

CHAPTER - I

INTRODUCTION

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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 General and Social Sector.

Compliance Audit refers to examination of the 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 three performance audits. Chapter III contains observations emanating from compliance audit in Government Departments and on Autonomous Bodies.

1.2 Audited Entity Profile

The Departments in the General and Social Sector in the State at the Secretariat level are headed by Additional Chief Secretaries/Principal Secretaries/Secretaries and assisted by Directors/Commissioners and subordinate officers.

A summary of the State Government's fiscal transactions during 2017-18 *vis-a-vis* the previous year is given in **Table 1.1**.

Table 1.1: Summary of Fiscal operations during 2017-18

(₹ in crore)

2016-17	Receipts	2017-18	2016-17	Disbursements	2017-18
Section-A: Revenue					Total
204693	Revenue receipts	243654	213229	Revenue expenditure	241571
136616	Tax revenue	167932	71609	General services	78535
12709	Non-tax revenue	16242	90282	Social services	93054
33715	Share of Union Taxes/Duties	37219	43843	Economic services	54189
21653	Grants from Government of India	22261	7495	Grants-in-aid and Contributions	15793
Section B: Capital and Others					
0	Miscellaneous Capital Receipts	0	25549	Capital Outlay	26842
1746	Recoveries of Loans and Advances	1778	6277	Loans and Advances disbursed	979
48336	Public debt receipts ^{\$}	48075 [#]	11887	Repayment of Public Debt ^{\$}	15782
0	Appropriation from Contingency fund	0	0	Appropriation to Contingency fund	0
0	Contingency Fund	0	0	Contingency Fund	0
82466	Public Account Receipts	81877	67102 [#]	Public Account Disbursements	70491*
55553	Opening Cash Balance			Closing Cash Balance	
	a) Sinking Fund	27853	27853	a) Sinking Fund	33971 [#]
	b) Cash balance	40897	40897	b) Cash balance	54498
392794	Total	444134	392794	Total	444134
[#] Lower Rounding *Higher Rounding ^{\$} Excluding ways and means advances (Receipt: ₹ 1,594 crore and Disbursement: ₹ 1,594 crore) Source: Finance Accounts of respective years					

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 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 2017-18, 6,873 party-days were used to carry out audit of 323 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 (2) 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 three performance audits, highlights of which are indicated below:

▪ Functioning of Minorities Development Department

The Minorities Development Department (MDD) formed in February 2008 did not have any district/regional offices of its own and therefore the schemes were implemented through various implementing agencies such as the Collectors, Zilla Parishads, Municipal Corporations and Municipal Councils *etc.* The present organisation structure was not efficient and effective structure for implementation of Schemes.

MDD did not prepare any long term strategic plan to ensure an integrated development of minorities in the State. Baseline surveys which were vital for identifying the infrastructural gaps in the minority concentrated area were not conducted to ensure planned development of the area.

MDD was not able to maximise the utilisation of the budgetary grants due to non-receipt of proposals on time from the implementing agencies. Utilisation certificates for ₹ 70.12 crore released by MDD during 2008-17 was pending as of September 2018 from the grantee institutions over a period of more than 10 years.

The implementation of the education-cum-development schemes suffered from lack of post assistance inspection/monitoring, deficiency in the selection of candidates and institutions for training. MDD also did not obtain adequate and reliable data on employment generated through schemes. The implementation of infrastructure schemes revealed poor utilisation of girls hostels, poor progress in completion of work, lack of data on the status of works being executed by the implementing agencies and lack of monitoring of ongoing and completed works. There were delays in approving applications for loan and absence of post-disbursement inspection of loans. Thus, though MDD was providing funds for implementation of various scheme the control of MDD in assessing the performance of the schemes, obtaining adequate/reliable data and periodical progress reports was not adequate.

The monitoring of the schemes was weak as there was no submission of progress reports, utilisation certificates, area survey reports and reports after visit by the implementing agencies. MDD also did not pursue the matter regularly to obtain these reports/information. When the Government spends money on the schemes, it is imperative that the spending is monitored for its effectiveness, the results are compared with the objectives set and evaluation studies carried out to know the impact. Such an approach was lacking on the part of the MDD.

(Paragraph 2.1)

▪ **Administration of Prison and Correctional Centers in Maharashtra**

The inmate population of prisons and correctional centres registered a growth of 18 *per cent* from 27,883 in 2013-14 to 32,810 in 2017-18. However, the authorised capacity of prisons remained almost stagnant during this period. The inmate population as of March 2018 was 37 *per cent* more than the authorised capacity of the prisons. The Department failed to draw up a long-term perspective plan and annual plans for expanding the prison network, augmenting inmate capacity within existing prisons and modernising and strengthening the infrastructure and facilities. Though ₹ 60 crore was allocated by the thirteenth Finance Commission, the Department could not ensure timely submission of UCs to avail the full benefit of the scheme resulting in lapse of ₹ 29.63 crore. The decision to construct a district prison at Gadchiroli without taking into account security considerations resulted in injudicious expenditure of ₹ 14.95 crore.

