

OVERVIEW

This Audit Report contains 40 Paragraphs and eight Audit Reviews apart from comments on the Finance and Appropriation Accounts. As per existing arrangement, copies of the draft Audit Paragraphs and draft Audit Reviews are sent to the Principal Secretary/Secretary concerned to the State Government by the Principal Accountant General/Accountant General (Audit) demi-officially, with a request to furnish replies within six weeks. Despite such efforts, 25 out of 40 Paragraphs and three out of eight Reviews did not elicit any response from the Principal Secretary/Secretary concerned of the State Government.

I An overview of the Finances of the State Government

- The revenue receipts of the Government increased from Rs 25269 crore in 1999-2000 to Rs 34370 crore in 2003-04. It grew by about 11 *per cent* over the previous year.
- Sales tax was the major contributor (61 *per cent*) of tax revenue followed by stamps and registration fees (13 *per cent*). Of non-tax revenue sources, Dairy Development (22 *per cent*) and Miscellaneous General Services (20 *per cent*) were principal contributors.
- The revenue expenditure increased from Rs 29538 crore in 1999-2000 to Rs 42680 crore in 2003-04. It grew by 5 *per cent* over the previous year. The revenue expenditure accounted for 81 *per cent* of the total expenditure (Rs 52781 crore) as against 79 *per cent* in 1999-2000.
- The Revenue Deficit marginally declined from Rs 9371 crore in 2002-03 to Rs 8310 crore in 2003-04. However, Fiscal Deficit increased from Rs 14290 crore in 2002-03 to Rs 17929 crore in 2003-04. Further, this is exclusive of off-budget borrowings taken by the Government in the past.
- The share of economic services, social services and general services in total expenditure increased from 24 *per cent*, 31 *per cent* and 34 *per cent* in 1999-2000 to 26 *per cent*, 31 *per cent* and 38 *per cent* in 2003-04 respectively. The relative share of general services which is primarily non-development in nature, increased mainly due to increase in interest payment (Rs 3451 crore) during the above five year period.
- Non-developmental expenditure *viz* salaries (Rs 16680 crore), interest payments (Rs 8335 crore) and pension (Rs 2636 crore) alone consumed more than three-fourth (80 *per cent*) of the revenue receipts of the State during the year.
- Out of the total capital expenditure of Rs 8199 crore during the year, two third expenditure (Rs 6102 crore) was under the major head irrigation and flood control on account of special purpose vehicles

created (five irrigation corporations) for raising the off-budget borrowings.

- As on March 2004, 57 companies in which the Government had invested Rs 5705.52 crore (Share Capital: Rs 807.81 crore, Loan: Rs 4897.71 crore) were incurring losses and their accumulated losses amounted to Rs 1830.03 crore.
- The fiscal liabilities of the State increased from Rs 51993 crore in 1999-2000 to Rs 104404 crore in 2003-04. The growth rate was 22 *per cent* during 2003-04 over previous year. These liabilities as ratio to Gross State Domestic Product increased from 22 *per cent* in 1999-2000 to 32 *per cent* in 2003-04 and stood at three times of its revenue receipts. In addition to these liabilities, the Government had guaranteed loans of Rs 82228 crore (25 *per cent* of Gross State Domestic Product) to its Corporations and others as of 31 March 2004.
- These fiscal liabilities, however, do not include the pension liabilities payable to serving/retired State employees, off-budget borrowings/liabilities, risk weighted guarantees/contingent liabilities, power subsidies payable to Maharashtra State Electricity Board.
- The average rate of market borrowing during the year was 7 *per cent*. As on 31 March 2004, 38 *per cent* of the existing market loans, however, carried interest rate exceeding 10 *per cent*.
- During the past five years, all the four indicators of fiscal imbalances showed continuous deterioration over time indicating increasing unsustainability and vulnerability of State finances. Increasing ratio of fiscal liabilities to Gross State Domestic Product and revenue receipts, together with revenue deficit indicated that the State is gradually getting into a debt trap. Similarly, the higher buoyancy of debt both with regard to its revenue receipts and own resource indicated its increasing unsustainability.

