <p>Agriculture land(s) measuring 2,45,821 square metre situated in two <i>tehsils</i>¹⁹ (SR, Chomu (Jaipur) and Jaipur-III) were purchased (between November 2012 and March 2016) by a Co-operative Housing Society through unregistered agreements. These agreements were required to be registered under Section 17 of the Registration Act and Article 21 of the Schedule to the RS Act. However, the Regional Auditor, Co-operative Societies, being person-in-charge of a public office failed to detect this irregularity and did not make any</p>	The Government replied (July 2019) that cases have been registered with Collector (Stamps). Further progress is awaited (May 2020).

¹⁰ ₹ 55.44 lakh: SD of ₹ 39.82 lakh, Surcharge of ₹ 7.65 lakh and RF of ₹ 7.97 lakh.

¹¹ ₹ 8.32 lakh: SD of ₹ 6.85 lakh, surcharge of ₹ 1.37 lakh and RF of ₹ 0.10 lakh.

¹² ₹ 8.22 lakh: SD of ₹ 6.85 lakh and surcharge of ₹ 1.37 lakh.

¹³ ₹ 13.71 lakh: SD of ₹ 10.80 lakh, surcharge of ₹ 2.16 lakh and RF of ₹ 0.75 lakh.

¹⁴ ₹ 2.40 lakh: SD of ₹ 1.38 lakh, surcharge of ₹ 0.27 lakh and RF of ₹ 0.75 lakh.

¹⁵ ₹ 11.31 lakh: SD of ₹ 9.42 lakh and surcharge of ₹ 1.89 lakh.

¹⁶ ₹ 15.16 lakh: SD of ₹ 10.45 lakh, surcharge of ₹ 2.09 lakh and RF of ₹ 2.62 lakh.

¹⁷ ₹ 0.13 lakh: SD of ₹ 0.10 lakh, surcharge of ₹ 0.02 lakh and RF of ₹ 0.01 lakh.

¹⁸ ₹ 15.03 lakh: SD of ₹ 10.35 lakh, surcharge of ₹ 2.07 lakh and RF of ₹ 2.61 lakh.

¹⁹ *Tehsils*: Chomu and Jaipur.

	reference to Collector (Stamps) in the matter which resulted in non-levy of SD, surcharge and RF of ₹ 1.96 crore at the rate of five <i>per cent</i> on market value of ₹ 28.35 crore ²⁰ of these properties.	
7	Partition deeds of immovable properties: Four instruments of sale deed of immovable properties were registered (between June 2017 and March 2018) at SR, Udaipur-II. Scrutiny of the recitals of these sale deeds revealed that these properties were purchased by the co-owners jointly. Later on they separated their shares from the joint properties through execution (between December 2011 and September 2016) of partitioned deeds. Thereafter the owners sold their portion in individual capacities through sale deeds. There was nothing on record to show that these partition deeds were registered though, SD of ₹ 100 each was paid. However, while registering the sale deeds the registering authority failed to notice the irregularity and did not charge SD, surcharge and RF on the partition deeds. This resulted in non-levy of SD, surcharge and RF of ₹ 73.96 lakh ²¹ .	The Government replied (July 2019) that notices for recovery have been issued to the executants. Further progress is awaited (May 2020).
8	Certificate of sale Four instruments were registered (Between December 2017 and March 2018) at SR, Bhiwadi as <i>certificate of sale</i> . Scrutiny of records revealed that these <i>certificates of sale</i> were issued to the purchasers by the Banks/Financial Institutions after auction of the properties against which loan amount was not paid by the defaulters. The registering authority allowed full exemption in SD to the purchasers without ensuring submission of certificates of sick enterprises. In absence of the certificates, exemption for SD was irregular. The registering authority, however, ignored the fact while registering the instrument and levied only the registration fee of ₹ 5.44 lakh. Irregular exemption in SD resulted in non-levy of SD and surcharge of ₹ 33.50 lakh ²² .	The Government replied (September 2019) that entire amount of ₹ 8.48 lakh has been recovered in two instruments while in remaining two instruments, cases have been registered with collector (Stamps). Further progress is awaited (May 2020).
9	Developer agreements: Two instruments of immovable properties were registered (May 2017 and June 2017) at two SRs ²³ as sale deed/lease deed. Scrutiny of the recital of these deeds revealed that agreements were executed (April 2006 and September 2007) between the owners of the property and the developers for development of residential and commercial building/complex on the properties. The fact about the registration of these agreements was neither mentioned in the sale/lease deed nor were the copies of registered agreements enclosed for ready reference. Thus, there was nothing on record to prove that these developer agreements were registered and duly stamped. Therefore, non-registration of these developer agreements resulted in non-levy of SD of ₹ 1.29 crore.	The Government replied (August 2019) that cases have been registered with collector (Stamps) in both the instruments. Further progress is awaited (May 2020).
10	Lease deeds Six instruments were registered (between June 2017 and December 2017) at three SRs ²⁴ as lease deeds pertaining to immovable properties. Scrutiny of the recital of the lease deeds and evaluation reports revealed that the concerned registering authorities ignored the facts mentioned in the leases or documents attached and thus incorrectly calculated	The Government replied (August 2019) that a notice for recovery has been issued to the executant in one instrument while cases have been registered with

²⁰ The rates as fixed by the concerned District Level Committee for the area effective from 15 May 2017, 22 May 2017 and 13 February 2018.

²¹ ₹ 73.96 lakh: SD of ₹ 61.30 lakh, surcharge of ₹ 12.26 lakh and RF of ₹ 0.40 lakh.

²² ₹ 33.50 lakh: SD of ₹ 27.92 lakh and surcharges of ₹ 5.58 lakh.

²³ SR: Jaipur-II and Kota-II.

²⁴ SR: Chittorgarh, Jaipur-IV and Udaipur-I.

	<p>the period of leases. In three cases, previous period immediately preceding the new leases without a break for which the lessee and lessor remained the same were not considered and in remaining cases the leases were for a period of more than five years²⁵ however, the registering authorities considered the period as less than five years. Thus, the registering authorities levied SD of ₹ 13.46 lakh²⁶ instead of ₹ 71.44 lakh²⁷. This resulted in short levy of SD, surcharge and RF of ₹ 57.98 lakh²⁸.</p>	<p>Collector (Stamps) in remaining five instruments. Further progress is awaited (May 2020).</p>
11	<p>Transfer of immovable properties to partnership firms</p> <p>(i) Immovable properties transferred by individuals to the partnership firms</p> <p>Five instruments were registered (between April 2016 and September 2017) at four SRs²⁹ as sale deeds. Scrutiny of these sale deeds and records provided by the Registrar of Firms (RoF), Sirohi revealed that the immovable properties owned by the individuals were transferred to partnership firms. Thus, the individuals (assigners) had transferred (assigned) their immovable properties to the partnership firms (assignees) and therefore, the assignee(s) had become the sole owner of the said property(s). The immovable properties valuing ₹ 49.37 crore were transferred to the firms on which SD of ₹ 2.96 crore³⁰ was leviable. However, the RoF, Sirohi, being person-in-charge of a public office, failed to detect this irregularity at the time of registration (between July 2016 and December 2016) of the partnership deeds and did not refer the matter to Collector (Stamps) in two cases. These were notarized in the office of Notary Public on the stamps of ₹ 2,000 each only. These Notary(s) public also failed to perform their duty as public officer. In remaining three cases, SD was not paid. The registering authority while registering the sale deeds did not detect the irregularity and did not charge duty on transfer of immovable properties which resulted in non-levy of SD of ₹ 2.96 crore.</p> <p>(ii) Immovable properties transferred to the existing/new partners of the partnership firms</p> <p>Two instruments were registered (between December 2017 and February 2018) at two SRs³¹ as sale deeds. Scrutiny of these sale deeds and records provided (May 2019) by the RoF, Udaipur revealed that share of immovable properties owned by the existing/retiring partners were transferred to the existing/new partners of the partnership firms. Thus, the existing/retiring partners (assigners) had transferred (assigned) their immovable properties to the existing/new partners (assignees) of the partnership firms and therefore, the assignee(s) had become the sole owner of the said property(s). The immovable properties valuing ₹ 111.40 crore were transferred to the existing/new partners of the partnership firms on which SD of ₹ 6.64 crore³² was leviable. This resulted in non-levy of SD and surcharge of ₹ 6.64 crore.</p>	<p>The Government replied (August 2019) that cases have been registered with Collector (Stamps) in three instruments while notices for recovery have been issued to the executants in two instruments. Further progress is awaited (May 2020).</p> <p>The Government replied (October 2019) that cases have been registered with Collector (Stamps) in both the instruments. Further progress is awaited (May 2020).</p>

²⁵ Above 5 years and upto 10 years.

²⁶ ₹ 13.46 lakh: SD of ₹ 9.62 lakh, surcharge of ₹ 1.92 lakh and RF of ₹ 1.92 lakh.

²⁷ ₹ 71.44 lakh: SD of ₹ 52.54 lakh, surcharge of ₹ 10.51 lakh and RF of ₹ 8.39 lakh.

²⁸ ₹ 57.98 lakh: ₹ 71.44 lakh (-) ₹ 13.46 lakh.

²⁹ SR: Ajmer-I, Sanchore (Jalore), Sirohi and Udaipur-I.

³⁰ ₹ 2.96 crore: SD of ₹ 2.47 crore and Surcharge of ₹ 0.49 crore.

³¹ SRs: Nathdwara and Udaipur-I.

³² ₹ 6.64 crore: SD of ₹ 5.72 crore and Surcharge of ₹ 0.92 crore.

CHAPTER-VI
STATE EXCISE

CHAPTER-VI : STATE EXCISE

6.1 Tax administration

The Secretary, Finance (Revenue) is the administrative head of the State Excise Department (Department) at Government level. The Department is headed by the Excise Commissioner (EC). The Department has been divided in seven zones which are headed by the Additional Excise Commissioners (AECs). District Excise Officers (DEOs) and Excise Inspectors working under the control of the AECs of the respective zones are deputed to monitor and regulate levy/collection of excise duties and other levies.

6.2 Internal audit

The Department has an Internal Audit Wing under the charge of Financial Advisor. This wing has to conduct test check of cases of assessment as per the approved action plan and in accordance with the criteria decided to ensure adherence to the provisions of the Act and Rules as well as Departmental instructions issued from time to time.

The position of last five years of internal audit is as under:

Year	Units pending	Units added during the year	Total units	Units audited during the year	Units remained unaudited	Percentage of units remaining unaudited
2014-15	6	41	47	47	-	-
2015-16	0	41	41	37	4	10
2016-17	4	41	45	40	5	12
2017-18	5	44	49	12	37 ¹	76
2018-19	21	44	65	19	46	71

Source: Furnished by the concerned Department.

It would be seen from the above that 46 units selected for internal audit had remained unaudited during 2018-19.

Year-wise break up of outstanding paragraphs of internal audit reports is as under:

Year	1995-96 to 2013-14	2014-15	2015-16	2016-17	2017-18 ¹	2018-19	Total
Paragraphs	160	85	116	126	296	-	783

Source: Furnished by the concerned Department.

It was noticed that 783 paragraphs were outstanding at the end of 2018-19 of which 160 paragraphs were outstanding for more than five years. The huge pendency of paragraphs defeated the very purpose of internal audit.

The Government may consider strengthening the functioning of the Internal Audit Wing and take appropriate measures on outstanding paragraphs for plugging the leakage of revenue and for ensuring compliance with the provisions of the Act/Rules.

¹ Information provided by the Department is contradictory to the information given for the Audit Report for the year ended 31 March 2018. In this regard, clarification is sought, however, reply is awaited (May 2020).

6.3 Results of audit

There are 110 auditable units in the State Excise Department out of these Audit selected 34 units for audit during the year 2018-19. Scrutiny of the records of these units including those of retail licensees (8,082 licensees) disclosed 2,033 cases of non/short realisation of excise duty and license fee, special vend fee, interest on delayed payment and loss of excise duty on account of excess wastages of spirit/liquor/beer and other irregularities involving ₹ 23.39 crore (5,663 licensees approximate 70 per cent of the licensees audited). These cases are illustrative only, based on audit of the records of these selected units. Audit pointed out some of the similar omissions in earlier years, not only these irregularities persist but also remain undetected till next audit is conducted. The substantial proportion of errors, omissions and other related issues (approximate 36 per cent of sampled cases) noticed in audit indicated that the Government needed to improve the internal control system including strengthening of internal audit so that occurrences/recurrence of the lapses can be avoided. Irregularities noticed are broadly fall under the following categories:

Sl. No.	Category	Number of cases	(₹ in crore)
			Amount
1	Paragraph on 'Implementation of State Excise and Temperance Policy'	1	10.33
2	Non/short realisation of excise duty and licence fees.	427	8.45
3	Non/short realisation of special vends fees on IMFL/beer.	392	4.39
4	Loss of excise duty on account of excess wastage of spirit/liquor/beer.	740	0.09
5	Non-recovery of interest on delayed payment.	30	0.06
6	Other irregularities		
	(i) Revenue	436	0.05
	(ii) Expenditure	7	0.02
Total		2033	23.39

The Department accepted deficiencies in 3,054 cases involving ₹ 10.97 crore, of which 1,613 cases involving ₹ 6.15 crore had been pointed out in audit during 2018-19 and the rest in earlier years. The Department recovered ₹ 4.57 crore in 1,913 cases of which 472 cases involving ₹ 0.61 crore had been pointed out in audit during the year 2018-19 and the rest in earlier years.

6.4 Implementation of State Excise and Temperance Policy

6.4.1 Introduction

The State Excise Department is the second largest revenue earning Department of the State Government. In order to lay down the principles for granting licences for operating liquor shops and prescribing the rates of excise duty and related matters, the State Government announces State Excise and Temperance Policy every year. Proper levy and collection of excise revenue is dependent on the efficient implementation of the Excise Policy. Paradoxically, consumption of alcohol is an important reason for untimely deaths, crimes and fatal accidents. Hence, to mitigate the effects of alcohol the State Government also takes certain steps known as temperance policy.

An excise policy called the new “Excise and Temperance Policy” (Policy) promulgated by the State Government with effect from 01 April 2005, as amended from time to time provides for levy of fee and excise duty on production, possession, transportation, sale and purchase of alcohol and to facilitate the entry of new liquor professionals. The policy also ensures availability of better quality liquor at reasonable price to the customers and envisages a progressive restriction on its consumption.

6.4.2 Trend of revenue

Consumption of liquor as well as excise revenue is increasing continuously in the State. From the year 2015-16 to 2017-18 sale of Country Liquor (CL), Indian Made Foreign Liquor (IMFL), Beer and total excise revenue of the State was as under:

Year	Country Liquor	Indian Made Foreign Liquor	Quantity in lakh bulk litre (BL)	
			Beer	Excise Revenue (₹ in crore)
2015-16	2184.43	912.42	1938.66	6712.94
2016-17	2344.93	865.42	1953.40	7053.68
2017-18	2571.17	924.87	2230.22	7275.83

6.4.3 Audit objectives

The audit was carried out:

- to ascertain whether the extant provisions/system prescribed under the Excise and Temperance Policy, Act and Rules were adequate to safeguard excise revenue and promote temperance;
- to ascertain the level of compliance by the concerned authorities with the provisions and measures prescribed in Excise Policy and notifications/circulars issued thereunder; and
- to ascertain the adequacy and effectiveness of the internal control and enforcement mechanism in the Department.

6.4.4 Scope and methodology

The audit covered the records relating to the implementation of State Excise and Temperance Policy for the period 2015-16 to 2017-18. Audit selected

nine DEOs² out of 36 DEOs (25 per cent) through Simple Random Sampling (SRS) method by using IDEA software. Records of Excise Preventive Force (EPF) under the selected DEOs were also test checked in view of implementation of temperance measures. Besides, the office of the Excise Commissioner (EC) was also covered in the audit.

The audit methodology, scope and objectives of the audit were discussed with the Excise Commissioner in an Entry Conference held on 25 March 2019. An Exit Conference was held on 9 August 2019 with Excise Commissioner and other officers wherein the findings of the audit were discussed. The replies received during the Exit Conference and at other points of time have been appropriately considered in the relevant paragraphs.

6.4.5 Audit criteria

The criteria for audit were derived from the provisions of the following Excise & Temperance Policies, Acts, Rules and notifications/circulars issued thereunder:

- Excise and Temperance Policy for the years 2015-16 to 2017-18;
- The Rajasthan Excise Act, 1950;
- The Rajasthan Excise Rules, 1956;
- The Rajasthan Brewery Rules, 1972; and
- The Rajasthan Distilleries Rules, 1976.

Audit Findings

The audit observations are based on our analysis of sample cases only and there is a possibility of more such cases occurring in the Department. Therefore, the State Government is expected to review all other cases having possibility of similar deficiencies/irregularities and required to take corrective action in cases where similar deficiencies/irregularities are found.

6.4.6 Recovery of license fee without grant of licences

Rule 72 of the RE Rules, 1956 provides that except as otherwise provided in these rules, all licences under the RE Act, 1950 shall be granted by the EC. Further, licence fees for wholesale vend of country liquor (CL) from bonded warehouses established at place of manufacture was prescribed under Rules 68(12-a) of the RE Rules, 1956.

It was noticed that a Government Company is a wholesale vendor of CL and it supplies CL to retail off licensees from bonded warehouses established at place of its 20 Reduction Centers situated in the State. Though, the Department was realising licence fees from these 20 reduction centres under Rule 68(12-a), licences in this regard were not granted to these centres by the Department. The Department did not adopt a mechanism to ensure that licences were issued to all eligible units and units were not operating without proper licence.

² DEOs; Alwar, Barmer, Behror (Distillery), Hanumangarh, Jaipur Urban, Jhalawar, Nagaur, Rajsamand and Sawai Madhopur.

The audit observation was pointed out to the Department and reported to the Government (June 2019 and September 2019); the Government stated (October 2019) that licences will be issued in future as suggested by Audit.

6.4.7 Norms for production of alcohol and beer from grains

The process of production of alcohol from grains involves conversion of starch present in grains into glucose (one gram of starch produces 1.11 gram of glucose) and glucose into ethanol. One molecule of glucose produces two molecules of ethanol and two molecules of carbon-di-oxide. This chemical reaction is known as the *Gay-Lussac equation*. According to the equation, 100 kilogram of glucose produces 51.14 kilogram of ethanol and 48.86 kilogram of carbon-di-oxide. Further, yield of alcohol depends on fermentation efficiency (FE) and distillation efficiency (DE) of the technology used in distilleries. In this regard following observations were noticed:

6.4.7.1 Norms for production of alcohol from grain

The State Government *vide* notification dated 01 June 2015 substituted Rule 12 of the Rajasthan Distilleries Rules which stipulates that every distiller shall be responsible for maintaining minimum fermentation, distillation efficiencies and minimum recovery of alcohol from the grain used for production of alcohol. The minimum fermentation, distillation efficiencies and recovery of alcohol from the grain base shall be as under:

Fermentation efficiency	84 per cent of fermentable sugar present
Distillation efficiency	97 per cent of alcohol present
Minimum recovery of alcohol	40 bulk litre Extra Neutral Alcohol (ENA)/ Rectified Spirit (RS) (98 per cent V/V ³) per quintal of grain having 62 to 64 per cent starch

During test check of the records regarding fixation of norms at EC office, it was noticed that according to norms prescribed by the State Government, minimum recovery of alcohol should be 40 BL per quintal. However, calculation on the basis of fermentation efficiency (84 per cent), distillation efficiency (97 per cent) and starch content (64 per cent) prescribed by the Department, would result in a norm of 37.50 BL⁴ per quintal of grain. Thus, the Department prescribed the norms without calculation of yield as per the percentages fixed.

It was also noticed that all the distillers were using batch fermentation process and atmospheric distillation/ multi pressure distillation technology. As per National Sugar Institute (NSI) Kanpur, efficiency range for fermentation and distillation technology employed by distillers is as below:

(Figures in per cent)

Particular	Fermentation Efficiency		Distillation Efficiency	
	Batch fermentation	Feed batch fermentation	Atmospheric distillation	Multi pressure distillation
Grain	90 – 92	90 – 95	97 – 98	98.5 – 99

³ V/V = Volume by Volume.

⁴ 100 kilogram x 64 per cent = 64 kilogram of starch, glucose yield = 64 kilogram x 1.11 = 71.04 kilogram, ethanol yield as per Gay-Lussac equation from glucose = 71.04 kilogram x 51.14 per cent = 36.33 kilogram, alcohol produced after fermentation = 36.33 kilogram x 84 per cent = 30.52 kilogram, alcohol produced after distillation = 30.52 kilogram x 97 per cent = 29.60 kilogram, quantity of alcohol in BL = 29.60/0.78934 (the density of ethanol (100 per cent) is 0.78934 kilogram per litre at 20° C) = 37.50 BL

If the Department wanted the minimum recovery of 40 BL per quintal it should have fixed the minimum fermentation efficiency at 90 per cent and distillation efficiency at 97 per cent. However, Audit observed that the distillers were on their own maintaining the prescribed norm of 40 BL and they reported (June 2018) to the Department about their fermentation efficiency being more than 90 per cent and distillation efficiency being more than 97 percent during 2017-18 as detailed below:

Name of distilleries	Fermentation efficiency	Distillation efficiency	Average recovery maintained
Globus Spirits Limited, Behror	93 per cent	98 per cent	45 BL
Vintage Distillers Limited, Alwar	94 per cent	98 per cent	42.75 BL

If calculation is done on the basis of fermentation efficiency (93 per cent) and distillation efficiency (98 per cent), recovery of alcohol should be 42 BL per quintal of grain having 64 per cent starch.

Thus, norms prescribed by the Department are not scientific and should be rectified as per fermentation efficiency and distillation efficiency parameters adopted by the distillers. Failure of the Department to update its norm in tune with the improved production technologies adopted by distillers will encourage under reporting of production. Further, it would be in the interest of the revenue if the Government considers revising the norms of the production at regular intervals as the amount of excise duty depends on the quantity of alcohol produced and sold.

The audit observation was pointed out to the Department and reported to the Government (June 2019 and September 2019); the Government stated (October 2019) that norms for production of alcohol will be reviewed by the committee constituted for this purpose and action will be taken as per the recommendation of the committee.

6.4.7.2 Measurement of spirit

The legal unit of measurement of strength of spirit in the State is 'London Proof Litre' (LPL) or Proof. In terms of volume, such proof alcohol contains 57.06 per cent by volume of alcohol and 46.68 per cent⁵ by volume of water. When spirit has the physical characteristics of 'proof spirit', it is considered 100 per cent proof.

The strength of alcohol in spirit is also expressed in unit of percentage volume by volume (% V/V). When spirit contains 100 per cent alcohol, it means its strength is 100 % V/V or its alcohol content is 100 % V/V. Such absolute alcohol is equal to 175.25 proof⁶ or 75.25 per cent over proof (OP⁷).

It was noticed that as per the norm prescribed by the State Government, minimum recovery of alcohol was 40 BL at 98 % V/V. Measurement of spirit at 98 % V/V should be 171.75⁸ proof or 71.75 OP whereas Bureau of Indian

⁵ In terms of volume, proof alcohol contains 57.06 per cent by volume of alcohol and 46.68 per cent by volume of water which when mixed, gets contracted and gives the result of 100 proof by volume.

⁶ As 57.06 % V/V alcohol in spirit is equal to 100 per cent proof, hence 100% V/V is equal to 175.25 proof (100 x 100 / 57.06 = 175.25).

⁷ Volume of alcohol having strength more than 100 degree proof is called over proof or OP ((175.25 – 100 = 75.25).

⁸ (175.25/100) x 98 = 171.75 proof or (100/57.06) x 98 = 1.7525 x 98 = 171.75 proof.

Standards (BIS) 6613:2002 prescribes minimum strength 96 % V/V or 168.24⁰ proof for ENA used in alcohol drinks and BIS 323:1959 prescribes minimum strength 94.68 % V/V or 166⁰ proof for RS Grade I (potable). Similarly, ENA and RS produced in distilleries of the State are also 168.24⁰ proof and 166⁰ proof respectively which has been verified in the Government Laboratories.

Thus, measurement of spirit in 98% V/V prescribed in norm is not justified and the Department needs to amend either the measurement method to 96% V/V as per BIS specifications or bind the distillers to produce spirit at 98% V/V (171.75 proof) as per prescribed strength in the norm.

The audit observation was pointed out to the Department and reported to the Government (June 2019 and September 2019); the Government stated (October 2019) that proposal to amend the measurement method of spirit of 98% V/V to 96% V/V was received from the Department. Further progress is awaited (May 2020).

6.4.7.3 Norms for production of beer

The Department has prescribed two types of beers for manufacturing and trade in India *i.e.* Mild/Lager beer (having alcohol content below 5 *per cent*) and Strong/Super Strong beer (having alcohol content between 5 and 8 *per cent*). The process of preparation of beer is similar to that of alcohol with the difference that alcohol production requires fermentation and distillation while production of beer requires only fermentation.

The CAG's Audit Report for the year ending 31 March 2016 had recommended that the Department may prescribe norms for production of beer from grains. The Government *vide* notification dated 11 October 2017 inserted Rule 34 (A) in the Rajasthan Brewery Rules, 1972 which stipulates that every brewer shall be responsible for maintaining minimum yield of 650 liters of mild beer or 490 liters of strong beer for every 100 kilogram of malt and other raw material used. Further, the EC may impose penalty of ₹ 10 per litre in case of shortage in yield of beer unless it is proved by the brewer that failure was not deliberate and due precautions were taken by him to maintain the specified scale of yield for beer. Furthermore, if brewer repeatedly fails to maintain minimum scale of yield for beer as specified, the EC may, after giving an opportunity of being heard, cancel or suspend the license of such brewer.

Test check of records of six breweries under the jurisdiction of DEO Alwar and DEO (Production units), Behror, revealed that these units did not achieve the norms of minimum yield efficiency of beer. These units produced 541.21 lakh bulk liters (BL) beer from 116.97 lakh kilogram of raw material used in 1913 number of short yield brews⁹ out of total 2,432 brews produced during the period 2017-18 after the issue (October 2017) of notification. As per norms, minimum yield efficiency of beer should have been 574.19 lakh BL¹⁰ from the raw material used. Thus, the brewers failed to maintain the minimum yield efficiency of beer which resulted in short production of 32.98 lakh BL of beer. However, the Department failed to impose penalty of ₹ 3.30 crore on short production of beer. Four brewers repeatedly failed to

⁹ A quantity of beer prepared by steeping, boiling and fermenting malt and hops in a single process.

¹⁰ Mild beer 4.32 lakh BL from 0.67 lakh kilogram of raw material and Strong beer 569.87 lakh BL from 116.30 lakh kilogram of raw material, thus total 574.19 lakh BL beer from 116.97 lakh kilogram of raw material used.

maintain minimum scale of yield for beer as specified, however, the Department did not take any action against the brewers.

The audit observation was pointed out to the Department and reported to the Government (June 2019 and September 2019); the Government stated (October 2019) that an amount of ₹ 3.25 crore had been recovered and the concerned officers had been directed (August 2019) to recover the remaining amount. Further, all the offices had been directed to ensure the compliance of the provision for minimum yield of beer as per prescribed norms.

6.4.8 Provisions contrary to temperance policy

6.4.8.1 Determination of exclusive privilege amount without considering sale of country liquor

As per Excise Policies 2015-18, group wise licences of country liquor for the concerned year will be allocated under exclusive privilege system. According to the conditions of country liquor retail sale licence, the licensee will have to pay the annual exclusive privilege amount (EPA) fixed for the prescribed group/shop for the concerned year in 12 equal monthly installments. Rebate will be payable on the amount of monthly installment of EPA by excise duty paid on the country liquor.

