

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 programs and activities and compliance audit of Government departments and autonomous bodies falling under General and Social 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 examines whether the objectives of an organization, programme or a scheme have been achieved economically, efficiently and effectively.

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 in working of schemes/projects, significant audit observations made during the audit of transactions and follow up on previous Audit Reports. Chapter II of this Report contains findings arising out of two performance audit. Chapter III contains observations on audit of transactions in Government Departments and an autonomous body.

1.2 Audited Entity Profile

The departments in the General and Social 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 autonomous bodies, 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 2013-14 *vis-à-vis* the previous year is given in **Table 1.1**.

Table 1.1: Summary of fiscal operations

(₹ in crore)

2012-13	Receipts	2013-14	2012-13	Disbursements	2013-14		
Section-A: Revenue					Non-Plan	Plan	Total
142947.23	Revenue receipts	149821.81	138735.98	Revenue expenditure	128992.09	25910.33	154902.42
103448.58	Tax revenue	108597.96	47665.67	General services	53495.62	483.65	53979.27
9984.40	Non-tax revenue	11351.97	62038.97	Social services	54118.88	16760.20	70879.08
15191.92	Share of Union Taxes/Duties	16630.43	27550.82	Economic services	19433.30	8558.02	27991.32
14322.33	Grants from Government of India	13241.45	1480.52	Grants-in-aid and Contributions	1944.29	108.46	2052.75
Section B: Capital							
0.00	Miscellaneous Capital Receipts	0.00	17397.98	Capital Outlay	2339.03	17681.42	20020.45
862.85	Recoveries of Loans and Advances	728.03	1415.94	Loans and Advances disbursed			1645.10
21725.12	Public debt receipts*	26734.80	6652.52	Repayment of Public Debt*			10261.86
725.00	Appropriation from Contingency fund	1350.00	875.00	Appropriation to Contingency fund			850.00
875.00	Contingency Fund	859.62	734.62	Contingency Fund			1360.00
47059.63	Public Account Receipts	64020.19	35511.02	Public Account Disbursements			56434.89
35971.95	Opening Cash Balance	48843.72	48843.72	Closing Cash Balance			46883.45
250166.78	Total	292358.17	250166.78	Total			292358.17

Source: Finance Accounts of respective years

* Excluding ways and means advances on two occasions for five days
(Receipt: ₹ 1152.33 crore and Disbursement: ₹ 1152.33 crore)

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 13¹ of the C&AG's (DPC) Act. The C&AG is the sole auditor in respect of 10 autonomous bodies which are audited under sections 19(2)², 19(3)³ and 20(1)⁴ of the C&AG's (DPC) Act. In addition, the C&AG also conducts audit of

¹ 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

² Audit of the accounts of Corporations (not being Companies) established by or under law made by the Parliament in accordance with the provisions of the respective legislations

³ 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

⁴ 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

1,170 other bodies/authorities, under Section 14⁵ of the C&AG's (DPC) Act, which are substantially funded by the Government. Principles and methodologies for various audits are prescribed in the Auditing Standards and the Regulations on Audit and Accounts, 2007, issued by the C&AG.

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 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.

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, 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 2013-14, 4,799 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 perceived by Audit.

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 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 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.

1.6.1 Performance audits of programmes/activities/departments

The Report contains two performance audits and overview of these performance audits are given in the succeeding paragraphs.

⁵ Audit of (i) all receipts and expenditure of a body or authority substantially financed by grants or loans from the Consolidated Fund of the State and (ii) all receipts and expenditure of any body or authority where the grants or loans to such body or authority from the Consolidated Fund of the State in a financial year is not less than ₹ one crore

1.6.1.1 *Implementation of Acts and Schemes for welfare and protection of girl child*

The Constitution of India through the Fundamental Rights and Directive Principles protects the rights of children and guides the State for ensuring that the children are protected from abuse, they are provided early childhood care and education.

