

Overview

The report comprises five chapters; the first two contain observations on the Finance and Appropriation Accounts of the Government for the year 2006-07 and the remaining three chapters contain six performance audits of certain selected programmes and activities, including audit of the internal control mechanism in the Women and Child Development Department and 41 paragraphs on audit of financial transactions of the various Government Departments and statutory corporations.

The audit has been conducted in accordance with the Auditing Standards prescribed for the Indian Audit and Accounts Department. Audit samples have been drawn based on statistical sampling methods as well as on judgemental basis. The audit conclusions have been drawn and recommendations made taking into consideration the views of the Government.

A summary of the financial position of the State and audit comments on the performance of the Government in the implementation of certain programmes and schemes as well as the internal control mechanism in the Women and Child Development Department is given below:

1 Financial position of the State Government

During 2006-07, revenue receipts increased to Rs 62,195 crore at a growth rate of 28 *per cent*, as against revenue expenditure of Rs 61,385 crore which increased by 17 *per cent* over the previous year. The augmentation in the State's tax and non-tax revenue receipts led to a revenue surplus of Rs 810 crore during the year as against deficit of Rs 3,842 crore during 2005-06. The reduction in net loan disbursed along with the revenue surplus resulted in reduction of fiscal deficit by Rs 6,078 crore (34 *per cent*) during 2006-07 over the previous year. The annual reduction targets for 2006-07 of revenue and fiscal deficits relative to GSDP laid down under the Rules framed under the MFRBM Act, were successfully achieved during the year. However, the fiscal liabilities increased from Rs 1,42,491 crore in 2005-06 to Rs 1,57,039 crore in 2006-07 and stood at 32 *per cent* of the GSDP as on 31 March 2007. Although, it is not uncommon for the State to borrow for creating and strengthening its social and economic infrastructure, but the low productivity and negligible return on the government investments relative to their cost of borrowings remained a cause of concern.

During 2006-07, the overall savings of Rs 8,079.24 crore was the result of savings of Rs 9,035.54 crore in 215 cases of grants and appropriations, offset by excesses of Rs 956.30 crore in 29 cases of grants and appropriations.

2 Employment Guarantee Scheme in Maharashtra

The Employment Guarantee Scheme (EGS), originally conceived as a tool for drought relief, to check rural migration and starvation, had emerged as a major programme for poverty alleviation through employment generation and asset creation. Out of Rs 10,818.44 crore collected under the Employment Guarantee Fund during 2002-2007, only Rs 4,677.24 crore had been spent during the period. Planning was done without factoring in the demand for work at village level and was still top down. The people living in 'C' class municipalities were deprived of the benefits of the Scheme. Funds of Rs 25.59 crore were blocked on incomplete works for want of revised administrative approvals, clearance for use of forest land and permission for the private land from the landowners. Against the prescribed wage rate of Rs 45 per day, actual payment made ranged between Rs 8.32 and Rs 182 per day and payment of wages to labourers delayed even upto 13 months. Jawahar wells under EGS remained incomplete and subsidies for plantation under Horticulture programme were paid without mandatory survey of survival. There were shortfalls ranging from 46 to 100 *per cent* in inspections of the works by various officials of the implementing agencies. Thus, the scheme objectives of poverty alleviation through employment generation and asset creation were not fully achieved.

(Paragraph 3.1)

3 Gosikhurd Irrigation Project

The Gosikhurd Project (estimated cost: Rs 372.22 crore) planned in 1983 was to be completed by March 1990. It was handed over to Vidharbha Irrigation Development Corporation for speedy execution in April 1997. Expenditure incurred as of March 2007 was Rs 1,988.53 crore and second revised administrative approval for Rs 5,479 crore was submitted to the Government in March 2007. Project planning was not full-proof, neither any activity chart was prepared for the project as a whole, resulting in huge time and cost over run. Sixty two *per cent* of required land was yet to be acquired. The Benefit Cost Ratio of the Project, as per the prescribed norms would be much less than the one calculated initially. Utilisation of irrigation potential under the Tekepar Lift Irrigation Scheme, the only completed component of the project, was only 13 to 50 *per cent* during 2002-07. As against the norm of 33 *per cent*, establishment expenditure in two canal divisions ranged upto 127 *per cent* and 425 *per cent* respectively of the works expenditure. Few project affected persons shifted to rehabilitation sites though Rs 41.28 crore was spent on civic amenities created at 43 alternative sites. Extra expenditure of Rs 15.15 crore was incurred due to irregular sanction of extra items. Lapse of land awards and delay in declaration of awards of lands resulted in extra cost of Rs 8.61 crore. Mobilisation advance of Rs 11.93 crore was paid in excess to a contractor. Final approval to environment clearance plan submitted in April 2001 to the Union Ministry of Environment and Forests was not received.