Further, as per Excise Policies, EPA of CL groups during the period 2015-18 was fixed by increasing a certain percentage on EPA of previous year which intended to promote the sale and consumption of CL in the State. However, there was no corresponding increase in sale of CL, which indicates that EPA was determined without considering the actual sale of CL of previous year, as detailed below:

Year of Excise Policy	Percentage increase in EPA from previous year	Sale ¹¹ of country liquor during the year (in lakh BL)	Percentage increase in sale of CL from previous year
2015-16	14	2184.43	13.48
2016-17	18	2344.93	7.35
2017-18	12	2571.17	9.65

Source: Excise Policies and Administrative Reports of the Department.

It is seen from the above that EPA during 2016-17 and 2017-18 was increased by 18 per cent and 12 per cent respectively whereas increase in sale of CL during previous years was only 7.35 per cent and 9.65 per cent. Thus, determination of EPA was not commensurate with the increase in sale in the previous year. Further, there was no corresponding increase in sale of CL as per determined EPA during 2016-17 and 2017-18 and the Department did not analyse as to how the licensees, who failed to lift the determined quantity of CL, were paying EPA over their sale of CL. Audit also observed that the licensees were not lifting the minimum guarantee quota (MGQ) of the CL and thus had to pay the difference of excise duty for the shortfall in MGQ. The details are discussed under para 6.4.10.2 of this report.

The audit observation was pointed out to Department and reported to the Government (June 2019 and September 2019); the Government stated (October 2019) that a committee will be constituted at Departmental level to

¹¹ Rates of country liquor was not change during the period 2015 to 2018.

review the determination of EPA in accordance with the sale of CL during previous year. Decision on the recommendation of the committee will be taken keeping in view the revenue interest of the state.

6.4.8.2 Indirect promotion of the consumption of alcohol due to provision of additional amount on short lifted quantity of IMFL and Beer by retail-off licensees

As per Excise Policies 2015-18, licences of IMFL/Beer shops in municipal area would be allocated on the payment of yearly licence fees as may be specified by the EC with the prior approval of the State Government. Further, provision for sale of IMFL/Beer at CL groups outside the municipal area on the payment of composite fees was also prescribed in the policies.

Excise Policies stipulated that an additional amount was to be charged quarterly at the rate of ₹ 10 per BL separately on short lifted quantity of IMFL and Beer during 2016-17 and at the rate of ₹ 20 per BL on short lifted quantity of IMFL and ₹ 10 per BL on short lifted quantity of Beer during 2017-18 by retail off licensees¹² who did not increase the lifting of IMFL and Beer by upto minimum 10 per cent during each quarter of current year in comparison to the quantity lifted in the corresponding quarter of previous year. Calculation of such short lifted quantity was to be made shop-wise after each quarter. This provision is based on the assumption that consumption of liquor would necessarily increase by 10 per cent in each quarter.

Scrutiny of the data collected from the EC office regarding lifting of IMFL and Beer during 2015-18 revealed that the increase in lifting of IMFL and Beer as per provision could not be achieved during 2016-17 and 2017-18 as detailed below:

Year	Number of DEOs	Shortfall in lifting as compared with targeted quantity (BL in crore)		Additional amount leviable as per provision (₹ in crore)		
		IMFL	Beer	IMFL	Beer	Total
2016-17	34	1.31	1.79	13.14	17.97	31.11
2017-18	34	1.19	0.57	23.77	5.72	29.49
Total		2.50	2.36	36.91	23.69	60.60

It is seen from the above that the Department was in a position to levy additional amount of ₹ 60.60 crore on the licensees who failed to lift the enhanced quantity of liquor. However, the Government did not analyse as to how the licensees were paying additional amount over their fixed margin on sale of liquor which was required to be sold to the consumers on fixed sale price.

Further, scrutiny of cases registered at five DEOs¹³ disclosed that 231 cases of selling liquor at higher rate than maximum retail price were registered during 2017-18. Involvement of licensees in purchase and sale of liquor illegally cannot be ruled out.

The audit observation was pointed out to the Department and reported to the Government (June 2019 and September 2019); the Government stated

¹² Retail off means retail sale of liquor is sealed packed containers and not to be consumed in the premises of the retailer.

¹³ DEOs: Hanumangarh, Jaipur Urban, Jhalawar, Nagaur and Sawai Madhopur.

(October 2019) that the condition of ten *per cent* increase in lifting of IMFL/Beer in the quarter compared to the same quarter of last year was added to ensure revenue for the State and to check the sale of unauthorised liquor. It was further stated that a committee will be constituted at Departmental level to review the determination of additional amount on short lifted quantity of IMFL and Beer. Decision taken on the recommendation of the committee will be considered during formulation of next year's policy.

6.4.9 Implementation of Temperance policy

Temperance means to implement such policy and measures that discourage the use of liquor and limit the consumption of liquor by people to avoid its adverse effects. However, the Department could not ensure effective implementation of the policy as detailed below:

6.4.9.1 Public awareness campaign

According to para 12(1) of the policy 2015-16 and para 9(vii) of the policy 2017-19, 0.1 *per cent* of total receipt of excise revenue or minimum ₹ 10 crore annually was to be spent on broadcasting through television, newspaper, radio and other circulation mediums under public awareness campaign to educate the public about the bad effect of liquor and other intoxicating material.

During scrutiny of records at EC office, it was noticed that only ₹ 3.82 crore, ₹ 6.05 crore and ₹ 6.75 crore were spent on Public awakening campaigns during the year 2015-16, 2016-17 and 2017-18 respectively against allotment of ₹ 10.30 crore each year. Thus, the public awareness campaigns were not effectively organised.

Audit observed that during the last three years, consumption of liquor gradually increased from 4,830.45 lakh BL in 2014-15 to 5,726.26 lakh BL in 2017-18. It indicates that the Department could not create proper awareness through the temperance policy.

The audit observation was pointed out to the Department and reported to the Government (June 2019 and September 2019); the Government stated (October 2019) that expenditure on broadcasting under public awareness campaign were conducted as per media plan. Unutilised amount of budget allotment was re-appropriated for another budget head of the Department. Fact remained that the Department could have utilised the fund for public awareness campaign for better results.

6.4.9.2 Illegal transportation of liquor in Rajasthan

Para 8(ix) of the policy 2016-17 and para 9(ix) of the policy 2017-19 envisages that a system will be developed for effective control on illegal transportation of liquor from neighboring states through:

- Organisation of joint investigation with coordination of police;
- Provision of vehicles and other resources to investigation team for ensuring 24 hours monitoring;
- Constitution of a monitoring committee headed by Inspector General of Police Range at Zonal level for effective action in adjoining districts; and

- For control on smuggling of liquor efforts are to be made at the level of State Government by establishing harmony with the Government of concerned states.

Audit query on the above issues was not answered by the EC Office. Scrutiny of cases registered under EPF stations of selected units disclosed that 74 cases of illegal liquor of other States under three DEOs¹⁴ were registered during 2015-18 which showed that smuggling of liquor from other States was being done by evading the check posts, EPF Stations, excise circle offices, police stations *etc.* Audit could not find any evidence of a system being developed by the Department on the lines of the above mentioned points for effective control on illegal transportation of liquor from neighbouring States.

The audit observation was pointed out to the Department and reported to the Government (June 2019 and September 2019); the Government stated (October 2019) that joint raids were organised from time to time in coordination with Police Department and vehicles will be made available to investigation teams for ensuring 24 hours monitoring.

6.4.9.3 Government vehicles for Excise Preventive Force (EPF)

Para 13 of the Policy 2015-16 envisaged purchase of new vehicles to increase the movement of force for preventive activities and revenue realisation. Further, para 10(ii) of the policy 2016-17 provided that 25 government vehicles each will be purchased in place of contract vehicles during next two financial years.

Scrutiny of records at EC office revealed that ₹ 11.25 crore¹⁵ was to be provided for purchase of new vehicles during 2015-16 whereas only ₹ 89 lakh during 2015-16 and ₹ 105 lakh during 2017-18 were provided to the Department by the Government. The Department purchased 12 vehicles during 2015-16 and 17 vehicles during 2017-18 against the allotted budget. Budget for purchase of new vehicles was not provided during 2016-17. Non-availability of government vehicles with EPF is a crucial factor in poor performance of the Department in curbing smuggling of illicit liquor. Further, the planned programme of special raids using contract vehicles can easily be leaked as the drivers are private persons.

The audit observation was pointed out to the Department and reported to the Government (June 2019 and September 2019); the Government stated (October 2019) that government vehicles will be provided to EPF as per availability of budget allocation.

6.4.9.4 Inter State Check Posts

As per para 11 of the policy 2017-19, online CCTV cameras were to be installed at check posts established on the border of interstate for effective control and monitoring on transportation of illicit liquor and smuggling activities. Further, permanent buildings were to be constructed at important inter-state check posts and additional staff was to be deputed at very sensitive inter-state check posts for ensuring 24 hours monitoring.

¹⁴ DEOs Alwar, Barmer and Hanumangarh.

¹⁵ 50 per cent amount of ₹ 22.50 crore received from auction in 2014-15.

The Department informed that only seven permanent check posts¹⁶ under six districts were in operation in the State during 2015-17 of which five check posts¹⁷ were established at interstate border of Haryana, Madhya Pradesh and Gujarat. Further, CCTV cameras were not installed at any of the check posts though these are essential for tracking and tracing of suspect vehicles. Further more transparency and accountability of staff could also be ensured by CCTV.

As regards the buildings, only the Ratanpur check post in Dungarpur district was operated from a rented building whereas remaining check posts were being run in tents. Permanent buildings were not constructed at these check posts and additional staff was also not deputed. This indicates slackness of the Department in maintaining effective control and monitoring on transportation of illicit liquor and smuggling activities.

6.4.10 Computerisation in the Department

The Excise Department introduced an IT System “*Integrated Excise Management System (IEMS)*” for the departmental officials to control the business of IMFL, Beer, CL and other excisable articles in the State through two Government owned companies viz Rajasthan State Beverages Corporation Limited (RSBCL) and Rajasthan State Ganganagar Sugar Mills Limited (RSGSML). This system is in operation at all DEO/AEO offices. Various modules were provided in IEMS for the assistance of officials. Salient deficiencies noticed in operation of IEMS are mentioned below:

Licensee Stock Management and Liquor Inventory Management Module

Licensee Stock Management Module is used for maintaining liquor inventory of the retail off and retail on licensees online. Various payment modes like online challan generation through cash/DD/Cheque, Internet Banking, NEFT and RTGS are available to licensees for deposit of funds for purchase of liquor. After deposit of funds, liquor purchased by licensees from RSBCL or RSGSM is automatically added to respective licensee’s inventory ledger. A unique ledger of each licensee is maintained under Liquor Inventory Management Module. The licensee’s ledger carries each transaction dealt with licensee *i.e.* receipts of amount, invoices issued, balance available in the ledger *etc.*

These modules lacked facility to red flag the defaulter retail off licensees of IMFL/Beer who failed to increase the lifting of IMFL and Beer upto minimum 10 *per cent* after each quarter of current year in comparison to the same quarterly lifting of previous year. Besides, the module could not calculate additional amount payable on such short lifted quantity of IMFL and Beer as per provisions of the policy. Similarly, the modules lacks functionality to red flag the defaulter CL licensees who failed to lift CL as per the prescribed minimum monthly guarantee quota. Besides, the module could not calculate remaining monthly guarantee amount payable in cash by the licensees on such short lifted quantity of CL. Further, there was no provision in the module to

¹⁶ Ateetmand (Ajmer district), Mahuakhurd & Shahjahanpur (Alwar), Atru (Baran), Ratanpur (Dungarpur), Syalodada Patan (Sikar) and Goned (Jaipur).

¹⁷ Mahuakhurd, Shahjahanpur, Syalodada Patan (Haryana border), Atru (Madhya Pradesh border), Ratanpur (Gujarat border).

integrate the monthly guarantee amount paid by the defaulter licensees in cash and to compute the interest leviable due to delayed deposit.

In light of the above, the Department could not realise additional amount leviable on IMFL/Beer and differential amount of excise duty leviable on CL timely from defaulter licensees on short lifted quantity of liquor. These functions if available in the module, could have prevented arrear of revenue as discussed in the succeeding paragraphs.

The audit observation was pointed out to the Department and reported to the Government (June 2019 and September 2019); the Government replied (October 2019) that the IT branch had been directed to introduce the required provisions in the Excise Module. Further progress is awaited (May 2020).

6.4.10.1 Non-realisation of additional amount from retail-off licensees on short lifted quantity of IMFL and Beer

Para 3.10 and 4.6 of the policy 2016-17 and para 3.20(1) and 4.6(1) of the policy 2017-18 stipulated that an additional amount was to be charged quarterly at the rate of ₹ 10 per BL separately on short lifted quantity of IMFL and Beer during 2016-17 and at the rate of ₹ 20 per BL on short lifted quantity of IMFL and ₹ 10 per BL on short lifted quantity of Beer during 2017-18 by retail off licensees who did not increase the lifting of IMFL and Beer upto minimum 10 *per cent* during each quarter of current year in comparison to the quantity lifted in the corresponding quarter of the previous year. Calculation of such short lifted quantity was to be made shop-wise after each quarter.

Further, as per directions issued (27 June 2016 and 16 June 2017) by the EC, recovery of additional amount as per prescribed rate on short lifted quantity in each quarter was to be ensured at the level of concerned DEOs. In compliance of the EC's directions, DEOs had to calculate additional amount of each retail off licensee and intimate the concerned licensee within seven days of the quarter end and to realise the additional amount within seven days of the intimation letter of recovery.

During test check of relevant records of selected units, it was noticed that 120 licensees under the jurisdiction of three DEOs¹⁸ were unable to enhance lifting of IMFL and Beer by minimum 10 *per cent* during 2016-18 in comparison to the previous year. Therefore, additional amount of ₹ 16.58 lakh was leviable at the prescribed rate. The additional amount however, had not been realised by the concerned officers.

The audit observation was pointed out to the Department and reported to the Government (June 2019 and September 2019); the Government replied (October 2019) that amount of ₹ 14.39 lakh had been recovered and required provision will be introduced in the Excise Module.

6.4.10.2 Shortfall in Monthly Guarantee of country liquor licensees

As per the conditions of country liquor retail sale licence, the licensee was to pay the annual EPA fixed for the prescribed group/shop for the concerned year in 12 equal monthly installments. The monthly installment is to be paid by the

¹⁸ DEOs: Barmer, Hanumangarh and Jaipur City.

last date of that month. If a licensee failed to lift the minimum monthly quota of CL, he was liable to pay the difference of excise duty in cash.

During scrutiny of the records of 15 DEOs¹⁹, it was noticed that during 2015-18, 228 out of 3,018 licensees, lifted country liquor of ₹ 10.07 crore against the quota of ₹ 16.12 crore fixed for the concerned months. The differential amount of excise duty amounting to ₹ 6.05 crore was not recovered from the concerned licensees.

The audit observation was pointed out to the Department and reported to the Government (June 2019 and September 2019); the Government replied (October 2019) that ₹ 3.05 crore had been recovered. Further, stated that the required provision will be introduced in the Excise Module.

6.4.11 Provisions of Excise policy

6.4.11.1 Licences for selling country liquor and IMFL/Beer at retail shop

Rule 67-1 of RE Rules, 1956 provides that licence for exclusive privilege of selling country liquor by retail within any local area may be granted by inviting applications on condition of payment of such lump sum amount instead of, or in addition to excise duty as may be decided by the EC. Further, Rule 4 of the Rajasthan Foreign Liquor (Grant of Wholesale Trade and Retail Off Licences) Rules, 1982 provides that a retail licence shall be granted by inviting applications for retail off sale of IMFL/Beer in specified zone of a municipality or whole municipal area as the case may be on the payment of yearly licence fees as may be specified by the EC with the prior approval of the State Government.

Applications shall be received by the DEO concerned and successful applicant shall be required to deposit due security, licence fees and other required amount in State exchequer within the time prescribed for it. If the required security, licence fees and other required amount is not deposited within the time indicated, acceptance of the application may be revoked by the DEO concerned and the earnest money deposited with the application and any other amount deposited by the applicant shall in the event of such revocation, be forfeited to the Government. Audit noticed non-compliance of provisions prescribed for issue of CL and IMFL/Beer licences, as enumerated below:

- **Non-forfeiture of security deposit and advance EPA of CL groups**

Para 3.5 of the Policy 2017-18 provided that a licensee of CL groups had to deposit 18 *per cent* amount of prescribed annual amount of the group in the form of advance EPA before 01 April 2017. Further, Para 3.6 of the policy provided that 8 *per cent* amount in the form of security deposit would be deposited in cash. Accordingly, condition number 9 of application stipulated that after adjustment of one *per cent* earnest money, five *per cent* amount would be deposited within three days from the date of lottery and rest of the two *per cent* amount within 10 days or before commencement of shops, whichever was earlier, of the sanction of the selection shops. In case of default at any stage, the selection of shop would be cancelled and amount of earnest money, security deposit, advance EPA deposited at that stage would be

¹⁹ DEOs Alwar, Barmer, Hanumangarh, Jaipur City, Rajsamand, Sawai Madhopur of selected units and DEOs Ajmer, Bhilwara, Churu, Sikar, Jaipur Rural, Jalore, Jodhpur, Kota, and Sirohi of regular audit.

forfeited in favor of the Government and the shops would be resettled forthwith.

During scrutiny of the licence files of CL groups at DEO, Jaipur (Urban) it was noticed that during 2017-18 licences of 97 CL groups were issued by the DEO. However, 13 licensees deposited only ₹ 3.13 crore during the prescribed time limit *i.e.* upto 31 March 2017. Remaining amount of ₹ 1.89 crore was deposited after due date. For this default, the selection of these shops/groups was required to be cancelled and amount of earnest money, security deposit, advance EPA deposited at that stage should have been forfeited in favor of the Government. However, action as envisaged under the conditions of application was not initiated by the concerned officer.

As no relaxation was allowed under the provisions, the inaction of the concerned officer deprived the Government of ₹ 3.13 crore of security deposit and advance EPA which also was required to be forfeited.

The audit observation was pointed out to the Department and reported to the Government (June 2019 and September 2019); the Government replied (October 2019) that direction had been issued to all Additional Excise Commissioner, Zones and DEOs for compliance of the provisions of the Policy. However, reply was silent about the non-forfeiture of the amount.

- **Non-forfeiture of licence fee of retail shops of IMFL/Beer**

As per the policy 2017-18, the annual licence fees at the rate of ₹ 25 lakh per shop was fixed for retail shops of IMFL/Beer situated in Jaipur and Jodhpur. Further, as per directions issued by the EC for licence of IMFL/Beer shops in respect of Excise Settlement 2017-18, on sanction of such licence, 40 *per cent* amount of annual licence fees would be deposited within three days from the date of lottery after adjustment of one *per cent* earnest money deposited with application. Rest of the 59 *per cent* amount would be deposited within 10 days or before commencement of shop, whichever was early.

During scrutiny of licence files at DEO Jaipur (Urban) it was noticed that during the year 2017-18 licences for 206 IMFL/Beer shops were issued by the concerned DEO. However, two licensees did not deposit the entire annual licence fees as required under the rule. Licence fees of ₹ 50 lakh for these shops was to be deposited by 31 March 2017 but the concerned licensees deposited only ₹ 27.25 lakh during the prescribed time limit. Remaining amount ₹ 22.75 lakh was not deposited.

Therefore, the selection of these shops should have been cancelled and amount of earnest money, licence fees deposited at that stage should have been forfeited in favor of the Government. However, no such action was initiated by the concerned officer as envisaged in the provisions. The undue favour to the licensees by the DEO deprived the Government of ₹ 27.25 lakh of licence fees which was required to be forfeited.

The audit observation was pointed out to the Department and reported to the Government (June 2019 and September 2019); the Government stated (October 2019) that direction had been issued (August 2019) to all Additional Excise Commissioner, Zones and DEOs for ensuring compliance of the provisions of the Policy. Further progress is awaited (May 2020).

The Government needs to take action against concerned officers so that occurrences/recurrence of such lapses can be avoided.

6.4.11.2 Composite fees for composite shops of peripheral area

According to the policies for the years 2015-18, applicants of CL groups were liable to pay the EPA and composite fees as per the category of shop for which they had applied. CL shops of rural area were classified in different categories. The shops of villages located within five kilometers radius from the municipal area were categorised as 'composite shops of peripheral area'. The villages of such peripheral area were further categorised as 'A' and 'B'. The villages, in which country liquor shops had been operated as composite shops from 2005-06 to the previous year of allotment of the shop or shops situated on State/National Highway or shops whose peripheries were adjoining the periphery of concerned municipality, were classified in category 'A' and the rest in category 'B'. Composite fee for shops of category 'A' for the year 2016-17 and 2017-18 was to be fixed as equal to 6 per cent of annualised billing amount of Rajasthan State Beverage Corporation Limited (RSBCL) during previous year or annual license fee prescribed for IMFL shop situated in concerned municipal area, whichever was higher. The composite fee for category 'B' shops for the year 2016-17 and 2017-18 was to be fixed as equal to 6 per cent of annualised billing amount of RSBCL during previous year or 50 per cent of annual licence fee prescribed for IMFL shop of concerned municipal area or ₹ 50,000, whichever was higher.

- **Short levy of composite fees**

During test check of records of selected units, it was noticed that six country liquor shops/groups under the jurisdiction of two DEOs²⁰ were categorised as shops of peripheral area during 2016-18 by the Department. Scrutiny of licence fee files and relevant records disclosed that while issuing notices for inviting applications for allotment of shops, the concerned officers showed composite fees at a lesser amount than the composite fee payable for the shops of peripheral area. Thus, composite fee of ₹ 56.50 lakh was to be decided for six composite shops/groups of peripheral area but the concerned officers decided and recovered only ₹ 13.33 lakh from these licensees. This resulted in loss of revenue amounting to ₹ 43.17 lakh.

The audit observation was pointed out to the Department and reported to the Government (June 2019 and September 2019); the Government stated (October 2019) that direction has been issued to all Additional Excise Commissioner, Zones and DEOs for compliance of the provisions of the Policy. However, progress of recovery was not intimated (May 2020).

- **Short determination of composite fees**

Para 3.11.4 of the Policy 2017-18 stipulated that if rationalisation of composite fees of category 'A' shops was necessary, it could be done by the EC with prior approval of the State Government. The EC *vide* his order dated 15 February 2017 decreased two CL shops in total number of CL shops and ₹ 1.55 crore in total EPA determined during 2016-17 under the jurisdiction of DEO, Jaipur Urban in view of rationalisation of EPA for the settlement of CL

²⁰ DEOs Jaipur City and Sawai Madhopur.

groups during 2017-18. There was no direction about rationalisation of composite fees in the order.

During test check of settlement records of DEO Jaipur (Urban) for the year 2017-18, it was noticed that during rationalisation of EPA and number of shops, the DEO abolished four groups of peripheral area and one group of rural area. Area of these groups was merged into another four groups of peripheral area and one group of rural area but composite fees of three abolished groups of peripheral area was not included in the composite fees of newly restructured groups whereas in remaining two cases, composite fees of abolished groups was included in the composite fees of newly restructured groups. However, number of shops and EPA of the district were determined as per the order of the EC by way of restructuring groups/shops of CL.

Thus, composite fee of ₹ 137.50 lakh was to be decided for such three composite groups of peripheral area as per procedure adopted in another two groups but the concerned officer decided and recovered ₹ 100.00 lakh from these licensees at his level. Sanction of EC with prior approval of the State Government was not taken for such rationalisation of composite fees of the groups of peripheral area. This resulted in loss of revenue amounting to ₹ 37.50 lakh. On being pointed out, the Department stated (May 2019) that composite fees of these shops/groups were reduced on the recommendation of concerned Excise Inspectors as per instructions issued by the Head Office. The reply is not tenable as no such instructions were issued by the Head Office.

The audit observation was pointed out to the Department and reported to the Government (June 2019 and September 2019); the Government stated (October 2019) that concerned officer had been directed (August 2019) to ensure compliance for short determination of composite fees. Further progress is awaited (May 2020).

Internal Control Mechanism

6.4.12 Internal Audit

The internal audit conducted by the IA wing and number and amount of objection raised and settled during the year is shown below:

(₹ in crore)

Year	Opening Balance		Addition during the year		Clearance during the year		Closing balance	
	Number of cases	Amount involved	Number of cases	Amount involved	Number of cases	Amount involved	Number of cases	Amount involved
2015-16	627	10.22	255	5.40	337	1.97	545	13.65
2016-17	545	13.65	337	12.51	157	5.55	725	20.61
2017-18	725	20.61	256	11.58	273	3.29	708	28.90

Source: information provided by the Department.

It is seen from the above that during the period the cases under objections and amount increased which indicates that the compliance of the cases raised by the IA wing by the Department is very low.

The audit observation was pointed out to the Department and reported to the Government (June 2019 and September 2019); the Government stated (October 2019) that special camps were organised (July and August 2019) for settlement of outstanding paragraphs. As of now 560 paras were outstanding

which will be settled at the earliest. Further progress is awaited (May 2020).

6.4.13 Effectiveness of the Enforcement Wing of the Department

The prevention of offences against the Rajasthan Excise (RE) Act, 1950 and the Narcotic Drugs and Psychotropic Substances (NDPS) Act, 1985 and the rules made thereunder is an important task of the State Excise Department. For effective prevention and control on production and trade of illegal excisable articles in the State, a separate Excise Preventive Force (EPF) Cell was constituted in the Department. The main functions of EPF is patrolling or planning for raids, assembling groups of forces with police and inspectors of circle offices of the Department for joint raids to prevent illicit distillation, smuggling, sale and storage of illicit liquor, opium and other intoxicating substances.

6.4.13.1 Seizure of excisable articles

Scrutiny of Administrative Reports of the Department disclosed that following excisable articles were seized in excise raids conducted by EPF stations and circle offices of the excise Department:

Sl. No.	Name of excisable articles	Unit in	Excisable articles seized during the year			
			2015-16	2016-17	2017-18	Total
1	Illicit liquors	Bottles	58,520	75,937	5,15,298	6,49,755
2	IMFL	Bottles	5,44,915	4,92,887	3,04,629	13,42,431
3	C.L.	Bottles	88,055	93,997	89,236	2,71,288
4	Beer	Bottles	1,31,088	2,19,020	41,421	3,91,529
5	Wash	litres	23,08,703	26,20,056	19,94,682	69,23,441
6	Spirit	litres	1,23,705	57,355	29,424	2,10,484
7	Lanced Poppy Heads (LPH)	Kilogram	484	59	0.35	543.35
8	Opium	Kilogram	0	0	0.566	0.566
9	Ganja	Kilogram	0	0	0	0
10	Charas	Kilogram	0	0	0	0

Source: Administrative Reports of the Department.

The seizure of such high quantity of illicit liquor, wash and spirit by the Department indicates that magnitude of illegal liquor distillation in the State was alarming.

It was also noticed that the State Police Department seized 493.558 kilogram opium, 2,357.721 kilogram ganja, 107.939 kilogram charas and 43,740.317 kilogram LPH under NDPS Act during the year 2016 whereas the seizure of the Excise Department in this regard was negligible. Thus, performance of the Department in seizure of such intoxicating substances was not satisfactory and the Department needs to improve efficiency in this regard.

The audit observation was pointed out to the Department and reported to the Government (June 2019 and September 2019); the Government stated (October 2019) that preventive activities are mainly directed to check revenue loss from illegal liquor trade. However, reply was silent regarding action taken under NDPS Act.

6.4.13.2 Regular patrolling and case registration

As per Excise Manual, 1988, Patrolling Officer (PO) of each EPF station had to conduct minimum 15 tours per month in day and 15 tours per month at night along with his staff. Further, each PO of EPF had to detect 10 cases per month as per provisions contained in the Excise Manual.

The EC Rajasthan classified (26 November 2010) the cases registered in excise circles and EPF stations into ordinary report cases and special report cases. Cases related to the quantity of seized liquor (IMFL/CL/illicit) more than 50 litres and Beer more than 96 bottles, current operation of illicit liquor, mixing of liquor, poisonous liquor, factories manufacturing duplicate liquor and cases registered under NDPS Act are treated as special report cases.