The performance audit of 'Implementation of Acts and Schemes for welfare and protection of girl child' for the period 2009-14 revealed that the Maharashtra State Child Protection Society (MSCPS) did not formulate the State child protection plans for the year 2012-13 and 2013-14. Though the State witnessed a decline in the child sex ratio in 31 out of 35 districts over a period of 10 years (2001-2011), the implementation of the Pre-Conception and Pre-Natal Diagnostic Techniques (Prohibition of Sex Selection) Act, 1994 (PCPNDT Act) suffered from shortfalls in conducting inspections of diagnostic/imaging centres, genetic laboratories etc.

The Government may issue instructions to MSCPS for formulation of the State child protection plan for the year 2014-15 by setting clear goals and targets and by articulating the responsibility and accountability of all the concerned Departments engaged in welfare and protection of children. Stronger implementation of PCPNDT Act is needed by strengthening the inspection mechanism for better detection of cases and to serve as deterrence against sex selective abortions.

The number of moderately/severely underweight girls in the State reduced during 2010-14, though it was significantly high in the tribal district of Nandurbar. The district also witnessed highest number of deaths of malnourished girls during the same period. The coverage of adolescent girls for providing supplementary nutrition through anganwadi centres and administration of iron and folic acid supplementation was poor. The schemes for self-defence training for girls and incentive to girls for completing secondary education were also not implemented in all the districts thus, depriving a large number of prospective beneficiaries of the benefits of the schemes. Despite an investment of ₹1.97 crore, the biometric attendance system could not be installed in 969 children homes in the State, due to non-availability of SIM cards.

The Government may give special attention to Nandurbar district to address the problem of malnourishment in girls. Biometric attendance system may be made operational in the children homes so as to eliminate bogus reporting of children and prevent leakage of Government funds.

The implementation of The Prohibition of Child Marriage Act, 2006 suffered due to delay in nominating Child Marriage Prohibition Officers in rural areas and failure to nominate Prohibition Officers for implementation of the Act in urban areas. Though GoI promulgated The Protection of Children from Sexual Offences Act, 2012 (POCSO) in June 2012, the guidelines for assisting the child victims during pre-trial and trial stage under the Act were not finalised by the State Government till November 2014.

The GoM may prepare POCSO guidelines expeditiously for use of NGOs, professionals and experts or persons having knowledge of psychology, social work, physical and mental health and child development, in order to assist the child victims during pre-trial and trial stage.

The implementation of Manodhairya Scheme for rehabilitation of victims of rape, sexual attack and acid attack suffered as financial assistance to significant number of victims could not be disbursed due to paucity of funds. The number of child labourers rescued by the Labour Department under The Child Labour (Prohibition and Regulation) Act, 1986 was significantly less than that reported by the Government/NGOs in the State. Even the Education Department was not aware of the number of children rescued by the Labour Department who could have been brought into the mainstream of education.

The Women and Child Development Department needs to make adequate budgetary provisions under Manodhairya Scheme in order to ensure that cases approved by the District Level Committees for granting financial assistance to the victims of rape, sexual attack and acid attack are not held up for want of funds. The Government may also institute a robust mechanism to track, rescue and rehabilitate child labourers by ensuring effective coordination between various departments.

1.6.1.2 Implementation of Sarva Shiksha Abhiyan

Sarva Shiksha Abhiyan (SSA) was launched in 2000-01 with the primary objective of universalisation of elementary education for all children in the age group of 6 to 14 years by 2010. The Right of Children to Free and Compulsory Education Act, 2009 (the RTE Act) came into effect from 01 April 2010 under which every child of the age of 6 to 14 years has a right to free and compulsory education in a neighbourhood school till completion of elementary education.

