

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 schemes and activities and compliance audit of Government Departments¹ and Autonomous Bodies of the Government of Maharashtra (GoM) 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 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 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 Economic Sector in the State at the Secretariat level are headed by Additional Chief Secretaries/Principal Secretaries/Secretaries assisted by Directors/Commissioners and sub-ordinate officers. Autonomous Bodies, subject to audit by the Comptroller and Auditor General of India, are audited by the Principal Accountant General (Audit)-I, Maharashtra, Mumbai and the Accountant General (Audit)-II, Maharashtra, Nagpur.

A summary of the State Government's fiscal transactions during 2017-18 *vis-a-vis* the previous year is given in **Table 1.1**.

¹ Name of the Departments i) Agriculture, Animal Husbandry, Dairy Development and Fisheries; ii) Co-operation and Textile; iii) Food and Civil Supplies and Consumer Protection; iv) Industry, Energy and Labour; v) Public Works; vi) Tourism & Cultural Affairs; vii) Water Resources and viii) Forest

Table 1.1: Summary of Fiscal transactions during 2017-18

(₹ in crore)

| 2016-17 | Receipts | 2017-18 | 2016-17 | Disbursements | 2017-18 |
|--------------------------------------|-------------------------------------|--------------------|--------------------|--|--------------------|
| Section-A: Revenue | | | | | Total |
| 204693 | Revenue receipts | 243654 | 213229 | Revenue expenditure | 241571 |
| 136616 | Tax revenue | 167932 | 71609 | General services | 78535 |
| 12709 | Non-tax revenue | 16242 | 90282 | Social services | 93054 |
| 33715 | Share of Union Taxes/Duties | 37219 | 43843 | Economic services | 54189 |
| 21653 | Grants from Government of India | 22261 | 7495 | Grants-in-aid and Contributions | 15793 |
| Section B: Capital and Others | | | | | |
| - | Miscellaneous Capital Receipts | - | 25549 | Capital Outlay | 26842 |
| 1746 | Recoveries of Loans and Advances | 1778 | 6277 | Loans and Advances disbursed | 979 |
| 48336 | Public debt receipts ^{\$} | 48075 [#] | 11887 | Repayment of Public Debt ^{\$} | 15782 |
| - | Appropriation from Contingency fund | - | - | Appropriation to Contingency fund | - |
| - | Contingency Fund | - | - | Contingency Fund | - |
| 82466 | Public Account Receipts | 81877 | 67102 [#] | Public Account Disbursements | 70491* |
| | Opening Cash Balance | | | Closing Cash Balance | |
| 22672 | a) Sinking Fund | 27853 | 27853 | a) Sinking Fund | 33971 [#] |
| 32881 | b) Cash balance | 40897 | 40897 | b) Cash balance | 54498 |
| 392794 | Total | 444134 | 392794 | Total | 444134 |

Source: Finance Accounts of respective years

^{\$}Excluding ways and means advances (Receipt: ₹ 1,594 crore and Disbursement: ₹ 1,594 crore)

[#]Lower rounding *Higher rounding

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, Maharashtra, Mumbai and the Accountant General (Audit)-II, Maharashtra, Nagpur

Under the directions of the C&AG, the Offices of the Principal Accountant General (Audit)-I, Maharashtra, Mumbai and the Accountant General (Audit)-II, Maharashtra, Nagpur conduct the audit of the various Government Departments and Offices/ Autonomous Bodies/institutions under them. While 17 districts from Konkan and Western Maharashtra regions fall under the audit jurisdiction of the Principal Accountant General (Audit)-I, Maharashtra, Mumbai, the remaining 19 districts from Vidarbha and Marathwada regions are under the audit jurisdiction of the Accountant General (Audit)-II, Maharashtra, 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 2017-18, audit of 297 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 of the Constitution of India.

1.6 Significant audit observations

1.6.1 Performance audit of programmes/activities/Departments

The significant findings of Performance audits are discussed below.

