

Overview

The report comprises five chapters; the first two contain observations on the Finance and Appropriation Accounts of the Government for the year 2007-08 and the remaining three chapters contain five performance audits of certain selected programmes and activities, including audit of the internal control mechanism in the Forest Department and 46 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 Forest Department is given below:

1 Financial position of the State Government

The fiscal position of the State viewed in terms of the key fiscal parameters – revenue, fiscal and primary deficits – indicated significant improvement in 2007-08 relative to the previous year. The State has achieved the revenue and fiscal deficits targets relative to GSDP laid down under the Rules framed under the MFRBM Act during the year. The improvement in fiscal position of the State was observed to be mainly on account of increase in revenue receipts by Rs 17,388 crore (28 *per cent*) against an increase of Rs 3,395 crore (6 *per cent*) in revenue expenditure resulting in a steep increase of Rs 13,993 crore in revenue surplus in 2007-08 over the previous year. The State Government has managed to enhance the revenue receipts sharply during the year mainly on account of transfer of Rs 10,868 crore from 18 statutory funds maintained in Public Account to Consolidated Fund of the State as non-tax receipts through its Resolutions dated 10 and 15 March 2008 issued in pursuance to Maharashtra Ordinance No. II of 2008 dated 22 February 2008 and ratified vide Maharashtra Act No. V of 2008 dated 19 March 2008 and cabinet decision dated 3 May 2007 on the plea that the surplus amount lying in these funds cannot be utilised for any other purposes mentioned in the Acts under which these funds are maintained in the Public Account. The expenditure pattern of the State reveals that the revenue expenditure as a percentage to total expenditure still constitutes around 84 *per cent* of the total expenditure during 2007-08 and its NPPE component at Rs 54,505 crore during 2007-08 although was within the BE for the year (Rs 56,329 crore) but exceeded both the normative projection of the TFC for the State (Rs 43,795 crore) and State's

projection in its FCP (Rs 53,568 crore). Moreover, within the non-plan revenue expenditure, four components – salary expenditure (exclusive of salary component of GIA), pension liabilities, interest payments and subsidies – constitute about 54 *per cent* of NPRE during 2007-08. The increasing fiscal liabilities accompanied with negligible rate of return on Government investments and inadequate interest cost recovery on loans and advances might lead to a situation of unsustainable debt situation in medium to long run unless suitable measures are initiated to compress the non-plan revenue expenditure and to mobilise the additional resources both through the tax and non-tax sources in ensuing years. Besides, the State resorted to giving guarantees to various institutions for raising resources in a big way and outstanding guarantees as on 31 March 2008 were almost 73 *per cent* of the total revenue receipts and amounted to 10.07 *per cent* of GSDP in the current year. In case the Statutory corporations, Government companies, Co-operative banks and sugar factories continued to incur losses, there is inherent risk of invocation of Government guarantees which the State would have to honour out of its finances as it has not even set up the Guarantee Redemption Fund so far to meet such eventualities. The inordinate delays in completion of incomplete projects particularly irrigation projects in the State resulted in huge cost and time overruns is also a cause of concern for the State Government as revealed by the Report even on the basis of the fractured information made available by the respective departments of the State Government.

During 2007-08, the overall savings of Rs 16,719.06 crore was the result of savings of Rs 17,306.47 crore in 231 cases of grants and appropriations, offset by excesses of Rs 587.41 crore in 22 cases of grants and appropriations.

2 Management of Bio-medical Waste in Maharashtra

Government of India framed the Bio-medical Waste (Management and Handling) Rules, 1998, under the provisions of the Environment (Protection) Act, 1986 which prescribed the procedures for treatment and disposal of bio-medical waste generated by health care establishments (HCEs) such as hospitals, nursing homes, blood banks and veterinary institutions.

