

# **CHAPTER I**

## **Introduction**



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### INTRODUCTION

#### 1.1 About this report

This Report of the Comptroller and Auditor General of India (C&AG) relates to matters arising from compliance audit of government departments, autonomous bodies and public sector undertakings of the Government of Maharashtra (GoM) falling under various clusters under the jurisdiction of Accountant General (Audit-II), Maharashtra, Nagpur. The cluster wise list of departments, autonomous bodies and public sector undertakings audited by this office is shown in **Table 1.1**. The details are given in **Appendix 1.1**.

**Table 1.1: Cluster wise list of departments, autonomous bodies and public sector undertakings audited by this office**

Name of the cluster	Number of departments	Number of autonomous bodies	Number of public sector undertakings
Energy and Power	1	2	8
Industry and Commerce	2	1	29
Transport	2	1	6
Environment, Science and Technology	2	2	4
Public Works	2	1	9
Finance	2	--	2
IT and Communication	1	--	1
Law and Order	2	2	1
<b>Total</b>	<b>14</b>	<b>9</b>	<b>60</b>

Compliance audit refers to examination of the expenditure and revenue 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.

The primary purpose of this report is to bring the important results of audit to the notice of the State Legislature. Auditing Standards require that the materiality level for reporting should be commensurate with the nature, volume and magnitude of transactions. The audit findings 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.

#### 1.2 Audited entity profile

The departments in the State at the Secretariat level are headed by Additional Chief Secretaries/Principal Secretaries/Secretaries and assisted by Directors/Commissioners and sub-ordinate officers.

A summary of the state government's fiscal transactions during 2021-22 *vis-a-vis* the previous years is given in **Table 1.2**.

Table 1.2: Summary of Fiscal operations

(₹ in crore)					
Receipts	2020-21	2021-22	Disbursements	2020-21	2021-22
<b>Section-A: Revenue Account</b>					
Revenue receipts	269468	333312*	Revenue expenditure	310610	349686*
Own Tax Revenue	164255	220927#	General Services	103854	121745#
Non-Tax Revenue	15976	19307*	Social Services	122024	142523#
Share of Union Taxes/Duties	36504	54318#	Economic Services	64336	59455*
Grants-in-aid from GoI	52733	38760*	Grants-in-aid and Contributions	20396	25963*
<b>Section-B: Capital Account and others</b>					
Miscellaneous Capital Receipts	0	0	Capital Outlay	29687	46670#
Recoveries of Loans and Advances	1612	1179*	Loans and Advances disbursed	2342	2436#
Public Debt Receipts	87357	90488#@	Repayment of Public Debt	26427	35935* @
Appropriation from Contingency Fund	11500	0	Appropriation from Contingency Fund	1500	0
Contingency Fund	10500	0	Contingency Fund	11500	0
Public Account Receipts	88531	119376#	Public Account Disbursements	74787	100533#
Opening Cash Balance	41427	45738#	Closing Cash Balance		
a) Sinking Fund	15055	22859	a) Sinking Fund	45738	54374#
b) Cash Balance			b) Cash Balance	22859	23318
<b>Total</b>	<b>525450</b>	<b>612952</b>	<b>Total</b>	<b>525450</b>	<b>612952</b>
@ Excluding transaction under Ways and Means advances and overdraft (Receipt and Disbursement ₹ 98.43 crore) * Higher rounding # Lower rounding 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 and revenue of the departments, autonomous bodies and public sector undertakings of GoM under the provisions of the DPC Act and Regulations on Audit and Accounts, 2020 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 and public sector undertakings (audited entities) falling under them. While eight clusters fall under the jurisdiction of the Principal Accountant General (Audit-I), Maharashtra, Mumbai, the remaining eight clusters are under the jurisdiction of the Accountant General (Audit-II), Maharashtra Nagpur as shown in **Table 1.3**.

Table 1.3: Details of clusters

Sr. No.	Clusters falling under the jurisdiction of Principal Accountant General (Audit-I), Maharashtra, Mumbai	Clusters falling under the jurisdiction of Accountant General (Audit-II), Maharashtra, Nagpur
1	Health and Welfare (1)	Energy and Power (7)
2	Education, Skill Development and Employment (2)	Industry and Commerce (8)
3	Rural Development (3)	Transport (9)
4	Agriculture, Food and Allied Industries (4)	Environment, Science and Technology (10)
5	Water Resources (5)	Public Works (11)
6	Urban Development (6)	Finance (12)
7	Culture and Tourism (14)	IT and Communication (13)
8	General Administration (16)	Law and Order (15)

### 1.5 Planning and conduct of audit

The audit process starts with the assessment of risk faced by audited entities based on expenditure incurred and revenue generated, criticality and 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. The frequency and extent of audit are decided, based on this risk assessment.

After completion of audit of each unit, Inspection Reports (IRs) containing audit findings are issued to the Heads of the offices inspected. The Heads of the offices inspected 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 Responsiveness of Government to Audit

#### 1.6.1 Inspection reports outstanding

Periodical inspections of government departments, autonomous bodies and Public Sector Undertakings 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 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 2022, 4613 IRs (14756 paragraphs) were outstanding for settlement. Year-wise details of IRs and paragraphs are shown in **Appendix 1.2**.

#### 1.6.2 Departmental Audit committee

The Finance Department, GoM instructed (December 1985) all the administrative departments to constitute Audit Committee, to review outstanding IRs and paragraphs and to take prompt action for their settlement. The Audit Committee is chaired by the Joint Secretary of the administrative department with Joint Director, Accounts and Treasuries as member and

Deputy Director of Accounts and Treasuries as the convener. A representative from the audit office not below the rank of Deputy Accountant General assists the Audit Committees. The Audit Committee Meetings (ACMs) are required to be held at least once in every quarter.

