

CHAPTER - I

INTRODUCTION

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CHAPTER I

INTRODUCTION

1.1 About this Report

This Report of the Comptroller and Auditor General of India (C&AG) relates to matters arising from Performance audit of selected programmes and activities and Compliance audit of Government Departments and Autonomous Bodies of the Government of Maharashtra (GoM) falling under General and Social 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 organisation, programme or a scheme have been achieved economically, efficiently and effectively.

The primary purpose of this 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 working of selected schemes/projects, 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 two Performance Audits. Chapter III contains observations on audit of transactions in Government Departments and on Autonomous Bodies.

1.2 Audited Entity Profile

The Departments in the General and Social Sector 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 2016-17 vis-a-vis the previous year is given in **Table 1.1**.

Table 1.1: Summary of Fiscal operations during 2016-17

(₹ in crore)

2015-16	Receipts	2016-17	Disbursements	2015-16	2016-17		
Section-A: Revenue					Non-Plan	Plan	Total
185036	Revenue receipts	204693	Revenue expenditure	190374	171140	42089	213229
126608	Tax revenue	136616	General services	64370	70851	758	71609
13423	Non-tax revenue	12709	Social services	82317	63956 [#]	26326 [*]	90282
28106	Share of Union Taxes/Duties	33715	Economic services	38052	29006	14837	43843
16899	Grants from Government of India	21653	Grants-in-aid and Contributions	5635	7327	168	7495
Section B: Capital and Others							
17	Miscellaneous Capital Receipts	0	Capital Outlay	22793	5201	20348	25549
865	Recoveries of Loans and Advances	1746	Loans and Advances disbursed	1115	--	--	6277
37977 [*]	Public debt receipts [§]	48336	Repayment of Public Debt [§]	10043	--	--	11887
2962	Appropriation from Contingency fund	0	Appropriation to Contingency fund	962	--	--	0
962	Contingency Fund	0	Contingency Fund	2962	--	--	0
72747	Public Account Receipts	82466	Public Account Disbursements	66412	--	--	67102 [#]
49648	Opening Cash Balance	55553	Closing Cash Balance	55553	--	--	68750
350214	Total	392794	Total	350214	--	--	392794

Source: Finance Accounts of respective years

[#]Lower Rounding ^{*}Higher Rounding

[§]Excluding ways and means advances (Receipt: ₹ Nil and Disbursement: ₹ Nil)

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 GoM under the provisions of the C&AG's (DPC) Act, 1971 and Regulations on Audit and Accounts, 2007 issued by the C&AG.

1.4 Organisational Structure of the Offices of the Principal Accountant General (Audit)-I, Mumbai and the Accountant General (Audit)-II, Nagpur

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 17 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. The Autonomous Bodies are audited by the Principal Accountant General (Audit)-I, Mumbai and the Accountant General (Audit)-II, Nagpur.

1.5 Planning and Conduct of Audit

The audit process starts with the assessment of risk faced by various Departments of the GoM, based on expenditure incurred, criticality/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. Based on this risk assessment, the frequency and extent of audit are decided. During 2016-17, audit of 254 units (compliance and performance audits) of the various Departments/Organisations was carried out. 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 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 Significant Audit Observations

In the last 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, highlights of which are indicated below.

▪ Food and Drugs Administration

The Food and Drugs Administration (FDA) functions under the administrative control of Medical Education and Drugs Department (MEDD) in Maharashtra State. It is responsible for implementation of Food Safety and Standards (FSS) Act and Drugs and Cosmetics (D&C) Act as well as other Acts, Rules and orders designed to safeguard public health and to ensure quality of Drugs, Cosmetics and Food. FDA carries out important regulatory functions of granting and renewing license for drugs issued to the manufacturer/sellers in the State, investigates complaints regarding quality and overpricing of drugs, carries out inspections of the drug manufacturing and selling units, draws and tests samples of food and drugs so as to ensure quality as per standards. The FDA is also required to take legal action against the offenders.

The Performance Audit on 'Food and Drugs Administration' covered test-check of records for the period 2012-2017.

Some of the serious deficiencies noticed are as follows:

State Level Steering Committee required to be set up under the Food Safety and Standards Regulation, 2011 met only twice during 2012-17. Out of 30 district offices, four meetings each were held in Pune and Nanded between August 2013 and June 2017, while, in the remaining 28 district offices, District Level Steering Committee did not meet even once during 2012-17.