(Paragraphs 1.1 to 1.12)

II Allocative Priorities and Appropriation

- The expenditure exceeded the budget provision in 11 grants and 15 appropriations by Rs 1001.12 crore and Rs 14.12 crore respectively. The excess expenditure required regularisation by the State Legislature under Article 205 of the Constitution.
- The Supplementary provision of Rs 19834.68 crore constituted 28.28 *per cent* of the original provision of Rs 70140.08 crore. In 56 grants/appropriations, supplementary provision totalling Rs 1574.33 crore proved unnecessary.
- Supplementary grants and appropriations totalling Rs 16442.76 crore were obtained in 44 other grants/appropriations when the additional

requirement of the fund was Rs 11068.90 crore only. Savings in each of these cases was in excess of Rs 1 crore.

- Supplementary grants totalling Rs 1452.91 crore in seven grants/appropriations proved insufficient by more than Rs 1 crore in each grant/appropriation leaving an aggregate uncovered excess expenditure of Rs 1003.57 crore.
- Savings of Rs 1 crore and above in each grant/appropriation totalling Rs 3295.50 crore (24.15 per cent of total savings) in 51 grants and appropriations were not surrendered before the close of the financial year.
- Corpus of the Contingency Fund was temporarily increased from Rs 150 crore to Rs 750 crore with effect from 13 June 2003 and to Rs 400 crore with effect from 24 October 2003 by issue of ordinance. Advances totalling Rs 47.50 crore made from the Fund were not recouped till the close of the financial year.

(Paragraph 2.1 to 2.8)

III Performance Review of Scheme/Project

1 Pradhan Mantri Gram Sadak Yojana

The Government of India launched “Pradhan Mantri Gram Sadak Yojana”, a fully Centrally Sponsored Scheme in December 2000 to provide road connectivity to all rural habitations. Some of the important findings are as follows:

- As against a target of 4299 km of road length to be completed between 2001-2004, 2794 kms road length was constructed as of August 2004.
- Priority in road connectivity was not observed. As a result 120 habitations with population less than 500 were connected at a cost of Rs 23.09 crore leaving 27 and 458 habitations with population size above 1000 and 500 respectively unconnected.
- Ineligible works wrongly included in district rural road plans deprived the State of Rs 55.91 crore for construction of other eligible roads.
- As against the cost sanctioned by Ministry of Rural Development of Rs 119.51 crore, 18 districts works were awarded at a cost of Rs 137.26 crore incurring avoidable liability of Rs 17.75 crore which would have to be borne by the State Government.
- Fifty-four major district roads were constructed at a cost of Rs 9.44 crore, though these were not permissible under Pradhan Mantri Gram Sadak Yojana.

(Paragraph 3.1)

2 Implementation of Child Labour (Prohibition and Regulation) Act, 1986

The Child Labour (Prohibition and Regulation) Act, 1986 seeks to achieve the basic objective of banning employment of all children below the age of 14 years in factories, mines and hazardous occupations and processes and to regulate the working conditions of children in other employments. Some of the important findings are as follows:

- There was a wide variation between the number of child labour identified by Non-Government Organisations (45801) and that identified by the Government (264).
- Though required under the Act, occupiers of establishments did not furnish the information regarding engagement of child labour as revealed in five test-checked districts.
- Prosecution cases filed were only 59 *per cent* of number of children detected in hazardous industries in the 1997 survey while it was 26 *per cent* in 2001-02. Out of 440 cases filed in 1997, 85 cases were finalised in which 72 cases resulted in acquittals.
- In eight districts 61 *per cent* of the funds received from Government of India for awareness and survey remained unspent.

(Paragraph 3.2)

3 Maharashtra Health Systems Development Project

To overcome the constraints existing in the secondary health care system in Maharashtra, the State Government decided (January 1999) to implement the Maharashtra Health Systems Development Project with the financial assistance from International Development Association. Some of the important findings are as follows :

- Only 62 *per cent* (Rs 378.20 crore) of the expenditure planned (Rs 611.88 crore) was incurred upto 31 March 2004 due to delayed implementation of the project.
- Civil works in 123 hospital buildings were completed against 160 due for completion. Sixty-four upgraded hospital buildings were not re-commissioned due to lack of staff/equipments..
- Three buildings constructed for workshops for Health Equipment Repairs at a cost of Rs 1.57 crore were used for accommodating office staff.
- Retention of user charges in Personal Ledger Account for subsequent use in hospitals led to fraudulent withdrawal of Rs 2.89 crore in two

civil hospitals. Besides, payments were made to suppliers without receipt of material.

