

# **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 performance audit of selected programmes and activities and compliance audit of Government Departments and Autonomous Bodies of the Government of Maharashtra (GoM) 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 examines whether the objectives of an organisation, programme or a scheme have been achieved economically, efficiently and effectively.

The primary purpose of this 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 selected 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 one performance audit. Chapter III contains observations on audit of transactions in Government Departments and on Autonomous Bodies.

#### 1.2 Audited entity profile

The Departments in the Economic Sector in the State at the Secretariat level headed by Additional Chief Secretaries/Principal Secretaries/Secretaries and 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 2014-15 *vis-a-vis* the previous year is given in **Table 1.1**.

**Table 1.1: Summary of fiscal operations during 2014-15**

(₹ in crore)

2013-14	Receipts	2014-15	2013-14	Disbursements	2014-15		
Section A : Revenue					Non-Plan	Plan	Total
149821.81	Revenue receipts	165415.46	154902.42	Revenue expenditure	146244.84	31308.28	177553.12
108597.96	Tax revenue	115063.90	53979.27	General services	60156.61	329.16	60485.77
11351.97	Non-tax revenue	12580.89	70879.08	Social services	57705.59	19246.90	76952.49
16630.43	Share of Union Taxes/Duties	17630.03	27991.32	Economic services	26086.66	11599.91	37686.57
13241.45	Grants from Government of India	20140.64	2052.75	Grants-in-aid and Contributions	2295.98	132.31	2428.29
Section B: Capital							
0.00	Miscellaneous Capital Receipts	0.00	20020.45	Capital Outlay	3278.80	16244.67	19523.47
728.03	Recoveries of Loans and Advances	975.08	1645.10	Loans and Advances disbursed	783.60	356.94	1140.54
26734.80	Public debt receipts*	29373.28	10261.86	Repayment of Public Debt*	–	–	8827.78
1350.00	Appropriation from Contingency fund	2350.00	850.00	Appropriation to Contingency Fund	–	–	4350.00
859.62	Contingency Fund	4360.00	1360.00	Contingency Fund	–	–	2350.00
64020.20	Public Account Receipts	83021.94	56434.89	Public Account Disbursements	–	–	68985.90
48843.73 <sup>#</sup>	Opening Cash Balance	46883.46	46883.46 <sup>#</sup>	Closing Cash Balance	–	–	49648.41
<b>292358.18</b>	<b>Total</b>	<b>332379.22</b>	<b>292358.18</b>	<b>Total</b>	–	–	<b>332379.22</b>

<sup>#</sup>Figure differs by 0.01 from previous year due to rounding

Source : Finance Accounts of the respective years

\*Excluding ways and means advances on 10 occasions for 42 days  
(Receipt: ₹ 6,352.90 crore and Disbursement: ₹ 6,352.90 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 GoM under the provisions of the C&AG's (DPC) Act, 1971 and 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

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 17 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 GoM, 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 2014-15, 3,559 party-days were used to carry out audit of 237 units (compliance 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 last 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 audit of programmes/ activities / Departments**

The present Report contains one performance audit, highlights of which is indicated below.

- **Working of Maharashtra Forest Department**

Maharashtra has a forest area of 61,579 sqkm which is about 20.01 *per cent* of its total geographical area of 3,07,713 sqkm. The tasks of conservation, protection and development of State's forest including management of wildlife habitats rest with the Maharashtra Forest Department.

A performance audit of the Maharashtra Forest Department for the period 2010-15 revealed that despite implementation of State Forest

Policy since 2008, the forest cover in the State over a period of eight years remained stagnant at 16.45 *per cent*. Substantial land under 'Zudpi Jungle' and private forest land were not brought under the reserved/protected category. A number of territorial Divisions in the State whose working plans had expired were either continuing with the old working plans or no plans for the last two to 26 years. The outlay for the forestry sector in the State was merely one *per cent* of the total plan outlay in contrast to 2.5 *per cent* recommended by the National Forest Commission in 2006. There were enormous gaps between the funds demanded by the Department and that released by the State Government. The apportionment of forest development tax to the Department was abysmally lower than that remitted to the State Government annually, to support any meaningful forest development activity. A number of Divisions could not attain the physical targets fixed in the working plans which had a spilling effect on the achievement of targets of other interdependent and sequential activities. The management of CAMPA funds was far from satisfactory. There were shortfalls in harvesting of bamboo coupes leading to loss of revenue. The monitoring, evaluation and internal controls in the Department were deficient.

*(Paragraph 2.1)*

#### **1.6.2 Compliance audit of Government transactions**

The important findings of compliance audit paragraphs (nine paragraphs including two theme-based paragraphs) are shown below:

- **Maintenance and Repairs of Government Buildings from State Funds**

The maintenance and repair works to Government buildings were taken up by the Public Works Department in an ad-hoc manner, without preparation of annual repair programmes. The Public Works Divisions sanctioned and carried out repair works in excess of the available budget and thus, saddled with huge liability. The Department did not revise the norms (financial and physical) for maintenance and repair works for the last 10 to 24 years. The funds demanded by the Divisions and that released by the Department were both unrealistic. Buildings in urgent need of repairs remained unattended for substantially long durations thus, endangering the lives of the occupants and the passers-by as well as other structures located on ground. Works of capital nature were executed from maintenance grants in violation of Department's guidelines. The internal controls and monitoring mechanism in the Department was weak.