No survey was undertaken to develop a database on Food Business Operators (FBOs). Central Advisory Committee estimated 16.86 lakh FBOs in the State of which only 9.43 lakh (56 *per cent*) were registered/licensed as of March 2017.

There was shortfall of 37 *per cent* in the post of Drug Inspectors who are key personnel for effective enforcement of provisions made under different Acts for Drugs control. There was wide variation in the workload of the Drug Inspectors due to uneven distribution of Drug Inspectors among the seven Divisions in State.

FDA had failed to take action to cancel the licenses of 1,535 Drug selling units whose licenses had expired, thereby posing a risk to public health by the possible sale of drugs by such units.

The renewal of Drug licenses was done without inspection of the premises of the Drug selling units and thereby the requirement of adequate physical infrastructure was not ensured before grant of licenses. Inspection/survey was not done to verify that the Drug selling/manufacturing units were not involved in any activities during the suspension period.

There were serious shortfalls in the inspection of FBOs, Drugs manufacturing and selling units. The shortfall was to the extent of 35 *per cent* in the case of Drugs manufacturing units and 63 *per cent* in the case of selling units.

Sampling to ensure quality showed serious deficiencies.

- Samples of infant food, instant milk substitutes, meat and fish products, fruits and vegetables were not taken for testing.
- Microbiological tests for food samples were not carried out as there was no microbiological division and thus, pathogenic bacteria, yeast and mould could not be tested raising serious food safety concerns. Tests to analyse the contents of metals, toxic substance and insecticides articles were also not being done due to non-availability of requisite equipment.
- 'Gap Analysis Report' of October 2013 based on study carried out by the FDA, brought to the fore issues relating to infrastructure, equipment, man-power in food laboratories but the Department did not initiate any action till November 2017. Of the three Food Testing Laboratories (FTLs) test-checked in audit, FTL at Mumbai was only found functional resulting in dependence on the Public Health Laboratories for testing of food samples drawn by FSOs.
- Test Reports issued by Food analysts of eight selected districts, contained disclaimers stating that toxin, contaminants, residue and most of the additives were not checked.

- The DCLs at Aurangabad and Mumbai issued 2,026 test reports during 2012-17, without expressing any opinion on the samples of drugs tested. Test reports on the drugs tested were issued after 90 days from the date of receipt of sample in the DCLs, in 10,501 (40 *per cent*) samples tested.
- The DCLs in Aurangabad and Nagpur did not have facilities to conduct microbiological test on drugs and cosmetics and as a result all the samples were being sent to DCL, Mumbai, where they were unable to cope with the volume of work. Opportunity to strengthen and upgrade the DCLs by purchasing various modern equipment was lost despite availability of funds due to non-receipt of approvals from MEDD/Finance Department to the purchase proposals of the FDA.

Delays in recalling Not of Standard Quality (NSQ) drugs resulted in consumption of the NSQ drugs by the public. In 95 (25 *per cent*) out of 375 cases scrutinised in audit, more than 50 *per cent* of the NSQ drugs were already consumed before they were recalled. Of this, in 61 cases, the entire stocks of NSQ drugs were consumed and therefore could not be recalled.

The monitoring mechanism in the Department was weak in view of absence of periodical reports on various key issues as also deficiencies in the reports submitted to the Commissioner, FDA.

The deficiencies identified above clearly indicate the failure of the Medical Education and Drugs Department in ensuring that the food consumed by the Public is of standard quality. Further, even the quality of drugs supplied is not ensured due to inadequate testing and failure to follow-up effectively.

This can have serious consequences for the health and welfare of the public.

(Paragraph 2.1)

▪ **Management of Sports Infrastructure in Maharashtra**

The State Government formulated the new Sports Policy, 2012 revising the earlier policy of 2001 for preserving the rich sports culture of the State and to equip the sportspersons in the State to face the challenges at international level.

A Performance Audit of Management of Sports Infrastructure in Maharashtra of School Education and Sports Department for the period 2012-17 revealed that though the Government of Maharashtra had formulated the Sports Policy 2012, it was yet to be translated into action plan. No long term plan was prepared for implementation of the Policy. There were delays in execution of schemes due to non-acquisition of land, change in design/scope of works and short or late-release of funds. There was short-release of funds for maintenance and repairs too. As a result, the infrastructure created could not be optimally utilised. The functioning of sports academies also suffered from number of problems *viz.*, less intake, inadequate coaching, lack of sports facilities and basic amenities and this impacted the performance at National, State and International level games. Though emphasis was given on creation of sports infrastructure, in absence of qualified and capable coaches and

focused training, it failed to yield the desired outcome. The release of funds was significantly less than the demands made.

