

# **CHAPTER - I**

## **INTRODUCTION**



## 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 compliance audit of government departments, autonomous bodies and public sector undertakings of the Government of Maharashtra (GoM) falling under various clusters under the jurisdiction of Principal Accountant General (Audit)-I, Maharashtra, Mumbai. The cluster wise list of departments, autonomous bodies and public sector undertakings audited by this office is shown in **Table 1.1**. The details are given in **Appendix 1.1**.

**Table 1.1: Cluster wise list of departments, autonomous bodies and public sector undertakings audited by this office**

Name of the cluster	Number of departments	Number of autonomous bodies	Number of public sector undertakings
Health & Welfare	07	03	14
Education, Skill Development and Employment	05	01	03
Rural Development	01	--	01
Agriculture, Food & Allied Industries	03	--	07
Water Resources	02	07	03
Urban Development	02	05	05
Culture & Tourism	01	--	04
General Administration	03	01	01
<b>Total</b>	<b>24</b>	<b>17</b>	<b>38</b>

Compliance audit refers to examination of the expenditure and revenue 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.

The primary purpose of this report is to bring important results of audit to the notice of the State Legislature. 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 and 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 explains the authority for audit, organisation structure, planning and extent of audit and responsiveness of Government to audit. Chapter II contains observations emanating from compliance audit in government departments, autonomous bodies and public sector undertakings.

Apart from compliance audit report, performance audit reports are prepared separately.

## 1.2 Audited Entity Profile

The departments in the State at the Secretariat level are headed by Additional Chief Secretaries/Principal Secretaries/Secretaries and assisted by Directors/Commissioners and subordinate officers.

A summary of the State Government's fiscal transactions during 2019-20 and 2020-21 *vis-à-vis* the previous year is given in **Table 1.2**.

**Table 1.2: Summary of fiscal operations during 2019-20 and 2020-21**

(₹ in crore)

2018-19	Receipts	2019-20	2020-21	2018-19	Disbursements	2019-20	2020-21
<b>Total</b>	<b>Section-A: Revenue</b>				<b>Total</b>		
<b>278996</b>	<b>Revenue receipts</b>	<b>283190</b>	<b>269468</b>	<b>267022</b>	<b>Revenue expenditure</b>	<b>300305</b>	<b>310610</b>
187436	Tax revenue	188948	164255	84765	General services	100050	103854
15844	Non-tax revenue	14297	15976*	109391	Social services	122947	122024*
42054	Share of Union Taxes/Duties	36220	36504	52759	Economic services	56044*	64336
33662	Grants from Government of India	43725	52733	20107	Grants-in-aid and Contributions	21264	20396
<b>Section B: Capital and Others</b>							
0	Miscellaneous Capital Receipts	0	0	35049	Capital Outlay	36416	29687
1604	Recoveries of Loans and Advances	1615	1612	1545	Loans and Advances disbursed	1970	2342
26025	Public debt receipts <sup>@</sup>	55396	87357	25116 <sup>#</sup>	Repayment of Public Debt <sup>@</sup>	22868	26427
1528	Appropriation from Contingency fund	7350	11500	3528	Appropriation to Contingency fund	15350	1500
3528	Contingency Fund	15350	10500	1528	Contingency Fund	16350	11500
90665	Public Account Receipts	119634	88531	89758	Public Account Disbursements	100329	74787 <sup>#</sup>
33971	Opening Cash Balance				Closing Cash Balance		
54498	a) Sinking Fund	34488	41427	34488	a) Sinking Fund	41427	45738
	b) Cash balance	32781	15055 <sup>§</sup>	32781	b) Cash balance	14789	22859
<b>490815</b>	<b>Total</b>	<b>549804</b>	<b>525450</b>	<b>490815</b>	<b>Total</b>	<b>549804</b>	<b>525450</b>

<sup>@</sup> Excluding net transaction under ways and means advances (₹ 1,757.61 crore) and overdraft: (nil) (2019-20)  
Excluding net transaction under ways and means advances and overdraft (receipt and disbursement ₹ 31,159 crore) (2020-21)

<sup>#</sup> Lower Rounding

<sup>\*</sup> Higher Rounding

<sup>§</sup> Differs by ₹ 266.57 crore adjusted proforma due to rectification of misclassification

Source: Finance Accounts of respective years

## 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 (DPC Act). The C&AG conducts audit of expenditure and revenue of the departments, autonomous bodies and public sector undertakings of the GoM under the provisions of the DPC Act and Regulations on Audit and Accounts, 2020 issued by the C&AG.