▪ Distribution of Agricultural Inputs to Farmers in Maharashtra

A performance audit on Distribution of Agricultural Inputs to Farmers in Maharashtra for the period 2013-18 indicated that there was shortfall in the supply of seeds as compared to the total requirement of seeds in the State. The seed production chain in the State was adversely affected which was more severe in case of soyabean seed, resulting in shortage in availability of quality certified seeds to the farmers. Allowing re-registration of some companies, overlooking quality deficiencies in Micro Irrigation systems manufactured/supplied by them, placing incorrect facts on record, resulted in extending unwarranted financial benefit to them. The grants released for SC and ST categories by Government of India under Micro Irrigation schemes, could not be utilized. Infrastructure for Deoxyribonucleic acid (DNA) fingerprint test was created without inclusion of provisions of such tests and analysis in Seed Act 1966, resulting in facilities remaining inoperative after construction, besides idle expenditure thereon.

There was underutilization of funds resulting in surrender of fund. There were instances of incorrect reporting in Utilisation Certificates. The unspent balance of funds received as Government of India share was credited to the receipt head of Government account instead of reducing it from the concerned major/minor heads. There were cases of misappropriation of money collected by officials from beneficiaries as farmers' contribution (*Lokwata*). No stringent action was taken by the department against such erring officials.

In the demonstration programmes, the department used old variety of seed instead of new one, which defeated the objectives of promoting new

variety of seed. The production subsidy for foundation and certified seeds was not paid to farmers. There were instances of non-distribution of implements. Micro nutrients were not supplied to farmers in time. The Soil Testing Mini Lab Kits were purchased without assessing the requirement. There were deficiencies in online web portal for Micro Irrigation scheme.

The maintenance of records at field level relating to distribution of agricultural inputs to farmers was deficient; hence audit could not ascertain the beneficiaries to whom the inputs were distributed and whether they were distributed timely. The samples of seeds to be drawn were reduced in last three years, even though the number of producers, distributors and sellers increased. The target for quality control checks was not fixed prior to the beginning of the kharif season and as such there was delay in furnishing quality test reports. There was delay in submitting the test results by the laboratories for agricultural inputs resulting in distribution of inferior quality of inputs to the farmers in case of failed samples. The percentage prescribed for cross check of Micro Irrigation systems by inter-district teams were not exercised by them.

(Paragraph 2.1)

▪ **Management of Tiger Reserves in Maharashtra**

A performance audit on Management of Tiger Reserves in Maharashtra for the period 2012-18 indicated that apex level interventions for enabling policy decisions and major initiatives for protection and conservation of tigers were found to be inadequate. The Tiger Conservation plans, which play a significant role in finalizing the management strategy for 10 years were either not being formulated or were formulated with delays. Compartment histories which are important for providing inputs for plan formulation were not being maintained in any of the Tiger Reserves.

Presence of human settlements and tourist facilities in core tiger habitats caused disturbances to wildlife and also reduced available inviolate space. The buffer area was fragmented owing to large number of villages, farmlands, highways and railway lines resulting in animal deaths. High tension electric lines passing through tiger reserves were not insulated.

Support infrastructure critical for protection of tiger habitats were found inadequate. Unregulated tourism was also a cause of concern. The monitoring and internal control mechanism required strengthening.

(Paragraph 2.2)

1.6.2 Compliance audit of Government transactions

The important findings of compliance audit paragraphs are discussed below:

- **State Compensatory Afforestation Fund Management and Planning Authority (CAMPA)**

Audit of State CAMPA revealed that a huge number of diversion proposals were pending at various stages for approval. The Additional Principal Chief Conservator of Forest cum Nodal Officer did not maintain a database of non-forest land or degraded land received against the diversion of forest land. The details were also not maintained at Additional Principal Chief Conservator of Forest (CAMPA) and at circles. The preparation of annual plan of operation was found deficient as there were cases of inclusion of compensatory afforestation works without adequate survey; non-inclusion of plantation works in plan within the stipulated period; inclusion of inadmissible items under CAMPA and inclusion of plantation works from State scheme. Besides, there were delays in submission of annual plans of operation to the Steering Committee. When compensatory afforestation works were executed on alternate lands, necessary approvals of Ministry of Environment and Forest were not taken always. Ministry of Environment and Forest's stipulations in respect of works permitted to be undertaken with attached condition were also not followed. Thus, CAMPA funds could not be used economically and efficiently as delays in approvals had resulted in cost escalation which was not recovered from the user agencies and CAMPA funds had to be used. The scheme was ineffective in many instances as there were cases of diversion of fund for inadmissible purposes/unsuitable works and non-grounding of compensatory afforestation works under Annual Plan Operation as per rules. The reconciliation by Additional Principal Chief Conservator of Forest cum Nodal Officer with Adhoc CAMPA for the amounts credited by the User Agencies was still pending. There were unreconciled differences between amounts released by State CAMPA and that shown as received by the circle offices under CAMPA. There were weak monitoring with resultant poor quality in execution of works.