The deficiencies mentioned above indicated that even after incurring huge expenditure, the Sports Department was unable to create and maintain adequate sports infrastructure as well as coaching facilities thereby affecting the performance of the sports persons.

(Paragraph 2.2)

1.6.2 Compliance Audit of Government Transactions

There are 18 compliance audit paragraphs and a few significant audit findings are indicated below.

▪ **Rajiv Gandhi Jeevandayee Arogya Yojana**

The Theme Audit of RGJAY as implemented in the State revealed that Government/Society had obtained data of total number of Ration Cards holders without any details such as name and Ration Card Number. Therefore, the correctness/authenticity of the beneficiaries covered under the Scheme could not be verified in audit. The health cards to the beneficiaries as envisaged in the Scheme, in order to identify the beneficiaries as well as make the beneficiaries aware of the Scheme benefits were not distributed. Expenditure on printing of health cards was also rendered wasteful. Excess insurance premium was paid in respect of all white Ration card holders instead of restricting it to the white Ration card holder farmers of the 14 suicide-prone districts as envisaged.

Sufficient number of *Argoyamitras* were not appointed in all the empanelled hospitals whereas no *Arogyamitras* were appointed in Rural/Primary Health Centres/Sub-district/Women Government Hospitals thereby impacting counselling of the beneficiaries and their families and facilitating the referral/treatment of the patients. The expenditure on publicity was less than the norms prescribed, impacting creation of awareness of the Scheme benefits.

As against the premium of ₹ 3,009.31 crore paid to the Insurer Company until November 2016 covering 9.35 crore beneficiaries under the Scheme, the claims received for settlement were meagre 11.89 lakh due to absence of wide publicity to the Scheme, shortfalls in conducting health camps and non-appointment of *Arogyamitras* at primary health centres. Thus the Scheme benefits were not commensurate to the expenditure incurred on the premium paid to Insurer. Besides, excess premium of ₹ 1.43 crore paid to the Insurer against ineligible beneficiaries had not been refunded by the Insurer Company. A huge balance of surplus premium of ₹ 47.63 crore was lying with the Insurer Company which was due for remittance to the Government. The Insurer Company had also got double benefit of ₹ 8.75 crore due to further adjustment of 10 per cent of the surplus premium lying with them. Surplus funds of the claim money received by empanelled hospitals were lying with them, since the Society did not ensure the return of these funds to Government account.

The deficiencies mentioned above are a pointer to the need to streamline the implementation of the Scheme more effectively.

(Paragraph 3.1)

▪ **Upgradation of Government Medical Colleges under Pradhan Mantri Swasthya Suraksha Yojana**

Audit of Upgradation of Government Medical Colleges (Mumbai and Nagpur) under Pradhan Mantri Swasthya Suraksha Yojana revealed that no gap analysis of existing facilities and future requirements in tertiary care was carried out. The upgradation programme of Government Medical Colleges could not be implemented as per the plan and there were instances of enormous delays, non-execution of civil works and non-procurement as well as non-installation of equipment for want of space. Equipment worth ₹9.17 crore were not installed/remained non-functional due to want of required civil/electrical works, lack of infrastructure/supporting equipment/software *etc.*, Non-adherence to the conditions relating to execution of contract agreement and performance security resulted in extension of undue benefits to suppliers of equipment.

(Paragraph 3.2)

▪ **Functioning of Rashtrasant Tukadoji Maharaj University, Nagpur**

Audit was conducted to examine the functioning of the University especially in the areas of teaching and research, accreditation and affiliation and infrastructure facilities. It was found that

