

CHAPTER - I

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Chapter I: Introduction

1.1 About this Report

This Report of the Comptroller and Auditor General of India (C&AG) on Government of Maharashtra relates to matters arising from Performance Audit of selected programmes and activities and Compliance Audit of Government Departments and Autonomous Bodies falling under Economic Sector.

Compliance Audit refers to examination of the transactions relating to expenditure 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. On the other hand, Performance Audit examines whether the objectives of an organization, programme or a scheme have been achieved economically, efficiently and effectively.

The primary purpose of the Report is to bring to the notice of the State Legislature, important results of Audit. 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.

This chapter, in addition to explaining the planning and extent of audit, provides a synopsis of the significant deficiencies in implementation of selected schemes, significant audit observations made during the audit of transactions and follow-up on previous Audit Reports. Chapter II of this Report contains findings arising out of Performance Audit of two schemes/projects - one on Public Works Department and other on Food, Civil Supplies and Consumer Protection Department. Chapter III presents observations on audit of transactions in Government Departments and Autonomous Bodies.

1.2 Audited entity profile

The Departments in the Economic Sector in the State at the Secretariat level, headed by Additional Chief Secretaries/Principal Secretaries/Secretaries and assisted by Directors/Commissioners and subordinate officers and Autonomous Bodies are audited by the Principal Accountant General (Audit)-I, Mumbai and the Accountant General (Audit)-II, Nagpur.

A summary of the State Government's fiscal operations during 2012-13 *vis-a-vis* the previous year is given in **Table 1**.

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Table 1: Summary of fiscal operations

(` in crore)

2011-12	Receipts	2012-13	2011-12	Disbursements	2012-13		
Secti on-A: Revenue					Non-Plan	Plan	Total
121286.14**	Revenue receipts	142947.23	123554.19	Revenue expenditure	114205.90	24530.08	138735.98
87608.46	Tax revenue	103448.58	42852.88	General services	47058.81	606.86	47665.67
8167.70	Non-tax revenue	9984.40	54812.21	Social services	46869.64	15169.33	62038.97

13343.34	Share of Union Taxes/Duties	15191.92	24868.75	Economic services	18944.11	8606.71	27550.82
12166.64	Grants from Government of India	14322.33	1020.35	Grants-in-aid and Contributions	1333.34	147.18	1480.52
Section B: Capital							
455.83	Miscellaneous Capital Receipts	0.00	17879.54	Capital Outlay	2303.38	15094.60	17397.98
558.74	Recoveries of Loans and Advances	862.85	836.28	Loans and Advances disbursed			1415.94
24452.56	Public debt receipts*	21725.12	6458.35	Repayment of Public Debt*			6652.52
1000.00	Appropriation from Contingency fund	725.00	500.00	Appropriation to Contingency fund			875.00
511.20	Contingency Fund	875.00	1000.00	Contingency Fund			734.62
53389.38	Public Account Receipts	47059.63	46962.93	Public Account Disbursements			35511.02
31509.39	Opening Cash Balance	35971.95	35971.95	Closing Cash Balance			48843.72
233163.24	Total	250166.78	233163.24	Total			250166.78
<i>Source: Finance Accounts of the respective years</i>							

*Excluding ways and means advances on two occasions for eight days
(Receipt: ` 391.50 crore and Disbursement: ` 391.50 crore)

**Includes ` 170.23 crore, the outstanding central loans under Central Plan Schemes and Centrally Sponsored Schemes advanced to State Governments by the Ministries other than Ministry of Finance written off as per the recommendation of the Thirteenth Finance Commission

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 of the Departments of Government of Maharashtra under Section 13¹ of the C&AG's (DPC) Act. Seven Autonomous Bodies are audited under Sections 19(3)² and 20(1)³ of the C&AG's (DPC) Act.