During 2021-22, two ACMs were conducted as indicated in **Table 1.4**.

**Table 1.4: ACMs conducted during 2021-22**

Sr. No.	Name of the Administrative Department	No. of ACMs held	No. of IRs settled	No. of paras settled
1.	Revenue, Stamp Duty and Registration	2	301	605
<b>Total</b>		<b>2</b>	<b>301</b>	<b>605</b>

As seen from the **Table 1.4**, very few Audit Committee meetings were convened by the department, despite the pendency of large number of inspection report paragraphs. Further, out of 14 administrative departments under the audit jurisdiction of the Accountant General (Audit-II), Maharashtra, Nagpur, ACMs of only Revenue, Stamp Duty and Registration Departments were conducted during 2021-22.

### **1.6.3 Response of departments to draft paragraphs and compliance audits**

Nine draft paragraphs appearing in this report, including two compliance audit paragraphs, were forwarded demi-officially to the principal secretaries/ secretaries of the departments concerned between September 2022 and October 2023 with a request to send responses within six weeks. Final reply in respect of five audit paragraphs featured in this report is still awaited (June 2024).

### **1.6.4 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 of the C&AG of India, 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 2015-16 to 2019-21 is indicated in **Table 1.5**. The Cluster-wise details are shown in **Appendix 1.3**.

**Table 1.5: Status of outstanding EMs for Audit Reports of year from 2015-16 to 2019-21**

Audit Report	Date of tabling of Report	Number of paragraphs and Reviews	Number of EMs received	Balance
2015-16	7 April 2017 (PSUs )	7	7	0
	11 August 2017 (RS)	25	19	6
2016-17	28 March 2018 (ES)	2	2	0
	20 July 2018( PSUs)	8	8	0
	20 July 2018 (RS)	31	23	8
2017-18	02 July 2019 (ES)	4	2	2
	4 March 2020 (PSUs)	7	7	0
	4 March 2020 (RS)	18	14	4

Audit Report	Date of tabling of Report	Number of paragraphs and Reviews	Number of EMs received	Balance
2018-19	08 September 2020 (ES)	4	3	1
	08 September 2020 (PSUs)	2	2	0
	08 September 2020 (RS)	11	10	1
2019-21	04 August 2023 (Compliance Audit)	17	0	17
<b>Total</b>		<b>136</b>	<b>97</b>	<b>39</b>
<i>Note: ES-Economic Sector Report; RS-Revenue Sector Report</i>				

As seen from the **Table 1.5** out of **136** paragraphs and reviews included in Audit Reports, 39 EMs were outstanding during the period from 2015-16 to 2019-21.

The Public Accounts Committee (PAC) and the Committee on Public Undertakings (COPU) lay down in each case, the period within which action taken notes (ATNs) on its recommendations should be sent by the departments with a view to ensuring accountability of the Executive in respect of all the issues dealt with in the Audit Reports.

During 2015-16 and 2021-22 the PAC and COPU discussed 144 paragraphs pertaining to audit reports 2010-11 to 2015-16 and 264 ATNs were pending as indicated in **Table 1.6**.

**Table 1.6: Position of outstanding ATNs on PAC/COPU recommendations**

Year	Audit Report	PAC/COPU/ Report Number	Year of PAC/ COPU	Number of PAC/ COPU recommendations	Number of ATNs awaited
2010-11	ES	12	2015-16	02	01
	PSU	01	2020-21	06	06
		06,11,7	2015-16	05	05
2011-12	RS	33	2017-18	17	17
		34	2017-18	64	63
	PSU	05	2015-16	01	01
		18	2017-18	03	03
		06	2015-16	02	02
2012-13	RS	37	2017-18	34	18
	ES	45, 60	2017-18	26	18
	PSU	06	2015-16	01	01
2013-14	PSU	07	2015-16	01	01
	RS	19	2015-16	09	08
2014-15	RS	66	2017-18	05	05
		53	2017-18	46	27
		54	2017-18	37	37
	GSS	61	2017-18	13	12
	ES	43	2017-18	20	18
	PSU	02	2020-21	05	05
		18	2017-18	03	03
2015-16	ES	39	2017-18	13	01
	RS	56	2017-18	12	12
<b>Total</b>				<b>325</b>	<b>264</b>

The department-wise position of PAC and COPU recommendations on which ATNs were awaited (May 2023) is indicated in **Appendix 1.4**. As seen from

Appendix 1.4, 264 ATNs awaited from 14 departments, maximum ATNs (99 ATNs) were pending from Finance Cluster.

## **1.7 Results of audit**

### **Position of local audit conducted during the year**

Test check of the records of 214 units of Energy, Industry, Stamp Duty, GST/State Excise/Entertainment duty, Transport, Forest and PWD conducted during the year 2021-22 revealed under assessment/Short levy/loss of revenue aggregating to ₹ 1933.97 crore in 1640 observations. During the course of the year, the concerned Departments accepted under assessment and other deficiencies of ₹ 1606.91 crore involved in 255 observations which were pointed out in audit during 2021-22. The departments collected ₹ 27.30 crore during 2021-22, pertaining to audit findings of 2021-22 and of previous years.

### **Coverage of this Report**

This Report contains nine paragraphs (selected from the audit detections made during the local audit referred to above and during earlier which could not be included in earlier reports) including two Subject Specific Compliance Audit. These are discussed in succeeding Chapter II.