

CHAPTER – I (*Economic Sector*)

INTRODUCTION

ECONOMIC SECTOR

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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 departments 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 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 one performance audit. 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 headed by Additional Chief Secretaries/Principal Secretaries/Secretaries and assisted by Directors/Commissioners and sub-ordinate officers and autonomous bodies 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 2018-19 *vis-a-vis* the previous years is given in **Table 1.1**.

Table 1.1: Summary of fiscal transactions during 2014-15 to 2018-19

(₹ in crore)

Receipts	2014-15	2015-16	2016-17	2017-18	2018-19
Revenue receipts					
• Tax revenue	1,15,064	1,26,608	1,36,616	1,67,932	1,87,436
• Non-tax revenue	12,581	13,423	12,709	16,242	15,844
• Central tax transfers	17,630	28,106	33,715	37,219	42,054
• Grants from Government of India	20,140	16,899	21,653	22,261	33,662
Miscellaneous capital receipts	0	17	0	0	0
Recoveries of loans and advances	975	865	1,746	1,778	1,604
Public debt receipts	29,374	37,977	48,336	48,075 [#]	26,025 [§]
Appropriation from contingency fund	2,350	2,962	0	0	1,528
Contingency fund	4,360	962	0	0	3,528
Public account receipts	83,022	72,747	82,466	81,877	90,665
Opening Cash balance					
a) Sinking fund	15,454	18,886	22,672	27,853	33,971
b) Cash balance	31,429	30,762	32,881	40,897	54,498
Total	3,32,379	3,50,214	3,92,794	4,44,134	4,90,815

(₹ in crore)

Disbursements	2014-15	2015-16	2016-17	2017-18	2018-19
Revenue expenditure					
• General services	60,486	64,370	71,609	78,535	84,765
• Social services	76,952	82,317	90,282	93,054	1,09,391
• Economic services	37,687	38,052	43,843	54,189	52,759
• Grants-in-aid and contributions	2,428	5,635	7,495	15,793	20,107
Capital outlay	19,523	22,793	25,549	26,842	35,049
Loans and advances disbursed	1,141	1,115	6,277	979	1,545
Repayment of public debt	8,828	10,043	11,887	15,782	25,116 ^{§#}
Appropriation to contingency fund	4,350	962	0	0	3,528
Contingency fund	2,350	2,962	0	0	1,528
Public account disbursements	68,986	66,412	67,102 [#]	70,491 [*]	89,758
Closing cash balance					
a) Sinking fund	18,886	22,672	27,853	33,971 [#]	34,488
b) Cash balance	30,762	32,881	40,897	54,498	32,781
Total	3,32,379	3,50,214	3,92,794	4,44,134	4,90,815

* higher rounding and [#] lower rounding of figures

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

Source: Finance accounts of respective years

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 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 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, Maharashtra, Mumbai, the remaining 19 districts from Vidarbha and Marathwada 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 Government of Maharashtra 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 2018-19, 3,163 party-days were used to carry out audit of 284 units (compliance 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 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 Responsiveness of Government to Audit

1.6.1 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. Yearly detailed statements 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 2019, 2,538 IRs (7,940 paragraphs) were outstanding. Year-wise details of IRs and paragraphs are shown in *Appendix 1.1*.

1.6.2 Response of departments to draft paragraphs and performance audits

Ten draft paragraphs including a thematic audit paragraph and performance audit report were forwarded demi-officially to the principal secretaries/secretaries of the departments concerned between April 2019 and March 2020 with a request to send responses within six weeks. The Government's replies were received in respect of two draft paragraphs. No replies were received (May 2020) in respect of performance audit report and remaining eight audit paragraphs featured in this report.

1.6.3 Follow-up on audit report

According to instructions issued by the Finance Department, Government of Maharashtra 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 2013-14 to 2017-18 is indicated in **Table 1.2**.

Table 1.2: Status of submission of explanatory memoranda during 2013-18

Audit report	Date of tabling of Report	Number of paragraphs and performance audits	Number of EMs received	Balance
2013-14	10 April 2015	08	07	01
2014-15	13 April 2016	10	09	01
2015-16	07 April 2017	11	11	--
2016-17	28 March 2018	15	03	12
2017-18	02 July 2019	14	--	14
Total		58	30	28

The EMs in respect of seven paragraphs relating to the period prior to 2013-14 were outstanding. Department-wise details are shown in **Appendix 1.2**.

With a view to ensure accountability of the executive in respect of all the issues dealt within 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 498 paragraphs pertaining to the audit reports for the years from 1985-86 to 2017-18 and gave 498 recommendations of which, ATNs were pending on 415 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 2007-08	16, 18, 28, 24, 19	1994-95	182	120
	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		
	13	2012-13		
2008-09	17	2012-13	21	21
2009-10	06	2015-16	15	14
2010-11	12	2015-16	01	0
	13	2015-16	01	0
2011-12	35	2017-18	09	09
2012-13	38	2017-18	33	32
	45	2017-18	20	20
	60	2017-18	06	06
2013-14	21	2015-16	49	47
	23	2015-16	38	38
2014-15	43	2017-18	19	19
	46	2017-18	14	08
	61	2017-18	12	12
2015-16	39	2017-18	41	40
	42	2017-18	37	29
2016-17	--	--	0	0
2017-18	--	--	0	0
Total			498	415

The department-wise position of PAC recommendations on which ATNs were awaited (December 2019) is indicated in *Appendix 1.3*.