

CHAPTER - I

INTRODUCTION

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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 programmes 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 this 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 selected 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 one performance audit 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 are headed by Additional Chief Secretaries/Principal Secretaries/Secretaries and assisted by Directors/Commissioners and subordinate officers. The 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 2015-16 vis-a-vis the previous year is given in **Table 1.1**.

Table 1.1: Summary of fiscal operations during 2015-16

(₹ in crore)

2014-15	Receipts	2015-16	2014-15	Disbursements	2015-16		
Section A: Revenue					Non-Plan	Plan	Total
165415.46	Revenue receipts	185035.68	177553.12	Revenue expenditure	154317.65	36056.40	190374.05
115063.90	Tax revenue	126608.11	60485.77	General services	64092.74	277.02	64369.76
12580.89	Non-tax revenue	13423.01	76952.49	Social services	60828.36	21488.87	82317.23
17630.03	Share of Union Taxes/Duties	28105.95	37686.57	Economic services	23913.59	14138.38	38051.97
20140.64	Grants from Government of India	16898.61	2428.29	Grants-in-aid and Contributions	5482.96	152.13	5635.09
Section B: Capital							
0.00	Miscellaneous Capital Receipts	16.89	19523.47	Capital Outlay	2628.11	20165.05	22793.16
975.08	Recoveries of Loans and Advances	865.11	1140.54	Loans and Advances disbursed	--	--	1114.63
29373.28	Public debt receipts*	37976.41	8827.78	Repayment of Public Debt*	--	--	10043.10
2350.00	Appropriation from Contingency fund	2962.00	4350.00	Appropriation to Contingency fund	--	--	962.00
4360.00	Contingency Fund	962.00	2350.00	Contingency Fund	--	--	2962.00
83021.94	Public Account Receipts	72747.20	68985.90	Public Account Disbursements	--	--	66412.16
46883.46	Opening Cash Balance	49648.41	49648.41	Closing Cash Balance	--	--	55552.60
332379.22	Total	350213.70	332379.22	Total	--	--	350213.70

Source: Finance Accounts of respective years

*Excluding ways and means advances
(Receipt: ₹ nil and Disbursement: ₹ nil)

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

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 17 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 and 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 2015-16, 7,601 party-days were used to carry out audit of 474 units (compliance 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 last 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 present Report contains one performance audit and one IT audit, highlights of which are indicated below.

- **Implementation of the Scheme for Modernisation of Police Force in Maharashtra**

A performance audit of the implementation of Central Scheme for 'Modernisation of Police Force in Maharashtra' for the period 2011-16 revealed scant utilisation of funds (38 *per cent*) during the last five years. The low spending was due to delays in preparation and submission of Annual Action Plans to GoI which had a spiraling effect on approval of State plans and release of funds thus, impacting Scheme implementation and funds utilisation. Besides, the State Government could not get ₹ 265.38 crore from

GoI during 2011-16 due to non-utilisation of Central funds released in previous years.

During 2011-16, only eight *per cent* of the planned residential and non-residential buildings, which also included police stations, could be constructed/upgraded. The digital radio trunking system procured at a cost of ₹ 9.56 crore was not commissioned despite delay of 39 months thereby defeating the objective of upgrading the police communication network from the old analog system to the new encrypted digital system. Though there was an acute shortage of medium vehicles and motorcycles in the State yet only 662 vehicles were procured through Scheme funds during 2011-16, leaving a shortfall of 1,564 vehicles (including motorcycles).

There was a shortage of 65,026 modern weapons constituting 45 *per cent* of the total requirement of the State. Supply of 1,834 weapons valuing ₹ 9.60 crore and representing 41 *per cent* of the total ordered quantity was pending from Ordnance Factory Board for a period ranging from six months to 4½ years. Vital police equipment valuing ₹ 28.76 crore such as, bullet-proof jackets, night vision binoculars, bomb disposal suits, portable x-ray machines *etc.* planned for procurement under the Annual Action Plans of 2011-16 (excluding 2014-15) had not been procured as of September 2016.

