



सत्यमेव जयते

**REPORT  
OF THE  
COMPTROLLER AND  
AUDITOR GENERAL OF INDIA**

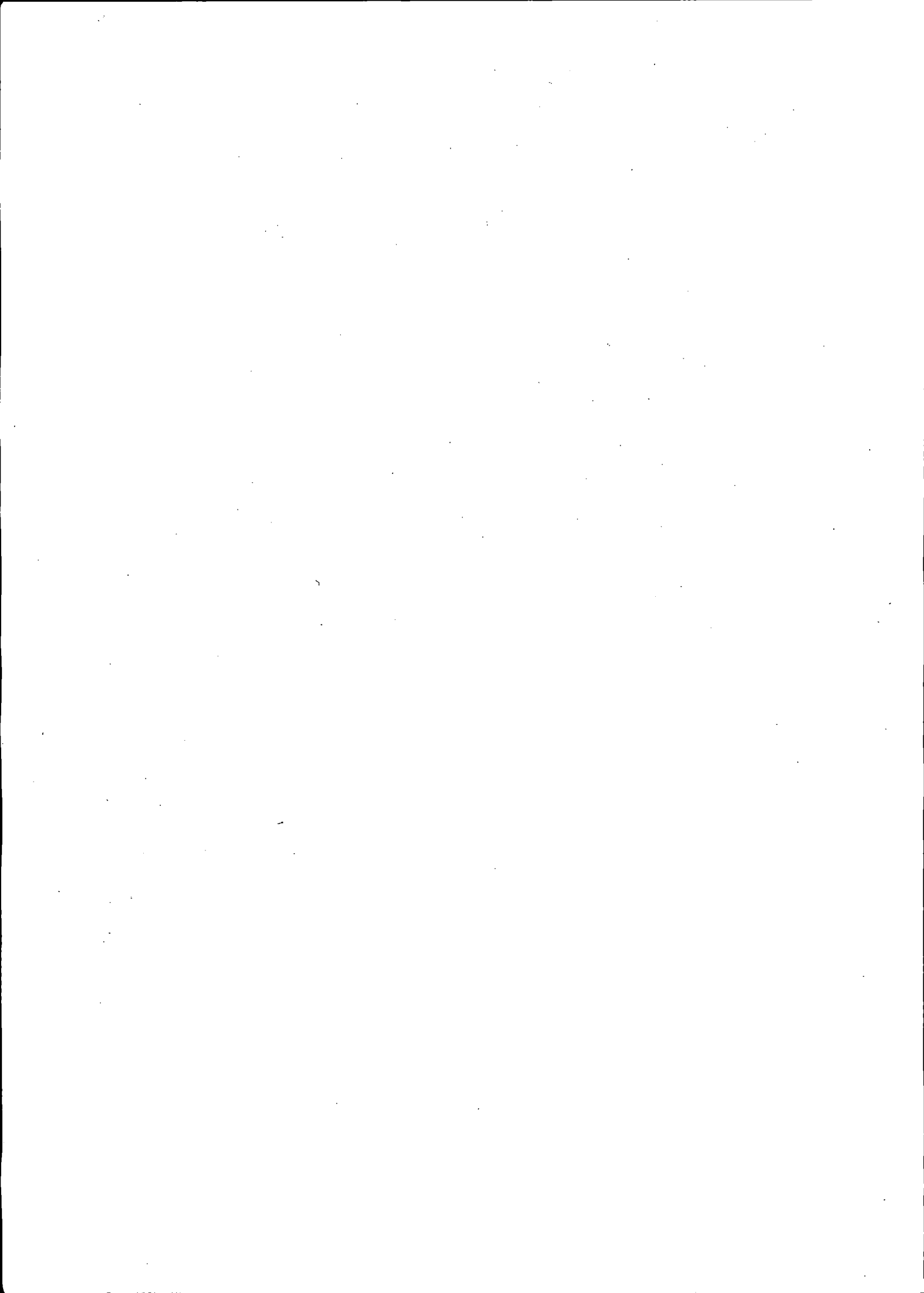
**FOR THE YEAR ENDED 31 MARCH 2003**

**(CIVIL)**

**GOVERNMENT OF MAHARASHTRA**

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<http://cagindia.org/states/Maharashtra/2003>



## TABLE OF CONTENTS

		Reference	
		Paragraph	Page No.
<b>Preface</b>			vi
<b>OVERVIEW</b>			vii
<b>CHAPTER-I</b>	<b>FINANCES OF THE STATE GOVERNMENT</b>		
Summary			1
Introduction		1.1	2
Trend of Finances with reference to previous year		1.2	3
Summary of Receipts and Disbursements		1.3	3
Audit Methodology		1.4	4
State Finances by key Indicators		1.5	5
Application of resources		1.6	8
Expenditure by Allocative Priorities		1.7	12
Assets and Liabilities		1.8	15
Undischarged Liabilities		1.9	18
Management of deficits		1.10	24
Fiscal Ratios		1.11	25
Conclusion		1.12	27
<b>CHAPTER-II</b>	<b>ALLOCATIVE PRIORITIES AND APPROPRIATION</b>		
Introduction		2.1	29
Summary of Appropriation Accounts		2.2	29
Allocative Priorities		2.3	30
Unreconciled expenditure		2.4	33
Budgetary Control		2.5	33
Advances from Contingency Fund		2.6	33
Operation of Personal Ledger Accounts		2.7	34
Diversion of Accelerated Irrigation Benefit Programme funds		2.8	36

		Reference	
		Paragraph	Page No.
<b>CHAPTER III</b>	<b>PERFORMANCE REVIEWS</b>		
Medical Education and Drugs Department			
<i>Implementation of Drugs and Cosmetics Act, 1940</i>		3.1	37
Public Works Department			
<i>Working of Public Works Department</i>		3.2	50
Urban Development Department			
<i>Prevention and Control of Fire</i>		3.3	61
Rural Development and Water Conservation Department			
<i>Integrated Watershed Development Programme</i>		3.4	73
<b>CHAPTER IV</b>	<b>AUDIT OF TRANSACTIONS</b>		
<i>Fraudulent drawal/Misappropriation/Embezzlement Losses</i>		<b>4.1</b>	81
Housing Department		4.1.1	
<i>Infructuous/wasteful expenditure and overpayment</i>		<b>4.2</b>	82
Agriculture, Animal Husbandry, Dairy Development and Fisheries Department		4.2.1, 4.2.2	
Urban Development Department		4.2.3	
<i>Violation of contractual obligations/undue favour to contractors</i>		<b>4.3</b>	84
Housing Department		4.3.1, 4.3.2 4.3.3, 4.3.4, 4.3.5 and 4.3.6	
Industries, Energy and Labour Department (Labour)		4.3.7	
Irrigation Department		4.3.8	
Public Works Department		4.3.9	
<i>Avoidable/excess/unfruitful expenditure</i>		<b>4.4</b>	93
Agriculture, Animal Husbandry, Dairy Development and Fisheries Department		4.4.1 and 4.4.2	

		Reference	
		Paragraph	Page No.
General Administration Department		4.4.3	
Housing Department		4.4.4	
Irrigation Department		4.4.5, 4.4.6, 4.4.7, 4.4.8 and 4.4.9	
Public Health Department		4.4.10 and 4.4.11	
Revenue and Forests Department		4.4.12	
Rural Development and Water Conservation Department		4.4.13, 4.4.14 and 4.4.15	
Urban Development Department		4.4.16	
Water Supply and Sanitation Department		4.4.17, 4.4.18 and 4.4.19	
Women and Child Welfare Department		4.4.20	
<i>Idle investment/idle establishment/blockage of funds</i>		<b>4.5</b>	113
Agriculture, Animal Husbandry, Dairy Development and Fisheries Department		4.5.1 and 4.5.2	
Medical Education and Drugs Department		4.5.3	
Public Health Department		4.5.4	
Revenue and Forests Department		4.5.5	
Water Supply and Sanitation Department		4.5.6 and 4.5.7	
<i>Regulatory issues and Other points of interest</i>		<b>4.6</b>	120
Finance Department		4.6.1 and 4.6.2	
<b>CHAPTER V</b>	<b>INTERNAL AUDIT SYSTEM IN GOVERNMENT DEPARTMENTS</b>		
Medical Education and Drugs Department		5.1	123
Revenue Department		5.2	127
General Recommendations		5.3	129

	Reference	
	Paragraph	Page No.
<b>APPENDICES</b>	<b>Appendix</b>	
Summarised financial position of the Government of Maharashtra as on 31 March 2003	I	131
Abstract Receipts and Disbursements for the year 2002-03	II	132
Sources and Application of funds	III	135
Time series data on State Government Finances	IV	136
List of terms used in Chapter I and basis for their calculation	V	138
Statement showing departmentwise breakup of outstanding Utilisation Certificates (Grants)	VI	139
Statement showing departmentwise breakup of delay in submission of accounts	VII	140
Statement showing performance of the autonomous bodies	VIII	141
Statement showing cases of misappropriation reported upto March 2003 and pending finalisation as on 30 September 2003	IX	142
Write off of losses, etc.	X	144
Departmentally managed Commercial and Quasi-Commercial Undertakings whose <i>Pro forma</i> Accounts are in arrears for more than one year	XI	145
Summarised statement of finalisation of accounts and the government investment thereon in departmentally managed commercial and <i>quasi</i> -commercial undertakings	XII	146
Summarised Financial Statement of Departmentally Managed Commercial Quasi-Commercial Undertakings	XIII	149
Statement of various grant/appropriation where expenditure fell short by more than Rs 10 crore each and more than 20 <i>per cent</i> of the total provision	XIV	154

	Reference	
	Appendix	Page No.
Excess over grants/appropriations requiring regularisation	XV	157
Statement of various grants/appropriations where supplementary provision proved unnecessary	XVI	158
Statement of cases where supplementary provision resulted in saving exceeding Rs 1 crore in each case	XVII	161
Cases where reappropriation of funds proved excessive or insufficient over grant by over Rs 1 crore	XVIII	163
Details of saving of Rs 1 crore and above not surrendered	XIX	165
Cases of surrender of funds in excess of Rs 10 crore on 30 and 31 March 2003	XX	166
Details of surrender in excess of actual savings in the grants/appropriations involving substantial amounts	XXI	167
Statement showing unreconciled expenditure	XXII	168
Statement of various grants/appropriations where expenditure exceeded the approved provision by Rs 25 lakh or more and also by more than 10 per cent of the total provision	XXIII	170
Statement of cases where expenditure was incurred without any provision of funds	XXIV	171
Cases of drawal from Contingency Fund where the expenditure was not such as could not have been foreseen	XXV	172
Statement showing outstanding Inspection Reports and Paragraphs issued upto December 2002 but outstanding as on June 2003	XXVI	174
Abbreviations	XXVII	175





## *P R E F A C E*

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- 1 This Report has been prepared for submission to the Governor under Article 151 of the Constitution
  - 2 Chapters I and II of this Report respectively contain Audit observations on matters arising from examination of Finance Accounts and Appropriation Accounts of the State Government for the Year ended 31 March 2003.
  - 3 Chapter III deals with the findings of performance audit in various departments while Chapter IV deals with the findings of audit of transactions including Public Works, Irrigation, audit of Autonomous Bodies and departmentally run commercial undertakings. Chapter V deals with the comments on internal control mechanism existing in selected departments in the State.
  - 4 The Report containing the observations arising out of audit of Statutory Corporations, Boards and Government Companies and the Report containing such observations on Revenue Receipts are presented separately.
  - 5 The cases mentioned in the Report are among those which came to notice in the course of test-audit of accounts during the year 2002-03 as well as those which had come to notice in earlier years but could not be dealt with in previous Reports; matters relating to the period subsequent to 2002-03 have also been included wherever necessary.
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# **OVERVIEW**



## OVERVIEW

This Audit Report contains 47 Audit Paragraphs and six 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, 44 out of 51 Audit Paragraphs and 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 21737 crore in 1998-99 to Rs 31103 crore in 2002-03 registering an average trend growth rate of 9.77 *per cent per annum*.
  - Sales tax was the major source of State's own tax revenue having contributed 52 *per cent* of the tax revenue followed by stamps and registration fees (12 *per cent*). Of non tax revenue sources, interest receipts (39 *per cent*) and Dairy Development (18 *per cent*) were principal contributors. However, 90 *per cent* of the interest receipts (Rs 1777 crore) was only notional in nature arising out of book adjustments.
  - The current levels of cost recovery in supply of merit goods and services by Government are 0.02 *per cent* for secondary education, 0.23 *per cent* for university and higher education, 5.23 *per cent* for technical education, 5.94 *per cent* in health and family welfare, 0.40 *per cent* in water supply and sanitation, 6.83 *per cent* in major and medium irrigation and 5.36 *per cent* in minor irrigation.
  - The revenue expenditure increased from Rs 25663 crore in 1998-99 to Rs 40474 crore in 2002-03, showing an average trend growth rate of 13.02 *per cent per annum*. The increase in the revenue expenditure during 2002-03 was mainly due to assistance to Maharashtra State Road Development Corporation for payment of interest on bonds (off budget borrowings) under the head "roads and bridges" by Rs 868.36 crore (1208 *per cent*), interest payments by Rs 700.67 crore (11 *per cent*), taxes on sales, trades, etc by Rs 314.86 crore (18 *per cent*) and Other Rural Development programme by Rs 226.36 crore (62 *per cent*).
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- The Revenue Deficit jumped from Rs 3926 crore in 1998-99 to an all time high of Rs 9371 crore in 2002-03. Fiscal Deficit has also nearly doubled from Rs 7463 crore in 1998-99 to Rs 14290 crore in 2002-03. Further, this is exclusive of off Budget borrowings taken by the Government in the past.
- The share of economic services and social services in total expenditure declined from 28.11 *per cent* and 32.94 *per cent* in 1998-99 to 24.25 *per cent* and 31.35 *per cent* in 2002-03 respectively, while the relative share of general services, grants-in-aid and loans and advances increased. General services including interest payments considered as non developmental, accounted for nearly 39 *per cent* of total expenditure in 2002-03 as compared to about 36 *per cent* in 1998-99.
- Non developmental expenditure viz. Salaries (Rs 14703 crore<sup>♦</sup>), Interest payments (Rs 7130 crore) and Pension (Rs 2526 crore) alone consumed more than three-fourth (78 *per cent*) of the revenue receipts of the State during the year.
- Out of the total capital expenditure of Rs 3685 crore during the year, two third expenditure (Rs 2513 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 2003, 49 companies in which Government had invested Rs 1400.42 crore (Share Capital: Rs 650.53 crore, Loan: Rs 749.89 crore) were incurring losses and their accumulated losses amounted to Rs 1170.53 crore.
- The fiscal liabilities of the State increased from Rs 42886 crore in 1998-99 to Rs 85800 crore in 2002-03 at an average growth rate of 19.73 *per cent*. These liabilities as ratio to Gross State Domestic Product increased from 17.90 *per cent* to 1998-99 to 29.60 *per cent* in 2002-03. and stood at 2.76 times of its revenue receipts. In addition to these liabilities, Government had guaranteed loans of Rs 37521.19 crore (12.93 percent of Gross State Domestic Product) of its Corporations and others as of 31 March 2003.
- 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 etc.

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<sup>♦</sup> Projected for 2003-04 in Medium Term Fiscal Plan of Government of Maharashtra

- The average rate of market borrowing during the year was 7.59 *per cent*. As on 31 March 2003, 75 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 a growing 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.

*(Paragraph 1.1 to 1.12)*

## II Allocative Priorities and Appropriation

- The expenditure exceeded the budget provision in 12 grants and 17 appropriations by Rs 1361.49 crore and Rs 1181.38 crore respectively. The excess expenditure required regularisation by the State Legislature under Article 205 of the Constitution.
- The Supplementary provision of Rs 10897.31 crore constituted 16.88 *per cent* of the original provision of Rs 64564.96 crore. In 57 grants/appropriations, supplementary provision totalling Rs 1727.67 crore proved unnecessary.
- Supplementary grants and appropriations totalling Rs 7329.27 crore were obtained in 38 other grants/appropriations when the additional requirement of the fund was Rs 4044.40 crore only. Savings in each of these cases was in excess of Rs 1 crore.
- Supplementary grants totalling Rs 1647.34 crore in six grants/appropriations proved insufficient by more than Rs 1 crore in each grant/appropriation leaving an aggregate uncovered excess expenditure of Rs 2122.74 crore.
- Savings of Rs 1 crore and above in each grant/appropriation totalling Rs 1863.83 crore (17.46 *per cent* of total savings) in 39 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 600 crore with effect from 1 November 2002. Advances totalling Rs 36.85 crore made from the Fund were not recouped till the close of the financial year.
- Out of Rs 424 crore received as Central loan Assistance for Accelerated Irrigation Benefit Programme projects, Rs 367 crore was diverted for other purposes.

*(Paragraph 2.1 to 2.8)*

### III Performance Review of Scheme/Project

#### 1 Implementation of Drugs and Cosmetic Act, 1940

The Drugs and Cosmetics Act, 1940 and the Drugs and Cosmetics Rules, 1945 have been enacted by Government of India for regulation of import, manufacture, distribution and sale of standard and quality drugs and cosmetics through a system of licensing, inspection and testing. In Maharashtra, the Food and Drugs Administration administers the Act. Some of the important findings of the implementation of the Act are as follows:

- Licences in respect of 138 out of 1145 manufacturing units and 773 out of 4575 selling units were not renewed upto March 2003. In none of the test checked districts, master licence register recording the the name of the licensees, licence number, date of issue/ date of renewal etc was maintained.
- Shortfall in inspections of manufacturing and selling units of drugs ranged between 51 and 76 *per cent*. Norms for selecting units for inspections have not been fixed. As a result, some units are inspected repeatedly while others remained uninspected for years.
- A system of inspection of Registered Medical Practitioners records has not been introduced in the State.
- The age-wise analysis of 1395 pending prosecution cases was not available with the Food and Drugs Administration. In only 87 out of 213 prosecution cases decided during the period, accused persons were convicted.
- During the years 2001 and 2002 only 27 to 77 *per cent* samples were tested within the prescribed 90 days.
- There was acute shortage of technical persons at all levels. Sixty posts out of 223 remained vacant.

(Paragraph 3.1)

#### 2 Working of Public Works Department

Public Works Department is responsible for planning and construction of roads, bridges, buildings (residential and non residential) etc including their maintenance. At the end of March 2002 a net work of road length of 2.23 lakh kilometre, and residential/non-residential buildings, monumental buildings with the built up area of 1.56 crore square metre was under its control. Some of the important findings on the working of the department are as follows:



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- Budgetary control was deficient during 1998-2002. Despite surrender of funds of Rs 1858 crore there was excess under revenue and capital head.
  - Letter of Credit system was ineffective. In five divisions excess Letter of Credit of Rs 12.38 crore was granted by Superintending Engineer over final modified grant. In seven divisions, excess expenditure over budget allotment was met through non Letter of Credit cheques of Rs 13.94 crore during 1999-2003.
  - A total of 1122 works under plan and 1883 under non plan, costing Rs 39.03 crore and Rs 29.83 crore respectively were executed by 19 divisions during 1999-2003 without ensuring availability of funds.
  - Presidency Division, Mumbai incurred expenditure of Rs 20.31 crore during 1999-2002 on maintenance and repairs in excess of prescribed norms.
  - Government of India withheld/disallowed reimbursement of Rs 99.31 crore pertaining to period 1998-2003 due to non-compliance of objections raised by Pay and Accounts Office, National Highway, Mumbai.

(Paragraph 3.2)

### 3 *Prevention and Control of Fire*

Fire prevention and related safety measures are integral part of town planning and building construction. The subject fire services has been included as a municipal function in the XII schedule of the Constitution of India. It is for the State Government to ensure that municipalities fulfill their functions effectively. Some of the important findings of the implementation of fire control measures in the State are as follows:

- Standing Fire Advisory Council circulated a draft Fire Force bill in 1958 to all State Governments for enactment. The State Government has neither enacted the said bill nor enacted any Provision/Act/Rules to regulate the activities of fire services.
- In Mumbai in 40 *per cent* out of 3250 high rise buildings, constructed after 1975, the fire fighting system was not in working condition or was non-existent.
- Fire engines took 10-90 minutes as against five minutes response time to reach the site.
- Fire stations were located in crowded places like market areas or adjacent to schools, colleges or in narrow by-lanes in violation of the norms.

- As against the requirement of 220 fire stations in eight Municipal Corporations, there were only 54 fire stations. There were only 386 fire engines against the requirement of 506 in all the Municipal Corporations and Municipal Councils.
- In nine test-checked Municipal Corporations, the shortfall of fire services personnel was 1456, which works out to 35 *per cent* of the requirement.

*(Paragraph 3.3)*

#### **4 Integrated Watershed Development Programme**

The Water Conservation Programme was launched in August 1992 with a view to increase the productivity of dry land agriculture, provide more drinking water facilities at village level and to prevent soil erosion. Since more thrust was given to water conservation activities during 1992-1995, Government in January 1996 restructured the Water Conservation Programme as "Integrated Watershed Development Programme" by integrated approach in planning and implementation with people's participation and co-ordination. Some of the important findings are:

- Against the targeted completion of 21835 watersheds during 1998-2003 achievement was almost negligible (1535).
- Though the expenditure of Rs 45.87 crore was incurred against the projected cost of Rs 16.07 crore, none of Taluka Agriculture Officers could complete targeted four watersheds.
- Instruction to execute the work from upper reaches to lower reaches to avoid the possibilities of siltage was not adopted in 117 watersheds test-checked.
- Due to mistake in rate list of Employment Guarantee Scheme, extra expenditure of Rs 69.75 lakh was incurred by 19 Taluka Agriculture Officers.

*(Paragraph 3.4)*

### **IV Audit Paragraphs**

#### ***Loss of Government money***

- Irregular payment of financial assistance of Rs 97.48 lakh to ineligible beneficiaries under *Bhoomihin Shetmajoor* Assistance Scheme.

*(Paragraph 4.1.1)*

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***Violation of contractual obligations/undue favour to contractors***

- Non-observance of tender procedures, and extending other favours by the Maharashtra Housing and Area Development Authority resulted in undue benefit of Rs 82.25 crore to a private developer.  
(Paragraph 4.3.1)
- Irregular transfer of shops to unauthorised occupants resulted in a loss of Rs 5.46 crore to Mumbai Housing and Area Development Board.  
(Paragraph 4.3.2)
- Undue favour extended to an allottee resulted in a loss of Rs 3.18 crore to Mumbai Housing and Area Development Board.  
(Paragraph 4.3.3)
- Delay in finalisation of final sale price of tenements and arbitrary waiver of 60 per cent of the differential sale price entailed loss of revenue of Rs 1.42 crore to Pune Housing and Area Development Board.  
(Paragraph 4.3.4)
- Non-eviction of superannuated employees of Government Central Press, Mumbai from staff quarters resulted in non-recovery of rent of Rs 1.36 crore.  
(Paragraph 4.3.7)
- Irregular payments beyond contractual terms amounted to Rs 2.81 crore due to inclusion of rates for machinery/equipment in the basic rate.  
(Paragraph 4.3.8)

***Avoidable/excess/unfruitful expenditure***

- Unfruitful expenditure of Rs 4.43 crore on procurement of four boats by the Commissioner of Fisheries due to their grounding and Rs 9.06 lakh on maintenance of inoperative boats.  
(Paragraph 4.4.1)
- Improper planning by the Directorate of Information Technology led to extra procurement of 2000 Lotus software costing Rs 60 lakh and on obsolete software application package valuing Rs 31 lakh.  
(Paragraph 4.4.3)
- Non-compliance of Government orders regarding handing over of completed project by the Executive Engineer, Minor Irrigation Division No. 1, Ahmednagar to a co-operative sugar factory resulted in avoidable expenditure of Rs 3.15 crore.  
(Paragraph 4.4.5)

- Irregular sanction of extra item rate lists by the Executive Engineer Medium Project Division, Nashik resulted in excess payment of Rs 3.01 crore to a contractor.

*(Paragraph 4.4.6)*

- Non-functioning of Digital Water Level Recorders procured by the Groundwater Survey and Development Agency, Pune for disseminating data for surface and ground water resulted in unfruitful expenditure of Rs 2.94 crore.

*(Paragraph 4.4.18)*

- Unilateral decision taken with retrospective effect by the Government/Maharashtra Jeevan Pradhikaran resulted in avoidable expenditure of Rs 2.66 crore on interest payment and legal charges/arbitration cost.

*(Paragraph 4.4.19)*

- Supply of substandard food under a Government Scheme resulted in non-achievement of its objectives and also rendered the expenditure of Rs 29.82 crore largely unfruitful.

*(Paragraph 4.4.20)*

#### ***Idle investment/idle establishment/blockage of funds***

- Improper planning in execution of a project by the Maharashtra University of Health Sciences, Nashik resulted in blocking of Rs 8.29 crore on incomplete buildings and recurring rental liability of Rs 6.5 lakh for hired premises.

*(Paragraph 4.5.3)*

- Failure of Government to assess the feasibility of the project resulted in blocking of Rs 5.19 crore paid as compensation for land acquired for barrage and pump house on Wardha river for Thermal Power Project.

*(Paragraph 4.5.5)*

- Non-adherence to rules, non-payment of dues and non-provision of funds by Maharashtra Jeevan Pradhikaran resulted in blockage of funds of Rs 11.09 crore on three water supply schemes.

*(Paragraph 4.5.6)*

#### **V Internal Audit Systems in Government Departments**

- Internal audit is responsible for examination and evaluation of the level of compliance to the departmental rules and procedures and assure the senior management of the adequacy of risk management and internal control of the department. Some important findings in the departments

of Medical Education and Drugs and Revenue were reviewed and the results are as given below:

- Expenditure/importance of the scheme was not given weightage while preparing the Annual Audit Plan.
- Internal Audit did not bring out significant audit observations on the adequacy and effectiveness of internal controls necessitating corrections in the existing system.
- No Manuals of Internal Audit or Auditing Standards exist.
- There was no system for training Internal Audit Personnel.
- Audit was in arrears for periods ranging from three to six years.

*(Paragraph 5.1 to 5.3)*



# **CHAPTER-I**

## **FINANCES OF THE STATE GOVERNMENT**

**Page**

**1-27**





## CHAPTER – I

### FINANCES OF THE STATE GOVERNMENT

#### Summary

2002-03 was a financially difficult year for Maharashtra. Though its revenue receipts showed a marginal increase of 3.36% to Rs 31103 crore during the year, the comparatively higher growth in revenue expenditure to Rs 40474 crore led to an all time high revenue deficit of Rs 9371 crore, which was a significant 14.44% increase over the previous year. The substantial increase in revenue deficit along with high capital expenditure led to an unprecedented fiscal deficit of Rs 14290 crore ie 4.93% of the State's Gross Domestic Product (GSDP).

Revenue receipts increased from Rs 21737.09 crore in 1998-99 to Rs 31103.05 crore in 2002-03 at an average trend rate of 9.77% per annum. The annual growth rate of revenue receipts, however, decreased sharply to 3.36% in 2002-03. On an average around 85% of the revenue came from the State's own resources. Central Tax Transfers declined throughout the period and came down to 7.33% in 2002-03 from 13.44% during 1998-99. Grants-in aid also declined from the peak of 5.77% in 1999-2000 to 4.84% in 2002-03.

Among the tax revenue, 11% increase in Sales Tax, 16% increase in Stamps and Registration Fees, 8% growth in State Excise and 48% increase in Land revenue were the principal contributors. Of non-tax revenue sources, interest receipt (39%) and Dairy Development (18%) were principal contributors. However, 90% of the interest receipts (Rs 1777 crore) was only notional in nature arising out of book adjustments.

Overall expenditure of the State increased from Rs 29470 crore in 1998-99 to Rs 45862 crore in 2002-03 at an average trend rate of 11.37% per annum. Revenue expenditure (Rs 40474 crore), which constituted 88.25% of total expenditure grew at a trend rate of 13.02% over the period 1998-2003 with a growth of 5.73% in 2002-03 over the previous year. Salaries\*, Interest payment and Pensions alone consumed nearly 78% of the revenue receipts during the year. The fiscal liabilities increased at a trend growth rate of 19.73% during 1998-2003 and stood at Rs 85800 crore in 2002-03 ie 2.76 times of the revenue receipts. At the end of 2002-03, the fiscal liabilities of the State excluding pensionary liabilities but including off-budget borrowings, power subsidy etc stood at the unsustainable level of 30.43% of GSDP. These liabilities along with contingent liabilities in form of guarantees etc, which accounted for another 21.52% of GSDP, are cause for concern.

Large revenue and fiscal deficit year after year show continued macro fiscal imbalances. It is not uncommon for the State to borrow for increasing its social and economic infrastructure base. However, increasing ratios of fiscal liabilities to GSDP together with a growing revenue deficit as percentage of fiscal deficit indicate that the State is gradually getting into a debt trap. The introduction of Maharashtra Fiscal Responsibility and Budgetary Management Bill in April 2003 in the Legislature to provide transparency in fiscal management by progressive elimination of revenue deficit, regulation of borrowing, ceiling on subsidies and guarantees etc is a step in right direction.

Only through hard measures like reduction of revenue deficit/fiscal deficit by compressing non-developmental revenue expenditure and enhanced additional resource mobilisation through prudent tax reforms and periodic revision of user charges for increased cost recoveries for Government services, prudent debt management and greater fiscal transparency in medium term framework, the State Government can achieve long term fiscal stability.

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\* Projected for 2003-04 in Medium Term Fiscal Reforms Programme of Government of Maharashtra

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## **1.1 Introduction**

The Finance Accounts of the Government of Maharashtra are laid out in nineteen statements, presenting receipts and expenditure, revenue as well as capital, in the Consolidated Fund, Contingency Fund and the Public Accounts of the State of Maharashtra. The lay out of the Finance Accounts is depicted in the box below:

### **Box 1.1 Lay out of Finance Accounts**

Statement No 1 presents the summary of transactions of the State government-receipts and expenditure, revenue and capital, public debt receipts and disbursements etc in the Consolidated Fund, Contingency Fund and Public Account of the State.

Statement No 2 contains the summarised statement of capital outlay showing progressive expenditure to the end of 2002-03.

Statement No.3 gives financial results of irrigation works, their revenue receipts, working expenses and maintenance charges, capital outlay, net profit or loss, etc.

Statement No.4 indicates the summary of debt position of the State which includes borrowing from internal debt, Government of India, other obligations and servicing of debt.

Statement No. 5 gives the summary of loans and advances given by the State Government during the year, repayments made, recoveries in arrears etc.

Statement No. 6 gives the summary of guarantees given by the Government for repayment of loans etc. raised by the statutory corporations, local bodies and other institutions.

Statement No. 7 gives the summary of cash balances and investments made out of such balances.

Statement No.8 depicts the summary of balances under Consolidated Fund, Contingency Fund and Public Account as on 31 March 2003.

Statement No.9 shows the revenue and expenditure under different heads for the year 2002-03 as a percentage of total revenue/expenditure.

Statement No.10 indicates the distribution between the charged and voted expenditure incurred during the year.

Statement No.11 indicates the detailed account of revenue receipts by minor heads.

Statement No.12 provides accounts of revenue expenditure by minor heads under non plan and plan separately and capital expenditure by major head wise.

Statement No.13 depicts the detailed capital expenditure incurred during and to the end of 2002-03.

Statement No.14 shows the details of investment of the State Government in statutory corporations, Government companies, other joint stock companies, co-operative banks and societies etc up to the end of 2002-03.

Statement No.15 depicts the capital and other expenditure to the end of 2002-03 and the principal sources from which the funds were provided for that expenditure.

Statement No.16 gives the detailed account of receipts disbursements and balances under heads of account relating to Debt, Contingency Fund and Public Account.

Statement No.17 present detailed account of debt and other interest bearing obligations of the Government of Maharashtra.

Statement No.18 provides the detailed account of loans and advances given by the Government of Maharashtra, the amount of loan repaid during the year, the balance as on 31 March 2003.

Statement No.19 gives the details of earmarked balances of reserve funds.

## 1.2 Trend of Finances with reference to previous year

Financial position of the State Government during the current year as compared to the previous year was as under:

(Rupees in crore)

2001-02	Sr. No	Major Aggregates	2002-03
30093	1.	<b>Revenue Receipts (2+3+4)</b>	<b>31103</b>
21288	2.	Tax Revenue (Net)	22800
4655	3.	Non-Tax Revenue	4517
4150	4.	Other Receipts	3786
298	5.	<b>Non-Debt Capital Receipts</b>	<b>469</b>
298	6.	<i>Of which</i> Recovery of Loans	469
30391	7.	<b>Total Receipts (1+5)</b>	<b>31572</b>
36933	8.	<b>Non-Plan Expenditure</b>	<b>40973</b>
35401	9.	On Revenue Account	37230
6429	10.	<i>Of which</i> Interest Payments	7130
1532	11.	On Capital Account	3743
59	12.	Of which Loans disbursed	1704
4356	13.	<b>Plan Expenditure</b>	<b>4889</b>
2881	14.	On Revenue Account	3244
1475	15.	On Capital Account	1645
--	16.	Of which Loans disbursed	--
41289	17.	<b>Total Expenditure (13+8)</b>	<b>45862</b>
8189	18.	Revenue Deficit (9+14-1)	9371
10898	19.	Fiscal Deficit (17-7)	14290
4469	20.	Primary Deficit (19-10)	7160

## 1.3 Summary of Receipts and Disbursements

Table-1 summarises the finances of the Government of Maharashtra for the year 2002-03 covering revenue receipts and expenditure, capital receipts and expenditure and public accounts receipts and disbursements made during the year as emerging from Statement-1 of Finance Accounts and other detailed Statements.

