

# **CHAPTER - I**

	<b>Page</b>
<b>INTRODUCTION</b>	<b>1 to 9</b>

## Chapter I : Introduction

### 1.1 About this Report

This Report of the Comptroller and Auditor General of India (C&AG) on Government of Maharashtra relates to matters arising from Performance Audit of selected programmes and activities and Compliance Audit of Government Departments and Autonomous Bodies falling under General and Social Sector.

Compliance Audit refers to examination of the transactions relating to expenditure of the audited entities to ascertain whether the provisions of the Constitution of India, applicable laws, rules, regulations and various orders and instructions issued by the competent authorities are being complied with. On the other hand, Performance Audit examines whether the objectives of an organization, programme or a scheme have been achieved economically, efficiently and effectively.

The primary purpose of the Report is to bring to the notice of the State Legislature, important results of audit. Auditing Standards require that the materiality level for reporting should be commensurate with the nature, volume and magnitude of transactions. The findings of audit are expected to enable the Executive to take corrective actions as also to frame policies and directives that will lead to improved operational efficiency and financial management of the organisations thus, contributing to better governance.

This chapter, in addition to explaining the planning and extent of audit, provides a synopsis of the significant deficiencies in working of two schemes/projects, one Department and one project of an Autonomous Body, significant audit observations made during the audit of transactions and follow up on previous Audit Reports. Chapter II of this Report contains findings arising out of performance audit of two schemes/projects, Social Justice and Special Assistance Department and one project of an Autonomous Body. Chapter III contains observations on audit of transactions in Government Departments and Autonomous Bodies.

### 1.2 Audited entity profile

The Departments in the General and Social Sector in the State at the Secretariat level, headed by Additional Chief Secretaries/Principal Secretaries/Secretaries and assisted by Directors/Commissioners and subordinate officers and Autonomous Bodies, are audited by the Principal Accountant General (Audit)-I, Mumbai and the Accountant General (Audit)-II, Nagpur.

A summary of the State Government's fiscal operations during 2012-13 *vis-à-vis* the previous year is given in **Table 1**.

Table 1 : Summary of fiscal operations

(₹ in crore)

2011-12	Receipts	2012-13	2011-12	Disbursements	2012-13		
<b>Section-A: Revenue</b>					<b>Non Plan</b>	<b>Plan</b>	<b>Total</b>
<b>121286.14**</b>	<b>Revenue receipts</b>	<b>142947.23</b>	<b>123554.19</b>	<b>Revenue expenditure</b>	<b>114205.90</b>	<b>24530.08</b>	<b>138735.98</b>
87608.46	Tax revenue	103448.58	42852.88	General services	47058.81	606.86	47665.67
8167.70	Non-tax revenue	9984.40	54812.21	Social services	46869.64	15169.33	62038.97
13343.34	Share of Union Taxes/Duties	15191.92	24868.75	Economic services	18944.11	8606.71	27550.82
12166.64	Grants from Government of India	14322.33	1020.35	Grants-in-aid and Contributions	1333.34	147.18	1480.52
<b>Section B: Capital</b>							
455.83	Miscellaneous Capital Receipts	0.00	17879.54	Capital Outlay	2303.38	15094.60	17397.98
558.74	Recoveries of Loans and Advances	862.85	836.28	Loans and Advances disbursed			1415.94
24452.56	Public debt receipts*	21725.12	6458.35	Repayment of Public Debt*			6652.52
1000.00	Appropriation from Contingency fund	725.00	500.00	Appropriation to Contingency fund			875.00
511.20	Contingency Fund	875.00	1000.00	Contingency Fund			734.62
53389.38	Public Account Receipts	47059.63	46962.93	Public Account Disbursements			35511.02
31509.39	Opening Cash Balance	35971.95	35971.95	Closing Cash Balance			48843.72
<b>233163.24</b>	<b>Total</b>	<b>250166.78</b>	<b>233163.24</b>	<b>Total</b>			<b>250166.78</b>

Source: Finance Accounts of the respective years

\* Excluding ways and means advances on two occasions for eight days  
(Receipt: ₹ 391.50 crore and Disbursement: ₹ 391.50 crore)

\*\* Includes ₹ 170.23 crore, the outstanding central loans under Central Plan Schemes and Centrally Sponsored Schemes advanced to State Governments by the Ministries other than Ministry of Finance written off as per the recommendation of the Thirteenth Finance Commission