(Paragraph 3.1)

- **Implementation of Small Hydro Projects on PPP basis in Maharashtra**

Audit on implementation of Small Hydro Project (SHP) on PPP basis covering the period 2013-14 to 2017-18 revealed that out of 121 projects identified by the Department, feasibility study of 61 sites (installed capacity of 266.87 Mega Watt) had not been completed at the time of identification of sites and 27 sites (installed capacity of 78.65 MW) were dropped being financially infeasible. Further as against estimated installed capacity of 417.85 MW, only 36.85 MW installed capacity was achieved.

In respect of six selected commissioned projects, one project was commissioned within scheduled time and five projects were commissioned after delays ranging from 17 months to 63 months. There was time overrun ranging from 39 to 53 months in respect of two ongoing

projects due to non-completion of dam and land handed over to developer was not in the name of Department. The projected annual power generation was not achieved, among other things, due to release of lesser volume of water.

Thus, due to improper planning and inadequate monitoring the objective of harnessing the green power with the help of private sector was largely defeated. Had the planning and monitoring been better, the outcome could have been different.

(Paragraph 3.2)

▪ **Implementation of Accelerated Irrigation Benefits Programme**

Under Accelerated Irrigation Benefit Programme (AIBP), 68 major/minor projects were included in the State since inception, of which 39 projects were completed prior to March 2013. Out of the remaining 29 projects, five were completed during 2013-18 leaving 24 projects ongoing as on March 2018.

The total funds received under AIBP were ₹ 11,541.58 crore (GoI share: ₹ 1,346.05 crore; GoM share: ₹ 10,195.53 crore) during 2013-18 against which expenditure incurred was ₹ 10,865.81 crore. The GoM delayed request for recovery of ₹ 90.08 crore towards construction and operation cost of Tillari Major Irrigation Project from Government of Goa since 2013-14. The Jalgaon Municipal Corporation (JMC) owed ₹ 757.85 crore to the Tapi Irrigation Development Corporation towards cost involved in increasing height of Waghur dam for providing drinking water to JMC.

Out of 18 test checked projects in audit, 16 (89 *per cent*) were not completed within the timeline thereby defeating the very objective of accelerating the completion of irrigation projects under the AIBP. The time overrun in 18 projects ranged between five years to 10 years while the cost overrun was ₹ 7,486.50 crore.

In Wang project out of 1,922 families to be resettled only 832 were resettled while eight amenities in the 15 villages of Wang project and two amenities in one village of Dhom-Balkawadi project were not provided.

(Paragraph 3.3)

- Indecision to close down Mother Dairy, Kurla and Central Dairy, Aarey, Goregaon and to accommodate the identified surplus staff and machineries in Government Milk Scheme, Worli by Dairy Development Department and Government resulted in recurring loss of ₹ 39.11 crore per annum as well as nugatory expenditure of ₹ 17.51 crore.

(Paragraph 3.4)

- Fraudulent payment of ₹ 12.21 crore against purported supply of material, which had actually never been supplied or brought to the work-site.

(Paragraph 3.5)

- Commencement of work without acquisition of required land resulted in blocking of ₹ 2.18 crore on account of secured advance. Besides, ₹ 14.66 crore incurred on works proved to be unproductive.

(Paragraph 3.6.1)

- Unfruitful expenditure of ₹ 3.54 crore was incurred on excavation and dewatering works owing to non-acquisition of required land for Lower Penganga Project.