*(Paragraph 3.1)*

- **Procurement and milling of paddy under Minimum Support Price Scheme**

Implementation of procurement and milling of paddy under Minimum Support Price Scheme revealed that the procurement centres did not

have the requisite equipment (moisture meters and image analysis kits) to check the quality of paddy procured by the two State Government Agencies (SGAs). Delay in milling of paddy and delivery of custom milled rice to the FCI resulted in significant accumulation of stocks with the SGAs and the millers. There was loss of ₹ 82.96 crore on account of disposal of 11.44 lakh quintal unmilled paddy. The millers were also granted undue financial benefits as the GoM did not levy penalty of ₹ 160.41 crore for their inability to deliver 5.85 lakh quintal custom milled rice to the FCI during KMS 2009-14. Further, penalties totalling ₹ 4.62 crore for delay in lifting of paddy by the millers within the stipulated period and short-deposit of the required grade of custom milled rice with the FCI were also not levied on the millers.

**(Paragraph 3.2)**

- The Dhule Medium Project Division No. 2, Nandurbar commenced a medium irrigation project without ensuring availability of land for the major components (dam proper and canals), in violation of the provisions contained in the Maharashtra Public Works Manual. Further, the project which was envisaged to be completed in four years (August 1988) at an estimated cost of ₹ 7.09 crore could not be completed even after lapse of 27 years and an expenditure of ₹ 81.19 crore. Significantly, the tribal population of Nawapur taluka who were expected to be the major beneficiaries of this project also remained deprived of the intended benefits for the last 27 years.

**(Paragraph 3.3)**

- The Amravati Irrigation Division made an inadmissible payment of ₹ 13.63 crore to a contractor due to wrong application of Clause 38 and non-adherence to contract conditions.

**(Paragraph 3.4)**

- Irregular grant of mobilization advance of ₹ 8.68 crore to a contractor as well as admitting his claim for idle charges of ₹ 1.43 crore and subsequent trade-off between the contractor and Vishnupuri Project Division to waive off the interest component on mobilization advance in consideration of idle charges resulted in short-recovery of interest amount of ₹ 47.75 lakh.

**(Paragraph 3.5)**

- Contrary to the tender conditions, the Chief Engineer, Nashik sanctioned extra items of ₹ 4.48 crore to a contractor for construction of a major bridge across Tapi river at Hatoda in Nandurbar district, which was irregular.

**(Paragraph 3.6)**

- The Superintending Engineer, Public Works Raigad Circle unauthorisedly diverted ₹ 1.45 crore from work contingencies of 25 works for construction of store shed and record room at Navenagar-Mahad, district Raigad, in contravention of the recommendations of the Public Accounts Committee and the provisions contained in the Maharashtra Public Works Manual.

*(Paragraph 3.7)*

- The Public Works Division, Parbhani in violation of contract conditions admitted irregular additional claims of a contractor amounting ₹ 1.07 crore against two works which had already been completed and paid for eight years back.

*(Paragraph 3.8)*

- A bridge constructed by the Executive Engineer, Public Works Division, Bhandara in March 2014 at a cost of ₹ 3.05 crore remained non-operational for public use as of December 2015 due to non-construction of approaches to the bridge.

*(Paragraph 3.9)*

## **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 the IRs.

As of June 2015; 2,857 IRs (8,420 paragraphs) were outstanding. Year-wise details of IRs and paragraphs are shown in **Appendix 1.1**.

### **1.7.2 Response of Departments to draft paragraphs and performance audits**

The draft paragraphs and performance audits were forwarded demi-officially to the Principal Secretaries/Secretaries of the concerned Departments between June 2015 and September 2015 with the request to send the responses within six weeks. The Government reply was received in respect of one performance audit, one theme-based paragraph and one draft paragraph while, no replies were received in respect of the remaining six draft paragraphs and one theme-based paragraph featured in this Report.

### **1.7.3 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, within three months of presenting the Audit Reports to the State Legislature. The Administrative Departments, however, did not comply with these instructions. The status of outstanding EMs from 2009-10 to 2013-14 is indicated in **Table 1.2**.

**Table 1.2: Status of submission of EMs during 2009-14**

Audit Report	Date of tabling the Report	Number of Paragraphs and Reviews	Number of EMs received	Balance
2009-10	21 April & 23 December 2011	13	13	--
2010-11	17 April 2012	15	14	01
2011-12	18 April 2013	11	09	02
2012-13	24 December 2014	10	--	10
2013-14	10 April 2015	08	--	08
	<b>Total</b>	<b>57</b>	<b>36</b>	<b>21</b>

The EMs in respect of five paragraphs relating to the period prior to 2009-10 was outstanding. Department-wise details are shown 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 206 paragraphs pertaining to the Audit Reports for the years from 1985-86 to 2013-14 and gave 197 recommendations of which, ATNs were pending on 137 recommendations as indicated in **Table 1.3**.

**Table 1.3: Position of outstanding ATNs on PAC recommendations**

Year of Audit Report	PAC Report Number	Year of PAC	Number of recommendations	Number of ATNs awaited
1985-86 to 2003-04	16, 18, 28, 24, 19	1994-95	123	87
	1, 2, 4, 6, 7, 8,	1995-96		
	20, 24, 25, and 27	1997-98		
	3	2000-01		
	13	2003-04		
	8	2007-08		
	13	2008-09		
2004-05	14	2008-09	04	04
2005-06	8	2010-11	17	10
2006-07	9	2012-13	09	--
	15	2008-09	20	12
2007-08	13	2012-13	03	03
2008-09	17	2012-13	21	21
2009-10	--	--	--	--
2010-11	--	--	--	--
2011-12	--	--	--	--
2012-13	--	--	--	--
2013-14	--	--	--	--
<b>Total</b>			<b>197</b>	<b>137</b>

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