

# **CHAPTER - I**

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## 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 performance audit of selected programmes and activities and compliance audit of Government departments and autonomous bodies falling under Economic Sector.

Compliance audit refers to examination of the transactions relating to expenditure 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. On the other hand performance audit, besides conducting a compliance audit, also examines whether the objectives of the programme/activity/department are achieved economically and efficiently.

The primary purpose of the Report is to bring to the notice of the State Legislature, important results of audit. 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.

This chapter, in addition to explaining the planning and extent of audit, provides a synopsis of the significant deficiencies and achievements in implementation of selected schemes, significant audit observations made during the audit of transactions and follow-up on previous Audit Reports. Chapter II of this Report contains District-centric audit of Washim. Chapter III presents observations on audit of transactions in Government departments and autonomous bodies.

### 1.2 Audited Entity profile

There are seven departments in the Economic Sector in the State at the Secretariat level, headed by Additional Chief Secretaries/Principal Secretaries/Secretaries, who are assisted by Directors/Commissioners and subordinate officers and seven autonomous bodies, which are audited by the Principal Accountant General (Audit)-I, Mumbai and the Accountant General (Audit)-II, Nagpur.

A summary of the State Government's fiscal transactions during 2011-12 *vis-a-vis* the previous years is given in **Table 1**.

Table 1 : Summary of fiscal operations

(₹ in crore)

2010-11	Receipts	2011-12	2010-11	Disbursements	2011-12		
<b>Section-A: Revenue</b>					<b>Non Plan</b>	<b>Plan</b>	<b>Total</b>
<b>105867.82</b>	<b>Revenue Receipts</b>	<b>121286.14**</b>	<b>106459.38</b>	<b>Revenue Expenditure</b>	<b>101519.15</b>	<b>22035.04</b>	<b>123554.19</b>
75027.10	Tax revenue	87608.46	37704.23	General services	42352.03	500.85	42852.88
8225.04	Non-tax revenue	8167.70**	48282.06	Social services	40525.19	14287.02	54812.21
11419.78	Share of Union Taxes/Duties	13343.34	19285.36	Economic services	17743.52	7125.23	24868.75
11195.90	Grants from Government of India	12166.64	1187.73	Grants-in-aid and Contributions	898.41	121.94	1020.35
<b>Section B : Capital</b>							
17.28	Miscellaneous Capital Receipts	455.83	17963.37	Capital Outlay	2848.16	15031.38	17879.54
640.09	Recoveries of Loans and Advances	558.74	959.08	Loans and Advances disbursed			836.28
20739.78	Public debt receipts*	24452.56	4773.61	Repayment of Public Debt*			6458.35
0.00	Appropriation from Contingency fund	1000.00	850.00	Appropriation to Contingency fund			500.00
853.00	Contingency Fund	511.20	11.20	Contingency Fund			1000.00
48406.32	Public Account Receipts	53389.38	39557.62	Public Account Disbursements			46962.93
<b>25559.36</b>	<b>Opening Cash Balance</b>	<b>31509.39</b>	<b>31509.39</b>	<b>Closing Cash Balance</b>			<b>35971.95</b>
<b>202083.65</b>	<b>Total</b>	<b>233163.24</b>	<b>202083.65</b>	<b>Total</b>			<b>233163.24</b>

(Source : Finance Accounts of the respective years)

\* Excluding ways and means advances and overdraft (Receipt : nil and Disbursement : nil)

\*\* Includes ₹ 170.23 crore, the outstanding central loans under Central Plan Schemes and Centrally Sponsored Schemes advanced to State Governments by the Ministries other than Ministry of Finance written off as per the recommendation of the Thirteenth Finance Commission (ThFC).

### 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 of the Departments of Government of Maharashtra under Section 13<sup>1</sup> of the C&AG's (DPC) Act. The C&AG is the sole auditor in respect of seven autonomous bodies which are audited under Sections 19(3)<sup>2</sup> and 20(1)<sup>3</sup> of the C&AG's (DPC) Act.