**Table-1: Summary of receipts and disbursements for the year 2002-03**  
(Rupees in crore)

2001-02	Receipts	2002-03	2001-02	Disbursements	2002-03		
				<b>Section-A: Revenue</b>	<b>Non Plan</b>	<b>Plan</b>	<b>Total</b>
30092.95	<b>I Revenue receipts</b>	31103.05	38281.52	<b>I Revenue expenditure</b>	37229.89	3244.41*	40474.30
21287.64	Tax revenue	22799.46	17730.54	General services	17826.92	119.89*	17946.81
4655.08	Non-tax revenue	4517.47	14136.81	Social services	12584.84	1632.99	14217.83
2468.76	Share of Union Taxes/Duties	2279.96	5875.71	Economical services	6145.45	1490.32	7635.77
1681.47	Grants from Government of India	1506.16	538.46	Grants-in-aid and Contributions	672.68	1.21	673.89
				<b>Section-B: Capital</b>			
--	<b>II Miscellaneous Capital Receipts</b>	--	2947.88	<b>II Capital Outlay</b>	2038.60	1645.08	3683.68
298.09	<b>III Recoveries of Loans and Advances</b>	469.16	59.39	<b>III Loans and Advances Disbursed</b>	--	--	1704.08 <sup>#</sup>
8671.33	<b>IV Public debt receipts</b>	9758.42	1190.80	<b>IV Repayment of Public Debt</b>	--	--	1355.31 <sup>#</sup>
600.00	<b>V Appropriation from Contingency Fund</b>	450.00	250.00	<b>V Appropriation to Contingency Fund</b>	--	--	450.00 <sup>#</sup>
305.45	<b>VI Contingency Fund</b>	465.80	615.80	<b>VI Contingency Fund</b>	--	--	486.85 <sup>#</sup>
42368.85	<b>VII Public account receipts</b>	44867.16	39760.53	<b>VII Public Account disbursements</b>	--	--	38221.87 <sup>#</sup>
--	<b>VIII Closing Overdraft from RBI</b>	--	697.70	<b>VIII Cash Balance at end</b>	--	--	1435.20 <sup>#</sup>
83803.62	<b>Total</b>	87811.29	83803.62	<b>Total</b>			87811.29 <sup>#</sup>

## 1.4 Audit Methodology

Audit observations on the Finance Accounts bring out the trends in the major fiscal aggregates of receipts and expenditure and from the statement of the Finance Accounts for the year 2002-03 and wherever necessary show these in the light of time series data (**Appendix I to IV**) and periodic comparisons.

The key indicators adopted for analyzing the State finances are (i) Resources by volumes and sources, (ii) Application of resources, (iii) Assets and Liabilities and (iv) Management of deficits. Audit observations have also taken into account the cumulative impact of resource mobilisation efforts, debt servicing and corrective fiscal measures. Overall financial performance of the State Government as a body corporate has been presented by the application of a set of ratios commonly adopted for the relational interpretation of fiscal aggregates.

The reporting parameters are depicted in the Box 1.2.

### Box 1.2 Reporting Parameters

Fiscal aggregates like tax and non-tax revenue, revenue and capital expenditure, internal and external debt and revenue and fiscal deficits have been presented as percentage to the GSDP at current market prices. The New GSDP series with 1993-94 as base as published by the Bureau of Economics

\* Higher rounding

<sup>#</sup> Bifurcation of plan and non plan not available

and Statistics Department of the State Government have been used. For tax revenues, non-tax revenues, revenue expenditure etc, buoyancy projections have also been provided for a further estimation of the range of fluctuations with reference to the base represented by GSDP. For most series a trend growth during 1998-2003 has been indicated. The ratios with respect to GSDP have also been depicted. Some of the terms used here are explained in **Appendix-V**.

The accounts of the State Government are kept in three parts (i) Consolidated Fund, (ii) Contingency Fund and (iii) Public Account as defined in Box 1.3.

**Box 1.3**  
**State Government Funds and the Public Account**

<p style="text-align: center;"><b>Consolidated Fund</b></p> <p>All revenues received by the State Government, all loans raised by issue of treasury bills, internal and external loans and all moneys received by the Government in repayment of loans shall form one consolidated fund entitled 'The Consolidated Fund of State' established under Article 266(1) of the Constitution of India.</p>	<p style="text-align: center;"><b>Contingency Fund</b></p> <p>Contingency Fund of State established under Article 267(2) of the Constitution is in the nature of an imprest placed at the disposal of the Governor to enable him to make advances to meet urgent unforeseen expenditure, pending authorisation by Legislature. Approval of the Legislature for such expenditure and for withdrawal of an equivalent amount from the Consolidated Fund is subsequently obtained, whereupon the advances from the Contingency Fund are recouped to the Fund.</p>
<p><b>Public Account</b></p> <p>Besides the normal receipts and expenditure of Government which relate to the Consolidated Fund, certain other transactions enter Government Accounts, in respect of which Government acts more as a banker. Transactions relating to provident funds, small savings, other deposits, etc. are a few examples. The public moneys thus received are kept in the Public Account set up under Article 266(2) of the Constitution and the related disbursement are made from it.</p>	

**1.5 State Finances by key Indicators**

**1.5.1 Resources by volumes and sources**

Resources of the State Government consist of revenue receipts and capital receipts. Revenue receipts consist of tax revenues, non-tax revenues, state's share of union taxes and duties and grants-in-aid from the Central Government. Capital receipts comprise of miscellaneous capital receipts like proceeds from disinvestments, recoveries of loans and advances, debt receipts from internal sources viz. market loans, borrowings from financial institutions/ commercial banks etc. and loans and advances from Government of India as well as accruals from Public Account.

Table-2 shows that the total receipts of the State Government for the year 2002-03 was Rs 87114 crore. Of which, the revenue receipts of the State Government was Rs 31103 crore only, constituting 36 *per cent* of the total receipts. The balance of receipts came from borrowings and receipts from Contingency Fund and Public Account.

**Table-2: Resources of the Government of Maharashtra (Rupees in crore)**

<b>I Revenue Receipts</b>		<b>31103</b>
<b>II Capital Receipts</b>		<b>10228</b>
Recovery of Loans and Advances	469	
Debt Receipts	9759	
<b>III Appropriation from Contingency Fund</b>		<b>450</b>
<b>IV Contingency Fund</b>		<b>466</b>
<b>V Public Account Receipts</b>		<b>44867</b>
a. Small Savings and Provident Fund	1406	
b. Reserve Fund	4439	
c. Deposit and Advances	5225	
d. Suspense and Miscellaneous	26510	
e. Remittance	7287	
<b>Total Receipts</b>		<b>87114</b>

### 1.5.2 Revenue Receipts

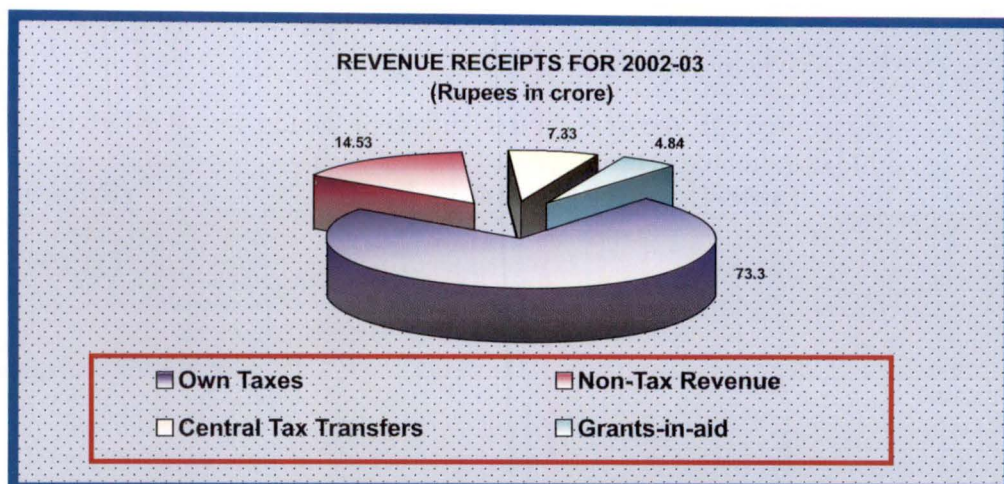
Statement-11 of the Finance Accounts details the revenue receipts of the Government. The revenue receipts of the State consist mainly of its own tax and non-tax revenues, central tax transfers and grants-in-aid from Government of India. Revenue receipts of the State increased from Rs 21737 crore in 1998-99 to Rs 31103 crore in 2002-03, at an average trend rate of 9.77 *per cent per annum*. There were, however, significant inter year variations in the growth rates. The annual growth rate of revenue receipts, decreased sharply to 3.36 *per cent* in 2002-03 mainly due to less receipt of taxes on goods and passengers (Rs 782.36 crore) and correction of erroneous credit under contribution and recoveries towards pension and other retirement benefits during 2001-02 (Rs 428.14 crore). While on an average, around 85 *per cent* of the revenue had come from the State's own resources, central tax transfers and grants-in-aid together contributed nearly 15 *per cent* of the total revenue only.

Overall revenue receipts, its annual rate of growth, ratio of these receipts to the GSDP and its buoyancies are indicated in Table-3 below:

**Table-3: Revenue Receipts- Basic Parameters**

(Value: Rupees in crore and others in *per cent*)

	1998-99	1999-2000	2000-01	2001-02	2002-03	Average
<b>Revenue Receipts (RR)</b>	21737	25269	29567	30093	31103	27554
<b>Own Taxes</b>	65.340	68.320	66.720	71.740	73.300	68.880
<b>Non-Tax Revenue</b>	16.440	15.580	18.930	15.470	14.530	16.190
<b>Central Tax Transfers</b>	13.440	10.330	9.400	8.700	7.330	9.740
<b>Grants-in-aid</b>	4.780	5.770	4.950	5.590	4.840	5.190
<b>Rate of growth of RR</b>	6.990	16.250	17.010	1.780	3.360	9.770
<b>RR/ GSDP</b>	9.070	10.520	11.450	11.090	10.720	10.600
<b>Revenue Buoyancy</b>	0.222	77.439	2.264	0.350	0.486	1.187
<b>GSDP Growth</b>	31.500	0.210	7.510	5.090	6.900	8.230



Among the tax revenue, 11 *per cent* increase in Sales Tax, 16 *per cent* increase in Stamps and Registration Fees, 8 *per cent* growth in State Excise and 48 *per cent* increase in Land Revenue were the principal contributors. 131 *per cent* increase in Miscellaneous General Services (MGS) was however insufficient to prevent the decline (Rs 138 crore) of the non-tax revenue during the year. Rs 316.17 crore increase in MGS during the year was mainly due to more receipt from sale of lottery tickets (Rs 152.53 crore), guarantee fees (Rs 112.92 crore) and other receipts (Rs 60.05 crore).

Sales tax was the major source of State's own tax revenue having contributed 52 *per cent* of the tax revenue followed by Stamps and Registration fees (12 *per cent*). Of non-tax revenue sources, interest receipts (39 *per cent*) and Dairy Development (18 *per cent*) were principal contributors. However, 90 *per cent* of the interest receipts (Rs 1777 crore) was only notional in nature arising out of book adjustments. While the contribution of grants-in-aid increased to 4.84 *per cent* in 2002-03 from 4.78 *per cent* in 1998-99, the contribution of Central Tax Transfers continued to decline throughout the period and came down to 7.33 *per cent* in 2002-03 from 13.44 *per cent* during 1998-99.

The Medium Term Fiscal Reforms Programme agreed to (October 2002) by the Government of Maharashtra with Government of India provides for improving cost recoveries for Government services by enhancing user charges periodically and bringing new areas of Government services for cost recovery. Non-tax revenue in nominal terms has however steadily declined from Rs 5596 crore in 2000-01 to Rs 4517 crore in 2002-03. The current levels of cost recovery in supply of merit goods and services by Government are 0.02 *per cent* for secondary education, 0.23 *per cent* for university and higher education, 5.23 *per cent* for technical education, 5.94 *per cent* in health and family welfare, 0.40 *per cent* in water supply and sanitation, 6.83 *per cent* in major and medium irrigation and 5.36 *per cent* in minor irrigation.

The arrears of revenue pending collection as at the end of 2002-03 were Rs 5879 crore. There had been an increase of 29 *per cent* in accumulation of such arrears and pertained mainly to taxes on Sales, Trade, etc (Rs 5673 crore)

Motor Vehicles (Rs 171 crore), Electricity Duty (Rs 24 crore) and State Excise (Rs 11 crore).

The source of receipts under different heads and GSDP during 1998-2003 is indicated in table-4.

**Table-4: Source of Receipts Trends (Rupees in crore)**

Year	Revenue Receipts	Capital Receipts				Total Receipts	Gross State Domestic Product
		Non-Debt Receipts <sup>+</sup>	Debt Receipts	Contingency Fund Receipts	Accruals in Public Account		
1998-99	21737	571	5517	131	30342	58298	239721
1999-2000	25269	1251	6058	1773	37750 <sup>1</sup>	72101	240224
2000-01	29567	3295	6744	367	38319	78292	258272
2001-02	30093	898	8671	306 <sup>1</sup>	42369	82337	271406
2002-03	31103	919	9759 <sup>1</sup>	466	44867	87114	290142 <sup>A</sup>

The arrears of revenue indicated as of March 2003 however do not reflect the total arrears, as particulars from all departments were not made available.

## **1.6 Application of resources**

### **1.6.1 Trend of Growth**

Statement 12 of the Finance Accounts depicts the detailed revenue expenditure by minor heads and capital expenditure major head wise. The total expenditure of the State increased from Rs 29470 crore in 1998-99 to Rs 45862 crore in 2002-03 at an average trend rate of 11.37 per cent per annum.

**Table-5: Total Expenditure Basic Parameters**

(Value : Rupees in crore and others in per cent)

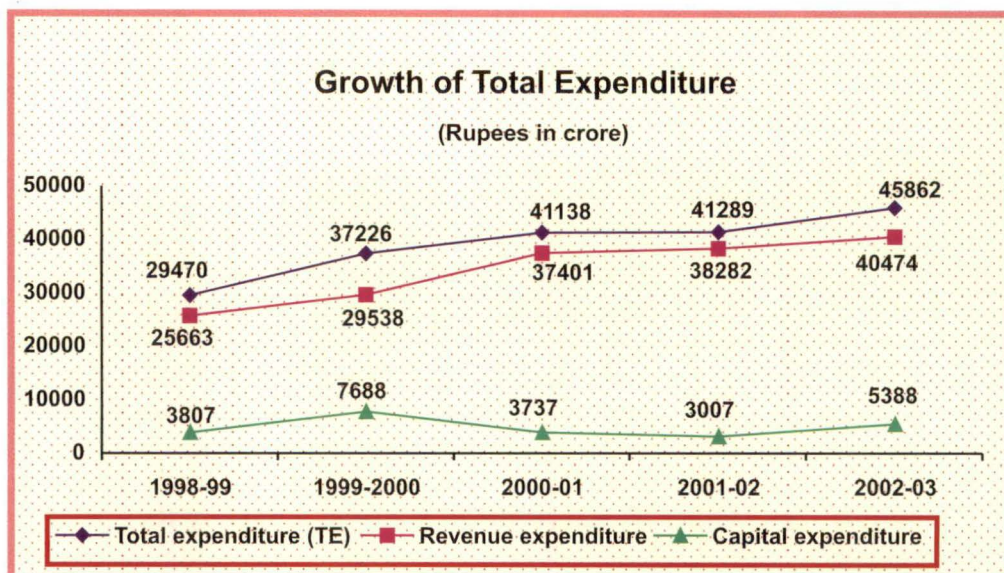
	1998-99	1999-2000	2000-01	2001-02	2002-03	Average
<b>Total expenditure (TE)</b>	29470	37226	41138	41289	45862	38997
<b>Rate of Growth</b>	9.340	26.320	10.510	0.370	11.080	11.370
<b>TE/GSDP Ratio</b>	12.290	15.500	15.930	15.210	15.810	15.000
<b>RR/TE Ratio</b>	73.760	67.880	71.870	72.880	67.820	70.840
<b>Buoyancy of Total Expenditure with reference to:</b>						
<b>GSDP</b>	0.296	125.428	1.399	0.072	1.604	1.381
<b>RR</b>	1.336	1.620	0.618	0.206	3.300	1.164

<sup>+</sup> Including Appropriation from Contingency Fund and Inter State Settlement

<sup>1</sup> Higher rounding

<sup>A</sup> Provisional





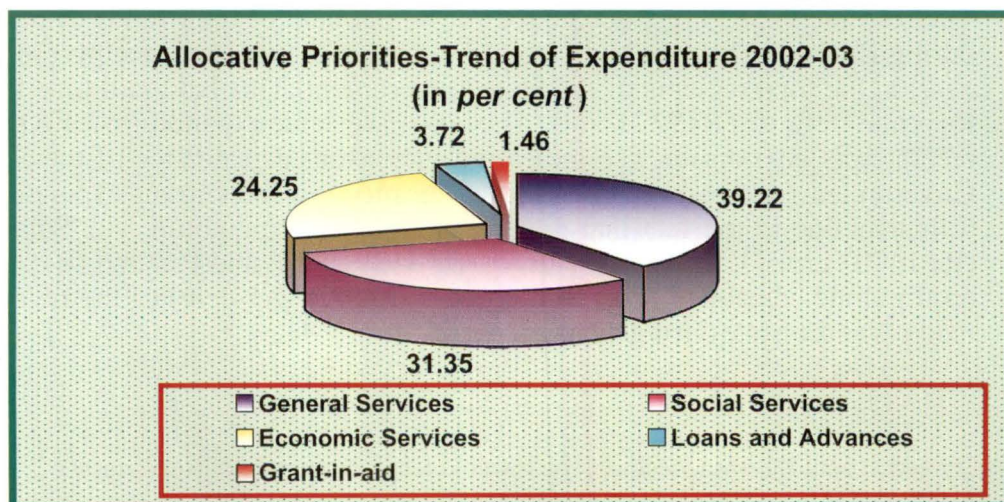
In terms of the activities, total expenditure could be considered as being composed of expenditure on general services including interest payments, social and economic services, grant-in-aid and loans and advances.

The relative share of activity components in total expenditure is indicated in Table-6.

**Table-6: Components of Expenditure -Relative Share (in per cent)**

	1998-99	1999-2000	2000-01	2001-02	2002-03	Average
General Services	36.27	33.89	35.85	43.03	39.22	37.65
Social Services	32.94	30.52	35.18	34.56	31.35	32.91
Economic Services	28.11	23.54	29.06	20.96	24.25	25.18
Grant-in-aid	0.60	1.50	1.67	1.31	1.46	1.31
Loans and Advances	2.08	10.55	(-)-1.76	0.14	3.72	2.95

The movement of relative share of these components of expenditure indicated that while the share of Economic Services and Social Services in total



expenditure declined from 28.11 per cent and 32.94 per cent to 24.25 per cent

and 31.35 *per cent* respectively during 1998-2003, the relative share of General Services, which is primarily non developmental in nature, increased from 36.27 *per cent* in 1998-99 to 39.22 *per cent* of total expenditure in 2002-03, mainly due to increase in interest payment.

### 1.6.2 Incidence of Revenue expenditure

Revenue expenditure is usually incurred to maintain the current level of assets and services. Revenue expenditure of the State increased from Rs 25663 crore in 1998-99 to Rs 40474 crore in 2002-03, at an average trend rate of 13.02 *per cent* per annum. The increase in the revenue expenditure during 2002-03 was mainly due to assistance to Maharashtra State Road Development Corporation for payment of interest on bonds (off-budget borrowings) under the head "roads and bridges" by Rs 868.36 crore (1208 *per cent*), Interest payments by Rs 700.67 crore (11 *per cent*), Taxes on Sales, Trades, etc by Rs 314.86 crore (18 *per cent*) and Other Rural Development programme by Rs 226.36 crore (62 *per cent*).

Overall revenue expenditure, its rate of growth, ratio of revenue expenditure to State's GSDP and revenue receipts and its buoyancy with both GSDP and revenue receipts are indicated in Table-7:

**Table-7: Revenue Expenditure: Basic Parameters**

(Value : Rupees in crore and others in *per cent*)

	1998-99	1999-2000	2000-01	2001-02	2002-03	Average
Revenue Expenditure	25663	29538	37401	38282	40474	34271.60
Rate of Growth	12.08	15.10	26.62	2.36	5.73	13.02
RE/GSDP	10.71	12.30	14.48	14.11	13.95	13.18
RE as <i>per cent</i> of TE	87.08	79.35	90.92	92.72	88.25	87.88
RE as <i>per cent</i> of Revenue Receipt	118.06	116.89	126.50	127.21	130.13	124.38
<b>Buoyancy of Revenue Expenditure with</b>						
GSDP	0.383	71.962	3.543	0.463	0.829	1.582
Revenue Receipts	1.728	0.929	1.565	1.324	1.706	1.333

The revenue expenditure accounted for 88 *per cent* of total funds available during 2002-03. This was higher than the share of the revenue receipts (36 *per cent*) in the total receipts of the State Government. This led to all time high Revenue Deficit of Rs 9371 crore. The ratio of revenue expenditure to revenue receipt was also on the rise indicating increasing dependence of the State Government on borrowed funds for even meeting the current expenditure primarily due to the fact that non developmental expenditure viz. Salaries (Rs 14703 crore\*), Interest payments (Rs 7130 crore) and Pension (Rs 2526 crore) alone consumed more than three-fourth (78 *per cent*) of the revenue receipts of the State during the year.

\* Projected for 2003-04 in Medium Term Fiscal Reforms Programme of Government of Maharashtra

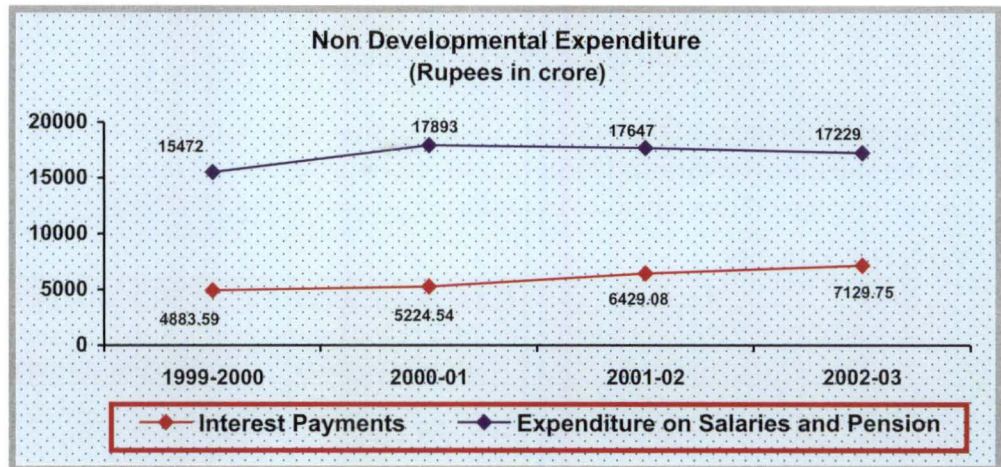
### 1.6.3 Committed Expenditure

#### ► High salary expenditure and pension payments

Salaries and pension alone accounted for nearly 55 per cent of the revenue receipts of the State during 2002-03. The expenditure on salaries and pension increased from Rs 15472 crore in 1999-2000 to Rs 17229 crore in 2002-03, an increase of 11 per cent over a period of four years.

**Table-8: Salary and Pension expenditure (Rupees in crore)**

Heads	1999-2000	2000-01	2001-02	2002-03
Salary and Pension Expenditure	15472	17893	17647	17229
As per cent of GSDP	6.44	6.93	6.50	5.94
As per cent of Revenue Receipts	61.23	60.52	58.64	55.39



#### ► Interest payments

In absolute terms, interest payments increased by 94 per cent from Rs 3673.13 crore in 1998-99 to Rs 7129.75 crore in 2002-03 primarily due to continued reliance on borrowings for financing the fiscal deficit.

**Table-9: Interest payment**

Year	Total Revenue Receipts (Rupees in crore)	Interest Payment*	Percentage of Interest payment with reference to	
			Total Revenue Receipts	Revenue Expenditure
1998-99	21737	3673	17	14
1999-2000	25269	4884	19	17
2000-01	29567	5225	18	14
2001-02	30093	6429	21	17
2002-03	31103	7130	23	18

The Eleventh Finance Commission (August 2000) had recommended that as a medium term objective, States should endeavour to keep interest payments as a ratio to revenue receipts at 18 per cent. It was, however, observed that interest payments as percentage of revenue receipts has steadily risen from 18

\* Rounded to nearest rupee.

per cent in 2000-01 to 23 per cent in 2002-03. The steady increase in the interest payment was primarily due to ever increasing debt stock of the State.

During 2002-03, the State Government raised Rs 1074.85 crore at the average interest rate of 7.59 per cent from open market. Besides, it also borrowed Rs 7722 crore from National Small Savings Fund, Life Insurance Corporation of India, and other institutions etc, and Rs 961.78 crore from Government of India during the year.

#### 1.6.4 Subsidy

Subsidy can be defined as the difference between the cost of goods/services provided and realisation from the users. There are two types of subsidies viz. explicit subsidies and implicit subsidies. While there is clear identification and budgetary allocation in respect of explicit subsidies, implicit subsidies arise due to non-recovery/short recovery of user charges provided.

Though the finances of the State are under strains, State Government has been paying subsidies to various Corporations, etc. During the last three years, State Government paid the subsidies as under:

**Table-10: Subsidy**

Year	Amount (Rupees in crore)	Percentage increase (+)/decrease (-) over previous year	Percentage of subsidy with Revenue receipts
2000-01	468.62	--	1.58
2001-02	1799.64	284.03	5.98
2002-03	2008.65	11.61	6.46

During the current year, subsidies constituted four per cent of the total expenditure, of which Rs 767.63 crore (38 per cent) was given to the Maharashtra State Road Development Corporation and Rs 711.59 crore (35 per cent) was given to Maharashtra State Electricity Board for reduction in Agricultural Tariff.

#### 1.7 Expenditure by Allocative Priorities

The actual expenditure of the State in the nature of plan expenditure, capital expenditure and developmental expenditure emerging from Statement 12 of Finance Accounts reflect the allocative priorities of the State. Higher the ratio of these components to total expenditure, better is deemed to be the quality of expenditure. Table-11 below gives the ratio of these components of expenditure to State's total expenditure.

**Table-11: Quality of expenditure (per cent to total expenditure)**

	1998-99	1999-2000	2000-01	2001-02	2002-03	Average
Plan Expenditure	20.39	16.45	15.79	10.57	11.07	14.37
Capital Expenditure	11.07	11.29	10.66	7.15	8.34	9.53
Developmental Expenditure	62.34	60.44	63.12	55.60	57.74	59.64

(Total expenditure does not include Loans and Advances).

All the three components of expenditure show a relative decline during 1998-2003. Plan expenditure declined from 20.39 *per cent* in 1998-99 to 11.07 *per cent* in 2002-03. Similarly, capital expenditure also declined from 11.07 *per cent* in 1998-99 to 8.34 *per cent* in 2002-03. Out of the total capital expenditure of Rs 3684 crore during the year, two-third expenditure (Rs 2513 crore) was under major head Irrigation and flood control on account of Special Purpose Vehicles created (five Irrigation Corporations) for raising the Off-Budget Borrowings (please refer para 1.9.3). There was also a decline in the share of developmental expenditure from 62.34 *per cent* in 1998-99 to 57.74 *per cent* in 2002-03. The share of expenditure on these components decreased significantly in 2002-03 as compared to the level achieved in 1998-99.

Out of the developmental expenditure (Rs 25497.90 crore), Social Services (Rs 14377.11 crore) accounted for 56 *per cent* of the developmental expenditure during the year. Education and Health and Family Welfare consumed nearly three-fourth (74 *per cent*) of the expenditure on social sector.

**Table-12: Social Sector Expenditure (Rupees in crore)**

	1998-99	1999-2000	2000-01	2001-02	2002-03
Education, Sports, Art and Culture	5356.17	7303.02	9420.25	9387.91	8941.42
Health and Family Welfare	1185.49	1393.22	1634.28	1834.74	1751.74
Water Supply, Sanitation, Housing and Urban Development	1366.74	1279.07	1479.30	1010.67	1495.53
<b>Total</b>	<b>7908.40</b>	<b>9975.31</b>	<b>12533.83</b>	<b>12233.32</b>	<b>12188.69</b>

Out of the expenditure on Economic Services (Rs 11120.79 crore), Agriculture and Allied activities, Irrigation and Flood Control, Energy and Transport consumed nearly 87 *per cent* of the expenditure.

**Table-13: Economic Sector Expenditure (Rupees in crore)**

	1998-99	1999-2000	2000-01	2001-02	2002-03
Agriculture, Allied Activities	2621.05	3355.59	3041.01	2893.40	2800.91
Irrigation and Flood Control	2975.87	3348.60	2823.32	3052.65	4324.99*
Energy	317.18	231.68	4599.89	1006.28	1049.80
Transport	1011.47	946.92	750.28	873.86	1519.40
<b>Total</b>	<b>6925.57</b>	<b>7882.79</b>	<b>11214.50</b>	<b>7826.19</b>	<b>9695.10</b>

### *Financial Assistance to local bodies and other institutions*

#### *1.7.1 Extent of assistance*

Autonomous bodies and authorities perform non-commercial functions of public utility services. These bodies/authorities receive substantial financial assistance from Government. Government also provides substantial financial assistance to other institutions such as those registered under respective State Co-operative Societies Act, Companies Act, etc to implement various programmes of Government. The grants are given by Government mainly for

\*includes notional interest of Rs 1523 crore on 14 irrigation projects handed over to Irrigation Development Corporations (SPVs)

construction and maintenance of educational institutions, hospitals, charitable institutions, improvement of roads and other communications facilities under municipalities and local bodies.

The quantum of assistance provided to different local bodies etc., during the period of five years ending 2002-03 was as follows:

**Table-14: Financial Assistance (Rupees in crore)**

	1998-99	1999-2000	2000-01	2001-02	2002-03
Education Institutions (Aided Schools, Aided Colleges, Universities, etc.)	3372.82	2660.04	2633.08	1483.20	525.60
Municipal Corporations and Municipalities	417.73	563.73	552.88	612.50	378.40
Zilla Parishads and Other Panchayati Raj Institutions	2647.99	3220.94	1958.15	3383.96	696.96
Development Agencies	81.91	1071.20	124.45	1277.55	441.62
Hospital and Other Charitable Institutions	0.49	38.35	52.57	232.49	208.19
Other Institutions	1422.99	1917.33	1979.46	3990.44	3007.78
<b>Total</b>	<b>7943.93</b>	<b>9471.59</b>	<b>7300.59</b>	<b>10980.14</b>	<b>5258.55</b>
Assistance as per percentage of revenue receipts	36.55	37.48	24.69	36.49	16.91

### **1.7.2 Delay in furnishing utilisation certificates**

Of the 68951 utilisation certificates (UC) due in respect of grants and loans aggregating Rs 12104.10 crore paid upto 2002-03, 63830 UCs for an aggregate amount of Rs 10433.76 crore were in arrears. Details of departmentwise break-up of outstanding UCs are given in **Appendix VI**.

### **1.7.3 Delay in submission of accounts**

In order to identify the institutions which attract audit under Section 14/15 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, Government/Heads of Department are required to furnish to Audit every year detailed information about the financial assistance given to various institutions, the purpose of assistance granted and the total expenditure of the institutions. As of August 2003, 23 departments of Government have not furnished details for the year 2002-03 as shown in **Appendix VII**.

### **1.7.4 Abstract of performance of the autonomous bodies**

The audit of accounts of the following bodies has been entrusted to the Comptroller and Auditor General of India. The status of entrustment of audit, rendering of accounts to audit, issuance of Separate Audit Report and its placement in the legislature is indicated in **Appendix VIII**.

### 1.7.5 *Misappropriation, losses and defalcations, etc*

State Government reported 309 cases of misappropriation, defalcation etc of Government money amounting to Rs 6.51 crore upto the period September 2003 on which final action was pending as on September 2003. The departmentwise break up of outstanding cases is given in **Appendix IX**.

### 1.7.6 *Write off of losses, etc*

During 2002-03, Rs 31.89 lakh representing losses due to theft, fire and irrecoverable revenue, etc were written-off in 450 cases by competent authorities as reported to audit. The relevant details are given in **Appendix X**.

## 1.8 **Assets and Liabilities**

The Government accounting system does not attempt a comprehensive accounting of fixed assets, ie land, buildings etc., owned by the Government. However, the Government accounts do capture the financial liabilities of the Government and the assets created out of the expenditure. Statement 16 read with details in statement 17 of Finance Accounts show the year-end balances under the Debt, Deposit and Remittance heads from which the liabilities and assets are worked out. **Appendix I** presents an abstract of such liabilities and the assets as on 31 March 2003, compared with the corresponding position on 31 March 2002. While liabilities in this statement consist mainly of money owed by the State Government such as internal borrowings, loans and advances from the Government of India, receipts from the Public Account and Reserve Fund. The assets comprise mainly the capital expenditure and loans and advances given by the State Government. During 2002-03, the liabilities grew by 20 *per cent* and the assets grew by 11 *per cent*.

The liabilities of Government of Maharashtra depicted in the Finance Accounts, however, do not include the pension, other retirement benefits payable to serving/retired State employees, guarantees/letters of comforts issued by the State Government. In Fiscal Responsibility and Budgetary Management Bill (FRBMB) 2003, the Government has agreed to present to the State Legislature, every year along with annual budget pension liabilities worked out on actuarial basis. **Appendix I to IV** depict the time series data on State Government finances for the period 1998-2003.

### 1.8.1 *Financial results of irrigation works*

Out of 18 irrigation projects, 14 irrigation projects have been handed over to the five Irrigation Corporations created during 1996-1998. The financial results of the remaining four major irrigation projects with a capital expenditure of Rs 298.78 crore at the end of March 2003, showed that revenue realised from these projects during 2002-03 (Rs 42.93 crore) was 14.37 *per cent* of the capital expenditure. After considering the working and maintenance expenses (Rs 7.26 crore) and interest charges (Rs 31.20 crore), the schemes gained a net profit of Rs 4.47 crore during 2002-03.