During test check of the records and information furnished by the EPF stations of selected units, it was noticed that the EPF stations did not carry out regular patrolling and raids which is reflected in poor performance of EPF stations in detection and registration of cases. The bifurcation of cases registered in 28 EPF stations of seven selected Assistant Excise Officers (AEOs) offices during 2015-18 are mentioned below:

Sl. No	Name of AEO offices (Number of EPF Stations)	Cases to be registered as per norms	No of cases registered			Shortfall in cases registered		Percentage to the total number of registered cases	
			Total	Ordinary report cases	Special report cases	Number (3 - 4)	Per cent	Ordinary Report cases	Special report cases
1	2	3	4	5	6	7	8	9	10
1	Alwar (7)	2,520	1,841	1,553	288	679	26.95	84.36	15.64
2	Barmer (3)	1,080	478	451	27	602	55.74	94.35	5.65
3	Hanumangarh (3)	1,080	806	705	101	274	25.37	87.47	12.53
4	Jhalawar (4)	1,440	421	397	24	1019	70.76	94.30	5.70
5	Nagaur (5)	1,800	971	880	91	829	46.06	90.63	9.37
6	Rajsamand (3)	1,080	592	522	70	488	45.19	88.18	11.82
7	Sawai Madhopur (3)	1,080	272	270	2	808	74.81	99.26	0.74

The POs of only three²¹ EPF stations, under AEO Alwar could achieve their targets of detection and registration of cases *i.e.* 120 cases per year during 2016-17 and 2017-18. Further, even a single case per month was not detected in *Eklera* EPF station of AEO Jhalawar during 2015-18.

It was also seen that performance of EPF stations regarding special report cases was dismal. In comparison to total registered cases during the period 2015-18, percentage of special report cases ranged between 0.74 and 15.64 *per cent*.

Position of detection and registration of special report cases in Jhalawar and Sawai Madhopur AEO offices was poor. POs of three EPF stations at Sawai Madhopur and four EPF stations at Jhalawar AEO office detected only two and 13 SR cases respectively during the three years. Most of the cases detected

²¹ Alwar East and Laxmangarh during 2016-17 & 2017-18 and Bhiwadi during 2017-18.

and registered at EPF stations were ordinary report cases involving low quantity of seizures.

The audit observation was pointed out to the Department and reported to the Government (June 2019 and September 2019); the Government stated (October 2019) that despite less number of cases registered at EPF stations, government revenue was continuously increasing which indicates the effective working of EPF on illegal activities. The reply is not tenable as EPF stations were not able to achieve their targets and there is a need to strengthen the EPF.

6.4.13.3 Coordination between Excise Department and Police Department

As per Excise Manual and Excise Policies, it is essential that the officers of the Police and Excise Department cooperate in detection and investigation of excise and opium offences.

During scrutiny of the information provided by the EC office, it was noticed that the Department does not have a proper system to share or exchange the information in this regard. As a result both the agencies worked independently for the same goal. It was noticed that excise offences registered by the Police Department in the State were much higher than those by the Excise Department which puts a question mark on the efficacy of the functioning of EPF stations and circle offices. The table below shows the number of cases registered against violation of the RE/NDPS Acts and Rules in the State during 2015 to 2017.

Particulars	2015	2016	2017
No. of cases registered by the State Police Department	15,500	17,316	18,687
No. of cases registered by the Excise Department	12,967	14,107	13,519

Source: Annual Report of the State Police Department and Administrative Report of the Excise Department.

It is clear from above table that EPF stations and circle offices of the Department were not paying required attention towards detection and registration of cases whereas Police Department remained more active in this regard along with their broad sphere of work.

The audit observation was pointed out to the Department and reported to the Government (June 2019 and September 2019); the Government stated (October 2019) that incentive was given to Police Department for informers from time to time thus both Departments were doing preventive work in coordination.

6.4.14 Conclusion

Norms prescribed by the Department for production of alcohol from grain and measurement of spirit in % V/V were not based on scientific analysis. Provision to levy of additional amount on short lifted quantity of alcohol indirectly promotes the sale which is against the objectives of the temperance policy. Gradually increasing consumption of liquor, non-incurring of targeted expenditure on broadcasting under public awareness campaign and lack of effective system to control illegal trafficking of excisable articles adversely impacted the temperance policy.

There were instances of non-compliance to the excise policy such as non-forfeiture of security deposit and advance EPA of defaulter licensees,

shortfall in monthly guarantee, non-realisation of additional amount on short lifted quantity of IMFL and Beer, misclassification of composite fees for composite shops of peripheral area, short realisation of composite fees etc.

Further, the compliance to the cases raised by the IA wing was very low and performance of the Department about seizure of intoxicating substances was not satisfactory.

6.4.15 Recommendations

- *The Department may rectify the norms of alcohol as per fermentation efficiency and distillation efficiency adopted by distillers and it would be in the interest of the revenue if the Government considers revising the norms of the production at regular intervals.*
- *A suitable control mechanism may be considered to rationalise Exclusive Privilege Amount in accordance with the sale of country liquor (CL) without making it as source of revenue realisation.*
- *A separate module for recovery of shortfall of monthly guarantee from CL retail off licensees and additional amount on short lifted quantity of IMFL/Beer from retail off licensees may be developed in Integrated Excise Management System. This would be compatible to tag the details of recoveries with the short lifted quantity of CL and IMFL/Beer after each month or quarter as the case may be, so that recovery could be made automatically from the next fund deposited by the licensees for purchase of liquor and before next issue of liquor to them.*
- *The Department may take appropriate steps for monitoring action taken by the concerned authorities for speedy recoveries in cases raised by the Internal Audit wing.*
- *The Department may evolve a mechanism to share or exchange the information regarding culprits involved in illegal and illicit excisable articles and co-operation with Police Department for effective control of excise offences as envisaged in the Policy.*

6.5 Compliance audit observations

Audit observed during test-check of the record of DEOs cases of non- recovery of licence fee, Non/short realization of fee on short lifted quantity of IMFL and Beer, and short levy of composite fee for composite shops of peripheral area. A few cases involving ₹ 2.07 crore are discussed in the succeeding paragraphs. These cases are illustrative only as these are based on a test check of records.

Sl. No.	Number of DEOs (Date of assessment)	Particulars of irregularities	Reply of Government/ remarks
1	Excise Commissioner Officer (EC), Udaipur (July 2018)	Non-recovery of licence fee for wholesale vend of Foreign Liquor Bottled-In-Origin (BIO) The EC had approved 449 BIO brands for 19 dealers (ranging between 1 and 115 brands for each dealer) for wholesale vend in the State during 2017-18. The Department, however, recovered licence fee according to the number of brands approved under Rule 68 (13-C) from only 17 dealers. The requisite licence fee was not recovered from the remaining two dealers. Scrutiny of Brand/Label approval procedure revealed that only	The Government replied (May 2019) that notices have been issued for recovery. However, one dealer obtained stay on recovery proceedings from Hon'ble High Court of Rajasthan. Further progress is awaited

		registration in and approval fees was being collected at the time of application .However, there was no system to collect licence fee at the time of registration and approval of Brand/Label. This resulted in non-realisation of licence fee amounting to ₹ 12 lakh.	(May 2020).
2	Excise Commissioner Officer (EC), Udaipur (July 2018)	Non-realisation of licence fee for possession and use of excisable articles for industrial purposes 20 Country Liquor (CL) reduction centres of a Government Company and 20 other private Bottling Plants were in operation of bottling of CL and Indian Made Foreign Liquor (IMFL) in the State under the jurisdiction of concerned District Excise Officers (DEOs). Though, these 40 Bottling Plants were not producers of spirit itself but liquor was manufactured from spirits imported from other distilleries. Thus, these bottling plants were in possession of imported spirit and liquor for industrial purposes. Therefore, licence fee under Rule <i>ibid</i> was payable by these units which was not recovered by the Department. This resulted in non-realisation of licence fee amounting to ₹ 12.00 lakh ²² .	The State Government replied (June 2019) that the direction for recovery had been issued to the concerned offices.
3	Six DEOs ²³ (between June 2018 and September 2018)	Non/short realisation of additional amount from retail-off licensees on short lifted quantity of IMFL and Beer It was noticed that 249 licensees did not enhance lifting of IMFL and Beer upto minimum 10 <i>per cent</i> during 2017-18 as comparison to the previous year. Therefore, in compliance to the directions, <i>ibid</i> , the DEOs should have calculated the additional amount for each retail off licensee and intimated the concerned licensee and should have made efforts to realise this additional amount within seven days of the intimation letter of recovery. The concerned offices, however, failed to take action. This resulted in non-recovery of ₹ 94.17 lakh which was leviable .	The Government replied (September 2019) that ₹ 51.85 lakh had been recovered and progress would be intimated after recovery of the remaining amount. Further, progress is awaited (May 2020)
4	Five DEOs ²⁴ (between June 2018 and October 2018)	Short levy of composite fees for composite shops of peripheral area Twelve CL shops/groups were categorised as shops of peripheral area during 2014-18 by the concerned DEOs. Scrutiny of licence fee files and relevant records disclosed that while issuing notices for inviting applications for allotment of shops, the concerned DEOs incorrectly calculated a lower composite fees than the fee payable for the shops of peripheral area as per annualised billing amount of RSBCL. Thus, instead of composite fee of ₹ 1.51 crore to be decided for such 12 composite shops/groups of peripheral area, the concerned offices decided and recovered only ₹ 62.18 lakh from these licensees. This resulted in loss of revenue amounting to ₹ 88.82 lakh.	The Government replied (October 2019) that 3.90 lakh had been recovered and progress would be intimated after recovery of remaining amount. Further, progress is awaited (May 2020).

²² DEO Ajmer (4), Alwar (3), Baran (1), Behror (5), Bharatpur (1), Bhilwara (1), Bikaner (1), Bundi, (1) Chittorgarh (1), Dholpur (1), Hanumangarh (1), Jaipurcity (2), Jaipur Rural (3), Jhunjhunu (2), Jodhpur (2), Kota (1), Pali (1), Sawaimadhopur (1), Sikar (2), Sirohi (1), Sriganganagar (2) and Udaipur(3)

²³ DEOs Ajmer, Bhilwara, Jaipur Rural, Jalore, Pratapgarh and Sikar.

²⁴ DEOs Ajmer, Barmer, Churu, Pratapgarh and Sikar.

CHAPTER-VII

NON-TAX RECEIPTS

CHAPTER-VII: NON-TAX RECEIPTS

7.1 Tax administration

At the Government level, the Principal Secretary, Mines and Petroleum, Jaipur and at the Department level, the Director, Mines and Geology (DMG), Udaipur are responsible for administration and implementation of the related Acts and Rules in the Department. The DMG is assisted by seven Additional Directors, Mines (ADM) and six Additional Directors, Geology (ADG) in administrative matters and by a Financial Advisor in financial matters. The ADMs exercise control through nine circles headed by Superintending Mining Engineer (SME).

There are 49 Mining Engineers (ME)/Assistant Mining Engineers (AME), who are responsible for assessment and collection of revenue besides prevention of illegal excavation and despatch of minerals from areas under their control. The Department has a separate vigilance wing headed by ADM (Vigilance) for prevention of illegal excavation and despatch of minerals.

7.2 Results of audit

There were 120 auditable units¹ in the Departments of Mines, Geology and Petroleum. Out of these, audit selected 29² for audit wherein 34,276 cases³ of Mining Leases (ML), Royalty Collection Contracts (RCC)/Excess Royalty Collection Contracts (ERCC), cases of illegal mining/transportation of mineral, cases of recovery under Land Revenue Act, Short Term Permits (STP) *etc.*, existed. Out of these, audit selected 23,374 cases⁴(approximate 68.19 *per cent*) wherein audit noticed 2,512 cases (approximate 10.75 *per cent* of sampled cases) involving ₹ 248.77 crore of non-recovery/short recovery of cost of unauthorised excavated minerals, dead rent and royalty, District Mineral Foundation Trust (DMFT) Fund/National Mineral Exploration Trust (NMET) Fund, non-levy of penalty/interest, non-forfeiture of security deposit. These cases are illustrative and are based on a test-check carried out by us. Audit pointed out some of the similar omissions in earlier years, not only these irregularities persist but also remain undetected till next audit is conducted. The substantial proportion of errors, omissions and other related issues (approximate 10.75 *per cent*) noticed in audit indicated that the Government needed to improve the internal control system including strengthening of internal audit so that occurrence/recurrence of such lapses can be avoided. Irregularities noticed

¹ Includes 35 implementing units.

² Includes four implementing units.

³ 9,286 Mining Leases (ML); 13 Petroleum mining leases (PML); 2 Prospecting licences (PL); 148 Royalty Collection Contracts (RCC)/Excess Royalty Collection Contracts (ERCC); 2,600 Quarry licences (QL); 5,602 cases of illegal mining/transportation of mineral; 612 cases of recovery under Rajasthan Land Revenue Act, 1956; 8,257 cases of revenue assessment; 2,194 cases of outstanding dues; 5,551 Short Term Permits and 11 Petroleum Exploration Licences (PEL).

⁴ 2,838 ML; 13 PML; 2 PL; 144 RCC/ERCC; 262 QL; 4,235 cases of illegal mining/transportation of mineral; 599 cases of recovery under Rajasthan Land Revenue Act, 1956; 8,257 cases of revenue assessment; 1,462 cases of outstanding dues; 5,551 STPs and 11 PEL.

broadly fall under the following categories:

(₹ in crore)			
Sl. no.	Category	Number of cases	Amount
1	Paragraph on 'Receipts from major minerals'	1	87.53
2	Non-recovery/short recovery of cost of unauthorised excavated minerals	133	12.87
3	Non-recovery/short recovery of dead rent and royalty	213	12.23
4	Non-levy of penalty/interest	353	28.16
5	Non-forfeiture of security deposit	746	20.43
6	Non-recovery/short recovery of DMFT/NMET Fund	55	63.39
7	Other irregularities	Revenue	917
		Expenditure	95
Total		2,513	248.77

During the year 2018-19, the Department accepted short realisation of revenue of ₹ 38.81 crore in 1,583 cases, of which 660 cases involving ₹ 29.50 crore were pointed out in audit during the year 2018-19 and rest in earlier years. The Department recovered ₹ 7.63 crore in 872 cases, out of which 16 cases involving ₹ 0.13 crore were of current year and the rest were of earlier years.

A paragraph on 'Receipts from major minerals' having revenue implication of ₹ 87.53 crore and few illustrative cases involving ₹ 2.46 crore are discussed in the succeeding paragraphs.

7.3 Receipts from major minerals

7.3.1 Introduction

Rajasthan is blessed with 79 varieties of minerals, out of which 57 are being commercially exploited. State's share is nine *per cent* in the country's total mineral production. Mining is not only a major source of employment in the rural and tribal areas of the State, but also a major source of revenue for the Government, playing an important role in the development of the State.

The Department of Mines and Geology (Department) was formed in 1949 with the purpose of discovery, extraction and administration of these mineral resources in the State. The Department administers central legislations {*viz.* the Mines and Minerals (Development and Regulation) (MMDR) Act, 1957 and the Minerals (Other than Atomic and Hydro Carbons Energy Minerals) Concession Rules, 2016} for major minerals as well as implements Rajasthan Minor Mineral Concession Rules, 2017 for minor minerals. Majority of activities under the mining sector (*viz.* grant of lease, cancellation of lease, collection of royalty, ensuring safe and eco-friendly mining *etc.*) are controlled by the Directorate, Department of Mines and Geology (Directorate).

According to the legal provisions, the minerals have been classified into two categories namely:

- (i) **Major Minerals:** minerals like Agate, Asbestos, Barytes, Bauxite, Cadmium, Coal, Copper, Lead, Manganese, Nickel, Rock Phosphate, Tungsten, Wollastonite, Zinc, *etc.*, as specified in Second Schedule appended with the MMDR Act 1957; and
- (ii) **Minor Minerals:** any mineral which the Central Government may by notification in the official Gazette declare as Minor Mineral *i.e.* building stones, gravel, ordinary clay, ordinary sand *etc.*

MMDR Act, 1957 lays down the legal frame-work for the regulation of mines and development of all minerals other than petroleum and natural gas. The Central Government had framed the Mineral Concession Rules, 1960 (MCR) and also notified the Minerals {Other than Atomic and Hydro Carbons Energy Minerals} Concession Rules, 2016 for regulating grant of reconnaissance permits (RP), prospecting licenses (PL) and mining leases (ML) in respect of all minerals except minor minerals. The Central Government has also framed the Mineral Conservation and Development Rules (MCDR), 1988⁵, for conservation and systematic development of minerals. These Rules are applicable to all minerals except petroleum, natural gas, coal, lignite, sand for stowing and minor minerals.

7.3.2 Audit Objectives

We undertook the audit to assess:

- Whether adequate provisions exist in the Act and Rules made thereunder for grant of concession for exploitation of Major Minerals, correct estimation of reserves, levy, assessment and collection of mining receipts;

⁵ These Rules were superseded by MCDR, 2017 with effect from 27 February 2017.

- Whether the provisions of the Act, Rules, notifications and orders/circulars governing mining receipts from Major minerals are being implemented efficiently and effectively; and
- Whether adequate internal control and monitoring mechanism including IT system in place is adequate for preventing illegal excavation of minerals and for safeguarding the revenue.

7.3.3 Audit Criteria

The audit criteria to achieve the audit objectives were derived from:

- The Mineral Conservation and Development Rules, 1988 and 2017;
- Mines and Minerals (Development and Regulation) Act, 1957;
- The Mines and Minerals (Contribution to District Mineral Foundation) Rules, 2015;
- The Minerals (Other than Atomic and Hydro Carbons Energy Minerals) Concession Rules, 2016;
- The Mineral (Auction) Rules, 2015;
- The Minerals (Evidence of Mineral Contents) Rules, 2015;
- The Mineral Concession Rules, 1960;
- National Mineral Policy, 2008;
- The Minerals (Transfer of Mining Lease Granted Otherwise than through Auction for Captive Purpose) Rules 2016 and
- Rajasthan Mineral Policy, 2011 and 2015.

7.3.4 Scope of Audit

The Audit on 'Receipts from Major Minerals' was conducted from August 2018 to May 2019, covering period from April 2015 to March 2019 (upto audit month). Nine Mining Engineer (ME)/Assistant Mining Engineer (AME) offices⁶ out of 49 were selected using the Probability Proportional to Size (Systematic) method of sampling. Besides the selected offices, the Principal Secretary, Mines and Petroleum, Jaipur and the Directorate, Udaipur were covered in Audit. Apart from this, deficiencies noticed in allocation and operations of mines for major minerals during regular audit of 2017-18 were also included in the paragraph.

The Entry Conference was held on 25 March 2019 with the Director, Mines and Geology (DMG) along with senior officers of the Department wherein audit objectives, scope and criteria were discussed. The report has been finalised after considering the views of the Department expressed during Exit Conference held on 9 August 2019.

The audit findings were communicated to the Department and reported to the Government (September 2019). Government forwarded its reply in November 2019.

⁶ ME: Barmer, Bhilwara, Chittorgarh, Jaisalmer, Jalore, Sirohi, Rajsamand-II, Udaipur and AME: Nimbahera.

7.3.5 Revenue from Major Minerals

As per details provided by the DMG, Udaipur there are 189 mining leases (March 2018) of major minerals in the State. The revenue collection from major minerals during 2015-16 and 2017-18 was as under:

Sl. No.	Year	Revenue (₹ in Crore)
1	2015-16	1,938.54
2	2016-17	2,436.63
3	2017-18	2,696.66
4	2018-19	2,999.34

(Source: Information provided by DMG).

Audit Findings

We checked records of all the 111 MLs⁷ of major minerals in selected nine ME/AME offices and three regular audit ME/AME offices. Our findings on 238 issues, involving ₹ 87.53 crore, seen during audit are mentioned in following paragraphs.

Further, it is also pertinent to mention that these audit findings are based on our analysis of cases in selected offices only and there is a possibility of more such cases occurring in the remaining offices. Therefore, the Government is expected to review all other cases having possibility of similar deficiencies/irregularities and required to take corrective action.

7.3.6 System Issues

7.3.6.1 Mineral survey and prospecting

The State of Rajasthan is rich in mineral resources in terms of variety, quality and quantum. As per chapter-V of the manual of the Department of Mines and Geology, the Department is to undertake mineral survey and prospecting work for different minerals throughout the State.

DMG has a Geology wing to undertake the following:

- Regional Mineral Survey;
- Regional Geological Mapping;
- Detailed Geological Mapping;
- Pitting, Trenching and Sampling;
- Drilling (Both coring and non-coring) and
- Chemical Analysis and Beneficiation studies of rocks/minerals and ores.

The State Government in the Mineral Policy 2015 envisaged increase in 'land under mining' from the current 0.54 per cent to 1.5 per cent of the total area of the State. The State has an area of 3,42,239 square kilometres, out of which 1,846 square kilometres is covered under mining leases/licences. Thus, the Department needs to add 3,287.59 square kilometres of "land under mining" to achieve its aim.

According to the Annual Progress Report of Mineral Survey and Prospecting Scheme 2017-18 of the Department, during 2017-18 total 52 projects were

⁷ Selected offices: Barmer (30), Bhilwara (8), Chittorgarh (3), Jaisalmer (24), Jalore (5), Sirohi (9), Rajsamand-II (3), Udaipur (10) and Nimbahera (9). Regular audit offices: Bikaner (3), Jaipur (3) and Gotan (4).

operating under eight exploration programmes for different minerals. The targets and achievements were as follows:

Sl. No.	Nature of work (unit)	Target 2017-18	Total Achievement	Percentage of Achievement*
1.	Regional Mineral Survey (Sq. Kms.)	3,850.00	3,587.00	93.16
2.	Regional Geological Mapping (Sq. Kms.)	335.00	355.00	105.97
3.	Detail Geological Mapping (Sq. Kms.)	65.00	70.65	108.69
4.	Drilling (Metre)	3,000.00	2,714.50	90.48
5.	Geophysical survey (Line Kms.)	120.00	120.40	100.33

* The shortfall in targets was due to non-availability of Geologist and proposed drilling on contractual basis did not mature.

The DMG surveyed and identified (between April 2015 to March 2019) 15 blocks over an area of 75.52 square kilometres of major minerals. Out of these five blocks over an area of 19.89 square kilometres were auctioned and 10 blocks could not be auctioned. The survey and prospecting work done by the Department with reference to Mineral Policy 2015 was negligible as it was done only in 19.89 square kilometres (0.61 per cent) against the targeted increase of 3,287.59 square kilometres. This shows that the Department did not survey and identified the mineral potential of the land effectively.

It was also observed that applications for 4,708 mining leases of major minerals were rejected/declared ineligible after 12 January 2015. The Department should have investigated availability of mineral in the areas for which the applications were received. The Department could have auctioned these areas after establishing the mineral content and could have earned additional revenue after 12 January 2015. Further, it was also noticed that the Department did not have any database of mineral reserves which remained in the leased area after expiry of leases.

Audit noticed that in two ME/AME offices⁸ where the Department had identified mineral but the process for auction was not started as detailed below:

- Scrutiny of records of AME office, Gotan revealed that a mining lease of limestone (minor mineral) (45/1993) over an area of 10 square kilometres near village Dhanapa *tehsil* Merta, District Nagaur was transferred (April 2012) in favour of a company. The ML was finally declared 'Null and Void' (December 2014) due to illegal transfer and possession was taken by the Government.

The mining plan of the lease disclosed that the limestone in the leased area was both Cement (major mineral) and Chemical grade (minor mineral). The lessee despatched mineral limestone as cement grade and also applied for transfer the mining lease in favour of a company. It also proves that the lease has ample reserves of Cement Grade Limestone.

According to the mining plan there was a reserve of 129.52 million ton of limestone. Out of this, the lessee dispatched 9.82 million ton of mineral limestone. Thus, 119.7 million ton (129.52-9.82) reserves of mineral limestone (of cement or chemical grade) still remained in the area, however, the area was not re-allotted by the Department.

⁸ ME Bikaner (1) and AME Gotan (1).

In this regard paragraph number 6.7.1 and 7.7.1 under caption 'Irregular sanction of limestone leases as minor mineral' were included in Comptroller and Auditor General's Audit Reports for the year ended 31 March 2011 and 2012 respectively. The Public Accounts Committee (PAC) in its 260th report of 2017-18 recommended (5 March 2018) that as the mineral was being used for cement manufacturing, therefore, the leases should be sanctioned as major mineral leases. Despite the recommendation of PAC, the Department did not take action accordingly.

Government replied (November 2019) that a writ petition filed by the transferee company was pending before Hon'ble Rajasthan High Court and the court has stayed (August 2019) the matter. It was also stated that a ML of mineral limestone can only be allotted through auction now. Further progress is awaited (May 2020).

- Scrutiny of records of ME office, Bikaner revealed that a mining lease of lignite (2/80) was sanctioned in favour of Rajasthan State Electricity Board near village Palana, *tehsil* and district Bikaner over an area 800.19 hectare for 20 years (May 1995 to May 2015). The possession of the lease was taken back by the Department in May 2015. In the possession report it was clearly mentioned that no mining operations were carried out in the area for mineral lignite. As per the factual report of the Department a reserve of 12 million ton of mineral lignite was available in the leased area. However, the Department failed to re-allot the area.

Government replied (November 2019) that leased area was not re-allotted as densely populated residential colonies have come up in the area. The reply of the Government is not tenable as the ML was granted on Government land and colonies were constructed in absence of mining operation in the leased area. It also shows that the Department did not protect the area where there was possibility of mineral excavation. This showed that the objectives of mineral development, revenue generation as well as power generation could not be achieved.

The above cases show that the Government did not take appropriate action to re-allot the areas on the basis of available mineral reserves to increase the 'Land under Mining' as envisaged in Mineral Policy 2015.

7.3.6.2 Transfer of mining leases in violation of the provisions

- **Hydro-carbon/Energy mineral**

According to Rule 37 (1) of MCR, 1960 the ML of mineral lignite can only be transferred after previous approval of Central Government.

Further, Section 21(5) of MMDR Act stipulates that whenever any person raises, without any lawful authority, any mineral from any land, the State Government may recover from such person the mineral so raised, or, where such mineral has already been disposed of, the price thereof, and may also recover from such person, rent, royalty or tax, as the case may be, for the period during which the land was occupied by such person without any lawful authority.

During scrutiny of records of ME, Barmer it was noticed that two MLs of mineral lignite (number 8/2005 Kapurdi block and 24/2005 Jalipa block) were

sanctioned in *tehsil* and district Barmer in favour of a Government Company over an area of 7,205.82 hectare (Kapurdi block 3,223.51 hectare and Jalipa block 3,982.31 hectare) for a period of 50 years from December 2010 and June 2013 respectively. These mining leases were transferred from Government Company to its subsidiary a joint venture company (51 *per cent* share of Government company and 49 *per cent* share of a subsidiary of a Public Limited Company). Transfer lease deeds were executed (October 2011 and May 2015) and the transferee was allowed to work in the leased area.

The Ministry of Coal, Government of India *vide* letter dated 18 May 2016 denied ex-post facto approval of transfer and observed “*However, with regard to the transfer of mining lease from Government Company to its subsidiary for Kapurdi and Jalipa lignite blocks, the same is void ab initio since there is no provision in the MMDR act 1957 and Mineral Concession Rules 1960 for the same without previous approval of Central Government. Hence, Government of Rajasthan’s request for the same is hereby declined.*” In respect of mining operations undertaken by transferor/transferee after the transfer of mining lease from Government Company to its subsidiary, the Government of India directed to take suitable action as per the provisions of MMDR Act, 1957 and other applicable statutes.