(Paragraph 3.6.2)

- The objectives of Lower Tapi Project could not be fulfilled owing to slow progress of land acquisition and tardy implementation of construction of dam and gate works there by rendering the expenditure of ₹ 235.02 crore incurred on the project unfruitful.

(Paragraph 3.6.3)

- Excess payment of ₹ 2.54 crore was made to contractor due to payment at higher rates than tendered rates in Sapan Project.

(Paragraph 3.7)

- Incorrect revision of rate analysis resulted in excess payment of ₹ 16.13 crore to the contractor.

(Paragraph 3.8)

- Tardy implementation of the work resulted in unfruitful expenditure of ₹ 7.76 crore due to non-completion of bridge even after lapse of nine years. Moreover, the very objective of providing all weather road connectivity between Chikalhana and Bhatkheda villages was defeated.

(Paragraph 3.9)

- Failure to get the work of submersible bridge across Godavari river executed from the contractor and non-completion of remaining portion of the work for last five years resulted in blocking of ₹ 1.83 crore.

(Paragraph 3.10)

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 Inspection Reports (IRs) which are also 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 departments concerned to facilitate monitoring of action taken on the audit observations included in the IRs.

As of June 2018, 2,766 IRs (8,094 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 audit reports to be included in this report were forwarded to the Principal Secretaries/Secretaries of the concerned Departments between April 2018 and August 2018 with a request to send the responses within six weeks. The Government replies were received in respect of both the performance audits and 10 compliance audit paragraphs featured in this Report. Replies in respect of remaining two compliance audit paragraphs are yet to be received (January 2019).

1.7.3 Follow-up on Audit Report

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 2012-13 to 2016-17 is indicated in **Table 1.2**.

Table 1.2: Status of submission of Explanatory Memoranda during 2012-17

| Audit Report | Date of tabling the Report | Number of Paragraphs and Reviews | Number of EMs received | Balance |
|--------------|----------------------------|----------------------------------|------------------------|-----------|
| 2012-13 | 24 December 2014 | 10 | 08 | 02 |
| 2013-14 | 10 April 2015 | 08 | 07 | 01 |
| 2014-15 | 13 April 2016 | 10 | 08 | 02 |
| 2015-16 | 07 April 2017 | 11 | 11 | -- |
| 2016-17 | 28 March 2018 | 15 | -- | 15 |
| Total | | 54 | 34 | 20 |

The EMs in respect of five paragraphs relating to the period prior to 2012-13 were also 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 349 paragraphs pertaining to the Audit Reports for the years from 1985-86 to 2016-17 and made 349 recommendations of which, ATNs were pending on 281 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 2006-07 | 16, 18, 28, 24, 19 | 1994-95 | 179 | 117 |
| | 01, 02, 04, 06, 07, 08 | 1995-96 | | |
| | 20, 24, 25, and 27 | 1997-98 | | |
| | 03 | 2000-01 | | |
| | 13 | 2003-04 | | |
| | 08 | 2007-08 | | |
| | 13 | 2008-09 | | |
| | 14 | 2008-09 | | |
| | 08 | 2010-11 | | |
| | 09 | 2012-13 | | |
| | 15 | 2008-09 | | |
| 18 | 2015-16 | | | |
| 2007-08 | 13 | 2012-13 | 03 | 03 |
| 2008-09 | 17 | 2012-13 | 21 | 21 |
| 2009-10 | 06 | 2015-16 | 15 | 14 |
| 2010-11 | 12 | 2015-16 | 01 | -- |
| | 13 | 2015-16 | 01 | -- |
| 2011-12 | 35 | 2017-18 | 09 | 09 |
| 2012-13 | 38 | 2017-18 | 33 | 32 |
| 2013-14 | 21 | 2015-16 | 49 | 47 |
| | 23 | 2015-16 | 38 | 38 |
| 2014-15 | -- | -- | -- | -- |
| 2015-16 | -- | -- | -- | -- |
| 2016-17 | -- | -- | -- | -- |
| Total | | | 349 | 281 |

The Department-wise position of PAC recommendations on which ATNs were awaited (December 2018) is indicated in **Appendix 1.3**.