### 1.8.2 Incomplete projects

As per Finance Accounts, as of 31 March 2003, there were 133 incomplete projects in which Rs 3829.26 crore were blocked. Of these, 87 projects amounting to Rs 2353.19 crore remained incomplete for less than five years, 29 projects amounting to Rs 1336.96 crore remained incomplete for period ranging from five to ten years, one project amounting to Rs 1.24 crore remained incomplete for period of 17 years and three projects amounting to Rs 71.41 crore remained incomplete for more than 20 years. Details in respect of 13 projects involving capital of Rs 66.46 crore are not available. This showed that the Government was spreading its resources thinly, which failed to yield any return. Reasons for incomplete projects were paucity of funds, works left incomplete by contractors, change in site/design of the project(s), defective planning etc. Comments on some incomplete projects had been included in the Civil Audit Reports.

### 1.8.3 Departmental Commercial Undertakings.

Activities of *quasi*-commercial nature are performed by the departmental undertakings of certain Government departments. The undertakings are to prepare *pro forma* accounts in the prescribed format annually showing the results of financial operation so that Government can assess the results of their working.

As of March 2003, there were 50 such undertakings in the State including Printing Presses, of which, only 23 undertakings (Government Milk Schemes) have finalised their *pro forma* accounts for 2002-03 by 30 September 2003 and accounts of 27 undertakings are in arrears. Out of 43 Government Milk Schemes (GMSs) in six regions<sup>1</sup> only 23 GMSs have finalized their *pro forma* accounts for 2002-03 by 30 September 2003 and accounts of balance 20 GMSs are in arrears. In respect of 23 GMSs as of 31 March 2003, the Government mean capital is Rs 413.15 crore in these schemes with a turn over of Rs 333.06 crore. These 23 GMSs suffered the net loss of Rs 138.66 crore during the year. In respect of remaining 20 GMSs, the net loss of Rs 104.83 crore has virtually wiped out the Government mean capital of Rs 134.21 crore as of 31 March 2002. The presses have not compiled *pro forma* accounts since 1968-69. These were declared as commercial undertaking in 1968-69.

The Comptroller and Auditor General of India has repeatedly commented about the arrears in preparation of accounts. Accountant General (Commercial Audit) reminded Principal Secretary (Finance) and the Secretary of the departments concerned regularly in this matter. The department-wise position of arrears in preparation of *pro forma* accounts and the investment made by the Government are given in **Appendix XI and XII** respectively. The summarised financial statement of these undertakings is given in **Appendix XIII**.

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<sup>1</sup> Amravati, Aurangabad, Mumbai, Nagpur, Nashik and Pune



#### 1.8.4 Investments and returns

As of 31 March 2003, Government had invested Rs 13605.01 crore in Statutory Corporations, Rural Banks, Joint Stock Companies and Cooperatives. Government's return on this investment was (less than half *per cent*) as indicated in Table-15 below. As on March 2003, 49 companies in which Government had invested Rs 1400.42 crore (Share Capital: Rs 650.53 crore, Loan: Rs 749.89 crore) were incurring losses and their accumulated losses amounted to Rs 1170.53 crore. As on March 2003, 9952 societies with an aggregate investment of Rs 182.96 crore (Rs 118.18 crore by way of equity and Rs 64.78 crore by way of loan) had incurred losses and their accumulated losses (Rs 185.68 crore) had completely eroded the investments made in these societies.

**Table-15: Return on Investment**

Year	Investment at the end of the year	Return	Percentage of Return	Average rate of Interest on Government Borrowing
	(Rupees in crore)			(per cent)
1998-99	5440.01 <sup>#</sup>	6.01	0.11	9.42
1999-2000	6784.45 <sup>#</sup>	3.96	0.06	10.30
2000-01	9685.85 <sup>#</sup>	3.95	0.04	9.10
2001-02	11155.07	4.53	0.04	9.38
2002-03	13605.01	1.86	0.01	8.91

Further, in most cases, Government orders sanctioning the loans did not specify the terms and conditions for these loans

#### 1.8.5 Loans and advances by State Government

In addition to its investments, Government has also been providing loans and advances to many of these bodies. Total outstanding balance of loans and advances was Rs 9693 crore as on 31 March 2003 (Table 16). Overall the interest received against these advances declined to 1.94 *per cent* during 2002-03 though the Government has been borrowing the funds from different sources at the rates ranging from 6.93 to 11.50 *per cent*.

**Table-16: Average Interest Received on Loans Advanced by the State Government**

	(Rupees in crore)				
	1998-99	1999-2000	2000-01	2001-02	2002-03
Opening Balance	7998	8342	12018	8697	8458
Amount advanced during the year	614	3927	-726	59	1704
Amount repaid during the year	270	251	2595	298	469
Closing Balance	8342	12018	8697	8458	9693
Net addition	344	3676	-3321	-239	1235
Interest Received *	262	245	1685	341	176
Interest received as <i>per cent</i> to Loans advanced	3.21	2.41	16.27	3.98	1.94
Average interest paid by the State	9.42	10.30	9.10	9.38	8.91
Difference between interest paid and received	-6.21	-7.89	7.17	-5.41	-6.97

<sup>#</sup>Differs from previous year due to pro forma correction.

\*excludes notional interest accounted arising out of book adjustments.

### 1.8.6 Management of Cash Balances

It is desirable that State's flow of resources should match its expenditure obligations. However, to take care of any temporary mis-matches in the flow of resources and the expenditure obligations, a mechanism of Ways and Means Advances (WMA) from Reserve Bank of India has been put in place. Maharashtra has the WMA limit of Rs 60 crore from 1 April 2002 and Rs 905 crore from 3 March 2003. During the year, the State has used this mechanism for 301 days as against 332 days last year.

Resort to overdraft, which is over and above the WMA limits, is all the more undesirable. The State used the overdraft facilities for 154 days on 17 occasions during the year as against 76 days on 15 occasions last year although it raised borrowings of Rs 1074 crore from the market on four occasions. Besides, the Government has been resorting to Off-budget borrowings through the Special Purpose Vehicles created by them. (please refer to paragraph 1.9.3).

**Table-17: Ways and Means and Overdrafts of the State (Rupees incrore)**

	1998-99	1999-2000	2000-01	2001-02	2002-03
<b>Ways and Means Advance</b>					
Taken in the Year	--	298.97	4415.13	7739.88	7716.25
Outstanding	--	--	--	--	--
Interest Paid	--	--	12.18*	33.99	34.46
Number of Days	--	--	--	332 <sup>+</sup>	301 <sup>+</sup>
<b>Overdraft</b>					
Taken in the year	--	--	1536.54	4691.87	6281.28
Interest Paid	--	--	--	7.04	8.42
Number of Days	--	--	49	76	154

The above table indicates that the dependence on Reserve Bank of India (RBI) for cash management has continued unabatedly in spite of periodical revision of WMA limits by RBI.

## 1.9 Undischarged Liabilities

### 1.9.1 Fiscal Liabilities - Public Debt and Guarantees

The Constitution of India provides that State may borrow within the territory of India, upon the security of its Consolidated Fund, within such limits, as may from time to time, be fixed by an Act of Legislature.

Statement 4 read with Statements 16 and 17 of Finance Accounts shows the year-end balances under Debt, Deposit and Remittance heads from which the liabilities are worked out. The fiscal liabilities of the State increased from Rs 42886 crore in 1998-99 to Rs 85800 crore in 2002-03 at an average growth rate of 19.73 per cent. These liabilities as ratio to GSDP increased from 17.90 per cent in 1998-99 to 29.60 per cent in 2002-03/and stood at 2.76 times of its revenue receipts.

\* Rs 12.18 crore includes interest paid on ways and means and overdraft.

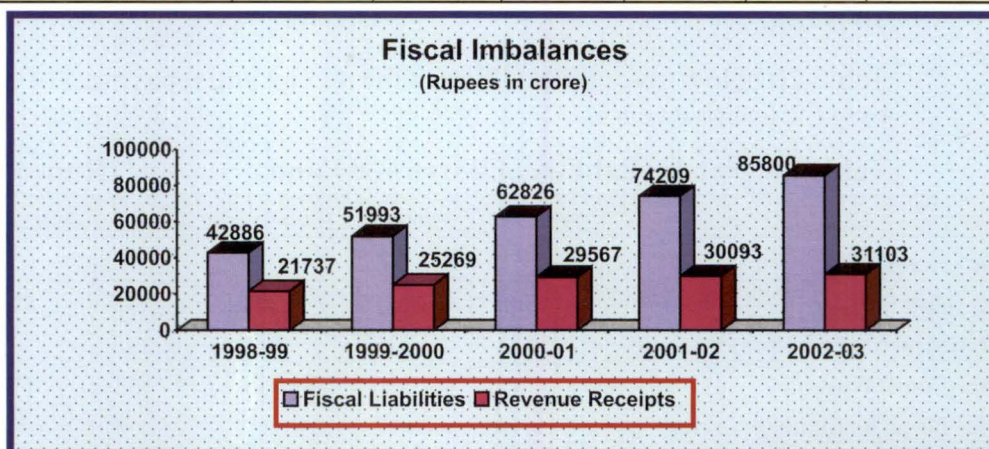
<sup>+</sup> Figures are taken from Reserve Bank of India State Finances 2002-03.

Table-18 below gives the fiscal liabilities of the State, its rate of growth, ratio of these liabilities to GSDP, revenue receipts and own resources and the buoyancy of these liabilities with respect to these parameters.

**Table-18: Fiscal Liabilities - Basic Parameters**

(Value: Rupees in crore and others in per cent)

	1998-99	1999-00	2000-01	2001-02	2002-03	Average
<b>Fiscal Liabilities</b>	42886	51993	62826	74209	85800	63543
<b>Rate of Growth</b>	22.17	21.24	20.84	18.12	15.62	19.73
<b>Ratio of Fiscal Liabilities to</b>						
<b>GSDP</b>	17.90	21.60	24.30	27.30	29.60	24.40
<b>Revenue Receipts</b>	197.30	205.80	212.50	246.60	275.90	224.10
<b>Own Resources</b>	241.30	245.20	248.10	286.00	314.10	264.10
<b>Buoyancy of Fiscal Liabilities to</b>						
<b>GSDP</b>	0.704	101.204	2.773	3.563	2.263	2.397
<b>Revenue Receipts</b>	3.172	1.307	1.225	10.184	4.654	2.020
<b>Own Resources</b>	9.275	1.101	1.072	7.400	2.949	1.868



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 MSEB etc In the FRBMB introduced in the State Legislature in April 2003, the Government has agreed to disclose the pension liabilities worked out on actuarial basis for the next ten years and classify the guarantee obligation based on risk of devolvement.

In addition to these liabilities, Government had guaranteed loans of Rs 37521.19 crore (12.93 per cent of GSDP) to its Corporations and others as of 31 March 2003. The guarantees are in the nature of contingent liabilities of the State and in the event of non-payment, the State has to honour these commitments.

Besides these, the Government has also been resorting to the off-budget borrowing through special purpose vehicles (refer para 1.9.3). The fast rising fiscal liabilities to GSDP ratio (29.60 per cent of GSDP) followed by substantial exposure in guarantees (12.93 per cent of GSDP) and off-budget borrowings raised the issue of sustainability. Fiscal liabilities are considered sustainable if the average interest paid on these liabilities is lower than the rate

of growth of GSDP. However, in case of Maharashtra average interest rate on fiscal liabilities at 9.42 per cent during 1998-2003 was higher than the rate of growth of GSDP by 1.19 per cent as indicated in Table-19.

**Table-19: Debt Sustainability-Interest Rate and GSDP Growth (in per cent)**

	1998-99	1999-2000	2000-01	2001-02	2002-03	Average
Weighted Interest Rate	9.42	10.30	9.10	9.38	8.91	9.42
GSDP Growth	31.50	0.21	7.51	5.09	6.90	8.23
Interest spread	22.08	(-)10.90	(-)1.59	(-)4.29	(-)2.01	(-)1.19

Another important indicator of debt sustainability is net availability of the funds after payment of the principal on account of the earlier contracted liabilities and interest. The net funds available on account of the internal debt and loans and advances from the Government of India after providing for the interest and repayments varied from 19.51 per cent to 30.52 per cent during 1998-2003.

Table-20 below gives the position of the receipt and repayment of public debt over the last five years.

**Table-20: Net Availability of Borrowed Funds (Rupees in crore)**

	1998-99	1999-00	2000-01	2001-02	2002-03	Average
<b>Internal Debt<sup>2</sup></b>						
Receipt	800	1155	1343	2335	8797	2886
Repayment (Principal+Interest)	655	825	958	2298	3064	1560
Net Fund Available	145	330	385	37	5733	1326
Net Fund Available (per cent)	18.12	28.57	28.67	1.58	65.17	45.95
<b>Loans and Advances from GOI</b>						
Receipt	4717	4903	5401	6337	962	4464
Repayment (Principal+Interest)	3178	3853	4470	4017	4179	3939
Net Fund Available	1539	1050	931	2320	(-)3217	525
Net Fund Available (per cent)	32.63	21.42	17.24	36.61	(-)334.41	11.76
<b>Total Public Debt</b>						
Receipt	5517	6058	6744	8672	9759	7350
Repayment (Principal+Interest)	3833	4678	5428	6315	7243	5499
Net Fund Available	1684	1380	1316	2357	2516	1851
Net Fund Available (per cent)	30.52	22.78	19.51	27.18	25.78	25.18

The State Government raised market loans of Rs 1074.85 crore during the year. The average rate of market borrowing during the year was 7.59 per cent. As on 31 March 2003, 75 per cent of the existing market loans carried interest rate exceeding 10 per cent. Thus the effective cost of borrowings on their past loans is much higher than the rate at which they are able to raise resources at present from the market. The maturity profile of market loans indicates that

<sup>2</sup> Excluding Ways and Means Advances and Overdrafts from Reserve Bank of India/ Government of India.

nearly one-third (30 per cent) of the total market loans are repayable within the next five years while remaining 70 per cent loans are required to be repaid within 5 to 10 years.

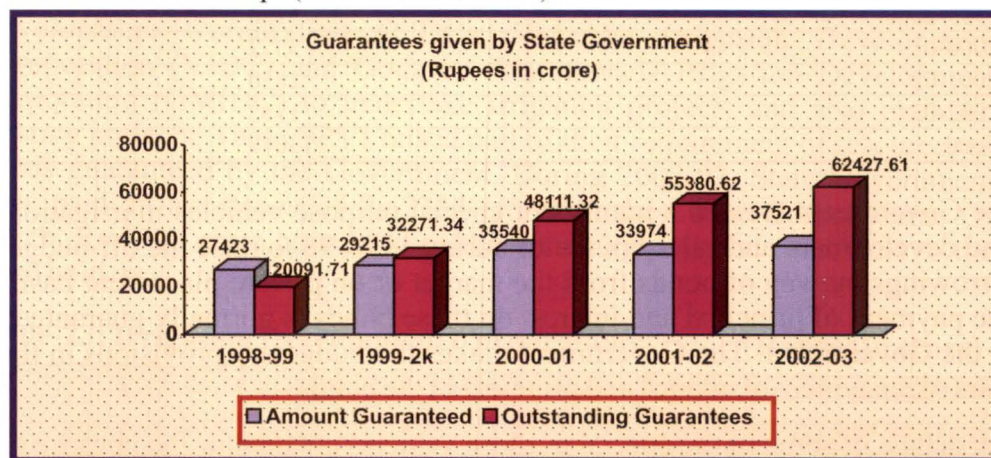
### 1.9.2 Guarantees

The guarantees are in the nature of contingent liabilities of the State and in the event of non-payment, the State has to honour these commitments. The State has been resorting to guarantees for raising the resources in a big way during last five years. The year-wise position of maximum amount for which guarantee given by the State Government to the end of March 2003 was as under:

**Table-21: Guarantees given by the Government of Maharashtra**  
(Rupees in crore)

Year	Maximum amount guaranteed <sup>A</sup>	Outstanding* amount of guarantees	Percentage to total revenue
1998-99	27423.01	20091.71	126
1999-2000	29214.78	32271.34	116
2000-01	35540.20	48111.32	120
2001-02	33974.20	55380.62	113
2002-03	37521.19	62427.61	121

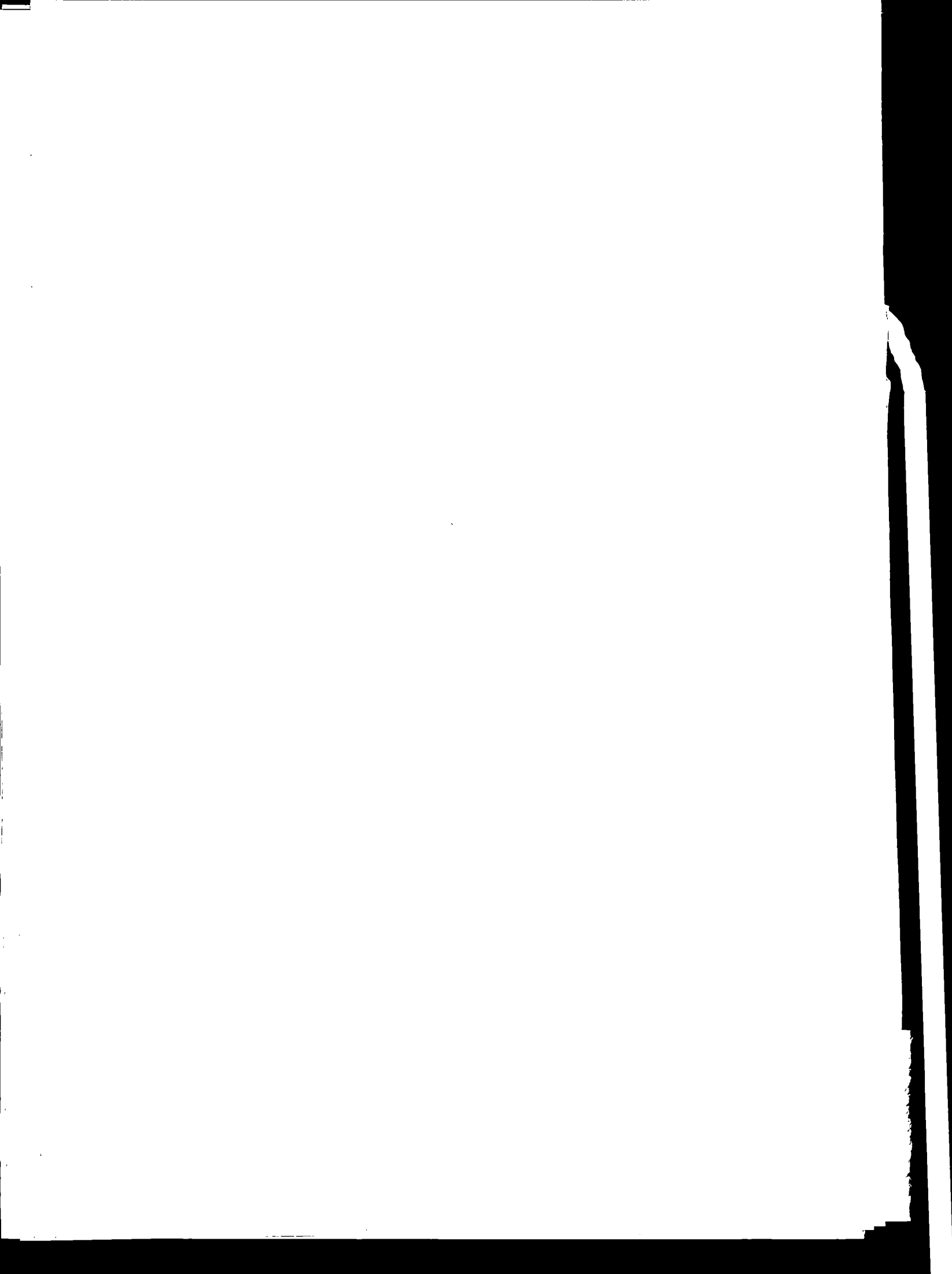
The outstanding guarantees (Rs 62427.61 crore) amounted to 200.71 per cent of the revenue receipt (Rs 31103.05 crore) of the State Government.



The State Government Corporations/Autonomous bodies/Boards floated Government guaranteed Bonds resulting in increase in guarantees during 1999-2002 by Rs 20109.30 crore. Out of this Rs 924 crore were for repayment of previous debts. The Corporations could not raise the entire funds proposed due to poor response by the market on account of the defaults of the

<sup>A</sup> As per Finance Accounts of respective years

\* As per information received from Finance Department complied on the basis of information received from Administrative Departments

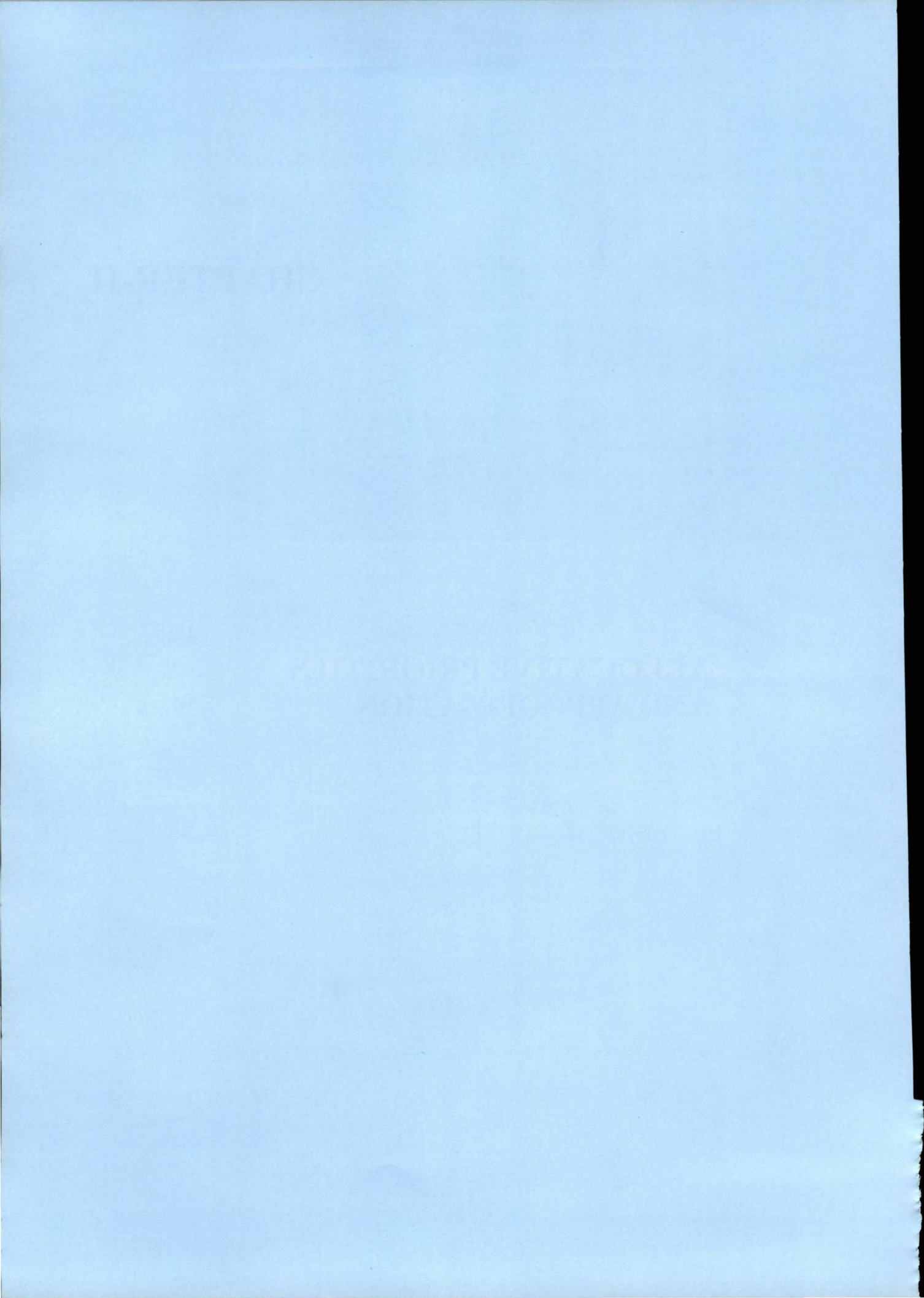


## **CHAPTER-II**

### **ALLOCATIVE PRIORITIES AND APPROPRIATION**

**Page**

**29-36**





**2.3.6** In 38 cases, against additional requirement of only Rs 4044.40 crore, supplementary grants and appropriations of Rs 7329.27 crore were obtained resulting in each case savings exceeding Rs 1 crore, aggregating Rs 3284.87 crore. Details of these are given in **Appendix XVII**.

**2.3.7** In 6 cases, supplementary provision of Rs 1647.34 crore proved insufficient by more than Rs 1 crore each leaving an aggregate uncovered excess expenditure of Rs 2122.74 crore. Details are given below:

**(Rupees in crore)**

Sr. No	Number and Name of the Grants and Appropriations	Original	Supplementary	Total Grants/Appropriation	Actual Expenditure	Excess
<b>I Grants</b>						
1	B-10 Loans For Housing	33.07	4.15	37.21	43.02	5.81
2	I-1 Irrigation, Power and other Economic Services	636.58	10.18	646.75	1730.64	1083.89
3	O-2 Rural Employment	587.98	586.73	1174.72	1213.77	39.05
4	S-1 Medical and Public Health	353.29	36.58	389.88	391.25	1.37
	<b>Total</b>	<b>1610.92</b>	<b>637.64</b>	<b>2248.56</b>	<b>3378.68</b>	<b>1130.12</b>
<b>II Appropriations</b>						
5	G-8 Public Debt and Inter-State Settlement	13338.04	1000.00	14338.04	15328.47	990.43
6	Y-1 Interest Payments	7.88	9.71	17.58	19.77	2.19
	<b>Total</b>	<b>13345.92</b>	<b>1009.71</b>	<b>14355.62</b>	<b>15348.24</b>	<b>992.62</b>
	<b>Grand Total</b>	<b>14956.84</b>	<b>1647.34</b>	<b>16604.18</b>	<b>18726.92</b>	<b>2122.74</b>

**2.3.8** *Excessive/unnecessary re-appropriation of funds*

Re-appropriation is transfer of funds within a grant from one unit of appropriation, where savings are anticipated, to another unit where additional funds are needed. Cases where the re-appropriation of fund proved injudicious in view of final excess/saving over grant by over Rs 1 crore are detailed in **Appendix XVIII**.

**2.3.9** *Anticipated savings not surrendered*

According to rules, the spending departments are required to surrender the grants/appropriations or portion thereof to Finance Department as and when the savings are anticipated. However, at the close of the year 2002-03 there were 15 grants/appropriations in which large savings occurred but no part of which had been surrendered by the concerned departments. The amount

involved in these cases was Rs 316.41 crore (2.96 per cent of the total savings). Details are given below:

(Rupees in crore)

Sr. No.	Number and name of grant/appropriation	Savings
1	D-2 Agriculture Services	0.03
2	D-8 Capital Expenditure on Animal Husbandry	0.51
3	D-11 Internal Debt of the State Government	1.81
4	D-12 Loans for Housing	0.08
5	E-1 Interest Payments	44.47
6	G-6 Pension and Other Retirement Benefits	183.88
7	G-6 Pension and Other Retirement Benefits	45.96
8	G-7 Social Security and Welfare	0.73
9	H-8 Capital Expenditure on Public Works and Administrative and Functional Buildings	0.02
10	K-2 Stationery and Printing	0.07
11	L-6 Regional Imbalance	9.78
12	L-8 Capital Expenditure on Removal of Regional Imbalance	27.69
13	R-3 Capital Expenditure on Social Services	0.67
14	T-1 Interest Payments	0.68
15	T-2 Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	0.03
	<b>Total</b>	<b>316.41</b>

In 39 other grants/appropriations, the amount of available savings of Rs 1 crore and above in each grant/appropriation not surrendered aggregated Rs 1863.83 crore (17.46 per cent of total savings). Details are given in **Appendix XIX**. Thus in these cases, Government could not utilise the unspent funds for other activities when more funds could be utilised.

A scrutiny of Appropriation Accounts for the years 1999-2003 revealed excess allocation under the House Building Advance (HBA) resulting in savings of Rs 45.24\* crore during the above period.

This indicated that funds were provided year after year without any proper estimation. Further, considering that the borrowings of Government showed an upward trend over the years, the savings of Rs 45.24 crore would have reduced the interest burden of Government by Rs 4.52# crore. Thus, excess allocation of funds under HBA resulted in nugatory expenditure of Rs 4.52 crore on interest upto March 2003.

\* Savings under HBA: 1999-2000 - Rs 0.67 crore, 2000-01 - Rs 1.36 crore, 2001-02 - Rs 13.49 crore and 2002-03 - Rs 29.72 crore

# Calculated at an average rate of 10 per cent per annum.

**2.3.10** Besides, in 29 cases (surrender of funds in excess of Rs 10 crore), Rs 5727.69 crore were surrendered on the last two days of March 2003 indicating inadequate financial control over expenditure. Details are given in **Appendix XX**.

**2.3.11** In 39 grants/appropriations the amount surrendered was in excess of actual savings, indicating inadequate budgetary control. As against the actual savings of Rs 1751.76 crore, the amount surrendered was Rs 1908.37 crore, resulting in excess surrender of Rs 156.61 crore. Details are given in **Appendix XXI**.

#### **2.4 Unreconciled expenditure**

Departmental figures of expenditure should be reconciled with those of the Accountant General (Accounts and Entitlement) every month. The reconciliation had, however, remained in arrears in several departments. In respect of 21 departments, expenditure of Rs 2387.81 crore pertaining to 2002-03 remained unreconciled till April 2003. Details are given in **Appendix XXII**.

#### **2.5 Budgetary Control**

**2.5.1** In 12 cases, expenditure aggregating Rs 1511.01 crore exceeded the approved provisions by Rs 25 lakh or more in each case and also by more than 10 per cent of the total provisions. Details are given in **Appendix XXIII**.

**2.5.2** As envisaged in Budget Manual, expenditure should not be incurred on a scheme/service without provision of funds. It was, however, noticed that expenditure of Rs 168.62 crore was incurred in 29 cases as detailed in **Appendix XXIV** without any provision in original estimates/supplementary demand and without any re-appropriation orders to this effect.

#### **2.6 Advances from Contingency Fund**

The Contingency Fund of the State was established under the Bombay Contingency Fund Act, 1956, in terms of the provisions of Articles 267 (2) and 283 (2) of the Constitution of India. Advances from the Fund are to be made only for meeting expenditure of an unforeseen and emergent character, the postponement of which, till its authorisation by the Legislature would be undesirable.

The Fund is in the nature of an imprest and its corpus is Rs 150 crore which was temporarily raised to Rs 600 crore with effect from 1 November 2002. The balance at the beginning of the year was Rs 134.20 crore with an unrecovered balance of Rs 15.80 crore. The ordinance ceased to operate after six weeks from the reassembly of the Legislature. During 2002-03, advances drawn but not recouped to the Fund amounted to Rs 36.85 crore. The closing balance of the Fund as on 31 March 2003 was Rs 113.15 crore.

The details of expenditure incurred by the Controlling officers (COs) from the advances sanctioned from the Contingency Fund were not sent by the COs and reconciliation was not done with the Accountant General's books.

During 2002-03, 134 sanctions were issued for withdrawal of Rs 1105.68 crore from the Contingency Fund. A review of the operation of Contingency Fund disclosed that (i) three sanctions amounting to Rs 3.79 crore were subsequently reduced to Rs 2.49 crore, (ii) two sanctions amounting to Rs 50.02 crore were increased to Rs 304.53 crore, (iii) two sanctions amounting to Rs 1.04 crore were neither operated nor cancelled, (iv) the actual expenditure (Rs 28 lakh) was more than the amount sanctioned (Rs 14 lakh) and (v) one sanction amounting to Rs 50 lakh was subsequently cancelled.

A few illustrative cases detailed in **Appendix XXV** show that advances from Contingency Fund were obtained (Rs 151.51 crore in 16 cases) though the expenditure was foreseeable.

## **2.7 Operation of Personal Ledger Accounts**

**2.7.1** In all 3944 Personal Ledger Accounts (PLAs) were in operation in 2002-03. The flow of funds in respect of these PLAs during 2002-03 was as shown below:

(Rupees in crore)

Opening Balance as on 1 April 2002	:	308.75
Amount transferred to PLAs during the year	:	2150.62
Amount disbursed from PLAs during the year	:	1940.06
Closing balance as on 31 March 2003	:	519.31

Records relating to 62 PLAs maintained by selected courts, Special Land Acquisition Officers (SLAO), Motor Accident Claims Tribunals (MACT), Joint Directors, Higher Education and Educational institutions were reviewed in audit between June and August 2003. The important points noticed are given below:

**2.7.2** Out of Rs 9.88 crore received from Central Railway for disbursement of compensation for land acquired for Amravati-Narkhed Rail line, the SLAO, Zilla Parishad, Amravati diverted Rs 59.64 lakh for making payment of royalty charges for the mines and minerals used by the contractors in construction work and Rs 1.49 lakh for payment of electric and telephone bills, hire charges of jeep, office stationery etc.

**2.7.3** Nine\* officers received Rs 24.32 crore from various transactions. Out of this, Rs 1.33 crore was credited to Government account at

\* SLAO, N.H. Project, Nashik, SLAO No-12, Ahmednagar, SLAO, Ulhasnagar Valley Project, Thane, SLAO No-2, Nashik, SLAO No-3, Pune, SLAO No-1, Pune, Mumbai-Pune Express Way, Superintendent Yervada Central Prison, Pune, Director of Technical Education, Mumbai, Inspector General of Registration and Controller of Stamps, Pune.

the instance of audit and amount of Rs 22.99 crore was still lying in PLA. This is not permissible as per Maharashtra Treasury Rules, 1968.

**2.7.4** In the absence of PLA, the SLAOs were crediting the amount under Revenue Deposit head. Though 10 SLAOs were closed and merged with other SLAOs during the period from 1987 to 1993, Rs 6.23 crore lying under Revenue Deposit head were not transferred/credited to PLA operated by the SLAOs (July 2003).

