

# **CHAPTER-I**

## **INTRODUCTION**



## 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 compliance audit of government departments, and autonomous bodies of the Government of Maharashtra (GoM) falling under various clusters under the jurisdiction of Principal Accountant General (Audit)-I, Maharashtra, Mumbai. The cluster wise list of departments and autonomous bodies audited by this office is shown in **Table 1.1** below. The details are given in **Appendix 1.1**.

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

| Name of the Cluster                         | Number of Departments | Number of Autonomous Bodies |
|---|-----------------------|-----------------------------|
| Health & Welfare                            | 07                    | 04                          |
| Education, Skill Development and Employment | 05                    | 03                          |
| Rural Development                           | 01                    | --                          |
| Agriculture, Food & Allied Industries       | 03                    | --                          |
| Water Resources                             | 02                    | 01                          |
| Urban Development                           | 02                    | 06                          |
| Culture & Tourism                           | 01                    | --                          |
| General Administration                      | 03                    | 01                          |
| <b>Total</b>                                | <b>24</b>             | <b>15</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 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 and 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 explains the authority for audit, organisational structure, planning and extent of audit and responsiveness of Government to audit. Chapter II contains observations emanating from compliance audit in government departments and autonomous bodies.

#### 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 subordinate officers.

A summary of the State Government's fiscal transactions during 2022-24 vis-à-vis the previous year is given in **Table 1.2** below:

**Table 1.2: Summary of fiscal operations during 2022-24 (₹ in crore)**

| Receipts   |                  |                       |                        | Disbursements (₹ in crore)                                  |                  |                       |                       |
|--|------------------|-----------------------|------------------------|---|------------------|-----------------------|-----------------------|
|  | 2021-22          | 2022-23               | 2023-24                |   | 2021-22          | 2022-23               | 2023-24               |
| <b>Section-A: Revenue Account</b>                      |                  |                       |                        |   |                  |                       |                       |
| Own Tax Revenue  | 220927.13        | 277486.31             | 302343.37              | General Services  | 121745.32        | 130590.81             | 139874.71             |
| Non-Tax Revenue  | 19306.70         | 16776.41              | 20857.94               | Social Services   | 142523.26        | 163329.16             | 189224.05             |
| Share of Union Taxes/ Duties                           | 54318.06         | 60000.97              | 71349.75               | Economic Services   | 59454.77         | 80819.94              | 83363.03              |
| Grants-in-aid from GoI                                 | 38759.68         | 51414.24              | 36045.40               | Grants-in-aid and Contributions                             | 25962.54         | 32874.49              | 31888.67              |
| <b>Total Section-A Revenue Receipts</b>                | <b>333311.57</b> | <b>405677.93</b>      | <b>430596.46</b>       | <b>Total Section-A Revenue Expenditure</b>                  | <b>349685.89</b> | <b>407614.40</b>      | <b>444350.46</b>      |
| <b>Section-B: Capital Account and others</b>           |                  |                       |                        |   |                  |                       |                       |
| i) Miscellaneous Capital Receipts                      | 0                | 0                     | 0                      | 1.General Services  | 2681.21          | 3526.56               | 5579.89               |
|  |                  |                       |                        | 2.Social Services   | 4082.09          | 9134.20               | 15243.68              |
|  |                  |                       |                        | 3.Economic Services   | 39907.09         | 48982.85              | 51749.83              |
|  |                  |                       |                        | <b>i) Capital Outlay (1+2+3)</b>                            | <b>46670.39</b>  | <b>61643.61</b>       | <b>72573.40</b>       |
| ii) Recoveries of Loans and Advances                   | 1178.88          | 642.62                | 742.20                 | ii) Loans and Advances disbursed                            | 2436.03          | 4664.41               | 4974.16               |
| iii) Public Debt Receipts <sup>1</sup>                 | 90488.18*        | 87572.84 <sup>#</sup> | 125820.67 <sup>@</sup> | iii) Repayment of Public Debt <sup>2</sup>                  | 35934.66*        | 37665.79 <sup>#</sup> | 40649.98 <sup>@</sup> |
| iv) Appropriation from Contingency Fund                | 0.00             | 200.00                | 0.00                   | iv) Appropriation from Contingency Fund                     | 0.00             | 200.00                | 0.00                  |
| v) Contingency Fund                                    | 0.00             | 200.00                | 0.00                   | v) Contingency Fund   | 0.00             | 200.00                | 0.00                  |
| vi) Public Account Receipts                            | 119376.52        | 143466.93             | 136495.89              | vi) Public Account Disbursements                            | 100533.18        | 121973.69             | 123351.19             |
| vii) Opening Cash Balance                              | 68597.29         | 77692.29              | 81490.71               | vii) Closing Cash Balance                                   | 77692.29         | 81490.71              | 89246.74              |
| <b>Total Section-B Receipts (i+ii+iii+iv+v+vi+vii)</b> | <b>279640.87</b> | <b>309774.68</b>      | <b>344549.47</b>       | <b>Total Section-B Disbursements (i+ii+iii+iv+v+vi+vii)</b> | <b>263266.55</b> | <b>307838.21</b>      | <b>330795.47</b>      |
| <b>Grand Total (A+B)</b>                               | <b>612952.44</b> | <b>715452.61</b>      | <b>775145.93</b>       | <b>Grand Total (A+B)</b>                                    | <b>612952.44</b> | <b>715452.61</b>      | <b>775145.93</b>      |