Thus, as per the directions of the Government of India the Department was required to stop mining operations in the area and initiate action to recover cost of mineral along with royalty and other applicable taxes *etc.*, as provided in the Act. The Department, however, did not stop the mining operations; resultantly 2,40,53,901.01 MT of mineral lignite was despatched between 25 May 2015 and March 2019 from these mines by the transferee. In view of the directives given by the Government of India the Department was required to recover cost of mineral despatched from the mines *i.e.* ₹ 2,937.42 crore⁹. But the Department did not recover the cost and thus gave undue benefit to the transferee, of which 49 *per cent* (₹ 1,439.34 crore) gone to the subsidiary of public limited company.

The Government replied (November 2019) that the proposals of the Department for taking necessary action for unauthorised mineral excavation were pending at the Government level. Further progress is awaited (May 2020).

● **Non-Metallic mineral**

As per Rule 3 of the Minerals (Transfer of Mining Lease Granted Otherwise than through Auction for Captive Purpose) Rules, 2016 a ML granted otherwise than through auction which is being used for captive purpose can only be transferred. Further, Rule 6(1) of *ibid* Rules stipulates that the transferee shall in addition to the royalty pay as transfer charges an amount equal to 80 *per cent*¹⁰ of the royalty paid.

During scrutiny of records of AME Nimbahera it was noticed that a mining lease (10/2006) near village Araniya Joshi, Mota Shahabad, *tehsil* Nimbahera district Chittorgarh was sanctioned (May 2010) in favour of a Private Limited

⁹ Cost of mineral worked out as per interim/ad-hoc transfer price for mineral lignite approved by Rajasthan Electricity Regulatory Commission for the year 2015-16: ₹ 1,246.18; 2016-17: ₹ 1,213 and 2017-18 : ₹ 1,213 per MT. As the data was not available for the year 2018-19 the transfer price approved for the previous year is adopted.

¹⁰ As per schedule-IV of the Minerals (Transfer of Mining Lease Granted Otherwise than through Auction for Captive Purpose) Rules, 2016.

Company for mineral limestone (Cement Grade) for 30 years. The lessee informed (May 2016) that the status of the company has changed from private limited company to public limited company. Thereafter, a new company (Nuvoco Vistas Corporation Limited) informed (May 2017) that name of company (Lafarge India Limited) has now been changed as Nuvoco Vistas Corporation Limited and requested to change the name in the records.

Financial Advisor and Legal Advisor of the Department opined that the lessee sought for name change, whereas the ML was required to be transferred. The matter was sent to the State Government (September 2018) for issuing necessary directions. However, the Department directed (November 2018) the Company (Private Limited) to submit transfer application but the lessee did not submit the transfer application.

Audit further noticed that during the period June 2016 to March 2019, 3,31,481.66 MT of mineral limestone (Cement Grade) was despatched from the leased area bearing a liability of ₹ 2.65 crore¹¹ for royalty. Had the lease been transferred an amount of ₹ 1.59 crore could have been realised as transfer charges.

The Government replied (November 2019) that matter was pending for examination at higher level in the light of new facts presented by the company. Further progress is awaited (May 2020).

7.3.6.3 Lack of system to cross check the metal content

As per Rule 39(4) of Minerals (Other than Atomic and Hydro Carbons Energy Minerals) Concession Rules, 2016 wherever the Act specifies that the royalty in respect of any mineral is to be paid based on London Metal Exchange or London Bullion Market Association price, the royalty shall be calculated at the specified percentage of the average sale price of the metal for the month as published by the Indian Bureau of Mines, for the metal contained in the ore removed or the total by-product metal actually produced, as the case may be, of such mineral for the month. The second schedule appended with Section 9 of MMDR Act prescribed rates of royalty in case of Bauxite, Copper, Gold, Laterite, Lead, Silver, Tin and Zinc on the basis of certain percentage of London Metal Exchange Price.

During test check of records of selected offices, it was noticed that eight MLs were sanctioned in five ME offices¹² for extraction of minerals having metal contents. The royalty is being paid by the lessees on the basis of *percentage* of metal content in ore/concentrate, the royalty of these leases was 63.09 to

¹¹ 3,31,481.66 MT mineral X ₹ 80 per MT (royalty rate) = ₹ 2,65,18,533.

¹² ME Ajmer: (16/1992 for Lead, Zinc), Bhilwara (8/1999 for Cadmium, Silver, Lead, Zinc), Jhunjhunu (9/1991 for copper, 8/1993 for copper and 8/1995 for copper), Rajsamand-II (7/1995 and 166/2008 for Cadmium, Silver, Lead, Zinc) and Udaipur (3/1989 for Cadmium, Silver, Lead, Zinc).

76.98 per cent of the total revenue of the Department from major minerals as detailed under:

S. No.	Year	Revenue from Royalty of eight MLs (₹ in Crore)	Total Revenue of the Department from Major Minerals (₹ in Crore)	Percentage of column 3 to column 4
1	2	3	4	5
1	2015-16	1,223.09	1,938.54	63.09
2	2016-17	1,687.29	2,436.63	69.25
3	2017-18	2,075.84	2,696.66	76.98
4	2018-19	2,033.94	2,999.34	67.81

Section 24(1) of the MMDR Act empowers the DMG to inspect mine/minerals/area/document for the enforcement of the provisions of the Act or Rules made thereunder. However, records were not available for inspections carried out or for independent assessment of grades of ore conducted by the DMG. There were no check gates to ascertain the quantity and quality of mineral despatched. Also the Department did not have mechanism to get the samples examined in its laboratory.

It was further noticed that the metal content in ore/concentrate was decided by the lessee on his own in aforesaid cases. The Department relied on the information furnished by the lease holder and assessed the royalty accordingly.

The Government while accepting the facts replied (November 2019) that necessary directions have been issued (September 2019) to concerned authorities for monthly examination of the data submitted by the lease holders.

7.3.6.4 Non-working mines not declared as lapsed

Rule 28 of MC Rules, 1960 read with Rule 20 (1) of the Minerals (Other than Atomic and Hydro Carbons Energy Minerals) Concession Rules, 2016 stipulates that where mining operations are not commenced within a period of two years from the date of execution of the mining lease, or is discontinued for a continuous period of two years after commencement of such operations, the mining lease shall be declared as lapsed. The areas of the leases could be re-allotted by adopting procedure prescribed in the rules.

Scrutiny of records of 13 MLs¹³ in seven (five selected and two regular audit offices) ME offices disclosed that operations in these mining leases were either not started or stopped by the lessees for two continuous years. The concerned authorities, however, did not take the action as required. Resultantly these leased areas could not be re-allotted and State Government was devoid from its revenue.

The Government replied (November 2019) that one ML of ME Udaipur has been cancelled, proposals for cancellation of two MLs under jurisdiction of ME Sirohi were under consideration, proposals for cancellation/lapse of one ML (ME Udaipur) were sought. Seven MLs have not been cancelled/lapsed (three

¹³ Selected offices: Barmer (1), Bhilwara (3), Rajsamand-II (1), Sirohi (2) and Udaipur (4). Regular audit offices: Bikaner (1) and Jaipur (1).

MLs of ME Bhilwara, one ML of ME Bikaner, one ML of ME Rajsamand-II and two MLs of ME Udaipur). However, no reply was furnished in respect of one ML each of ME Barmer and Jaipur. Further progress is awaited (May 2020).

7.3.6.5 Lack of co-ordination between Department and Indian Bureau of Mines

Government of India, Ministry of Mines, Indian Bureau of Mines (IBM), Regional office, Ajmer provided (May 2019) information of 181 mining leases of major minerals held in the State of Rajasthan with following remarks:

- Work suspended in 30 mining leases;
- State Government was requested for termination in 17 MLs; and
- State Government was requested for declaring 9 MLs as lapse.

In case of Major Minerals the mining lease holders were required to deposit Financial Assurances with the IBM, whereas no information in this regard was available in the offices of Mines Department having jurisdiction over the MLs/PLs. The co-ordination between these two agencies (IBM and DMG) will be helpful for both the departments to regulate mining operations as per rules and to ensure the compliance of certain conditions of ML/PL *etc.*

The information provided by the IBM also disclosed that 65 mining lease holders have submitted financial assurance of only ₹ 0.50 crore as against ₹ 6.91 crore required as per rules.

The Government replied (November 2019) that progress of recovery would be intimated after obtaining information about outstanding financial assurance from IBM. However, reply regarding suspension of work in 30 MLs, termination of work in 17 MLs and declaring nine MLs as lapse was not furnished.

7.3.7 Compliance issues

7.3.7.1 Short payment of District Mineral Foundation Trust Fund amount

According to Rule 73 of RMMC Rules, 2017, it is mandatory for the lessee to obtain *e-rawanna*¹⁴ generated through online application. Further, Rule 13 (1) (iii) (a) of the District Mineral Foundation Trust (DMFT) Rules, 2016 provides that every mineral concession holder of major minerals shall pay the contribution fund in respect of any mineral removed by him from and/or consumed within the area allotted/permitted as prescribed in the Mines and Minerals (Contribution to District Mineral Foundation) Rules, 2015.

According to Rule 2 of the Mines and Minerals (Contribution to District Mineral Foundation) Rules, 2015 (September 2015), every holder of a mining lease of major mineral shall, in addition to the royalty, pay to the District Mineral Foundation of the district in which the mining operations are carried on, an amount at the rate of:

- (a) ten *per cent* of the royalty paid in terms of the second schedule to the MMDR Act, 1957 in respect of mining leases or, as the case may be,

¹⁴ *e-rawanna* is an electronically generated Form from the Departmental web portal for despatch, consumption or processing of mineral or overburden from a specified area granted under any mineral concession or permit.

- prospecting licence-cum-mining lease granted on or after 12 January 2015; and
- (b) thirty *per cent* of the royalty paid in terms of the second schedule to the said Act in respect of mining leases granted before 12 January 2015.

Scrutiny of records of five ME/AME offices¹⁵ revealed that though the Department facilitated (May 2016) payment of royalty and generation of (October 2017) *e-rawanna* through their web portal but similar provision was not made for payment of DMFT Fund amount. Scrutiny of records further revealed that 21 lease holders of major mineral despatched 4.33 crore MT of minerals during 17 September 2015 and 31 March 2018 bearing a liability of ₹ 773.79 crore for royalty. An amount of ₹ 232.11 crore was payable towards DMFT on these despatches but the lease holder deposited ₹ 195.15 crore only. This resulted in short payment of DMFT Fund amount of ₹ 36.96 crore (₹ 232.11 crore - ₹ 195.15 crore). Similar observation was also included in Comptroller and Auditor General's Audit Reports for the year ended 31 March 2018. However, still the deficiency persists and new cases are being seen by Audit.

The Government replied (November 2019) that concerned offices have been directed (September 2019) to recover the amount. Further, appropriate provisions were being made in the Department of Mines and Geology Online Management System (DMGOMS) for DMFT Fund amount. Further progress is awaited (May 2020).

7.3.7.2 Short deposit of National Mineral Exploration Trust Fund amount

According to section 9-C (4) of MMDR Act the holder of a mining lease shall pay to the National Mineral Exploration (NME) Trust, a sum equivalent to two *per cent* of the royalty paid in terms of the second schedule, in such manner as may be prescribed by the Central Government.

Scrutiny of records of six ME/AME offices¹⁶ disclosed that 22 major mineral lease holders paid NME Trust Fund amount of ₹ 71.81 crore instead of payable amount of ₹ 91.35 crore which became due on the payable royalty amount of ₹ 4,567.47 crore during the period from 2015-16 to 2017-18. This resulted in short payment of NME Trust Fund amount of ₹ 19.54 crore (₹ 91.35 crore - ₹ 71.81 crore).

The Government replied (November 2019) that concerned offices have been directed (September 2019) to recover the amount. Further, appropriate provisions were being made in the DMGOMS for NME Trust Fund amount. Further progress is awaited (May 2020).

7.3.7.3 Non-recovery of interest on delayed deposits

According to the Rule 49 of the Minerals (Other than Atomic and Hydro Carbons Energy Minerals) Concession Rules, 2016 the State Government may, without prejudice to the provisions contained in the Act or rules made thereunder, charge simple interest at the rate of 24 *per cent* per annum on any rent, royalty or other sum due to that Government under the Act or rules made thereunder or terms and conditions of any mineral concession from the sixtieth

¹⁵ ME: Jaisalmer (6), Sirohi (2) and Udaipur (3). AME: Gotan (4) and Nimbahera (6).

¹⁶ ME: Bhilwara (2), Jaisalmer (7), Rajsamand-II (2) and Udaipur (3). AME: Gotan (3) and Nimbahera (5).

day of the expiry of the date fixed by that Government for payment of such royalty, rent, fee or other sum and until payment of such royalty, rent, fee or other sum is made.

During review of records of three ME/AME offices¹⁷ it was noticed that four lease holders delayed the deposit of amounts towards royalty and other sums due to the Government ranging between 38 to 2,764 days. But the Department did not levy interest of ₹ 30.16 crore.

The Government replied (November 2019) that necessary provisions for calculation of interest were being made in the DMGOMS. However, reply regarding recovery of objected amount was not furnished.

7.3.7.4 Short recovery of royalty

According to Section 9(1) of the MMDR Act the holder of a mining lease granted before the commencement of this Act shall, notwithstanding anything contained in the instrument of lease or in any law in force at such commencement, pay royalty in respect of any mineral removed or consumed by him or by his agent, manager, employee, contractor or sub-lessee from the leased area after such commencement, at the rate for the time being specified in the Second Schedule in respect of that mineral.

The State Government issued order (April 2000) for calculating royalty on monthly basis, raising demand and action for recovery of the same. Further, it also ordered (March 2008) to recover the payable royalty by 7th of every month on provisional basis¹⁸.

As the assessments of MLs of limestone (cement grade) were pending since 2001 the Department convened a meeting (January 2014) in which representatives of cement industry and Department officers participated. It was decided in the meeting that assessments pending prior to 2013 may be finalised taking already determined clinker¹⁹ and limestone ratio. Based on the results of the meeting the Department sent a proposal (March 2014) to the State Government which directed (May 2014) to finalise the pending royalty assessments on the basis of Clinker Limestone ratio already finalised or actual despatch of mineral whichever is higher.

During scrutiny of records of ME Udaipur, it was noticed that two MLs (23/2001 and 186/2008) for mineral limestone (cement grade) near *Village Manderiaya tehsil Vallabh Nagar* were sanctioned in favour of a company. Royalty assessment of the leases for the period 10 December 1999 to 31 March 2016 was finalised in May 2018. Scrutiny of assessment order revealed that during the period 10 December 1999 to 31 March 2002 the lease holder produced 13.14 lakh MT clinker and no clinker was produced thereafter. 17.16 lakh MT of mineral lime stone was shown as consumed for production of cement in the assessment order. The Assessing Authority, however, added extra quantity of mineral and assumed 18.30 lakh MT²⁰ of mineral limestone was consumed for production of clinker and levied royalty amounting to ₹ 6.87 crore.

¹⁷ Chittorgarh (₹ 22.53 crore), Gotan (₹ 1.47 crore) and Udaipur (₹ 6.16 crore).

¹⁸ Provisional royalty was to be calculated on the basis of previous month's despatch of mineral.

¹⁹ *Clinker* is a nodular material produced in the kilning stage during the production of cement and is used as the binder in many cement products. It is produced by heating limestone and clay. Clinker, when added with gypsum and ground finely, produces cement.

²⁰ 17.73 lakh MT (Limestone consumed) and 0.57 lakh MT (Extra quantity).

According to the State Government's direction (May 2014) 19.97 lakh MT²¹ of mineral limestone was required for preparing 13.14 lakh MT clinker. Therefore, royalty of ₹ 7.74 crore²² was leviable.

The Assessing Authority while finalising the assessment levied royalty of ₹ 6.87 crore against the leviable royalty of ₹ 7.74 crore. This resulted in short levy of royalty of ₹ 0.87 crore.

On being pointed out, the Government furnished (November 2019) comments pertaining to the assessment years 2016-17 and 2017-18 which were not relevant to the audit observation. Thus, relevant compliance was awaited (May 2020) though called for (December 2019).

7.3.8 Online Management System

Department had developed a web based application named DMGOMS for online submission of application for mineral concession, deposit almost all government dues, generate online *e-rawanna/transit pass*, maintaining demand registers, lease information, data of permits issued, illegal mining cases and amounts deposited, empanelment of weighbridges *etc.* online.

Timely updation of information in the DMGOMS is essential for effective monitoring of the leases as well as working of the officials. We noticed following deficiencies in DMGOMS during audit:

- Data of available mineral reserves of the allotted leases was not maintained;
- The Department facilitated its lessees to pay royalty through online system but the facility for depositing contribution towards DMFT Fund and NME Trust Fund amount was not provided. This was earlier reported in paragraph number 7.4.5 of Comptroller and Auditor General's Audit Report for the year ended 31 March 2018 but till now DMFT/NMET Fund are being paid manually (September 2019).
- Scrutiny of 111 concession files of 12 ME/AME offices²³ compared with database maintained at DMGOMS disclosed following shortcomings:
 - ✓ details of security deposit was not updated in 27 cases and security deposit in form of National Savings Certificate had expired in 28 cases.
 - ✓ financial assurance deposited by the lease holders was not updated in 57 cases.
 - ✓ details of production/despatch of mineral was not mentioned in 97 cases.
 - ✓ information of mining plan (43 cases), Environment Clearance (31 cases) and Consent to Operate (24 cases) was not updated.
 - ✓ In 16 cases demand of royalty and penalty was not raised through DMGOMS.

²¹ 13,13,624 MT clinker X 1.52 (conversion factor).

²² Quantity of clinker produced during 10 December 1999 to 31 March 2000 was 2,02,209 MT for which royalty of ₹ 98,35,445.76 (at the rate of ₹ 32 per MT) and clinker produced during 1 April 2000 to 31 March 2002 was 11,11,415 MT for which royalty of ₹ 6,75,74,032 (at the rate of ₹ 40 per MT) aggregating royalty of ₹ 7,74,09,477.76 was leviable.

²³ Selected offices: Barmer (30), Bhilwara (8), Chittorgarh (3), Jaisalmer (24), Jalore (5), Sirohi (9), Rajsmand-II (3), Udaipur (10) and Nimbahera (9). Regular audit offices: Bikaner (3), Jaipur (3) and Gotan (4).

The Government replied (November 2019) that work of updation of information in the Departmental online system was being carried out. However, reasons for non-updation of information in the system were not furnished. Further progress is awaited (May 2020).

7.3.9 Internal Control and Monitoring

Monitoring and internal control is a management tool that provides reasonable assurance that the objectives of an organisation are being achieved in an efficient, effective and adequate manner. It ensures that financial interests and resources of the organization are safeguarded, reliable information is available to the management and activities of the entity comply with applicable rules, regulations and laws. We noticed following deficiencies/weakness:

7.3.9.1 Internal Audit

As per provisions of Manual of Department of Mines and Geology, Rajasthan, Udaipur internal audit of all ME/AME offices except AME Tonk and Jaisalmer is required to be conducted annually. As per information provided, Department categorised its subordinate offices in three streams; (i) Mines, (ii) Vigilance and (iii) Geology and planned to audit them in their respective priority.

Scrutiny of records of the DMG, Udaipur disclosed that audit of almost all the Mines offices was pending since 2004-05. The matter is being pointed out continuously in the Comptroller and Auditor General's Audit Reports since 2011-12. The Department intimated that internal audit of five ME/AME offices²⁴ was conducted in 2015-16 to 2017-18 against 64 offices. Thus, the internal audit conducted by the Department was inadequate.

In absence of internal audit, the Departmental authorities were not aware of the weaknesses in the system which resulted in evasion or leakage of revenue as pointed out in this and previous Audit Reports. Thus, the Department needs to strengthen its internal audit wing. Department accepted (January 2019) the facts and intimated that internal audit work could not be carried out due to unavailability of accounts personnel.

The Government replied (November 2019) that internal audit of one office was carried out during the year 2017-18 and 11 offices was carried out during 2018-19. Audit of two offices was being conducted. A working plan for audit of 64 Mines offices has been submitted (January 2019) by the Department. However, status of approval and execution of working plan was not intimated.

7.3.9.2 Non-achievement of target of lease inspection

Department prescribed (April 2013) the annual inspection norms of mining leases for MEs/AMEs.

Scrutiny of records pertaining to inspection of mining leases revealed that number of inspections carried out by ME/AME during the period 2015-16 to

²⁴ ME, Dungarpur (upto 2017-18), ME Jaipur (upto 2014-15), ME Rajsamand-I (upto 2014-15), AME Rishabhdeo (upto 2014-15) and ME Udaipur (upto 2016-17).

2017-18 were fall short against prescribed norms as detailed below:

Inspections required to be done by ME/AME	Targets for 2015-16 to 2017-18	Average Achievements	Average achievement percentage
Inspection of 120 mining leases.	360	204	56.54
Number of days on tour 84 days and 60 night halts per annum for inspection of mines and quarries and checking of unauthorised mining, mineral movement, Naka, Check Posts <i>etc.</i> only.	252/180	174/112	69.09/62.22

Database/register of lease inspections either in physical form or in the online system was not maintained by the Department for monitoring the action taken on the deficiencies noticed at the time of inspections. It was noticed that only the number of inspections conducted by ME/AME was informed to the Superintendent Mining Engineers. The Department had also not developed a scientific mechanism for selection of leases for inspection.

The Government replied (November 2019) that in continuation of the directions issued in April 2013 subordinate offices have been directed again to maintain a register. Regular monitoring of the same was being done. However, reasons for non-conducting lease inspections were not intimated.

7.3.10 Conclusion

The Department did not take appropriate action to increase the land under mining as envisaged in Mineral Policy 2015. In spite of database of proved mineral reserves available in the expired mining leases, the Department did not re-allot these areas.

The Department realised more than 63 *per cent* of its revenue from major minerals between 2015-16 and 2018-19 in form of royalty of metallic minerals based on metal contents in ore/concentrate. The Department, however, did not have mechanism to cross check the metal content percentage shown by the lessee to ensure correct levy and recovery of royalty.

The Department had facilitated lessees to make online payment of royalty, dead rent *etc.* but did not provide similar facility for collection of contribution towards District Mineral Foundation Trust Fund and National Mineral Exploration Trust Fund. This resulted in short collection of District Mineral Foundation Trust Fund and National Mineral Exploration Trust Fund amount.

Working of the Internal Audit Wing of the Department was inadequate and database of mining leases inspections and follow-up process was not maintained.

The Government replied (November 2019) that action was being taken by the Geological wing and DMGOMS section of the Department.

7.3.11 Recommendations

The Government/Department may consider to:

- *maintain a database of mineral reserves shown in the mining plans of the mining leases to evaluate mineral reserves;*
- *develop a mechanism to cross check the metal content as determined by the lease holder to ensure correct levy and recovery of royalty;*
- *insert an option for collection of District Mineral Foundation Trust Fund and National Mineral Exploration Trust Fund along with payment of royalty through online system; and*
- *maintain a database of lease inspections and follow-up thereof to ensure effectiveness of the inspections.*

7.4 Short recovery due to incorrect revision of royalty collection contracts

According to Rule 32(3) of the Rajasthan Minor Mineral Concession (RMMC) Rules, 1986 read with Rule 36(4) of the RMMC Rules, 2017 the amount to be paid annually by the contractor to the Government shall be determined in auction/e-auction or by tender/e-tender; provided that on enhancement or reduction in the rate of royalty:

- (i) the 'excess royalty collection (ERC) contractor' shall be liable to pay an enhanced or reduced amount of contract money calculated according to the following formula:

Revised contract amount = {(existing contract amount + total existing dead rent) X new royalty rate /existing royalty rate – total existing dead rent}and

- (ii) the 'royalty collection (RC) contractor' shall be liable to pay an enhanced or reduced amount of contract money in proportion to the enhancement or reduction for the remaining period of contract from the date of such enhancement or reduction.

Further, according to Rule 13(1) (iii) (b) of the District Mineral Foundation Trust Rules 2016²⁵, in case of minor minerals, the amount of contribution to be made to the District Mineral Foundation Trust (Trust) Fund shall be 10 *per cent* of the royalty paid.

Scrutiny of records relating to royalty collection contracts in selected units revealed the following irregularities:

Sl. No.	Particulars	Reply of the Government
	The State Government <i>vide</i> notification dated 5 August 2014 enhanced the rate of royalty of mineral limestone (building stone) from ₹ 90 per metric ton (MT) to ₹ 110 per MT ²⁶ and mineral masonry stone from ₹ 17 per MT to ₹ 23 per MT ²⁷ .	

²⁵ Notified by the State Government on 31 May 2016.

²⁶ In respect of Kota and Jhalawar districts.

²⁷ In respect of Kota and Jhalawar districts.

1	<p>During scrutiny of the records of the ME Ramganj Mandi (October 2018), it was noticed that an ERC contract²⁸ was sanctioned (March 2013) for annual contract value of ₹ 45.22 crore in favour of a contractor. After the royalty rates were revised on 5 August 2014²⁹, the Competent Authority revised the contract amount from ₹ 45.22 crore to ₹ 55.92 crore <i>vide</i> order dated 13 August 2014.</p> <p>Scrutiny of the order revealed that the contract amount was erroneously revised at ₹ 55.92 crore per annum instead of correct amount of ₹ 56.64 crore due to calculation error. The contractor deposited this revised contract amount. This resulted in short recovery of contract amount of ₹ 47.24 lakh³⁰ for the period from 5 August 2014 to 31 March 2015.</p>	<p>The Government replied (June 2019) that Hon'ble Rajasthan High Court, Jaipur Bench has stayed the recovery process. Further progress is awaited (May 2020).</p>
<p>The State Government <i>vide</i> notification dated 27 October 2017 enhanced the rate of royalty of mineral granite (blocks having any dimension more than 70 centimetre) from ₹ 215 per metric ton (MT) to ₹ 280 per MT, mineral masonry stone from ₹ 23 per MT to ₹ 28 per MT³¹, mineral <i>bajri</i> from ₹ 30 per MT to ₹ 35 per MT³² and mineral lime <i>kanker</i> from ₹ 20 per MT to ₹ 25 per MT. The enhanced rate of royalty of mineral granite (blocks having any dimension more than 70 centimetre) was later reduced to ₹ 235 per MT on 27 November 2017.</p>		
2	<p>During scrutiny of the records of the ME Jalore (January 2019), it was noticed that two ERC contracts³³ were sanctioned (March 2016 and May 2017) for annual contract value of ₹ 11.17 crore and ₹ 10.28 crore respectively in favour of two contractors. Subsequently the contract value was revised (1 November 2017) to ₹ 14.17 crore and ₹ 13.03 crore respectively due to enhancement in royalty rates. Thereafter, the contract value was further revised (29 November 2017 and 8 December 2017) to ₹ 12.77 crore and ₹ 11.74 crore respectively due to reduction of royalty rate.</p> <p>Scrutiny of the revision orders revealed that the revision of contract value was not done according to formula <i>ibid</i> on both the occasions as the authority concerned did not add the existing dead rent of the leases in the formula.</p> <p>This resulted in short recovery of ₹ 55.86 lakh (including DMFT Fund amount of ₹ 3.25 lakh).</p>	<p>The Government replied (June 2019 and November 2019) that in the one case the contractor has filed a writ petition before the Hon'ble Rajasthan High Court Jodhpur against the recovery proceeding. However, recovery is being affected under Land Revenue Act in second case.</p>
3	<p>During scrutiny of the records of the AME Nimbahera (February 2019), it was noticed that a royalty collection contract³⁴ was sanctioned (October 2016) for an annual contract value of ₹ 9.71 crore in favour of a contractor. On enhancement (27 October 2017) in the royalty rate of masonry stone the Competent Authority revised (10 November 2017) the contract amount to ₹ 10.35 crore.</p>	<p>The Government replied (June 2019) that no formula has been prescribed for revision of royalty collection contract value in the Rules <i>ibid</i>, therefore,</p>

²⁸ The contract was awarded for collection of excess royalty for the period from 1 April 2013 to 31 March 2015 on limestone (building stone) and masonry stone despatched from the sanctioned mining leased areas situated in the revenue area of *tehsil* Ramganj Mandi of district Kota and tehsils Jhalrapatan, Pirawa, Pach Pahar of district Jhalawar.