**2.7.5** In 10<sup>#</sup> offices, the PLAs were not being closed at the end of each financial year and the accumulated balance of Rs 62.06 crore remained to be transferred to the Consolidated Fund of the State as of March 2003.

**2.7.6** The Joint Director of Technical Education, Pune deposited (December 2002) from PLA Rs 12 lakh in district Court, Satara towards increased amount of compensation payable to the land owners in respect of acquisition of land for Government Polytechnic, Karad. The Joint Director of Technical Education, Mumbai paid advances amounting to Rs 1.53 crore to the various colleges during July 1997 to March 2003 for meeting expenditure on centralised admission process.

In both the above cases, the amount (Rs 1.65 crore) has not been recouped to PLA (July 2003).

**2.7.7** SLAOs 1 and 2, Pune (Express Highway) provided (March 2000) Rs 17.82 crore for meeting expenditure on payment of compensation to the private land owners for acquisition of land for Mega City Project. An amount of Rs 1.45 crore was incurred towards establishment charges, measurement charges, advertisement charges and court expenses. Government of Maharashtra directed (September 2001) SLAOs to stop the Mega City Project and to refund the balance amount to the Executive Engineer, Express Highway Division, Mumbai. SLAOs 2 and 1 refunded the unspent balance of Rs 10 crore and Rs 6.37 crore during March 2002 and June 2003 respectively, which resulted delay of 6 months to 18 months in surrendering the funds.

**2.7.8** In one case an unclaimed amount of Rs 6.20 crore lying in PLA of Motor Accident Claim Tribunal (MACT), Mumbai was not credited to Government Account as on 31 March 2003 for want of permission of the High Court. This is not permissible as per the rule 742 (2) of the Civil Code Manual (Volume-I), MACT.

**2.7.9** In eight cases, Rs 1.39 crore invested in fixed deposits were not shown in the closing balance. This is not permissible as per court's orders. In respect of 28 PLAs, there were an un-reconciled difference of Rs 8.49 crore between cash book and treasury balance as on 31 March 2003.

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<sup>#</sup> SLAO, General and Maharashtra Industrial Development Corporation, Nagpur, SLAO, Zilla Parishad (Works), Nagpur, SLAOs (B&IP) No-1, Bhandara, (B&IP) No-3 Gondia, Aurangabad, Zilla Parishad (Works), Amravati, Additional SLAO Pench Project, Nagpur, Joint Directors, Higher Education, Aurangabad and Amravati.

**2.7.10** In respect of SLAO No. 2, Nashik, PLA cash book was not maintained for a period of two years and seven months (27.9.1996 to 14.5.2002) and not attested by the competent authority for the period from 27.9.1996 to 21.9.1998 and 4.4.2001 to 14.5.2002 which resulted in non clearance of difference of Rs 34 lakh. In respect of Joint District Registrar and Collector of Stamps, Thane, cashbook and passbook were not written from the date of operation of PLA (ie 1 January 2002). During the scrutiny of transaction of the PLA from Thane treasury it has been observed that the books of treasury as on 31 March 2003 showed a minus balance of (-) Rs 19848799. In eight PLAs, separate cashbook for PLA was not maintained while in two PLAs, transactions were not recorded daily.

### Irrigation Department

#### 2.8 *Diversion of Accelerated Irrigation Benefit Programme funds*

The Central Loan Assistance (CLA) aggregating to Rs 423.99 crore was received during 1996-2003 by the Finance Department (FD) and required to be paid to the approved Accelerated Irrigation Benefit Programme (AIBP) projects both by the Irrigation Department (ID) and FD, by making suitable budget provision in the respective annual budgets/final modified grant. However, the AIBP funds of only Rs 57.02 crore were released to the projects by the ID and FD till 31 March 2003 as detailed below:

(Rupees in crore)

Year	CLA received by Finance Department under AIBP	CLA paid by Irrigation Department to the projects	CLA not paid to the projects
1996-97	14.00	14.00	--
1997-98	40.00	10.00	30.00
1998-99	50.86	--	50.86
1999-2000	49.88	--	49.88
2000-01	97.02	--	97.02
2001-02	39.10	--	39.10
2002-03	133.13	18.85 14.17	100.11
<b>Total</b>	<b>423.99</b>	<b>57.02</b>	<b>366.97</b>

Thus, the AIBP funds of Rs 366.97 crore could not be utilised by the State for envisaged purpose for which it was sanctioned but diverted for other purposes under common pool.

On this being pointed out in audit, ID accepted (May 2003) the fact of non payment of AIBP funds of Rs 366.97 crore as of March 2003 to the project authorities. However, the detailed reasons for diversion of AIBP funds for other purpose under common pool were not intimated to audit (August 2003).

## **CHAPTER-III**

	<b>Page</b>
<b>PERFORMANCE REVIEWS</b>	<b>37-80</b>





## CHAPTER-II

### ALLOCATIVE PRIORITIES AND APPROPRIATION

#### 2.1 Introduction

The Appropriation Accounts prepared annually indicate capital and revenue expenditure on various specified services vis-à-vis those authorised by the Appropriation Act in respect of both charged and voted items of budget.

Audit of appropriation by the Comptroller and Auditor General of India seeks to ascertain whether the expenditure actually incurred under various grants is within the authorisation given under the Appropriation Act and that the expenditure required to be charged under the provisions of the Constitution is so charged. It also ascertains whether the expenditure so incurred is in conformity with the law, relevant rules, regulations and instructions.

#### 2.2 Summary of Appropriation Accounts

##### Total Number of Grants and Appropriations :

The summarised position of actual expenditure during 2002-03 against 133 grants and 76 appropriations was as follows:

	Nature of expenditure	Original grant/ appropriation	Supplementary grant/ appropriation	Total	Actual expenditure	Saving(-)/ Excess(+)
		(Rupees	in			
Voted	I Revenue	31407.61	6137.33	37544.94	31719.34	(-)5825.60
	II Capital	5039.30	1605.75	6645.05	6048.97	(-)596.08
	III Loans and Advances	2428.48	1554.60	3983.08	2226.74	(-)1756.34
<b>Total (Voted)</b>		<b>38875.39</b>	<b>9297.68</b>	<b>48173.07</b>	<b>39995.05</b>	<b>(-)8178.02</b>
Charged	IV Revenue	11825.96	562.22	12388.18	11498.14	(-)890.04
	V Capital	0.39	7.88	8.27	8.58	0.31
	VI Public debt	13413.22	1005.47	14418.69	15352.84	934.15
	VII Loans and Advances	--	24.06	24.06	24.06	--
<b>Total (charged)</b>		<b>25239.57</b>	<b>1599.63</b>	<b>26839.20</b>	<b>26883.62</b>	<b>44.42</b>
Appropriation to Contingency Fund		450.00	--	450.00	450.00	--
<b>Grand Total</b>		<b>64564.96</b>	<b>10897.31</b>	<b>75462.27</b>	<b>67328.67</b>	<b>(-)8133.60</b>

Note:- The expenditure includes the recoveries adjusted as reduction of expenditure under revenue expenditure Rs 2743.18 crore and capital expenditure Rs 2920.59 crore.

The overall savings of Rs 8133.60 crore as mentioned above was the net result of savings of Rs 10676.47 crore in 172 cases of grants and appropriations offset by excess of Rs 2542.87 crore in 29 cases of grants and appropriations.

The savings/excesses (Detailed Appropriation Accounts) were sent to the Controlling Officers requiring them to explain the significant variations, which were not received.

## 2.3 Allocative Priorities

### 2.3.1 Appropriation by Allocative Priorities

Analysis of savings with reference to allocative priorities brought out the following:

In 37 cases, savings exceeded Rs 10 crore in each case and also by more than 20 per cent of total provision as indicated in **Appendix-XIV**.

#### *Excess requiring regularisation*

### 2.3.2 Excess over provision relating to previous years requiring regularisation

As per Article 205 of the Constitution of India, it is mandatory for a State Government to get the excess over a grant/appropriation regularised by the State Legislature. However, the excess expenditure amounting to Rs 9832.72 crore for the years 1997-98 to 2001-02 had not been regularised so far. This was breach of Legislative control over appropriations.

(Rupees in crore)

Year	No. of grants/ appropriation	Amount of excess	Reasons for excess
1997-1998	69	895.47	Not received
1998-1999	72	1118.10	Not received
1999-2000	83	1837.90	Not received
2000-2001	67	2298.80	Not received
2001-2002	57	3682.45	Not received
<b>Total</b>	<b>348</b>	<b>9832.72</b>	

### 2.3.3 Excess over provisions during 2002-03 requiring regularisation

The excess of Rs 1361.49 crore under 12 grants and Rs 1181.39 crore under 17 appropriations during the year also required regularisation. Details of these are given in **Appendix XV**.

### 2.3.4 Original budget and supplementary provisions

Supplementary provisions (Rs 10897.31 crore) made during this year constituted 16.88 per cent of the original provision (Rs 64564.96 crore) as against 19.31 per cent in the previous year.

#### *Unnecessary/excessive/inadequate supplementary provisions*

2.3.5 Supplementary provisions of Rs 1727.67 crore made in 57 cases of grants/appropriations during the year proved unnecessary in view of aggregate saving of Rs 6102.22 crore as detailed in **Appendix XVI**.

## CHAPTER III PERFORMANCE REVIEWS

This chapter contains performance reviews on Implementation of Drugs and Cosmetics Act, 1940 (3.1), Working of Public Works Department (3.2), Prevention and Control of Fire (3.3) and Integrated Watershed Development Programme (3.4).

### Medical Education and Drugs Department

#### 3.1 *Implementation of Drugs and Cosmetics Act, 1940*

##### *Highlights*

The Drugs and Cosmetics Act, 1940 is an important social legislation and is a very effective tool for safeguarding the consumers' interest. Provisions of Drugs and Cosmetics Act, 1940 and Drugs and Cosmetics Rules 1945 regulate the import, manufacture, distribution and sale of drugs and cosmetics in the country. Adulteration of drugs and production of spurious and substandard drugs causing serious threat to the health of the community are also sought to be prevented by application of the provisions of the Act. However, in Maharashtra, the Act has not been implemented effectively. The provisions of the Act regarding licensing and inspection of units, drawing/testing/reporting of samples, timely and effective actions against those manufacturing and selling substandard/spurious drugs were not implemented meticulously.

Licences in respect of 138 out of 1145 manufacturing units and 773 out of 4575 selling units that had expired on 31 December 2002 were not renewed up to March 2003 though renewal applications had been received.

*(Paragraph 3.1.14)*

Licences of 44 blood banks in Amravati, Mumbai and Nashik renewed by the respective Licensing Authorities, did not have the approval of the Drugs Controller General of India as the inspection of these units was pending.

*(Paragraph 3.1.17)*

Shortfall in samples drawn ranged from 19 to 39 per cent of the target during 2000-2003. Thus sampling, vital to ensure availability of quality drugs, was badly affected.

*(Paragraph 3.1.19)*

Norms for selecting units for inspections had not been fixed. The shortfall in these inspections ranged from 51 to 76 per cent. Moreover, a system of inspection of the records of Registered Medical Practitioners had not been introduced in the State.

*(Paragraphs 3.1.20 and 3.1.21)*

During the years 2001 and 2002 only 27 to 77 per cent samples were tested within the prescribed 90 days.

(Paragraph 3.1.25)

There was acute shortage of technical persons at all levels; 60 posts out of 223 remained vacant.

(Paragraph 3.1.34)

### 3.1.1 Introduction

The Food and Drugs Administration is responsible for implementation of the Drugs and Cosmetics Act, 1940 (Act) and the Drugs and Cosmetics Rules 1945, (Rules) in relation to allopathic, homeopathic, ayurvedic, *sidha* and *unani* drugs and also cosmetics. The provisions of the Act/Rules are enforced mainly through:

- Licencing and inspection of manufacturing and sales premises/units,
- Drawal of samples for testing, and
- Initiating prosecution against offenders.

To study and ascertain the effectiveness of the implementation of the Drugs and Cosmetics Act, 1940, the records of the Regulatory Authority viz Food and Drugs Administration, Maharashtra in the selected districts and those maintained by their eight divisions\* along with eight† districts out of 29 districts, for the years 1998-2003 were test checked from January to June 2003. Results of test check are shown in succeeding paragraphs.

### 3.1.2 Implementing Agencies

The Food and Drugs Administration (FDA) is under administrative control of Medical Education and Drugs Department of the State. The FDA is headed by the Commissioner who is assisted by 11 Joint Commissioners (Drugs), 53 Assistant Commissioners (Drugs) and 159 Drugs Inspectors. The Joint Commissioner of each division is the Licensing Authority for the manufacturing units and the Assistant Commissioner at the district place is the Licensing Authority for the selling units. The Joint Commissioner (Headquarters) in Mumbai also acts as Drugs Control Authority of the State. The Drug Control Laboratory (DCL) in Mumbai and a newly opened DCL at Aurangabad carry out the work of testing of drug samples. DCL, Aurangabad, however, analysed only the samples of ayurvedic drugs cosmetics for want of instruments and staff.

### 3.1.3 Standing of the Law

The Drugs and Cosmetics Act, 1940 is an important social legislation and is very effective tool for safeguarding the consumers interest. The objectives of the Act can be achieved only through proper implementation by the regulatory

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\* Amravati, Aurangabad, Mumbai (Hqrs), Mumbai Selling Units, Nagpur, Nashik, Pune and Thane.

† Amravati, Beed, Mumbai, Nashik, Nagpur, Raigad, Satara and Wardha.

agencies and compliance of the provisions in totality by all persons engaged in manufacture, sale and distribution of the drugs and cosmetics.

#### **3.1.4 Provisions contested--- Court rulings**

The Authorities under the Act resort to administrative as well as legal action for violations of the Act. During the proceedings for administrative action based on the Government Analyst's report declaring a drug to be substandard, normally findings of the Government Analyst are contested. Under Section 25 (3) of the Act the Government Analyst's report can be contested by producing evidence in contraversion of the Government Analyst's report.

During legal proceedings, the procedure followed by the Drugs Inspector (DI) for carrying out search and seizure, procedure followed for drawing of sample and sending it to the Government Analyst and procedure followed by Government are also contested.

#### **3.1.5 Inadequate provision for renewal**

Under Rule 72 of the Rules a licence or a renewal certificate issued shall be valid for a period of five years from the date of issue. But once a renewal application is submitted either before the expiry of the original licence or within six months from the date of its expiry, the original licence shall continue to be in force until orders are passed on the application by the licensing authority. As such, in cases where the inspection of the premises is delayed for some reason and subsequently the licence is found unfit for renewal, the concerned unit can function with immunity during the interval. This is a lacuna to be corrected through appropriate amendments to Rule 72 by making a provision for filing of renewal application three or six months before the date of expiry of original licence and issue of renewal certificate on or before the date of expiry of original licence.

#### **3.1.6 Non-differentiation of minor and major offences**

There is no differentiation of minor and major offences in the Act/Rules. As such, decision on departmental action or prosecution is left to the discretion of the DC or DIs.

#### **3.1.7 Lack of provision for free surrender of samples**

According to existing provisions, drug samples are required to be collected by the DI only on payment of cost thereof. In view of financial stringency, the funds allotted for this purpose are generally inadequate. As such the provision in the Rules, acts as a hindrance in the collection of adequate number of samples for quality analysis.

#### **3.1.8 Absence of provision for sale licence for ayurvedic drugs**

Unlike in the case of allopathic drugs, no sale licence is required for ayurvedic drugs under the Act/Rules. The authorities find it difficult to keep track of the sale of spurious, adulterated or time expired ayurvedic drugs.

**Prosecution cases**

All offences under the Act are not treated as cognizable offences

**3.1.9** In the State, all offences under the Act are not treated as cognisable. This is unlike provisions contained in Drugs and Magic Remedies Act 1954, which is also being implemented by the Administration. In terms of Section 27 of the Act, offences like manufacture and sale of adulterated or spurious drugs which when consumed would result in death or grievous hurt attract imprisonment of not less than five years extendable to life term and with fine. However offences of similar nature but of less intensity attract imprisonment for lesser period (ie ranging from one to three years). States like Uttar Pradesh and West Bengal have amended the Act, imposing life imprisonment for manufacture or sale of adulterated/spurious or misbranded drugs irrespective of their intensity. No such amendments have been proposed in the State so far (October 2003).

Government stated (October 2003) that offences where imprisonment of more than three years is prescribed like offences under Section 27(a), 27(b), 27(c), 27(Ai) etc are treated as cognisable offences. Government had made suggestions to the Dr Mashelkar Committee for making offences under the Act as cognisable and non-bailable.

**3.1.10 Legal cell in Food and Drugs Administration**

The FDA has a legal cell, headed by the Joint Commissioner (Law). Table below indicates the cases where prosecution was launched.

(In numbers)

Year	Opening Balance	Prosecution launched	Total	Cases decided	Convicted	Acquitted	Discharged
1998-99	1124	50	1174	48	7	18	23
1999-2000	1126	56	1182	25	11	06	08
2000-01	1157	123	1280	58	41	09	08
2001-02	1222	133	1355	61	26	14	21
2002-03	1294	122	1416	21	02	10	09
<b>Total</b>				<b>213</b>	<b>87</b>	<b>57</b>	<b>69</b>

In this regard, following deserve mention:

➤ Control register maintained at the Headquarters level was incomplete in many respects viz dates of filing of cases in court, present status of the cases etc were not noted.

**3.1.11** There were 1395 pending cases as of 31 March 2003. The age wise details of pending prosecution cases were not, however, available with the FDA. The number of prosecution cases pending in the State increased from 1124 in 1998-99 to 1395 at the end of March 2003. It was stated to be due to pendency of cases in the court(s). Of the 213 cases decided during the period, only 87 cases led to conviction.

\* Acquitted: Charges are framed against the accused, however, due to lack of evidence/documents the case is acquitted.

\*\* Discharged: Charges could not be framed against the accused.

Lack of adequate evidence led to acquittal/discharge of the prosecuted cases

Analysis of 23 prosecution cases where acquittal/discharge was decided between April 1997 and March 2003 and made available to audit revealed that ten cases could not be established for want of adequate evidence, two cases were dismissed due to absence of the Drugs Inspectors, two cases were dismissed due to failure of the Administration to send the samples within the stipulated period of 28 days to the Central Drugs Laboratory, Kolkatta and remaining nine prosecution cases could also not be established due to other reasons like lack of complete address of accused, drugs in question found to be of standard quality subsequently by the Central Drugs Laboratory etc.

**3.1.12** Analysis of 41 out of 87 cases of conviction revealed that in five cases the imprisonment given was more than one year but less than three years, in nine cases imprisonment awarded was for a period of less than one year, in 17 cases (40 per cent) it was for less than one month and 10 cases (25 per cent) were decided by imposing only fines.

#### **Implementation of the Act - Survey and licensing procedure**

**3.1.13** According to Rules both manufacturing and selling units except those selling ayurvedic medicines and cosmetics have to obtain a licence. Prior to 24 August 2001 an original or a renewed licence was valid up to 31 December of the year following the year in which it was issued. With effect from 24 August 2001, however, the same is now issued for five years from the date of issue or its renewal except ayurvedic manufacturing licence for which the existing provision still continues.

According to Rule 79 of Drugs and Cosmetics Rules 1945, inspection of site is mandatory before grant or renewal of licence. The table below indicates the number of manufacturing and selling units, licence granted and renewed:

(In numbers)

Year	Units	Application pending at the beginning of the year		Application received during the year		Application disposed off during the year		Application pending at the end of the year	
		Fresh	Renewal	Fresh	Renewal	Fresh	Renewal	Fresh	Renewal
<b>Manufacturing Units</b>									
1999-2000	2832	175	1171	1349	1908	1376	2127	148	952
2000-01	2858	269	1010	1272	1496	1313	1599	228	907
2001-02	2976	204	1181	1474	2261	1604	2408	74	1034
2002-03*	3842	74	1034	1153	1921	1167	24	60	2931
<b>Selling Units</b>									
1999-2000	45522	642	4498	7396	17955	7371	16889	667	5564
2000-01	47021	830	4242	7665	16426	7513	15727	982	4941
2001-02	50278	519	4886	7458	18445	7518	14602	459	8729
2002-03*	52558	459	8729	6759	19107	6864	22940	354	4896

\* Provisional Figures

It would be observed that there were several instances, where closing balance of outstanding applications in a year does not match with the opening balance in the succeeding year. Joint Commissioner (Headquarters) stated (November 2003) that the figures have been published in the Performance Budget of the

respective years and care will be taken in future to ensure that the closing balances of a year are correctly carried forward during the subsequent years.

It was observed that:

**No master licence register was maintained**

➤ No master licence register recording the name of the licensees, the licence number, date of issue/renewals due, etc was maintained in any of the test-checked divisions. Thus, the number of licences due for renewal at the end of a year could not be ascertained.

Government stated (October 2003) that all divisional offices had been instructed to maintain Master Licence Register. Further GOI has also provided a software for this purpose for which the work of data entry is going on.

**138 manufacturing and 773 selling units whose licences had expired were not renewed upto March 2003**

**3.1.14** Of the 1145 manufacturing units and 4575 selling units in three divisions (Mumbai-Hqrs, Amravati and Nashik) whose licences had expired as on 31 December 2002, licence of 138 manufacturing and 773 selling units were not renewed up to March 2003 despite receipt of application for renewal. Information from other divisions was awaited (June 2003). Government stated (October 2003) that delays were due to receipt of large number of applications and time taken to carry out inspections etc.

**No uniformity in the maintenance of records at division level**

**3.1.15** There was no uniformity in the maintenance of records among the divisions. Except Mumbai - Headquarters, no other division maintained index cards with information like date of grant of licence, date of inspection etc in respect of each manufacturing unit along with a file. Government stated (October 2003) that program for Master Licence register has been prepared and is being taken up on computer network.

**No provision in the Act for issue of licences to selling units of ayurvedic medicines and cosmetics**

**3.1.16** There is no provision to issue licences to selling units of ayurvedic medicines and cosmetics whereas such provision in the Act exists in respect of allopathic drugs. The provisions thus differentiate between selling units of allopathic drugs and ayurvedic medicines and cosmetics. Government stated (October 2003) that introduction of licence for the selling of ayurvedic medicines and cosmetics could be done only after amendment to the Act.

**Renewal of licences in 44 blood banks of three divisions not approved by the Drugs Controller General of India**

**3.1.17** As per the provisions of the Act, the licensee holding a licence for operation of blood bank, manufacturing of blood products etc. shall apply for grant of licence before the expiry of the licence. The orders for grant or renewal passed by the State licensing authority alongwith licence and renewal certificate, is to be forwarded to the Central Approving Authority viz, Drugs Controller General of India (DCGI) for approval and he shall continue to operate the same till the orders on his application are communicated to him. In respect of renewal of 44 blood banks in Amravati, Mumbai and Nashik for the period 2000-2007, the necessary approval of DCGI was not accorded due to pending inspection of these units. These licensees could function until the decision of the approving authority was communicated. This meant that disapproval, if any, when communicated to them later, would mean operation without a valid licence during the intervening period. Procedure in this regard currently being followed needs to be reviewed by the Government of India.



Renewal of licenses without obtaining the compliances of inspection notes

**3.1.18** In Nagpur division a manufacturing unit was inspected in April 1997 and another in October 1999 and January 2000. The licensing authority issued inspection notes to these units for giving compliance to the seven omissions detected by the DI. During audit it was observed that the licences of both units were renewed in routine fashion during next year even without obtaining the necessary compliance of those remarks.

### Adequacy of Sampling and Inspections

#### 3.1.19 Drawal of samples

Shortfall of 19 to 39 per cent in drawal of drug samples

Sampling is a post marketing surveillance activity of the regulatory authority. This is done to ensure circulation of quality drugs in the market. The DI collects samples of the drugs *ibid* for testing in the laboratory. According to norms each DI has to draw six samples in a month. Table below indicates the number of samples drawn by the DIs.

Year	Inspectors in position	Samples to be drawn	Samples drawn	Shortfall	Percentage of shortfall
(In numbers)					
2000-01	131	9432	5728	3704	39.27
2001-02	123	8856	7131	1725	19.47
2002-03	127	9144	5759	3385	37.01

The shortfall in samples drawn by the DIs ranged from 19.47 to 39.27 per cent during 2000-2003. Government attributed (October 2003) the reasons to shortage of DIs and also due to the Commissioner's instructions (February 2001) to draw fewer samples to clear the pendency in the laboratory. Audit felt that issue of Commissioner's instructions to draw fewer samples to clear the pendency is not the solution as non-drawal of samples may lead to non-detection of substandard drugs. Further, contention of the Government regarding shortage of DIs is not tenable as shortfall in samples was determined with reference to DIs working in the department. If shortfall is determined with reference to the number of manufacturing and selling units in the State on the premise that each unit should be covered atleast once in a year, it would increase to 75-90 per cent.

### Inspection

**3.1.20** All establishments licenced for the manufacture and sale of drugs are required to be inspected at least twice a year up to August 2001 and once a year thereafter to ensure that the conditions of the licence have not been violated. Besides, testing of samples, investigation of complaints, inspection of plant/process of manufacturing, methodology adopted for standardising and testing the drugs etc are also checked to maintain the standards of drugs. The table following indicates the shortfall in the inspections.

Year	Units	Inspection to be carried out	Inspection actually done	Shortfall	Percentage of shortfall
1998-99	43751	87502	24797	62705	72
1999-2000	48354	96708	23018	73690	76
2000-01	49879	99758	28733	71025	71
2001-02	53254	53254	26336	26918	51
2002-03	56400	56400	26853	29547	52

It was noticed during the course of audit that:

331 selling units out of 745 units remained to be inspected for more than two years

➤ No norms have been fixed for selecting the units. As a result some units were inspected repeatedly while others remained uninspected for years together. In nine\* districts, 331 selling units out of 745 units checked, remained uninspected for more than two years. Government stated (October 2003) that instructions were being issued to the licensing authorities to adopt a planned inspection programme of the units.

➤ The shortfall in inspections ranged from 51 to 76 per cent for both manufacturing and selling units due to shortage of DIs.

Drugs stored and supplied by the Registered Medical Practitioners and private hospitals not subject to inspection

**3.1.21** Drugs supplied by Registered Medical Practitioners (RMPs) to patients are not covered under licensing rules. However, they have to purchase the drugs from licenced dealers/manufacturers only and maintain detailed records of such purchases, which are open to inspection by an Inspector appointed under the Act. But a system of inspection of RMP's records has not been introduced in Maharashtra (June 2003).

Government stated (October 2003) that though inspection of private hospitals and RMPs are not carried out periodically, but during special drive inspection of such dispensaries, nursing homes and hospitals are undertaken by FDA. Further, inspection of the RMPs on a regular basis would be undertaken according to Dr Mashelkar Committee report.

#### Working of Drugs Control Laboratories

##### 3.1.22 Drugs Control Laboratory, Mumbai

Testing equipment costing Rs 1.2 crore not purchased due to paucity of fund.

The capacity of laboratory at Mumbai is to test 6000 samples in a year. To improve the testing facilities of the DCL, Mumbai, Government sanctioned (February 2000) Rs 1.2 crore for purchase of testing equipment. The DCL, Mumbai, invited (March 2000) tender for purchase of 31 equipments/instruments of different types. The purchase of equipments however could not be made due to paucity of fund.

\* Amravati, Aurangabad, Beed, Nashik, Pune, Raigad, Satara, Thane and Wardha

### 3.1.23 Drugs Control Laboratory, Aurangabad

Non-functioning of Drugs Control Laboratory, Aurangabad to its optimum capacity since October 2000 for want of staff and equipment

The newly opened DCL at Aurangabad was located in the premises hired in February 1997 on a monthly rent of Rs 22898. It however, started functioning from October 2000 but not utilised to the optimum capacity as only eight posts were filled in against the 48 posts sanctioned (June 2003). Thus, the expenditure of Rs 9.85 lakh paid as rent was unfruitful. An Ultra Violet Spectro photometer valuing Rs 5.41 lakh purchased in March 2001 for testing allopathic drugs remained unutilised, as other related equipment for testing samples were not procured. Government stated (October 2003) that the laboratory could not start functioning due to ban on recruitment of staff, non-availability of funds to purchase the required instruments etc. Functioning of the laboratory would be streamlined in due course.

#### Testing of sample medicines and drugs- Time taken for reporting and the adverse impact on reporting delays

There were delays in testing and reporting results of tests of samples by the Drugs Control Laboratory

3.1.24 According to departmental instructions the samples were to be tested within 90 days. As per Section 23 of the Act, the person whose sample is to be drawn should get at least 28 days time for contradicting the report of the Government Analyst else the prosecution case against him would not stand. Table below indicates the samples tested and its results thereof.

(In numbers)

Period	Samples received	Samples reported	Samples found standard	Samples found substandard	No opinion	Samples reported in 90 days	Reported beyond 90 days.
January 2001 to December 2001	5612	3903	2988	563	352	1041	2862
January 2002 to December 2002	5826	4696	4075	433	188	3605	1091

Information for the earlier period was not available with the DCL.

3.1.25 There were inordinate delays in testing of samples by the DCL. During 2001 (Calendar year), only 27 per cent samples were tested within prescribed period of 90 days. Test-check of records of samples tested revealed that of the 164 samples found substandard, six samples took more than one year, 14 samples took more than six months and 82 samples took more than three months for testing. Thus by the time sample of substandard drugs were tested and action taken, bulk of such drugs would have been consumed.

3.1.26 Report of the 'substandard' drugs tested during February 1999 and January 2001 revealed that 34 samples were tested within 45 days of its expiry date, 36 substandard samples were tested within 28 days of its expiry date and three such samples were tested after expiry date. Thus testing of samples not well before the expiry date in these cases would not be of any help to launch necessary prosecution.

The delay in testing the sample was stated (October 2003) to be due to shortage of chemical analysts, testing instruments and non-availability of testing formula/methods in respect of proprietary drugs. Audit felt that

deficiencies in the DCL's testing facilities might result in circulation of substandard drugs in market, causing irreparable damage to the society. DCL thus failed to discharge their regulatory function.

**3.1.27            *Followup action on samples found substandard or spurious -  
Lack of co-ordination among States***

**Of the 570 reports of drugs declared as substandard relating to other States, action taken report in respect of 401 cases was not received**

After sample of a drug is found to be "substandard", necessary action is taken against the licensee. If, however, the offender happens to be from another State and launching of prosecution under Section 27 of the Act is not warranted, necessary intimation is sent to the licensing authority of that State for taking necessary action against him.

Scrutiny of records revealed that of 570 reports sent to the Drugs Control Authorities (DCA) of other States during 2000-2002, action taken reports were received only in 169 cases. It was stated (June 2003) that States other than Gujarat and Karnataka did not give the details of action taken reports against the erring units in most of the cases even though reminders were issued to them. The matter needs to be brought to the notice of the Central Drugs Control Authorities for securing better coordination among the States.

Government stated (October 2003) that the job of sending of chemical analyst's report and the resultant follow up action to be taken in the case had been entrusted to the respective Divisional Officer since June 2003.

**3.1.28            *Incomplete action against licensees***

On receipt of report of Government Analyst regarding sample of the drug tested as "substandard", the licensing authority, pending penal action informs the manufacturer immediately to withdraw the drug in question from the market and to keep the unconsumed quantity thereof for destroying.

Scrutiny of records revealed that of 57 licensees whose samples were tested substandard, 55 did not furnish any detail of the drugs consumed and remaining to be consumed. The licensing authority took no further action on such licensees. Government stated (October 2003) that the licensees had been asked to follow the departmental instructions in future.

**3.1.29**            Unutilised stock (3466 vials) of a "substandard" drug manufactured in September 1999 by a unit in Hyderabad was not lifted and remained in a Mumbai hospital without being destroyed for three years (June 2003).

***Inadequate Administrative Action***

**Inadequate action against the licensees though the samples from different batches failed repeatedly in a short time span**

**3.1.30**            According to recommendation of the Drugs Consultative Committee, FDA has categorised the offences in different categories viz A1, AII and B depending on the gravity of substandard drugs manufactured for the purpose of launching prosecution, while cases falling under category A1 lead to prosecutions, category AII and B lead to administrative action under Rule 85 like suspension/cancellation of licence and issue of warnings.

However, FDA in respect of selling units has prescribed no such categories of contravention of licensing conditions. Thus the penal action taken by the licensing authorities under Rule 66 differed substantially for similar type of contravention on the ground that each case was decided on its merit and the power granted to the licensing authorities was discretionary *eg* for an offence of selling smuggled drugs the licence of a selling unit had been cancelled in Pune-whereas for the similar offence licence of a selling unit in Mumbai was suspended for a day only.

Government stated (October 2003) that the issue would be examined with a view to formulate broader guidelines and that proper training would be imparted to the licensing authorities for proper use of quasi-judicial powers vested in them.

**3.1.31** Audit observed that in 48 out of about 50 cases appropriate penal action was taken and in two cases detailed below, the licensing authorities merely issued warnings instead of taking stringent penal action under Rule 85.

A manufacturer in Thane division manufactured eight batches of medicines between October and December 1999 valuing Rs 82.06 lakh. Medicine of Rs 68.60 lakh were sold and consumed. Samples of different batches drawn of the licensee failed more than twice in a short span. However, instead of cancelling or suspending the license for a specified period, the licensee was issued only warnings. In reply the Government stated (October 2003) that the Assistant Commissioner, Raigad had been instructed to carry out inspection of the licensee and also to draw samples of drug to find out whether there was any crystallisation or otherwise in it.

**3.1.32** Samples drawn from three batches of a drug Antagit Gel manufactured by a manufacturing unit in Amravati division failed as the concentration of Simethecene was found to be in the range of 48.03 to 71.32 *per cent*. The licensing authority instead of taking stringent penal action issued only warnings to the unit in each case on the ground that reasons and extent of substandardness involved in each case was different.

Government stated (October 2003) that the licensing authority took into consideration the written reply furnished by the licensee that they had adduced evidence in contraversion of the Government Analyst's Report and therefore, having been satisfied only asked the licensee to follow Good Manufacturing Practice. The report of the Central Drugs Laboratory under which the evidence was adduced in contraversion of the earlier report of the Government Analyst was not made available to Audit. Further reply from the Government was awaited (November 2003).