(Paragraph 3.2)

4 Development of education for SCs and STs

State Government implemented various Central and State schemes for promotion of education for the SC and ST students. Government did not conduct any survey of the beneficiaries and the schemes were implemented without taking into account the targeted population. Of the Central share of Rs 336.59 crore receivable under the post-Matric scholarship scheme, GOI released only Rs 241.12 crore during 2002-07. In 65 colleges, post-Matric scholarships amounting to Rs 1.96 crore, pertaining to 4,452 students, were pending for sanction. Besides, scholarships amounting to Rs 3.51 crore were not disbursed in these colleges and five Universities as of March 2007. In 10 Ashram Type Schools, 1,452 double decker cots costing Rs 1.07 crore were lying idle since 2004-05, as the Ashram Type Schools lacked hostel facilities and the classrooms were used as hostels. Facilities like generator sets and water purifiers though purchased were lying unused.

(Paragraph 3.3)

5 RASHTRIYA SAM VIKAS YOJANA

Government of India (GOI) introduced the Rashtriya Sam Vikas Yojana in 2003-04 for addressing the problems of low agricultural productivity and unemployment and to fill up the critical gaps in physical and social infrastructure, in nine backward districts of the State. Rupees 15 crore per year per district were to be released for three years by Government of India to the Government of Maharashtra. Out of the total plan outlay of Rs 330 crore, Government of India did not release Rs 120 crore due to delay in utilising the funds, as execution of the work was slow. Of the balance, Rs 40.50 crore (19 *per cent*) remained unspent. Release of funds by the State to DRDAs was delayed by one to nine months causing slow progress of works. District Rural Development Agencies reported inflated expenditure of Rs 8.49 crore to get the next installment of the funds from Government of India. Due to inclusion of more sectors with large number of schemes in the District Plans 13 to 56 *per cent* of the schemes remained unimplemented and agricultural productivity and employment generation were given low priority compared to the construction works. Excess subsidy of Rs 1.70 crore was paid to provide infrastructural support to the artisans. Machinery and designs costing Rs 44.55 lakh procured by an NGO for the artisans remained unused for want of Common Facility Centre. In two districts, Rs 5.89 crore was spent on execution of works and delivery of services not included in the approved District Plans.

(Paragraph 3.4)

6 Computerisation in Agriculture Department

For computerisation of various administrative, technical and monitoring functions of the Agriculture Department, Government appointed (June 1999) the National Informatics Centre (NIC), Pune as its Turnkey Solution Provider. As of March 2007, Rs 13.81 crore was spent on computerisation. Six modules developed by October 2001 at a cost of Rs 33.55 lakh were not in use for want of trained staff. In the absence of the source code for the modules, the Department had to depend on the NIC, for modifications. Logical access controls were absent making the software in use unreliable and Web based application Agriculture Census was not updated and was not used for decision making for want of correct, complete and updated data, resulting in additional liability of Rs 14.85 crore in two districts.

(Paragraph 3.5)

7 Internal control mechanism in the Women and Child Development Department

Internal control structure is an integral component of an organisation's management processes, which provide reasonable assurance that the operations are being carried out effectively and efficiently. A review of internal controls in Women and Child Development Department disclosed that budgetary and expenditure controls were not adequately observed in the Department. The Commissioner, W&CD finalised the budget estimates by adding 10 *per cent* over the current year's estimates. As a result, there were large savings. The moneys could not be appropriated for other schemes as surrender of the savings was delayed. The rules and procedures prescribed to prevent fraud and misappropriation of cash were flouted by the DDOs. Demand drafts worth Rs 98.73 lakh were not disbursed by the Commissioner, ICDS for nearly two years. Procedures for fixing the rates for procurement of the materials were not followed by the Commissioners and the DWCDOs and bulk purchases were made at retail prices. Quality control of the food supplied was not ensured. At times, substandard food was served to the children. The operational controls were also found to be inadequate. There was no departmental manual. Delivery of services, particularly health check ups of the children in *anganwadis*, was poor. There were large vacancies in key posts, particularly of DWCDOs, CDPOs and Assistant CDPOs. There was no check on misutilisation of grants-in-aid to non-government organisations and Zilla Parishads as assessment of grants paid was pending. Vigilance units were not formed for conducting surprise checks of ICDS projects. District Advisory Boards for reviewing and improving the schemes were not established. There were shortfalls in inspections of the works by the various officials of the implementing agencies. There was no internal audit in the Commissionerate of ICDS and the wing in the Commissionerate of W&CD was under-staffed.

