

# **CHAPTER - I**

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## Chapter I : Introduction

### 1.1 About this Report

This Report of the Comptroller and Auditor General of India (C&AG) relates to matters arising from performance audit of selected programs and activities and compliance audit of Government departments and Autonomous Bodies of the Government of Maharashtra (GoM) 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 organisation, 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 schemes/projects, 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 three performance and one Information Technology (IT) audit. Chapter III contains observations on audit of transactions in Government Departments and on 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, who are 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 transactions during 2014-15 *vis-à-vis* the previous year is given in **Table 1.1**.

Table 1.1: Summary of fiscal operations during 2014-15

(₹ in crore)							
2013-14	Receipts	2014-15	2013-14	Disbursements	2014-15		
Section-A: Revenue					Non-Plan	Plan	Total
149821.81	Revenue receipts	165415.46	154902.42	Revenue expenditure	146244.84	31308.28	177553.12
108597.96	Tax revenue	115063.90	53979.27	General services	60156.61	329.16	60485.77
11351.97	Non-tax revenue	12580.89	70879.08	Social services	57705.59	19246.90	76952.49
16630.43	Share of Union Taxes/Duties	17630.03	27991.32	Economic services	26086.66	11599.91	37686.57
13241.45	Grants from Government of India	20140.64	2052.75	Grants-in-aid and Contributions	2295.98	132.31	2428.29
Section B: Capital							
0.00	Miscellaneous Capital Receipts	0.00	20020.45	Capital Outlay	3278.80	16244.67	19523.47
728.03	Recoveries of Loans and Advances	975.08	1645.10	Loans and Advances disbursed	783.60	356.94	1140.54
26734.80	Public debt receipts*	29373.28	10261.86	Repayment of Public Debt*			8827.78
1350.00	Appropriation from Contingency fund	2350.00	850.00	Appropriation to Contingency fund			4350.00
859.62	Contingency Fund	4360.00	1360.00	Contingency Fund			2350.00
64020.20	Public Account Receipts	83021.94	56434.89	Public Account Disbursements			68985.90
48843.73 <sup>#</sup>	Opening Cash Balance	46883.46	46883.46 <sup>#</sup>	Closing Cash Balance			49648.41
<b>292358.18</b>	<b>Total</b>	<b>332379.22</b>	<b>292358.18</b>	<b>Total</b>			<b>332379.22</b>

<sup>#</sup>Figure differs by 0.01 from previous year due to rounding

Source: Finance Accounts of respective years

\* Excluding ways and means advances on 10 occasions for 42 days  
(Receipt: ₹ 6,352.90 crore and Disbursement: ₹ 6,352.90 crore)

### 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 GoM under the provisions of the C&AG's (DPC) Act, 1971 and Regulations on Audit and Accounts, 2007 issued by the C&AG.

### 1.4 Organisational 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.

### **1.5 Planning and conduct of Audit**

The audit process starts with the assessment of risk faced by various departments of the GoM, 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 2014-15, 6,106 party days were used to carry out audit of 421 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.

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 one month 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(2) 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 audit of programmes/activities/Departments and IT audit of Systems**

The Report contains three performance audits and one IT audit, highlights of which are indicated below:

- **Working of Child Care institutions in Maharashtra**

Children are the most vulnerable section of the society and need to be protected against any perceived or real danger or risk to their life, their personhood and childhood. In the State of Maharashtra, there were 1,386 child care institutions as on November 2015 of which, 1,343 (97 per cent) were being run by Non-Governmental Organisations.

A performance audit of 'Working of Child Care Institutions in Maharashtra' for the period 2010-15 revealed that budget provisions made by the State Government *vis-a-vis* that demanded by the districts for meeting the basic requirements of the children were significantly on the lower side. The revised financial norms promulgated by the Central Government for the institutions under Integrated Child Protection Scheme were not implemented by the State Government during 2014-15 and 2015-16 (up to September 2015) thus, depriving a large number of children of the improved facilities. The planning for identification of children in need of care and protection and to bring

them under institutional care was weak. Majority of the child care institutions selected by audit (90 *per cent*) did not prepare individual rehabilitation and care plans for the children as required. A large number of child care institutions were operating in the State without registration under the Juvenile Justice (Care and Protection of Children) Act, 2000. There were deficiencies in providing basic infrastructure facilities to children. The norms for clothing and bedding fixed by the State Government were not followed by the Government-run child care institutions. Further, nutrition and diet scales and scales for clothing and bedding were not prescribed for NGO-run institutions, in violation of Maharashtra Juvenile Justice Rules, 2002. Juveniles in conflict with law and those in need of care and protection were not segregated. A large number of children escaped from children homes due to lax security arrangements. The homes for mentally deficient children did not have special facilities and trained staff. The monitoring of child care institutions was weak.