<sup>@</sup> Excluding transactions under Special Drawing facility on 91 days (Receipt and Disbursement of ₹166.85 crore)

<sup>#</sup> Excluding transactions under Special Drawing facility on 91 days (Receipt and Disbursement of ₹7,129.25 crore)

<sup>\*</sup> Excluding transactions under Special Drawing facility on 91 days (Receipt and Disbursement of ₹98.43 crore)

Source: Finance Accounts of respective years

<sup>1</sup> Figures of Public Account Receipts are shown on gross basis.

<sup>2</sup> Figures of Public Account Disbursements are shown on gross basis.

### 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 (DPC Act). The C&AG conducts audit of expenditure and revenue of the departments and autonomous bodies of the 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 and autonomous bodies (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** below:

**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 & 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. During 2022-24, 12,037 party-days were used to carry out audit of 711 units. 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 offices inspected. The Heads of 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 and autonomous bodies 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 2024, 3,623 IRs (13,847 paragraphs) were outstanding for settlement. Year-wise details of IRs and paragraphs are shown in **Appendix 1.2**. It was noticed that 2,496 IRs containing 7,048 paragraphs are outstanding for more than five years. This indicated that timely and effective steps are not being taken to settle outstanding audit issues.

### **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 its settlement. The Audit Committees are 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 2022-24, three ACMs were conducted as indicated in **Table 1.4** below:

**Table 1.4: ACMs conducted during 2022-24**

| <b>Sr. No.</b> | <b>Name of the Administrative Department</b> | <b>No. of ACMs held</b> | <b>No. of IRs settled</b> | <b>No. of Paras settled</b> |
|----------------|--|-------------------------|---------------------------|-----------------------------|
| 1              | Revenue and Forest                           | 1                       | 26                        | 480                         |
| 2              | Water Resources                              | 1                       | 42                        | 214                         |
| 3              | Tribal Development                           | 1                       | 14                        | 98                          |
| <b>Total</b>   |  | <b>3</b>                | <b>82</b>                 | <b>792</b>                  |

As seen from **Table 1.4**, very few Audit Committee meetings were convened by the department, despite the pendency of large number of IR paragraphs. Further, out of 24 administrative departments under the audit jurisdiction of Principal Accountant General (Audit)-I, Maharashtra, Mumbai, ACMs of only three administrative departments were conducted during 2022-24.

### **1.6.3 Response of Departments to Draft Paragraphs**

16 draft paragraphs (including two theme-based audit) were forwarded demi-officially to the Additional Chief Secretaries/Principal Secretaries/Secretaries of the concerned departments between March 2024 and December 2025 with a request to send the responses within four weeks. The

Government reply was received for two theme-based audit and four draft paragraphs, while no reply was received in respect of 10 draft paragraphs featured in the Report.

#### 1.6.4 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 of C&AG of India, within three months of presenting the Audit Reports to the State Legislature. The administrative departments, however, did not comply fully with these instructions. The status of outstanding EMs from 2012-13 to 2021-22 is indicated in **Table 1.5** below. Department-wise details are shown in **Appendix 1.3**.

**Table 1.5: Status of outstanding EMs during 2012-13 to 2021-22**

| Audit Report                  | Date of tabling the Report  | Number of Paragraphs and Reviews | Number of EMs received | Balance |
|-------------------------------|---|----------------------------------|------------------------|---------|
| 2012-13                       | 14 June 2014 (GSS)  | 15                               | 14                     | 1       |
|                               | 24 December 2014 (ES)   | 6                                | 5                      | 1       |
|                               | 14 June 2014 (RS)   | 7                                | 6                      | 1       |
| 2013-14                       | 10 April 2015 (RS)  | 5                                | 4                      | 1       |
| 2014-15                       | 13 April 2016 (RS)  | 5                                | 4                      | 1       |
| 2016-17                       | 20 July 2018 (RS)   | 4                                | 3                      | 1       |
| 2017-18                       | 04 March 2020 (RS)  | 4                                | 3                      | 1       |
|                               | 04 March 2020 (PSUs)  | 9                                | 9                      | 0       |
| 2018-19                       | 08 September 2020 (GSS&PSUs)  | 12                               | 10                     | 2       |
|                               | 08 September 2020 (ES)  | 7                                | 6                      | 1       |
|                               | 08 September 2020 (RS)  | 5                                | 4                      | 1       |
|                               | 08 September 2020 (PSUs)  | 1                                | 1                      | 0       |
| 2019-21                       | 25 March 2022 (CAR)   | 11                               | 8                      | 3       |
| 2020-21                       | 25 March 2022 (CAR)   | 1                                | 1                      | 0       |
| Report No. 3 of the year 2022 | 25 August 2022<br>Performance Audit on 74th Constitutional Amendment Act in Maharashtra   | 1                                | 0                      | 1       |
| Report No. 4 of the year 2022 | 30 December 2022<br>Performance Audit on Outcomes in Surface Irrigation   | 1                                | 0                      | 1       |
| Report No. 1 of the year 2023 | 25 March 2023<br>Performance Audit on Delivery of Public Services by GoM  | 1                                | 0                      | 1       |
| Report No. 4 of the year 2023 | 04 August 2023<br>Performance Audit on Implementation of Direct Benefit Transfer in Scholarship Schemes of Other Backward Bahujan Welfare Department, | 1                                | 0                      | 1       |

