

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 compliance and performance audit of expenditure of government departments and autonomous bodies of the Government of Maharashtra (GoM) falling under the jurisdiction of 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 and offices, autonomous bodies and public sector undertakings (audited entities) falling under their audit jurisdiction. The audit jurisdiction of the office of Principal Accountant General (Audit-I), Maharashtra, Mumbai and office of Accountant General (Audit-II), Maharashtra, Nagpur have eight clusters each as shown in **Table 1.1** below:

Table 1.1: Cluster-wise distribution of audit jurisdictions

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

The cluster-wise list of departments, autonomous bodies and public sector undertakings audited by this office are shown in **Table 1.2** below and the details are given in **Appendix 1.1**.

Table 1.2: Cluster-wise list of departments, autonomous bodies and public sector undertakings in the audit jurisdiction

Name of the cluster	Number of departments	Number of autonomous bodies	Number of public sector undertakings
Energy and Power	1	2	30
Industry and Commerce	2	1	29
Transport	2	1	6
Environment, Science & Technology	2	3	4
Public Works	2	1	12
Finance	2*	-	3
IT and Communication	1	-	1
Law and Order	2	2	1
Total	14	10	86

* Finance cluster not included in this report

This report deals with the audit observations arising out of audit of expenditure of selected units from 12 departments and ten autonomous bodies falling under seven clusters under the audit jurisdiction of Accountant General (Audit-II),

Maharashtra, Nagpur. The audit observations on the audit of Finance cluster falling under revenue sector and audit of PSUs falling under commercial sector are being reported separately through separate reports.

The primary purpose of this report is to bring the 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 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.

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 sub-ordinate officers. A summary of the state government's fiscal transactions during 2022-23 *vis-a-vis* the previous year is given in **Table 1.3** below:

Table 1.3: Summary of Fiscal operations in 2021-22 compared to 2022-23

(₹ in crore)					
Receipts	2021-22	2022-23	Disbursements	2021-22	2022-23
Section-A: Revenue Account					
Revenue receipts	333312*	405678*	Revenue expenditure	349686*	407614#
Own Tax Revenue	220927#	277486#	General Services	121745#	130591*
Non-Tax Revenue	19307*	16776#	Social Services	142523#	163329#
Share of Union Taxes/Duties	54318#	60001*	Economic Services	59455*	80820*
Grants-in-aid from Government of India	38760*	51414#	Grants-in-aid and Contributions	25963*	32874#
Section-B: Capital Account and others					
Miscellaneous Capital Receipts	0	0	Capital Outlay	46670#	61644*
Recoveries of Loans and Advances	1179*	643*	Loans and Advances disbursed	2436#	4664#
Public Debt Receipts	90488##	87573*@	Repayment of Public Debt	35935*+	37666*@
Appropriation from Contingency Fund	0	200	Appropriation from Contingency Fund	0	200
Contingency Fund	0	200	Contingency Fund	0	200
Public Account Receipts	119377*	143467*	Public Account Disbursements	100533#	121974*
Opening Cash Balance			Closing Cash Balance		
a) Sinking Fund	45738#	54374#	a) Sinking Fund	54374#	60004#
b) Cash Balance	22859	23318#	b) Cash Balance	23318#	21487*
Total	612953*	715453	Total	612952	715453

+ Excluding transactions under Special Drawing facility on 91 days (Receipt and Disbursement of ₹ 98.43 crore)

@ Excluding transactions under Special Drawing facility on 91 days (Receipt and Disbursement of ₹ 7129.25 crore)

* Higher rounding

Lower rounding

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

1.4 Planning and conduct of audit

The audit process starts with the preparation of the Annual Audit Plan on the basis of the assessment of risk faced by audited entities based on expenditure incurred and revenue generated, criticality, complexity of activities, the levels of delegated financial powers, audit perception, assessment of overall internal controls and concerns of stakeholders and past trends of the audit observations. The unit offices under various departments are categorised into high, medium and low risk units according to the above parameters. The frequency and extent of audit are decided, based on this risk assessment.

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 the 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.

1.5 Responsiveness of Government to Audit

1.5.1 Inspection reports outstanding

Periodical audit 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 detailed statements of pending IRs are sent to the secretaries of the departments concerned to facilitate monitoring of action taken on the audit observations included in the IRs.

As of June 2023, 2408 IRs (10340 paragraphs) were outstanding for settlement. Year-wise details of IRs and paragraphs are shown in *Appendix 1.2*.

1.5.2 Departmental Audit committee

The Finance Department, GoM instructed (December 1985) all the administrative departments to constitute Audit Committees to review outstanding IRs and paragraphs and to take prompt action for their settlement. Each committee so established shall comprise of a representative of administrative department, Audit and a nominee from the Finance Department besides, the head of the department of the auditable entity. A representative from the audit office not below the rank of Deputy Accountant General is the

member of the Audit Committee. The Audit Committee Meetings (ACMs) are required to be held at least once in every quarter.