*(Paragraph 2.1)*

▪ **Implementation of educational schemes and related activities for tribal students under Tribal Sub-Plan**

The Scheme of Tribal Sub-Plan was conceptualized for rapid socio-economic development and protection of tribal community by narrowing the gap between their levels of development to that of the general communities.

A performance audit of the “Implementation of educational schemes and related activities for tribal students under Tribal Sub-Plan” in Maharashtra State for the period 2010-15 revealed that the Tribal Development Department of GoM did not prepare any long-term perspective plans for the last 22 years for empowerment of tribal students. Only annual plans, based on availability of funds, were being prepared, without any physical targets. During 2010-15, admissions to Government ashramshalas logged a declining trend despite incurring expenditure of ₹ 1,730 crore by the Department. A significant number of ashramshalas did not have teachers for compulsory subjects like Hindi, Mathematics, Science and Social Science. The Department had huge unspent balances pertaining to various educational schemes and activities at the end of March 2015. The tribal students were not being provided food grains as per scales prescribed by the Department. There were significant delays in construction of new Government ashramshalas and hostels. The basic and essential amenities in ashramshalas were inadequate. Despite incurring an expenditure of ₹ 29.81 crore on solar water heaters and biometric attendance systems, these remained non-operational for long periods. The implementation of educational and scholarship schemes for the tribal students studying in other schools suffered due to weak oversight mechanism. The key posts in the education cells, meant to strengthen the monitoring of ashramshalas and hostels, were not filled up. Despite an expenditure

of ₹ 4.71 crore and passage of three years, the e-governance project of the Department remained incomplete.

(Paragraph 2.2)

▪ **Implementation of Mid-Day Meal Scheme**

The Mid-Day Meal Scheme, a Centrally Sponsored Scheme, was intended to boost the universalisation of primary education by increasing enrolment, retention and attendance and simultaneously improve the nutrition levels of students in primary and upper primary classes (I to VIII).

A performance audit of the Scheme for the period 2010-15 revealed inadequate coverage of schools falling under the notified drought-affected districts. There were substantial delays in release of Scheme funds to the districts, blocks and schools. On an average, 66 per cent of the 269 selected schools did not provide cooked meals to children on all school days every year during 2010-15. There were inadequacies in payment of cooking cost to ISKCON (an NGO) during 2010-15 and lifting of rice by 288 other central kitchens for supply to primary and upper primary schools in Mumbai. During 2010-15, 97 per cent of the samples of cooked meals lifted from central kitchens in Mumbai failed to meet the calorific value and protein content prescribed under the Scheme. The efficacy of the iron folic acid capsules procured by the Department at a cost of ₹57.06 crore for the targeted beneficiaries of age group 11-14 years was suspect. Mid-day meals were not tasted regularly by the teachers and School Management Committee members during 2014-15. There were shortfalls in training and health check-up of cook-cum-helpers. The schools were using packaged food items like cooking oil and condiments even after their expiry dates. The monitoring of the Scheme was weak due to non-setting up of District Level Committee, ineffective public grievance redressal system and non-establishment of flying squads. There was decrease in enrolment of children in Government, aided and local body schools in 2014-15 over 2010-11 despite provision of free mid-day meals.

(Paragraph 2.3)

▪ **IT Audit of e-Aushadi System**

The Government of Maharashtra initiated the e-Aushadhi system in February 2013 to streamline the process of inventory management of drugs and consumables in Government hospitals, Primary Health Centres, Drug Warehouses *etc.* throughout the State. An IT Audit of the system conducted for the period 2013-15 revealed that while the demand generation module, a critical module of the supply chain management was not implemented, the finance module was incomplete. The implementation of the System suffered due to poor documentation, weaknesses in IT planning and inadequacies in the application software. Discrepancies in issues and receipts of drugs/consumables, recording of local purchases and incorrect rates of drugs/consumables captured in the system weakened the reliability of

data and transparency in purchases. The monitoring of the system was poor due to insufficiency of MIS reports. Inadequate IT security, especially due to inadequate logical access controls, non-documentation and testing of disaster recovery plan and inadequate audit trail, made the system further vulnerable to errors and manipulations

*(Paragraph 2.4)*

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

The important findings of compliance audit paragraphs (five paragraphs including one theme-based paragraph) are shown below.