The Maharashtra Pollution Control Board (MPCB) neither conducted any survey of institutions which did not require authorisations but were required to treat bio-medical waste in the prescribed manner nor ascertained the mode of treatment of bio-medical waste generated by them. None of the 4,710 veterinary institutions under the jurisdiction of the Animal Husbandry Department of the State had obtained authorisations under the Bio-medical Waste (Management and Handling) Rules, 1998 from the MPCB. As of March 2007, 8168 hospitals and nursing homes neither had an individual facility nor joined common facility for disposal of bio-medical waste. The MPCB reported incomplete figures of bio-medical waste generated and disposed of, to the Central Pollution Control Board. Eleven HCEs did not segregate bio-medical waste as per colour codes envisaged in the Rules. Operators of common treatment facilities in nine districts did not observe the operational parameters

of time, temperature and pressure to ensure proper treatment of bio-medical waste. Plastic waste was sold to unauthorised recyclers without disinfection by 17 hospitals. Deep burial pits were being filled fully instead of half with BMW without the requisite layers of lime and soil by 58 health care establishments having a common treatment facility in Kolhapur District and three other hospitals having individual treatment facilities. Thirty one hospitals did not have effluent treatment facilities. The MPCB did not check the standards of liquid waste before they were discharged into public drains. The MPCB also did not fix any norms for inspection and verification of HCEs and common treatment facility operators by its officers. An Advisory Committee constituted in January 2003 met only once in September 2004. The Committee had not given any suggestions to the Government on management of Bio-medical Waste.

(Paragraph 3.1)

3 MP/MLA/MLC's Local Area Development Schemes

Government of India introduced the Members of Parliament Local Area Development Scheme in 1993-94, under which developmental works were taken up in each parliamentary constituency on the recommendations of the Members of Parliament. The Government of Maharashtra had introduced the Small Works Programme Based on Felt Needs of the District in 1984-85, which was re-christened as the Members of Legislative Assembly/Members of Legislative Council Local Area Development Programme in 1996, under which developmental works were taken up in assembly constituencies on the recommendations of the concerned Members of Legislative Assembly and Members of Legislative Council.

Central funds of Rs 204.83 crore for the scheme were received short due to non-recommendation of works by the MPs. Four out of nine test-checked District Collectorates had not distributed unspent balances of Rs 6.04 crore in respect of 16 former Rajya Sabha Members among the sitting Rajya Sabha Members, as required. Six out of nine test-checked District Collectors had sanctioned works costing Rs 2.36 crore during 2003-08 which were not covered under the Members of Parliament Local Area Development Scheme and Members of Legislative Assembly/Members of Legislative Council Local Area Development Programme. Government sanctioned 24 works during 2006-08 under the Local Area Development Programme, as special cases, which were not covered by the guidelines. In four out of nine test-checked districts, the Collectors had not carried out any inspections of works under the Members of Parliament Local Area Development Scheme. Irregularities pointed out in earlier Audit Reports, viz., retention of unspent balances, delay in sanction of works, delay in execution of works, lapses in monitoring continue to persist during 2003-08.

(Paragraph 3.2)

4 Management of Prisons in Maharashtra

Prisons in Maharashtra were established under the Prisons Act, 1894 with the purpose of confining offenders committing offences under the various laws. Apart from providing custodial care to offenders of laws and thus isolating them from the general community for a certain period of time with a view to ensuring security, peace and tranquility, the Home Department also undertook planned programmes aimed at reforming them as part of social reclamation. There was short receipt of Central funds of Rs 4.78 crore due to non-utilisation of funds by the State in time. Provisions of financial codes were not adhered to in the maintenance of cash books. As of 31 March 2008, 587 posts of security staff, (15.5 *per cent*) were lying vacant. Modern security equipments like closed circuit televisions, hand and door metal detectors, walkie talkies, X-Ray searching machines etc., were not installed in the prisons. Armoury of the prisons constituted mainly of 1078 antiquated 0.410 musket rifles. The problem of overcrowding in prisons was severe and the average occupancy in the prisons in the State was 147 *per cent* of their capacities. In Mumbai and Thane Central Prisons and Solapur, Kalyan, Byculla, Alibag, Buldhana, Parbhani, Ahmednagar, Chandrapur, Nanded and Wardha District Prisons, the average occupancy rates ranged from 157 to 402 *per cent*. As of March 2008, 36 *per cent* of works taken up under a scheme for modernisation of prison administration was in progress while seven *per cent* had not been started at all. Computerisation programme envisaged in the year 1999 has not yet been implemented. Non-official members had not been appointed for Boards of Visitors in 32 prisons. Inspections of the prisons were not regularly carried out by the Inspector General of Prisons. Internal audit of 42 units was pending for periods ranging upto 35 years. Model Prison Manual, 2003 furnished by the Government of India to the State Government for adoption, was not yet adopted.