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

Under the directions of the C&AG, the offices of the Principal Accountant General (Audit)-I, Maharashtra, Mumbai and the Accountant General (Audit)-II, Maharashtra, Nagpur conduct the audit of various Government departments & offices, autonomous bodies and public sector undertakings (audited entities) falling under them. While eight clusters fall under the jurisdiction of the Principal Accountant General (Audit) I, Maharashtra, Mumbai, the remaining eight clusters are under the jurisdiction of the Accountant General (Audit) II, Maharashtra, Nagpur as shown in **Table 1.3**.

**Table 1.3: Details of clusters**

<b>Sr. No.</b>	<b>Clusters falling under the jurisdiction of Principal Accountant General (Audit) I, Maharashtra, Mumbai</b>	<b>Clusters falling under the jurisdiction of Accountant General (Audit) II, Maharashtra, Nagpur</b>
1	Health & Welfare	Energy and Power
2	Education, Skill Development and Employment	Industry and Commerce
3	Rural Development	Transport
4	Agriculture, Food & Allied Industries	Environment, Science and Technology
5	Water Resources	Public Works
6	Urban Development	Finance
7	Culture and Tourism	IT and Communication
8	General Administration	Law and Order

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

The audit process starts with the assessment of risk faced by audited entities based on expenditure incurred and revenue generated, criticality and 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. The frequency and extent of audit are decided, based on this risk assessment. During 2019-20 and 2020-21, 42,168 party-days were used to carry out audit of 847 units. 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 offices inspected. The Heads of offices inspected 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 Responsiveness of Government to Audit**

##### **1.6.1 Inspection Reports Outstanding**

Periodical inspections of government departments, autonomous bodies and public sector undertakings 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 September 2021, 3,966 IRs (14,212 paragraphs) were outstanding for settlement. Year-wise details of IRs and paragraphs are shown in **Appendix 1.2**. It was noticed that 2,744 IRs containing 7,111 paragraphs are outstanding for more than five years. This indicated that timely and effective steps are not being taken to settle outstanding audit issues.

### **1.6.2 Departmental Audit Committee**

The Finance Department, GoM instructed (December 1985) all the administrative departments to constitute Audit Committee, to review outstanding IRs and paragraphs and to take prompt action for its settlement. The Audit Committees are chaired by the Joint Secretary of the administrative department with Joint Director, Accounts and Treasuries as member and Deputy Director of Accounts and Treasuries as the convener. A representative from the audit office not below the rank of Deputy Accountant General assists the Audit Committees. The Audit Committee Meetings (ACMs) are required to be held at least once in every quarter.

During 2019-20 and 2020-21, four ACMs were conducted as indicated in **Table 1.4**.

**Table 1.4: ACMs conducted during 2019-20 to 2020-21**

<b>Sr. No.</b>	<b>Name of the Administrative Department</b>	<b>No. of ACMs held</b>	<b>No. of IRs settled</b>	<b>No. of Paras settled</b>
1	Public Works	1	29	93
2	Tribal Development	1	3	25
3	Water Resources	1	5	38
4	Revenue and Forest	1	6	136
<b>Total</b>		<b>4</b>	<b>43</b>	<b>292</b>

As seen from **Table 1.4**, very few Audit Committee meetings were convened by the department, despite the pendency of large number of inspection report paragraphs. Further, out of 24 administrative departments under the audit jurisdiction of Principal Accountant General (Audit)-I, Maharashtra, Mumbai, ACMs of only four administrative departments were conducted during 2019-20 and 2020-21.