(Paragraph 5.1)

8 Transaction audit findings

Audit of financial transactions, subjected to test-check, in various departments of the Government and their field functionaries showed instances of excess payment and wasteful expenditure etc. of over Rs 106.34 crore as mentioned below:

Misappropriation/fraudulent payments amounting to Rs 2.20 lakh were noticed in the departments of Public Health (Rs 1.77 lakh) and Revenue and Forests (Rs 0.43 lakh).

Excess payments and wasteful and infructuous expenditure amounting to Rs 10.22 crore were noticed in the departments of Environment (Rs 42.60 lakh) Higher and Technical Education (Rs 57.21 lakh), Medical Education and Drugs (Rs 34.08 lakh), Public Works (Rs 35.00 lakh), Revenue and Forests (Rs 1.87 crore), School Education (Rs 3.69 crore) and Water Resources (Rs 2.97 crore).

Violations of contractual obligations, undue favours to contractors and avoidable expenditure amounting to Rs 56.28 crore were noticed in the departments of Co-operation (Rs 1.30 crore), Finance (Rs 14.71 crore), Food, Civil Supplies and Consumer Protection (Rs 1.27 crore), Forest (Rs 31.43 lakh), Home (Rs 1.68 crore), Housing (Rs 1.14 crore), Medical Education and Drugs (Rs 82.68 lakh), Urban Development (Rs 7.84 crore), Water Resources (Rs 20.60 crore), Water Supply and Sanitation (Rs 6.42 crore).

Idle investment/idle establishment/blocking of funds and unfruitful expenditure amounting to Rs 11.75 crore were noticed in departments of Agriculture (Rs 3.24 crore), Home (Rs 3.20 crore), Public Health (Rs 1.95 crore), Public Works (Rs 1.73 crore) and Rural Development and Water Conservation (Rs 1.63 crore).

Regularity issues like overpayment of pension, short recoveries and award of work without tendering, drawal of money in advance of requirement amounting to Rs 28.07 crore were noticed in the Departments of Finance (Rs 23.72 lakh), Housing (Rs 1.68 crore), Water Resources (Rs 24.01 crore) and Revenue and Forests (Rs 2.14 crore).

Some of the important findings are as follows:

- Execution of a part of a work even when the land required for other part of the work was not made over to the Department, resulted in wasteful expenditure of Rs 1.65 crore.

(Paragraph 4.2.7)

- Failure to fix the upset price of a property and to consider the prevailing market rate of land while accepting the offer of a contractor and subsequent cancellation of the offer resulted in payment of interest of Rs 1.30 crore to him.

(Paragraph 4.3.1)

- Delay in commissioning an on-line lottery scheme and non-enforcement of contract provisions resulted in non-recovery of Rs 14.06 crore from the Agency.
(Paragraph 4.3.2)
- Challenging the Arbitrator's award, knowing fully well that the Department was at fault, led to avoidable expenditure of Rs 4.33 crore.
(Paragraph 4.3.14)
- Failure of the Department in incorporating standard wording of Clause 38 in the contract led to avoidable payment of Rs 92.21 lakh to a contractor.
(Paragraph 4.3.18)
- Delay in release of funds by the Government resulted in avoidable expenditure of Rs 1.97 crore on account of penal interest paid on Secured Redeemable Non-Convertible Bonds.
(Paragraph 4.3.21)
- Food and Civil Supplies Department paid transportation claims without verification of genuineness of the claim, resulting in irregular expenditure of Rs.1.27 crore on doubtful transportation of paddy.
(Paragraph 4.3.4)
- Failure to incorporate a clause for levy of interest on delayed payment of Ground Lease Rent in a lease deed resulted in loss of Rs 7.25 crore to the Mumbai Metropolitan Region Development Authority upto January 2007.
(Paragraph 4.3.9)
- Non-installation of video conferencing systems in jails by the Home Department resulted in underutilisation of the video conferencing systems installed in the courts, rendering the expenditure of Rs 93.88 lakh incurred on them largely unfruitful.
(Paragraph 4.4.3)
- Even after closure of activities of the Government Milk Scheme, Satara, unproductive expenditure of Rs 3.24 crore was incurred on idle staff up to March 2007.
(Paragraph 4.4.1)
- In absence of a trained operator, the Computerised Tomography Scan unit costing Rs 1.41 crore has not been put to use for 22 months.
(Paragraph 4.4.4)
- Independent works costing Rs 24.01 crore were allotted to contractors as extra items or additional items without inviting tenders in violation of the manual provisions.
(Paragraph 4.5.3)