The safe custody of the prisoners were not ensured in the absence of structural audit, overcrowding, entry of prohibited articles, high rise buildings in the vicinity of the prisons, insufficient height of the prison main boundary wall and shortage of security staff and arms.

The facilities provided to prisoners suffered from deficiencies like inadequate sleeping space, deficient diet to female inmates of open prison, absence of standard operating procedure for receipt of provisions and testing, shortage of sanitary arrangements, shortage of medical staff and specialists *etc.*

Failure to provide employment to all the prisoners undergoing rigorous imprisonment, failure to review sentences in respect of female and male prisoners undergoing sentences, absence of running list of eligible prisoners

for open prison, non-consideration of female prisoners for transfer to open colony and absence of comprehensive rehabilitation policy for prisoners after their release and convergence of various social welfare schemes adversely impacted the reformatory and rehabilitation process.

Regular inspections of District prison class-I were not undertaken. The internal audit wing was not functional between 2013-14 and 2016-17.

(Paragraph 2.2)

▪ **Implementation of Healthcare and Academics Management Information System (HMIS)**

The HMIS system envisaged to provide health information infrastructure, which would help in daily operations of the hospital and to facilitate decision making and thus to bring fundamental changes in healthcare and academic management in medical colleges and hospitals in the State. The vision remained largely under achieved due to ineffective implementation of the HMIS system.

Out of the 16 core modules in the HMIS only Outpatient Department module is implemented in all the 16 hospitals. Five modules viz., (i) Purchasing Drugs and Materials (ii) Human Resource Management (iii) Finance (iv) Linen Management (v) Library Management were not implemented and remaining 10 modules were partially used in all 16 locations.

The system remained largely under used and use of manual system continued in all the 16 locations where HMIS was implemented even after 10 years. Further, non-availability of complete digital healthcare data centrally has been a hindrance for disease surveillance in the state and may have restricted the State's intervention to reduce the disease burden.

(Paragraph 2.3)

1.6.2 Compliance Audit of Government Transactions

There are 11 audit paragraphs (including two theme-based audit paragraphs) arising from compliance audits carried out. A significant audit findings are indicated below.

- The Disaster Management Plans (DMPs) were prepared and updated annually by the selected District Disaster Management Authorities (DDMAs). However, State Disaster Management Unit (SDMU), Greater Mumbai Disaster Management Authority (GMDMA) and Regional Disaster Management Centre (RDMC) Amravati did not prepare and update the DMPs annually. Flood Preparedness Plans/Guidelines were prepared by all the selected DDMAs, GMDMA and RDMCs except RDMC, Amravati. Though the State DMP clearly defined the actions to be taken to mitigate the risk of earthquakes, there were deficiencies in implementation at the DDMA, the GMDMA and the RDMC levels. Though, the State had a past history of massive landslides, the State DMP did not prescribe any specific action to be taken by the line departments to mitigate the risk of landslides. Further, Chemical Biological Radiological & Nuclear disaster and Stampede were not identified as possible disasters in the State Disaster Management Plan.

(Paragraph 3.1)

- The scheme of opening new Government Hostels for Backward Classes in all the taluka headquarters was envisaged in 2005-06. However, even after lapse of 10 years the Government hostels in 128 talukas were not opened. The population norms for opening of Government hostels in taluka headquarters were also not strictly followed. The intake capacity of the hostels shifted to new premises was also not revised and sanctioned resulting in deprivation of benefit to students. As against 100 Government Residential Schools to be opened, only 83 schools were opened. There was short utilisation of funds against the grants released. Though the expenditure under plan heads was not commensurate with the demand and funds released by Social Justice and Special Assistance Department (SJSAD) in the last five years, the SJSAD continued to place demands for higher side every year without analysing the reasons for short utilisation of funds. Irregular expenditure of ₹ 14.16 crore without ensuring the fulfillment of conditions resulted in unfruitful expenditure of ₹ 24.78 crore due to non-imparting of computer training to the students. The hostels at regional levels having capacity of 1,000 students taken up in Nagpur, Mumbai and Pune remained incomplete. One unit of girls hostel at Latur though constructed in 2011 remained un-utilised. There was shortfall in supply of basic amenities in the Government Hostels and Government Residential schools. 42 girls hostels opened on the eve of Dr. B.R. Ambedkar Jayanti were found short of proper infrastructure. The structural audits of the hostels which were more than 30 years old were also not undertaken. The rate of '*Pariposhan Aahar*' payable to aided hostels was not revised commensurate with Consumer Price Index since 2012 onwards. There was discrimination in providing meals to the students residing in old Government Hostels and in new Government Hostels.