### **1.6.3 Response of Departments to Draft Paragraphs**

Twelve draft paragraphs (including two theme-based audit) were forwarded demi-officially to the Additional Chief Secretaries/Principal Secretaries/Secretaries of the concerned departments between August 2021 and November 2021 with a request to send the responses within four weeks. The Government reply was received for two theme-based audit and nine draft paragraphs, while no reply was received in respect of one draft paragraph featured in the Report.

### 1.6.4 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 of C&AG of India, within three months of presenting the Audit Reports to the State Legislature. The administrative departments, however, did not comply fully with these instructions. The status of outstanding EMs from 2012-13 to 2018-19 is indicated in **Table 1.5**. Department-wise details are shown in **Appendix 1.3**.

**Table 1.5: Status of outstanding EMs during 2012-13 to 2018-19**

Audit Report	Date of tabling the Report	Number of Paragraphs and Reviews	Number of EMs received	Balance
2012-13	14 June 2014 (GSS)	11	09	2
	24 December 2014 (ES)	08	05	3
	14 June 2014 (RS)	07	05	2
2013-14	10 April 2015 (ES)	05	04	1
	10 April 2015 (RS)	05	04	1*
2014-15	13 April 2016 (RS)	05	04	1
2015-16	11 August 2017 (GSS)	09	08	1
2016-17	28 March 2018 (GSS)	18	17	1
	20 July 2018 (RS)	04	02	2
2017-18	02 July 2019 (GSS)	13	12	1
	02 July 2019 (ES)	12	11	1
	04 March 2020 (RS)	04	02	2
	04 March 2020 (PSUs)	09	05	4
2018-19	08 September 2020 (GSS&PSUs)	12	09	3
		01	00	1
	08 September 2020 (ES&RS)	07	04	3
		05	03	2
<b>Total</b>		<b>135</b>	<b>104</b>	<b>31</b>
<b>GSS:</b> - General and Social Sector; <b>ES:</b> - Economic Sector; <b>RS:-</b> Revenue Sector; <b>PSUs:-</b> Public Sector Undertakings *EM was not received but the para has been discussed in PAC				

As seen from **Table 1.5**, out of 135 paragraphs and reviews included in Audit Reports, 31 EMs were outstanding for a period ranging between three months and 78 months.

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

The PAC and COPU discussed 144 paragraphs pertaining to the Audit Reports for the years from 2010-11 to 2016-17 and gave 944 recommendations of which, ATNs were pending on 557 recommendations, as indicated in **Table 1.6**.

**Table 1.6: Position of outstanding ATNs on PAC and COPU recommendations**

Year of Audit Report	Audit Report	PAC/COPU Report Number	Year of PAC/COPU	Number of PAC/COPU recommendations	Number of ATNs awaited
2010-11	GSS	12, 17	2015-16	37	10
	RS	09, 16	2015-16	26	16
	PSUs	08, 09, 16, 20	2015-16 2017-18	06	03
2011-12	GSS	29, 32	2017-18	102	44
	ES	35	2017-18	09	08
	RS	33	2017-18	13	11
	PSUs	08, 11, 18, 20	2015-16 2017-18	10	04
2012-13	GSS	24	2015-16	18	18
		27, 31	2017-18	66	24
	ES	38,64	2017-18	151	123
	RS	37	2017-18	14	07
2013-14	GSS	19	2015-16	47	36
2014-15	GSS	47, 52, 57	2017-18	84	51
	RS	54	2017-18	37	37
2015-16	GSS	40, 41	2017-18	32	32
	ES	42, 39	2017-18	63	61
	RS	56	2017-18	19	14
	SAGLL*(RS)	26	2015-16	171	19
2016-17	GSS	58, 59, 67	2017-18	39	39
<b>Total</b>				<b>944</b>	<b>557</b>

**\*SAGLL: Standalone Report on Government Land given on Lease**

The Department-wise position of PAC and COPU recommendations on which ATNs were awaited is indicated in **Appendix 1.4**. As seen from **Appendix 1.4**, out of 557 ATNs were awaited from 18 departments. Maximum ATNs (126 ATNs) were pending from Water Resources Department.