- the functioning of Academic Council was ineffective and failed to fulfil its mandate.
- no committee was formed to review the existing courses of study and prepare a feasibility report.
- there was continuous shortage of teaching staff in the University and Colleges during the period from 2012-17, ranging from 33 to 48 *per cent*. Further, eight PG departments had more than 50 *per cent* vacancies in teaching staff since last five years.
- mandatory teaching of 90 days was not adhered to and shortfall ranged from 36 to 75 days during 2014-15 and 2016-17.
- University did not have any mechanism to monitor the progress and outcome of research activities. As such, out of total 132 research projects, only 27 were completed and no research work was published during past five years.
- out of 600 affiliated colleges, only 69 colleges possessed active accreditation and approval from NAAC and NBA owing to inadequacy of teaching staff and proper infrastructure such as buildings, libraries, laboratories and sports facilities *etc.*
- the extension to affiliation granted on the basis of LEC recommendations was found flawed in 60 test checked colleges.
- the hostel faced problems of inadequate and irregular water supply, contaminated water in toilets.
- the financial management of the University funds exhibited numerous lacunae and violations *viz.*, unadjusted advances of ₹ 70.90 crore, inoperative bank accounts, diversion and blocking of funds.
- the internal controls were weak.

Thus, Government needs to monitor the functioning of the University especially in the areas of teaching, accreditation and affiliation to maintain academic standards.

(Paragraph 3.3)

▪ **Implementation of National Rural Drinking Water Programme**

The National Rural Drinking Water Programme in Maharashtra was deficient in planning and implementation since the State had not prepared State specific Sector Policy for planning the water supply schemes to be taken up during the 12th Plan period. The Village and District Water Security Plans and the five year Comprehensive Water Security Action plan were also not prepared.

The State had received a total fund of ₹ 6,144.51 crore for the programme against which an expenditure of ₹ 5,880.16 crore was incurred during the period 2012-17. Due to late submission of proposals for release of second installment and opening balance of funds being in excess of 10 *per cent* of the release in the previous year, the GoI had imposed a cut of ₹ 71.10 crore. The State Government did not release its share of matching funds amounting to ₹ 547.93 crore during the period 2012-17. Non-recovery of statutory labour welfare cess from the contractors, non-remittance of Employees Provident Fund by the contractors indicated weak financial management under the programme. The implementing agencies did not ensure that the Government assets were insured while the works were in progress.

Though, as per the 11th Five Year Plan, 40 lpcd was to be provided to all the habitations by the end of March 2012, 12,815 habitations (13 *per cent*) in the State were provided less than 40 lpcd of water. As against 50 *per cent* of the rural households to be provided with piped water supply at the end of 12th five year plan, in Aurangabad, Gadchiroli, Nandurbar, Palghar, Solapur, Yavatmal districts less than 50 *per cent* of the habitations were provided with piped water supply. Against the target of providing piped water supply with household connections to 35 *per cent* rural households, analysis in audit revealed that in 19 districts, the percentage of rural household provided with piped water supply with a household connection, was less than 35 *per cent*, which ranged from eight *per cent* (Gadchiroli) to 34 *per cent* (Wardha). In five of the selected districts the percentage ranged from 11 *per cent* (Ahmednagar) to 33 *per cent* (Raigad). The critical issues of tackling water quality affected habitations during the 12th five year plan period in the State remained unachieved to the extent of 304 habitations in the State having population of 6.56 lakh remaining water quality affected. Special funds of ₹ 1.72 crore given by Niti Aayog to mitigate problems of water quality affected habitations remained unutilised. There was delay of more than five years in completion of 177 schemes due to lack of funds, legal disputes, drying of water sources and non-availability of land *etc.*, The monitoring and evaluation of the programme as per the programme guidelines was deficient.

A large number of schemes *i.e.* 7,141 schemes implemented by the Zilla Parishads in the test-checked districts were non-functional while 92 Regional Rural Water Supply Schemes implemented by MJP in the State were non-functional of which in 89 schemes the expenditure incurred was ₹ 443.85 crore. The main reasons for dysfunctional schemes were non-payment of electricity dues, drying of source, pending repairs, non-taking

over of the Schemes by ZPs, no demand from GPs, rendering the expenditure on the Schemes as unfruitful.

Thus, even after incurring huge expenditure, the targets set for providing drinking water, piped water, issues of tackling water quality *etc.*, could not be achieved and therefore, warrant more effective measures.

(Paragraph 3.4)

- In contravention to the terms and conditions of the Lease Deed, Mumbai Metropolitan Region Development Authority did not recover additional premium and interest thereon amounting to ₹ 428 crore from a private developer for a plot allotted in Bandra-Kurla Complex, for delays in construction.

(Paragraph 3.5)

- Mumbai Metropolitan Region Development Authority did not recover lease premium dues as per the prescribed schedule, on additional built up area allotted to the lessees in Bandra-Kurla Complex, resulting in non-recovery of ₹ 855.59 crore as of March 2017.

