

CHAPTER – I

INTRODUCTION

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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 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	32
Transport	2	1	6
Environment, Science and Technology	2	2	4
Public Works	2	1	9
Finance	2	--	3
IT and Communication	1	--	1
Law and Order	2	2	1
Total	14	9	64

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 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.

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 2020-21 *vis-à-vis* the previous years is given in **Table 1.2**.

Table1.2: Summary of fiscal operations during 2019-20 and 2020-21

(₹ in crore)

Receipts	2019-20	2020-21	Disbursements	2019-20	2020-21
Section-A:Revenue					
Revenue receipts	283190	269468	Revenue expenditure	300305	310610
Tax revenue	188948	164255	General services	100050	103854
Non-tax revenue	14297	15976*	Social services	122947	122024*
Share of Union Taxes/Duties	36220	36504	Economic services	56044*	64336
Grants from Government of India	43725	52733	Grants-in-aid and Contributions	21264	20396
Section B:Capital and Others					
Miscellaneous Capital Receipts	0	0	Capital Outlay	36416	29687
Recoveries of Loans and Advances	1615	1612	Loans and Advances disbursed	1970	2342
Public debt receipts @	55396	87357	Repayment of Public Debt@	22868	26427
Appropriation from Contingency fund	7350	11500	Appropriation to Contingency fund	15350	1500
Contingency Fund	15350	10500	Contingency Fund	16350	11500
Public Account Receipts	119634	88531	Public Account Disbursements	100329	74787#
Opening Cash Balance			Closing Cash Balance		
a) Sinking Fund	34488	41427	a) Sinking Fund	41427	45738
b) Cash balance	32781	15055\$	b) Cash balance	14789	22859
Total	549804	525450	Total	549804	525450
@ Excluding net transaction under ways and means advances (₹ 1,757.61 crore) and overdraft: (nil) (2019-20) Excluding net transaction under ways and means advances and overdraft (receipt and disbursement ₹ 31,159 crore) (2020-21)					
#Lower Rounding					
*Higher Rounding					
\$Differs by ₹ 266.57 crore adjusted proforma due to rectification of misclassification					
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 & 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 & Welfare	Energy and Power
2.	Education, Skill Development and Employment	Industry and Commerce
3.	Rural Development	Transport
4.	Agriculture, Food & Allied industries	Environment, Science and Technology
5.	Water Resources	Public Works
6.	Urban Development	Finance
7.	Culture and Tourism	IT and Communication
8.	General Administration	Law and Order

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 2021, 4848 IRs (14,420 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 2019-20 and 2020-21, six ACMs were conducted as indicated in **Table 1.4**.

Table 1.4: ACMs conducted during 2019-20 and 2020-21

Sr. No.	Name of the Administrative Department	No. of ACMs held	No. of IRs settled	No. of paras settled
1.	Finance	01	Nil	396
2.	Revenue, Registration and Stamps	04	Nil	545
3.	Energy	01	04	20
Total		06	04	961

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 three administrative departments were conducted during 2019-20 and 2020-21.

1.6.3 Response of departments to draft paragraphs and compliance audits

Seventeen draft paragraphs appearing in this report, including five compliance audit paragraphs and one follow up audit paragraph, were forwarded demi-officially to the principal secretaries/secretaries of the departments concerned between May 2021 and December 2021 with a request to send responses within six weeks. No replies were received (August 2022) in respect of eight audit paragraphs featured in this report.

In response to our audit observations seven divisions¹ refunded the unspent balance amounting to ₹ 5.92 crore pertaining to 49 completed or cancelled deposit works; two Public Works Divisions (PWD, Amravati and PWD Nagpur-3) recovered charges on account of insurance premium for extended period of four works amounting to ₹ 15.45 lakh.

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

¹ Public Works Division – Bhokar, Buldana, Hingoli, Kolhapur, South Pune; Integrated Unit (Medical) PW Nagpur, Special Project Division, Yavatmal

the state legislature. The administrative departments, however, did not comply with these instructions. The status of outstanding EMs from 2014-15 to 2018-19 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 2014-15 to 2018-19

Audit report	Date of tabling of Report	Number of paragraphs and Reviews	Number of EMs received	Balance
2014-15	13 April 2016 (ES)	1	1	0
	13 April 2016 (RS)	18	2	16
	05 August 2016 (PSUs)	7	3	4
2015-16	11 August 2017 (RS)	25	1	24
	07 April 2017 (PSUs)	7	0	7
2016-17	28 March 2018 (ES)	2	2	0
	20 July 2018 (RS)	31	5	26
	20 July 2018 (PSUs)	8	0	8
2017-18	02 July 2019 (ES)	4	1	3
	4 March 2020 (RS)	18	11	7
	4 March 2020 (PSUs)	7	0	7
2018-19	08 September 2020 (ES)	4	1	3
	08 September 2020 (RS)	11	6	5
	08 September 2020 (PSUs)	2	0	2
Total		145	33	112
Note: ES -Economic Sector Report, RS- Revenue Sector Report				

As seen from the Table 1.5 out of 145 paragraphs and reviews included in Audit Reports, 112 EMs were outstanding.

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 2020-21, the PAC and COPU discussed 123 paragraphs pertaining to the Audit Reports for the years from 2010-11 to 2015-16 and gave 355 recommendations of which, ATNs were pending on 319 recommendations as indicated in **Table 1.6**.

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

Year of Audit Report	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	2	1
	PSUs	1	2020-21	6	6
		6, 11, 7	2015-16	5	5
2011-12	RS	33	2017-18	17	17
		34	2017-18	64	64
	PSUs	5	2015-16	1	1
		18	2017-18	3	3
		6	2015-16	2	2
2012-13	RS	37	2017-18	34	31
	ES	45, 60	2017-18	26	25
	PSUs	6	2015-16	1	1

Year of Audit Report	Audit Report	PAC/COPU Report Number	Year of PAC/COPU	Number of PAC/COPU recommendations	Number of ATNs awaited
2013-14	RS	15	2015-16	29	6
	PSUs	16	2017-18	1	1
		7	2015-16	1	1
2014-15	RS	66	2017-18	5	5
		53	2017-18	46	46
		54	2017-18	37	37
	ES	43	2017-18	20	19
	GSS	61	2017-18	13	12
	PSUs	2	2020-21	5	5
		18	2017-18	3	3
2015-16	RS	19	2015-16	9	8
		56	2017-18	12	12
	ES	39	2017-18	13	8
Total				355	319

The department-wise position of PAC and COPU recommendations on which ATNs were awaited (May 2022) is indicated in **Appendix 1.4**. As seen from Appendix 1.4, out of 319 ATNs awaited from 14 departments, maximum ATNs (129 ATNs) were pending from Finance Cluster.