²⁹ The State Government *vide* notification dated 5 August 2014 enhanced the rate of royalty of mineral limestone (building stone) from ₹ 90 per MT to ₹ 110 per MT in respect of Kota and Jhalawar district and mineral masonry stone from ₹ 17 per MT to ₹ 23 per MT in respect of Kota and Jhalawar district.

³⁰ Short revision was ₹ 0.72 crore per annum (₹ 56.64 crore - ₹ 55.92 crore). Net effect of the revision for the contract amount was for 239 days, therefore, short revision of contract amount was ₹ 0.47 crore.

³¹ In respect of district Chittorgarh and Jalore.

³² In respect of Bikaner.

³³ The first contract was awarded for collection of excess royalty for the period from 1 April 2016 to 31 March 2018 on granite, masonry stone and rhyolite despatched from the sanctioned mining leased areas situated in the revenue area of *tehsil* Ahore district Jalore and *tehsils* Siwana, Samdari, district Barmer and the second contract was awarded for collection of excess royalty and DMFT Fund amount for the period from 5 June 2017 to 31 March 2019 on granite, masonry stone and rhyolite despatched from the sanctioned mining leased areas situated in the revenue area of district Jalore (except *tehsil* Ahore).

³⁴ The contract was awarded for collection of royalty, weighing fee and DMFT Fund amount for the period from 16 October 2016 to 31 March 2018 on limestone (building stone) and masonry stone despatched from the quarry licensed areas situated in the revenue area of *tehsil* Nimbahera and Bhadesar district Chittorgarh.

	<p>Scrutiny of the order revealed that the revision was not done properly as the Competent Authority incorrectly apportioned the despatched quantity of minerals limestone (building stone) and masonry stone. This resulted in short recovery of ₹ 33.97 lakh (including DMFT Fund of ₹ 3.09 lakh).</p> <p>It is pertinent to mention that in Ramganj Mandi (case mentioned at serial number 1 of this table), departmental authorities had adopted the actual quantity of mineral despatched during the contract period for revision of contract value.</p>	<p>contract amount was revised on the basis of quantity of minerals despatched prior to the contract period.</p> <p>Reply is not tenable as departmental authorities had adopted different parameters for revision of contract value.</p>
4	<p>During scrutiny of the records of the ME Bikaner (April 2019), it was noticed that a RC cum ERC contract was sanctioned (March 2016) for the period 1 April 2016 to 31 March 2018 to a contractor for annual contract value of ₹ 32.64 crore³⁵. The contract³⁶ was for collection of royalty and permit fee on mineral <i>bajri</i>, gravel, <i>murram</i>, lime <i>kanker</i> and <i>kanker</i> obtained from the overburden of the mining leases (ML) of mineral clay and excess royalty on mineral <i>bajri</i> excavated from the sanctioned MLs. After the increase (27.10.2017) in the royalty rates, the Competent Authority enhanced (13 December 2017) the contract value to ₹ 35.78 crore.</p> <p>Scrutiny of the revision order revealed that the Competent Authority enhanced the contract value assuming the permit fee 20 per cent of the total contract value. Royalty portion was assumed as Mineral <i>bajri</i> (48 per cent), <i>murram</i> (37 per cent) and lime <i>kanker</i> (15 per cent). However, there was no evidence on record for these assumptions made by the authority concerned.</p> <p>On being enquired (April 2019) by Audit about the assumptions made, the Competent Authority revised (July 2019) the contract value to ₹ 37.04 crore assuming royalty portion of mineral <i>bajri</i> (50 per cent), <i>murram</i> (17 per cent) and lime <i>kanker</i> (33 per cent). However, the Department did not intimate the basis of these assumptions. Thus, the Department has short levied ₹ 59.74 lakh (including DMFT Fund amount of ₹ 5.43 lakh) for the period 27/10/2017 to 31/03/2018.</p>	<p>The Government replied (October 2019) that recovery certificate under Rajasthan Land Revenue Act, 1956 for recovery of outstanding amount of ₹ 59.74 lakh has been issued (September 2019) and recovery would be intimated. However, details of quantity of mineral despatched, amount of recovered permit fee and royalty was not made available (May 2020) though called for (July 2019).</p>
<p><i>Government may consider to develop an uniform process for revision of RC/ERC contract value using Information Technology.</i></p>		

7.5 Short levy of interest for non/delayed payment of dead rent

According to Section 9A (1) of the Mines and Minerals (Development and Regulation) Act, 1957 read with Rule 31 of the Mineral Concession (MC) Rules, 1960, the holder of a major mineral mining lease shall pay dead rent every year, as specified³⁷. Simple interest at the rate of 24 per cent per annum on any sum due to Government under the Act or Rules is chargeable from the sixtieth day of the expiry of the due date under Rule 64(A) of the Rules *ibid*.

Ministry of Mines *vide* notification dated 10 February 2015 notified 31 major minerals (including silica sand, barytes, china clay, fireclay, quartz and soapstone) as minor minerals. Further, according to the Rule 18(3) of the RMMC Rules, 1986 read with Rule 28(2) (ii) of RMMC, Rules 2017, the lessee

³⁵ The contract amount included royalty/excess royalty and permit fee.

³⁶ The area of contract was the revenue area of Bikaner (except city limits), *tehsil* Nokha, Lunkaransar and Kolayat.

³⁷ According to the model form of mining lease agreement provided under Rule 31 of the MC Rules, a lessee was required to pay the annual dead rent in advance in two equal half yearly instalments.

of a minor mineral shall pay dead rent for the year in quarterly installments in advance. Interest at the rate of 15 *per cent* per annum shall be charged from the due date on all dues in respect of dead rent and royalty amount (up to 28 February 2017) and 18 *per cent* thereafter according to Rule 61 of the RMMC Rules, 1986 read with Rule 77 of the RMMC Rules, 2017.

During test check of the records of the office of ME Karauli (December 2018) it was observed that dead rent amounting to ₹ 63.29 lakh was due from three lease holders³⁸ during the period from April 2014 to January 2019. The lease holders deposited a sum of ₹ 18.59 lakh with delays ranging between five to 1,065 days. Remaining amount was not deposited by the lease holders up to 31 March 2019. The Department recovered an amount of ₹ 0.37 lakh as interest up to 31 March 2019.

Scrutiny of the demand and collection register disclosed that interest amounting to ₹ 22.15 lakh was leviable as per the provisions *ibid*. The Department, however, did not raise the demand accordingly. This resulted in non-recovery of interest amounting to ₹ 21.78 lakh.

The matter was reported (June 2019) to the Government. The Government replied (July 2019) that notices have been issued in two cases for depositing the amount; progress regarding recovery is awaited. In the remaining case the mining lease has been cancelled, however, reply did not elaborate on the action regarding recovery.

7.6 Effectiveness of internal control

7.6.1 Internal control

Internal control is an integral process designed to address risks in the organisation and provides reasonable assurance that following general objectives are achieved:

- executing orderly, ethical, economical, efficient and effective operations;
- fulfilling accountability obligations;
- complying with applicable laws and regulations; and
- safeguarding resources against loss, misuse and damage.

7.6.2 Internal audit

Internal audit being a component of internal control is an important tool to ensure that the Departmental operations are carried out in accordance with the applicable laws, regulations and approved procedures in an economical, efficient and effective manner and that subordinate offices are maintaining the prescribed records and registers properly and accurately besides taking adequate safeguards against non-collection, short collection or evasion of revenue.

³⁸ (i) Lease number 1/1973 (for mineral silica sand-a major mineral which was declared as minor mineral on 10 February 2015, (ii) Lease number 1/1996 (for minerals barytes, china clay, fireclay, quartz and soap stone-major minerals which were declared as minor minerals on 10 February 2015 and (iii) Lease number 76/1979 (for minerals masonry stone and sand stone-minor minerals).

Scrutiny of records of the DMG, Udaipur disclosed that audit of almost all the offices of Mines and Geology Department was pending since 2004-05. In absence of internal audit, the Departmental authorities were not aware about the areas of the weaknesses in the system which resulted in evasion or leakage of revenue. The matter is being pointed out continuously in the Comptroller and Auditor General's Audit Reports since 2011-12. However, only four out of 133 units were audited during the year 2018-19 due to which not only the irregularities persisted but also remained undetected till an audit was conducted.

Illustrative instances highlighting poor internal control system and ineffective internal audit are discussed in succeeding paragraphs:

Sl. No.	Particulars	Reply of the Government
1	<p>Use of 'ordinary earth' by work contractors without Short Term Permit</p> <p><i>'Ordinary earth'</i>, used for filling or levelling purposes in construction of embankments, roads, railways, buildings, etc. was notified as minor mineral by the Government of India vide notification dated 8 February 2000. Rule 48(1) of the RMMC Rules, 1986 provides that no person shall undertake any mining operations except in accordance with the terms and conditions of the permission granted under these rules. Further, Rule 48(5) of the <i>ibid</i> Rules provided that whenever any person without a lawful authority or in contravention of the terms and conditions of the Short Term Permit (STP) raises any mineral from any land and where mineral so raised has already been despatched or consumed, the authorities may recover the cost of the mineral which will be computed as 10 times the royalty payable at the prevalent rates.</p> <p>The circular dated 15 November 2011 issued by the State Government prescribed a procedure for levy and collection of correct royalty on minerals to be used in execution of work by the contractors for Government departments/Autonomous bodies/ Government undertakings. According to the procedure the concerned Work Department is required to submit a copy of the work order and 'G' Schedule³⁹ of the work containing details of minerals to be used (in cubic metres or MT) for execution of work to the concerned ME/AME. Further, the ME/AME concerned is required to ensure that the Work Department recovers the royalty in accordance with the option⁴⁰ submitted by the contractor. The contractors who submitted option 'C' were required to purchase royalty paid minerals, as mining lease for <i>'ordinary earth'</i> was not granted by the State Government and it could only be obtained under STP on payment of advance royalty.</p> <p>Scrutiny of records of short term permits at the AME Tonk, revealed that in one case as per 'G-Schedule', 66,304.74 MT (47,360.53 cubic metres) of <i>'ordinary earth'</i> was required for</p>	<p>The Government replied (February 2019 and October 2019) that in one case notice (for depositing the amount) has been issued (February 2019). In another case the contractor deposited an amount of ₹ 2.71 lakh (including permit fee) on the basis of mineral consumption certificate received from concerned Works Department. The reply is not tenable as the audit objection was based on the quantity of mineral consumed in the work up to seventh running bill. Therefore, value of mineral be assessed as per quantity of mineral shown as</p>

³⁹ A schedule of quantities and prices included in contract document.

⁴⁰ The contractor was required to submit one of the options (A, B, C, D or E) for payment of royalty along with the affidavit to the concerned ME/AME before execution of work i.e. deduction of royalty was to be made from the running bills by the concerned Work Department (Option 'A'), deposit royalty in advance with the concerned ME/AME office at the time of issue of STP (Option 'B'), purchase royalty paid minerals and submit records of the same to the concerned ME/AME office for assessment at the stage of first as well as on final bill (Option 'C'), jointly use option 'B' and 'C' i.e. excavate on his own a certain quantity of minerals after paying royalty in advance and purchase royalty paid minerals for the remaining required quantity (Option 'D') and use royalty paid minerals during execution of work and an amount i.e. certain percentage of total cost of work as royalty will also be deducted at the time of payment of final bill (Option 'E').

	<p>execution of two works where contractors had submitted option 'C'. According to the running/final bill of the works, 50,955.23 MT of 'ordinary earth' was utilised in execution of these two works. The Mines office had not issued the STP to these contractors and thus the contractors irregularly utilised the 'ordinary earth'. The officer concerned failed to detect the irregularity. This resulted in non-raising of demand amounting to ₹ 15.29 lakh⁴¹ for illegal excavation of 'ordinary earth'.</p>	<p>consumed in final bill of the work.</p>
2	<p>Non-recovery of cost of mineral due to acceptance of wrong royalty receipts</p> <p>According to Rule 51(1) of the RMMC Rules, 2017 STP may be granted for excavation and use of mineral to a contractor for executing works of Government, Semi-Government institutions, Local Body or organisations aided or funded by the Government. Further, Rule 51(9)(iii) of the Rules <i>ibid</i> provides that contractor was required to apply for permit along with a self certified undertaking stating that the entire quantity of mineral will be procured or used royalty paid. It was further provided that the contractor shall submit the records of royalty paid minerals for the assessment, along with consumption certificate and get a no-dues certificate from the concerned ME. Further, according to Rule 54(5) of Rules, <i>ibid</i>, whenever any person without a lawful authority raises any mineral from any land and where mineral so raised has already been consumed, competent authority shall recover cost of mineral which shall be taken as ten times of royalty.</p> <p>During scrutiny of the records at the office of ME Pratapgarh (February 2019), audit observed that the ME issued (December 2017) three STPs⁴² to a contractor for mineral <i>bajri</i> under Rule 51 (9) (iii) of the RMMC Rules. Thereafter the contractor submitted the records of royalty paid minerals for the assessment.</p> <p>Further scrutiny of the records disclosed that while completing the assessment, the Assessing Authority considered the royalty receipts issued during September-October 2017 submitted by the contractor and provided the no-dues certificate (October 2018). The royalty receipts submitted by the contractor were issued prior to the date of sanction of work orders⁴³ and as such these royalty receipts should not have been linked to the works as per Rule 51 of Rules <i>ibid</i>. The Assessing Authority, however, irregularly considered these royalty receipts to provide undue advantage to the contractor. This resulted in non-recovery of the cost of the minerals amounting to ₹ 12.43 lakh⁴⁴.</p>	<p>The Government replied (August 2019) that notice to deposit the amount has been issued (June 2019) to the contractor. However, the Department has not provided information regarding fixing of responsibility for this irregularity though called for (December 2019).</p>

⁴¹ ₹ 15.29 lakh: 50,955.23 MT X Royalty rate ₹ 3 per MT X 10.

⁴² (i) STP: 50 dated 19 December 2017, (ii) STP: 52 dated 21 December 2017 and (iii) STP: 53 dated 21 December 2017.

⁴³ (i) Work order number 1240 dated 11 December 2017, (ii) Work order number 2300 dated 15 December 2017 and (iii) Work order number 2316 dated 15 December 2017.

⁴⁴ ₹ 12.43 lakh: 3,552 Metric Ton (1,120+1,440+992) mineral *bajri* X Royalty rate ₹ 35 per MT X 10.

PART-2
ECONOMIC SECTOR

CHAPTER-VIII

**Compliance Audit of
Economic Sector**

CHAPTER-VIII: Compliance Audit of Economic Sector

8.1 Introduction

8.1.1 Profile of Audited Entities

The Accountant General (Economic and Revenue Sector Audit), Rajasthan, Jaipur conducts Audit of the expenditure of twelve economic sector departments¹ falling under the economic sector. These Departments are headed by Additional Chief Secretaries/Principal Secretaries/Secretaries, who are assisted by Commissioners/Deputy Secretaries and subordinate officers. This chapter contains audit findings of nine departments. Audit observations on Tourism, Energy and Industries departments are covered under CAG report on PSUs of Rajasthan.

The summary of fiscal operations of Government of Rajasthan during the year 2017-18 and 2018-19 is given in table below:

Table: Summary of Fiscal Operations in 2018-19

(₹ in crore)

Receipts			Disbursements		
	2017-18	2018-19		2017-18	2018-19
Section-A: Revenue Account					
Tax Revenue	50,605.41	57,380.34	General Services	43,450.36	54,364.06
Non-Tax Revenue	15,733.72	18,603.01	Social Services	53,064.07	65,686.92
Share of Union Taxes/Duties	37,028.01	41,852.35	Economic Services	49,326.98	46,722.12
Grants-in-aid from Government of India	23,940.04	20,037.32	Grants-in-aid and Contributions	0.11	0.09
Total Section-A Revenue Receipts	1,27,307.18	1,37,873.02	Total Section-A Revenue Expenditure	1,45,841.52	1,66,773.19
Section-B: Capital Account and others					
Miscellaneous Capital Receipts	16.61	20.13	Capital Outlay	20,623.28	19,638.20
Recoveries of Loans and Advances	15,133.41	15,158.41	Loans and Advances disbursed	1,334.02	1,113.09
Public Debt Receipts*	28,556.57	37,846.82	Repayment of Public Debt*	11,673.66	16,914.80
Contingency Fund	-	-	Contingency Fund	-	-
Public Account Receipts#	1,56,811.26	1,70,527.88	Public Account Disbursements#	1,47,088.02	1,60,570.22
Opening Cash Balance	8,112.46	9,376.99	Closing Cash Balance	9,376.99	5,793.75
Total Section-B Receipts	2,08,630.31	2,32,930.23	Total Section-B Disbursements	1,90,095.97	2,04,030.06
Grand Total (A +B)	3,35,937.49	3,70,803.25	Grand Total (A+B)	3,35,937.49	3,70,803.25

Source: Finance Accounts for the respective years

* Excluding net transaction under Ways and Means advances and overdraft

Figures of Public Account Receipts/Disbursements are shown on gross basis in **Table**

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

8.1.2 Authority for Audit

The authority for audit by the CAG is derived from Articles 149 and 151 of the Constitution of India and the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971.

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

8.1.3 Planning and conduct of audit

Audit process starts with the assessment of risk of various Government departments/organisations/autonomous bodies and schemes/projects, etc. Risk assessments are based on quantum of expenditure, criticality of activities, position of overall internal control systems and the concerns of stakeholders. Previous audit findings are also considered in this exercise. During 2018-19, in Economic Sector-II Audit Wing, 1699 party-days were utilised to carry out audit of 256 units. Further, 201 party-days were utilised for conducting a thematic audit. As of March 2019, 2680 Inspection Reports (11248 paragraphs) were outstanding against nine departments under the Economic Sector.

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

8.1.4 Significant audit observations

This chapter contains one compliance audit on Functioning of Department of Science and Technology and five individual paragraphs. The highlights are given in the following paragraphs:

Functioning of Department of Science and Technology

The Department of Science and Technology was established in the year 1983 with the aim to develop scientific temper in the society and to uplift the socio-economic status of the masses especially in the rural areas and the weaker sections of the society by utilising the benefits of science and technology. Regular activities such as observing science day, organising science club, children's science congress, communication and popularization of science activities, entrepreneurship awareness camp, intellectual patent camp and various other seminars/conferences are organised by the Department. Audit of the department revealed:

- The Department could not achieve the financial and physical targets as only 45.65 per cent of allotted budget was utilised, entire budget allotted under State Plan head for various projects of SATCOM Division was surrendered during 2015-16 to 2018-19.
- The Department does not have a departmental manual. No comprehensive policy (long term/short term) and guiding principles except Bio-Technology Policy 2015 were framed by the Department; and even objectives of this policy could not be achieved. The Department has not conducted any survey/study to identify areas in which science and technology can be utilized for achieving the socio-economic objectives of the State.
- The Department could not operationalize Biotechnology and Medical Bio-technology centres at Jodhpur, Nano-technology centre at Jaipur and the progress under SATCOM coaching scheme and Science Clubs was minimal. The internal control systems in the Department were poor as consolidated data in respect of assets created by various institutions/department out of grant released by the Department to them was not available and the utilization certificates were not received in timely manner. The HR management was not streamlined as the cadre rules could not be finalised even after lapse of 36 years since the establishment of the Department and the technical posts were being manned through deputations.
- The Department surrendered ₹ 29.93 crore during 2016-19 allotted under various projects by GoI/State Government. Given the poor efficiency standards prevailing in the Department which have resulted in surrender of grants worth crore of rupees, non-monitoring of a few projects it actually undertook and lack of coordination with user department, the very existence of the departments needs justification.

Based on these findings we recommend that Department may prepare a comprehensive manual to incorporate long term policies and procedure for implementing the mandate given to it. Department may conduct study/survey so that specific problems can be identified and available resources can be utilized for up-liftment of socio-economic status of population through the use of science and technology. Department may ensure that the grants are utilized properly and in a timely manner. Department may prepare the cadre rules on priority so that recruitment to the critical posts can be done on permanent basis and various schemes of department could be implemented and monitored effectively. Department may evaluate the status of science education at school level and prepare an action plan in co-ordination with Education Department to improve the quality of science education in schools.

(Paragraph 8.2)

Public Works Department/Water Resource Department

Public Works Department and Water Resource Department, passed final bills without ensuring proper adjustment under price escalation clause, calculated and paid escalation claims based on wrong Wholesale Price Index base years and wrongly considered the technical bid opening date as the base date instead

of the date of opening of financial bid which resulted in overpayment to the contractors.

(Paragraph 8.3)

In violation of the scheme guidelines, Public Works Department constructed roads with excess width, thickness and in areas where Gramin Gaurav Path scheme guidelines did not permit them to be constructed, without obtaining design from State Technical Agency and prior permission from competent authority.

(Paragraph 8.4)

The Public Works Department, irregularly awarded contract against conditional offer and to non-qualified bidders who did not submit proper documents.

(Paragraph 8.5)

The Public Works Department incurred unfruitful expenditure of ₹ 1.22 crore on construction of flush causeway at wrong chainage in the Ramgarh Pachwara to Kanwarapura road under Pradhan Mantri Gram Sadak Yojna, as a result, a 800-metre portion of the road was washed away during rains.

(Paragraph 8.6)

The Public Works Department, in violation of Public Works Financial and Accounts Rules paid a sum of ₹ 0.78 crore to a contractor within a week of awarding of the work order. The work, however, was started only after a year from the award of the work order.

(Paragraph 8.7)

8.1.5 Follow-up on Audit Reports

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

Discussion of Audit Reports by PAC

The status of discussion of Performance Audits and Paragraphs which appeared in Audit Reports (Economic Sector) by the PAC as of 31 March 2020 is as under:

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

Period of Audit Report	Number of Performance Audit/Paragraphs			
	Appeared in Audit Report		Paragraphs discussed	
	Performance Audit	Paragraphs	Performance Audit	Paragraphs
2016-17	1	11	1	10
2017-18	2	7	-	-

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

Department of Science and Technology

8.2 Functioning of Department of Science and Technology

8.2.1 Introduction

The Department of Science and Technology (the Department) was established in the year 1983 with the aim to develop scientific temper in the society and to uplift the socio-economic status of the masses especially in the rural areas and the weaker sections of the society by utilising the benefits of science and technology. Regular activities such as observing science day, organising science club, children's science congress, communication and Popularization of science activities, entrepreneurship awareness camp, intellectual patent camp and various other seminars/conferences are organised by the Department.

8.2.2 Organisational structure

At State level, the Principal Secretary is the administrative head of the Science and Technology Department. At Department level, the Director functions as the Head of the Department for administrative and technical matters. There are five regional offices at Ajmer, Bikaner, Jodhpur, Kota and Udaipur and each regional office is headed by Project Officer/Research Officer. In addition to these, State Remote Sensing Application Centre (SRSAC), Jodhpur and Regional Science Centre and Science Park, Jaipur are also working under respective Project Director (PDs). Specific programme/activities² are conducted by the PDs working at Directorate. Besides this, Project Officer, Satellite Communications (SATCOM) centre, Jaipur reports to the Director.

8.2.3 Audit Objectives

Audit objectives were to assess the:

- Adequacy and effectiveness of the planning of various programmes/schemes/ activities.
- Effectiveness in implementation of the different programmes/ schemes/ activities.
- Effectiveness of Management Information System (MIS) and Monitoring system.

8.2.4 Audit criteria

- Rajasthan Rules of Business 2005;
- Rajasthan Transparency in Public Procurement (RTPP) Rules, 2013 of Government of Rajasthan;
- General Financial and Accounting Rules;
- Guidelines issued by the Department to implement various programme/schemes;
- Circulars and orders issued by Government of Rajasthan.

² Like start up boot club, artificial insemination, SATCOM coaching centres, etc.

8.2.5 Audit Coverage

The audit was conducted during January to June 2019 covering the period from 2016-17 to 2018-19. Records were examined in the office of the Director, Science & Technology Department, Rajasthan, Jaipur along with five Regional Offices³. Records of office of Project Director, State Remote Sensing Application Centre (SRSAC), Jodhpur, Project Officer, Regional Science Centre and Science Park, Jaipur and Project Officer, SATCOM centre, Jaipur were also examined. Besides, audit of major schemes implemented under seven out of 14 divisions⁴ were conducted at Director's office as well as at the concerned Regional Offices. An entry conference with the then Commissioner⁵ was held on 31 January 2019 where audit objectives, scope and methodology of audit were discussed. The "Exit Conference" was held on 27 August 2019 to discuss the findings of the Theme Based Compliance Audit.

8.2.6 Financial Resources

The Science and Technology Department in Rajasthan receives financial resources from both the State Budget as well as from Government of India under the Central grant/assistance as secretarial assistance under Central Sponsored Scheme (CSS) for the sanctioned posts under CSS. There are 26 scientific schemes/ projects⁶ operated by the Department during 2016-19.

The budget allotment and expenditure for three years is as under:

(₹ in crore)

Year	Plan		Non- Plan		CSS		Total	
	A	E	A	E	A	E	A	E
2016-17	35.52	12.48	5.55	4.64	Included in Plan		41.07	17.12
2017-18	27.53	14.26	5.49	5.08	2.10	1.18	35.12	20.52
2018-19	30.44	6.80	6.36	6.03	1.86*	1.96	38.66	14.79

#A stands for Allotment and E stands for Expenditure.

*Further budget revised to ₹ 2.06 crore.

Scrutiny of above table revealed that the budget allotted under State Plan head and CSS for various projects was not fully utilised as it ranged between 27.12 and 52.11 *per cent*. Further, Division-wise allotment of budget and expenditure is given in **Appendix 8.1**, analysis of which revealed that utilization percentage of budget allotment ranged between 21.92 *per cent* and 96.49 *per cent* in 10 out of 14 Divisions during 2018-19 whereas it was Nil in

³ Ajmer (Headquarter situated at Jaipur), Kota, Jodhpur, Udaipur and Bikaner

⁴ Science and Technology, SRSAC, Science and Society, Science Communication and Popularization, Biotechnology, Entrepreneurship Development Programme and Research and Development

⁵ The designation of HoD depends upon the seniority of the officer holding the post.

⁶ In R& D Division (R&D projects, Nano- technology, Student projects, Workshop/ Seminar, Travel support), In SSD Division (Pilot projects such as Sanitary Napkin, Artificial Insemination, Training for women), In Science Communication and Popularization (Science Club, National Science Day, Children Science Congress, Children's Quiz, Academic tour, Science Drama Competition, Science Model and Teaching Aid, Awareness Camp), In EDP Division (EDP Awareness Camp, Skill Development, RTBI/BBI, Start-up Boot Club), In Patent Information Centre Division (IPR Workshop/ Seminar, University IPR Cell), In BT Division (Workshop/ Seminar, Advance Research Centre for Bio- technology), SATCOM training centre and SRSAC.

case of Bio-Technology Research Centre as against allotment of ₹ three thousand. There was no budget allotment during 2018-19 in the remaining three Divisions.

Departments' reply regarding excess demand of budget and short utilisation thereof is awaited (May 2020).

Audit findings

8.2.7 Financial management

8.2.7.1 Financial and Physical targets

Based on the activities undertaken by each Division and considering the budget announcement/ allocation, physical targets (projects to be set-up) as well as financial targets are fixed for each division. Analysis of data and information provided by the Department revealed that the average achievement of financial target of six divisions⁷ during 2016-19 remained between 27.84 *per cent* and 83.84 *per cent* whereas achievement of physical targets remained between 30.22 *per cent* and 94.65 *per cent*.