(Paragraph 3.3)

5 Information Technology Audit of Lottery Allotment System in the Maharashtra Housing and Area Development Authority

The activities of the Mumbai Housing and Area Development Board (MHADB), a unit of the Maharashtra Housing and Area Development Authority include construction of residential buildings under different schemes for different sections of the society and their allotment to the beneficiaries. Computerisation of the various functions of MHADA was initiated in December 1995. Application software being used by MHADB for their activities relating to the processing of applications for tenements, picking of lotteries and allotment of tenements were 'Application Form', 'Lottery Management System' and 'Marketing Cell' respectively. Standard procedures in respect of system development were not followed for development of applications software. Application form as well as application systems lacked essential information about applicants. Duplicate applications for tenements

under the same category had been considered in respect of 34 cases and 112 cases for the lottery held in the years 2006 and 2005 respectively. Same applicants had applied for tenements under more than one income group in respect of 680 cases and 348 cases considered for lottery drawn in the years 2006 and 2005 respectively. Two tenements were allotted to applicants in the lottery held in 2005, two tenements were allotted to applicants in 2006 in respect of two cases and four existing MHADB tenement holders were again allotted tenements in the lottery held in 2005 and 2006. Sixty two out of 160 tenements having a total sale price of Rs 2 crore, located at Mankhurd and meant for the 'Low Income Group' in respect of the lottery held in July 2006 were yet to be allotted. Security policy had not been formulated to ensure security of the data. The application also lacked audit trails.

(Paragraph 3.4)

6 Internal control mechanism in the Forest Department

Internal control is an integral component of an organisation's management processes, which are established in order to provide reasonable assurance that the operations are being carried out effectively and efficiently, financial reports and operational data are reliable and the applicable laws and regulations are being complied with so as to achieve organisational objectives.

In Forest Department, large savings under the plan expenditure indicated deficiencies in budgeting, planning and execution of the plan. Funds drawn from the treasury/sub treasury offices were not entered in the cash book exposing the organisation to the risk of misappropriation and fraud. In violation of provisions contained in Bombay Contingency Fund Rule, non-plan expenditure of Rs 44 crore was incurred out of Contingency Fund though the same was included and demanded in regular estimates. Departmental Manual prepared in the year 1959 had not been updated. Development works in the National Park were executed at a cost of Rs 1.74 crore without the approval of committee and Principal Chief Conservator of Forests (Wild Life). No mechanism existed to ensure prescribed checks in plantation work by the Chief Conservator of Forests and Conservator of Forests. Chief Conservator of Forests and Deputy Conservator of Forests did not conduct mandatory inspections of Saw mills despite shortfall in inspection by the Range Forest Officers. There were arrears in internal audit and initiative to rectify the mistakes and deficiencies pointed out in internal audit was inadequate.

(Paragraph 5.1)

7 Transaction audit findings

Audit of financial transactions, subjected to test-check, in various departments of the Government and their field functionaries showed instances of misappropriation/fraudulent payments, excess payment, wasteful expenditure, idle investment, irregular expenditure etc. of over Rs 104.63 crore as mentioned below:

Misappropriation/fraudulent payments amounting to Rs 1.66 crore were noticed in the departments of Home (Rs 5.08 lakh), Public Health (Rs 24.56 lakh), Public Works (Rs 1.36 crore) and Revenue and Forest (Rs 0.30 lakh).

Excess payments and wasteful and infructuous expenditure amounting to Rs 23.56 crore were noticed in the departments of Environment (Rs 33.37 lakh), Housing (Rs 18.79 crore), Maharashtra Legislature Secretariat (Rs 49.78 lakh), Public Works (Rs 1.19 crore), Water Resources (Rs 2.29 crore) and Water Supply and Sanitation (Rs 46.34 lakh).

Violations of contractual obligations, undue favours to contractors and avoidable expenditure amounting to Rs 36.78 crore were noticed in the departments of Home (Rs 4.84 crore), Medical Education and Drugs (Rs 11.29 crore), Public Works (Rs 2.83 crore), Housing (Rs 3.46 crore), Urban Development (Rs 4.44 crore) and Water Resources (Rs 9.92 crore).