### 1.4 Organisational structure of the offices of the Principal Accountant General (Audit)-I, Mumbai and the Accountant General (Audit)-II, Nagpur, Maharashtra

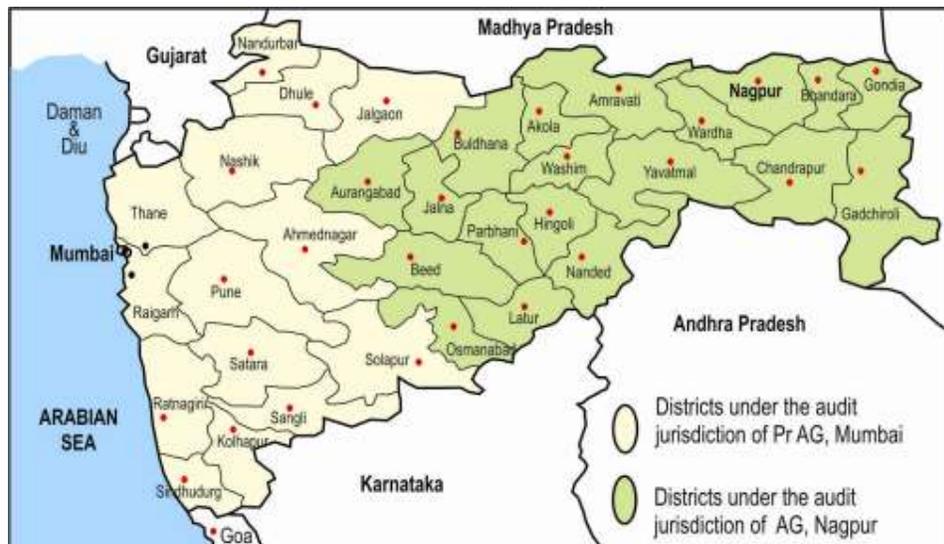
Under the directions of the C&AG, the offices of the Principal Accountant General (Audit)-I, Mumbai and the Accountant General (Audit)-II, Nagpur

<sup>1</sup> Audit of (i) all transactions from the Consolidated Fund of the State, (ii) all transactions relating to Contingency Fund and Public Accounts and (iii) all trading, manufacturing, profit & loss accounts, balance sheets & other subsidiary accounts

<sup>2</sup> Audit of the accounts of a corporation established by law made by the Legislature of a State on the request of the Governor, in public interest

<sup>3</sup> Audit of accounts of any body or authority on the request of the Governor, on such terms and conditions as may be agreed upon between the C&AG and the Government

conduct the audit of the various Government departments and offices/autonomous bodies/institutions under them. While 16 districts from Konkan and Western Maharashtra fall under the audit jurisdiction of the Principal Accountant General (Audit)-I, Mumbai, the remaining 19 districts from Vidarbha and Marathwada are under the audit jurisdiction of the Accountant General (Audit)-II, Nagpur, as shown in the map.



### 1.5 Planning and conduct of audit

The audit process starts with the assessment of risk faced by various departments of the Government, based on expenditure incurred, criticality/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. Based on this risk assessment, the frequency and extent of audit are decided. During 2011-12, 3,193 party days were used to carry out audit of 436 units (compliance audit and performance audits) of the various departments/organisations. The audit plan covered those units/entities which were vulnerable to significant risks as per our assessment.

After completion of audit of each unit, Inspection Reports (IRs) containing audit findings are issued to the heads of the departments. The departments are requested to furnish replies to the audit findings within six weeks of receipt of the Inspection Reports. Whenever replies are received, audit findings are either settled or further action for compliance is advised. The important audit observations arising out of these Inspection Reports are processed for inclusion in the Audit Reports which are submitted to the Governor of the State of Maharashtra under Article 151 of the Constitution of India.