The State Government accepted (October 2019) the facts and stated that targets could not be achieved due to shortage of technical staff and non-receipt of eligible projects. Grant for projects is released only when the panel finds the project eligible. State Government further stated that due to time consuming process of approval of projects, the Finance Department, based on the less expenditure on the projects, curtails the budget allocation; however, physical targets remain same.

Reply needs to be viewed in light of the fact that the average physical targets achieved ranged from 30.22 *per cent* to 58.38 *per cent* only (Except SRSAC and Science Communication and Popularization) which indicates that more efforts are required on the part of Department for increasing public understanding and capacity through conducting training sessions and increasing coordination with other departments and institutions.

8.2.7.2 Non-utilisation of Financial Resources

According to point 13.6 of chapter 13 of Rajasthan Budget Manual, it is essential that the estimates of expenditure should be accurate as possible.

Scrutiny of records at SATCOM, Jaipur revealed that during 2016-17 to

⁷ SRSAC, Science and Society, Science Communication and Popularization, Biotechnology, Entrepreneurship Development and Research and Development.

2018-19, complete budget allotted under State Plan head for various projects was surrendered as detailed below:

(₹ in lakh)

S. N.	Name of Head	2016-17		2017-18		2018-19	
		Allotment	Surrender	Allotment	Surrender	Allotment	Surrender
1.	Establishment of Receive Only Terminals (ROTs) (Tribal Sub Plan Areas)	375.38	375.38	318.51	318.51	331.00	331.00
2.	Establishment of ROTs (SCSP ⁸ Areas)	501.75	501.75	428.94	428.94	475.00	475.00
3.	Establishment of ROTs	40.01	40.01	00.00	00.00	00.00	00.00
4.	SATCOM Tele- medicine	50.00	50.00	00.00	00.00	00.00	00.00
5.	Upgradation & Expansion of SATCOM Network	00.00	00.00	50.00	50.00	10.00	10.00
Total		967.14	967.14	797.45	797.45	816.00	816.00

The State Government replied (October 2019) that due to change of frequency (October 2017) of satellite on which transmission was going on, updation of technology was required and therefore, the amount could not be utilised. It was further stated that the Department is looking for the possibility of technology replacement and thereafter the network may be expanded.

Since the department was in the process of updating technology, there was no need for the budget allotment for network expansion in the year 2018-19.

Further scrutiny of records of SRSAC, Jodhpur revealed that almost entire budget allotted under State Plan head for various projects was surrendered as detailed below:

(₹ in lakh)

S. N.	Name of Head	2015-16		2016-17		2017-18		2018-19	
		Allotment	Surrender	Allotment	Surrender	Allotment	Surrender	Allotment	Surrender
1.	SATCOM ⁹ (ROTs)	234.22	234.22	0.00	0.00	0.00	0.00	0.00	0.00
2.	Diploma Course	0.00	0.00	50.00	50.00	0.00	0.00	0.00	0.00
3.	Manpower, Vehicle Hiring	0.00	0.00	20.00	20.00	12.00	12.00	0.00	0.00
4.	Lidar Mapping	0.00	0.00	1.00	1.00	0.00	0.00	0.00	0.00
5.	Study of Wetland	0.00	0.00	1.00	1.00	0.00	0.00	0.00	0.00
6.	Impact Assessment of water shed	0.00	0.00	30.00	28.00	30.00	30.00	0.00	0.00
Total		234.22	234.22	102.00	100.00	42.00	42.00	0.00	0.00

⁸ Schedule castes sub plan

⁹ Administrative control of SATCOM was under SARSAC till February 2015

On being pointed out, the Department stated (March 2019) that for SATCOM, budget was allotted by the Department at the end of the year¹⁰, while in respect of diploma course, due to non-availability of separate building and faculty, the budget was surrendered. In case of remaining projects, the funds available under the other schemes were utilized and also due to non-approval from Finance Department and non-operation of activities, the budget allotted was surrendered.

The State Government further replied (October 2019) that the diploma course could not be operationalized due to its non-acceptance by All India Council for Technical Education (AICTE). No comment was made on remaining projects.

Reply is not tenable as the Department was responsible for ensuring timely availability of budget for SATCOM as well as arrangement of building and faculty for Diploma course before allotment of budget. Further, the diploma course could not have been made operational in view of lack of arrangement of building and faculty.

8.2.7.3 Grant-in-Aid from Government of India

Grant-in-Aid received from Government of India (GoI) for various schemes/activities were kept in personal deposit account¹¹ of Rajasthan Council of Science & Technology (RAJCOST), a society working under the Department. Scrutiny of personal deposit account & related report revealed that the entire amount of grant-in-aid received from GoI during 2008-09 and 2009-10 for various schemes were surrendered after five to eight years as detailed below:

(₹ in lakh)

S.N.	Name of schemes and activities	Sanctioned		Amount		Surrendered	
		Amount (₹)	Date	Received (₹)	Date	Amount (₹)	Date
1	Identification inventORIZATION & documentation of sector specific problems requiring SET Input	12.54	20/08/2008	6.77	03/11/2008	6.77	12/08/2016
2	Pilot demonstration project on custom hiring on animal drawn farm implements in tribal areas of Rajasthan	7.23	04/02/2010	5.36	26/07/2010	5.36	12/08/2016
3	Social diffusion of improved hand pumps	27.75	28/01/2010	14.00	13/04/2010	14.00	12/08/2016
4	Understanding planet earth	27.90	24/03/2009	10.00	13/05/2009	10.00	18/12/2014
Total		75.42		36.13		36.13	

¹⁰ on 30th March 2016

¹¹ No. II/547/288

The State Government accepted (October 2019) the facts and stated that due to vacant posts, shortage of technical officers and other administrative reasons, sanctions could not be issued.

Reply is not acceptable as concrete efforts were not made to utilise the grant. This not only resulted in surrender of ₹ 36.13 lakh, but also in loss of opportunity to obtain the second instalment of grant-in-aid of ₹ 39.29 lakh.

Further, audit also observed that in certain cases the Grant-in-Aid received from Government of India (GoI) for various schemes/activities¹² were not utilized in time and funds were lying idle in PD Accounts for period ranging from 76 to 103 months.

The State Government replied (October 2019) that in case of RO plant, remaining amount would be utilised as and when required. In case of Bio-gas plant, several letters have been issued to submit the progress of project and to refund the unspent amount as well as a committee has been constituted (August 2019) for physical verification of the projects. In case of bangle making kiln, decision regarding the outstanding balance would be taken after physical verification of the project.

Reply is not acceptable as the Department was not proactive in ensuring utilisation of funds. Further, the Department could have conducted physical inspection of the bangle kiln during the last eight years, which was not carried out.

8.2.8 Planning

8.2.8.1 Departmental Manual

An ideal Departmental manual describes the long term vision, mission, and policies of an organization and lays down the work processes and procedures.

Scrutiny of records revealed that the Department has not prepared a departmental manual so far (October 2019) *i.e.* even after more than 36 years of its existence. On being pointed out, the Department confirmed the fact.

8.2.8.2 Policy statement and guiding principles

As per the Rajasthan Rules of Business 2005, the duties of the Department include:

- Formulation of Policy Statement¹³ & guiding principles regarding Science and Technology and to monitor their implementation.
- Developing new areas of Science and Technology.
- All necessary steps for enhancement of Science and Technology and their application for development of the State.

Accordingly, the Department identified following objects for itself:

¹² Operation & maintenance of RO plant (SSD), Development & Pilot level demonstration of Biogas enrichment & bottling system of rural & automobile applications and Design & Development of improved kiln for bangle making in Bharatpur District.

¹³ Policy formulation is the development of effective and acceptable courses of action for addressing what has been placed on the policy agenda

- To take necessary measures to promote utilization of Science and Technology for the achievement of the socio-economic objectives.
- To identify areas in which science and technology can be utilized for achieving the socio-economic objectives of the State, and in particular, the objectives of tackling the problems of backwardness, unemployment and poverty in the rural areas.
- To initiate, support, promote and co-ordinate such research and development projects and programmes (including demonstration projects) as are likely to be relevant to the achievement of specific objectives and problems and help in the fruitful exploitation of the natural resources of the State through various institutions and organizations in the State.
- Assessment of status of science education at school level and formation of action plan for strengthening the science education in the State.

Scrutiny of records however revealed that:

➤ No comprehensive policy (long term/short term) and guiding principles except Bio-Technology Policy 2015 were framed by the Department. Further, the Department has not evolved a system to collect data/returns on regular basis from other departments so that comprehensive policy/plan could be prepared.

The Department stated (October 2018) that action plans have been prepared on the basis of reports issued by the Economic and Statistical Directorate, Planning Department. However, no documentary evidence for existence of action plans was provided to audit.

The State Government replied (October 2019) that draft of University IP policy has been prepared and submitted for approval. Besides, a study has been completed by the Department in “*Open Science- Open Innovation*” and policy guidelines would be framed in this area.

➤ Survey/study was not conducted to identify areas in which science and technology can be utilized for achieving the socio-economic objectives of the State, and in particular, the objectives of tackling the problems of backwardness, unemployment and poverty in the rural areas.

The Department accepted the facts and stated that (December 2018) no such survey has been conducted by the Department.

The Department did not initiate any Research projects in absence of survey/study during 2014-15 to 2018-19. However, financial support was provided to 55 Research and Development projects in different areas¹⁴ of various universities/ institutions sanctioned between May 2013 and March 2018. Out of these 55 projects, 10 projects were completed till May 2019. Scrutiny of records revealed that neither effort was made by the Department to communicate the outcomes to beneficiaries/end users nor any user workshop was organised to disseminate the results. Further, no efforts to implement any scheme based on the outcomes of R&D projects were made in coordination with other departments/institutions.

¹⁴ Projects related to Waste water management, treatment of various diseases, De- florodization of water, etc.

The State Government stated (October 2019) that the thrust areas were not selected after study or survey. The topics had been decided by the first expert advisory committee comprising reputed scientists and technologists. The State Government further stated that proposals for organising users' workshop is under submission.

Reply is not acceptable as no evidence in support of the selection of thrust areas by first expert advisory committee were produced to Audit.

➤ A system to evaluate the status of science study at school level in the state was not in place. Further, action plan was not prepared for strengthening the study of science subject.

The State Government replied (October 2019) that the mandate of Department's science popularisation scheme¹⁵ is to popularise science in schools and further stated that evaluation of science study and preparation of action plan is controlled and monitored by the Department of school education.

Reply is not acceptable because preparation of action plan and to evaluate the status of science study was a primary objective of the Department.

8.2.9 Execution of Plans and Policies

8.2.9.1 Bio-Technology (BT) Policy - 2015

The Bio-technology (BT) Policy 2015, was framed with the main objectives of:

- positioning the State as an attractive destination for biotechnology;
- establishment of research institutes of global standard;
- establishment of technology-cum-business incubators for biotechnology innovations;
- creating vibrant service in biotechnology along with manufacturing with all conventional concession/incentive packages;
- creating Biotechnology/Life Sciences Parks to boost bio-manufacturing; and
- providing special incentives to bio-pharma companies for vaccines, diagnostics, drug delivery devices and biosimilar.

According to above policy, the following governance & regulatory mechanism was to be introduced:

- **Rajasthan Biotechnology Council (RBC):** as an Apex advisory body to facilitate Government Industry-Academia interaction and recommend biotechnology programmes relevant to the mandate of State's Biotechnology policy.
- **Rajasthan State Biotechnology Mission (RSBTM):** a body, under the guidance of Secretary, Department of Biotechnology Secretary, Department of Science & Technology, GoI, to work with experts, technocrats, professionals, academicians, industrialists and policy planners

¹⁵ Science Club, National Science Day, Children Science Congress, Children's Quiz, Academic Tour, Science Drama Competition, Science Model and Teaching Aid, Awareness Camp.

to devise and implement policies. Principal Secretary, Science & Technology will be the Member Secretary.

- **Bio-technology Development, Regulatory and Testing Authority:** to serve as a "Single Window" approval body and a database of Rajasthan Biotech sector. It was to regulate and facilitate intellectual property and patenting, research, processes, product procurement and marketing, data use and data confidentiality and provide a uniform platform throughout the State.
- **Web based Regulation:** To carry out regulatory functions which shall be web- based, having a virtual office and network.
- **Bio E-Commerce Agency:** to work under Biotechnology Authority for investment, services, marketing and delivery. This was to be created under the Public Private Partnership mode, if feasible or as an independent Biotech Investment Services and Marketing Authority.

Scrutiny of records related to implementation of BT policy revealed:

Formation of RBC and RSBTM

In compliance of the Rajasthan Bio-Technology Policy 2015, RBC & RSBTM were constituted¹⁶ by Government of Rajasthan, wherein Secretaries of Department of Bio-technology (DBT), Department of Science & Technology (DST) and Department of Atomic Energy (DAE), GoI were also nominated as members. Para 2.6 of circular regarding formation of State/District level committees issued (07/09/2010) by Department of Administrative Reforms, Government of Rajasthan (GoR), stipulates that where officers of Ministries/Departments of GoI are nominated as member of the committees by State Government, then approval must be obtained from concerned Department. Accordingly, the Department of Administrative Reforms advised¹⁷ (March 2016) that approval from GoI may be taken for including secretaries of DBT, DST and DAE before issuing orders for constitution of aforesaid Councils.

Audit observed that orders for formation of said councils were issued (May 2016) before obtaining the consent from GoI, stating that formalities of permission will be completed in a fortnight and the names will be included after obtaining permission. Consent from Department of DBT and DAE has been received however consent from the DST was awaited (January 2019).

On being pointed out (September / October 2018), the Department stated (December 2018) that as the status of both the bodies was not clear, steps were not taken to initiate proposal for meeting with the DST. Further, audit did not find any records regarding meeting or activities undertaken by council/mission since their formation in May 2016.

The State Government accepted (October 2019) the facts and stated that meeting of RBC and RSBTM was not scheduled due to lack of concrete agenda towards implementation of programs.

¹⁶ vide office order number 3807 dated 10/05/2016

¹⁷ as per para 32-33 of note sheet of concerned file

Failure to launch Bio E-Commerce portal, RBRA and web based Regulations

A proposal to setup an E-Commerce Venture in partnership with *Alibaba.com* was sent (January 2016) to Government by Principal Secretary, DST for providing assistance in marketing of Bio-technology products. The proposal was forwarded (February 2016) to Finance Department and Department of Information Technology & Communications (DoIT&C) after approval of the Chief Minister, Rajasthan. The proposal was turned down (March 2016) by Finance Department stating that as per rule of business, IT platform development including e-commerce portal is part of mandate for DoIT&C and DoIT&C has already undertaken similar initiatives and there is no requirement of separate e-commerce portal to be setup by any other Department. Further, the Department resubmitted (March 2016) a proposal for setting up a Bio E-Commerce portal to the Chief Minister which was forwarded (April 2016) to DoIT&C for comments. DoIT&C stated (May 2016) that the existing platform for marketing would be configured to take care of requirements of BT Policy 2015.

The State Government replied (October 2019) that ever since DST has routed the bio-tech agencies to DOIT&C for such requirements of the Bio-enterprises in the State.

Reply is not acceptable as DoIT&C confirmed (May 2019) to Audit that no communication was made by the DST in respect of any services till date.

Similarly, the Rajasthan Biotechnology Regulatory Authority (RBRA) and Web based Regulations were also required to be introduced in compliance to the BT Policy 2015. Scrutiny revealed that proposals regarding formation of RBRA and web based regulations were turned down by the Finance Department as the single window body already existed under Bureau of Investment Promotions, Industries Department and RIICO and the activities of Biotech Sector were being looked after by these departments.

The Department should have coordinated with other departments/bodies about existence/operation of single window system, E-commerce portal before framing the policy but the Department failed to do so. Further scrutiny revealed that the Department had not made any effort to coordinate with the Bureau of Investment Promotions, Industries Department and RIICO even after it became aware of the situation in this regard. The fact was confirmed by these departments (March and May 2019).

The State Government replied (October 2019) that coordination was established with concerned departments such as BIPs, Industries, Pollution Board, *etc.* before framing and finalisation of policy statements.

Reply is not acceptable as no documents in this regard were provided at the time of audit as well as with the reply.

Thus due to lack of coordination with the concerned departments and failure to implement the highly ambitious policy, the intended benefits could not be achieved.

8.2.9.2 Centre for promoting research in Biotechnology and medical Biotechnology

In Budget speech for the year 2013-14, the Hon'ble Chief Minister announced that an advance research centre for promoting research in Biotechnology and Medical Biotechnology would be established at Jodhpur. The proposed centre was to be set up in two phases:

Phase-I: Equipment was to be purchased and centre to be established at a rental accommodation at Jodhpur.

Phase -II: A dedicated centre shall be constructed as per DPR and manpower will be hired.

Work order for providing project development services for the proposed centre was awarded (August 2013) to M/s PDCOR Limited, Jaipur for both the phases for ₹ 25.00 lakh and ₹ 15.00 lakh respectively. Memorandum of Agreement (MoA) was signed on 30th October 2013 between the Department and PDCOR.

Final DPR was to be submitted by PDCOR within 15 days from the date of receiving comments from DST, if any on the draft DPR. The DPR submitted by PDCOR was to be vetted by the committee of three experts and after approval of DPR by the said committee, steps were to be taken for initiating phase II activities. (July 2013).

Scrutiny revealed that DPR for Phase-I was submitted on 3rd January 2014 by PDCOR, while the committee of experts was constituted (20 January 2014) after submission of DPR and letters were issued (29 January 2014) to three experts for obtaining their consent. After receiving their consents, letters were issued for obtaining their vetting comments on 26th February 2014. It was observed that vetting comments of two experts were obtained between 26th March 2014 and 6th August 2014. Vetting comments of third expert were received after a delay of 22 months in December 2015. In between the PDCOR intimated (14 November 2014) that the DPR submitted on 3rd January 2014 may be treated as final report.

Audit observed (October 2018) that:

- Due to non-constitution of expert committee in time and delay in obtaining vetting comments, the PDCOR submitted final report without including the vetting comments of expert committee.
- After final presentation of the DPR for Phase-I (April 2016), steps were not taken to establish the centre and thus even after a lapse of more than three years, the expenditure of ₹ 28.09 lakh incurred on preparing DPR for Phase-I remained unfruitful.
- It was also observed that venue of the centre was shifted from Jodhpur to Jaipur at State Government level but reasons thereof were not found on record.

On being pointed out (September-October 2018), the Department stated (October-December 2018) that decision for shifting the centre was taken at Government level, besides, one of three experts also suggested that it would be more relevant if centre is set up at Jaipur. Reply is not acceptable as due to

lack of proactive action and proper planning, the centre could not be established even after lapse of more than five years.

After further pointed out (July 2019) by Audit, specific reply regarding delay in setting up of centre was not furnished by the State Government, however, it was accepted that establishment of centre has always been top agenda of the Department and is being pursued vigorously at present.

8.2.9.3 Centre of excellence for Nano-technology

According to the budget announcement in the year 2011-12, a centre for promotion of high level research and training program in "Nano-technology" at Centre for Converging Technology (CCT) of University of Rajasthan (UoR) was proposed to be established Accordingly, an agreement was signed (11 February 2012) between the Department and UoR for release of grant to establish the above centre. As per agreement, non-recurring grant of ₹ 8.00 crore during 2011-12 for phase I and ₹ 2.00 crore for phase II during 2012-13 for the purchase of equipment was to be released. Recurring grant of ₹ 1.00 crore every year during 2012-13 to 2014-15 for maintenance and consumables of equipment was also to be released. The Department released ₹ 8.00 crore (30 March 2012) to UoR.

Scrutiny of records revealed that:

- The Department was to monitor the research/training programme of centre through monitoring committee. The committee was constituted in July 2012 but the committee never met till date nor the Department made efforts /called for reports from the committee about the physical/financial progress.
- The Department was to nominate a scientist to carry out research work related to Nano-technology on the basis of proportionate charges on the consumables but the Department did not take any action for nomination of a scientist.
- According to point 2.7 & 2.9 of agreement, the CCT was to prepare and submit all periodical reports and documents that would be required by the Department along with an annual audited statement of expenditure incurred under the project. Scrutiny revealed that efforts were made only for getting utilisation certificate (UC) which was submitted¹⁸ after a prolonged delay but after that the progress of installation of machines and their operation were never called by the Department nor submitted by CCT till date.
- During joint physical inspection of the centre conducted¹⁹ with the officers of the Department & UoR, it was observed that only four equipment (costing ₹ 8.96 crore) could be purchased against requirement of seven due to increase in the exchange rate of US dollar. Further the centre was not in operation as the major equipments were yet to be installed. (June 2019).
- The Department did not provide the grant of ₹ 2.00 crore for 2nd phase and ₹ 1.00 crore each year for maintenance and consumables. Further, it did

¹⁸ on 30th March 2016

¹⁹ 30th October 2018 and on 21st June, 2019

not prepare any plan for operation of centre. Thus, due to non-installation of the equipment, non-release of remaining grant by the Department, the Nano-technology centre could not be operated even after six years of its conceptualization.

The State Government replied (October 2019) that university administration is responsible for delay in procurement and establishment of equipment. It was further stated that two instruments were in operation since 2014 and being used by CCT students and faculty members.

Reply shows that there was lack of monitoring and coordination between DST and UoR. Further, data in respect of use of two instruments was not furnished and an action plan for nomination of scientists to carry out research work was also not prepared.

8.2.9.4 Implementation of SATCOM coaching scheme

Satellite Communication was established in 2005 at *Indira Gandhi Panchayati Raj Sansthan*, Jaipur with Development and Education Communication Unit (DECU), ISRO, Ahmedabad with the objective of training & publicity of activities of various department. The Department is the nodal agency for this project. The program was initially proposed for three successive years from April 2011 and after regular evaluation based on feedback as per criteria prescribed, the program was to be continued in future.

Facility for preparation of entrance examination of engineering was to be provided to about 7000 intelligent students of backward families of remote rural areas of State through SATCOM coaching every year. This coaching was to be provided through 512 Receive Only Terminals²⁰ (ROTs) and 76 Satellite Interactive Terminals²¹ (SITs) established at *Zila Parishad*, *Panchayat Samiti* and Government Senior Secondary School (GSSS) etc.

Details of SATCOM centre in operation and expenditure incurred during 2016-17 to 2018-19 to run these centres is given below:

(₹ in lakh)

Year	Total number of coaching center established		Number of SATCOM classes in operation (%)	Total budget allotment	Total expenditure (%)
	ROTs	SITs			
2016-17	512	76	92 (15.65)	220.00	65.93 (29.97)
2017-18	512	76	46 (7.82)	220.00	46.84 (21.29)
2018-19	512	76	46 (7.82)	100.00	20.24 (20.24)
Total				540.00	133.01 (24.63)

The above table discloses that only 7.82 to 15.65 *per cent* centres were in operation and only 20.24 to 29.97 *per cent* of budget allotment was utilised.

Further, scrutiny of records revealed following deficiencies in operation of the scheme:

- The criterion for registration under the program was that the student should have obtained minimum 50 *per cent* marks in science subject in

²⁰ 312 ROTs established during 2008 to 2010 and 200 ROTs in 2013

²¹ Established during 2008 to 2010

11th class. Duly filled application form was to be submitted through District Education Officer (DEO) and final list of students whom training was to be imparted, was to be prepared after scrutiny by committee of Science & Technology Department consisting Project Director, Project Officer and Research Officer. Scrutiny of records revealed that procedure for inviting application from eligible students and selection of backward students from remote rural areas was not adopted.

- Attendance of students in SATCOM classes at *Zila Parishad* and *Panchayat Samiti* level was to be monitored by a person nominated by DEO. Besides, for evaluation of project, regular feedback was to be obtained from the students once in a fortnight. A format for the purpose was to be circulated to students and collected by SIT operator. SATCOM office, Jaipur was responsible for scrutiny and submission of the feedback to the Departmental Committee headed by Principal Secretary, S&T. However, audit observed that this procedure was not followed.
- DEO was to collect information on selection of participating students from various institutions for evaluation of programme. Scrutiny revealed that neither information was being collected by DEOs for evaluation of programme nor such information was found on record at the Departmental level.
- During Joint Physical inspection of SATCOM centres in 14 out of 46 centres in operation at GSSS, it was observed that:
 - Records related to selection of students, schedule of classes, attendance of students, feedback from students were not maintained at 13 centres.
 - Classes were not conducted for last two to six years at 11 centres.
 - SATCOM terminal was not working at 10 centres. In four out of these 10 centres, terminal was not working for last two to six years.

The State Government accepted (October 2019) the facts and stated that less utilisation of ROTs' was due to migration of satellite to new frequency. In respect of nomination, attendance and feedback from students, it stated that these were being received from nodal officers/principals. In view of the positive feedback the scheme was continued further.

Reply is not tenable as SATCOM classes were not conducted in 11 out of 14 centres during the last two to six years as verified in joint physical inspection with the Department officials.

Thus, the objective of SATCOM coaching to provide facility for preparation of entrance examination of Engineering and Medical courses to students of backward families of remote rural areas was not fulfilled. Audit cannot derive assurance that expenditure of ₹1.33 crore incurred for establishment of SATCOM coaching achieved its desired objective.

8.2.9.5 Project on use of Artificial insemination in livestock

The Department accepted a proposal from PEC limited²² regarding "Pilot Project to increase the population of livestock by using latest technology in artificial insemination" after evaluation by Department of Animal Husbandry (DAH), Government of Rajasthan. Accordingly, administrative sanction for

²² An undertaking of Government of India

₹ 63.05 lakh as well as financial sanction for release of an advance for ₹ 31.52 lakh (50 per cent of grant) was issued (13 May 2016) in favour of PEC Limited. Joint Director (*Prajanan and Gaushala*) DAH was appointed as State Level Nodal Officer and District Deputy Directors of five districts (Jaipur, Udaipur, Nagaur, Bharatpur and Churu) were appointed as district level Nodal Officer²³. Under the project, training for the period of 60 days was to be provided to veterinary officers and artificial insemination (AI) workers at various AI centres in Jaipur, Udaipur and Bharatpur districts.

During scrutiny of records, it was observed that:

- A&F sanction was issued to implement the pilot project in three districts *i.e.* Jaipur, Udaipur & Bharatpur, whereas the training was provided only in Jaipur district and the UC was submitted by PEC Limited for whole amount of ₹ 63.05 lakh as against amount of ₹ 31.52 lakh released as advance.
- The project report submitted (March 2017) by the PEC limited was sent (July 2017) to two of the officials in the DAH for evaluation but their comments were awaited (October 2019). The Department did not take any action to liaison with the higher officials of the DAH in this regard.
- The DAH did not nominate veterinary officers/AI workers for participating in the training programme. However, documents at the Department showed that training was started by a company²⁴ from 16th May 2016 *i.e.* even before the directions were issued by the Department (26th May 2016). The DAH still did not nominate its officials for the training and merely issued telephonic directions to field officers to cooperate with the company imparting the training.
- There was no evidence of a mechanism in existence for maintaining coordination between the Department and DAH to implement the project.
- Neither the Department nor the DAH conducted follow up of the project to analyse the benefits. The Department did not receive nor requested for the progress/follow up report from the nodal officer of DAH regarding implementation and monitoring of pilot.

On being pointed out (December 2018) the Department replied that repeated letters were issued to DAH to obtain the evaluation report. It also stated that nodal officer of DAH was appointed for follow up and monitoring of project but no information in this regard has been received so far.

The State Government replied (October 2019) that the project was implemented only in two districts as per sanction issued by the department and all the details of training are available in project report submitted by PEC Limited. Further, a meeting with DAH would be held to take necessary action/decision to get the project complete in all respects.

Reply is not tenable as it is evident from departmental documents that training was to be imparted in three districts against which training was conducted only in Jaipur district. Further, document regarding nomination/training imparted was neither maintained nor submitted by DST/DAH. Thus expenditure of ₹ 31.52 crore incurred on training remained unfruitful.

