

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 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	04	16
Education, Skill Development and Employment	05	03	03
Rural Development	01	--	01
Agriculture, Food & Allied Industries	03	--	07
Water Resources	02	07	03
Urban Development	02	05	06
Culture & Tourism	01	--	04
General Administration	03	01	00
Total	24	20	40

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 2021-22 vis-a-vis the previous year is given in **Table 1.2**.

Table 1.2: Summary of fiscal operations during 2021-22

(₹ in crore)

2020-21	Receipts	2021-22	2020-21	Disbursements	2021-22
Section A: Revenue					
Total					Total
269467.91	Revenue receipts	333311.57	310609.76	Revenue expenditure	349685.89
164254.98	Tax revenue	220927.13	103853.75	General services	121745.32
15975.46	Non-tax revenue	19306.70	122023.44	Social services	142523.26
36504.01	Share of Union Taxes/Duties	54318.06	64336.19	Economic services	59454.77
52733.46	Grants from Government of India	38759.68	20396.38	Grants-in-aid and Contributions	25962.54
Section B: Capital and Others					
0	Miscellaneous Capital Receipts	0	29686.70	Capital Outlay	46670.39
1612.36*	Recoveries of Loans and Advances	1178.88	2341.85	Loans and Advances disbursed	2436.03
87356.65	Public debt receipts	90488.18 [@]	26427.28	Repayment of Public Debt	35935.66 [@]
11500.00	Appropriation from Contingency fund	0.00	1500.00	Appropriation to Contingency fund	0.00
10500.00	Contingency Fund	0.00	11500.00	Contingency Fund	0.00
88531.23	Public Account Receipts	119376.52	74787.55	Public Account Disbursements	100533.18
56482.28	Opening Cash Balance	68597.29	68597.29	Closing Cash Balance	77692.29
525450.43	Total	612952.44	525450.43	Total	612952.44

[@] Excluding transaction under Ways and Means advances and overdraft (Receipt and Disbursement ₹98.43 crore)

* Higher 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 (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 Principal 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 Principal 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 Principal Accountant General (Audit)-II, Maharashtra, Nagpur as shown in **Table 1.3**.

Table 1.3: Details of clusters

Sr. No.	Clusters falling under the jurisdiction of Principal Accountant General (Audit)-I, Maharashtra, Mumbai	Clusters falling under the jurisdiction of Principal Accountant General (Audit) II, Maharashtra, Nagpur
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 & 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 2021-22, 5,014 party-days were used to carry out audit of 238 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 June 2022, 4,580 IRs (15,499 paragraphs) were outstanding for settlement. Year-wise details of IRs and paragraphs are shown in **Appendix 1.2**. It was noticed that 3,184 IRs containing 8,069 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 2021-22, four ACMs were conducted as indicated in **Table 1.4**.

Table 1.4: ACMs conducted during 2021-22

Sr. No.	Name of the Administrative Department	No. of ACMs held	No. of IRs settled	No. of Paras settled
1	Agriculture	1	30	137
2	Revenue & Forest	3	31	472
Total		4	61	609

As seen from **Table 1.4**, very few Audit Committee meetings were convened by the department, despite the pendency of large number of IR paragraphs. Further, out of 24 administrative departments under the audit jurisdiction of Principal Accountant General (Audit)-I, Maharashtra, Mumbai, ACMs of only two administrative departments were conducted during 2021-22.

1.6.3 Response of Departments to Draft Paragraphs

Six draft paragraphs (including one theme-based audit) were forwarded demi-officially to the Additional Chief Secretaries/Principal Secretaries/Secretaries of the concerned departments between September 2022 and May 2023 with a request to send the responses within four weeks. The Government reply was received for one theme-based audit and four 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 2020-21 is indicated in **Table 1.5**. Department-wise details of outstanding EMs are shown in **Appendix 1.3**.

Table 1.5: Status of outstanding EMs from 2012-13 to 2020-21

Audit Report	Date of tabling the Report	Number of Paragraphs and Reviews	Number of EMs received	Balance
2012-13	14 June 2014 (GSS)	11	9	2
	24 December 2014 (ES)	8	5	3
	14 June 2014 (RS)	7	5	2
2013-14	10 April 2015 (ES)	5	4	1
	10 April 2015 (RS)	5	4	1
2014-15	13 April 2016 (RS)	5	4	1
2015-16	11 August 2017 (GSS)	9	8	1
2016-17	28 March 2018 (GSS)	18	17	1
	20 July 2018 (RS)	4	2	2
2017-18	04 March 2020 (RS)	4	2	2
	04 March 2020 (PSUs)	9	7	2
2018-19	08 September 2020 (GSS & PSUs)	12	10	2
		1	0	1
	08 September 2020 (ES & RS)	7	6	1
2019-21	25 March 2022 (CAR)	5	4	1
		12	4	8
Report No. 3 of the year 2022	25 August 2022 (Performance Audit on 74th Constitutional Amendment Act in Maharashtra)	1	0	1
Total		123	91	32

GSS:- General and Social Sector; **ES:-** Economic Sector; **RS:-** Revenue Sector;

PSUs:- Public Sector Undertakings; **CAR:-** Compliance Audit Report March ended 2021

As seen from **Table 1.5**, out of 123 paragraphs and reviews included in Audit Reports, 32 EMs were outstanding as on December 2022.

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 151 paragraphs pertaining to the Audit Reports for the years from 2010-11 to 2018-19 and gave 945 recommendations of which, ATNs were pending on 501 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	9, 16	2015-16	26	11
	COPU	08,09, 16, 20	2015-16, 2017-18	6	3
2011-12	GSS	29, 32	2017-18	44, 58	44
	ES	35	2017-18	9	6
	RS	33	2017-18	13	8
	COPU	08, 11, 18, 20	2015-16, 2017-18	10	4
2012-13	GSS	24	2015-16	18	17
	GSS	27, 31	2017-18	66	24
	ES	38, 64	2017-18	32, 119	115
	RS	37	2017-18	15	3
2013-14	GSS	19	2015-16	47	31
2014-15	GSS	47,52,57	2017-18	84	43
	RS	54	2017-18	37	20
2015-16	GSS	40,41	2017-18	16, 16	32
	ES	42, 39	2017-18	30, 33	27, 33
	RS	56	2017-18	19	12
GLL		26	2015-16	171	19
2016-17	GSS	58,59, 67	2017-18	13, 5, 21	39
Total				945	501

GSS: General and Social Sector; **ES:** Economic Sector; **RS:** Revenue Sector;

COPU: Committee on Public Undertakings; **GLL:** Government land given on lease 2011-12

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 501 ATNs which were awaited from 16 departments, 118 ATNs were pending from Water Resources Department.