### 1.3 Authority for audit

The authority for audit by the C&AG 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 C&AG conducts audit of expenditure of the Departments of Government of Maharashtra under Section 13<sup>1</sup> of the C&AG's (DPC) Act. The C&AG is the sole auditor in respect of 10 Autonomous Bodies which are audited under Sections 19(2)<sup>2</sup>, 19(3)<sup>3</sup> and 20(1)<sup>4</sup> of the C&AG's (DPC) Act. In addition, the C&AG also conducts audit

<sup>1</sup> Audit of (i) all transactions from the Consolidated Fund of the State, (ii) all transactions relating to Contingency Fund and Public Accounts and (iii) all trading, manufacturing, profit & loss accounts, balance sheets & other subsidiary accounts

<sup>2</sup> Audit of the accounts of Corporations (not being Companies) established by or under law made by the Parliament in accordance with the provisions of the respective legislations

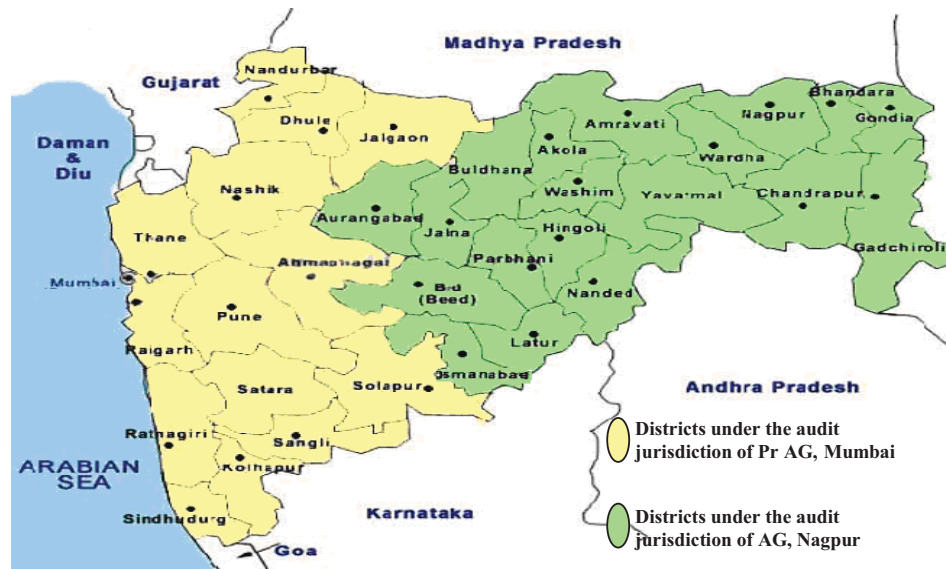
<sup>3</sup> Audit of the accounts of a Corporation established by law made by the Legislature of a State on the request of the Governor, in public interest

<sup>4</sup> Audit of accounts of any body or authority on the request of the Governor, on such terms and conditions as may be agreed upon between the C&AG and the Government

of 1,459 other bodies/authorities, under Section 14<sup>5</sup> of the C&AG's (DPC) Act, which are substantially funded by the Government. Principles and methodologies for various audits are prescribed in the Auditing Standards and the Regulations on Audit and Accounts, 2007, issued by the C&AG.

#### 1.4 Organizational structure of the offices of the Principal Accountant General (Audit)-I, Mumbai and the Accountant General (Audit)-II, Nagpur, Maharashtra

Under the directions of the C&AG, the offices of the Principal Accountant General (Audit)-I, Mumbai and the Accountant General (Audit)-II, Nagpur conduct the audit of the various Government Departments and offices/ Autonomous Bodies/Institutions under them. While 16 districts from Konkan and Western Maharashtra fall under the audit jurisdiction of the Principal Accountant General (Audit)-I, Mumbai, the remaining 19 districts from Vidarbha and Marathwada are under the audit jurisdiction of the Accountant General (Audit)-II, Nagpur, as shown in the map below.



#### 1.5 Planning and conduct of audit

The audit process starts with the assessment of risk faced by various Departments of the Government, based on expenditure incurred, criticality/ complexity of activities, the levels of delegated financial powers, assessment of overall internal controls and concerns of stakeholders. Previous audit findings are also considered in this exercise. Based on this risk assessment, the frequency and extent of audit are decided. During 2012-13, 3,935 party days were used to carry out audit of 307 units (compliance audit and performance audits) of the various Departments/organisations. The audit plan covered those units/entities which were vulnerable to significant risks as perceived by Audit.