The performance audit of ‘Implementation of Sarva Shiksha Abhiyaan’ for the period 2010-14 revealed inadequate institutional arrangements in the State for effective implementation of SSA-RTE Act. Though the RTE Act came into force with effect from April 2010, the RTE Rules and the Rules stipulating the manner of reservation of seats for the children belonging to weaker sections and disadvantaged groups in aided and unaided schools were notified by the State Government only in October 2011 and May 2012 respectively. The Chairperson and the members of the Maharashtra State Commission for Protection of Child Rights (MSCPCR) were not re-appointed by the State Government after expiry of their term in December 2011.

Since MSCPCR was responsible for examining and reviewing the safeguards of rights provided under the RTE Act and recommend measures for its effective implementation in the State, the Government should take necessary measures to make the functioning of the Commission effective.

There were deficiencies in preparation of annual work plan and budgets and school development plans were not prepared by significant number of schools during 2012-13 and 2013-14. While infrastructural facilities were deficient in many schools, there were significant unspent balances at the end of each year. As per RTE Act, though neighbourhood schools were to be established by

March 2013, the State Government approved upgradation of 27,616 Government schools only in May 2014. Further, free transportation to children not having access to neighbourhood school was also not provided. There were delays in distribution/non-distribution of free textbooks and school uniforms to children attending Government, aided and unaided schools during 2010-14.

The Government may establish neighbourhood schools in a time bound manner and consider providing free transportation to children till neighbourhood schools are established. Further, since school uniforms, textbooks and adequate infrastructural facilities are important interventions to improve the retention rate of children, the Government may ensure that these norms of interventions are applied diligently.

There was delay in reservation of seats to children belonging to weaker sections and disadvantaged groups in private unaided schools under the RTE Act and admissions against reserved seats were also poor. There was wide variation in the number of out-of-school children identified by Women and Child Development Department (2.30 lakh) and that identified by the School Education and Sports Department (0.20 lakh). The State Government did not have a child tracking system to monitor the children who were not attending schools or have dropped out. The overall shortfall of teachers *vis-a-vis* sanctioned posts under SSA at the end of March 2014 was 63 *per cent*. The pupil teacher ratio was adverse in a number of primary and upper primary schools during 2011-14.

The Government may closely monitor the implementation of reservation of seats for children belonging to weaker sections and disadvantaged groups in private unaided schools, in order to ensure that provisions of the Act are followed scrupulously. The Government may also identify out-of-school children through surveys and coordination with other departments/agencies and institute a child tracking system to monitor the children who were not attending schools or have dropped out.

Audit noticed that the State Government has provided inclusive education to all the identified children with special needs (CWSN) during 2010-14 either through enrolment in general schools or through home-based education. But, there were shortfalls in providing barrier-free access and toilet facilities to CWSN in 4,669 and 15,947 schools respectively out of 66,444 schools in the State. Monitoring of SSA-RTE Act suffered from shortfall in holding meetings by School Management Committees at the school level, shortfall in inspections of schools by Block Education Officers at the block level and shortfall in holding meetings by the Governing Body (GC) and the Executive Committee (EC) of Maharashtra Prathamik Shikshan Parishad at the State level.

The Government may ensure adequate resource support to CWSN to further strengthen inclusive practices and make the environment for CWSN more conducive for receiving quality education in general schools. The monitoring mechanism may be improved through regular meetings at the school level, more field visits by the district officers-in-charge and holding of GC and EC meetings in order to give overall policy directions and guidance.

1.6.2 Compliance audit of Government transactions

During compliance audit, significant deficiencies were noticed. The important findings of compliance audit (eight paragraphs) are indicated below.

1.6.2.1 Implementation of Monorail Project in Mumbai

The monorail project was opened for public in Mumbai in February 2014. The Mumbai Metropolitan Region Development Authority (MMRDA) is the system administrator for the project. The monorail was conceived in September 2007 in view of its ability to manoeuvre through crowded and congested areas and to ease the increasing traffic congestion and supplement various mass transit systems.