### 1.6 Significant audit observations

In the past few years, Audit has reported several significant deficiencies in implementation of various programmes/activities through performance audits, as well as on the quality of internal controls in selected departments. Similarly, the deficiencies noticed during compliance audit of the Government departments/organisations were also reported upon.

The present report contains one district-centric audit and 11 paragraphs. The significant audit observations are discussed below.

### 1.6.1 District centric audit of Washim

Recognising the importance accorded by the Planning Commission, Government of India for a district-centric approach to devolution of finances for integrated local area development, a District-centric audit of Washim district was carried out to assess the status and impact of implementation of socio-economic developmental activities in the district during 2007-12.

The review covered key social sector programmes relating to health, education, water supply, social welfare, employment generation and poverty alleviation as well as economic sector programmes relating to irrigation, agriculture etc.

Some of the significant findings are as follows:

- The District Planning Committee did not prepare an integrated district plan consolidating the plans of Panchayats and Municipal Councils for any year.

*(Paragraph 2.1.6)*

- There was shortage of Primary Health Centres and Sub Centres in the district with critical gaps in health care infrastructure and facilities.

*(Paragraph 2.1.7.1)*

- Adequate infrastructure facilities were not available in Government schools. Under Mid Day Meal Scheme, the objective to increase enrolment in primary and upper primary schools could not be achieved.

Non-procurement and idling of essential machinery and equipment for practical training with non-filling of vacant posts of instructors under Centre of Excellence Scheme aimed at upgrading the ITI in the district impacted the quality of training.

*(Paragraph 2.1.7.2)*

- Since the inception of Swarnajayanti Gram Swarajgar Yojana, only three *per cent* of the beneficiaries crossed the BPL status till March 2012 despite incurring an expenditure of ₹ 24.49 crore.

*(Paragraph 2.1.7.3)*

- Social infrastructure created such as Dr. Babasaheb Ambedkar Nyay Bhavan and renovated Central Jail were lying idle despite incurring an expenditure of ₹ 6.52 crore.

*(Paragraph 2.1.7.5)*

- The Zilla Parishad did not adhere to the time schedules with regard to submission, approval and publication of annual accounts. Internal audit wing was not established in DRDA, Washim.

*(Paragraph 2.1.9)*

### 1.6.2 Compliance audit of transactions

Audit has also reported several significant deficiencies in critical areas which impact the effective functioning of the Government departments. These are as under:

- The Public Works Department made a payment of ₹ 57.30 lakh to two contractors towards purchase of bitumen without obtaining original invoices as stipulated in the contract. Cross-verification by Audit subsequently revealed that the duplicate invoices on the basis of which the payments were admitted were forged.

(Paragraph 3.1.1)

- The Water Resources Department incurred an avoidable expenditure of ₹ 18.92 crore due to change in alignment of a canal work necessitated by failure in obtaining prior approval of Central Government under Forest (Conservation) Act, 1980.

(Paragraph 3.2.2)

- The action of two irrigation corporations to load excise duty in the estimates for erection of radial gates and allied works in execution of three irrigation projects resulted in undue benefit of ₹ 9.44 crore to contractors.

(Paragraph 3.2.3)

- Failure of the Water Resources Department to consult the Public Works Department before taking up the work of construction of protection bund in Bhandara city resulted in an avoidable extra expenditure of ₹ 12.83 crore.

(Paragraph 3.3.1)

- Improper planning and implementation of fresh water prawn hatchery project at Dapchari in district Thane led to an unfruitful expenditure of ₹ 7.88 crore.

(Paragraph 3.3.3)

- The action of the Water Resources Department/GMIDC to award a work without establishing the legal status of land not only led to stoppage of work after incurring an expenditure of ₹ 3.39 crore, it also jeopardized the recovery of the outstanding mobilization advance of ₹ 2.29 crore together with an accumulated interest of ₹ 81.74 lakh from the contractor.