(Paragraph 3.3)

4 Agriculture Department

Main objectives of the Agricultural policy was to increase production and productivity of crops through improved technology high-yielding seeds as well as providing facilities to farmers for credit and agro-industries Some of the important findings are as follows:

- Cotton Development (Demonstration) Project costing Rs 10.50 crore established at Akola and Parbhani failed to yield the expected results, as there was no follow-up of suitability of new technology.
- Production of seeds in Taluka Seed Farms declined during 2000-2003. Large quantity of seeds was rejected by Maharashtra State Seeds Corporation Limited. Financial working results of the farms showed a net loss of Rs 11.63 crore.
- Supply of sprinkler set for oil seed production was only 20 and 5 per cent during 2002-03 and 2003-04 respectively. Forty-four per cent of drip and sprinkler sets were not functional.
- Submission of evaluation report to assess utility of research for agriculture development was delayed by more than four years.

(Paragraph 3.4)

5 Swarna Jayanti Shahari Rojgar Yojana

Swarna Jayanti Shahari Rojgar Yojana was launched from 1 December 1997 to provide gainful self-employment/wage-employment to the urban people living below poverty line. The scheme was implemented by urban local bodies through two special schemes viz Urban Self Employment Programme and Urban Wage Employment Programme by identifying the below poverty line beneficiaries. Some of the important findings are as follows :

- Expenditure of Rs 11.28 crore was incurred on various components of Urban Self Employment Programme and Urban Wage Employment Programme without identifying the families below poverty line.
- In 19 urban local bodies shortfall in coverage of scheduled caste/scheduled tribe and women beneficiaries ranged between 80 and 91 per cent.
- Works costing Rs 1.23 crore were executed in seven urban local bodies through contractors in violation of guidelines. .
- In 51 urban local bodies excess payment of Rs 2.11 crore was made to 26,302 trainees due to adoption of incorrect rate.
- Expenditure of Rs 1.09 crore was incurred on works in private layouts/lands instead of incurring from development funds/private

resources. Thus, urban local bodies and private land owners were relieved of their liabilities.

(Paragraph 3.5)

6 Integrated Child Development Services Scheme

The Integrated Child Development Services (ICDS) Scheme was introduced in the country from 2 October 1975. The scheme is implemented through 270 projects having 48132 Anganwadi Centres. The scheme envisages delivery of an integrated package of services comprising Supplementary Nutrition (SN), Health check-up, referral services, Immunisation, Nutrition and Health Education and non-formal pre-school education. Some of the important Audit findings are as follows :

- State Government lost World Bank Assistance of Rs 57.63 crore due to delay in implementation, poor physical and financial performance of the scheme.
- Over 4.81 lakh beneficiaries in Nanded and Yavatmal district did not get supplementary nutrition with envisaged calories and proteins due to cost constraints.
- Though Anganwadi workers were required to clean the food grains, contractors were involved for cleaning of rice resulting in irregular payment of Rs 1.73 crore during 2001-2004.

(Paragraph 3.6)

7 Computerisation of Land Records

A pilot project of computerisation of land records was launched in Wardha district in 1989-90 and the project was thereafter taken up in 83 talukas in 1994-95 with the help of National Informatics Centre, Pune. Some of the important findings are as follows :

- No specific target date was set for implementation of the project which suffered from faulty planning and poor monitoring.
- Deficiencies were noticed in the database design and in the design of the application software.
- The software was devoid of system controls.

(Paragraph 3.7)

IV Audit Paragraphs

Loss of Government money

Loss of Rs 70.41 lakh on account of interest on unrecovered cost of wheat (Rs 1.50 crore) and short levy of Rs 15.24 lakh due to incorrect fixation of recovery price.

