

OVERVIEW

The report comprises five Chapters; the first two contain observations on the Finance and Appropriation Accounts of Government of Maharashtra and the remaining three chapters contain nine audit reviews of certain selected programmes and activities including audit of internal control mechanism of Public Health Department and 30 paragraphs on audit of financial transactions of various Government Departments and statutory corporations. A summary of main audit findings is presented in this overview.

1 Financial Position of the State Government

During 2004-05 there was 19.3 *per cent* growth in revenue receipts as against 19.6 *per cent* growth in revenue expenditure over the previous year leading to increase in revenue deficit by 20.7 *per cent*. State's own resources comprising tax and non-tax revenue contributed 84.6 *per cent* of the revenue receipts.

Capital expenditure decreased by 3.9 *per cent* from Rs 8,199.14 crore in 2003-04 to Rs 7,876.98 crore in 2004-05. Fiscal deficit increased by 3.8 *per cent* from Rs 17,928.51 crore in 2003-04 to Rs 18,620.03 crore in 2004-05. The areas of concern included salaries and pension (Rs 19,747 crore) and interest payment (Rs 8,978 crore), which consumed 70 *per cent* of total revenue receipts of the State. Fiscal liabilities also increased from Rs 1,04,404 crore in 2003-04 to Rs 1,21,026 crore in 2004-05 and this liabilities as ratio to GSDP increased from 31.3 *per cent* in 2003-04 to 33.9 *per cent* in 2004-05.

The overall saving of Rs 21,908.75 crore was 27.6 *per cent* of the original grants/appropriations. This was the result of savings of Rs 22,316.09 crore in 189 cases of grants and appropriations offset by excess of Rs 407.34 crore in 26 cases of grants and appropriations.

2 Implementation of Acts and Rules relating to Consumer Protection

The Consumer Protection Act, 1986 was enacted by Government of India to provide speedy and inexpensive redressal of grievances of consumers. This Act differs from the other consumer related Acts like Prevention of Food Adulteration Act, 1954, Drugs and Cosmetics Act, 1940 and Standards of Weights and Measures (Enforcement) Act, 1985 as being mainly compensatory in nature. A review of the implementation of the Consumer Protection Act and the relevant rules revealed that there was delay in setting up of the consumer courts, infrastructure for the consumer forums was inadequate, the forums were understaffed which led to a huge pendency of complaints cases in the consumer courts. Review of the implementation of

other acts related to consumer protection revealed that there was shortfall in drawing of samples for inspection due to shortages of manpower. The review also revealed that the consumers were unaware of the provisions of Consumer Protection Act and that the State Government did not make adequate efforts to create consumer awareness.

(Paragraph 3.1)

3 Modernisation of Police Force

For increasing the efficiency and effectiveness of the State police forces, the scheme of Modernisation of Police Force, already in vogue, was revamped with increased allocation from 2000-01. It was proposed to increase the operational efficiency of the State police forces to enable them to meet the challenges of the fast changing internal security environment and law and order situation of the country. The scheme with expenditure of Rs 654.11 crore during 2000-05 was unable to improve operational efficiency in meeting the changing law and order situation, crime detection, reduction in response time, early settlement of crime cases and augmenting training facilities.

(Paragraph 3.2)

4 National Slum Development Programme

Government of India introduced the National Slum Development Programme in 1996-97 for upgradation of urban slums. The funds under the scheme were allocated to the States in proportion to their urban slum population. The State Government, however, decided (June 1998) to implement the NSDP in 50 cities having population of 50,000 and above, where the Maharashtra Slum Areas (Improvement, Clearance and Redevelopment) Act, 1971 was already in force. An expenditure of Rs 320.06 crore was incurred during 2000-05. Audit scrutiny revealed that there was lack of necessary data for assessing the requirement of basic amenities in the slums leading to insufficient planning and approval of works by the Regional Boards based on incorrect slum population resulting in excess payment to Urban Local Bodies. Huge unspent balances were lying with the nodal agency, Maharashtra Housing and Area Development Authority.

(Paragraph 3.3)

5 Lift Irrigation Schemes undertaken by Irrigation Development Corporations in Maharashtra

To provide irrigation to areas where topographical conditions were unsuitable for flow irrigation, 47 lift irrigation schemes with an outlay of Rs 10,742.09 crore were taken up by Irrigation Development Corporations. It was, however, found that though an expenditure of Rs 2,843.94 crore was incurred upto March 2005, the benefit achieved through these Lift Irrigation Schemes were negligible, the viability in many Lift Irrigation Schemes were flawed on account of incorrect water yield and cost benefit ratio. Lift Irrigation Schemes

were taken up simultaneously without due prioritisation and adequate planning leading to time and cost over run. Of the 47 Lift Irrigation Schemes, only three Lift Irrigation Schemes were completed after spending Rs 141.91 crore. The irrigation potential utilised was, however, only 615.50 hectares against the targeted irrigation potential of 10,903 hectares.

(Paragraph 3.4)

6 IT Review on collection, accountal and utilisation of charges collected by Nagpur Improvement Trust, Nagpur under Gunthewari Act, 2001

Nagpur Improvement Trust (Trust) which is implementing the Gunthewari Act (for regularising unauthorised developments) was collecting “Development charges” from plot holders. The Information Technology System developed by the Trust for this purpose was reviewed to see whether the information generated through account module was reliable and user friendly. Review revealed insufficient preventive controls, instances of poor validation of data fields, errors in the data and data security risks.