<sup>5</sup> Audit of (i) all receipts and expenditure of a body or authority substantially financed by grants or loans from the Consolidated Fund of the State and (ii) all receipts and expenditure of any body or authority where the grants or loans to such body or authority from the Consolidated Fund of the State in a financial year is not less than ₹ one crore

After completion of audit of each unit, Inspection Reports (IRs) containing audit findings are issued to the heads of the Departments. The Departments are requested to furnish replies to the audit findings within six weeks of receipt of the IRs. Whenever replies are received, audit findings are either settled or further action for compliance is advised. The important audit observations arising out of these IRs are processed for inclusion in the Audit Reports which are submitted to the Governor under Article 151 of the Constitution of India.

## **1.6 Significant audit observations**

In the past few years, Audit has reported several significant deficiencies in implementation of various programmes/activities through performance audits, as well as on the quality of internal controls in selected Departments. Similarly, the deficiencies noticed during compliance audit of the Government Departments/organisations were also reported upon.

### **1.6.1 Performance audits of programmes/activities/Departments**

The present Report contains four performance audits. The highlights of these performance audits are given in the succeeding paragraphs.

#### **1.6.1.1 Implementation of National Rural Drinking Water Programme**

Government of India launched the National Rural Drinking Water Programme in April 2009 with the objective of providing rural population with adequate and safe water for drinking, cooking and other basic domestic needs on a sustainable basis.

A performance audit of NRDWP was conducted for the period 2009-10 to 2012-13 in nine selected districts and 30 blocks. Audit scrutiny revealed that the village and district water security plans and five-year rolling plan were not prepared. The GoI imposed cuts on the funds released by it due to short-release of matching funds by the State, under- utilisation of funds and delay in submission of annual action plans. As on April 2013, 48 *per cent* of the total habitations did not have access to piped drinking water supply. Measures taken for sustainability of drinking water sources and schemes suffered due to inadequate funding by the GoI. A large number of rural water supply schemes were non-functional due to poor maintenance/non-payment of electricity bills. The water quality monitoring was poor; water samples were not tested for pesticides and toxic/heavy metals. The Integrated Management Information System, the chief mechanism for monitoring the programme, was unreliable.

#### **1.6.1.2 Implementation of Information and Communication Technology Scheme in Secondary and Higher Secondary Schools in Maharashtra**

The Government is implementing the Information and Communication Technology Scheme in secondary and higher secondary schools of Maharashtra on Built, Own, Operate and Transfer model with a view to enhancing the quality of teaching and creating an environment for self-learning. The Scheme is implemented in two phases covering 3,000 schools. Performance audit of the Scheme for the period 2008-09 to 2012-13 revealed delay in commencement of phase-II and procurement of software, deficient infrastructure in computer laboratories, use of pirated software, non-

installation/updation of anti-virus software, shortfall in imparting training to the teachers and laxity in monitoring and supervision of the Scheme.

#### **1.6.1.3 Implementation of Mumbai Urban Infrastructure Project**

The Mumbai Metropolitan Region Development Authority initiated a project called Mumbai Urban Infrastructure Project at an estimated cost of ₹ 2,647 crore, with the objective of improving road network for efficient traffic dispersal in Greater Mumbai. The project was approved by GoM in November 2003 for completion by November 2006.

The performance audit of Mumbai Urban Infrastructure Project covering the period 2008-09 to 2012-13 revealed that only 38 out of 157 items of works were taken up for execution as of November 2013 on which an expenditure of ₹ 3,736 crore was incurred which was 41 *per cent* more than the overall sanctioned cost of ₹ 2,647 crore. Works were awarded without availability of clear sites leading to foreclosure of works. The manual provisions and tender conditions were not followed which led to extra expenditure in number of works. There were inadequacies in Project Management Consultancy agreements. Internal controls and monitoring mechanism were lax.

#### **1.6.1.4 Audit of Social Justice and Special Assistance Department**

The Social Justice and Special Assistance Department is responsible for ensuring welfare of Scheduled Castes and Nav Boudhhas, Denotified Tribes, Nomadic Tribes, Other Backward Classes, Special Backward Classes, Physically Disabled persons and other weaker sections of the society.

A Performance Audit covering the period from 2008-09 to 2012-13 revealed deficiencies in planning, financial management, implementation of Schemes, procurements etc. There were shortfalls in inspections of Government hostels, aided and ashram schools and arrears in internal audit. Tuition fee were collected from students belonging to Scheduled Castes, Other Backward Classes, Special Backward Classes and Denotified and Nomadic tribes even though they were exempt from payment of such fee. The Department did not formulate any criteria for selection of beneficiaries under Motor Driving Training Scheme. There was a delay of 11 years in formulating the Rules for issuance and verification of caste certificates to the beneficiaries belonging to Scheduled Castes, Other Backward Classes *etc.* Overlapping purchases of LCD TVs and bedding material were observed due to lack of coordination between the Commissioner, Social Welfare and the field units.