**3.1.33** *Monitoring*

The database, which is currently being used, was developed in respect of manufacturing and selling units and also Management Information Systems

and Monitoring Modules for drug control functions and the laboratory functions only for the Mumbai office and not for the State as a whole.

The meetings of the Licensing Authorities took place periodically to take stock of the various problems faced by the Administration. However no minutes were kept. Follow up action was taken by way of issue of circular only.

### **Manpower and Training**

#### **3.1.34 Manpower**

Discharge of regulatory functions by the Food and Drugs Administration ineffective due to shortage of technical staff

The effective implementation of the Act is to be ensured mainly through the processes of inspections of the units and drawal of samples of the drugs by the DIs and also in taking action against the erring licensees by the Licensing and Drug Controlling Authorities. Scrutiny of records revealed that there was acute shortage of technical persons at all levels to carry out the above tasks as detailed below:

Category	Sanctioned	Men in position	Shortfall
Joint Commissioner	11	5	6
Assistant Commissioner	53	42	11
Drug Inspectors	159	116	43
<b>Total</b>	<b>223</b>	<b>163</b>	<b>60 (27 per cent)</b>

Further analysis revealed that DIs were holding additional charges of 11 Assistant Commissioners (licensing authority for the selling units) thereby affecting their vital functions of inspection and sampling. In three districts (Beed, Bhandara and Osmanabad) only a DI functioned both as Assistant Commissioner and DI for more than a year. The number of licensees in each district was in the range of 300 to 800.

Task force appointed by the Government of India in 1981 recommended appointment of one DI for every 25 manufacturing units and one DI for every 100 selling units. The post of DIs has not been sanctioned according to these norms.

Government stated (October 2003) that selection process for filling up the post of Joint Commissioner was completed recently. The proposal for filling up the vacant posts of DI and Assistant Commissioner was pending with the Government.

#### **3.1.35 Training**

The DI is appointed according to the provision of the Act under which he must be a Pharmacy Graduate. Records in respect of number of personnel imparted requisite training have not been maintained. Joint Commissioner (Headquarters) however, stated (November 2003) that the technical officers of the administration are being imparted training in technical matters very often in programmes conducted by various institutions such as Yashada\*, Indian

\* Yashwantrao Chavan Academy of Development and Administration

Homeopathies, Pharmacopea Laboratory and Central Drugs Standard Control Organisation.

### 3.1.36 *Interface with the Pharmaceuticals Industry/Trade*

Database not utilised for detecting the pharmacists employed on more than one selling units

The FDA (Administration) has to remain in constant touch with pharmaceutical industry, trade, medical profession and Pharmacy Council of the State to collect information, data and exchange of views for strengthening the system. It was stated that Administration did have interface with the industry and other related institutions for exchange of views. To tackle the problem relating to manufacture and sale of spurious drugs, the Administration as a result of recommendation of a Committee nominated four nodal officers to interface with the Industry and Trade.

Scrutiny of records on penal action taken against the selling units revealed that in most of the cases sale of drugs was without a pharmacist, which contravened the conditions of the license. There has been a tendency of the sellers to apply for a new license or renewal thereof, in the name of a pharmacist who has been employed elsewhere. This menace required to be tackled by interface with the State Pharmacy Council. Joint Commissioner (Headquarters) stated (June 2003) that the database in this regard so kept by the Pharmacy Council was so far not utilised in the State.

### 3.1.37 *Conclusion*

Implementation of the Act is to be ensured through a system of licensing, inspection, sampling and testing of samples in the laboratory. It was noticed that there was shortfall in each of these regulatory functions of the Administration. Besides, delays in testing of samples, increasing number of court cases and also launching of prosecution cases with insufficient evidence did not serve the intended purpose of preventing manufacture and sale of substandard drugs and their consumption by the consumers.

### 3.1.38 *Recommendations*

- The Act needs to be amended to prescribe the time schedule for disposal of renewal applications by FDA.
- The Act needs to be amended to bring the selling units of ayurvedic medicines and cosmetics also under the purview of the Drugs and Cosmetics Act, 1940 to ensure quality.
- There should be a provision for compounding of offences to minimise the number of litigants.
- Only offences attracting imprisonment of more than three years are treated as cognisable offences. There is need to amend the Act to make all the offences under it cognisable.
- Deterrent penalty should be imposed for manufacture or sale of adulterated/spurious or misbranded drugs irrespective of their intensity.

## Public Works Department

### 3.2 Working of Public Works Department

#### Highlights

Public Works Department is responsible for planning, construction and maintainance of roads, bridges, buildings (residential and non residential) etc. At the end of March 2002 a network of road length of 2.23 lakh kilometres, and residential/non residential buildings and monuments with a built up area of 15639078 square metre were under its control. Review of the working of the Department revealed deficient budgeting, ineffective Letter of Credit system, excess expenditure on maintenance and repairs as compared to the prescribed norms, avoidable payment of escalation due to non adherence to the provisions of tender and continuance of converted regular temporary staff without justified volume of work load.

Budgetary control was deficient during 1998-2002. Despite surrender of funds of Rs 1858 crore, there was excess under the revenue and capital heads.

(Paragraph 3.2.4)

Letter of Credit system was ineffective. In five divisions excess Letter of Credit of Rs 12.38 crore was granted by Superintending Engineer over the final modified grant. In seven divisions, excess expenditure over budget allotment was met through non Letter of Credit cheques of Rs 13.94 crore from deposit heads during 1999-2003.

(Paragraph 3.2.5)

A total of 1122 works under plan and 1883 under non-plan, costing Rs 39.03 crore and Rs 29.83 crore respectively, were executed by 19 divisions during 1999-2003 without ensuring availability of funds.

(Paragraph 3.2.6)

Presidency Division, Mumbai incurred excess expenditure of Rs 20.30 crore during 1999-2002 on maintenance and repairs in excess of prescribed norms.

(Paragraph 3.2.12)

Payment of Rs 12.14 crore was made to contractors in Mumbai, Nashik and Aurangabad regions on account of escalation in violation of tender conditions.

(Paragraph 3.2.13)

Government of India withheld/disallowed reimbursement of Rs 99.31 crore incurred by the State Government on National Highway works pertaining to period 1998-2003 due to non-compliance of objections raised by Pay and Accounts Office, National Highway, Mumbai.

(Paragraph 3.2.16)



Revenue of Rs 3.13 crore was outstanding on account of rent recovery from different political parties (Rs 2.05 crore), rent of staff quarters (Rs 61 lakh) and sales tax from contractors (Rs 47 lakh).

(Paragraphs 3.2.19, 3.2.20 and 3.2.21)

Continuance of 22 subdivisions (17 in Mumbai and five in Aurangabad) without adequate workload resulted in nugatory expenditure of Rs 6.38 crore per annum on establishment.

(Paragraph 3.2.24)

### 3.2.1 Introduction

The Public Works Department (PWD) is responsible for planning, construction and maintenance of roads, bridges and buildings (residential and non-residential) for various Government departments, and execution of civil engineering works of other departments, institutions etc on agency basis or as deposit works. PWD also undertakes construction, maintenance and repairs of National Highways (NH) in the State on behalf of Government of India (GOI).

### 3.2.2 Organisational set up

Secretary (Works) and Secretary (Roads) are the highest level functionaries in Public Works Department. Chief Engineer and Joint Secretary assist them on technical side and Internal Financial Adviser and Deputy Secretary on financial side. There are eight regional offices, each headed by a Chief Engineer (CE). Under these regional offices, there are 42 circles, each headed by a Superintending Engineer (SE) and 215 Divisions, each headed by an Executive Engineer (EE).

### 3.2.3 Audit coverage

Functioning of the Department was reviewed during December 2002 to June 2003 covering the period 1999-2003 by a test-check of the records of Secretariat, three CEs, eight circle offices and 22 divisions. Information in respect of other regions was collected separately.

### 3.2.4 Budgetary performance and expenditure control

Details of budget grants *vis-a-vis* expenditure during the last four years ending March 2002 were as under:

(Rupees in crore)

Year	Budget grant	Surrender of funds	Net grant	Actual expenditure	Excess (+)/ Saving (-) over net grant	Percentage of excess/saving over net grant
(1)	(2)	(3)	(4)	(5)	(6)	(7)
<b>Revenue Expenditure</b>						
1998-99	1763.15	98.85	1664.30	1592.93	(-) 71.37	4.28
1999-00	1984.22	183.77	1800.45	1751.97	(-)48.48	2.63
2000-01	2054.60	183.77	1870.83	1957.55	(+)86.72	4.63
2001-02	2116.06	525.63	1590.43	1738.67	(+)148.24	9.32

Inadequate  
budgetary control

(1)	(2)	(3)	(4)	(5)	(6)	(7)
<b>Capital Expenditure</b>						
1998-99	845.54	33.60	811.94	893.06	(+)81.12	9.99
1999-00	979.81	104.80	875.01	948.97	(+)73.96	8.45
2000-01	1047.65	381.39	666.26	739.22	(+)72.96	10.95
2001-02	860.27	346.07	514.20	601.59	(+)87.39	16.99

(Information in respect of year 2002-03 is awaited)

The table indicates that in spite of surrender of Rs 1858 crore during the year from out of the budget grant, there was excess ranging from 5 to 9 per cent under the revenue head during 2000-2002 and ranging from 8 to 17 per cent under the capital head during 1998-2002. No reasons for excess as well as propriety for surrender were furnished to audit.

In 36 divisions, even though the divisions restricted the expenditure according to Letter of Credit (LOC), expenditure was incurred in excess of allotment by Rs 290.50 crore through adjustment under suspense heads by way of Transfer Entry Orders (TEO). This resulted in over booking of expenditure in accounts without actually exceeding the LOC limits.

### **3.2.5 Ineffective Letter of Credit system**

Government introduced (August 1987), LOC system to regulate drawal of funds and restrict expenditure there against. The SEs were responsible for monitoring expenditure of the divisions working under them. It was observed that:

- In Thane and Aurangabad circles, registers (LOC-I and II)<sup>1</sup> were not maintained for exercising control over LOC.
- Non-maintenance of LOC control registers in PW Construction Division, Thane and PW (West) Division, Aurangabad resulted in drawal of cheques of Rs 3.75 crore in excess of LOC limit.
- In five<sup>2</sup> divisions, excess LOC of Rs 12.38 crore was granted over final modified grant (FMG) of Rs 66.13 crore. Moreover, divisions incurred expenditure of Rs 23.52 crore over FMG during 1999-2003, which was irregular.
- In seven divisions, excess expenditure over budget allotment was met through non Letter of Credit cheques of Rs 13.94 crore from deposit heads during 1999-2003.
- In Public Works Division, (West) Aurangabad and Construction Division Thane, excess expenditure of Rs 1.56 crore was incurred through LOC cheques but in order to suppress excess the same was reduced by transfer to the deposit head.

<sup>1</sup> LOC(I)- Gives abstract of quarterwise expenditure incurred against LOC limit  
 LOC(II)- Shows monthly expenditure incurred against quarterly LOC limit

<sup>2</sup> PW Dn., Alibag, Jalna I, II, Jawhar and SP Dn., Thane

**There were irregularities in Letter of Credit system**

Works worth  
Rs 68.86 crore were  
executed without  
ensuring provision of  
funds

### 3.2.6 *Creating liability without adequate funds*

According to provision of Maharashtra Public Works (MPW) Manual, no liability should be incurred in connection with work until adequate provision of funds is available for the work.

In 19 divisions, 1122 works under plan head costing Rs 39.03 crore and 1883 works costing Rs 29.83 crore under non-plan were executed during 1999-2003 without availability of grants. Bills were prepared and kept pending for want of allotment as of March 2003.

### 3.2.7 *Execution of works - Incomplete bridge works due to non acquisition of land for approaches*

According to provisions of MPW Manual, no work should be commenced on land which has not been duly made over by the responsible civil officer.

In Public Works Division No. II, Nagpur, Osmanabad and Pandharkawada district Yavatmal, the work of bridge structures was taken up and Rs 6.43 crore incurred on them without ensuring the availability of land required as provided in manual. As a result the work of approaches could not be executed due to non-acquisition of land, resulting in blocking of Government money for more than two to four years besides denial of targeted benefits to the public.

### *Costlier treatment*

### 3.2.8 *Extra expenditure due to provision of excess quantity of bitumen in Bituminous Bound Macadam*

Excess quantity of  
bitumen was used on  
works than specified

The item of providing and laying Bituminous Bound Macadam (BBM) surface in 75 mm thickness consisted of all materials, spreading 40 mm and 20 mm trap metal layers, heating and spraying bitumen at the rate of 250 kilogram (kg) per 100 sq mt and spreading 12 mm size key aggregates and compaction with power roller including applying tack coat at 50 kg per 100 sq mt etc. The specifications of the above items were revised on the lines of specifications of roads and bridges of GOI, Ministry of Surface Transport (MOST) and adopted in the SEs' conference held in September 1994. The quantities of bitumen required for the compacted BBM was specified at 200 kg per 100 sq mt. The proposal was forwarded to Government in November 1994 by CE, Mumbai and copies circulated to all CEs in the State. Government issued a circular to this effect only in January 2001.

Scrutiny of records in six divisions revealed that due to non issue of circular by Government for such a prolonged period, provisions of excess quantity of bitumen was made in the estimates of 27 works during 1997-2002 on which expenditure of Rs 53.34 lakh was incurred whereas in 22 works Rs 35.54 lakh were spent in providing excess quantity of bitumen even after issue of said circular.

On being pointed out in audit, Government did not comment on the inordinate delay in issue of circular. In respect of 22 works executed after issue of said order it was stated that the works were carried out under estimates prepared according to specifications of schedule of rate and sanction given by the

competent authority. It did not however clarify as to why the limits prescribed under the circular were exceeded.

### 3.2.9 Avoidable expenditure due to providing additional layer of Bituminous Macadam

Government issued (October 1993), detailed guidelines for black topping (BT) of roads according to traffic intensity and rainfall in the area as follows:

Traffic intensity	Rain fall (Medium) 500-2500 mm	Rainfall more than 2500 mm (Heavy)
Between 3000-10000 Metric Tonne	STBT <sup>3</sup> - 50 mm LBM (if required according to Benklemen Beam Test) plus 20 mm MSS	50 mm LBM (If required according to Benklemen Beam Test) plus 25 mm SDC
More than 10000 Metric Tonne	STBT:- LBM plus 50 mm BM plus 25 mm semi-dense carpet (SDC) (extra thickness according to Benklemen Beam Test)	LBM plus 50 mm BM plus 40 mm SDC (extra thickness according to Benklemen Beam Test)

Provision of additional layer of black topping resulted in avoidable expenditure of Rs 2.18 crore

Scrutiny of records of PW Divisions Buldhana and Ambejogai in respect of three works of improvement to roads by black topping executed during 1998-2001 revealed that one additional layer of bitumen macadam (BM) was provided against the norms resulting in avoidable expenditure of Rs 2.18 crore.

On being pointed out in audit, the division replied that the Bituminous Macadam (BM) was provided according to crust thickness design based on California Berm Ratio (CBR) test. Reply was not tenable as it is contrary to said Government directives and approval of the competent authority was not taken for relaxing the norms as a special case.

### 3.2.10 Extra expenditure due to providing costlier treatment

Execution of work in tribal area by a costly method resulted in extra expenditure of Rs 50 lakh

Government instructed (October 1998) that works financed by National Bank of Agriculture and Rural Development (NABARD) was to be provided 75 mm BBM on Water Bound Macadam as a final layer of crust and 20 mm open graded premix carpet with seal coat as wearing course. Government further instructed (September 2000) that the same norms should be observed for roads falling in tribal area.

In NABARD works of Jawahar Division, falling under tribal area, layer of 75 mm Lean Bituminous Macadam (LBM) was executed in place of BBM which was not only costlier but also against the norms prescribed for NABARD works, resulting in avoidable extra expenditure of Rs 49.82 lakh.

On this being pointed out in audit, the Division replied that their jurisdiction falls under hilly and tribal area having heavy rainfall between 2500 and 3000 mm *per annum*. Hence, the said costlier treatment was provided. Reply is not tenable, as necessary approval from the competent authority for execution of works with higher specifications in relaxation of the prescribed instructions was not taken.

<sup>3</sup> STBT- Strengthening and black topping

### 3.2.11 Bituminous Macadam (BM 4 per cent)

According to MOST specifications 1995 as amended in November 2000, the bitumen content in the item of BM shall be between 3 and 3.5 per cent by weight of total mix. The extra binder content of 0.5 per cent was allowed in cooler areas. In PW Region, Aurangabad estimates of three works of national highway (NH) standards contained the item of BM with 4 per cent binder, based on which tenders were floated (1997-98) and works were executed during 1997-2000. As the said road length did not fall in the cooler area prescribing binder content of the bitumen in the item of BM at 4 per cent was avoidable and resulted in costlier treatment of Rs 54 lakh.

On this being pointed out, it was stated that the extra dose of bitumen 0.5 per cent was given taking into account rainfall and road conditions. The reply was not tenable, as MOST specification did not provide for any exception on these grounds.

### 3.2.12 Maintenance and Repairs of Buildings

Government of Maharashtra in PWD had prescribed the norms (1991-92) for maintenance and repairs of buildings.

During scrutiny of Presidency Division, Mumbai, it was seen that expenditure incurred on maintenance and repairs was far in excess of norms during 1999-2002 resulting in excess expenditure of Rs 20.30 crore as shown below:

(Rupees in crore)

Year	Requirement as per norms	Actual expenditure	Excess expenditure	Percentage of excess expenditure
1999-2000	17.72	29.63	11.91	67.20
2000-2001	18.68	23.50	4.82	25.79
2001-2002	19.64	23.21	3.57	18.22
<b>Total</b>			<b>20.30</b>	

On this being pointed out in audit, the division replied that the norms were based on the district schedule of rates (DSR) 1991-92. Reply is not acceptable as even after updating the DSR 1991-92 according to price indices prevailing during April 1999 to March 2003 there was excess expenditure ranging between 18 and 67 per cent which needs to be investigated.

### Avoidable expenditure on price escalation

3.2.13 Government decided (February 1981) to include an escalation clause in all the agreements of 'Appropriate Work', ie where estimated cost of work put to tender was more than Rs 5 lakh and operative period of agreement was more than 12 months, subject to the condition that price variation was not admissible during first 12 months of operative period of agreement.

In January 1992 price variation clause was revised and escalation payment was allowed from the first day of agreement. However, it was noticed in audit that escalation clause was incorporated in 855 agreements (Mumbai, Nashik and Aurangabad regions) though operative period was less than 12 months leading to unauthorised expenditure of Rs 12.14 crore on escalation. Non-

Presidency Division,  
Mumbai incurred  
Rs 20.30 crore excess  
expenditure over  
norms

Non-adherence to  
condition of work  
resulted in excess  
payment of Rs 12.14  
crore on escalation

adherence to the condition of appropriate work while incorporating escalation clause has thus resulted in avoidable payment of Rs 12.14 crore on escalation.

**3.2.14** According to price escalation clause introduced in January 1992, price escalation was admissible only on 85 per cent of the cost of material utilised on the work. However, in five\* divisions of Mumbai region, it was noticed that price variation was paid on 100 per cent of the value of material utilised. This was on account of introduction of a clause incorporating star rate<sup>§</sup> in the contract. This resulted in avoidable payment of price escalation of Rs 48 lakh.

On this being pointed out in audit, the department stated that provision of star rates was a substitute for Schedule 'A'<sup>®</sup> rates and hence, extra cost was to be borne by the Government. The contention of the Department is not acceptable as provision of such clause in the contract was in violation of the escalation clause prescribed by the Government. Thus the payment of price escalation on 100 per cent of the material utilised was not prudent.

**3.2.15** *Execution without tendering*

**Three works costing Rs 87 lakh were executed without tendering**

According to para 200 of MPW Manual, the tenders should invariably be invited publicly for all works to be given out on contract.

Three works pertaining to three<sup>4</sup> divisions were executed during 1998-2002 without tendering resulting in irregular execution to the tune of Rs 87 lakh.

**3.2.16** *Non-reimbursement of expenditure*

**State Government had to bear Rs 99.31 crore on National Highway works due to non-reimbursement/ amount withheld by GOI**

The expenditure on NH works is initially borne by the State Government and classified under Pay and Accounts Office (PAO) suspense accounts. Based on monthly accounts of NH divisions the Accountant General (A&E) prefers claims to the PAO, NH, Mumbai who in turn reimburses the expenditure by issuing cheques to Accountant General (A&E). On receipt of cheques the PAO suspense account is cleared. As of June 2003, an amount of Rs 50.87 crore was withheld in the absence of the explanation for excess expenditure over estimates. Another amount of Rs 48.44 crore was not reimbursed due to excess expenditure over allotment of funds.

**3.2.17** *Failure to claim cost of National Highway from Government of India*

While the work of Solapur-Osmanabad-Aurangabad-Dhule Major State Highway-1 was in progress in two Public Works Divisions in Osmanabad district, it was decided to convert it into NH-211 in January 1999. The Government of India asked no objection from the State Government for

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\* P W Division Alibag, Kankavali, Mahad, Chiplun and Special Project Division, Thane

§ Star rates are the rate of materials prevailing at the time of invitation of tender adopted in the bid document, though the material is required to be procured by the Agency.

® Rates of materials supplied by the Department to the contractor for works are schedule 'A' rates.

<sup>4</sup> Akola, Alibagh and Gondia

transfer of assets relating thereto. At that time the Government had the liabilities of incurring expenditure for the balance work. The State Government did not intimate the liabilities to the GOI and incurred expenditure of Rs 37 crore from State fund which remained to be claimed from GOI (March 2003).

### **3.2.18 Belated submission of revised estimates resulted in loss to Government**

It was observed that National Highway Division No. XI, Dhule revised estimates in respect of three works of NH of Rs 1.02 crore were finally rejected by GOI, due to delay in submission of revised estimates, which ranged from two to 11 years after the date of completion of works.

Division in reply stated that the Ministry would be pursued for reconsideration of their decisions regarding disallowance.

## **Revenue Collection (Tax and Non-Tax)**

### **3.2.19 Outstanding rent recovery**

An amount of Rs 2.11 crore pertaining to the period 1978-2003 was due towards rent for occupying Government buildings/premises from different political parties. Out of which only Rs 6 lakh was recovered from four political parties, leaving a balance of Rs 2.05 crore (March 2003). In addition to this Rs 76.88 lakh was outstanding as room rent of Member of Legislative Assembly Hostel for the period 1978-2002 from sitting/Ex. Member of Parliament, Member of Legislative Assembly, Member of Legislative Council etc. Of which, Rs 0.89 lakh were recovered (September 2002) and Rs 5 lakh became irrecoverable due to not taking timely action for recovery from 51 deceased MP/MLAs.

**3.2.20** Further it is also noticed that Rs 60.59 lakh was outstanding towards rent recovery as of March 2003 in respect of staff quarters in Aurangabad region.

### **3.2.21 Non-recovery of sales tax from contractors**

Government had imposed (May 1999) two *per cent* sales tax on payment exceeding Rs 50000 to the contractors from April 1999 onwards. The Commissioner of Sales Tax vide his trade circular (April 2000), has communicated amendment to the Maharashtra Sales Tax Act introducing a new section 4 A from 1 April 2000. According to which the works contracts awarded by the State Government were not liable to sales tax. However the Government contracts awarded prior to April 2000 either completed, or partly executed, were not covered under section 4-A, irrespective of the facts whether or not payment was received on or after 1 April 2000.

It was however found during audit of Public Works Construction Division, Osmanabad that in respect of three major works, sales tax was not levied and recovered after April 2000 onwards, though the contract of the said work was executed prior to April 2000. This has resulted in non-recovery of sales tax of

**Sales Tax amounting to Rs 47 lakh was not recovered from a contractor**

Rs 47 lakh. On this being pointed out in audit, the division agreed to affect the recovery.

**Material Management**

**3.2.22 Blocking of Government money due to incorrect policy of procurement of bitumen on advance payment**

The new system introduced by Government (November 1996) contemplated procurement of bitumen by making advance payment to oil companies. The circular however did not include a provision for levy of interest on advance payment by Government in case of delayed supply of bitumen.

As on March 2003 an advance payment of Rs 5.47 crore made during 1999-2003 to the oil companies was outstanding. This has resulted in loss of interest of Rs 2.04 crore. No action could be taken due to non-existence of appropriate provision for levy of interest in the purchase order.

**3.2.23 Blocking of Government money due to non utilisation of steel**

Material should be procured strictly in accordance with requirement of the work and care should be taken not to purchase stores in excess of requirement. Scrutiny in audit revealed that nine divisions of Nagpur region and one division each of Amravati and Nashik region procured 1056.603 metric tonne steel valuing Rs 1.67 crore during 1996-97 but the same could not be utilised on work and remained undisposed as of December 2002. The injudicious purchase resulted in blockage of funds and decrease in disposable value of stores.

**3.2.24 Manpower Management**

PWD had a manpower of 54131 including 26926 (Class III 5548 plus Class IV 21378) on converted regular temporary (CRT) establishment as of March 2003. Government incurred Rs 429.67 crore during 1999-2002 on establishment expenditure of CRT by allowing continuation of these posts without ensuring justified volume of work load for them, of which, Rs 170.36 crore were shown as recouped from works grant and balance Rs 259.31 crore remained unadjusted.

Further scrutiny of records at field level revealed the following irregularities.

Name of offices test-checked	Remarks
16 Division offices	Expenditure of Rs 32.83 crore was incurred during 1999-2003 on execution of current repair (CR) works of roads and buildings through contractors. According to recommendations of committee for prescribing expenditure norms for M and R works, CR works were required to be got done by departmental staff so as to boost their confidence and ensure utilisation of departmental machinery to the maximum possible extent. Establishment expenditure so recouped from work grant should represent value of work done by CRT staff on such works. However no substantive record of value of work done by them was maintained to ascertain implementation of these norms. On being pointed out department stated that henceforth, continuation to the post of CRT would be given only after justifying their need.

Rs 1.67 crore of steel procured by 11 divisions in 1996-97 were not utilised

Expenditure on converted regular temporary establishment was partly met from works grant and Rs 259.31 crore remained unadjusted

There was inadequate volume of work for the huge staff with Public Works Division



Name of offices test-checked	Remarks
Eight Chief Engineer offices  Fifteen Superintending Engineer Offices	Norms of minimum workload for continuation of office of CE, PW region, and SE, Public Works Circle, were not prescribed by Government of Maharashtra. The average workload of CE, PW region during the year 1999 -2002 was Rs 288.68 crore. As against this, work load of Special Project region Mumbai and NH region Mumbai was only Rs 60.32 crore and Rs 64.68 crore <i>per annum</i> respectively. Thus, their continuation was not justified. Out of 26 PW Circles, 15 circles had workload of below state average of Rs 88.82 crore per circle, of which, eight circles had workload of below Rs 50 crore <i>per annum</i> . Thus, continuation of such eight circles with inadequate workload was not justified.
22 Sub-division offices	17 sub-divisions in Mumbai region and five sub divisions in Aurangabad region did not have adequate workload according to norms to justify their continuance. Therefore, four CEs submitted proposal since February 2002 to Government for closure of divisions/sub-divisions and re-organisation of workload but no action was taken and these offices were kept open with inadequate workload resulting in nugatory expenditure of Rs 6.38 crore <i>per annum</i> on their establishment (June 2003).

### Other topics of interest

#### 3.2.25 *Irregular expenditure on use of bitumen additives without ascertaining its utility*

According to directives issued (November 1993, March 1996 and July 1998) by Government, use of thermoplastic bitumen additives (Starflex) and antistripping agent (YUVABE-100) was to be used in road works on experimental basis and reports of its utility in strengthening and increasing durability of roads was to be reported to Government. According to Government directives (December 1997) the use of starflex was to be done on restricted road length on National Highways and YUVABE-100 was to be used on selected road length.

Test-check of records of seven Public Works divisions and two circles revealed that 31.80 MT of these products were procured at a cost of Rs 1.39 crore. Their utility in the execution of items of work was however, not got tested from Government laboratories and no reports about their utility were submitted to Government for their acceptance. Continued use of such additives on experimental basis since November 1993 without ascertaining its utility and approval of Government was irregular.

#### 3.2.26 *Conclusion*

The review indicated absence of internal control systems in the functioning of the department, leading to costlier treatment, payment of avoidable expenditure and ineffective letter of credit system. The norms for maintenance and repairs of buildings etc were not followed leading to extra expenditure. The man power distribution was defective as work load norms prescribed by the department were not followed strictly.

**Bitumen additives/ anti stripping agents costing Rs 1.39 crore were used without ascertaining its utility**

**3.2.27            Recommendations**

In view of the audit findings Government is requested to consider the following recommendations:

- Department should exercise budgetary control so as to reduce excess expenditure by strictly adhering to LOC system and taking action against responsible officers. Deposit/suspense head may also be covered under LOC system.
- Policy of price escalation in the tender documents needs to be strictly followed.
- Looking to the financial constraints, costlier treatment in construction and maintenance of roads should be avoided and if unavoidable, prior approval of the competent authority should be made mandatory.
- Procurement of stock by Government needs to be done based on assessment of actual requirement of the divisions.
- Policy of manpower management needs to be reviewed seriously by justified distribution of work load and optimum utilisation of CRT staff should be ensured.
- Practice of continuance of sub divisions, divisions, circle and regional offices without adequate workload need immediate attention of Government to avoid recurring nugatory expenditure.

The matter was referred to the Secretary to the Government in September 2003. No reply has been received (November 2003).

## Urban Development Department

### 3.3 Prevention and Control of Fire

#### Highlights

Fire prevention and related safety measures are integral part of town planning and building construction. The subject fire services has been included as a municipal function in the XII schedule of the Constitution of India. To combat any odd situation arising out of fire related calamities, fire services are organised as first respondent to save life and property by the municipalities under Local Self Government of the States. It is for the State Government to ensure that Municipalities fulfil their functions effectively.

Standing Fire Advisory Council circulated a draft Fire Force Bill in 1958 to all State Governments for enactment. The State Government has neither enacted the said bill nor enacted any Provision/Act/Rules to regulate the activities of fire services.

(Paragraph 3.3.1)

In Mumbai, in 40 per cent out of 3250 high rise buildings, constructed after 1975, the fire-fighting system was not in working condition or was non-existent. The fire department was rendered ineffective due to the absence of any legal authority to penalise the defaulters.

Out of 2151 proposals received in Pune Municipal Corporation during 1997-2003, only 1512 buildings obtained No Objection Certificate from the Fire Department.

(Paragraph 3.3.10 and 3.3.11)

Fire engines took 10-90 minutes as against five minutes response time to reach the site.

(Paragraph 3.3.22)

Fire stations were located in crowded places like market areas or adjacent to schools, colleges or in narrow by-lanes in violation of the norms.

(Paragraph 3.3.35 to 38)

As against the requirement of 220 fire stations in eight Municipal Corporations, there were only 54. As against 506 fire engines required by all the Municipal Corporations and Municipal Councils, there were only 386.

(Paragraph 3.3.29 and 3.3.39)

In nine test-checked Municipal Corporations, the shortfall of fire services personnel was 1456, which works out to 35 per cent of the requirement.

(Paragraph 3.3.44)

Vehicles and equipment worth Rs 3.11 crore purchased by Brihanmumbai Municipal Corporation remained idle.

(Paragraph 3.3.50)

On 9323 occasions during 1997-2003 fire engines were used for supply of water, sprinkling water and cleaning gutters etc.

(Paragraph 3.3.51)

### 3.3.1 Introduction

Government of India (GOI) constituted the Standing Fire Advisory Council (SFAC) which felt that fire services should be under the control of the State Government and so a draft "Fire Force Bill" was circulated (1958) to all the State Governments. The State Government constituted the State Fire Advisory Committee only in November 1976, which was again reconstituted in April 2003. The State Government neither enacted "Fire Force Bill" nor enacted any Provision/Act/Rules to regulate the activities of fire services.

### 3.3.2 Organisational set up

Fire Advisor to the State Government is in overall charge of the fire services and is under the administrative control of the Urban Development Department. Fire services are under the control of the Municipal Corporations (Corporations) and Municipal Councils (Councils). In Corporations, the Commissioner is in charge of fire services and is assisted by Chief Fire Officer/Fire Officer. In the Councils the fire services are under Chief Officer.

### 3.3.3 Audit Coverage

The records of the Fire Advisor's Office, Office of Director of Municipal Administration, 12 out of 19 Corporations<sup>5</sup> and 17 Councils<sup>6</sup> out of 225 were test-checked.

## Financial Profile

### 3.3.4 Budget Allocation and Expenditure

The allocation of funds and expenditure for fire services by the Corporations and Councils test-checked for the period 1997-2003, was as follows:

<sup>5</sup> Akola, Amravati, Aurangabad, Bhivandi, Brihanmumbai Municipal Corporation, Mumbai, Malegaon, Nagpur, Nanded, Nashik, Pimpri-Chinchwad, Pune and Thane

<sup>6</sup> Ambernath, Kulgaon-Badlapur, Chiplun, Igatpuri, Khed, Khopoli, Manikpur-Navghar, Pathardi, Panvel, Rajapur, Ratnagiri, Rahuri, Sangamner, Srirampur, Sinnar, Vasai and Virar

(Rupees in crore)

Corporation/ Council	Budget allotment	Allocation for fire services	Percentage outlay for fire services	Expenditure incurred on fire services	Percentage of expenditure on fire services
1	2	3	4	5	6
Nashik	2395.24	13.45	0.56	8.52	63.40
Malegaon	186.29	1.92	1.03	1.25	65.10
Pune*	3564.25	33.29	0.93	21.52	64.64
PCMC	1745.07	7.57	0.43	6.81	89.96
Bhiwandi	751.47	3.92	0.52	3.35	85.46
Thane	2025.18	20.24	1.00	17.22	85.08
BMC	24087.80	64.58	0.27	34.25	53.03
Nagpur	1701.96	15.26	0.90	17.08	111.92
Akola	309.91	1.65	0.53	1.30	78.78
Amravati	298.88	0.09	0.03	2.08	2311.11
Aurangabad	546.68	5.92	1.08	4.13	69.76
Nanded	224.36	1.09	0.49	0.95	87.15
<b>Councils</b>	<b>1123.65</b>	<b>9.63</b>	<b>0.85</b>	<b>6.59</b>	<b>68.43</b>
<b>Total</b>	<b>38960.74</b>	<b>178.61</b>	<b>0.45</b>	<b>125.05</b>	<b>70.01</b>

\* Figures for 2002-03 are provisional

In the ninth and tenth Five Year Plan, an outlay of Rs 50 lakh and Rs 75 lakh was made for construction of Fire Training Centre building and Hostel building respectively. However no expenditure was incurred as no provision was made in the budget. Non-provision in the budget shows that Government has not given due importance to fire services.