(Paragraph 3.4.1)

## 1.7 Lack of responsiveness of Government to Audit

### 1.7.1 Inspection reports outstanding

The Accountant General (Audit) arranges to conduct periodical inspections of Government departments 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 these IRs.

The IRs issued upto December 2011 pertaining to seven departments disclosed that 8,442 paragraphs relating to 2,961 IRs were outstanding at the end of June 2012. Year-wise position of outstanding IRs and paragraphs are detailed in **Appendix 1.1**.

### **1.7.2 Response of departments to the draft paragraphs**

The draft paragraphs and performance audit were forwarded demi-officially to the Principal Secretaries/Secretaries of the concerned departments between February and October 2012 with the request to send their responses within six weeks. The Government replies to eight out of 11 paragraphs featured in this Report were received and reply to District-centric audit was awaited. The replies, wherever received, have been suitably incorporated in the Report.

### **1.7.3 Follow-up on Audit Reports**

According to instructions issued by the Finance Department in January 2001, administrative departments were required to furnish Explanatory Memoranda duly verified by Audit to the Maharashtra Legislature Secretariat in respect of paragraphs included in the Audit Reports, within three months of presenting the Audit Reports to the State Legislature. The administrative departments however, did not comply with these instructions. The Explanatory Memoranda in respect of 37 paragraphs/reviews for the period from 1991-92 to 2010-11 have not yet been received. The position of outstanding Explanatory Memoranda from 2005-06 to 2010-11 is indicated in **Table 2** below.

**Table 2: Status of submission of Explanatory Memoranda during 2005-11**

<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>
2005-06	17 April 2007	12	8	4
2006-07	25 April 2008	21	20	1
2007-08	12 June 2009	22	18	4
2008-09	23 April 2010	14	14	-
2009-10	21 April 2011 & 23 December 2011	13	10	3
2010-11	17 April 2012	15	5	10
<b>Total</b>		<b>97</b>	<b>75</b>	<b>22</b>

In addition to the above, Explanatory Memoranda in respect of 15 paragraphs relating to the period prior to 2005-06 were also outstanding. Department-wise details are given in **Appendix 1.2**.

### **1.7.4 Action Taken Notes**

The Maharashtra Legislature Secretariat Rules stipulate that Action Taken Notes (ATNs) on the recommendations of the Public Accounts Committee (PAC) on those paragraphs of the Audit Reports that are discussed are required to be forwarded to the Maharashtra Legislature Secretariat duly verified by Audit. Similarly, ATNs indicating remedial/corrective action taken on the paragraphs that are not discussed are also required to be forwarded to

the PAC duly vetted by Audit. Year-wise details of such paragraphs for the period 1985-86 to 2010-11 are indicated in **Table 3** below.

**Table 3: Year-wise status of pending ATNs**

Audit Report	Total number of paragraphs in the Audit Report	Number of paragraphs		ATN awaited in respect of paragraphs	
		Discussed	Not discussed	Discussed	Not discussed
<b>1985-86 to 1997-98<sup>4</sup></b>	<b>862</b>	<b>151</b>	<b>711</b>	<b>98</b>	<b>705</b>
1998-99	21	3	18	3	18
1999-2000	25	4	21	3	21
2000-01	16	2	14	2	14
2001-02	22	-	22	-	22
2002-03	15	1	14	1	14
2003-04	21	-	21	-	21
2004-05	17	5	12	5	12
2005-06	12	5	7	5	7
2006-07	21	5	16	5	16
2007-08	22	11	11	11	11
2008-09	14	-	14	-	14
2009-10	13	-	13	-	13
2010-11	15	-	15	-	15
<b>Total</b>	<b>234</b>	<b>36</b>	<b>198</b>	<b>35</b>	<b>198</b>

As could be seen, there were inordinate delays and persistent failure in forwarding ATNs on audit paragraphs.

<sup>4</sup> Combined figures of General, Social & Economic Sectors