The functioning of forensic science laboratories was affected by shortage of technical staff, leading to 34,171 samples (18 *per cent*) pending investigation as on 01 January 2017. Monitoring of the Scheme was lax and majority of the police stations was not recording the response time to assess the operational efficiency of the police.

(Paragraph 2.1)

▪ **Information Technology Audit of e-Tendering System in Government Departments**

The Government of Maharashtra adopted the e-Tendering system in August 2010 with a view to enhancing transparency in Government procurement of goods, services and works, reduce cycle time and cost of procurement. Two e-Tendering application systems were in use in the State namely, (i) Sify-NexTenders system developed by a private agency, and (ii) National Informatics Centre (NIC) system.

An IT Audit of both the systems conducted for the period 2010-16 revealed that implementation of dual systems breached the Central Vigilance Commission guidelines for use of a common unified platform for achieving economies of scale and reducing threat to security of data. While the NIC system was free of charge to users, the Sify-NexTenders system involved user charges. There were serious system deficiencies in Sify-NexTenders system which undermined the effectiveness of the e-Tendering process. The State Government also did not ensure development and implementation of all the essential features in both the systems to ensure transparency in e-Procurement process.

There were no validation checks to ensure minimum time to be allowed to the bidders for bid submission, leading to participation of a few bidders in the e-Tendering process. Comprehensive audit of Sify-NexTenders system

was not done by Standardisation Testing and Quality Certification Directorate, GoI and the State Government also failed in its role to ensure this. The monitoring of the systems was poor due to insufficiency of MIS reports. Inadequate IT security, non-documentation of IT security policy, business continuity and disaster recovery plans, and deficiencies in audit trail made the systems further vulnerable to errors and manipulations.

(Paragraph 2.2)

1.6.2 Compliance Audit of Government Transactions

The important findings of compliance audit paragraphs (10 paragraphs including two theme-based paragraphs) are indicated below.

- **Establishment of Trauma Care Centres in the State**

The planning for establishment of Trauma Care Centres (TCCs) in the State was deficient. Two each Level-I and Level-II TCCs, which were expected to provide highest level of definitive and comprehensive care to accident victims, were either not constructed or partially functional as of January 2017. Of 18 Level-III selected TCCs, only one TCC at Ratnagiri was fully functional while the remaining 17 were either non-functional or partially functional due to inadequate manpower, shortage of equipment and incomplete infrastructure or were used for other purposes. Requisite training to doctors, paramedics and staff nurses was not imparted. Monitoring of TCCs was weak.

(Paragraph 3.1)

- **Upgradation of Industrial Training Institutes**

The planning for upgradation of Industrial Training Institutes (ITIs) was deficient. No criteria was laid down for identification of ITIs to be upgraded while the criteria laid down for selection of Industry Partners was not followed. The constitution of Institute Management Committee, responsible for implementation of various activities of upgradation programme, was not done as per guidelines.

Utilisation of funds was poor, as 250 ITIs could spend only ₹ 167.27 crore during the last five to nine years against ₹ 625 crore received, indicating sub-optimal achievement of objectives. Upgradation funds were irregularly diverted by one ITI for construction of house boat/purchase of speed boat.

None of the 250 ITIs applied for accreditation from National Accreditation Board for Education and Training, leading to non-affiliation of new trades proposed in Institute Development Plans of ITIs.

There were large number of vacant posts of Principals and Instructors in the ITIs. A State Implementation Cell responsible for implementation of upgradation programme was not formed as of January 2017.

(Paragraph 3.2)

- **Implementation of Civil Works in Court Buildings**

Absence of comprehensive proposals from the subordinate courts to The High Court, Mumbai constrained the planning for redevelopment/construction works in court buildings. In 25 of 38 test-checked works taken up under the Centrally Sponsored Scheme, there was a time lag of more than

six months in granting administrative approvals. In 33 of 35 works (94 per cent), there was a delay of more than six months in issue of work orders from grant of administrative approvals. In 25 of 35 works (71 per cent), there was a time overrun of more than six months from the dates stipulated in the work orders, while 35 works registered a cost overrun of ₹ 112.20 crore as of May 2016.