(Paragraph 3.5)

7 IT Audit of 'Koshwahini System'

A web-based application package called "Koshwahini" was developed at the Directorate of Accounts and Treasuries for generating Management Information System reports emerging from data received from the treasuries and the Pay and Accounts Office, Mumbai. The purpose was to assist various departments in monitoring, taking decisions and improvement in budgetary controls. The package in the present form was unable to serve the desired purpose although Rs 15.03 crore was spent on the system during the project period of five years. In the absence of proper documentation the Department could not manage and monitor the development and implementation of the system and was completely dependent on the National Informatics Centre, the developer of the system. It did not provide for foolproof masters and reconciliation of data flowing into the system from various treasuries and the Pay and Accounts Office. The accounting requirements, records and functions at the treasury level still remained to be computerised. Neither were validation checks in place nor was there a proper disaster recovery plan resulting in high risks in the system.

(Paragraph 3.6)

8 Working of Ashram Schools

The scheme of ‘Ashram Schools’ was introduced by the State Government since 1953-54 for educational upliftment of the tribal children. The scheme provided free education, lodging and boarding, uniforms, books, education equipment and free medical check-up. Review of implementation of the

scheme revealed lack of provision of basic infrastructure facilities including hostels and toilets, deficiencies in medical check-up of the students, non-installation of computers depriving the tribal students of modern facilities and lack of monitoring of the schools by the Project Officers.

(Paragraph 3.7)

9 Procurement, processing of milk and sale of milk and milk products

The Dairy Development Department was constituted in 1958 with the twin objectives of supplying hygienically processed milk to the consumers at reasonable price and encouraging villagers to produce milk as an alternative source of income. Dairy activities mainly consist of procurement of milk, processing and conversion of milk into milk products and sale of milk and milk products. There was a decline in procurement of milk by Government milk dairies during 2000-01 to 2004-05 due to inefficient working of Government Milk Scheme. There was excess payment due to lack of testing of fat/solid not fat content of milk in procurement of milk. Bulk sales of milk were made to private parties at less than procurement cost which led to undue benefit to them.

(Paragraph 3.8)

10 Evaluation of internal control mechanism and internal audit system in Public Health Department

Internal control system is an integral process by which an organisation governs its activities to effectively achieve its objectives. Such a system consists of methods and policies designed to prevent fraud, minimise errors, promote operating efficiency and to achieve compliance with established policies to protect resources against loss due to waste, abuse and mismanagement. An evaluation of the internal controls and internal audit system in Public Health Department during the period 2000-05 revealed weaknesses of the internal controls in vogue in the Department, non-compliance with rules, manuals, codes in the areas of budget preparation, procurement and an ineffective internal audit system.

(Paragraph 5.1)

11 Transaction Audit Findings

Audit of financial transactions, subjected to test-check, in various departments of the Government and their field functionaries revealed instances of losses, overpayment and wasteful expenditure etc. of over Rs 360.08 crore as mentioned below:

- Unfruitful expenditure, avoidable expenditure and misutilisation of funds amounted to Rs 144.10 crore were noticed in Co-operation and Textiles Department (Rs 110.04 crore), Home Department (Rs 1.50

crore), Housing Department (Rs 5.09 crore), Planning Department (Rs 77 lakh), Public Works Department (Rs 2.84 crore), Revenue and Forest Department (Rs 12.64 crore), Rural Development and Water Conservation Department (Rs 1.14 crore), Water Resources Department (Rs 6.68 crore) and Water Supply and Sanitation Department (Rs 3.40 crore).

- Violations of contractual obligations and undue favour to contractors amounting to Rs 22.05 crore were noticed in Housing Department (Rs 6.14 crore), Revenue and Forests Department (Rs 12.11 crore) and Water Resources Department (Rs 3.80 crore).
- Wasteful expenditure of Rs 20.17 crore were noticed in Agriculture, Animal Husbandry, Dairy Development and Fisheries Department (Rs 1.72 crore), Housing Department (Rs 1.60 crore), Planning Department (Rs 91 lakh), Rural Development and Water Conservation Department (Rs 4.12 crore), Water Resources Department (Rs 10.77 crore) and Water Supply and Sanitation Department (Rs 1.05 crore).
- There was unauthorised payment of Rs 1.53 crore by Agriculture, Animal Husbandry, Dairy Development and Fisheries Department.
- There was idle investment/blocking of funds amounting to Rs 10.59 crore in Forest Department (Rs 52 lakh), Urban Development Department (Rs 8.42 crore) and Water Resources Department (Rs 1.65 crore).
- There was accumulation of dues to the tune of Rs 161.64 crore due to failure to create share capital redemption fund by the Co-operative sugar mills under Co-operation Department.

Some of the important findings are as shown below:

- In the scheme for compensating the farmers whose orange trees had perished due to scanty rains, it was noticed that in 13 Taluka Agriculture Offices test checked in three districts, Rs 60.23 lakh was paid to 762 beneficiaries on the basis of 'joint survey' report though there was no entry relating to the existence of orange trees in the relevant revenue records.

(Paragraph 4.1.1)

- Infertuous expenditure of Rs 1.60 crore on construction of aqua privy blocks and infrastructure due to decision of the Government to provide pitches to the slum dwellers instead of constructed tenements free of cost and its subsequent change.

(Paragraph 4.2.2)

- Excess expenditure of Rs 90.65 lakh on soil and water conservation works due to error in fixing Employment Guarantee Scheme rates and inordinate delay in its rectification.
(Paragraph 4.2.3)

- Wasteful expenditure of Rs 4.12 crore on construction of Minor Irrigation Tank and incomplete canals at Asane, Radhanagari without obtaining clearance from Forest Department.
(Paragraph 4.2.4)

- Failure of the departmental authorities to inform the Arbitrators about his invalid appointment and to act on the ex-parte award given by arbitrator and failure to file a written objection within 30 days before the court led to avoidable liability of Rs 2.29 crore.
(Paragraph 4.4.7)