### 3.3.5 Non-recovery of loan

Director of Municipal Administration (DMA) took (between 1985 and 2000) an interest bearing loan of Rs 13.98 crore, repayable in 15 annual instalments, from General Insurance Corporation (GIC). The loan amount was released to 140 Corporations/Councils. Total outstanding loan as on 31 March 2003 was Rs 4 crore.

### 3.3.6 Non-utilisation of Government/General Insurance Corporation Loan

Nagpur Municipal Corporation (NMC) received Rs 42.58 lakh as a loan (March 1998) from the State Government for construction of new fire stations at Jaripataka, Kalamana and Babul Kheda. However, entire amount of loan remained unutilised (July 2003). Further, GIC loan of Rs 1.28 crore was given to NMC (March 2000) for procurement of fire fighting equipment. The amount was to be utilised within six months. However, Rs 41.95 lakh could not be utilised (July 2003). Thus a total amount of Rs 84.53 lakh remained unutilised for three to five years.

### 3.3.7 Unspent balance of Government subsidy

Government sanctioned (April 1997) special grant of Rs 3 crore to NMC for development of basic needs (Purchase of fire tender, jeeps, tyres and tubes, wireless set repairs etc) of Nagpur city with equal contribution of Rs 3 crore to be made by the Corporation. The NMC allotted Rs 1.78 crore in 1998-99 for

Loan amounting to Rs 84.53 lakh remained unutilised for three to five years

Non-utilisation of Government subsidy of Rs 66.11 lakh

purchase of fire fighting equipments. Of this, NMC utilised Rs 1.11 crore between June 1998 and March 2000 for purchase of fire fighting equipment and Rs 66.11 lakh could not be utilised (March 2003). Further, Rs 4.99 lakh allotted for purchase of new vehicles/equipment was also spent on the repairs of old vehicles, which is not prescribed in the Government's sanction.

### 3.3.8 Misutilisation of Government subsidy

There was misutilisation of Rs 24.86 lakh of Government subsidy

Government (March 1998) paid grant of Rs 43 lakh to Amravati Municipal Corporation (AMC) for purchase of fire tenders on the basis of the recommendations of Vidharbha Vaidhanic Vikas Mandal.

Records of the AMC revealed that out of grant of Rs 43 lakh, Rs 24.86 lakh was spent on repairs of old engines of jeep, changing of old fire tenders, installation of wireless system and its renewal and purchase of aqua machines which was not permissible. The AMC stated (April 2003) that grant was utilised on repairs and maintenance of vehicles due to inadequate budget provision.

The reply is not tenable as the said grant was provided for purchase of new vehicles only.

### Prevention against fire - No objection certificate for high rise buildings

Non-adherence to safety measures

3.3.9 In its 28th meeting, Standing Fire Advisory Council recommended that no objection certificate (NOC) should be issued to high-rise buildings after ensuring conformity with fire safety measures with concurrence of fire authorities.

Scrutiny of records test-checked in four Corporations<sup>7</sup> and Virar Municipal Council revealed the following:

➤ Brihanmumbai Municipal Corporation (BMC) created a separate cell (April 1998) for regular inspection of highrise buildings in Mumbai. According to report of this cell, all the 63 high rise buildings constructed in defence area in Mumbai (Navy Nagar) did not either have fire fighting equipment or wherever it was available it was not fully functioning.

3.3.10 A survey (January 2003) by Mumbai Fire Brigade of 3250 high rise buildings constructed after 1975 revealed that 40 per cent of the buildings either did not have fire fighting systems or wherever they were present, not in working condition. The Department's effectiveness is hampered due to lack of legal authority to penalise.

3.3.11 Out of 2151 building proposals received in Pune Municipal Corporation during 1997-2003, only 1512 buildings obtained NOC from the Fire Department. Remaining 639 builders/promoters/owners did not even obtain NOC for commencement of construction after submission of their application.

<sup>7</sup> BMC, PMC, Nashik MC and BNMC

**3.3.12** The Fire Officer, Nashik Municipal Corporation issued NOC for 66 highrise buildings during 1997-2003 for commencement of construction. However, NOC on completion of construction was issued only to eight high rise buildings. Rest of the buildings were stated to be under construction.

**3.3.13** Conditional NOCs were issued by the Fire Department, Bhiwandi Nizampur Municipal Corporation for 20 to 25 highrise buildings. However, the Corporation ignoring Fire Officer's insistence on prior fulfillment of conditions, issued occupancy certificates to these buildings.

**3.3.14** *No Objection Certificate for places of public entertainment*

In addition to fire protection, the fire department has to assess the risk or the hazard involved in buildings like cinema houses, hospitals, schools etc. Further, Standing Fire Advisory Council in its 16th meeting recommended that Fire Officer should be consulted at the time of grant/renewal of licences. Scrutiny of the records of the Corporations and Councils test-checked revealed that the licences for all cinema houses in city area were renewed by Commissioner of Police and in rural area by District Collector on the basis of NOC issued by the Public Works Department. It was noticed that in eight Corporations<sup>8</sup>, fire protection measures were not ensured.

Non-assessment of risk factors and existence of the fire protection measures were not ensured

**Fire Management**

**3.3.15** *Fire occurrences*

Fire incident reported/attended and property/life lost in respect of 12 Corporations and 17 Councils test-checked for the year 1997 to 2003 is detailed as under:

Corporation/ Councils	Fire incidents reported	Fire incidents attended	Property lost (Rupees in crore)	Life lost (In numbers)
Nashik	3592	3592	4.44	87
Malegaon	1342	1342	4.43	NA
Pune	12495	12495	17.07	11
PCMC	1705	1705	13.62	181
Bhiwandi Nizampur	1551	1551	Nil	NA
Thane	2401	2401	11.69	65
BMC	49340	49340	58.92	2413
Nagpur	4045	4045	1911.25	287
Amravati	1186	1186	639.00	159
Akola	1171	1171	119.64	3
Auragabad	1353	1353	5167.05	186
Nanded	618	618	101.46	28
17 Councils	3064	3064	3.75	118
<b>Total</b>	<b>83863</b>	<b>83863</b>	<b>8052.32</b>	<b>3538</b>

<sup>8</sup> Akola, Amravati, Malegaon, Nashik, Pune, Pimpri-Chinchwad, Thane and Bhiwandi Nizampur

**Valuation of property lost was unrealistic**

Audit scrutiny revealed the following:

Valuation of the property lost has been decided by the firemen/leading firemen/subofficer who attended the fire incidents based on the information provided by the party affected. Hence these valuations may not be reliable as they have not been valued by valuation experts.

**3.3.16** In Pune Municipal Corporation property saved was shown 10 times of the property lost in all the reports submitted to the Fire Advisor, which cast doubt over the correctness of assessment.

**3.3.17** Instances of incorrect reporting of loss of property were noticed in three Corporations<sup>9</sup>. Actual loss assessed by the firemen/leading firemen during 1997-2002 was between Rs 9.80 lakh and Rs 50.56 crore, but the figures reported to the Fire Advisor ranged between Rs 31.80 lakh and Rs 8.82 crore. In other test-checked Corporations, records were not complete in respect of property saved/lost. Hence, the correctness of reporting could not be verified in those Corporations/Councils.

**3.3.18** Six-monthly report on fire incidents was not regularly submitted to the Fire Advisor during 1997-2003 by the 17 Councils test-checked.

**3.3.19** *Response time*

**There was delay in reaching the fire site by the first fire engine**

According to norms fixed by Standing Fire Advisory Council, normally the first fire engine should reach the incident site within five minutes from the receipt of fire call.

Audit scrutiny revealed that:

All the Corporations test-checked maintained records of the call turn out time and return time of the fire engines. Of these, three Corporations<sup>10</sup> had not recorded the time of reaching the spot and the distance.

**3.3.20** Councils test-checked did not maintain records indicating time of fire call, time of reaching the fire site etc. The only record available in the fire station was log book of the vehicle where the distance and destination was recorded. Most of the log books were not authenticated by the Chief Officer.

**3.3.21** Pune Municipal Corporation recorded the details of arrival of fire engine at the fire site only in respect of major fire incidents as and when the officer at site sought for additional manpower/vehicle.

**3.3.22** In 110 cases noticed in three Corporations fire engine took time ranging from 10 - 90 minutes as against five minutes norm of response time to reach the site, detailed as follows:

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<sup>9</sup> Nashik, PCMC and Pune.

<sup>10</sup> Pune, Bhiwandi-Nizampur and Thane



Corporation	Cases noticed (in numbers)	Time taken to reach fire site (in minutes)	Distance between fire station and site (in kms)
Malegaon	42	10-90	N.A
Nashik	45	10-58	6-53
PCMC	23	10-54	5-35
<b>Total</b>	<b>110</b>		

### 3.3.23 Major fire incidents and survey of fire risks

**Absence of adequate source of water and faulty firefighting equipment resulted in major fire incidents**

Following major fire incidents were reported in the Corporations test-checked during the period 1997-2003.

A major fire broke out in a plastic factory in Malegaon on 16 March 2003 for which no reason was available on record. The fire engine reached the site after 30 minutes and took five and a half hours to extinguish the fire. Around 500 such factories exist in which no fire prevention equipments were available. There was no provision/regulation to inspect these factories to ensure that proper fire fighting equipments exist.

3.3.24 A major fire incident occurred on 25 January 1998 in a paper packing factory, Jakhari (Nashik). Turn out time of the vehicles ranged between one and 50 minutes. It took 14 minutes - 45 minutes to reach the fire site, which was at a distance of 10 kilo metres - 27 kilo metres from the respective subfire station. The department attributed the delay to the various procedures which fire personnel had to follow whenever the fire vehicle had to go out of jurisdiction of the Corporation/Council. The property of Rs 66 lakh was lost according to the insurance claim of the company.

3.3.25 A major fire broke at *Chamde Gulli* in Nanapeth (Pune) on 27 March 1999. Injured persons numbering 102 and property worth Rs 78.37 lakh was lost. Fire could not be controlled immediately as the area was very congested. A proposal to widen the narrow roads was pending with the Corporation for final action (May 2003).

3.3.26 A major fire broke out in the main building of BMC on 13 January 2000. Cause of the fire was reported to be defective electric circuit. The enquiry result showed that the fixed/portable fire fighting installations were defunct. Corporation being the provider of fire services was found lacking in preventive methods despite regular inspection.

3.3.27 A major fire broke out in the basement of Vidhan Bhavan in Mumbai on 10 August 2001. A joint inspection revealed that the fire fighting equipments were defunct.

All these cases highlight the importance of the periodical inspection by the fire services of the potential fire prone places.

### 3.3.28 Water sources for fire fighting

Adequate supply of water is a must for fire fighting. Standing Fire Advisory Council has laid down water reserve norm of 1 gallon per head of population

for fire fighting. Fire hydrants should be erected and spaced not more than 100 metres apart.

Test-check of 12 Corporations and 17 Councils revealed that:

- Hydrants were not installed/functioning in five Corporations and any of the Councils.
- Source of water in most of the Corporations test-checked was sump well constructed in the fire stations and overhead water filling points installed in fire stations.
- In the Councils, main source of water was nearby pond/river. In Malegaon fire broke out (March 2003) in a plastic factory and the fire engine had to make 37 trips as there was no source of water nearby.

#### ***Infrastructure - Setting up of fire stations***

**Lack of adequate fire stations revealed gross neglect of essential services**

**3.3.29** Standing Fire Advisory Council has fixed norms of one fire station for every 10.24 square kilometres (sq kms) area.

Test-check of 12 Corporations revealed that as against the requirement of 220 fire stations in eight<sup>11</sup> Corporations there were only 54 fire stations. Out of 225 Municipal Councils 100 Councils did not have fire services.

**3.3.30** Pune Municipal Corporation provided Rs 15 lakh in the budget of 2000-2002 for construction of two fire stations. However, this was utilised for construction of Samaj Mandir despite the fire officer's objection.

**3.3.31** Standing Fire Advisory Council in its fifth meeting felt that the norm of one fire station per 10.24 sq kms be made flexible to locate fire stations at a closer/greater distance depending upon the locality. Standing Fire Advisory Council therefore recommended classification of cities and towns into high/moderate/low vulnerable areas with the ratio of 7:3:2 fire stations respectively. It was observed that norms were not adhered to in the following cases:

**3.3.32** Two Corporations (Bhiwandi-Nizampur and Malegaon) having high density of population and powerloom/plastic factories functioning in the vicinity, were to be classified as high vulnerable areas. These were not classified as such and had only three and one fire station as against the requirement of 21 and seven fire stations respectively.

**3.3.33** In Bhiwandi-Nizampur and Pimpri-Chinchwad Municipal Corporations, though a provision of Rs 25.05 lakh was made in the budget between 1998-99 and 2002-03 for construction of fire stations they were not set up.

#### ***3.3.34 Blocking of Funds due to non-completion of fire stations***

Construction of six fire stations in Mumbai was taken up (August/November 2001) for completion by April/November 2002 and Rs 1.94 crore spent on

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<sup>11</sup> Akola, BMC, Nashik, Nagpur, Nanded, Pimpri-Chinchwad, Pune and Thane

construction of these fire stations. Civil work of two fire stations was still incomplete while three fire stations taken over by the fire department were not functional due to non recruitment of manpower. Details of one fire station was not available with the Chief Fire Officer.

### *Setting up of Fire Stations at unsuitable place*

**Haphazard setting up of fire stations indicated an unplanned approach to this key service**

**3.3.35** Before setting up a fire station, risk hazard analysis is to be made and location decided in accordance with high/medium risk areas identified in towns/cities. In the Corporations test-checked it was noticed that:

A fire substation at Dhamankar Naka in Bhiwandi was located in the premises of a primary school and another at Kasarali was located in a market area.



**Dhamankar Naka**



**Kasarali**

**3.3.36** A fire substation in Nashik Road was located in an interior place in a narrow by-lane.

**3.3.37** A fire station in Pune (suburban) was located in a crowded place adjacent to State Transport Depot.

**3.3.38** Fire station at Rahate was functioning in Pimpri-Chinchwad Municipal Transport shed where there was no facility for storage of water.

### **3.3.39** *Fire Engines*

Standing Fire Advisory Council norms provide one fire engine for a population of 50000 each upto three lakh. According to information furnished by the Fire Advisor, against requirement of 506 fire engines only 386 engines were available for all the Corporations and Councils. Records of all the 12 Corporations and six Councils<sup>10</sup> test-checked revealed that as against the norms of 318 fire engines, there were only 172 resulting in shortage of 146 fire engines.

### **3.3.40** *Specialist vehicles*

Standing Fire Advisory Council recommended one rescue van for population of three to 10 lakh with an increase of one for every 10 lakh population in

<sup>10</sup> Ambernath, Kulgaon-Badlapur, Navghar-Manikpur, Patherdi, Panvel and Virar.

**Shortage of fire engines hamper operational readiness**

order to combat mishap or disaster. No norms for hydraulic platform and turntables were fixed by Standing Fire Advisory Council.

Fire Advisor informed that nine Corporations and three Councils having population above three lakh did not have rescue vans. In Mumbai (population of 99.26 lakh - Census 2001) there were only three rescue vans as against the requirement of 10.

### **Accommodation for Firemen**

**3.3.41** Fire services personnel were to be provided with rentfree quarters in the premises of the fire station, to ensure their availability on call. In 10 Corporations\* test-checked it was seen that

Out of 1247 leading firemen/firemen/driver-operator, 240 personnel only were provided with quarters.

**3.3.42** Pimpri-Chinchwad Municipal Corporation did not provide accommodation to any fire personnel whereas Bhiwandi-Nizampur Municipal Corporation and Thane Municipal Corporation provided accommodation to Firemen only.

**3.3.43** In Kasarali fire station at Bhiwandi-Nizampur Municipal Corporation, eight residential quarters constructed in 2001 above the fire station at a cost of Rs 26.37 lakh were not allotted (May 2003) for want of water connection.

### **3.3.44 Manpower - Shortage of manpower**

Standing Fire Advisory Council norms provided six firemen for each fire engine. Drivers were to be provided in the ratio of (vehicle:driver) 1:2, 2:3, 3:4, 4:6 and so on to ensure minimum number of drivers.

The table below shows the shortage of manpower in BMC by March 2003 and in eight Corporations test-checked (June 2003).

(In numbers)

Category	Brihanmumbai Municipal Corporation			Eight test-checked Corporations		
	Requirement	Men in position	Shortages	Requirement	Men in position	Shortages
Leading firemen	225	221	4	284	106	178
Firemen	1350	1286	64	1666	688	978
Driver/Operator	289	258	31	345	144	201
<b>Total</b>	<b>1864</b>	<b>1765</b>	<b>99</b>	<b>2295</b>	<b>938</b>	<b>1357</b>

### **3.3.45 Shortages of firemen and drivers in Councils**

Against requirement of 410 firemen and 102 drivers in 17 Councils test-checked, only 96 firemen and 52 drivers were available resulting in shortages of 314 firemen and 50 drivers.

\* Akola, Amravati, Aurangabad, Nagpur, Nanded, Nashik, NMMC, PCMC, Pune and Thane,

***Training and Awareness - Inadequate trained personnel for fire services***

**3.3.46** Five Corporations did not provide training facilities for refresher courses of firemen and subfire station officers.

The State Fire Training Centre (SFTC), Mumbai, apart from in-service training of firemen is also conducting regular courses on 'basic firefighting' to eligible candidates and maintains a panel of such trained persons. In six Corporations test-checked, out of 662 firemen only two firemen were recruited from the panel of trained persons.

**3.3.47** Out of 662 firemen, only 95 firemen were given training in the SFTC, Mumbai during 1997-2003. These firemen were sent for training two to eight years after their recruitment.

**3.3.48** Twenty five candidates sent for training were found physically unfit and were rejected. However, they continued to work in fire services. This showed that the department/Corporation has not prescribed minimum standards for recruitment in order to maintain the standard of services.

The Commissioner, Nashik Municipal Corporation stated (June 2003) that the Corporation's recruitment rules did not mention any specific standard.

**3.3.49** In 17 Councils test-checked, out of 97 persons in fire service section, 75 persons in four Councils<sup>14</sup> did not have any formal training.

In order to create awareness among the public at large, awareness programmes like conducting fire week (14-20 April), slide show in cinema houses, distribution of hand bills, news paper publicity and special programmes for school children and industrial workers were organised by the Corporations test-checked.

**3.3.50** *Idle assets*

Mumbai fire brigade purchased vehicles and equipments worth Rs 3.11 crore in 2000-01 for use in the six newly created fire stations. However, these were not put to use due to non-completion of civil work and non recruitment of manpower (June 2003).

**3.3.51** *Usage of fire vehicles for other purposes*

Fire fighting equipments should not be used for duties like water supply, water sprinkling, and washing of places except in emergencies.

Test-check of eight out of 17 Councils and one Corporation revealed that the fire engines were used on 9323 occasions during 1997-2003 for other purposes, mainly for water supply, sprinkling of water in Maidans/roads, cleaning gutter/toilets etc, on the orders of the Council President.

<sup>14</sup> Ambernath, Kulgaon-Badlapur, Navghar-Manikpur, Vasai

### **3.3.52 Conclusion**

Fire services in Maharashtra have been entrusted to Urban Local Bodies i.e. Municipal Corporations and Councils. GOI circulated a draft "Fire Force Bill" as early as in 1958 but the State Government has not enacted the legislation (November 2003). Clearance from the fire department was not obtained prior to the commencement of construction, leading to construction of buildings which were hazardous and endangered property and human lives as well. No provision exists for inspection of places of public utility and high risk areas by the fire department to ensure fire safety. In the council areas, fire vehicles were frequently used for duties other than fire fighting.

There were no parameters for allocation of funds for fire services and also the funds allotted were not fully utilised in the units test-checked. Inadequate infrastructure, idle equipment, shortage of manpower and lack of training facilities was also noticed in all units test-checked. As a result the fire services could not cope with the standard response time.

### **3.3.53 Recommendations**

- Legal powers should be extended to local bodies to penalise builders/promoters where firefighting system does not exist or not functioning.
- It should be mandatory for public places of utility like hospitals/nursing homes/schools/colleges and public entertainment places like cinema houses to obtain 'no objection certificate' from fire department.
- Provision should be made to carry out inspection on periodical basis in highrise buildings and other public places to ensure availability and functioning of fire control systems.
- Recruitment of trained firemen should be made from the panel maintained by the SFTC, Mumbai.
- Recruitment rules should be amended to prescribe minimum physical standards as required by SFTC.
- Systems should be put in place to ensure operational readiness at all times for all fire engines, equipment and specialist vehicles.
- The Municipal Corporations should send the fire fighting tenders/equipments immediately on receipt of information regarding fire incidents. The Municipal Councils or the Village Panchayats, which do not own a fire service, should have a system of making payment of service charges to these Corporations which help them in the fire fighting task.

The matter was referred to the Principal Secretary to the Government in August 2003. No reply has been received (November 2003).

## Rural Development and Water Conservation Department

### 3.4 Integrated Watershed Development Programme

#### 3.4.1 Introduction

The Water Conservation Programme (WCP) was launched in August 1992 with a view to increase the productivity of dry land agriculture, provide more drinking water facilities at village level and to prevent soil erosion. Since more thrust was given to water conservation activities during 1992-1995, Government in January 1996 restructured the WCP as "Integrated Watershed<sup>12</sup> Development Programme" (IWDP) by integrated approach in planning and implementation with people's participation and co-ordination.

#### 3.4.2 Organisational set up

The IWDP is implemented by Agriculture Department in co-ordination with Rural Development and Water Conservation Department and Forest's Department. The Secretary, Water Conservation is responsible for monitoring the progress and co-ordination among the various agencies/departments for implementation of IWDP. Director, Soil Conservation and Watershed Area Management (SCWAM), Pune is overall incharge for implementation of the programme by Agriculture Department. He is assisted by eight<sup>13</sup> Divisional Joint Director of Agriculture, 33 District Superintending Agriculture Officers (DSAO), 90 Sub Divisional Agriculture Officers (SDAO) and 329 Taluka Agricultural Officers (TAO).

#### 3.4.3 Audit Coverage

With a view to ascertain the functioning of the programme, a review was undertaken between December 2002 and June 2003 by test-check of the records maintained by the Director, SCWAM, Pune, Divisional Joint Director of Agriculture, Nagpur, nine<sup>14</sup> DSAOs and 46 TAOs coupled with the information collected from other sources. The results are mentioned in the succeeding paragraphs.

### Funding pattern

3.4.4 IWDP was funded through various State sources, viz Employment Guarantee Scheme (EGS), Vaidhanik Vikas Mahamandal, Jalsandharan Mahamandal and Budgeted Grants provided by the Rural Development and Water Conservation Department. The programme was also funded from Central grants under Jawahar Rojgar Yojna, Employment Assurance Scheme and Sampurna Gramin Rojgar Yojana (SGRY). Funds received and expenditure incurred during 1998-2003 was as follows:

<sup>12</sup> A watershed is a catchment or rain basin (area 40 to 500 hectares) which falls between a ridge line and a drainage point through which all the rain water falling in that area drains out.

<sup>13</sup> Amravati, Aurangabad, Kolhapur, Latur, Nagpur, Nashik, Pune and Thane

<sup>14</sup> Amravati, Aurangabad, Gadchiroli, Jalna, Latur, Nagpur, Nashik, Pune and Yavatmal.

(Rupees in crore)

Year	Funds	Expenditure	Excess (+) / Saving (-)
1998-99	93.17	91.72	(-) 1.45
1999-2000	146.49	168.19	(+) 21.70
2000-01	88.02	86.94	(-) 1.08
2001-02	168.17	167.55	(-) 0.62
2002-03	290.79	278.93	(-) 11.86
<b>Total</b>	<b>786.64</b>	<b>793.33</b>	<b>(+) 6.69</b>

### 3.4.5 Short release of Funds

Three district Collectors short released Rs 112.74 crore of funds

According to guidelines (January 1996), 50 per cent of EGS fund was to be utilised for implementation of IWDP. However, three District Collectors (Amravati, Latur and Nashik) during 1998-2003 released Rs 39.09 crore (26 per cent) to DSAOs as against the admissible EGS fund of Rs 151.83 crore. The District Collectors did not assign any reason for short release of funds. In Ratnagiri and Nagpur districts, the DSAOs did not place any demand for EGS funds for want of labour resulting in non-receipt of EGS funds during 1998-2003.

3.4.6 In 21 TAOs as against total demand of Rs 142.91 crore, only Rs 77.25 crore was released (51.52 per cent) during 1998-2003. The obstacle in development of watersheds was attributed to the short release of funds.

### Lapses in Project Management

Works in watershed costing Rs 12.53 crore were executed without approval of DCMC

3.4.7 A District Co-ordination and Monitoring Committee (DCMC) consisting of Executive Engineer (EE), Minor Irrigation (MI), Zilla Parishad/Local Sector (ZP/LS), Deputy Director Social Forestry (DDSF), Senior Geologist, Groundwater Survey and Development Agency (GSDA) and Deputy Conservator of Forest (DCF) was to be formed at district level under the Chairmanship of Chief Executive Officer (CEO), ZP to issue sanction to the villages for development of watershed selected at taluka level. The project report of watershed in selected villages was to be prepared in consultation with the members of DCMC. Any alteration in the implementation of the project was to be got sanctioned from DCMC. Test-check of project reports and works undertaken revealed the following lapses.

➤ Watershed activities costing Rs 1.05 crore were executed in 16 villages without the sanction of DCMC.

3.4.8 In six<sup>15</sup> TAOs, works costing Rs 9.64 crore were executed, though the project reports of the watersheds were not approved by DCMC.

3.4.9 In 73 watersheds, works costing Rs 1.38 crore were executed, though not proposed and included in the sanctioned project report.

3.4.10 In 18 watersheds of four<sup>16</sup> TAOs works costing Rs 45.72 lakh were executed in excess of the projected number of works without the approval of DCMC.

<sup>15</sup> Bhokardan, Darwaha, Digras, Jafrabad, Mantha and Yavatmal.

<sup>16</sup> Ausa, Jafrabad, Rajapur and Ratnagiri



**Watersheds remained incomplete despite availability of funds**

### 3.4.11 *Incomplete watersheds*

The watersheds taken up for development were to be completed within four years but most of the watersheds could not be completed. Out of 21835 watersheds targeted to be completed, only seven *per cent* (1535) could be completed though huge expenditure of Rs 793.33 crore was incurred on them.

Test-check of watershed data (one page note<sup>17</sup>) of 112 watersheds revealed the following:

As of March 1998, 31 watersheds on which 50 *per cent* expenditure was incurred were lying incomplete, while during next five years average percentage of expenditure on these watersheds was 9.83 only.

**3.4.12** During the period 1993-2003, expenditure incurred against projected cost of watersheds was as follows - expenditure less than 10 *per cent* on nine watersheds, between 10 and 25 *per cent* on 23 watersheds, between 25 and 50 *per cent* on 43 watersheds and above 50 *per cent* on 37 watersheds.

**3.4.13** No expenditure was incurred on 29 watersheds in initial five years of their selection. However, funds which should have been used for completion of other incomplete watersheds were subsequently utilised on these untouched watersheds. As a result, the object of Government to give priority for completion of 50 *per cent* incomplete watersheds in the initial phase of programme was defeated.

On this being pointed out, the Director, SCWAM, attributed (August 2003) the shortfall in achievement to non-availability of labours - skilled/unskilled for EGS works, 'single activity' programme which were subsequently converted into watersheds and watersheds selected under SGRY remained to be completed. The reply was not tenable since none of the executing authority ie TAO had cited the reason of non-availability of labour for incomplete watersheds as only Cement Nalla Bandh (CNB) activity required skilled work. SGRY was introduced only in 2002-03 whereas watersheds were incomplete since 1992 and works executed under 'single activity' programme were negligible as stated by the TAOs.

**3.4.14** Test-check of records in 24 TAOs revealed that out of 2319 watersheds taken up for execution during 1992-1999 at the projected cost of Rs 397.22 crore, 1804 watersheds were still incomplete for the period ranging between one and five years after expenditure of Rs 124.84 crore (31.43 *per cent*). The TAOs attributed the reasons for delay in completion of watersheds mainly to inadequate fund, staff and unwillingness of cultivators for execution of activities.

**3.4.15** Government (October 2001) directed to launch special drive for completion of four pilot watershed projects in each taluka by March 2002 from the funds available with TAO, so that benefits of watersheds would be

<sup>17</sup> One page note is an annual report of watershed prepared by TAO which indicates the area of watershed, projected work/cost and work actually executed with yearwise expenditure incurred.

visible to the local farmers/beneficiaries. However, none of 17 TAO's test-checked could complete even a single watershed (except one watershed in Yavatmal Taluka) till March 2003, though an expenditure of Rs 45.87 crore was incurred against the projected cost of Rs 16.07 crore. The TAOs stated that pilot projects could not be completed due to inadequate receipt of funds and non co-operation by farmers.

The replies were not tenable as though adequate funds of Rs 46.44 crore in 2001-2003 were available with the TAOs, average expenditure of 53.27 per cent only was actually incurred on selected watersheds. Thus, the importance and benefits of watershed projects could not be made visible to the beneficiary farmers due to non-adherence of the directives of Government by TAOs.

### **3.4.16 Incomplete works of watershed**

In 26 watersheds of 10<sup>18</sup> TAOs, it was found that different component of watershed ie seven *Mati Nalla Bandh* (MNB), three *Cement Nalla Bandh* (CNB), 14 Farm Ponds (FP), two Loose Boulder Structure (LBS), four Earthen Structure (ES) remained incomplete for period ranging from two to eight years after incurring an expenditure of Rs 12.84 lakh.

The reasons for incomplete works attributed by the TAOs were mainly due to inadequate funds, unwillingness of cultivators and hard rock found during execution of earthwork. Thus expenditure of Rs 12.84 lakh on these works did not yield any result.

### **Lack of co-ordination in implementation.**

**Implementing agencies did not execute their portion of works defeating the concept of integrated approach in watershed**

**3.4.17** In 14 TAOs of seven<sup>19</sup> districts the project reports of 238 watersheds included various works (Tree Plantation, Continuous Contour Trenches (CCT), Village Tank, Percolation Tank, Kolhapur Type weir, Hydrofracturing etc) costing Rs 54.31 crore for execution by other agencies. However, Senior Geologist, GSDA, Aurangabad, Jalna, Latur and Nashik stated that no works were carried out in watersheds under IWDP. EE, MI, ZP, Jalna stated the same version of Senior Geologist, GSDA. The DDSF, Aurangabad, Jalna and Nashik stated that no works of CCT and plantation of trees were undertaken whereas DDSF, Latur stated that only work of tree plantation on 15 hectare (ha) costing Rs 3 lakh was executed in two watersheds as against target of 455 ha. Information from other agencies was awaited. Reasons for non-execution of works were awaited (August 2003).

Thus, non-execution of works by the other agencies and lack of co-ordination in implementation defeated the purpose of integrated approach in development of watersheds which may result in not deriving the expected benefits.

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<sup>18</sup> Amravati, AUSA, Bhokardan, Chakur, Mantha, Nagbhid, Pandharkawda, Ramtek, Satana, Sillod

<sup>19</sup> Aurangabad, Gadchiroli, Jalna, Latur, Nasik, Ratnagiri and Yavatmal

**3.4.18 Improper execution of works in water sheds**

Works were executed mostly in lower reaches of the watersheds instead of an integrated approach consisting works in upper reaches also

According to instruction of the Director, SCWAM (March 1997) works on watersheds were to be executed from upper reaches to lower reaches in order to avoid the possibility of siltage in CNB, MNB or FP in lower reaches.

Audit scrutiny in 16 TAOs revealed that in 117 watersheds (projected cost Rs 38.06 crore), more thrust was given to the works of CNBs, MNBs and FPs in lower reaches neglecting the execution of works like CCT, LBS, ES, Brush Wood Dam, Live Check Dam, in upper/middle reaches of watershed.

(Rupees in crore)

	Estimated cost	Expenditure incurred	Percentage
Lower Reaches	30.03	16.02	53.34
Upper/Middle Reaches	8.03	0.51	6.35

The TAOs stated that the MNB/CNB works in lower reaches were taken up mainly due to demand of local people, political leaders etc with the purpose to provide more employment in rural areas. The reasons were not acceptable as the principle of execution of works from upper reaches to lower reaches was to sustain water conservation and prevent soil erosion, which was defeated.

**3.4.19 Extra expenditure**

Item No. 31 of EGS rate list provided only labour charges for construction of LBS whereas Item No.32 provided for the completed work of LBS.

Mistake in EGS rate list resulted in extra expenditure of Rs 69.75 lakh

In May 1998, Government revised the EGS rate list wherein higher rate was shown against Item no.31 and lower rate against Item no.32 by mistake. The mistake was rectified by issue of corrigendum in September 2000 but by that time 11 TAOs had already incurred extra expenditure of Rs 30.88 lakh on wages on the LBS works of 183 watersheds. Eight<sup>20</sup> TAOs did not take cognisance of corrigendum issued in September 2000 and continued to adopt the higher rates for Item no.31 for LBS, which led to extra expenditure on wages amounting to Rs 38.87 lakh during October 2000 to June 2001 in 217 watersheds.

The TAOs stated in reply that the mistake in printing of EGS rates occurred at Government level and corrigendum was received late. Government, however, did not investigate the circumstances under which the mistake had occurred that resulted in extra expenditure of Rs 69.75 lakh to the exchequer and no responsibility has been fixed on any officials.