²³ vide order 23-02-2016

²⁴ Outsourced by PEC Ltd.

This implies that Department did not take proactive steps to oversee the implementation of a pilot project which could have played an important role in the growth and development of economy of the state.

8.2.9.6 Start-up Boot Club

According to the budget announcement for the year 2017-18, start-up boot clubs were to be established to promote science, technology, engineering & maths (STEM) in 71 model schools in first phase. Under this scheme, “*Raspberry pi kits*” (a small sized computer) were to be provided to the students. A meeting was organised (May 2017) with School Education Department for implementation of this project. Deputy Director (Model School) was nominated as nodal officer from school Education Department and Project Director-II was nominated as Nodal Officer from DST. School Education Department provided the list of 71 Government Model Schools along with nomination of a nodal officer for ensuring coordination. It also provided a list of teachers who were to be provided one-week training. Training was imparted during 14th to 18th March 2018 to 68 teachers²⁵.

Scrutiny of records revealed that:

- The Department of School Education did not provide information on requirement of the kits. No action plan/ mechanism was in place to monitor the operation of these clubs.
- During joint physical inspection of 27 boot clubs out of 71 in operation with the Departmental officers it was observed that:
 - In nine schools, the kits were still in packed condition since March 2018, while in 15 schools, two or three kits were opened through which the initial information was provided to the students. Only in three schools²⁶ training was being imparted properly.
 - Teachers of seven schools who were originally trained were transferred to other schools within one or two months of such training.
 - Majority of the boot clubs’ in-charge accepted that they needed further trainings so that effective teaching could be provided to the students. Records regarding number of students taught and their feedback were not maintained.

The State Government stated (October 2019) that the decision to establish the start-up boot club was taken in a meeting with School Education Department. Further, being nodal authority, monitoring and inspection of start-up boot up clubs was the duty of School Education Department. It also stated that official communication had been done with the Department for optimum use of kits. In respect of feedback, the State Government replied that teachers sent the feedback on the basis of opinion of students.

The reply is not tenable as the Department procured kits based on its own calculations and proposals regarding requirement of these kits were not submitted by school Education Department. Further, feedback sent by School Education Department was not reliable as basis of feedback received from students was neither found on record nor submitted with the reply.

²⁵ Three teachers were absent

²⁶ Model school Kodiya (Kotri), Dibshya (Gangapur city) and Didwana (Lalsot)

8.2.9.7 Establishment of Science Clubs

According to the budget announcement of 2011-12, 5000 science clubs were to be established in secondary/higher secondary schools, where science laboratories already existed and science was taught as an optional subject. Grant of ₹ 10000 for each club was to be provided to eligible schools as financial assistance; to be utilised in the share of 50% each for purchase of science related books, CDs, Posters, Charts, Science Kit, *etc.* and for organizing various science related programmes/activities.

As per guidelines, the evaluation of these clubs was to be done on the basis of activities performed, annual reports & utilization certificate submitted to regional office of the Department. On the basis of annual reports, the best Science Club at Panchayat, District and Division level were to be provided special economic and programme based assistance.

Scrutiny of records revealed that the number of clubs which received assistance decreased continuously as given below:

(₹ in lakh)

Year	Position of science clubs		Amount of grant
	Number of science clubs to which grant released	Percentage of total science clubs to which grant released (base year 2011-12)	
2011-12	5000	100.00	500.00
2012-13	550	11.00	55.00
2013-14	550	11.00	55.00
2014-15	00	00.00	00.00
2015-16	375	7.50	37.50
2016-17	416	8.32	41.60
2017-18	430	8.60	43.00
2018-19	160	3.20	16.00

Thus, only 3.20 *per cent* of the clubs were in operation as of March 2019. Scrutiny revealed that during 2011-12 to 2015-16, grants were released directly to science clubs through regional offices, thereafter, grants were released to concerned DEOs for further release to science clubs. For 2018-19, the Department had released the lump-sum grants to the Director, School Education, Bikaner, from where grants were given to concerned DEOs and thereafter to science clubs. This indicates that the system to release the grants to science clubs was quite ad-hoc. Scrutiny further revealed that:

- Neither any activity report/annual report was submitted by Science Club during 2016-17 to 2018-19 nor the Department made effort to obtain them;
- Stipulation of declaring one of the clubs as best Science Club was not followed. Hence, no special assistance was provided to the clubs which could have further motivated the students.

- The Department did not monitor the activities of these science clubs after releasing the financial assistance and was content with obtaining utilizing certificates only.

On being pointed out by audit, three Regional Offices²⁷ informed (January-April 2019) that evaluation was not done in absence of any report submitted by concerned DEOs. Further, Regional Office, Ajmer intimated that due to lack of staff no monitoring was done while Regional Office, Jodhpur intimated that few evaluation reports²⁸ have been received from Education Department but no further evaluation was done at their level due to excess work load and lack of staff.

The State Government replied (October 2019) that due to curtailment of budget, number of science clubs declined. Best science clubs were not selected due to non-receipt of UC's in time and lack of staff. It was further stated that monitoring of science clubs is being done by regional offices and DEO's.

Reply is not acceptable as in the absence of proper follow-up, evaluation and monitoring of the scheme by the Department, it could not be assured that the scheme served the intended purpose. Hence, objective to generate more interest among the students about science remained unfulfilled.

8.2.9.8 Intellectual Property Rights (IPR) Cell

Intellectual Property Rights (IPR) have become important in the face of changing trade environment. According to the annual report of the Controller General, Patent Design and Trade Mark office, 151 and 186 patent applications were filed in Rajasthan during 2016-17 and 2017-18.

The Department had intended to establish an IPR regime which maximizes the incentive for the generation and protection of IP by inventors. Towards this end, the Department had released grant of ₹ 2.00 lakh each to five universities²⁹ during 2017-18 to establish IPR cell. As per guidelines, quarterly, half-yearly and yearly reports were mandatorily to be submitted by these universities. A steering committee at DST Rajasthan was to quarterly review the progress of these cells.

Scrutiny of records revealed that:

- The percentage of budget utilization ranged between 46.44 and 71.87 per cent. The details are as under:

(₹ in lakh)			
Year	Allotment	Expenditure	Per cent of expenditure
2016-17	35.75	16.60	46.44
2017-18	32.35	23.25	71.87
2018-19	25.57	17.74	69.38

²⁷ Bikaner, Kota and Udaipur

²⁸ One out of 125 in 2015-16, 25 out of 100 in 2016-17 and five out of 100 in 2017-18

²⁹ 1. University of Rajasthan, Jaipur 2. Kota University 3. Rajasthan Technical University Kota 4. Jai Narayan Vyas University, Jodhpur and 5. Maharshi Dayanand Saraswati University, Ajmer

- Department has not set physical and financial targets for organizing IPR awareness camp and activities.
- The Department failed to prepare and submit reports on achievement of organizing IPR camp, conference and workshop to Finance Department as well administrative department
- Department has not maintained data regarding filing of application for patent, copy right and design in the State of Rajasthan. When enquired it quoted the data (for 2016-18) from the annual report of the Controller General, Patent Design and Trade Mark office.
- The annual report of the Department says, “*the Department will create such a system which can promote the inventors to create and protect the intellectual property rights*”. However, no action plan to implement this objective was available. Further, the Department submitted a list of 16 cases where it assisted the concerned individual/institution in filing of patents. This shows that the role of the Department was negligible in this regard.
- Out of five universities, two universities³⁰ did not take steps to establish IPR cell.
- No document in support of quarterly review conducted by steering committee of these cells was found on record.

Thus, the objective of establishment of the cell was not fulfilled.

8.2.10 Monitoring

8.2.10.1 Monitoring of grant-in-aid sanctioned

According to Rule 281 (v) to (vii) of General Financial & Accounting Rules, unless it is otherwise ordered by Government, every non-recurring grant made for a specific object is subject to the following implied conditions:

- The grantee institutions as well as sanctioning authority shall maintain a register in the prescribed format of the permanent and semi-permanent assets, immovable and moveable property of a capital nature, the value of which exceeds ₹ 1,000/- acquired wholly or mainly out of Government grants.
- Such register shall be maintained by the grantee institutions and a copy thereof shall be sent to the sanctioning authority annually.
- This record shall be of permanent nature and shall be posted on the basis of annual return furnished by the grantee institution in terms of condition No. (v).
- The registers mentioned shall be available for scrutiny by audit.

Scrutiny of records revealed that the Department operated schemes such as Centre for Excellence in Nano Technology, Reverse Osmosis Plant, Sanitary Napkin Pilot Project, Rural Technology Business Incubation, SATCOM coaching centres etc. and released grant for them to various institutions/departments. However, the Department did not have consolidated

³⁰ Jai Narayan Vyas University, Jodhpur and Maharshi Dayanand Saraswati University, Ajmer

data in respect of assets created by various institutions/departments out of the grant released to them.

The State Government accepted (October 2019) the facts and stated that a consolidated asset register in the prescribed format will be maintained.

8.2.10.2 Maintenance of grant register

According to the instructions issued under Rule 287 (c) of General Financial & Accounting Rules, a register of grants shall be maintained by the sanctioning authority.

Scrutiny of records revealed (December 2018) that no such register was maintained by the Department.

On being pointed out (July 2019) by Audit, the State Government accepted (October 2019) the facts and stated that a consolidated grant register in the prescribed format will be maintained.

8.2.10.3 Utilization certificates of the grant-in-aid disbursed

According to Rule 281 of General Financial & Accounting Rules, unless it is otherwise ordered by Government, every non- recurring grant made for a specific object is subject to the conditions that the grant will be spent upon the object within a reasonable time, if no time limit has been fixed by the sanctioning authority. As per rule 282 (1), the reasonable time should ordinarily be interpreted to mean 'one year' from the date of issue of letter sanctioning the grant.

During audit, it was observed that utilization certificates (UC's) for ₹ 6.30 crore in 202 cases were not received up to March 2019. Non-submission of UCs' ranging from one to nine years by grantee institutions is reflection of lack of proper monitoring on part of the Department.

On being pointed out (July 2019) by Audit, the State Government accepted (October 2019) the facts and stated that efforts are being made to clear the pendency of UC's.

8.2.11 Human Resources Management

The Department selected Project Directors, Project Officers, Research Officers through Rajasthan Civil Service Rules 1986 (Special selection service rules) i.e. on deputations from universities, colleges and scientific institutes. This meant that the critical functionaries in the Department did not had permanent tenure.

Permanent cadre rules have not been framed till now (October 2019). In 2009 a beginning was made in this regard when while submitting the proposal for framing of cadre rules, it was argued that due to non-framing of permanent cadre rules, the officers were not feeling connected with the Department, resulting in low progress of various schemes. Assurance was given in the legislative assembly during 2012-13 that finalisation of cadre rules were under process and would be finalised soon. Hon'ble High court, Rajasthan Jaipur in

its decision (January 2017) also directed the GoR that rules should be framed for permanent selection of officers in the Department so as to provide continuity of tenure. Despite the above efforts, the cadre rules could not be finalised till date (October 2019).

On being pointed out (July 2019) by Audit, the State Government accepted (October 2019) the facts and stated that formation of cadre rules is in final stage.

8.2.12 Conclusion

The Department could not achieve the financial and physical targets as only 45.65 *per cent* of allotted budget was utilised, budget allotted under State Plan head for various projects of SATCOM Division was surrendered during 2015-16 to 2018-19.

The Department does not have a departmental manual. No comprehensive policy (long term/short term) and guiding principles except Bio-Technology Policy 2015 were framed by the Department; and even objectives of this policy could not be achieved. The Department has not conducted any survey/study to identify areas in which science and technology can be utilized for achieving the socio-economic objectives of the State.

The Department could not operationalize Biotechnology and Medical Bio-technology centres at Jodhpur, Nano-technology centre at Jaipur and the progress under SATCOM coaching scheme and Science Clubs was minimal. The internal control systems in the Department were poor as consolidated data in respect of assets created by various institutions/department out of grant released by the Department to them was not available and the utilization certificates were not received in timely manner. The HR management was not streamlined as the cadre rules could not be finalised even after lapse of 36 years since the establishment of the Department and the technical posts were being manned through deputations.

The Department surrendered ₹ 29.93 crore during 2016-19 allotted under various projects by GoI/State Government. Thus it failed to achieve its main objectives of developing scientific temper in the society and uplifting the socio-economic status of the weaker section of the society by utilising the benefits of science and technology. Given the poor efficiency standards prevailing in the Department which have resulted in surrender of grants worth crore of rupees, non- monitoring of even the few projects it actually undertook and lack of coordination with user department, the very existence of the department needs justification unless it takes its prescribed work seriously and produces desired results.

8.2.13 Recommendations

- *Department may prepare a comprehensive manual to incorporate long term policies and procedure for implementing the mandate given to it.*
- *Department may conduct study/survey so that specific problems can be identified and available resources can be utilized for up-liftment of socio-economic status of population through the use of science and technology.*

- Department may ensure that the grants are utilized properly and in a timely manner.
- Department may prepare the cadre rules on priority so that recruitment to the critical posts can be done on permanent basis and various schemes of department could be implemented and monitored effectively.
- Department may evaluate the status of science education at school level and prepare an action plan in co-ordination with education department to improve the quality of science education in schools.

Public Works Department/Water Resource Department

8.3 Payment of final bills without ensuring proper application of price escalation clause led to over payment/excess payment to contractors

Public Works Department and Water Resource Department, passed final bills without ensuring proper adjustment under price escalation clause, calculated and paid escalation claims based on wrong Wholesale Price Index base years and wrongly considered the technical bid opening date as the base date instead of the date of opening of financial bid which resulted in overpayment to the contractors.

- Relevant provisions of Public Works and Financial & Accounts Rules³¹ and rules regarding works sponsored under Central Road Fund (State Roads) Scheme Rajasthan Road Sector Modernization Project (RRSMP) stipulated the manner³² in which contract price shall be adjusted for increase or decrease in rates and price of labour, materials, fuels and lubricants and other inputs to the works.
- Finance Department, Government of Rajasthan, directed (May 2004) that “if rates received on the date of opening of tenders have been accepted then the date of opening of tender shall be considered for price adjustment.
- Ministry of Road Transport and Highways (MoRTH), Government of India, in view of new series of Wholesale Price Index (WPI) with base year 2011-12 issued (June 2018) office memorandum wherein it was mentioned that work orders awarded prior to April 2017 will be governed under 2004-05 WPI series and 2011-12 WPI series to be used for the works executed after March 2017.
- Further, after the matters of irregularities in price escalation clause were referred by Audit (November 2015), the Chief Engineer & Additional Secretary, Public Works Department (PWD) Rajasthan directed (January 2016, April 2016, June 2016, September 2016 and February 2018) the field divisions to ensure strict adherence to the price variation clause and instructed that Final Bills will not be paid without adjustment of price escalation and

³¹ Clause 45 of appendix “XI” of Public Works and Financial & Accounts Rules, Clause 47 of Special Conditions of Contract (SCC) of Special Bidding Documents (SBD) adopted for works sponsored under Central Road Fund (State Roads) Scheme and Clause 47 of Special Conditions of Contract (SCC) adopted for Rajasthan Road Sector Modernization Project (RRSMP)

³² Condition No. 4 of General Conditions for admissibility of Escalation, condition No. 26 of Section 4 (Contract Data) and 47 (h) respectively indicating the coefficients of various inputs and the sources of indices for various schedules of Bill of Quantities (BOQ) and stipulating that “Unless otherwise stated in the SCC, the price adjustment shall be done in every quartet/each monthly IPC (as the case may be).

Divisional Accountant/Divisional Officer will be held responsible for financial irregularity/financial loss to Government.

Scrutiny of records of test checked divisions of Public Works Department and Water Resource Department revealed cases of excess/over payment of price escalation due to non-compliance of above mentioned directions as enumerated below:

(₹ in crore)

Department	Name of Division	Name of Work	Amount paid as escalation	Amount which should have been paid	Excess payment	Remarks
		Contract Amount				
PWD	Khanpur	Package No. RJ19-WB-RRSMP-43	--	(-) 0.83	0.83	Final bill passed without adjustment of escalation paid earlier. Recovery effected after Audit pointed out.
		₹ 15.95 crore				
PWD	Chaabra	RIDF-XX Package No. RJ-04-03/Non-Patchable/RIDF-20/5054/2014-15	--	(-) 0.48	0.48	Final bill passed without adjustment of escalation paid earlier. Recovery effected after Audit pointed out.
		₹ 18.57 crore				
PWD	Nimbahera	CRF Job No. CRF-844/ RJ/ 2015-16	0.244	0.00002	0.24	Division paid escalation claim based on 2011-12 WPI Index instead of 2004-05 WPI Index.
		₹ 46.70 crore				
		CRF Job No. CRF-864 /RJ /2015-16)				
		₹ 16.54 crore				
PWD	Division-I Alwar	CRF Job No. CRF-844/ RJ/ 2015-16	1.67	0.71	0.96	Division paid the escalation claim considering the technical bid opening date as base date. Recovery is pending.
		₹ 21.21 crore				
WRD	Bundi	Bada Naya Gaon Minor Irrigation	0.65	0.45	0.19	Division paid the escalation claim considering the

		Project				technical bid
		₹ 18.57 crore				opening date as base date. Recovery is pending

- The State Government accepted the over/excess payment in 03 out of 05 cases and intimated that PWD Division Khanpur, PWD Division Chhabra and PWD Division Nimbahera recovered the objected amount of ₹ 1.64 crore³³ whereas overpayments of ₹1.15 crore made by PWD Division-I Alwar and WRD Division Bundi were contested.

- State Government in its replies (August 2019) stated that the payment of price escalation by PWD Division-I Alwar was made as per the provisions mentioned in the memorandum and circular issued (May 2004 and July 2018) by Finance Department. Further opening of technical bid is initial stage of tendering process and financial bid can be opened any time after opening of technical bid. The contractor cannot be held responsible for delay, if any, in opening of financial bid.

- State Government in respect of excess payment made by WRD Division Bundi, stated (September 2019) that specific provision for tender opening dates to be considered for the purpose of escalation does not exist in the clause 45 of PWF&AR and Departments like Rajasthan Urban Infrastructure Development Project (RUIDP) and PWD issued instructions to consider date of opening of technical bid as the base date for the purpose of calculation of escalation. Further, it was mentioned that clause 3&4 of Indian Contract Act 1872 provides that department is liable to accept the successful tender from the very first day, the process of opening of tender begins hence the price escalation was given considering the date of opening of tender.

- The replies are not acceptable, as the memorandum issued by Finance Department (May 2004) is self-explanatory as it lays down that *“if rates received on the dates of opening of tender have been accepted, then the date of opening of tender shall be considered for price adjustment”*. Thus, as the rates are not received on the date of opening of technical bid, the date of opening of financial bid when the rates are first known, should be considered as the base date. Finance Department circular of July 2018 is not relevant in this case as it does not have retrospective effect. Moreover, power to interpret the PWF&AR rules rests with the Finance Department and hence Department should not have relied upon the interpretation by other agencies.

Further, it is also pertinent to mention that these audit findings are based on our analysis of cases in selected divisions only and there is a possibility of more such cases occurring in the remaining divisions. Therefore, the Government is expected to review all other cases having possibility of similar deficiencies/irregularities and required to take corrective action.

³³ PWD Khanpur recovered ₹82.04 lakh vide Voucher No. 661 dated 09/01/2019 and ₹0.74 lakh vide DD No. 460465 dated 02/01/2019. PWD Division Chhabra recovered ₹47.29 lakh vide voucher No. 90 dated 31/03/2018 and PWD Nimbahera recovered ₹32.53 lakh vide Voucher No. 67040 dated 11/12/2019.

8.4 Irregular expenditure on construction of Gramin Gaurav Path roads in violation of the prescribed guidelines

In violation of the scheme guidelines, Public Works Department constructed roads with excess width, thickness and in areas where the scheme guidelines did not permit them to be constructed, without obtaining design from State Technical Agency and prior permission from competent authority.

- Gramin Gaurav Path (GGP) is a Flagship Scheme of Government of Rajasthan initiated in 2014. The main objective of the GGP Scheme is to construct Cement Concrete roads and drain at each Gram Panchayat Headquarter with the purpose of creating neat and clean environment and also provide damage free roads for commuters at each Gram Panchayat Headquarters. The constructed length of roads under this scheme is ranging from 0.5 km to 2.00 km. Average construction of road of 1.00 km at each Gram Panchayat Headquarter is taken. A total 6820 GGP works for 6427.49 km road length were undertaken with an expenditure of ₹ 2994.12 crore (up to December 2019).

The roads were to be made under the following specifications:

- (i) Proposals for 3.75-metre wide and 150 mm thick Cement Concrete (CC) roads only be prepared under the Gramin Gaurav Path (GGP) scheme.
- (ii) The field divisions to get the design of Cement Concrete (CC) pavement prepared by the nearest government engineering college State Technical Agency (STA) on priority and if thickness of CC pavement as per the design obtained from STA was more than 150 mm, permission of Chief Engineer (Roads) would be obtained before execution of CC pavement.
- (iii) Proposals of GGPs for the Panchayat headquarter (PHQ) situated on State Highways (SH) /Major District Roads (MDR) and roads proposed under Public Private Partnership (PPP) should not be taken up.
- (iv) The width of the GGP roads may exceed 3.75 metre, if the width of the existing road is broader. However, in that case, length of the road should be reduced to the extent that the quantity of CC M-30 to be used does not exceed from the total quantity of CC M-30 mentioned in the Bill of Quantities (BOQ). Principal Secretary, PWD Rajasthan further warned that the concerned executive engineers would be held responsible for any irregular work executed.

Test check of records in the PWD Divisions revealed cases of non-compliance of scheme guidelines and irregular construction of GGP roads as stated below:

I. PWD Division Bhawani Mandi in violation of the instructions mentioned above, without approval of design by STA, considered IRC: 58-2002 meant for construction of Highway designs and constructed nine roads³⁴ with 200 mm thick CC pavement instead of 150 mm thick CC pavement. This resulted in an irregular and avoidable expenditure of

³⁴ package No. RJ/19/04/5054/GGP Road/Plan/2016-17

₹ 0.70 crore as per details given in **Appendix 8.2**. On being pointed out by Audit, Public Works Department, in its reply (July 2019) stated that the design prescribed 200 mm thick CC pavement due to traffic load and soil of Jhalawar being black cotton soil. Further, it quoted the directions (March 2015) by the Principal Secretary, PWD, Rajasthan that 200 mm thickness of road can be taken as per site requirement with the prior approval of Chief Engineers (Roads), PWD, Rajasthan. State Government in its reply (December 2019) submitted the Ex-Post Facto sanction of Chief Engineer, PWD Rajasthan for construction of 200 mm CC pavement but did not respond to the issues regarding adoption of improper IRC and non-approval of design by STA.

The reply was not acceptable as the Chief Engineer (Roads) had directed (January 2015) that if thickness of CC Pavement as per design obtained from STA was more than 150 mm, permission would need to be obtained before execution of CC Pavement. Documents of eight roads submitted by the Department revealed that designs were not obtained from the STA. Moreover, the designs of these low traffic volume village roads were prepared based on the IRC: 58-2002 Guidelines. These guidelines, however, were applicable for the design of Plain Jointed rigid pavements for high volume highway roads and the IRC: 58-2002 itself restricts its applicability for designing low volume village roads. The appropriate design for such low volume village roads was IRC: SP: 62-2014.

II. PWD Division Kekri implemented two road works³⁵ in open area having no habitation and on Major District Road respectively and incurred an expenditure of ₹ 78.84 lakh³⁶. Image obtained from the Google map in respect of road SH-7E Km 7/200 to *Margola Ganeshpura Tiraha* indicates that the road was constructed in open area outside the habitation area in violation of the scheme guidelines. State Government in its reply (October 2019) stated that Chief Engineer's instructions of September 2014 did not apply to GGP road constructed by PWD Kekri on SH-7E Km 7/200 to *Margola Ganeshpura Tiraha* being bypass road and not a State Highway. Further, GGP road *Nagola PHQ on Kekri Bijay Nagar Road* (Km 29/00 to 30/00) was constructed on thickly populated village portion benefitting maximum population of the village.

The reply is not tenable as construction of GGP roads were aimed to provide water and mud free quality road in main portion of selected gram panchayats to benefit habitants at large. Construction of GGP roads in open area/higher category of roads was prohibited as per instruction mentioned *ibid*. Further, Guidelines regarding GGP Works issued (April 2018) strengthens the audit opinion wherein it was mentioned that construction of Gramin Gaurav Path is not to be carried out in open area and on MDR.

³⁵ package No. RJ-01-03/GGP-III/Plan/2017-18 viz. SH 7-E Km 7/200 to *Marogla Ganeshpura Tiraha Road* (bypass in Fatehgarh village) and *Kekri Bijainagar road* (Km 29/00 to 30/00 (PHQ Nagola))

³⁶ ₹ 27, 79,148/-+₹ 43, 40,541/-= ₹ 71, 19,690 minus TP@ 2 percent=₹ 6977296/- plus Prorata @ 13 Percent= ₹ 907048. Total Expenditure = ₹ 7884344/-

III. In PWD Division Nagaur despite the existing width of the roads being 3.75 metre only, the Division, in violation of instructions/scheme guidelines, constructed 5.50-metre-wide roads, and thus incurred an irregular expenditure of ₹ 1.42 crore (**Details in Appendix 8.3 and 8.4**). PWD Division Nagaur stated (February 2019) that traffic density on GGP roads constructed³⁷ were too high and carriage way width of 3.75 metre road was inadequate for movement of villagers, animals & vehicles and these roads remained water logged due to discharge of drain water from the nearby houses. Hence, on the demands of villagers, public representatives and the member of legislative assembly, these roads were constructed with a width of 5.50 metre. State Government, in its reply (November 2019) stated that the villages where the GGP roads were constructed are in close proximity to the mining area and overloaded heavy vehicles ply on these roads and in view of instructions of the Principal Secretary (March 2015) and survey/inspection of existing roads, which were 5.50-metre-wide, proposals, being technically essential and as per scheme guidelines, were prepared and GGP roads were constructed as per the technical sanctions and the BOQ. The Government also stated that the width of *Gangawana* and *Chutisara* GGPs were increased on account of the traffic load of passenger car units (PCU) being above 2000.

The reply is not acceptable as the linear charts of the 10 GGP roads prepared before sanction of the works depict the width of existing roads as 3.75 and not 5.50 metre as being claimed by the Government in its reply. Further in support of the reply, the State Government has enclosed linear chart of 5.5-meter-wide GGP *Sinod, Chainar, Tankla, Chhilo, Hanuman Nagar, Rohini and Singad*, but as per the linear chart of these roads available with audit, their width was only 3.75 metre. Further, Audit observed that the norm of 2000 PCU is applicable for Black Topped (BT) roads and not for the CC roads. As per the IRC specifications SP: 62-2014, the prescribed width for rural roads was 3.75 metre for a load of up to 450 commercial vehicles per day (CVPD) whereas in the case of *Gangawana and Chutisara* GGPs, the CVPD was 323 and 341 respectively.

Thus, it can be seen that Department constructed GGP roads in violation of the Scheme guidelines and incurred an irregular expenditure of ₹ 2.91 crore.

Further, it is also pertinent to mention that these audit findings are based on our analysis of cases in selected divisions only and there is a possibility of more such cases occurring in the remaining divisions. Therefore, the Government is expected to review all other cases having possibility of similar deficiencies/irregularities and required to take corrective action.

³⁷ Package No. RJ-24-14/GGP-II/P/2016-17 and RJ-24-15/GGP-II/P/2016-17

8.5 Acceptance of conditional bids and improper technical evaluation/processing of tenders resulted in irregular expenditure

The Public Works Department, irregularly awarded contract against conditional offer and to non-qualified bidders due to improper tender evaluation as it awarded the contract to bidders who did not submit proper documents.

