

Overview

The report comprises five chapters; the first two contain observations on the Finance and Appropriation Accounts of the Government for the year 2005-06 and the remaining three chapters contain eight audit reviews of certain selected programmes and activities, including audit of the internal control mechanism in the Animal Husbandry Department and 30 paragraphs on audit of financial transactions of the various Government Departments and statutory corporations.

The audit has been conducted in accordance with the Auditing Standards prescribed for the Indian Audit and Accounts Department. Audit samples have been drawn based on statistical sampling methods as well as on judgement basis. The specific audit methodology adopted for programmes and schemes has been mentioned in the reviews. The audit conclusions have been drawn and recommendations made taking into consideration the views of the Government.

A summary of the financial position of the State and the audit comments on the performance of the Government in implementation of certain programmes and schemes as well as internal control mechanism in Animal Husbandry Department is given below:

1 Financial position of the State Government

During 2005-06, revenue receipts increased to Rs 48,438 crore at a growth rate of 18 *per cent*, as against revenue expenditure of Rs 52,280 crore which increased 2.4 *per cent* over the previous year. As a result, revenue deficit (Rs 3842 crore) reduced by about 62 *per cent*. The State's own resources, comprising tax and non-tax revenue, contributed 81 *per cent* of the revenue receipts. Capital expenditure increased to Rs 10,078 crore in 2005-06, up by 28 *per cent* over 2004-05. Fiscal deficit in 2005-06 was Rs 17,631 crore, a decrease of 5 *per cent* over the previous year. The expenditure on salaries, pension and interest payments consumed Rs 19,780 crore *i.e.*, 41 *per cent* of the total revenue receipts of the State. Fiscal liabilities increased from Rs 1,21,026 crore in 2004-05 to Rs 1,42,491 crore in 2005-06. As a ratio of GSDP these liabilities increased from 33 *per cent* in 2004-05 to 34 *per cent* in 2005-06.

The Maharashtra Fiscal Responsibility and Budgetary Management Act was passed in April 2005 to provide transparency in fiscal management, but the relevant Rules were belatedly framed in February 2006. Government also framed the Medium term fiscal policy statement for the State in March 2006

as per the Twelfth Finance Commission recommendations but the same was made effective from the fiscal year 2006-07.

During 2005-06, the overall savings of Rs 8,958.59 crore was the result of savings of Rs 10,115.58 crore in 222 cases of grants and appropriations, offset by excesses of Rs 1,156.99 crore in 34 cases of grants and appropriations.

In order to remove the developmental backlogs in various regions by March 2006, allocations were to be made in nine sectors, as per directives of the Governor of Maharashtra. During 2002-05, against total allocation of Rs 5435 crore made for Vidarbha region, budget provision and expenditure was Rs 1,663 crore (31 *per cent*). Similarly, for Marathwada region, budget provision and expenditure was Rs 1,513 crore (44 *per cent*) against the total allocation of Rs 3,470 crore. As Governor's directives were not complied with, fresh directives were issued in March 2006, to liquidate the backlogs.

2 Sarva Shiksha Abhiyan

The objectives of the Sarva Shiksha Abhiyan (SSA) programme aimed at providing useful and relevant elementary education to all children in the age group of six to 14 by 2010.

Implementation of SSA was delayed in the State, besides, the Maharashtra Prathamik Shikshan Parishad did not fully utilise the available funds of Rs 911.37 crore and had an unspent balance of Rs 95.86 crore as of March 2005. There was only a marginal improvement in the accessibility to schools. Only 37 *per cent* of Civil works relating to construction of classrooms, toilets and provision of drinking water facilities etc. could be completed despite availability of sufficient funds. Though the teacher to pupil ratio in the State as a whole was adequate, such ratio in single teacher schools, test checked, was found to be low. Out of 76,407 primary and upper primary schools, 6,480 were single teacher schools. According to survey conducted in March 2002, out of 1.75 crore of child population in the age group of six to 14 years in the State, 15.79 lakh children were identified to be out of school. As of November 2005, 1.06 lakh children continued to remain out of school. The objective of having all children in school or alternate school even by 2005 was not achieved.