<sup>20</sup> Badnapur, Jalna, Katol, Mantha, Nashik, Peth, Rajapur and Satana.

Watershed works costing Rs 22.41 lakh was carried out in the command area of Irrigation Projects

### 3.4.20 *Avoidable expenditure on Watershed coming under Command Area of Irrigation Projects*

The guidelines provided that villages falling within the command area of irrigation projects/schemes should not be selected for development of watershed.

Government issued notification in March 1997 and October 1998 about the villages falling under command area of Gosikhurd and Arunavati Irrigation Project. It was however noticed that the TAO Kuhi and Digras had carried out soil conservation activities between 1997 and 2002 in five watersheds at the cost of Rs 22.41 lakh. This expenditure of Rs 22.41 lakh incurred after issue of notification was avoidable.

On this being pointed out TAO Kuhi stated (November 2002) that intimation of four watersheds falling under command area of Gosikhurd project was received in October 1998, while TAO, Digras did not specify any reason. The reply of TAO Kuhi is not acceptable because the works should not have been executed after issue of Government notification.

### 3.4.21 *Non handing over of CNB/MNBs to Grampanchayats*

Assets created under IWDP were to be handed over to the concerned Gram Panchayats after their completion for further maintenance.

In 17 TAOs 3316 CNB/MNB's completed upto March 2003 were not handed over to Grampanchayats. TAO, Dharni stated that Grampanchayats were reluctant to take over the possession while others did not furnish any reason. Thus assets created continue to be the liability of Government for maintenance.

### 3.4.22 *Breach of Nalla Bandh*

Rs 44.05 crore incurred on construction of MNB/CNB had breached making the expenditure infructuous

In four<sup>21</sup> TAOs, seven MNBs in seven watersheds were completed during 1998-2002 at a cost of Rs 15.52 lakh. All the seven MNBs breached due to heavy rainfall within two years of construction rendering expenditure of Rs 15.52 lakh unfruitful until the rectificatory work is carried out.

Further, according to information collected from the Directorate of SCWAM, Pune (June 2003) 2475 MNBs and 130 CNBs were breached upto March 2003 involving cost of Rs 42.07 crore and Rs 1.82 crore respectively on construction as worked out by audit. The cost of repair of these MNBs and CNBs was Rs 11.66 crore and Rs 51 lakh respectively and proposals for their repairs were stated to be under process. The original cost, period of construction, period of breach and loss sustained due to breach were not furnished to audit. Had these structure been repaired the desired results of water conservation would have been visible.

<sup>21</sup> Chikhaldara, Dharni, Latur and Yavatmal.

### 3.4.23 Terracing work done without taking photographs

Director SCWAM, Pune instructed (May 1998) to take photographs of the land indicating the identification mark to ascertain the area of land for construction of *majagi* (terracing/paddy bunds). The SDAO was to ensure that the photographs of the land were attached to the estimates of the *majagi*.

Scrutiny of records of three<sup>22</sup> TAOs revealed that 40 *majagi* works were executed in 142.59 hectare of 21 watersheds during 1998-2003 at the cost of Rs 35.94 lakh without taking photographs, which was irregular and against the instructions issued by the Directorate. On this being pointed out, the Director stated that such irregularities would be investigated. In the absence of photographs the purpose to identify and ascertain the area of land before construction of *majagi* was defeated.

### 3.4.24 Incomplete work register

Soil Conservation Manual prescribed the register of works as an important record to be maintained by each Circle Agriculture Officer, which was to be examined and initialled every month by the TAO.

In 28 Circles of 13 TAOs it was noticed that posting in the work register was in arrears for the period ranging between one and five years. Incomplete work register indicated the lack of control and proper watch by the TAO over the circles.

### 3.4.25 Non-participation of village people

Village Water Conservation Committee (VWCC) consisting 10 to 12 members ie Sarpanch, Gram Sevak, Agriculture Assistant, Forest Guard, Assistant Plantation Officer and one representative from cultivators, women, Primary/Middle school teacher including two members from backward class was to be formed to review the implementation of programme.

However, in most of the TAOs these were not formed. Thus, non-formation of VWCC highlighted the failure of the Department to generate awareness about the importance of the programme among the villages.

### 3.4.26 Monitoring and Evaluation

Position of various committees formed to monitor the progress of works under IWDP was as follows.

Committee	Whether formed or not	Target of meetings (annual)	No. of meetings held during 1998-2003	Shortfall in meetings during 1998-2003 (percentage)
State level (Water mission)	Not formed	4	Nil	100
Divisional level (Nagpur, Amravati and Aurangabad)	Not formed	No Target	Nil	100
District level (DCMC)	Formed	12	87 (Information of five districts)	71

<sup>22</sup> Kalwan, Khed and Nagbhid

Village Water Conservation Committee was not formed in most TAOs

State level and Divisional level monitoring committee was not formed

The VWCC was to check the works executed in watershed and submit a report every year to higher authorities. However, no such report was available for scrutiny and also in majority of villages VWCC was not formed.

Guidelines also provided for evaluation to be done by the Directorate of Economics and Statistics or by a Non Government Organisation (NGO). The Director, SCWAM stated that evaluation was carried out by Marketing and Econometric Consultancy Services (METRIC), Pune (NGO), but the report was awaited. In absence of the report, fruitfulness of watersheds could not be ascertained.

#### **3.4.27 Conclusion**

The IWDP has suffered on account of many factors such as lack of planning in project management, lack of co-ordination among the implementing agencies, improper execution of works with inadequate staff, lack of participation of village people in implementation of IWDP and failure of field staff in creating awareness of the benefits of the programme and non availability of adequate funds from various sources. As such the IWDP did not produce the results as expected. The poor monitoring and evaluation system right from State level to district level too contributed for failure to have an effective control over the implementation and progress of IWDP.

#### **3.4.28 Recommendations**

In view of audit observations, Government is requested to consider the following recommendations:

- Funds made available should not be spread thinly over large number of incomplete watersheds. Completion of watersheds, which have 50 per cent and above completed work, should be given priority. Only when incomplete watersheds are completed, work for new watersheds should be undertaken.
- Co-ordination between different executing agencies should be closely monitored and improved so as to achieve integrated approach.
- Works in a watershed should be executed according to norms.
- People's participation should be increased to make the programme a success.
- Monitoring and Evaluation of the programme should be made effective to achieve the goal.

The matter was referred to the Secretary to the Government in September 2003. No reply has been received (November 2003).

## **CHAPTER-IV**

	<b>Page</b>
<b>AUDIT OF TRANSACTIONS</b>	<b>81-122</b>





## CHAPTER IV AUDIT OF TRANSACTIONS

Audit of transactions of the Departments of Government, their field formations as well as that of the autonomous bodies brought out several instances of ineffective management of resources and failures in the observance of the norms of regularity, propriety and economy. These have been presented in the succeeding paragraphs under broad objective heads.

### 4.1 Fraudulent drawal/misappropriation/embezzlement/losses

#### Housing Department

##### 4.1.1 Irregular payment of financial assistance to ineligible beneficiaries

##### **Irregular payment of financial assistance of Rs 97.48 lakh to ineligible beneficiaries under *Bhoomihin Shetmajoor* Assistance Scheme.**

With a view to extend financial and social security to old *Bhoomihin Shetmajoors*, (Landless labourers), Government in October 1991 introduced Indira Gandhi Old *Bhoomihin Shetmajoor* Assistance Scheme. Under the scheme, while submitting the application to Tahsildar/Committee, the beneficiary was required to submit certain information viz resident of State, age proof, not having movable/immovable property, not having adult children, no source of income, etc duly certified by village level authorities namely *Gram Vikas Adhikari, Gram Sevak, Talathi, Medical Officer* etc. The scheme provided for stoppage of the assistance in case the beneficiaries were found ineligible subsequently.

Audit scrutiny (February 2002 and March 2003) of records of the Tahsildar, Bhokar, District Nanded revealed that the Collector, Nanded had issued instructions (February 1996) to detect ineligible beneficiaries and stop misuse of the assistance by verifying the correctness of the certificates issued by concerned authorities. In November 1996, Tahsildar, Bhokar identified 3013 ineligible beneficiaries, who had given false information but no recovery has been made (November 2003). Such ineligible beneficiaries had already been paid financial assistance of Rs 60.67 lakh during November 1991 to February 1996. Despite detection of such a large number of ineligible beneficiaries, action was not initiated against the authorities certifying false information nor any strict measures were taken by the Committee to prevent misuse in future, which has further resulted in irregular payment of Rs 36.81 lakh to 366 ineligible beneficiaries during March 1996 to June 2002.

On being pointed out, Tahsildar, Bhokar while accepting the fact stated (March 2003) that notices were issued to concerned beneficiaries for recovery.

However, no recovery could be made (November 2003) as there exist no provision for recovery in the scheme.

Thus, certification of false information by the village authorities and failure of the Committee to detect it has resulted in irregular payment of Rs 97.48 lakh to ineligible beneficiaries defeating the very purpose of the scheme.

The matter was referred to the Secretary to the Government in July 2003. Reply has not been received (November 2003).

#### **4.2 Infructuous/wasteful expenditure and overpayment**

##### **Agriculture, Animal Husbandry, Dairy Development and Fisheries Department**

#### **4.2.1 Infructuous expenditure on construction of Chinese type of hatcheries**

##### **Failure to assess the availability of water supply and to rectify the defects resulted in infructuous expenditure of Rs 37.04 lakh on Chinese type of hatcheries**

Government decided (December 1990) to construct Chinese type of hatcheries (hatchery) which provided adequate oxygenated water with suitable temperature to yield optimum spawn production.

Scrutiny of records of Regional Deputy Director of Fisheries (RDDF), Nagpur and Nashik (December 2002 and March 2003) revealed that four hatcheries at Vena, Bor, Kelzar in Nagpur Region and Karanjwan in Nashik Region were constructed between 1992 and 1995 at a cost of Rs 37.04 lakh with a targeted production of 191 lakh spawn/year. However, these hatcheries were never utilised for spawn production since construction due to shortage of water.

RDDF Nashik admitted (March 2003) that the hatcheries could not be used because of inadequate water supply, defective construction and improper maintenance of the farm. Agriculture, Animal Husbandry, Dairy Development and Fisheries Department stated (October 2003) that after completion of Karanjwan hatchery in 1994, Irrigation Department was repeatedly requested to supply water which was not accepted. The reply is not tenable since the water supply system was dismantled in December 1991 itself and the construction was defective. Reply for remaining hatcheries was awaited (November 2003).

Thus, lack of proper co-ordination between different departments, failure to assess the availability of water supply and to rectify the defects in a period of eight to ten years, rendered the expenditure of Rs 37.04 lakh on construction of four hatcheries infructuous. No responsibility has been fixed on any officials for the lapses.

#### 4.2.2 Wasteful expenditure on fish ponds

##### **Non-construction of fish pond for fish culture activity rendered the expenditure of Rs 21.79 lakh wasteful.**

To provide self employment to the educated unemployed, Fisheries Department introduced (December 1997) a scheme for construction of fish ponds in degraded agriculture land for growing fish culture. The scheme provided for construction of one hectare fish pond estimated to cost Rs 1.60 lakh with Government subsidy of Rs 40000. The beneficiaries were required to give an undertaking for taking fish culture for five years continuously failing which the subsidy amount was to be returned.

Scrutiny of records of 11 District Fisheries Development Officer (DFDO) revealed (February 2003) that benefit under this scheme was extended to 311 beneficiaries and Rs 87.01 lakh was distributed as subsidy during 1997-2000. During joint physical verification of 116 beneficiaries by audit with DFDO officials, it was found that 26 beneficiaries had not constructed the fish ponds (subsidy Rs 9.61 lakh). In case of 31 beneficiaries, the construction of ponds was not as per norms and fish culture activity was not carried out (subsidy Rs 8.88 lakh) and in 10 cases the ponds were being used for agriculture crop (subsidy Rs 3.30 lakh).

As these beneficiaries did not carry out the fish culture, payment of Rs 21.79 lakh to these beneficiaries was liable to be recovered. The DFDO's agreed to initiate appropriate action to recover the amount.

When irregularities were pointed out, Department initiated (April 2003) enquiry against DFDO, Solapur while reply in respect of other cases was awaited (November 2003).

#### Urban Development Department

#### 4.2.3 Infructuous expenditure on abandoning of incomplete sewer lines

##### **Abandoning of incomplete sewer lines resulted in an infructuous expenditure of Rs 69.21 lakh.**

Kalyan Dombivli Municipal Corporation (KDMC) took up (1995) the work of widening/strengthening of 3.6 km long Kalyan Diversion Road from Birla college to Durgadi fort. When the work was in progress, the KDMC decided (September 1995) to lay a sewer line beneath the road under execution along the road's chainage. The estimate of Rs 1.28 crore for the sewer line was administratively approved by the KDMC (September 1995) and tenders were invited (September and December 1995). To keep pace with the road work, the sewer line work was split into four parts. The first part of work (Chainage up to 900 metres) was awarded in October 1996, the second and third parts of

the work were awarded in March 1997 and the fourth part of work in April 1997. The period for completion of each work was six months.

Scrutiny of records in the Hydraulic Engineering Department of KDMC revealed (January 2002) that the first part of work was completed. However, the remaining three parts of work, were stopped (March 1998) after incurring an expenditure of Rs 69.21 lakh, due to encountering hard strata during excavation (May 1997), which required blasting. Though the police permission for blasting was received in March 1998, no efforts were made to speed up the work of sewer lines and in the meantime the road work was completed (March 1999). As the sewer lines could not be laid without breaking the newly constructed road, which involved heavy expenditure, the KDMC terminated the contract for all the three sewer line works (March 1999).

Thus, delay in laying the sewer lines before completion of road work and lack of co-ordination among the different departments of the KDMC resulted in infructuous expenditure of Rs 69.21 lakh.

The Hydraulic Engineer, KDMC replied (January 2002) that the KDMC had appointed a consultant for survey and design of underground sewerage system for the newly developed area of the KDMC. While finalising the new scheme possibility of utilisation of the work already executed would be considered in consultation with the consultant. However, the possibility of utilisation of the work already executed appears to be remote as more than six years have elapsed. No responsibility has been fixed for the unfruitful expenditure.

The matter was referred to Secretary to Government in April 2003 and reminder issued in September 2003. Reply has not been received (November 2003).

#### **4.3 Violation of contractual obligations/undue favour to contractors**

##### **Housing Department**

#### **4.3.1 Undue favour extended to a private developer**

**Non-compliance of tendering procedures and incorrect assessment of profit from slum development resulted in undue benefit of Rs 82.25 crore to a private developer.**

Housing Development and Improvement India Private Limited, a private developer submitted (May 2002) a *suo motu* proposal to the Slum Rehabilitation Authority (SRA) for re-development of 18437 square metre (sq mt) of land belonging to the Maharashtra Housing and Area Development Authority (MHADA) in Bandra (East). On this land, there were 321 transit tenements of MHADA occupying an area of 11764 sq mt and slums on the

remaining area of 6673 sq mt. This was followed up by a proposal to the Government (June 2002) for construction at its own cost, 450 tenements to rehabilitate slum dwellers as per SRA norms and 321 permanent transit tenements for the existing transit tenements of MHADA. Moreover, 3000 sq mt (later modified to 5000 sq mt) of land would also be developed for a bus terminus as per reservation of the plot; and Rs 4 crore would be paid to MHADA as compensation amount. In consideration of provision of these facilities, the developer sought permission to use complete Floor Space Index (FSI) of the Scheme.



**The commercial structure being built by applying residential rates**

Mumbai Building Repairs and Reconstruction Board (Board), a unit of MHADA, assessed (June 2002) a net profit of Rs 29.92 crore, (after providing accommodation to the existing tenants) if MHADA itself re-developed the transit camp and a net profit of Rs 34.42 crore, if the developer carried out the redevelopment work. Based on this analysis by the Board, in meetings (June/July 2002) convened by the Chief Minister, it was decided to award the work in favour of the private developer. Accordingly, an agreement was entered in August 2002.

The SRA gave approval (September 2002) for a total FSI of 32086.67 sq mt including sale component of 23658.53 sq mt. After providing for 7158 sq mt for re-housing 321 transit tenants, net area available to the developer for sale was 16500.53 sq mt (including 5000 sq mt for bus terminus). Computed with reference to the commercial rate of Rs 85000 per sq mt being double the residential rate, the sale would yield a net profit of Rs 86.25\* crore to the developer as against a profit of Rs 8 crore assessed by MHADA. With the sum of Rs 4 crore received (50 per cent of Rs 8 crore) from the developer the net gain to the developer would be Rs 82.25 crore.

Scrutiny of records revealed that MHADA did not follow the tendering system while awarding the FSI and therefore lost the opportunity of competitive bids. Projections of the benefits made by MHADA by accepting the offer of the developer was erroneous because it reckoned only residential rates for the use of land though the land was reserved for para commercial use and attracted twice the residential rates according to MHADA's pricing policy.

Thus, due to injudicious decision of the Government of acceptance of the proposal of the private developer without following transparent tendering procedure, MHADA lost the opportunity of sharing the additional gain of Rs 78.25 crore.

\*  $16500.53 \times 85000 = 140.25$  crore - 54 crore (cost of construction) = Rs 86.25 crore

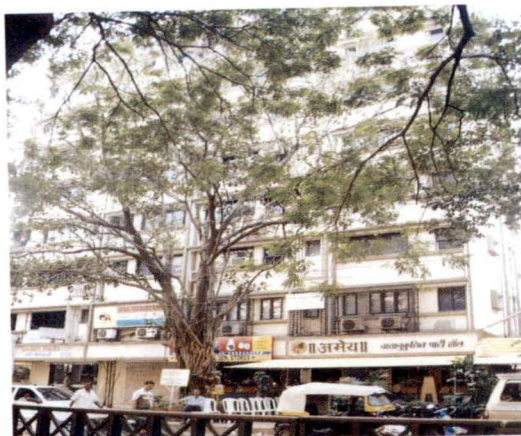
The matter was referred to the Principal Secretary to the Government in August 2003. Reply has not been received (November 2003).

**4.3.2 Irregular transfer of shops and allotment of additional plot area**

**Irregular transfer of shops to unauthorised occupants resulted in a loss of Rs 5.46 crore.**

The erstwhile Maharashtra Housing Board, now Maharashtra Housing and Area Development Authority (MHADA), allotted on rent in 1962-63, three amenity blocks for a medical store, coal shop and laundry with a built up area of 344.33 square feet each in MHADA's Office building at Bandra. Although the business continued except in the case of the coal shop, which changed to a hotel, the ownership of these shops was changed unauthorisedly. Instead of resumption of these shops for breach of allotment terms, the Chief Officer of the Mumbai Housing and Area Development Board, a unit of MHADA transferred ownership of these shops in January/March 1995 to the unauthorised occupants at their request (May 1994) at a cost of Rs 86085 each, without the approval of MHADA.

Further, the Chief Officer allotted vacant land of 909.60 square metre (sq mt) equally to these unauthorised occupants but handed over possession of 945.36 sq mt of land (March 1996) at the lease premium of Rs 3630 per sq mt against prevailing market rate of Rs 30000 per sq mt meant for non-residential purpose. Besides, annual lease rent of 2.5 per cent on the premium amount was recoverable from the allottee. The Senior Architect of the Board also, unauthorisedly allotted (December 1996), additional Floor Space Index (FSI) of 756 sq mt generated in the same layout to them at the rate of Rs 3800 per sq mt. Thus, a total 1701.36 sq mt was unauthorisedly allotted. The premium recoverable on this was Rs 5.10 crore against which Rs 56.30 lakh was recovered. Against lease rent of Rs 85.07<sup>#</sup> lakh, Rs 5.45 lakh was recovered. Besides, penalty of Rs 12.64 lakh for delayed payment was not recovered. Thus total recoverable amount works out to Rs 5.46 crore (March 2003).



**Building showing shops irregularly transferred to unauthorised occupants**

MHADA raised an additional demand for Rs 2.40 crore being the difference between actual sale price and the prevailing market rate for 909.60 sq mt land (May 2000) but not for the additional 35.76 sq mt of land and differential cost for the additional FSI of 756 sq mt. The allottees challenged the demand in the

<sup>#</sup> [(Rs 709020x7 years) + (Rs 567000x6.25 years)] = Rs 8506890

Mumbai High Court. The Court, in April 2002, quashed the demand and directed MHADA to issue fresh show cause notice for demand. Final action in the matter by MHADA was awaited (November 2003). Thus, the irregular transfer of ownership of shops to unauthorised occupants by exceeding the authority vested, handing over excess area and fixation of lease premium/lease rent at a very low rate, entailed a loss of Rs 5.46 crore.

The matter was referred to the Principal Secretary to the Government in August 2002 and July 2003. Reply has not been received (November 2003).

### **4.3.3 Undue favour extended to an allottee**

#### **Undue favour extended to an allottee resulted in a loss of Rs 3.18 crore.**

Government allotted (December 1996) 9744 square metre (sq mt) of land in survey No. 31/3 at Oshiwara to Shri Sai Co-operative Housing Society (Society) for construction of tenements. Accordingly, Mumbai Housing and Area Development Board (Board)\*, allotted (January 1997) the land to the Chief Promoter of the proposed Society. Since it was a reserved plot of Brihanmumbai Municipal Corporation (BMC), the Board at the instance of society allotted (May 1997) an alternate land with identical area in adjacent survey numbers (in parts from survey numbers 29, 31 and 32) on a lease premium of Rs 3.20 crore with an annual lease rent of Rs 7.99 lakh payable within 30 days of allotment.

Audit scrutiny (June 2003) revealed that undue concessions were extended to the Society in many ways as discussed below:

- Though the alternate land allotted was not reserved and was free for development, the payment clause was changed and a clause regarding "payment within 90 days from the date of approval of revised layout plan by BMC" applicable to the original plot was included in the allotment order and was incorporated by the Society in its indemnity deed. This enabled the Society to extend the due date of payment from 30 June 1997 to 10 May 2000<sup>α</sup> resulting in loss of interest of Rs 1.49 crore.
- The Society was permitted (May 2002) for utilisation of additional FSI of 2353 sq mt by purchasing transferable development right (TDR) from outside which the Society purchased from MHADA. Even though No Objection Certificate charges at the rate Rs 600 per sq mt (Rs 14.12 lakh) were payable to MHADA, only 10 per cent of the charges was levied (Rs 60 per sq mt) on the plea that TDR used by the Society was purchased from MHADA. This concession was not contemplated and justified and resulted in further loss of Rs 12.71 lakh.

\* a unit of the Maharashtra Housing and Area Development Authority (MHADA)

<sup>α</sup> ie the date of issue of commencement certificate by BMC.

- For the development and construction of road, the society was bound to pay BMC, charges on *pro rata* basis to the extent of Rs 1.56 crore. This was relaxed in this case by the Board at the instance of the Society and was adjusted against the dues payable by the Society.

Thus, the undue concessions extended to the Society and insertion of redundant clause in the allotment order resulted in a loss of Rs 3.18 crore.

The matter was referred to the Principal Secretary to the Government in June 2003. Reply has not been received (November 2003).

<b>4.3.4</b>	<b>Loss of revenue due to arbitrary reduction in sale price of tenements</b>
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<b>Delay in finalisation of final sale price of tenements and arbitrary waiver of 60 per cent of the differential sale price entailed loss of revenue of Rs 1.42 crore.</b>
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Section 28 of the Maharashtra Housing and Area Development Act 1976 read with Maharashtra Housing and Area Development (Estate Management, Sale, Transfer and Exchange of Tenements) Regulations, 1981 contains its pricing policy in respect of disposal of its developed sites and housing tenements.

The Pune Housing and Area Development Board, a unit of MHADA, constructed 2430\* tenements and allotted them during 1985-1987, on a tentative cost aggregating Rs 6.91 crore. The allottees were liable to pay any differential cost after the final cost was assessed. After more than nine years the final cost of all the tenements was fixed as Rs 9.28 crore instead of the original Rs 6.91 crore. The allottees protested and refused to pay the increased cost. There upon in deviation from laid down policies of MHADA under provisions of Act *ibid* and the regulations, Minister of State for Housing arbitrarily decided (September 2000) to recover only 40 per cent of the increased cost in respect of the Low Income Group category and waive the remaining 60 per cent even though he was not competent to do so. Though this decision was a deviation from its laid down policies MHADA adopted it in November 2000.

Subsequently, on representation from the allottees of Middle Income Group category for similar concession, the Minister for Housing decided (January 2001) to extend the same concession to all categories, which MHADA agreed to without any formal resolution or modifying/amending the earlier one and directed the Board accordingly. The arbitrary waiver of 60 per cent of increase in final sale price resulted in loss of revenue of Rs 1.42 crore.

The matter was referred to the Principal Secretary to the Government in July 2002 and 2003. Reply has not been received (November 2003).

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\* High Income Group - 120 tenements, Middle Income Group - 948 tenements, Low Income Group - 1242 tenements and Economically Weaker Sections - 120 tenements



**4.3.5 Loss of revenue due to low fixation of upset price**

**Loss of revenue of Rs 59 lakh due to low fixation of upset price.**

The Mumbai Housing and Area Development Board (Board) - a unit of Maharashtra Housing and Area Development Authority (MHADA), advertised (July 2000) sale of Transferable Development Right (TDR) of 18785 square metre (sq mt) of land generated from its Slum Rehabilitation Project at Mankhurd. The tender notice was issued without fixing a minimum upset price in violation of existing orders.

The bids were received (July 2000). However, based on the directives of the Minister (Housing) in a meeting held on 27 July 2000 the Board rejected the bids received (July 2000) and re-invited tenders (August 2000) fixing a minimum upset price of Rs 4090 per sq mt (ie Rs 380 per square feet (sq ft)) for deferred payment offer and a discount thereon at 1.25 *per cent* per month for down payment. The basis of fixation of the upset price was not on record. In response to the revised tender M/s Pranay Investments' offer of Rs 4531.644 per sq mt (Rs 421 per sq ft) on deferred payment for the entire 18785 sq mt was the highest. The Selection Committee however decided (August 2000) to allot only 13785 sq mt of the total 18785 sq mt to them and allotted the balance 5000 sq mt to Gala Construction Co., the second highest bidder, at Rs 4360 per sq mt on down payment.

Incidentally, M/s Pranay Investments had purchased in March 2000 TDR of 8075 sq mt from Shivshahi Punarvasan Prakalp Ltd (SPPL), another rehabilitation agency (a Government Company), at the rate of Rs 5380 per sq mt (ie Rs 500 per sq ft) in the same colony (Mankhurd) on deferred payment basis. Moreover, the Vice President and Chief Executive Officer of MHADA, Secretary Housing, etc were on the Board of Directors of SPPL also. During the interregnum of the cancellation and reinvitation of tenders, the Board also received an unsolicited offer of Rs 6456 per sq mt (ie Rs 600 per sq ft). It is therefore evident that well before the upset price was fixed, top officials of MHADA were aware of the prevailing rates. Hence, the circumstances under which such a low and arbitrary upset price (Rs 4090 per sq mt) for TDR in the same colony was fixed by MHADA in August 2000, was not clear and needed to be investigated.

Even subsequently, the Board sold TDR in April 2001 and September 2002 at an upset price of Rs 4800 per sq mt (actual sale price Rs 5650 per sq mt) and Rs 8740 per sq mt (actual sale price Rs 8740 to Rs 8745 per sq mt) respectively, which confirms the low rate it received in August 2000. Based on the trend of rates known to MHADA, the sale of 18785 sq mt TDR has resulted in a loss of Rs 59 lakh.

Thus, the arbitrary fixation of the upset price without reckoning market trend and the rates obtained by a parallel agency resulted in an avoidable loss of revenue of Rs 59 lakh.

The matter was referred to the Principal Secretary to the Government in July 2003. Reply has not been received (November 2003).

<b>4.3.6</b>	<b>Loss due to irregular allotment of land to a trust at concessional rate</b>
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<b>Irregular allotment of land to a trust at a concessional rate resulted in loss of revenue of Rs 56.10 lakh.</b>
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Government of Maharashtra decided (July 1999), to allot 13.50 hectares of land available with Nagpur Housing and Area Development (NHAD) Board, a unit of Maharashtra Housing and Area Development Authority (MHADA), at Vaddhamana, Nagpur to Sakal Jain Foundation (Foundation).

NHAD Board (September 1999) worked out the cost of land at Rs 29.65 lakh. The Vice President and Chief Executive Officer (VP and CEO) of MHADA ordered (October 1999) recovery of the cost from the Foundation at the market rate or as determined by the Town Planning Department whichever was higher according to the pricing policy of MHADA. Government, however, stayed (October 1999) all allotments made between June and October 1999 and cancelled them (January 2000) with the proviso that requests of the allottees could be re-examined for consideration afresh.

Based on request from the Foundation (February 2000), Government allotted the land (August 2000) to the Foundation, despite MHADA's recommendation (April 2000) not to allot NHAD Board's land to any institution/organisation as it could utilise the land for public housing schemes. NHAD Board intimated to MHADA (November 2000) that the cost of land as worked out by the Town Planning Department was Rs 85.75 lakh. But, acting on directives from MHADA (November 2000), NHAD Board (November 2000) updated the earlier price of Rs 29.65 lakh to Rs 35.86 lakh. Meanwhile, on the advise of Government (November 2000) to waive the interest, the VP and CEO of MHADA directed NHAD Board (December 2000) to recover only Rs 29.65 lakh from the Foundation, pending final decision of the MHADA in the matter. MHADA took a decision in January 2001 against allotting the land to the Foundation and reducing the cost. However, Government directed MHADA (March 2001) to allot the land to the Foundation at Rs 29.65 lakh. The Foundation paid the sum of Rs 29.65 lakh in April 2001 where upon, NHAD Board, even without a formal letter of allotment stipulating the terms and conditions of allotment, handed over possession of the land to the Foundation in the same month.

The allotment of land of 13.50 hectares earmarked for residential purposes by Government to the Foundation at a concessional rate of Rs 29.65 lakh against the market price of Rs 85.75 lakh disregarding the reservations of MHADA tantamounts to an act of undue favour and resulted in loss of revenue of Rs 56.10 lakh to MHADA.

The matter was referred to the Principal Secretary to the Government in July 2003. Reply has not been received (November 2003).

**Industries, Energy and Labour Department**

**4.3.7 Non-eviction from Government quarters**

**Failure to evict superannuated employees from Government quarters and non-recovery of rent of Rs 1.36-crore from them.**

Government Central Press (Press), Mumbai has its staff quarters at Mudran Kamgar Nagar, Andheri (West). As per Government directives, any employee who is occupying Government quarter should vacate it on superannuation. The quarter can be retained for three months after superannuation with the consent of administration and after the expiry of three months, rent based on market rate of Rs 10 per square feet (since October 1996) is recoverable from the occupant.

A review of rent recovery dues revealed that 69 retired employees had not vacated their quarters on their superannuation as of November 2002 though many of them had retired as early as 1987. As quarters can be retained with the consent of administration only for three months, prompt action should have been taken to evict the employees when they failed to pay up the penal rent. The Press however failed to get the quarters vacated, which adversely affected 150 employees awaiting allotment of quarters. The Department ordered eviction of the occupants only in January 2003.

Neither the illegal occupants have been evicted so far nor have the dues amounting to Rs 1.36 crore (up to September 2003) been recovered from them. As it is difficult to recover the rent once an employee retires, there is a need to disallow employees to occupy quarters once they retire.

The matter has been reported to the Secretary to the Government in March 2003. Reply has not been received (November 2003).

**Irrigation Department**

**4.3.8 Irregular payment**

**Irregular payment of Rs 2.81 crore beyond contractual terms.**

The work of construction of masonry dam of Upper Pravara Project in Ahmednagar district, estimated at Rs 30.72 crore, was entrusted to a contractor (April 1995) on item rate tender for Rs 35.63 crore for completion by April 2000. The tender included an item of excavation for foundation in hard strata by blasting in wet or dry condition including dressing the side slope and bed to the specified grade at the rate of Rs 190 per cubic metre (cum). According to clause 37 of the tender, the payment for quantities in excess of 25 per cent of

the tendered quantities were to be made at current schedule of rates (CSR) increased or decreased by tender percentage.

During execution of the work, the quantity of excavation work had increased disproportionately from 43113 cum to 377713 cum as of January 2003 due to change in section of the dam, necessitating payment for 323820 cum quantity in excess of 25 per cent of the tendered quantity. However, while calculating payment to the contractor for excess quantities as per basic CSR of ID, the department included the rates for machinery/equipment also in the basic CSR. This has resulted in excess payment of Rs 2.81 crore to the contractor upto 99th Running Bill paid in January 2003 on excess quantities of excavation (323822) during 1995-2001 as detailed below:

Year	Quantity executed beyond 125 per cent (cum)	Rate of actual payment Rs/cum	Amount paid (Rupees in lakh)	Rate payable Rupees/cum	Admissible amount (Rupees in lakh)	Excess payment (Rupees in lakh)
1995-96	38995	272.15	106.12	204.10	79.59	26.53
1996-97	200995	291.75	586.40	222.40	447.01	139.39
1999-2000	49201	371.05	182.56	234.00	115.13	67.43
2000-01	34629	384.80	133.25	247.95	85.86	47.39
<b>Total</b>	<b>323820</b>		<b>1008.33</b>		<b>727.59</b>	<b>280.74</b>

The Executive Engineer, Upper Pravara Division, Sangamner, Ahmednagar district stated (February 2003) that payment to the contractor for additional quantity was regulated under clause 37 taking into consideration basic rate of District Schedule of Rates (DSR) of ID applicable for the respective year and the rate of machinery from the DSR of Mechanical Department. As huge extra quantity could not be completed without use of machinery in short time, the use of machinery was unavoidable.

The contention of the Department was not tenable since payment to contractor was to be regulated according to the CSR of ID as specified in the tender. Moreover, the time for completion of work was extended upto June 2005 and there was no shortage of time as contended by the Department justifying use of machinery for speedy completion.