A. Rule 29 of Public Works Financial and Accounts Rules stipulates that contractors shall submit only unconditional tenders. *Conditional tenders are liable to be rejected summarily.* Chief Engineer cum Additional Secretary, Public Works Department, Jaipur issued (December 2009) instructions making submission of rate analysis in tenders of ₹150 lakh or above mandatory.

- Test check of records of the PWD Division-II, Sawai Madhopur (December 2018) revealed that the four contractors who participated in the tender³⁸ did not comply with the instructions issued by the Chief Engineer cum Additional Secretary, PWD, Rajasthan vide which submission of rate analysis had been made mandatory. Instead of submitting rate analysis, the contractors submitted conditional letters stating that rate analysis would be submitted if their respective firm became lowest. Despite the fact that offers being conditional were required to be summarily rejected, the Department considered them and finalized the tenders.

The matter was referred (March 2019) to the State Government for comments. Public Works Department, Government of Rajasthan in its reply (April 2019) stated that: -

➤ All the firms who participated in the tender had submitted a conditional declaration that ‘Rate Analysis would be submitted, if their firms became L-1’. This conditional declaration does not have any financial/technical implications on sanction of tender.

➤ In view of the tender premium received being 15.51 *per cent* below Schedule “G” based on BSR 2014, receipt of rate analysis does not seem justifiable. It is pertinent to mention that the work has been completed.

The reply is not acceptable as submission of rate analysis with tender documents was mandatory and conditional offer is in clear violation of rules; hence offers of tenderers were required to be summarily rejected. Moreover, there is no evidence on record that the Department finalized the conditional offer after proper justification and due care. The arguments being given now are more in nature of afterthought. Thus, processing of conditional tender was irregular, in violation of the Public Works Financial and Accounts Rules and the instructions issued by CE&AS PWD.

B. Principal Secretary (PWD) Rajasthan, while observing short falls in technical evaluation by subordinate offices, directed (March 2015) that all information as envisaged in technical bid evaluation checks list alongwith submission of copies of valid registration certificates, tax clearance certificates etc. of all contractors participated in the tender should be ensured. Further, Clause 4.4.5 of Section-I i.e. Instructions to Bidders (ITB) of Standard

³⁸ Gramin Gaurav Path (Package No. RJ-28-02/GGP/II/P/2016-17 in District Sawai Madhopur)

Bidding Document (SBD) of Central Road Fund (CRF) works stipulated that the applicant should own or should have assured ownership to the key items of equipment, in full working order, and must demonstrate that, based on known commitments; they will be available for use in the proposed contract

- Government of India, Ministry of Road Transport and Highways (MORTH), issued (October 2015) consolidated administrative approval of 53 works to be financed from CRF scheme including sanction of a work in Fatehpur Division, Sikar³⁹ for ₹ 12.23 crore. PWD Division, Fatehpur issued (March 2016) the work order to *M/s Surendra Kumar Bansal*, (Contractor). The Contractor has been paid ₹ 11.00 crore up to September 2018.

Test check (February 2019) of records of the Division revealed that the technical evaluation sheet prepared by the committee revealed that L-1 contractor *M/s Surendra Kumar Bansal* was declared “*Non Responsive due to Insufficient T&P*” alongwith 2 other contractors. Later, the committee, accepting the affidavit given by the contractor with the tender documents (which was in fact already available at the time of bid evaluation), declared the firm as responsive bidder, which was irregular and against the stipulated norms of qualification. Audit observed that contractor submitted the ownership documents for only 04 among the 13 items of plant and machinery. Detailed analysis is enumerated in **Appendix 8.5**.

State Government in its reply (February 2020) stated that on an initial examination of the bid documents of 10 bidders due to an inadvertent error, the affidavit submitted by the Contractor regarding the availability of machinery and equipment’s of bid evaluation sheet was not taken into account and the bidder was declared non-responsive. Later, tender evaluation committee, in view of availability of notarized affidavit with tender documents uploaded by the Contractor, declared it as responsive and it became L-1 among 8 bidders who were declared qualified under technical criteria.

The reply is not tenable as if uploading of notarized affidavit to assure proof of ownership of plant and machinery available with the bidder is the sole criteria/requirement for capacity verification, then departments’ action to declare *M/s Deep Jyoti Company, Shri Ganganagar* as “*Non-responsive*” is not in order as that firm also uploaded a notarized affidavit regarding availability (owned or leased) of required plant and machineries. Further, *M/s Surendra Kumar Bansal*, failed to prove ownership of tipper trucks, Front End Loader and Smooth Wheeled Roller. Firm did not upload the ownership documents of these construction machineries as well as confirm lease agreement to assure the availability of plant and machineries shown as leased. Department should have summarily rejected the bid of *M/s Surendra Kumar Bansal* as was done in case of *M/s Deep Jyoti Company*. Thus, it can be seen that irregular processing of tender resulted in selection of “*Non Responsive Bidder*” and irregular expenditure of ₹ 11.00 crore.

³⁹ Widening and strengthening of Sikar-Salasar Road SH-20 (5.50 meter to 7 meter) km. 39/00 to 44/00 and Ajmer Deedwana Salasar Road SH-60 (3.75 meter to 7 meter) km. 193/500 to 198/500 and construction of drain with CC pavement in village Ganeri (on SH-60) Road”

C. Instructions to Bidders (ITB) of Bid Documents for Gramin Gaurav Path Scheme stipulates that the bidder should be able to deploy the machinery and equipment as specified in Schedule-III of Bid Documents. Further it also mandated uploading of valid Tax Clearance Certificate (TCC) and stipulated that bidders have to submit Bank Certificate for 10 *per cent* of Bid cost. If a bid is not accompanied with the requisite documents or is not in accordance with the procedure specified it would be liable for rejection.

- PWD Division, Fatehpur issued (November 2017) the work order for eight roads⁴⁰ for ₹ 3.29 crore to the contractor. The contractor has been paid ₹ 2.18 crore till September 2018. Work is not yet completed (May 2020)

Test check (February 2019) of records of the Division revealed that the Office of the PWD Zone-I Jaipur invited and evaluated the tender without ascertaining correctness/validity of the essential documents submitted by the successful bidder. Audit observed that the contractor, submitted the Bank Certificate for ₹ 40 only against the requirement of Bank Certificate of value not less than 40 lakhs. Further, against the requirement of tax clearance certificate issued not prior to 6 months before the date of opening of tender, contractor submitted Tax Clearance Certificate of November 2016 with validity up to December 2016. As tender was opened in the month of August 2017, contractor should have submitted the tax clearance certificate issued in the month of February 2017 or later.

Apart from above, scrutiny of bid documents revealed that contractor had not submitted the ownership documents for the items of tools, plant and machinery. Further, contractor uploaded an affidavit for tools, plant and machinery showing them to be available on lease. However, as the affidavit submitted by the contractor did not contain signature of both parties (i.e. the party from whom the equipment was taken on lease) nor any terms and conditions, it is not a complete document under the essential conditions of a contract. The matter was brought to the notice of State government for comments (October 2019).

State Government stated (February 2020) that in view of notarized affidavit uploaded by the contractor, it was declared as successful. It also mentioned that new tax system of GST was rolled out (July 2017) at the time of NIT (23/08/2017) and contractor submitted GST registration certificate alongwith tax clearance certificate valid up to December 2016. Further, contractor uploaded the certificate of working capital issued by bank for ₹ 40/- against the requirement of ₹ 40 lakhs. Tender evaluation committee, assuming it to be a typing error, considered the offer valid as normally banks issue such certificates in lakhs.

The reply is not acceptable as the contractor failed to upload ownership documents and valid confirmed lease agreement for tools and machinery and non-completion of work till now strengthens the audit opinion about the incapability of the contractor. Further, roll out of GST does not have any effect on issue of tax clearance certificate. Moreover, reply that the committee assumed bank certificate of ₹ 40/- as ₹ 40 lakhs is an afterthought as no such

⁴⁰ Package No. RJ-29-04/5054/GGP-III/2017-18 District Sikar

comments are available in the committee's proceedings. Further, assuming a certificate to be of a particular value is fraught with danger in case the contractor does not finally complete the work. The Department should have ensured correctness of the Bank certificate and Tax Clearance Certificate before finalizing the tender.

Further, it is also pertinent to mention that these audit findings are based on our analysis of cases in selected divisions only and there is a possibility of more such cases occurring in the remaining divisions. Therefore, the Government is expected to review all other cases having possibility of similar deficiencies/irregularities and required to take corrective action.

8.6 Unfruitful expenditure on construction of road under the Pradhan Mantri Gram Sadak Yojna

The Public Works Department incurred unfruitful expenditure of ₹ 1.22 crore on construction of flush causeway at wrong chainage in the *Ramgarh Pachwara to Kanwarpura* road under Pradhan Mantri Gram Sadak Yojna, as a result a 800-metre portion of the road was washed away during rains.

Environmental Codes of Practice (ECoP) including environment management framework issued by National Rural Road Development Agency (NRRDA) Ministry of Rural Development, Government of India, details the factors to be considered during project preparation to avoid/address environmental concerns through modifications in project design and incorporation of mitigation measures. It emphasises on requirement of Hydrological Surveys in case of flood prone areas and/or areas with very flat slopes before alignment finalisation. Inputs derived from these surveys such as the need for provision of culverts/bridges or other cross/roadside drainage structures should be considered in the alignment finalisation.

Chief Engineer cum Additional Secretary, PWD issued (July 2012) instructions to strictly adhere to taking prior permission of Water Resources Department/Revenue Department in the case of construction of roads/building in catchment area of dam/ water bodies as construction of roads and buildings in catchment area causes adverse effect on free flow of water.

Administrative sanction was issued (June 2012) for *Ramgarh Pachwara to Kanwarpura* road at a cost of ₹ 1.15 crore along with three other roads works under the World Bank Assisted Pradhan Mantri Gram Sadak Yojna (PMGSY) of district Dausa.

Technical sanction was issued (July 2012) for ₹ 3.28 crore for four roads of the package. Chief Engineer (PMGSY) Rajasthan sanctioned (January 2013) the work for ₹ 3.99 crore. PWD Division, Dausa issued (February 2013) work order with stipulated date of commencement 18/02/2013 and completion 17/12/2013. Contractor was paid (September 2014) ₹ 3.14 core as per the final account bill.

Test check of records of the PWD Circle, Dausa (August 2018) revealed that the newly constructed road including cement concrete pavement, flush causeway and earthwork was washed away in the 800 meters area due to rains in August 2014. On receipt of additional estimate of ₹ 1.00 crore from PWD,

Division, Dausa for repair of damaged portion of the road, PWD Circle, Dausa asked (December 2015) the contractor to attend to the defects as road was under defect liability period. The contractor, in turn, intimated (September 2015) that chainage 1650 to 2150 were in the river area and the road work was executed earlier without any cross drainage works in the said chainage as per direction of the division and refused to attend the defects as items included in the additional estimates were not a part of the original estimate.

Audit further observed that as per hydrological survey report of the said road, chainage 1650 to 2050 were in the river area and required proper arrangement for cross drainage/flush causeway for rainwater. It was also found that the Linear Chart of the said road also included the proposal of one Flush Causeway (FCW) and one Hume Pipe Culvert (HPC) between chainage 1700 to 1900 i.e. in flood prone areas. The Damage Report of the road revealed that despite chainage 1650 to 2050 falling in the river stream, the flush causeway was executed at *chainage 2150 to 2168*. Due to disregarding the data obtained from hydrological survey and technical estimate, newly constructed road (chainage 1643 to 2168) was washed away during rains and resulted in unfruitful expenditure of ₹ 1.22 crore as well as loss of connectivity to targeted habitation.

On being pointed out (August 2018) by Audit, the Division stated that despite the fact that the road was damaged in August 2014 and 2016, the road was motorable as the contractor attended the defects and people were benefitted. The Division stated that due care to adhere to hydrological surveys and detailed project report was taken during construction of road.

The matter was referred (February 2019) to the State Government for comments. The Department in its reply (April 2019) stated that: -

- Flush causeway and protection wall work was carried out between chainage 1700 to 1900 and L-Shape drain and syphon were not constructed as there was no provision in the sanctioned estimate. Due to heavy rains on 09/08/2014 and 11/08/2014, rain fed stream in chainage 1600 to 2100 changed its way and road alongwith causeway constructed in this chainage washed away.
- Another causeway on smaller rainy stream was constructed on chainage 2150 to 2168 as per sanctioned detailed project report by the State Technical Advisor.
- With reference to prior permission of Water Resources Department (WRD) /Revenue Department in the case of construction of roads/building in catchment area of dam/ water bodies, department stated that this being a rain fed stream there was no continuous flow of water hence, permission of concerned authorities was not sought as the said road was a rural road.

The reply is not acceptable as:

- The damage report revealed construction of only one flush causeway at chainage 2150 to 2168. Details of construction/damage to flush causeway between chainage 1700 to 1900 were not found in the records. Further, Linear chart depicts provision of one flush causeway and one Hume Pipe Culvert

(HPC) at chainage 1700 to 1900 without any provision for flush causeway at chainage 2150 to 2168. Contractor's denial to attend restoration work between chainage 1600 to 2100 also corroborates that road was constructed without any cross drainage work. Linear chart furnished (February 2019) with reply was different from what was obtained by audit during the field visit as the chart furnished now does not have marking for FCW. The words "FCW" have been written by pen whereas in the original chart the FCW & HPC have been represented properly in a diagrammatical manner as is the case generally.

- According to hydrological survey report, chainage 1600 to 2100 were in rain fed stream area, hence prior permission of WRD/Revenue authorities was necessary. Further, additional proposal of ₹ 1.00 crore for cross drainage on already constructed road corroborates the audit observation that initial technical estimates were prepared without considering the parameters stated in ECoP.
- The State Government has stated that even after a lapse of five years remaining part of road was safe and quality was also up to the mark. This proves that the work in the river stream part only was not executed properly and was done without cross drainage work and flush causeway which caused massive damage to the road.

Thus, the failure to adhere to the ECoP guidelines resulted in unfruitful expenditure.

The State Government accepted (July 2019) the facts and stated that despite provisioning of HPC at chainage 1/700 to 1/900 reasons for non-construction of HPC were not available on the record. Two FCWs for which exact chainage were not specified in the DPR, were constructed at chainage 2/082 to 2/165 and chainage 2/869 to 2/931 as per site requirement. Action against erring officials is also proposed.

8.7 Advance payment to the contractor

The Public Works Department, in violation of Public Works Financial and Accounts Rules paid a sum of ₹ 0.78 crore to a contractor within a week of awarding of the work order. The work, however, was started only after a year from the award of the work order.

Rule 434 part I of Public Works Financial and Accounts Rules, 1999 (PWF&AR) stipulates that payment of advance to contractors as a rule is prohibited, and every endeavor should be made to maintain a system under which no payment is made except for work actually done.

The work order for construction of New OPD cum Emergency Block at *Umed* Hospital, Medical College Jodhpur for ₹ 2.84 crore was issued (March 2013) by PWD, Medical Division Jodhpur with stipulated date of commencement as 17/03/2013 and completion as 16/03/2014. The contractor was paid ₹ 2.44 crore for the work executed up to February 2017. The work was not completed (May 2019).

Test check (June 2016) of the records of the Division revealed that the Division paid (March 2013) a sum of ₹ 78.30 lakhs⁴¹ to the contractor for providing and fabricating reinforcement for RCC. Audit observed that as per the bills, the steel of VIZAG brand of *Rastriya Ispat Nigam Limited* (RINL) was procured during 6th March to 9th March 2013, whereas the test reports (9th March 2013) showed steel was procured from *Steel Authority of India Limited* (SAIL). The test was again conducted in March 2014 and the report showed that to the steel was of VIZAG brand. It was found that except weight of steel, no other civil work i.e. reinforcement carried out was measured as per the entry dated 11/03/2013 in the Measurement Book. Entries related to measurement of site clearance and surface dressing were made on 25/08/2013. These facts prove that the reinforcement work was not undertaken by the contractor till August 2013, however, the payment of ₹ 78.30 lakh was made for it in March 2013.

Further scrutiny of records revealed that the steel procured for RCC work was used between March 2014 and November 2015 i.e. 12 to 30 months after the payment for reinforcement work to the contractor. Though the payment made to the contractor was adjusted in subsequent running account bills, yet grant of advance to the contractor was in violation of the PWF&AR Rules. Further, use of steel, after more than a year of purchase, may adversely affect the quality of the building as the steel tends to lose its anti-corrosion properties causing deterioration in its quality with time.

The State Government, in reply (May 2019) stated that providing and fabrication for reinforcement for Reinforced Cement Concrete (RCC) work includes straightening, cutting, bending and binding of bars and requires time and labours hence immediately after the work order was placed, the contractor started the earth work and procured 128.215 metric tonnes of steel required for it. In between, the client department changed the site and the work was stopped till the new site was finalised (August 2013). Further, the client department requested for basement parking, which was not included in the original scope of sanction, which led to escalation of project cost resulting in non-completion of work. The work can be completed after receipt of the revised A&F sanction for which revised estimate of ₹ 6.86 crore was sent. The constructed portion of the building can be used by the client department.

The reply is not acceptable as it is not relevant to the audit observation that advance payment was made in violation of the PWF&AR. Scrutiny of the First Running Account Bill and Measurement Book revealed that 11/03/2013 was the actual date of commencement and completion of item which is in contradiction of the State Government's reply that item of providing and fabrication for reinforcement requires more time and labour. Thus, the Government's reply regarding straightening, cutting, bending and binding of 128.215 metric tonne steel bars in a day seems implausible.

⁴¹ Steel 124925.76Kg X ₹ 60/- per kg = ₹ 7829847/- (₹ 7495546 + TP @ 4.46 per cent ₹ 334301/-)


Further, the reply of the State Government revealed that even after lapse of more than 60 months from the stipulated date of completion, building was yet to be completed (January 2020) and expenditure incurred so far remained idle. The fact that the work has been unduly delayed has been incorporated under para number 3.5 of CAG's Audit Report No. 4 of 2019, Government of Rajasthan.



(ATOORVA SINHA)
Accountant General
(Audit-II), Rajasthan

JAIPUR
The 24 July 2020

Countersigned



(RAJIV MEHRISHI)
Comptroller and Auditor General of India

NEW DELHI
The 27 July 2020

APPENDICES

Appendix 8.1

(Refer Paragraph 8.2.6)

Position of Division wise Budget Allotment and Expenditure*

(₹ in crore)

S. No.	Name of Division	2016-17		2017-18		2018-19	
		Target	Achievement	Target	Achievement	Target	Achievement
1	Science and Technology	3.07	1.82	2.73	2.15	3.54	3.33
2	State Remote Sensing Application Centre	7.74	1.49	2.15	0.77	1.55	0.45
3	Science and Society	0.74	0.34	0.82	0.50	0.57	0.55
4	Science Communication and Popularization	5.07	3.84	3.50	3.04	2.72	2.41
5	Bio- Technology	0.55	0.30	0.53	0.21	0.36	0.29
6	Bio- Technology Research Centre	0.06	0.06	0.00	0.00	0.00 [#]	0.00
7	Entrepreneurship Development Programme (EDP)	0.21	0.09	4.10	3.65	0.73	0.16
8	Patent Information Centre (PIC)	0.36	0.16	0.32	0.23	0.27	0.19
9	MIS	0.28	0.08	0.14	0.08	0.08	0.02
10	Research and Development (R&D)	1.05	0.65	1.98	1.78	0.61	0.30
11	Construction Works	4.00	3.65	5.51	3.03	2.76	1.06
12	Science City	0.00	0.00	0.00	0.00	0.00	0.00
13	GIS Centre	0.00	0.00	0.00	0.00	0.00	0.00
14	Science Academy	0.00	0.00	0.00	0.00	0.00	0.00
	Total	23.13	12.48	21.78	15.44	13.19	8.76

* Includes Plan and CSS; # Only ₹ 3,000 were allotted

Target stands for Revised Estimates

Appendix 8.2

(Refer paragraph 8.4)

Details of work executed and to be executed under GGP-II

S. No.	Village Name	Sanctioned length	Executed length with 3.75 meter width	Executed length with 5.50 meter width	Total executed length Column (4+5)	Quantity of CC Pavement M-30 in case road in 3.75 meter width and 150 mm thick constructed (Column-6 X 3.75X0.15)	Quantity of CC Pavement actually executed with 200 mm thick and 5.50 meter width including 3.75 meter width (Column-4X3.75 + Column-5X5.5) X 0.20	Excess quantity of CC Pavement M-30 executed and paid @ ₹ 5542/- per cum (Column 8-7)
1	2	3	4	5	6	7	8	9
1	Alawa	1000	450	150	600	337.50	506.95	169.50
2	Ghatod	1000	650	0	650	365.60	486.23	120.60
3	Suliya	1000	600	0	600	337.50	449.93	112.40
4	Kundi Kheda	1000	350	235	585	329.10	521.00	191.90
5	Karaavan	1000	485	150	635	357.20	528.80	171.60
6	Bistunia	1000	655	0	655	368.40	490.12	121.70
7	Khokariya Khurd	1000	450	175	625	351.60	529.98	178.40
8	Gudha	1000	650	0	650	365.60	486.44	120.80
9	Silehagarh	1000	655	0	655	368.40	491.21	122.80
		9000	4945	710	5655	3180.90	4490.66	1309.70
Payable & Paid basic amount of CC Pavement @ 5542/- per cum						17628756	24887238	7258482
Less Tender Premium @ 15.01 percent						2646076	3735574	1089498
Amount after Tender Premium						14982679	21151663	6168984
Add Prorata @ 13 per cent						1947748	2749716	801968
Nett amount of CC Pavement						16930428	23901380	6970952
Financial repercussion								6970952

Appendix 8.3

(Refer Paragraph 8.4)

Details of Irregular Expenditure on GGP Roads

Name of Work & Package No.		GGP Phase-II/Package No. RJ-24-15/5054/GGP Roads/2016-17											
S. No.	Name of Village/GGP Road	Earthwork		Excess qty executed	WBM Grade-II		Excess qty executed	WBM Grade-III		Excess qty executed	CC Pavement		
		To be executed 3.75+0.15=3.90 meter	Executed qty in 5.65 meter		To be executed 3.75+0.15=3.90 meter	Executed qty in 5.65 meter		To be executed 3.75+0.15=3.90 meter	Executed qty in 5.65 meter		To be executed 3.75 meter	Executed qty in 5.5 meter	Excess qty executed
1	Singad	1088	1655.10	567	272.02	413.79	141.77	272.02	413.79	141.77	523.125	805.61	282.485
2	Rohini	1088	1655.10	567	272.02	413.79	141.77	272.02	413.79	141.77	523.125	805.18	282.055
3	Hanuman Nagar	1088	1646.64	559	272.02	411.69	139.67	272.02	411.69	139.67	523.125	803.83	280.705
4	Chilla	1088	1627.77	540	272.02	407.50	135.48	272.02	407.50	135.48	523.125	792.18	269.055
5	Tankla	1088	1552.31	464	272.02	388.05	116.03	272.02	388.05	116.03	523.125	755.26	232.135
Total		5440	8136.92	2697	1360.10	2034.82	674.72	1360.10	2034.82	674.72	2615.625	3962.06	1346.435

Details of Excess work & Rate	Quantity	Amount (₹)
Earth work executed @ ₹ 47/- per cum	2696.92	126755
WBM Grade II @ ₹ 1160/- per cum	674.72	782675
WBM Grade III @ ₹ 1250/- per cum	674.72	843400
CC Pavement @ ₹ 4150/- per cum	1346.435	5587705
Irregular Expenditure without TP		7340536
Less TP @ 6.08 percent		446305
Total		6894231
Add Prorata @ 13 per cent		896250
Total Irregular Expenditure		7790481

Appendix 8.4

(Refer Paragraph 8.4)

Details of Irregular Expenditure on GGP Roads

Name of Work & Package No.		GGP Phase-II/Package No. RJ-24-14/5054/GGP Roads/2016-17											
S. No.	Name of Village/GGP Road	Earthwork		Excess qty executed	WBM Grade-II		Excess qty executed	WBM Grade-III			CC Pavement		
		To be executed 3.75+0.15=3.90 meter	Executed qty in 5.65 meter		To be executed 3.75+0.15=3.90 meter	Executed qty in 5.65 meter		To be executed 3.75+0.15=3.90 meter	Executed qty in 5.65 meter	Excess qty executed	To be executed 3.75 meter	Executed qty in 5.5 meter	Excess qty executed
1	Sinod	1088	1610.83	523	261.56	402.71	141.15	261.56	402.71	141.15	523.125	784.49	261.365
2	Gagwana	1088	1202.30	114	261.56	336.38	74.82	261.56	336.38	74.82	523.125	650.62	127.495
3	Chuntisara	1088	1573.29	485	261.56	390.39	128.83	261.56	390.39	128.83	523.125	761.42	238.295
4	Thirod	1029.60	1367.43	338	261.56	337.71	76.15	247.00	337.71	90.71	495.000	682.77	187.770
Total		4293.60	5753.85	1460	1046.24	1467.19	420.95	1031.68	1467.19	435.51	2064.375	2879.30	814.925
		Embankment			GSB			WBM Grade-II				CC Pavement	
1	Chenar	2207.45	3237	1030	541	738.75	197.75	270.5625	399.73	129.1675	523.125	785.44	262.315

Details of Excess work & Rate	Quantity	Amount (₹)
Earth work executed @ ₹ 47/- per cum	1460.00	68620
WBM Grade II @ ₹ 1160/- per cum	550.1175	638136
WBM Grade III @ ₹ 1250/- per cum	435.51	544388
GSB @ ₹ 340/- per cum	197.75	67235
Embankment @ ₹ 99/- per cum	1030.00	101970
CC Pavement @ ₹ 4150/- per cum	1077.24	4470546
Irregular Expenditure without TP		5890895
Less TP @ 4.08 percent		240349

Total	5650546
Add Prorata @ 13 per cent	734571
Total Irregular Expenditure	6385117
Irregular Expenditure under Package No. RJ-24-14/5054/GGP Roads/2016-17	₹ 7790481
Irregular Expenditure under Package No. RJ-24-15/5054/GGP Roads/2016-17	₹ 6385117
Total Irregular Expenditure	₹ 14175598

Appendix 8.5

(Refer Paragraph 8.5)

**Statement showing the details of plant and machineries available
(ownership/lease) with contractor**

S.N.	Type of Equipment	Required plant and machinery for work valuing ₹ 51-200 Million	Plant and machinery shown on ownership / lease by contractor	Proof of ownership	Proof of valid lease agreement	Remarks
1	Tipper Trucks	10	10 (Owned & Leased)	Not uploaded	Not uploaded	Non-responsive
2	Moto Grader	2	2 (Leased)	NA	Not uploaded	Non-responsive
3	Dozer	1	1 (Leased)	NA	Not uploaded	Non-responsive
4	Front end Loader	2	2 (Owned)	1	Not uploaded	Non-responsive
5	Smooth Wheeled Roller	2	2 (Owned & Leased)	Not uploaded	Not uploaded	Non-responsive
6	Vibratory Roller	2	2 (Leased)	NA	Not uploaded	Non-responsive
7	Hot Mix Plant with Electronic Controls (Minimum 80-100 TPH Capacity)	1	1 (Owned)	Uploaded	NA	Responsive
8	Paver Finisher with electronic	1	1 (Owned)	Uploaded	NA	Responsive
9	Water Tanker	3	3 (Leased)	NA	Not uploaded	Non-responsive
10	Bitumen Sprayer	1	1 (Leased)	NA	Not uploaded	Non-responsive
11	Tandem Roller	1	1 (Owned)	Uploaded	NA	Responsive
12	Concrete Mixer with integral Weight Patching Facility	2	2 (Leased)	NA	Not uploaded	Non-responsive
13	Concrete Batching & Mixing Plant (Minimum Capacity 15 Cum/Hour)	1	1 (Owned)	Uploaded	NA	Responsive

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