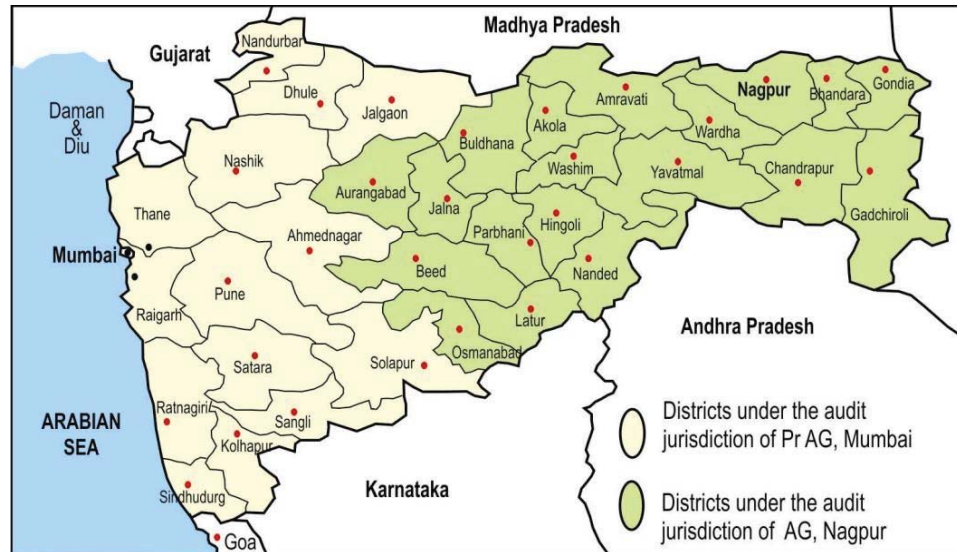
¹ Audit of (i) all transactions from the Consolidated Fund of the State, (ii) all transactions relating to Contingency Fund and Public Accounts and (iii) all trading, manufacturing, profit & loss accounts, balance sheets & other subsidiary accounts

² Audit of the accounts of a corporation established by law made by the Legislature of a State on the request of the Governor, in public interest

³ Audit of accounts of any body or authority on the request of the Governor, on such terms and conditions as may be agreed upon between the C&AG and the Government

1.4 Organizational structure of the offices of the Principal Accountant General (Audit)-I, Mumbai and the Accountant General (Audit)-II, Nagpur, Maharashtra

Under the directions of the C&AG, the offices of the Principal Accountant General (Audit)-I, Mumbai and the Accountant General (Audit)-II, Nagpur conduct the audit of the various Government Departments and offices/Autonomous Bodies/Institutions under them. While 16 districts from Konkan and Western Maharashtra fall under the audit jurisdiction of the Principal Accountant General (Audit)-I, Mumbai, the remaining 19 districts from Vidarbha and Marathwada are under the audit jurisdiction of the Accountant General (Audit)-II, Nagpur, as shown in the map below.



1.5 Planning and conduct of audit

The audit process starts with the assessment of risk faced by various Departments of the Government, based on expenditure incurred, criticality/complexity of activities, the levels of delegated financial powers, assessment of overall internal controls and concerns of stakeholders. Previous audit findings are also considered in this exercise. Based on this risk assessment, the frequency and extent of audit are decided. During 2012-13, 1,865 party-days were used to carry out audit of 232 units (Compliance Audit and Performance Audits) of the various Departments/organisations. 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 Departments. The Departments are requested to furnish replies to the audit findings within four weeks 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 of the Constitution of India.

1.6 Significant audit observations

In the past few years, Audit has reported several significant deficiencies in implementation of various programmes/activities through performance audits, as well as on the quality of internal controls in selected Departments. Similarly, the deficiencies noticed during compliance audit of the Government Departments/organisations were also reported upon.

1.6.1 Performance audit of programmes/activities/Departments

The present Report contains two performance audits. The highlights of these performance audits are given in the succeeding paragraphs.

1.6.1.1 Widening, Strengthening and upgradation of roads from Central Road Fund, National Bank for Agriculture and Rural Development and Thirteenth Finance Commission funds

Roads, bridges and buildings are basic infrastructure for socio-economic development of a nation. Government of India provides financial assistance to the State Governments for construction and maintenance of the roads and bridges through funds provided from the Central Road Fund, National Bank for Agriculture and Rural Development and Thirteenth Finance Commission.