### **1.6.2 Compliance audit of Government transactions**

During compliance audit, significant deficiencies were noticed with regard to non-compliance with rules and regulations, expenditure without adequate justification and failure of oversight/governance. The important findings of compliance audit paragraphs included in this Report are indicated below.

#### **1.6.2.1 Deficiencies in slum improvement works carried out by Mumbai Slum Improvement Board**

The Government of Maharashtra formed Mumbai Slum Improvement Board (MSIB) in November 1992 with the objective of slum improvement in two districts of Mumbai (Mumbai City and Mumbai Suburban). The MSIB was not complying with the Government directives with regard to allotment of

slum improvement works up to ₹ 15 lakh among Majoor Sahkari Sanstha Maryadit, unemployed engineers and registered contractors. The prescribed system for quality control was not adhered to. There were instances of works executed without proper survey and identification of targeted beneficiaries, irregularities in payment of final bills and execution of inadmissible works. The internal control system in MSIB was also weak.

*(Paragraph 3.1.1)*

#### **1.6.2.2 Non-compliance with rules and regulations**

For sound financial administration and control, it is essential that expenditure conforms to financial rules, regulations and orders issued by the competent authority. This helps in maintaining financial discipline and prevents irregularities, misappropriation and frauds. This report contains instances of non-compliance with rules and regulations shown as under:

- The Maharashtra Housing and Area Development Authority allotted 225 tenements to a Society without capitalizing interest up to the date of actual allotment of tenements, resulting in loss of revenue of ₹ 4.32 crore. Besides, outstanding dues from the Society on account of cost of tenements along with interest totaling ₹ 14.31 crore were not recovered.

*(Paragraph 3.2.1)*

- Lack of robust internal controls in Maharashtra Housing and Area Development Authority resulted in non-recovery of dues of ₹ 3.48 crore from Meera Co-operative Housing Society and Raigad Military School and loss of interest of ₹ 5.04 crore.

*(Paragraph 3.2.2)*

- Irregular allotment of land to a Society at the rates prevailing in 1983 instead of the current market rates of 2009, coupled with non-recovery of premium for change in land use, resulted in loss of revenue of ₹ 85.41 lakh.

*(Paragraph 3.2.3)*

#### **1.6.2.3 Audit against propriety and cases of expenditure without adequate justification**

Authorisation of expenditure from public funds has to be guided by the principles of propriety and efficiency of public expenditure. Authorities empowered to incur expenditure are expected to enforce the same vigilance as a person of ordinary prudence would exercise in respect of his own money. Audit scrutiny revealed instances of impropriety and extra expenditure of ₹ 14.88 crore shown as under :

- Failure of the Home Department to provide stabiliser, UPS and de-humidifier for the 'Raman Spectrophotometer' purchased at a cost of ₹ 1.09 crore resulted in its breakdown thus, rendering it idle for a prolonged period, besides causing a liability of ₹ 26.90 lakh towards purchase of a new spare parts.

*(Paragraph 3.3.1)*

- Failure to synchronise the procurement of hospital equipment with the civil construction works of new hospital building of Shri Bhausaheb Hire Government Medical College, Dhule led to idling of hospital equipment valuing ₹ 1.03 crore for 40 to 50 months.

(Paragraph 3.3.2)

- Non-deployment of full time permanent manpower at Regional Referral Hospital, Nashik resulted in the Brachytherapy unit purchased at a cost of ₹ 1.12 crore for treatment of patients suffering from cervical cancer remaining idle for 45 months.

(Paragraph 3.3.3)

- School Education and Sports Department failed to utilise the services of surplus teachers against the vacancies, resulting in nugatory expenditure of ₹ 10.34 crore towards payment of salaries.

(Paragraph 3.3.4)

#### **1.6.2.4 Failure of oversight/governance**

The Government has an obligation of improving the quality of life of the people for which it works by fulfilling certain goals in the area of health, education, development and upgradation of infrastructure and public services etc. Audit noticed an instance of lack of administrative oversight as detailed under:

- Failure of the Public Health Department to challenge arbitration awards within prescribed time limit resulted in avoidable payment of interest of ₹ 1.03 crore.

(Paragraph 3.4.1)

### **1.7 Lack of responsiveness of Government to Audit**

#### **1.7.1 Inspection reports outstanding**

Periodical inspections of Government Departments are conducted to test-check their transactions and verify the maintenance of important accounting and other records as per prescribed rules and procedures. These inspections are followed up with IRs which are issued to the heads of the offices inspected, with copies to the next higher authorities. Half yearly reports of pending IRs are sent to the Secretaries of the concerned Departments to facilitate monitoring of action taken on the audit observations included in these IRs.