(Paragraph 3.6)

- Slum Rehabilitation Authority incorrectly approved a Scheme for rehabilitation of Project Affected People on encumbered land at village Mahul, Chembur, Mumbai ignoring security concerns of Central Government Agencies, resulting in undue favour to a private developer.

(Paragraph 3.7)

- The decision of the Chief Executive Officer, Slum Rehabilitation Authority in not deducting the mandatory 15 *per cent* for recreational/amenity open plot from the total Floor Space Index in a project at Mulund, Mumbai, resulted in undue benefits to the Developers in terms of saleable FSI to the tune of ₹ 37.93 crore.

(Paragraph 3.8)

- Collectors of Mumbai City and Mumbai Suburban failed to enforce the order of payment of revised lease rent as per Revised Policy of the Government resulting in loss of revenue to the tune of ₹ 60.33 crore and the Lessees continued to occupy the premises.

(Paragraph 3.10)

- A faulty Memorandum of Understanding with a private company for a water supply scheme based on the Tillari Dam in Konkan area and non-release of funds to the Maharashtra Jeevan Pradhikaran, had resulted in blocking of funds of ₹ 52.95 crore and liability of ₹ 11.66 crore, besides depriving the targeted beneficiaries of the intended benefits.

(Paragraph 3.13)

- The Maharashtra Housing and Area Development Authority in violation of approved plans, awarded and executed a work beyond the scope of the permissible Floor Space Index resulting in a stalled project at Kalina, Santacruz (East), Mumbai and infructuous expenditure of ₹ 16.30 crore.

(Paragraph 3.18)

1.7 Responsiveness of Government to Audit

1.7.1 Inspection Reports Outstanding

Periodical inspections of Government Departments 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 2017, 3,693 IRs (13,621 paragraphs) were outstanding. Year-wise details of IRs and paragraphs are shown in **Appendix 1.1**.

1.7.2 Response of Departments to Draft Paragraphs and Performance Audits

The draft paragraphs and performance audits were forwarded demi-officially to the Additional Chief Secretaries/Principal Secretaries/Secretaries of the concerned Departments between May 2017 and October 2017 with the request to send the responses within four weeks. The Government reply was received to one theme based audit while no replies were received in respect of two performance audits, three theme based audits and 14 draft paragraphs featured in this report.

1.7.3 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, within three months of presenting the Audit Reports to the State Legislature. The Administrative Departments, however, did not comply with these instructions. The status of outstanding EMs from 2010-11 to 2015-16 is indicated in **Table 1.2**.

Table 1.2: Status of submission of EMs during 2010-16

Audit Report	Date of tabling the Report	Number of Paragraphs and Reviews	Number of EMs received	Balance
2010-11	17 April 2012	13	12	01
2011-12	18 April 2013	08	08	
2012-13	14 June 2014	13	11	02
2013-14	10 April 2015	10	10	00
2014-15	05 August 2016	09	03	06
Total		53	44	09

Note: Audit report for the year 2015-16 was placed on 11 August 2017 hence not considered.

The EMs in respect of 15 paragraphs relating to the period prior to 2010-11 was outstanding. Department-wise details are shown 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 264 paragraphs pertaining to the Audit Reports for the years from 1985-86 to 2014-15 and gave 537 recommendations of which, ATNs were pending on 445 recommendations, as indicated in **Table 1.3**.

Table 1.3: Position of outstanding ATNs on PAC recommendations

Year of Audit Report	PAC Report Number	Year of PAC	Number of recommendations	Number of ATNs awaited
1985-86 to 2002-03	16, 17, 19, 24, 28	1994-95	170	132
	1, 2, 4, 6, 8	1995-96		
	20, 24,	1997-98		
	3, 6	2000-01		
	9	2001-02		
	13	2003-04		
	8	2007-08		
	13, 14	2008-09		
2003-04	14	2008-09	3	3
2004-05	14	2008-09	1	0
2005-06	8	2010-11	94	79
2006-07	15	2008-09	85	61
	9	2012-13		
	1	2015-16		
2007-08	13	2012-13	22	14
2008-09	17	2012-13	30	27
2009-10	18	2012-13	14	11
	6	2015-16		
2010-11	12,17	2015-16	38	38
2011-12	--	--	--	--
2012-13	24	--	19	19
2013-14	19	--	61	61
2014-15	--	--	--	--
Total			537	445

Note: There were 343 ATNs of previous years

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