(Paragraph 3.2)

- Despite directions by the Government, lease agreements of 10 Gymkhanas were not renewed for a period of nearly 12 to 48 years and lease rent of ₹ 1.27 crore for the year 2017 remained unrealised.

(Paragraph 3.3)

- Failure of both the Women and Child Development Department and the Public Works Department to ensure clearances to the land before construction, resulted in idling of Government State Home Building constructed at a cost of ₹ 6.71 crore for more than five years apart from non-achievement of objectives of creating additional accommodation for women inmates.

(Paragraph 3.4)

- Due to non-obtaining of Occupancy Certificate from the Nagpur Municipal Corporation by the Nagpur Housing and Area Development Board the beneficiaries of two Housing Schemes at Nagpur were deprived of their homes even after three to four years since payment of sale price of ₹ 124.20 crore to the Board.

(Paragraph 3.5)

- Incorrect approval of Redevelopment Scheme of cessed buildings by Mumbai Building Repairs & Reconstruction Board resulted in undue financial benefits of ₹ 8.64 crore to a Developer. Besides, Developer had not surrendered surplus area of 960.46 square meter valued at ₹ 59.76 crore.

(Paragraph 3.6)

- Due to delay in initiating action against developers for recovery of outstanding dues of ₹ 98.91 crore, Maharashtra Housing and Area Development Authority/Mumbai Building Repairs and Reconstruction Board failed to safeguard its financial interests.

(Paragraph 3.7)

- Inaction on the part of Mumbai Metropolitan Region Development Authority (MMRDA) to execute lease deed in time with lessee, resulted in loss of ₹ 41.47 crore. Besides, MMRDA did not recover ₹ 23.49 crore for delay in construction within specified time limit.

(Paragraph 3.8)

- The Urban Development Department in contravention of the provisions of Development Control Regulations for Greater Mumbai released excess Transfer of Development Rights valued at ₹ 49.01 crore to the Developer. Besides, 3,493 tenements valuing ₹ 147.40 crore were not handed over by the Developer to Slum Rehabilitation Authority.

(Paragraph 3.9)

- Construction of Ashram School building despite declaration of village under Wild Life Sanctuary resulted in avoidable expenditure of ₹ 3.94 crore.

(Paragraph 3.10)

- Payment of Electricity Duty of ₹ 1.14 crore was made by Rashtrasant Tukadoji Maharaj Nagpur University, Nagpur during the period April 2014 to June 2016 although such payments by the Government were exempt from the provisions of the Maharashtra Electricity Duty Act, 1958.

(Paragraph 3.11)

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 2018, 3,515 IRs (13,132 paragraphs) were outstanding for settlement. 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 Additional Chief Secretaries/Principal Secretaries/Secretaries of the concerned Departments between July 2018 and November 2018 with the request to send the responses within four weeks. The Government reply was received in three performance audits, two theme base audits and three draft paragraphs while no replies were received in respect of six draft paragraphs 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 of C&AG of India, within three months of presenting the Audit Reports to the State Legislature. The Administrative Departments, however, did not comply fully with these instructions. The status of outstanding EMs from 2012-13 to 2016-17 is indicated in **Table 1.2**. Department-wise details are shown in **Appendix 1.2**.

Table 1.2: Status of submission of EMs during 2012-17

Audit Report	Date of tabling the Report	Number of Paragraphs and Reviews	Number of EMs received	Balance
2012-13	14 June 2014	13	12	01
2013-14	10 April 2015	10	10	00
2014-15	05 August 2016	09	08	01
2015-16	11 August 2017	12	10	02
2016-17	28 March 2018	20	0	20
Total		64	40	24

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 278 paragraphs pertaining to the Audit Reports for the years from 2008-09 to 2015-16 and gave 488 recommendations of which, ATNs were pending on 471 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
2008-09	17	2012-13	30	26
2009-10	18	2012-13	14	5
	6	2015-16		
2010-11	12,17	2015-16	47	43
2011-12	29,32,34	2017-18	166	166
2012-13	24	2015-16	19	19
	27,31	2017-18	112	112
2013-14	19	2015-16	61	61
2014-15	--	--	--	--
2015-16	40,41	2017-18	39	39
Total			488	471

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