(Paragraph 3.1)

3 Valmiki Ambedkar Malin Basti Awas Yojana

Government of India introduced the Valmiki Ambedkar Malin Basti Awas Yojana in December 2001 with the objective of providing shelters or upgrading the existing shelters for people living below the poverty line and members of other weaker section in urban slums.

Huge funds were lying with the Maharashtra Housing Area and Development Authority and its Regional Boards; beneficiaries were selected without observing the eligibility criteria. In Maharashtra preparation of Detailed Project Reports was injudicious, dwelling units were constructed without sanitary latrines and inflated utilisation certificates submitted to the Government of India. Beneficiaries were not conferred with pattas/titles of land though envisaged in the scheme. Large number of approved projects remained incomplete. The monitoring of the scheme was inadequate.

(Paragraph 3.2)

4 Computerisation of Employment Exchanges in Maharashtra

A project of computerisation of the functions of the Employment Exchanges of the State was being implemented by the Directorate of Employment and Self Employment with the objective of improving the efficiency of the Employment Exchanges, networking of all Employment Exchanges and speedy collection of data from employers to provide them skilled manpower.

An Oracle based applications package implemented in 36 units (1997-1999) by incurring an expenditure of Rs 2.06 crore was left incomplete. Before stabilising the Oracle based package, the Directorate switched over in 2001-02 to the development of a new DB2 based package named 'Rojgar Mitra'. But the deficiencies continued in the new package also. No detailed System Requirement Specifications were prepared. Lack of adequate documentation led to lack of proper control over the development process and undue delays. There was lack of validation checks and data integrity. Lack of audit trails and security controls made the system vulnerable to unauthorised access and consequent changes to data.

(Paragraph 3.3)

5 Information Technology review of SETU (Integrated Citizen's Service Centres)

With a view to the harness benefits of Information Technology (IT) for effective and transparent functioning of the Administration, Government started (August 2002) providing different services to citizens through an IT based project SETU connoting a 'Bridge' for connecting Government with people. There was lack of uniformity in the software implemented in various centres which led to failure in consolidation and transmission of the data from root level to apex level. The system had no security policies / procedures exposing the system to potential risks of invalid inputs, processing, output and access by unauthorised users.

(Paragraph 3.4)

6 Audit of grants-in-aid to educational institutions

Recognised aided schools and Arts, Science, Commerce and Law colleges are eligible for salary grants, non salary grants, building grants and other grants at the discretion of the sanctioning authority. The average annual expenditure of Rs 39.61 crore on grants-in-aid (GIA) to these institutions was incurred during 2001-2005. Review of release of GIA to non-government educational institutions indicated that assessment of GIA of Rs 1789.77 crore paid to 780 colleges was not completed for three to 10 years. Government released excess GIA of Rs 16.19 crore to 217 institutions as tuition fees recoverable were not adjusted. Grants were released to the colleges with poor enrolment.

(Paragraph 3.5)

7 Functioning of Dr. Babasaheb Ambedkar Technological University

Dr. Babasaheb Ambedkar Technological University was established in 1989 with the objective of providing facilities of higher technical education and promoting economic development of the region. There was delay in preparation of annual accounts and huge unspent balances lying at the end of each year. The construction of the academic and administrative building, started in December 1999, had not been completed. Availability of hostels was not commensurate with the requirements resulting in overcrowding in the hostels. Job placement was poor due to lack of linkage with the industries. Despite shortages of teaching staff, the University continued to send many of its staff on deputation for higher studies. Extension service centres through which transfer of technology was envisaged were not established. A number of courses remained to be accredited by the All India Council for Technical Education (AICTE). Grants given by AICTE were either utilised after delays or were lying unutilised. There were shortfalls in the required number of meetings to be held by various statutory committees.