| <b>Audit Report</b>           | <b>Date of tabling the Report</b>  | <b>Number of Paragraphs and Reviews</b> | <b>Number of EMs received</b> | <b>Balance</b> |
|-------------------------------|--|---|-------------------------------|----------------|
|                               | Government of Maharashtra  |   |                               |                |
| Report No. 2 of the year 2024 | 21 December 2024<br>Performance Audit on Public Health Infrastructure and Management of Health Services in Maharashtra | 1                                       | 0                             | 1              |
| <b>Total</b>                  |  | <b>97</b>                               | <b>78</b>                     | <b>19</b>      |

**GSS:** - General and Social Sector; **ES:** - Economic Sector; **RS:-**Revenue Sector; **CAR:-** Compliance Audit Report

As seen from **Table 1.5**, out of 97 paragraphs and reviews included in Audit Reports, 19 EMs were outstanding as on December 2024.

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.

The PAC and COPU discussed 155 paragraphs pertaining to the Audit Reports for the years from 2010-11 to 2016-17 and gave 702 recommendations of which, ATNs were pending on 415 recommendations, as indicated in **Table 1.6** below:

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

| <b>Year of Audit Report</b> | <b>Audit Report</b> | <b>PAC/COPU Report Number</b> | <b>Year of PAC/COPU</b> | <b>Number of PAC/COPU recommendations</b> | <b>Number of ATNs awaited</b> |
|-----------------------------|---------------------|-------------------------------|-------------------------|---|-------------------------------|
| 2010-11                     | GSS                 | 12                            | 2015-16                 | 15  | 9                             |
|                             | RS                  | 9                             | 2015-16                 | 15  | 2                             |
|                             |                     | 16                            | 2015-16                 | 11  | 9                             |
|                             | COPU                | 8                             | 2015-16,                | 6   | 1                             |
| 2011-12                     | GSS                 | 29                            | 2017-18                 | 44  | 27                            |
|                             | ES                  | 35                            | 2017-18                 | 9   | 2                             |
|                             | RS                  | 26                            | 2015-16                 | 19  | 19                            |
|                             |                     | 33                            | 2017-18                 | 13  | 8                             |
|                             | COPU                | 11                            | 2015-16                 | 10  | 1                             |
| 2012-13                     | GSS                 | 24                            | 2015-16                 | 18  | 17                            |
|                             | GSS                 | 27                            | 2017-18                 | 48  | 48                            |
|                             | ES                  | 38                            | 2017-18                 | 31  | 3                             |
|                             |                     | 64                            | 2017-18                 | 120                                       | 80                            |
|                             | RS                  | 37                            | 2017-18                 | 15  | 2                             |
| 2013-14                     | GSS                 | 19                            | 2015-16                 | 47  | 31                            |
|                             | ES                  | 23                            | 2015-16                 | 26  | 26                            |

| Year of Audit Report | Audit Report | PAC/COPU Report Number | Year of PAC/COPU | Number of PAC/COPU recommendations | Number of ATNs awaited |
|----------------------|--------------|------------------------|------------------|------------------------------------|------------------------|
| 2014-15              | GSS          | 47                     | 2017-18          | 24                                 | 5                      |
|                      |              | 52                     | 2017-18          | 37                                 | 2                      |
|                      |              | 57                     | 2017-18          | 23                                 | 10                     |
|                      | ES           | 46                     | 2017-18          | 14                                 | 4                      |
|                      | RS           | 54                     | 2017-18          | 37                                 | 15                     |
| 2015-16              | GSS          | 40                     | 2017-18          | 16                                 | 4                      |
|                      |              | 41                     | 2017-19          | 16                                 | 13                     |
|                      | RS           | 56                     | 2017-18          | 19                                 | 10                     |
| 2016-17              | GSS          | 58                     | 2017-18          | 13                                 | 13                     |
|                      |              | 59                     | 2017-18          | 5                                  | 3                      |
|                      |              | 67                     | 2017-18          | 51                                 | 51                     |
| <b>Total</b>         |              |                        |                  | <b>702</b>                         | <b>415</b>             |

**GSS:** General and Social Sector; **ES:** Economic Sector; **RS:** Revenue Sector;

**COPU:** Committee on Public Undertakings

The Department-wise position of PAC and COPU recommendations on which ATNs were awaited is indicated in **Appendix 1.4**. As seen from **Appendix 1.4**, 415 ATNs were awaited from 16 departments. Maximum ATNs (172 ATNs) were pending from Water Resources Department.