Structural audits of 142 court buildings, though more than 30 years old, were not conducted by Public Works Divisions as of July 2016. Fire audits of court buildings were conducted belatedly and estimates of ₹ 130.38 crore prepared post-fire audits for carrying out fire safety works was pending (December 2016) with the Urban Development Department for technical scrutiny.

(Paragraph 3.3)

- Social Justice and Special Assistance Department without due diligence approved a proposal of a Cooperative Society for establishment of a wheat processing unit at Yavatmal and released financial assistance of ₹ one crore, which was misappropriated.

(Paragraph 3.4)

- Poor planning by Public Health Department led to idling of a 200-bedded Geriatric Health and Mental Illness Centre at Ambejogai in Beed district for 57 months and rendered an expenditure of ₹ 19.21 crore incurred on its construction unfruitful.

(Paragraph 3.5)

- Failure of Social Justice and Special Assistance Department to remove encroachments before handing over a piece of land to Public Works Division, Kolhapur resulted in idling of school building constructed at a cost of ₹ 1.96 crore for more than three years and the targeted beneficiaries were deprived of the intended benefits.

(Paragraph 3.6)

- The Commissioner of Small Savings and State Lottery, Maharashtra made an infructuous expenditure of ₹ 1.14 crore on lease rent of hired office premises at Vashi, Navi Mumbai which remained unoccupied for 33 months, out of total lease period of 36 months.

(Paragraph 3.7)

- Idling of rent and service charges of ₹ 5.84 crore in current accounts of banks for more than two years resulted in loss of interest of ₹ 1.21 crore to Maharashtra Housing and Area Development Authority.

(Paragraph 3.8)

- The Skill Development and Entrepreneurship Department did not assess the requirement for construction of a boys hostel at ITI, Chandur Railway, Amravati leading to an unfruitful expenditure of ₹ 92.39 lakh.

(Paragraph 3.9)

- Failure of District Collector, Gadchiroli and District Vocational Education and Training Officer, Gadchiroli to exercise due diligence in implementation of *e-Vidya* project rendered an expenditure of ₹ 1.06 crore unfruitful.

(Paragraph 3.10)

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 the IRs.

As of June 2016, 3,388 IRs (10,560 paragraphs) were outstanding. Year-wise details of IRs and paragraphs are shown 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 Principal Secretaries/Secretaries of the concerned Departments between July 2016 and December 2016 with the request to send the responses within six weeks. The Government reply was received in respect of one theme-based paragraph and one draft paragraph while no replies were received in respect of the one performance audit, one IT audit, one theme-based paragraph and seven 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 2010-11 to 2014-15 is indicated in **Table 1.2**.

Table 1.2: Status of submission of EMs during 2010-15

Audit Report	Date of tabling the Report	Number of Paragraphs and Reviews	Number of EMs received	Balance
2010-11	17 April 2012	13	12	01
2011-12	18 April 2013	08	06	02
2012-13	14 June 2014	13	05	08
2013-14	10 April 2015	10	10	00
2014-15	05 August 2016	09	--	09
Total		53	33	20

The EMs in respect of 15 paragraphs relating to the period prior to 2010-11 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 252 paragraphs pertaining to the Audit Reports for the years from 1985-86 to 2013-14 and gave 435 recommendations of which, ATNs were pending on 343 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 recommendations	Number of ATNs awaited
1985-86 to 2002-03	16, 17, 19, 24, 28	1994-95	170	132
	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, 14	2008-09		
2003-04	14	2008-09	3	3
2004-05	14	2008-09	01	0
2005-06	8	2010-11	94	79
2006-07	15	2008-09	85	61
	9	2012-13		
	1	2015-16		
2007-08	13	2012-13	22	14
2008-09	17	2012-13	30	27
2009-10	18	2012-13	14	11
	6	2015-16		
2010-11	12	2015-16	16	16
2011-12	--	--	--	--
2012-13	--	--	--	--
2013-14	--	--	--	--
Total			435	343

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