The monorail project was notified under Indian Tramways Act, 1886, though the Act did not have provision for construction and use of public transport at elevated level. The selection of consultants and benchmark prices arrived at for the project was not transparent. The designs for various system of monorail did not conform to the approved technical/contract specifications. The guideway design did not conform to the axle load of the rolling stock car. The expansion joints were designed with reduced plate thickness as well as reduced service life. The traction system was not designed for headway of three minutes. The methodology for construction of guideway did not conform to the standards specified in the contract. There was improper application of anti-corrosive treatment in civil structures. However, the implications of these technical deviations granted to the contractor were not assessed by the project management consultant or the MMRDA. Various facilities and equipment to be provided by the contractor in the depot building were not provided in breach of contract. There were significant delays in renewal of performance bank guarantees and additional guarantees were not obtained from the contractor despite increase in contract cost. Liquidated damages were not levied despite failure of the contractor to achieve a number of key milestones by the stipulated dates.

(Paragraph 3.1)

1.6.2.2 Implementation of Coastal Security Scheme

With a view to strengthen the capabilities of the State police force to secure the coasts from illegal cross border and criminal activities, Government of India (GoI) formulated (February 2005) a Coastal Security Scheme for implementation by the State Governments.

The implementation of Coastal Security Scheme in the State suffered as full complement of equipment and other capital assets initially planned for was not approved by Government of India and the remaining complement of equipment *etc.* were not procured or constructed by Government of Maharashtra from its own resources. The objective of creating adequate infrastructure by construction of coastal police stations, check posts and jetties could not be achieved despite a lapse of three to nine years. The shortfall in deployment of technical and non-technical staff was 51.21 *per cent* and 37.01 *per cent* respectively. The Home Department continued to hire technical manpower on contract basis due to delay in finalizing the recruitment rules. Of

the total staff posted in coastal police stations, only 43 per cent were trained by the Coast Guard in marine operations while 57 per cent did not possess swimming skills. The patrolling boats were grossly underutilised due to shortage of manpower and delay in repair of boats. The Scheme for issue of biometric cards to fishermen to facilitate their identification could not be implemented due to non-availability of card readers. The sensitive/vulnerable landing points continued to be exposed to infiltration and other illegal activities due to non-implementation of boat movement token system.

(Paragraph 3.2)

1.6.2.3 *Functioning of Tribal Research and Training Institute*

The Government of Maharashtra established the Tribal Research and Training Institute at Pune in 1962 to (i) conduct research into the traits, characteristics, customs, traditions and culture of the various tribal communities, (ii) carry out survey of socio-economic problems affecting the tribals, (iii) arrange for the training of workers in tribal welfare, and (iv) give technical guidance and assistance to various Departments in implementing their schemes for tribal welfare.

The TRTI did not perform its core activities *viz.*, research, benchmark survey and training as per the mandate. Only a few evaluation studies were conducted due to manpower constraints and therefore, the Institute largely failed to assess the impact of developmental programmes/schemes on the life of tribal people in the State. In the absence of any prescribed time limit, there were huge pendency in verification and issue of caste validity certificates. The application software developed for speedy disposal of tribe verification cases could not be used optimally even after lapse of six years.

(Paragraph 3.3)

1.6.2.4 *Other Compliance Paragraphs*

- Failure of Sir J. J. Group of Hospitals, Mumbai to install capacitors to maintain the power factor resulted in avoidable expenditure of ₹ 85.12 lakh.

(Paragraph 3.4)

- Eight Government organizations awarded contracts for information technology enabled services to Maharashtra Knowledge Corporation Limited, a non-Government entity, at a total cost of ₹ 18.47 crore without inviting tenders.

(Paragraph 3.5)

- The Mumbai Housing and Area Development Board incurred a financial burden of ₹ 262.65 crore due to non-revision of service charges for providing common services to the tenants.

(Paragraph 3.6)

- Failure of Maharashtra Maritime Board to pay the statutory dues as per the consent terms within the prescribed period resulted in an avoidable payment of interest of ₹ 84.44 lakh.