Performance Audit of works carried out from the funds provided for the period 2008-13 revealed deficient planning leading to sanctioning of works regardless of their priority. Utilisation certificates for the previously released grants were not submitted timely thus, affecting the release of subsequent grants from the GoI. Funds were claimed in excess of the actual expenditure. The reporting on the status of works by the State Government to the GoI was not factual. Stipulated periods for completion of works were not adhered to and there were deviations from the sanctioned scope of works. There were instances of substandard execution of works and the prescribed quality control tests were not carried out. Monitoring of the progress of works was inadequate.

1.6.1.2 Implementation of Targeted Public Distribution System in Maharashtra

The Public Distribution System (PDS) is a Government of India (GoI) Sponsored Scheme and the State Governments are responsible for its implementation. PDS is a major instrument for ensuring timely availability of foodgrains to the public at affordable prices as well as providing food security for the poor. Under PDS, rice, wheat, sugar, edible oil, turdal and kerosene, as notified by the GoI, are distributed. To strengthen the PDS, GoI introduced the Targeted Public Distribution System in June 1997 for distribution of foodgrains at subsidised rates to the families living Below Poverty Line (BPL).

Performance Audit of the Scheme for the period 2008-09 to 2012-13 revealed that the list of BPL families was not reviewed every year for the purpose of deletion of ineligible families. While the allotted quota of foodgrains was not lifted by the State, there was avoidable expenditure on purchase of rice from

open market. Foodgrains were not tested before lifting from FCI. Construction of additional godowns for augmenting the storage capacity of essential commodities was far from satisfactory. The Scheme of direct transfer of cash subsidy on kerosene was lagging behind and implementation of Vehicle Tracking System was not effective. Monitoring of the Scheme was weak due to non-constitution of requisite number of Vigilance Committees at various levels. There were shortfalls in inspection of godowns, fair price shops and ration cards by the designated authorities.

1.6.2 Compliance audit of Government transactions

During compliance audit, significant deficiencies were noticed with regard to non-compliance with rules and regulations, expenditure without adequate justification and failure of oversight/governance. The important findings of compliance audit paragraphs included in this Report are indicated below.

1.6.2.1 Non-compliance with rules and regulations

For sound financial administration and control, it is essential that expenditure conforms to financial rules, regulations and orders issued by the competent authority. This helps in maintaining financial discipline and prevents irregularities, misappropriation and frauds. This report contains instances of non-compliance with rules and regulations shown as under:

- Award of work without ensuring possession of land for a project coupled with grant of mobilization advance of ` eight crore resulted in blocking of funds to that extent and avoidable loss of interest of ` 3.03 crore to the Government.

(Paragraph 3.1.1)

- The Water Resources Department incurred an avoidable extra expenditure of ` 1.24 crore on change in canal alignment due to commencement of work without possession of land.

(Paragraph 3.1.2)

- Failure to conduct subsurface investigations before framing the estimates and change in dam design after award of work of Popatkhedha minor irrigation project stage-II led to an extra expenditure of ` 2.52 crore.

(Paragraph 3.1.3)

- Incorrect application of rates for excavation in hard rock by controlled blasting resulted in an extra expenditure of ` 38.43 lakh and an unintended benefit to the contractor to that extent.

(Paragraph 3.1.4)

- Parking of grant-in- aid in the current account instead of savings account resulted in loss of interest of ` 74.21 lakh.

(Paragraph 3.1.5)

1.6.2.2 Audit against propriety and cases of expenditure without adequate justification

Authorisation of expenditure from public funds has to be guided by the principles of propriety and efficiency of public expenditure. Authorities empowered to incur expenditure are expected to enforce the same vigilance as a person of ordinary prudence would exercise in respect of his own money. Audit scrutiny revealed instances of impropriety and inadmissible payment/unfruitful expenditure of ` 3.83 crore shown as under:

- The Water Resources Department admitted the claim of a contractor for bringing sand from an alternate quarry in violation of the contract conditions, leading to inadmissible payment of ` 2.14 crore to the contractor on account of extra lead charges.