(Paragraph 3.6)

8 Food Security, Subsidy and Management of Foodgrains

Food management of Government involves implementation of a well targeted Public Distribution System for ensuring availability of foodgrains to the public at affordable prices and for ensuring food security for the poor.

The quality of foodgrains was not ensured while lifting the same from Food Corporation of India, excess payments were released to procurement agents and eligibility criteria were not followed in identification of beneficiaries under the Targeted Public Distribution System, Antyodaya Anna Yojana and Annapurna Scheme. The Vigilance Committees constituted for monitoring the distribution of foodgrains to the beneficiaries were either not formed or were ineffective. There were enormous differences between the number of ration

cards issued under Public Distribution System and to the below poverty line families identified as per Government of India norms through survey.

(Paragraph 3.7)

9 Internal control mechanism in the Animal Husbandry Department

Internal control is a process designed to provide reasonable assurance to an organisation regarding the achievement of economy and efficiency of operations including performance goals. A review of internal controls in the Animal Husbandry Department showed non-working/absence of internal controls such as non-compliance with rules, manuals and codes relating to financial management, non-assessment of grants released to Zilla Parishads inadequate monitoring of the schemes implemented by the Department and ineffective internal audit arrangements.

(Paragraph 5.1)

10 Transaction audit findings

Audit of financial transactions, subjected to test-check, in various departments of the Government and their field functionaries, showed instances of excess payment and wasteful expenditure etc. of over Rs 90.32 crore as mentioned below:

Excess payments, wasteful and infructuous expenditure amounting to Rs 13.02 crore were noticed in the Finance Department (Rs 6.45 crore), Home Department (Rs 2.39 crore), Revenue and Forests Department (Rs 2.06 crore) and Social Justice, Cultural Affairs and Special Assistance Department (Rs 2.12 crore)

Violations of contractual obligations, undue favours to contractors and avoidable expenditure amounting to Rs 38.99 crore were noticed in the Home Department (Rs 2.26 crore), Housing Department (Rs 3.45 crore), Medical Education and Drugs Department (Rs 0.31 crore) and Water Resources Department (Rs 32.97 crore).

Idle investment/idle establishment/blocking of funds and unfruitful expenditure amounting to Rs 32.58 crore were noticed in the Housing Department (Rs 9.08 crore), Public Works Department (Rs 2.05 crore), Rural Development Department (Rs 0.51 crore), Tribal Development Department (Rs 17.67 crore), Water Resources Department (Rs 1.36 crore) and Water Supply and Sanitation Department (Rs 1.91 crore).

Loan amounting to Rs 4.80 crore were not recovered from beneficiaries of Lok Awas Yojana by the Housing Department and payment of pension/family pension of Rs 92.85 lakh was made by the treasuries under the Finance Department, in contravention of the rules.

Some of the important findings are as follows:

- Adoption of incorrect rates for payment of Transport Allowance to employees in Nagpur led to excess payment of Rs 6.45 crore.
(Paragraph 4.1.1)
- Failure in enforcing the provisions of an agreement resulted in short recovery of shipping fees of Rs 1.59 crore and undue benefit of Rs 67.42 lakh to a licensee.
(Paragraph 4.2.1)
- Independent work costing Rs 3.69 crore at a different location was allotted to a contractor as an extra item without inviting tenders, in violation of the manual provisions.
(Paragraph 4.2.7)
- Non reduction in contract value as a result of design change resulted in excess payment of Rs 2.68 crore.
(Paragraph 4.2.8)
- Construction of a bridge without acquiring land required for its approach roads resulted in unfruitful expenditure of Rs 2.05 crore.
(Paragraph 4.3.3)
- Failure to construct a Head Regulator on Kulpa-Karanja distributory resulted in unfruitful expenditure of Rs 1.36 crore on construction of the Kotjambhora Minor and denial of irrigation benefit to the cultivators.
(Paragraph 4.3.6)