Out of 12 administrative departments under the audit jurisdiction of the Accountant General (Audit-II), Maharashtra, Nagpur, covered in this report, ACMs were conducted by only three administrative departments during 2022-23 as indicated in **Table 1.4**.

Table 1.4: ACMs conducted during 2022-23

Sr. No.	Name of the Administrative Department	No. of ACMs held	No. of IRs settled	No. of paras settled
1.	Home, Law & Judiciary	1	2	31
2	Industry	1	35	118
3	Forest	2	5	155
Total		4	42	304

As seen from the **Table 1.4**, only four ACMs were convened by the departments, despite the pendency of large number of inspection report paragraphs.

1.5.3 Response of departments to draft paragraphs and compliance audits

Two draft paragraphs, one Performance Audit and one Subject specific compliance audit, appearing in this report were forwarded demi-officially to the Principal Secretaries/Secretaries of the departments concerned during the period between April 2023 and February 2025 and with a request to send responses within six weeks. Replies to the Performance audit, Subject specific compliance audit and one draft paragraph has been received and suitably incorporated in the Report.

1.5.4 Follow-up on audit report

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 the C&AG of India, 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 2015-16 to 2019-21 is indicated in **Table 1.5**. The Cluster-wise details are shown in **Appendix 1.3**.

Table 1.5: Status of outstanding EMs for Audit Reports of year from 2015-16 to 2019-21

Audit Report	Date of tabling of Report	Number of paragraphs and Reviews	Number of EMs received	Balance
2015-16	11 August 2017 (RS-Transport, IT, Home)	7	5	2
	7 April 2017 (PSUs)	7	7	0
2016-17	28 March 2018 (ES)	2	2	0
	20 July 2018 (RS-Transport, IT, Home)	4	4	0
	20 July 2018 (PSUs)	8	8	0

Audit Report	Date of tabling of Report	Number of paragraphs and Reviews	Number of EMs received	Balance
2017-18	2 July 2019 (ES)	4	2	2
	4 March 2020 (RS-Transport, IT, Home)	4	3	1
	4 March 2020 (PSUs)	7	7	0
2018-19	08 September 2020 (ES)	4	4	0
	08 September 2020 (RS-Transport, IT, Home)	0	0	0
	08 September 2020 (PSUs)	2	2	0
2019-21	04 August 2023 (Compliance Audit)	7	2	5
Total		56	46	10

ES-Economic Sector Report; RS-Revenue Sector; PSU-Public Sector Undertaking

As seen from the **Table 1.5** out of 46 paragraphs and reviews included in Audit Reports, 10 EMs were outstanding during the period from 2015-16 to 2019-21.

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 ensure accountability of the Executive in respect of all the issues dealt with in the Audit Reports.

During the period from 2015-16 to 2022-23 the PAC and COPU discussed 144 paragraphs pertaining to audit reports 2010-11 to 2015-16. The position of PAC and COPU recommendations on which ATNs were awaited (June 2023) is indicated in Table 1.6.

Table 1.6: Position of outstanding ATNs on PAC/COPU recommendations

Year	Audit Report	PAC/COPU/ Report Number	Year of PAC/ COPU	Number of PAC/ COPU recommendations	Number of ATNs awaited
2010-11	PSUs	01	2020-21	06	06
		06,11,07	2015-16	05	05
2011-12	PSUs	05	2015-16	01	01
		18	2017-18	03	03
		06	2015-16	02	02
	RS (Transport)	33	2017-18	03	03
		34	2017-18	64	19
2012-13	ES	45,60	2017-18	26	18
	PSUs	06	2015-16	01	01
	RS (Transport)	37	2017-18	06	06
2013-14	PSUs	07	2015-16	01	01
	RS (Transport)	19	2015-16	09	08
2014-15	ES	43	2017-18	20	18
	GSS	61	2017-18	13	12
	PSUs	02	2020-21	05	05
		18	2017-18	03	03
	RS	66	2017-18	05	05
2015-16	ES	39	2017-18	13	01
Total				186	117

As seen from above Table, 117 ATNs are awaited from 12 departments. The cluster-wise position of PAC and COPU recommendations on which ATNs were awaited (June 2023) is indicated in ***Appendix 1.4***.

1.6 Results of audit

Position of local audit conducted during the year

Test check of the records of 238 units of Energy, Industry, Transport, Forest, PWD, Environment and Climate Change, Water supply and Sanitation, Information Technology, Home and Law and Legal Affairs conducted during the year 2022-23 revealed under assessment/Short levy/loss of revenue aggregating to ₹ 891.29 crore in 2119 observations. During the course of the year, the concerned Departments accepted under assessment and other deficiencies of ₹ 188.45 crore involved in 89 observations which were pointed out in audit during 2022-23. The departments collected ₹ 25.58 crore during 2022-23, pertaining to audit findings of 2022-23 and of previous years are shown in ***Appendix 1.5***.

Coverage of this Report

This Report contains results of a performance audit, a Subject Specific Compliance Audit and two compliance audit paragraphs selected from the audit detection made during the local audit discussed in succeeding Chapters II and III.