(Paragraph 4.1.1)

Infructuous/wasteful expenditure and overpayment

Incorrect recommendation of a tender item as an extra item by the Chief Engineer and the Government's approval thereto, resulted in excess payment of Rs 2.59 crore to the contractor.

(Paragraph 4.2.1)

The rates of disposable pricking lancets/needles was reduced retrospectively. Non-application of reduced rates resulted in excess payment of Rs 64.22 lakh.

(Paragraph 4.2.6)

Adoption of higher rates for three items other than that given in the current schedule of rates of Public Works Department resulted in excess payment of Rs 56.45 lakh.

(Paragraph 4.2.7)

Regularisation of unauthorised construction of Gymkhana/Pavilion club and application of old rates of premium for land resulted in undue benefit of Rs 10.15 crore to a Club.

(Paragraph 4.3.3)

Loading the cost of coffer dam in the tendered items considering three years construction period and again loading the cost for the same period in the increased tendered quantities beyond 125 *per cent* was unwarranted and resulted in unauthorised aid of Rs 48.96 lakh to the contractor.

(Paragraph 4.3.7)

Avoidable/excess/unfruitful expenditure

Construction of staff quarters without assessing the actual requirement and without relevance to the posts sanctioned resulted in unfruitful expenditure of Rs 1.75 crore.

(Paragraph 4.4.1)

Remote chances of release of 6.91 thousand million cubic metre of water from Palkhed dam to Narangi dam resulted in wasteful expenditure of Rs 18.22 crore on construction of Narangi dam.

(Paragraph 4.4.4)

Failure to arrest seepage for nine years rendered expenditure of Rs 2.86 crore on construction of minor irrigation tank unproductive, besides non-creation of irrigation potential for the targeted areas.

(Paragraph 4.4.5)

Violation of Forests Conservation Act, 1980 and delay in taking action against erring officials resulted in lingering the project for over 13 years and rendering the expenditure of Rs 1.88 crore unfruitful.

(Paragraph 4.4.6)

Insufficient planning, poor implementation of Government policies and failure in improving Information Technology awareness resulted in non-utilisation of computer hardware and software costing Rs 1.22 crore.

(Paragraph 4.4.13)

Idle investment/idle establishment/blockage of funds

Taking up of major lift irrigation schemes and enhancement of the scope of schemes time and again without ascertaining availability of funds resulted in idle investment of Rs 881.63 crore.

(Paragraph 4.5.3)

Idle investment of Rs 50.69 crore on construction of a hospital building and non-recovery of lease rent of Rs 2.70 crore in respect of shops leased out.

(Paragraph 4.5.5)

Failure to provide land for construction of buildings for Ekalavya Residential Schools led to idling of funds of Rs 1.84 crore lying with the Maharashtra Tribal Public School Society and depriving the tribal students of well equipped schools.

(Paragraph 4.5.9)

V Internal control mechanism in Government Department

5.1 Evaluation of internal control mechanism in Agriculture department

Internal control system is an integral process by which an organisation governs its activities to effectively achieve its objectives.

- In contravention of financial rules to draw funds for immediate use only, Rs 20.10 crore were parked with Maharashtra Agro Industries Development Corporation during 2000-2004 for utilisation in subsequent years.
- Grants of Rs 846.51 crore paid to Agriculture Universities remained unassessed. Unspent grant of Rs 67.26 lakh were not recovered from Panjabrao Deshmukh Krishi Vidyapeeth. Grants of Rs 11.66 crore were paid to Vasanttrao Naik State Agriculture Extension Management Training Institute Nagpur without prescribing terms and conditions.
- The Commissionerate drew funds on abstract contingent bills on the basis of incorrect certificate regarding submission of detailed contingent bills. As of July 2004 detailed contingent bills amounting to Rs 4.84 crore were not submitted to the Accountant General (A&E).
- No separate Internal Audit Wing was in existence and there was huge pendency in internal audit paragraphs. Pendency in compliance to the audit paragraphs indicates the non-rectification of the defects and omissions pointed out by Audit.

(Paragraph 5.1)