As of June 2013, 4,799 IRs (15,861 paragraphs) were outstanding. Year-wise details of IRs and paragraphs outstanding are detailed in **Appendix 1.1**.

#### **1.7.2 Response of Departments to draft paragraphs**

The draft paragraphs and performance audits were forwarded demi-officially to the Secretaries of the concerned Departments between June and October 2013 requesting them to send their responses within six weeks. However, reply to only one out of nine draft paragraphs was received. Except for the performance audits on Implementation of Information and Communication Technology Scheme in Secondary and Higher Secondary Schools in Maharashtra and the Social Justice and Special Assistance Department, Government replies to the Implementation of Mumbai Urban Infrastructure



Project and Implementation of National Rural Drinking Water Programme were not received. All the findings contained in the performance audit reports have been discussed with the Principal Secretaries to the Government of Maharashtra of the concerned Departments.

### **1.7.3 Follow-up on Audit Reports**

According to instructions issued by the Finance Department, Government of Maharashtra in January 2001, Administrative Departments were required to furnish Explanatory Memoranda (EMs) duly verified by Audit to the Maharashtra Legislature Secretariat in respect of paragraphs included in the Audit Reports, within three months of presenting the Audit Reports to the State Legislature. The Administrative Departments, however, did not comply with these instructions. The EMs in respect of 48 paragraphs/reviews for the period from 1991-92 to 2011-12 have not yet been received. The position of outstanding EMs in respect of Audit Reports for the years from 2006-07 to 2011-12 is indicated in the **Table 2**.

**Table 2: Status of submission of EMs in respect of Audit Reports (2006-07 to 2011-12)**

<b>Audit Report</b>	<b>Date of tabling the Report</b>	<b>Number of Paragraphs and Reviews</b>	<b>Number of EMs received</b>	<b>Balance</b>
2006-07	25 April 2008	23	21	2
2007-08	12 June 2009	25	23	2
2008-09	23 April 2010	14	13	1
2009-10	21 April 2011 & 23 December 2011	15	12	3
2010-11	17 April 2012	10	1	9
2011-12	18 April 2013	8	-	8
<b>Total</b>		<b>95</b>	<b>70</b>	<b>25</b>

The EMs in respect of 23 paragraphs relating to the period prior to 2006-07 were outstanding. Department-wise details are given in **Appendix 1.2**.

With a view to ensuring accountability of the Executive in respect of all the issues dealt with in the Audit Reports, the Public Accounts Committee (PAC) lays down in each case, the period within which Action Taken Notes (ATNs) on its recommendations should be sent by the Departments.

The PAC discussed 225 paragraphs pertaining to the Audit Reports for the years from 1985-86 to 2009-10 and gave 351 recommendations of which, ATNs were pending on 328 recommendations as indicated in **Table 3**.

Table 3: Position of outstanding ATNs on PAC recommendations

Year of Audit Report	Report Number and year of PAC	Number of PAC recommendations	Number of ATNs awaited on the PAC recommendations
1985-86 to 2001-02	16 <sup>th</sup> , 17 <sup>th</sup> , 19 <sup>th</sup> , 24 <sup>th</sup> , and 28 <sup>th</sup> Report of 1994-95; 1 <sup>st</sup> , 2 <sup>nd</sup> , 4 <sup>th</sup> , 6 <sup>th</sup> and 8 <sup>th</sup> Report of 1995-96; 20 <sup>th</sup> , and 24 <sup>th</sup> Report of 1997-98; 3 <sup>rd</sup> and 6 <sup>th</sup> Report of 2000-01; 9 <sup>th</sup> Report of 2001-02; 13 <sup>th</sup> Report of 2003-04; 8 <sup>th</sup> Report of 2007-08; 13 <sup>th</sup> Report of 2008-09	159	125
2002-03	14 <sup>th</sup> Report of 2008-09	0	11
2003-04	14 <sup>th</sup> Report of 2008-09	3	3
2004-05	14 <sup>th</sup> Report of 2008-09	0	1
2005-06	8 <sup>th</sup> Report of 2010-11	93	90
2006-07	15 <sup>th</sup> Report of 2008-09 9 <sup>th</sup> Report of 2012-13	65	67
2007-08	13 <sup>th</sup> Report of 2012-13	22	22
2008-09	--	0	0
2009-10	12 <sup>th</sup> Report of 2012-13	9	9
2010-11	--	0	0
2011-12	--	0	0
<b>Total</b>		<b>351</b>	<b>328</b>

The Department-wise position of PAC recommendations on which ATNs were awaited is indicated in **Appendix 1.3**.