(Paragraph 3.7)

- Maharashtra Jeevan Pradhikaran failed to commission a water supply scheme even after 13 years and an expenditure of ₹ 25.39 crore due to faulty design of the balancing tank thus, depriving piped drinking water supply to the beneficiaries of 10 villages in Ahmednagar district.

(Paragraph 3.8)

1.7 Responsiveness of Government to Audit

1.7.1 Inspection reports outstanding

Periodical inspections of Government Departments 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 these IRs.

As of June 2014, 7,722 IRs (21,939 paragraphs) were outstanding. Year-wise details of IRs and paragraphs outstanding are detailed in **Appendix 1.1**.

1.7.2 Response of departments to the draft paragraphs

The draft paragraphs and performance audits were forwarded demi-officially to the Secretaries of the concerned departments between June and October 2014 requesting them to send their responses within six weeks. However, reply to only one out of eight draft paragraphs was received. No replies were received in respect of two performance audits on Implementation of Sarva Shiksha Abhiyan and Implementation of Acts and Schemes for welfare and protection of girl child. The findings contained in the performance audit reports have been discussed with the Principal Secretaries to the Government of Maharashtra of the concerned departments.

1.7.3 Follow-up on Audit Reports

According to instructions issued by the Finance Department, Government of Maharashtra 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, within three months of presenting the Audit Reports to the State Legislature. The Administrative Departments, however, did not comply with these instructions. The EMs in respect of 66 paragraphs/reviews for the period from 1991-92 to 2012-13 have not yet been received. The position of outstanding EMs in respect of Audit Reports for the years from 2007-08 to 2012-13 is indicated in the **Table 1.2**.

Table 1.2: Status of submission of EMs in respect of Audit Reports during 2007-12

Audit Report	Date of tabling the Report	Number of Paragraphs and Reviews	Number of EMs received	Balance
2007-08	12 June 2009	28	25	3
2008-09	23 April 2010	18	17	1
2009-10	21 April 2011 & 23 December 2011	18	14	4
2010-11	17 April 2012	13	3	10
2011-12	18 April 2013	8	2	6
2012-13	14 June 2014	13	0	13
Total		98	61	37

Department-wise outstanding EMs in respect of 29 paragraphs relating to the period prior to 2007-08 is indicated in **Appendix 1.2**.

With a view to ensuring accountability of the Executive in respect of all the issues dealt with in the Audit Reports, the Public Accounts Committee (PAC) lays down in each case, the period within which Action Taken Notes (ATNs) on its recommendations should be sent by the Departments.

The PAC discussed 221 paragraphs pertaining to the Audit Reports for the years from 1985-86 to 2009-10 and gave 378 recommendations of which, ATNs were pending on 340 recommendations as indicated in **Table 1.3**.

Table 1.3 : Position of outstanding ATNs

Year of Audit Report	Report Number and year of PAC	Number of PAC recommendations	Number of ATNs awaited on the PAC recommendations
1985-86 to 2001-02	16 th , 17 th , 19 th , 24 th , and 28 th Report of 1994-95; 1 st , 2 nd , 4 th , 6 th and 8 th Report of 1995-96; 20 th , and 24 th Report of 1997-98; 3 rd and 6 th Report of 2000-01; 9 th Report of 2001-02; 13 th Report of 2003-04; 8 th Report of 2007-08; 13 th Report of 2008-09	159	125
2002-03	14 th Report of 2008-09	11	11
2003-04	14 th Report of 2008-09	3	3
2004-05	14 th Report of 2008-09	1	1
2005-06	8 th Report of 2010-11	94	92
2006-07	15 th Report of 2008-09 9 th Report of 2012-13	67	65
2007-08	13 th Report of 2012-13	22	22
2008-09	17 th Report of 2012-13	14	14
2009-10	18 th Report of 2012-13	7	7
2010-11	--	0	0
2011-12	--	0	0
2012-13	--	0	0
Total		378	340

The Department-wise position of PAC recommendations on which ATNs were awaited is indicated in **Appendix 1.3**.