(Paragraph 3.2.1)

- The Water Resources Department disbursed ` 1.69 crore to 3,688 beneficiaries in Bhandara and Nagpur districts, displaced by Gosikhurd irrigation project, for computer training. The expenditure however, proved to be unfruitful as none of the beneficiaries turned up for training at the designated institutes and the training grants were retained by them.

(Paragraph 3.2.2)

1.7 Lack of responsiveness of Government to Audit

1.7.1 Inspection reports outstanding

The Accountant General (Audit)-II, Nagpur arranges to conduct periodical inspections of Government Departments 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 these IRs.

As of June 2013, 3,359 IRs (9,926 paragraphs) were outstanding. Year-wise position of outstanding IRs and paragraphs are detailed in **Appendix 1.1**.

1.7.2 Response of Departments to the draft paragraphs and Performance Audits

The draft paragraphs and Performance Audits were forwarded demi-officially to the Principal Secretaries/Secretaries of the concerned Departments between January 2012 and August 2013, with the request to send their responses within six weeks. The Government reply to one out of seven paragraphs featured in this Report was received and reply to Performance Audit on 'Widening, Strengthening and Upgradation of roads from Central Road Fund, National Bank for Agriculture and Rural Development and Thirteenth Finance

Commission funds' was not received. The replies, wherever received, have been suitably incorporated in the Report.

1.7.3 Follow-up on Audit Reports

According to instructions issued by the Finance Department, Government of Maharashtra in January 2001, Administrative Departments were required to furnish Explanatory Memoranda (EM) duly verified by Audit to the Maharashtra Legislature Secretariat in respect of paragraphs included in the Audit Reports, within three months of presenting the Audit Reports to the State Legislature. The Administrative Departments, however, did not comply with these instructions. The EMs in respect of 24 paragraphs/reviews for the period from 1991-92 to 2011-12 have not yet been received. The position of outstanding EMs from 2006-07 to 2011-12 is indicated in **Table 2**.

Table 2: Status of submission of EMs during 2006-12

Audit Report	Date of tabling the Report	Number of Paragraphs and Reviews	Number of EMs received	Balance
2006-07	25 April 2008	21	21	-
2007-08	12 June 2009	22	21	1
2008-09	23 April 2010	14	14	-
2009-10	21 April 2011 & 23 December 2011	13	12	1
2010-11	17 April 2012	15	10	5
2011-12	18 April 2013	11	2	9
Total		96	80	16

The EMs in respect of eight paragraphs relating to the period prior to 2006-07 were outstanding. Department-wise details are given in **Appendix 1.2**.

With a view to ensuring accountability of the Executive in respect of all the issues dealt with in the Audit Reports, the Public Accounts Committee (PAC) lays down in each case, the period within which Action Taken Notes (ATNs) on its recommendations should be sent by the Departments.

The PAC discussed 190 paragraphs pertaining to the Audit Reports for the years from 1985-86 to 2011-12 and gave 176 recommendations of which, ATNs were pending on 125 recommendations as indicated in **Table 3**.

Table 3: Position of outstanding ATNs on PAC recommendations

Year of Audit Report	PAC Report number	Year of PAC	Number of recommendations	Number of ATNs awaited on the PAC recommendations
1985-86 to 2001-02	16, 18, 19, 24, 28	1994-95	123	89
	1, 2, 4, 6, 7, 8	1995-96		
	20, 24, 25, 27	1997-98		
	3	2000-01		
	13	2003-04		
	8	2007-08		
	13	2008-09		
2002-03			0	0
2003-04			0	0
2004-05	14	2008-09	04	4
2005-06	8	2010-11	17	17
2006-07	9	2012-13	09	00
	15	2008-09	20	12
2007-08	13	2012-13	03	03
2008-09	--	--	0	0

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Year of Audit Report	PAC Report number	Year of PAC	Number of recommendations	Number of ATNs awaited on the PAC recommendations
2009-10	--	--	0	0
2010-11	--	--	0	0
2011-12	--	--	0	0
Total			176	125

The Department-wise position of PAC recommendations on which ATNs were awaited is indicated in the **Appendix 1.3**.