- **Medical care for indigent and weaker section patients in hospitals run by State-aided public trusts**

The Scheme though took care of reservation to be provided to indigent and weaker section patients as inpatients, the provisions of the Maharashtra Public Trusts Act providing for reservation to such patients as outpatients were not implemented. Hospitals which were granted additional floor space index under Development Control Regulations or given land on lease at concessional rent were not providing higher percentage of reservation to economically weaker section of the society, in violation of the Maharashtra Public Trusts Act. The system of identification of State-aided public trusts running charitable hospitals for their inclusion under the Scheme was not robust. The management of Indigent Patients' Fund by the hospitals was inadequate. There were instances of short-credit and excess debit to the Fund. The hospitals obtained irregular deposits from the indigent patients and there were instances of excess billing to patients, in violation of Scheme guidelines. The system of creating public awareness about the Scheme was weak. The Charity Commissioner, Mumbai did not conduct requisite number of inspections of the hospitals run by State-aided public trusts.

*(Paragraph 3.1)*

- Failure of Medical Superintendent, Sub-District Hospital, Udgir, Latur to credit the daily receipts of OPD fees and other charges collected from the patients into Government accounts resulted in misappropriation of ₹ 33.87 lakh.

*(Paragraph 3.2)*

- The Mumbai Metropolitan Region Development Authority did not recover an additional lease premium of ₹ 180 crore from a private developer for delay in construction of a convention and exhibition centre and commercial complex in Bandra-Kurla Complex.

*(Paragraph 3.3)*

- Due to application of inappropriate penal rates for non-surrender of surplus built-up area, the Mumbai Building Repairs and Reconstruction Board granted an undue financial benefit of ₹ 12.42 crore to 21 Co-operative Housing Societies.

*(Paragraph 3.4)*

- Non-Payment of arrears of electricity bills in time by the Dean, Swami Ramanand Teerth Rural Medical College and Hospital, Ambajogai, Beed resulted in avoidable payment of interest of ₹ 1.20 crore on arrears.

(Paragraph 3.5)

## 1.7 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 2015, 4,237 IRs (14,935 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 and performance audits

The draft paragraphs and performance audits were forwarded demi-officially to the Secretaries of the concerned departments between May 2015 and October 2015 requesting them to send their responses within six weeks. The Government reply was received in respect of two performance audit, one IT audit and one theme-based paragraph while, no replies were received in respect of one performance audit and four draft paragraphs featured in this Report.

### 1.7.3 Follow-up on Audit Reports

According to instructions issued by the Finance Department, GoM 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 status of outstanding EMs from 2009-10 to 2013-14 is indicated in **Table 1.2**.

**Table 1.2: Status of submission of EMs in respect of Audit Reports during 2009-14**

Audit Report	Date of tabling the Report	Number of Paragraphs	Number of EMs received	Balance
2009-10	21 April 2011 & 23 December 2011	18	14	4
2010-11	17 April 2012	13	8	5
2011-12	18 April 2013	8	2	6
2012-13	14 June 2014	13	0	13
2013-14	10 April 2015	10	1	9
<b>Total</b>		<b>62</b>	<b>25</b>	<b>37</b>

The EMs in respect of 28 paragraphs relating to the period prior to 2009-10 was outstanding. Department-wise details are shown 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 241 paragraphs pertaining to the Audit Reports for the years from 1985-86 to 2010-11 and gave 412 recommendations of which, ATNs were pending on 332 recommendations as indicated in **Table 1.3**.

**Table 1.3: Position of outstanding ATNs on PAC recommendations**

Year of Audit Report	PAC Report Number	Year of PAC	Number of PAC recommendations	Number of ATNs awaited
1985-86 to 2001-02	16, 17, 19, 24, 28	1994-95	159	122
	1, 2, 4, 6, 8	1995-96		
	20, 24	1997-98;		
	3, 6	2000-01		
	9	2001-02		
	13	2003-04		
	8	2007-08		
	13	2008-09		
2002-03	14	2008-09	11	11
2003-04	14	2008-09	3	3
2004-05	14	2008-09	1	0
2005-06	8	2010-11	94	80
2006-07	15	2008-09	85	61
	9	2012-13		
	1	2015-16		
2007-08	13	2012-13	22	18
2008-09	17	2012-13	30	30
2009-10	18	2012-13	7	7
2010-11	--	--	--	--
2011-12	--	--	--	--
2012-13	--	--	--	--
2013-14	--	--	--	--
<b>Total</b>			<b>412</b>	<b>332</b>

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