Idle investment/idle establishment/blocking of funds and unfruitful expenditure amounting to Rs 29.44 crore were noticed in departments of Home (Rs 43.29 lakh), Public Works (Rs 4.05 crore), Rural Development and Water Conservation and Water Resources (Rs 3.65 crore), School Education (Rs 2.52 crore), Tribal Development (Rs 4.45 crore) and Water Supply and Sanitation (Rs 14.34 crore).

Regularity issues like execution of inadmissible works, award of work without tendering, irregular payment of grants etc. amounting to Rs 13.19 crore were noticed in the Departments of Planning (Rs 78.22 lakh), Public Works and Water Resources (Rs 10.41 crore) and School Education (Rs 2 crore).

Some of the important findings are as follows:

- Payment of Rs 1.35 crore to the contractor against fake invoices for purchase of bitumen resulted in fraudulent payment in Public Works Division, Nilanga.
(Paragraph 4.1.3)
- Failure of the Maharashtra Housing and Area Development Authority to ensure the fulfillment of terms and conditions of allotment and taking action for the violation resulted in unauthorised occupation of land. Subsequent delay in taking a decision for regularisation resulted in non-recovery of Rs 12.75 crore on account of lease premium, rent and penalty and consequential loss of interest of Rs 1.53 crore on it.
(Paragraph 4.2.2)
- Investment of funds by the Slum Rehabilitation Authority in a loss making corporation having net worth of less than Rs 50 crore, contrary to Government guidelines, resulted in loss of interest of Rs 1.41 crore.
(Paragraph 4.2.4)

- Consideration of indices of the last months alone instead of the average indices of the entire period under consideration resulted in excess payment of price escalation of Rs 1.32 crore to the contractor by Executive Engineer, Upper Pravara Canal Division, Ahmednagar.
(Paragraph 4.2.9)
- Failure to provide adequate funds in time for construction of a 500-bedded hospital building at Bhausahab Hire Government Medical College, Dhule resulted in inordinate delay in its construction and avoidable burden of Rs 6.36 crore.
(Paragraph 4.3.3)
- Unauthorised deviation in specification from uncoursed rubble masonry to colgrout masonry led to avoidable expenditure of Rs 2.13 crore by the Executive Engineer, Purna Medium Irrigation Division, Achalpur.
(Paragraph 4.3.9)
- Incorrect charge of the excise duty by the Executive Engineer, Bembla Project Division, Yavatmal resulted in undue benefit of Rs 1.47 crore to the contractor.
(Paragraph 4.3.10)
- Failure to regulate payments for work done as per the stipulations in the contract led to extra contractual payment of Rs 1.35 crore to the contractor by the Executive Engineer, Upper Pravara Dam Division, Sangamner.
(Paragraph 4.3.11)
- The Kasola Minor Irrigation (MI) project was approved based on a wrong survey report. The MI tank was constructed by the Executive Engineer at a cost of Rs 1.66 crore, though it was known to him that construction of the proposed canal was not feasible due to odd topography of the site.
(Paragraph 4.4.6)
- In School Education Department, expenditure of Rs 2.52 crore incurred on the Continuous Education Centres was rendered unfruitful as the centres stopped functioning for want of funds.
(Paragraph 4.4.8)
- Non-issue of the detailed norms and plan for implementation of the Gharkul Yojana resulted in blocking of Rs 4.45 crore, besides deprivation of intended benefits to the tribals.
(Paragraph 4.4.9)
- Failure of Maharashtra Jeevan Pradhikaran to obtain forest clearance for commencement of non-forest works on forest land and subsequent stoppage of works resulted in blockage of funds amounting to Rs 8.81 crore.
(Paragraph 4.4.12)

- Failure of Maharashtra Jeevan Pradhikaran to convince the Zilla Parishad, Yavatmal to take over a water supply scheme for operation and maintenance and following their refusal, to operate and maintain it as per Government instructions resulted in idle investment of Rs 1.13 crore.

(Paragraph 4.4.13)

- School Education and Sports Department of the Government gave irregular financial assistance of Rs 2 crore to a private organisation in contravention of their guidelines.

(Paragraph 4.5.3)