The matter was referred to the Secretary to the Government in July 2003. Reply has not been received (November 2003).

### Public Works Department

#### 4.3.9 Non-forfeiture of earnest money deposit

**Department's deliberate inaction in contravention of the tender conditions resulted in undue benefit of Rs 61.08 lakh to contractors.**

Under Tourism Development Programme of Sindhudurg district, tenders for improvement of nine road works estimated to cost Rs 38.91 crore were invited by Public Works Division Sawantwadi and Kankavali in April 1999. According to the tender condition, if a contractor withdraws his offer after

submission of tender, the full amount of earnest money deposit (EMD) paid by him shall be forfeited by the Government. This condition was applicable to those contractors also who were holding Exemption Certificate (EC) from payment of EMD. In those cases where contractors had EC, the Executive Engineer (EE) in charge of the work should report the facts telegraphically to the EE who had issued EC to forfeit EMD.

Audit scrutiny (March 2002) revealed that in response to the bid notice, 172 tenders were received. Of these, 92 tenders were found ineligible. Out of 80 eligible contractors, 10 contractors who furnished EC from payment of EMD requested the Department in May 1999 for withdrawal of offers on grounds of their inability to execute the work within the stipulated period. The EE in-charge of work accepted the plea but did not report to the EE who had issued EC for forfeiture of EMD.

Thus, inaction on the part of EE to invoke tender provisions and non-adherence to the Government directives resulted in undue benefit of Rs 61.08 lakh to contractors.

The matter was referred to the Secretary to the Government in November 2002. Reply has not been received (November 2003).

#### **4.4 Avoidable/excess/unfruitful expenditure**

### **Agriculture, Animal Husbandry, Dairy Development and Fisheries Department**

#### **4.4.1 Unfruitful expenditure on patrol boats**

#### **Unfruitful expenditure of Rs 4.43 crore due to grounding of boats and Rs 9.06 lakh on maintenance of inoperative boats**

The Commissioner of Fisheries purchased four patrol boats, in April 1998 at a cost of Rs 4.43 crore out of Central assistance, for controlling illegal fishing, under the Maharashtra Marine Fisheries Regulation Act 1981.

Initially, the boats were kept in dock till September 1998 as staff to operate the boats was not sanctioned.

Thereafter, all the four boats were operated by various private agencies on contract basis till March 2001. Thereafter till October 2001 only one boat was operational. The Government paid Rs 9.06 lakh to a private agency to maintain three non operative boats from April to October 2001. In October 2001, Government grounded all boats,



**A grounded patrol boat**

as they were uneconomical and anchored them at sea. As a result, the condition of the boats deteriorated. In August 2002, a new agency was engaged to hire boats for patrolling.

Thus, Government's inability to maintain and operate the boats economically, either departmentally or through private agencies resulted in grounding of these boats within three and half years of its purchase as against a normal life of 20 years. The purpose of purchasing the boats was not fulfilled besides the expenditure on the cost of boats and maintaining inoperative boats was largely unfruitful.

While confirming the facts in August 2003, the Government stated that approval to the proposal to write off the boats submitted to the Government of India in February 2002 is awaited (November 2003).

#### **4.4.2 Avoidable extra expenditure**

##### **Avoidable extra expenditure of Rs 38 lakh due to non-provision of separate domestic connection.**

A mention was made in the report of the Comptroller and Auditor General of India No. 3 (Civil), Government of Maharashtra for the year ended March 1995 regarding non-provision of separate domestic connections by Greater Mumbai Milk Scheme (GMMS) for water supply to its staff quarters.

Scrutiny of records revealed (March 2003) that GMMS took eight years to apply for a separate domestic connection for supply of water to its staff quarters. In the meantime the difference between commercial rate and domestic rate shot up from Rs 1.90 kilolitre in 1996 to Rs 7 kilolitre in March 2003. Separate connection was yet to be provided (September 2003).

The avoidable extra payment at commercial rate was Rs 38 lakh for the period from April 1996 to March 2003 with recurring extra expenditure of Rs 15 lakh *per annum* in future till separate meters are installed for domestic supply.

The matter was referred to the Secretary to the Government in September 2003. Reply has not been received (November 2003).

**General Administration Department**

**Directorate of Information Technology**

**4.4.3 Injudicious purchase of software**

**Improper planning led to extra procurement of 2000 lotus software costing Rs 60 lakh and obsolete software application package valuing Rs 31 lakh.**

The Directorate of Information Technology (DIT), Mumbai was set up by Government (March 1998) for framing overall information strategy, its implementation and monitoring.

Scrutiny of records (August 2003) revealed that there was an injudicious purchase of software costing Rs 91 lakh as detailed below:

Government opted (March 1999) for Lotus Notes as messaging software required for the purpose of e-mail facility and similar applications. As per the initial planning, DIT purchased (March 1999) 3070 copies of communication software Lotus Notes at the rate of Rs 3000 costing Rs 92 lakh along with Lotus Smart Suite (cost Rs 78 lakh), a software used for generic PC application such as Word processing etc. The e-mail facility connecting 39 locations was set up in March 2000. Phase I of LAN for Mantralaya connecting 1206 input/output (IO) points was completed in March 2000 and Phase II connecting 664 IO points was completed in September 2001. Considering this development and initial planning, 3070 copies purchased in March 1999 were adequate. However, an additional purchase of 2000 copies of Lotus Notes costing Rs 60 lakh was made in November 1999 without verifying the utilisation of copies of Lotus Notes already purchased. Thus purchase of 2000 copies of Lotus Notes costing Rs 60 lakh (Rs 3000 each) was in excess of the requirement.

DIT and Joint Secretary to the Government stated (October 2003) that the Lotus communication package along with Lotus Smart Suite was preloaded in 3722 computers at the time of purchase of PCs and more licenses would be required for extending WAN/LAN to district and taluka level offices.

Reply was not tenable as the software was loaded in computers without verifying whether the preloaded PCs were put to use for e-mail purpose, having LAN/WAN connectivity, Modem and Telephone connectivity. Further, it was observed that Government was compelled to use obsolete technology to begin with the utilisation of the package as only 1800 e-mail IDs were created during the software's upgradation period of two years ie up to March 2001. Moreover, total number of IDs configured in user's PCs through Lotus Notes was 3723 only (June 2003) as against 5070 copies procured.

Relational Database Management System (RDBMS) such as IBM DB2 is used to develop database applications for computerisation of various functions of Departments. DIT purchased (March 1999) 3070 copies of IBM DB2, valuing Rs 31 lakh without any specific project plan for computerisation of any function. As against this only 275 copies of IBM DB2 was issued to Director of Land Records for computerisation of Land Records in March 2002 while the remaining 2795 copies DB2 valuing Rs 28 lakh were unutilised (June 2003). Further it was observed that as per purchase condition the upgradation of the software was only for two years ie up to March 2001, which expired prior to utilisation of the software.

DIT and Joint Secretary to the Government in its reply stated (October 2003) that DB2 was procured along with Lotus package to avail of the discount offered by the company. The package remained unutilised due to change in technology from Client/Server to Web/Browser based architecture and computerisation of other departments could not take of due to funds crunch.

The reply is not tenable as department failed in managing its Information Technology investments and short range planning for such functions.

### Housing Department

#### 4.4.4 Extra expenditure due to non-recovery of *pro rata* charges

**Irregular payment of *pro rata* construction charges on behalf of Co-operative Housing Societies resulted in avoidable extra expenditure of Rs 91.51 lakh.**

Under the Development Control Regulations for Greater Bombay 1991, the owner, who surrenders free of cost his land required for road widening or for construction of new roads proposed under the Development Plan (DP), is eligible to get 100 *per cent* Floor Space Index (FSI) in lieu of land so surrendered subject to certain conditions for its utilisation. Brihanmumbai Municipal Corporation (BMC), while granting the additional FSI, recovers *pro rata* charges towards the cost of construction of the DP road from the owner.

Mumbai Housing and Area Development Board (Board), a unit of Maharashtra Housing and Area Development Authority, to which additional FSI of 19583 square metre (sq mt) was admissible on account of DP road potential at its Juhu - Vile Parle Development scheme, advertised (July 2000), sale of 19000 sq mt of FSI to the Housing Societies in the scheme at the prevailing zonal rate. According to the terms and conditions specified in the advertisement for sale of FSI, the purchaser was liable to pay *pro rata* charges to BMC on account of construction of DP road

Juhu Griha Swapna Co-operative Housing Society (Society) which responded to the advertisement was allotted 2289.20 sq mt of additional buildable area in May 2001 at a cost of Rs 76.40 lakh. The Society executed a legally valid undertaking to abide by the terms and conditions of allotment including



payment of *pro rata* charges to BMC. The Society was given No Objection Certificate for its development after it paid the cost.

The Society, despite its undertaking to pay the *pro rata* charges insisted that the Board should pay the *pro rata* charges of Rs 25.29 lakh directly to BMC out of the payments made by them. The Board without the required approval of the Authority, made the payment to BMC (February 2002), though the refusal of the Society to pay the charges was a breach of contract considering the legal undertaking given by it to the Board. The irregular decision had the effect of reducing the cost of FSI recoverable from the Society and avoidable extra expenditure of Rs 25.29 lakh.

The Board went a step further by paying *pro rata* charges amounting to Rs 66.22 lakh to BMC on behalf of four more Housing Societies to whom FSI aggregating 6095.39 sq mt was allotted on the same lines as in earlier case.

Thus, the irregular decision to pay the *pro rata* charges despite explicit contractual commitment by these Housing Societies and without taking formal approval of the Authority, resulted in avoidable extra expenditure of Rs 91.51 lakh.

The matter was referred to the Principal Secretary to the Government in June 2003. Reply has not been received (November 2003).

### Irrigation Department

#### 4.4.5 Avoidable expenditure

#### **Avoidable expenditure of Rs 3.15 crore was incurred due to non-compliance of Government orders to hand over completed projects.**

According to Government orders (December 1978) the Wambori Lift Irrigation Scheme in Wambori village of Rahuri taluka in Ahmednagar, constructed from Drought Prone Area Programme (DPAP) fund, was to be handed over on completion to the Rahuri Sahakari Sakhar Karkhana (RSSK), a co-operative body, for further management and maintenance thereof and no further liability in respect of the scheme was to be borne by State Government. A binding agreement to this effect was to be executed between the Government and RSSK before taking up the scheme. The Government approved (February 1980) the scheme to irrigate 977 hectares (ha) of lands. Executive Engineer, Minor Irrigation Division No.1 Ahmednagar (EE) (Executing Division) completed the work during 1979-1992 at a cost of Rs 1.76 crore and handed over (1993) to EE, Mula Irrigation Project Division Ahmednagar for maintenance.

Scrutiny (September 2001) of records of EE, Mula Irrigation Division, Ahmednagar (Maintenance Division) revealed that the work was taken up by the executing division without entering into any agreement with RSSK and an expenditure of Rs 3.15 crore was incurred on maintenance and repairs of the

scheme by the maintenance division during 1993-2003. Failure to hand over the scheme immediately after its completion to RSSK for further management and maintenance despite clear instructions from Government has thus, resulted in avoidable expenditure of Rs 3.15 crore.

The EE, Maintenance Division stated (September 2001) that an attempt was made to transfer the scheme to RSSK in July 2000 but the RSSK authorities expressed their inability to take over the scheme on economic grounds. The reply was not tenable as the executing division initially failed to enter into an agreement with RSSK before taking up the work in contravention of government orders. Further, the executing and maintenance division did not take up the matter at all with RSSK authorities neither during the course of construction nor after completion.

The matter was referred to the Secretary to the Government in June 2003. Reply has not been received (November 2003).

<b>4.4.6 Excess payment to contractor</b>
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<b>Irregular sanction of extra item rate list resulted in excess payment of Rs 3.01 crore to a contractor.</b>
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The work of Kashyapi Dam and its ancillary components in Nashik district was awarded (November 1992) to contractor 'A' on item rate at the cost of Rs 9.54 crore (27.71 per cent below estimated cost of Rs 13.19 crore). According to provisions of tender, casing material for providing and laying embankment for casing zone was to be paid at the tendered rate of Rs 19.50 per cubic metre (cum). During execution, quantity of casing material increased from 9.42 lakh cum to 20.20 lakh cum and as required quantity was not available within the limit of the quarries shown in the tender, the contractor had to go much deeper in the available quarries for casing material resulting in use of hard strata in casing zone. The contractor, therefore, demanded (August 1994) an extra rate of Rs 78 per cum for excavation of hard strata from the quarries.

On request of the Chief Engineer for considering the extra item, Government constituted a high level committee in April 1995. The committee concluded that quantity of casing material would increase upto 17.08 lakh cum, of which 5.66 lakh cum done upto March 1994 was to be treated to have been done in normal murrum and contractor paid at his quoted rate. The committee further recommended that due to difficulty in recording separate measurements for the work done with murrum and hard material simultaneously for quantity executed from 1 April 1994 onwards, the quantity to be paid as an extra item would be arrived at by considering 40 per cent of such quantity to have been done with hard material and to be paid under extra item for which extra rate may be fixed by Superintending Engineer (SE).

Scrutiny of records of the Executive Engineer, Medium Project Division Nashik (EE), revealed (December 2001) that upto 54<sup>th</sup> Running Account Bill

(February 2002) a total quantity of 20.20 lakh cum was paid to the contractor at his quoted rate of Rs 19.50 per cum. Further, an additional payment under extra item was also made for 10.04 lakh cum at an weighted rate of Rs 71.23 per cum amounting to Rs 7.44 crore as against 40 *per cent* quantity of hard strata executed beyond the initial quantity of 5.66 lakh cum, which worked out to 5.81\* lakh cum and balance quantity to be paid according to provision of tender. Thus payment in contravention of recommendation of high level committee resulted in excess payment of Rs 3.01 crore.

On this being pointed out, the EE stated (December 2001) that as per findings of the high level committee, only 10.17 lakh cum normal casing material was available for execution of item No.13. Hence quantity beyond this limit was paid as an extra item. The reply was not tenable as the high level committee had specifically recommended the mode of measurement and consideration of only 40 *per cent* of the quantity done beyond March 1994 as extra item.

The matter was referred to the Secretary to the Government in September 2003. Reply has not been received (November 2003).

#### **4.4.7 Avoidable expenditure**

##### **Unjustified construction of Head Regulator resulted in avoidable expenditure of Rs 1.23 crore.**

Government approved (March 1981) an irrigation project namely, Chapdoh Medium Project, Yavatmal to irrigate 3891 hectares of land. Subsequently, based on a request from the Maharashtra Water Supply and Sewerage Board now Maharashtra Jeevan Pradhikaran (MJP), Government decided (April 1994) to reserve the water from this project mainly for drinking purpose. Accordingly, Urban Development Department accorded administrative approval (April 1994) for Rs 27.20 crore to this water supply scheme and entrusted the project to Irrigation Department (ID) on behalf of MJP as deposit work.

Audit scrutiny (April 2001) revealed that MJP had intimated (August 1993) the ID that the Chapdoh Irrigation Project was converted for drinking water purpose so that construction of Head Regulator (HR) was not necessary. Chief Engineer, ID, Amravati submitted (November 1993) proposal to the Government to delete the construction of canal and HR. MJP again intimated (May 1997) to ID that construction of HR was not necessary.

Executive Engineer, Medium Project Division, Yavatmal (EE) awarded the work of construction of dam excluding gorge filling, HR etc to a contractor in July 1997. However, the work of HR which was not included in the scope of tender was allotted to the same contractor in March 1998 as an extra item though no canal and distribution system had been proposed/executed. The HR work was executed at a cost of Rs 1.23 crore. Since construction of HR was

\* 20.20 lakh cum - 5.66 lakh cum = 14.54 lakh cum x 40 *per cent* = 5.81 lakh cum.

not necessary due to conversion of the project into drinking water, expenditure of Rs 1.23 crore was avoidable.

On this being pointed out, the EE stated (March 2003) that decision of construction of HR was taken by Government in 1994. Reply is not acceptable as MJP had already intimated (May 1997) well before awarding the work of HR that HR was not required. Further, while according technical sanction it was specifically mentioned that water would be utilised for drinking purpose in future. Even Central Water Commission had also omitted this project in November 1997 from their sanction considering it to be a water supply scheme and no canal and distribution system had been proposed/executed.

The matter was referred to the Secretary to the Government in June 2003. Reply has not been received (November).

<b>4.4.8      Avoidable extra cost due to inclusion of irregular tender condition</b>
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<b>Non-compliance of Government directives in tendering procedure resulted in avoidable extra cost of Rs 59.22 lakh.</b>
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To safeguard the Government's interest in case of very low percentage tenders, Government instructed (May 1998) to insert a condition in the notices inviting tender (NIT) about furnishing of additional Security Deposit (SD) by tenderer equal to 10 *per cent* of the difference between contractor offer and 90 *per cent* of updated estimated cost. While according approval to NIT for the construction of earthwork of main Dam of Popatkhedha Minor Irrigation Project in Akola, Government directed the Chief Engineer (CE), Irrigation Department, Amravati in September 1998 to incorporate the said condition in the NIT. However, while incorporating the condition of additional SD, the word 10 *per cent* was omitted and this remained unnoticed at all levels till acceptance of tender (March 1999).

Scrutiny of the records of the CE, Irrigation Department Amravati revealed (February 2001) that Executive Engineer, Minor Irrigation Division-II, Akola invited tenders for the above work estimated to cost Rs 14.66 crore. In response eight offers were received. The lowest offer at 14.05 *per cent* below the estimated cost was rejected on the plea that the tenderer had furnished additional SD of Rs 6.00 lakh only as against Rs 59.37 lakh and so the second lowest tender at 10.01 *per cent* below the estimated cost was accepted. The first lowest tenderer had furnished the correct amount of additional SD as per the specified policy of the Government but it was over looked due to omissions on the part of the department. Thus, omission on the part of department to incorporate the relevant clause according to Government directives had resulted in an avoidable extra cost of Rs 59.22 lakh due to rejection of first lowest offer.

On this being pointed out the CE stated (February 2001) that tender was approved by Government in March 1999 and detailed reply on this issue will be submitted in due course which has not been received till now (June 2003).

The matter was referred to the Secretary to the Government in June 2003. Reply has not been received (November 2003).

#### 4.4.9 Extra expenditure

##### **Unnecessary provision of four additional electrically operated butterfly valves led to an extra expenditure of Rs 39.63 lakh.**

According to Government instructions (December 1995) tenders were to be invited after finalisation of design of rising main, types of valves and accessories by the Central Design Organisation (CDO), Nashik in consultation with Mechanical organisation. The work of construction of rising main for Haranghat Lift Irrigation Scheme in Chandrapur district which *inter alia* included laying of eight electrically operated Butterfly Valves (BFV) was technically sanctioned (March 1999) by Chief Engineer (CE), Irrigation Department, Nagpur on the basis of tentative design prepared (July 1998) by CDO. The work was entrusted (June 1999) to a contractor for Rs 11.36 crore at 6.90 per cent, above the estimated cost of Rs 10.63 crore for completion by June 2001.

Scrutiny of records (January 2002) of the Executive Engineer (EE), Minor Irrigation Division, Chandrapur revealed that the EE did not obtain final approval of the drawing from CDO before inviting tender as required under Government order of December 1995 and procured eight electrically operated BFV at a cost of Rs 79.26 lakh between November and December 2000. The Standing Committee of Government suggested (January 2001) that provision of one electrically operated BFV at the beginning of the main and one additional BFV would be sufficient as pipeline was 4.05 km long. The Committee also instructed that provision of BFV should be finalised after consultation with CDO Nashik. Accordingly only four electrically operated BFV, costing Rs 39.63 lakh would have served the purpose. Provision of four additional electrically operated BFV was unnecessary leading to an extra expenditure of Rs 39.63 lakh.

On being pointed out, the CE, Nagpur, stated (August 2002), that it was a collective conscious decision after studying and analysing all technical aspects.

The contention of CE was not acceptable as no justification was given for purchase of additional four BFV by deviating from standard practice of CDO's approval. Moreover, it was contrary to the recommendations of the Government Committee, which suggested procurement of only four electrically operated BFV for the project.

The matter was referred to the Secretary to the Government in June 2003. Reply has not been received (November 2003).

**Public Health Department**

**4.4.10 Avoidable excess payment on water charges**

**Non-production of building completion certificate resulted in avoidable excess payment of Rs 89.66 lakh towards water charges.**

The Employees State Insurance Scheme (ESIS) Hospital, Thane had been functioning since April 1981. The Maharashtra Industrial Development Corporation (MIDC) supplies water to the hospital and staff quarters attached to it. Non-commercial consumers like aided-schools/colleges, Government and ESIS hospitals etc were levied domestic rates according to the categorisation done by MIDC in 1977. The MIDC however issued a circular in November 1997 stating that water charges at the rate 50 per cent higher than the normal rates would be levied from December 1997 onwards, if the building completion certificate was not produced.

Scrutiny of records of the ESIS hospital, Thane (June 2002) revealed that as the hospital authorities could not produce the building completion certificate, the MIDC levied and collected higher rates from the hospital from January 1998 to February 2003, which resulted in avoidable excess payment of water charges amounting to Rs 89.66 lakh.

The Medical Superintendent ESIS, Thane stated (August 2003) that building completion certificate could not be furnished as the duly certified drawings of the hospital and residential buildings were not available with the hospital and efforts were on to obtain the same from the departments concerned.

The reply is not tenable as the ESIS hospital authorities did not take adequate measures to obtain building completion certificate for more than 20 years and responded only after non-domestic water charges were levied by MIDC. Inability to furnish building completion certificate resulted in avoidable extra expenditure of Rs 89.66 lakh. No responsibility has been fixed on any officials as yet.

The matter was referred to the Principal Secretary to Government in June 2003. Reply has not been received (November 2003).

**4.4.11 Unjustified acquisition of eye hospital**

**Acquisition of eye hospital from a trust resulted in unfruitful expenditure of Rs 46.91 lakh on pay and allowances of the staff.**

Government decided (August 1992) to take over Abdul Gafar Khan Eye Hospital (Hospital) managed by Indira Rathod Trust (Trust) at village Mandvi in Kinwat Taluka of Nanded District as the Trust was unable to run the Hospital due to unsound financial position. The Hospital was taken over despite the fact that Mandvi was a small village with a population of 4000 only and a Rural Hospital (RH), established in February 1990, was already

providing treatments to eye patients. Government sanctioned (August 1992) 19 posts in different categories and took over (September 1992) the Hospital building.

Scrutiny of records of the Hospital (March 2003) revealed that inflow of outdoor patients ranged between two and 10 per day whereas the indoor patients and operations carried out ranged between 60 and 232 annually during 1992-1998. No operation was carried out since 1998 due to depleted condition of the Hospital building as no efforts were made by Civil Surgeon (CS) Nanded till March 2001 to carry out regular maintenance through Public Works Department (PWD). From February 1998, all eye operations were carried out only at RH and only routine eye check up was carried out in the Hospital resulting in idling of staff.

As the intake of patients in the Hospital was poor and the fact that a RH already existed in the small village, taking over the Hospital to obviate the financial difficulties of the Trust was not prudent, which led to unfruitful expenditure of Rs 46.91 lakh on pay and allowances of the staff of the Hospital between April 1998 and March 2003.

The CS stated (March 2003) that for proper utilisation of the available manpower and building, a proposal for modernisation of the Hospital was submitted (September 2000) to Government. However, no decision has been taken by Government till date and it continued to incur heavy expenditure on pay and allowances of the staff though the Hospital has neither the infrastructure nor financial resources to provide modern eye care treatment.

The matter was referred to the Secretary to the Government in June 2003. Reply has not been received (November 2003).

#### Revenue and Forests Department

#### 4.4.12 Unfruitful expenditure on setting up of Computer Training Centres

#### Expenditure of Rs 50.12 lakh incurred on setting up of Computer Training Centres was unfruitful.

In the initial phase of computerisation, Government considered untrained manpower as a big constraint in the process of computerisation. Government, therefore, initiated a scheme for the employee training where course fees were reimbursed along with reward on successful completion of the course but the scheme was not a success. Government, therefore, decided (December 1998) to set up computer training centres (CTCs) at district level to train the employees.

The General Administration Department issued guidelines/instructions regarding setting up of CTCs in February 1999. Government sanctioned (March 1999) Rs 10 lakh each to seven districts (Bhandara, Gadchiroli,

Nagpur; Wardha, Yavatmal, Chandrapur and Ahmednagar) for setting up of CTCs, out of which 15 per cent (Rs 1.50 lakh) was meant for site preparation.

A test-check of records in the seven<sup>1</sup> CTCs at Collector Offices was conducted between January and May 2003. Following points were noticed:

➤ **Defunct Computer Training Centres**

Though an amount of Rs 68.36 lakh was spent on setting up of computer training centres at these seven places, only two<sup>2</sup> centres were found to be regularly functioning. The details of courses conducted and number of staff trained at training centres as of April 2003 was as under:

Sr. No.	Name of Computer Training Centre	Date of starting of Computer Training Centre	Number of courses conducted	Number of staff trained	Remarks.
1.	Bhandara	Not yet started	Nil	Nil	Centre not started functioning yet.
2.	Gadchiroli	23 September 2002	2	60	Course conducted on 23 September 2002 and 11 March 2003 in District Control Room.
3.	Nagpur	06 December 1999	23	448	--
4.	Wardha	February 2000	1	18	Centre non-functional after conducting only one training course in June 1999.
5.	Yavatmal	11 July 2000	69	210	--
6.	Chandrapur	14 May 1999	1	49	Centre non-functional after conducting only one training course in May 1999.
7.	Ahmednagar	15 May 2000	4	Not Available	Centre non-functional after conducting only four training courses in June 1999.

The hardware procured for CTC at Ahmadnagar, Bhandara, Chandrapur, Gadchiroli and Wardha were being utilised for office purpose in Collector's Office, and these centres were non-functional even in April 2003, despite an expenditure of Rs 46.61 lakh. At Ahmednagar and Bhandara the CTC was being used as godown while the same was lying unused at Gadchiroli.

Collector, Bhandara stated that the CTC was non-functional due to absence of specific guidelines from Government and the hardware was, therefore, transferred elsewhere. Collector, Ahmednagar and Gadchiroli attributed their non-functioning to 'absence of provision of separate staff for the CTC' and 'requirement of hardware for introduction of single window system' respectively.

<sup>1</sup> Ahmednagar, Bhandara, Chandrapur, Gadchiroli, Nagpur, Wardha and Yavatmal.

<sup>2</sup> Nagpur and Yavatmal



The contention of the department was, however, not acceptable as the hardware was procured for CTC only and its alternative use amounted to defeating the very purpose of the scheme.

Thus, the main purpose of opening the CTC could not be achieved at five of the seven such centres established by the Government.

The matter was reported to the Secretary to the Government in June 2003. Reply has not been received (November 2003).

### Rural Development and Water Conservation Department

#### 4.4.13 Extra cost due to delay in identification of sites for schools

#### **Delay in identification of school sites, resulted in extra expenditure of Rs 93.90 lakh and an additional liability of Rs 64.50 lakh.**

To improve primary education in rural areas, Government introduced (April 1989) a scheme of construction of single room school buildings (school). The ceiling limit for construction was Rs 0.90 lakh per school in non-tribal and Rs 1 lakh per school in tribal area. The expenditure was to be shared in the ratio of 40:60 between Zilla Parishad (ZP) and District Rural Development Agency (DRDA). A list of places identified by a designated Committee<sup>3</sup> for construction of schools was required to be furnished by Education Officer (EO) of concerned ZP to DRDA at the time of grant of its share.

Audit of the records of DRDA, Gadchiroli (January 2002) and subsequent information collected from ZP and DRDA, Gadchiroli in June 2002 and June 2003 revealed that ZP had released (February and March 1998) Rs 1.30 crore for construction of 335 schools during 1997-98 and Rs 1.22 crore (March 1999) for construction of 307 schools during 1998-99. The DRDA however could complete only 114 schools on sites identified during 1998-99. The construction of remaining 528 schools could not be taken up till May 2000 as the sites for school were not approved by the designated Committee. Meanwhile, the ceiling limit was revised (June 1999) to Rs 1.20 lakh and Rs 1.30 lakh per school in non-tribal and tribal area respectively which were not applicable to the works of 1997-98 and 1998-99. The ZP made available a list of 313 schools only in May 2000 and February 2001 and DRDA constructed 61 schools in 2000-01 at the revised cost using only ZP fund. In 2001-02, 252 schools were constructed by DRDA by sharing the proportionate cost.

Thus inordinate delay on the part of the Committee in identifying the places for construction of schools necessitated DRDA to construct the schools at higher rates, resulting in avoidable expenditure of Rs 93.90 lakh and creation

<sup>3</sup> Chairman and members of Education Committee formed at ZP.

of additional liability of Rs 64.50 lakh for construction of remaining 215 schools.

The ZP stated (June 2002) that the list was not ready because the Committee did not identify the places and hence there was delay. The reply was not acceptable, as the list of schools was to be furnished to DRDA along with of ZP's share.

The matter was referred to the Secretary to the Government in August 2003. Reply has not been received (November 2003).

#### **4.4.14 Unfruitful expenditure on incomplete wells**

##### **Improper selection of beneficiaries and inadequate monitoring resulted in unfruitful expenditure of Rs 92.81 lakh on 859 incomplete wells.**

Million Wells Scheme (MWS), a Government of India (GOI) Scheme was implemented in the State since 1988-89 with the objective of providing open irrigation wells free of cost to poor, small and marginal farmers belonging to Scheduled Caste/Scheduled Tribes (SC/ST), non-SC/ST and freed bonded labourers, through the District Rural Development Agencies (DRDAs). The works were to be completed within a period of 12 months from the date of commencement.

MWS was merged with Swarnajayanti Gram Swarajgar Yojana in April 1999 and incomplete wells were to be completed under Employment Assurance Scheme which was eventually merged with a new scheme Sampurna Grameen Rojgar Yojana (SGRY) implemented from April 2002. Works under the SGRY were to be taken up after completion of the on-going works. Accordingly, DRDAs were instructed to complete all the wells by March 2003 after which no funds would be available.

Scrutiny of records in various DRDAs and information obtained from the Rural Development and Water Conservation Department, revealed that 18485 wells were incomplete as on 1 April 1999, out of which the department completed 14500 wells upto October 2002 and 1445 wells were cancelled. Expenditure of Rs 21.22 lakh was incurred on 833 cancelled wells. The details of expenditure on the remaining 612 cancelled wells were awaited (October 2003). The balance 2540 wells were incomplete in 21 districts since 1988-89 onwards. Of these, 859 well were incomplete (June 2003) in 11 districts on which expenditure of Rs 71.59 lakh was incurred. The non-completion and cancellation of wells defeated the objective of the scheme. Information about expenditure incurred on balance 1681 incomplete wells was awaited (September 2003).

The DRDAs attributed the non-completion to negligence/lack of interest by the beneficiaries and presence of hard *strata* during digging etc. Reply is not tenable since the beneficiaries were selected on the basis of their applications after due scrutiny.

Thus improper selection of beneficiaries and lack of proper monitoring/follow up action by the Department resulted in unfruitful expenditure of Rs 92.81 lakh.

The matter was referred to the Secretary to the Government in June 2003. Reply has not been received (November 2003).

**4.4.15 Unproductive expenditure on construction of Kolhapur Type Weir**

**Substandard execution of Kolhapur Type Weir resulted in unproductive expenditure of Rs 59.04 lakh.**

Construction of Kolhapur Type (KT) Weir at Amana in Akola district intended to irrigate 109 hectares (ha) of land was completed in September 1997 at a cost of Rs 59.04 lakh.

Audit scrutiny (March 2001) revealed that against the targeted irrigation of 109 ha annually, a small area of 15 ha was irrigated during 1998 and since then no area was irrigated. The water stored in the KT Weir depleted in 1998 within three months from its storage and thereafter the weir never achieved its storage capacity of 298 thousand cubic metre (TCM) of water because of leakage from the right side key wall of the weir due to substandard execution of foundation and masonry work.

During inspection of the site, the Superintending Engineer (SE), Minor Irrigation Circle Amravati (December 1997 and December 1998) found that the leakages were due to substandard execution of work and lack of proper supervision on the part of departmental engineers during construction and even called for explanation from the responsible officials. Subsequently, SE sanctioned (May 1999) the estimate of Rs 3.64 lakh for measures to arrest the percolation of water but the repair work could not be taken up (August 2003).

The Executive Engineer (EE) Akola stated (August 2003) that the proposal for carrying out repairs by engaging a new agency was under consideration at SE level and the problem will be solved and targeted irrigation will be achieved. Reply is not acceptable as the depletion of stored water was not only due to leakages through the wall of the weir but also due to the typical characteristics of the strata in the river Katepurna, in the vicinity, as stated by the EE and therefore, storage of water is not certain even after carrying out the repair works.

Thus execution of substandard work, lack of proper supervision by the technical staff, and error in initial survey to classify the strata resulted in

unfruitful expenditure of Rs 59.04 lakh as no benefit accrued during the last six years. There is remote possibility of its utility in near future as well.

The matter was referred to the Secretary to the Government in August 2003. Reply has not been received (November 2003).

### **Urban Development Department**

#### **4.4.16 Avoidable liability towards payment of interest**

#### **Acceptance of balance loan after completion of work resulted in an additional interest liability of Rs 1.76 crore.**

Government approved (November 1992) Nagpur Municipal Corporation (NMC) proposal to raise loan for water supply scheme estimated to cost Rs 54.14 crore. Housing and Urban Development Corporation Limited (HUDCO) sanctioned (March 1993) a loan of Rs 20 crore at the rate of interest ranging from 14 *per cent* to 17.5 *per cent* repayable in 15 years. The NMC drew Rs 15.30 crore in five installments between March 1994 and October 1998 and placed the funds with Maharashtra Jeevan Pradhikaran (MJP) for execution. According to terms and conditions of the loan issued by HUDCO (January 1998), the deferment charges at 0.25 *per cent* on outstanding loan amount is charged in case agency request for deferment/rescheduling. However, borrowing agency can apply for deferment/rescheduling of the loan if agency has drawn the loan amount in part or in full.

Audit scrutiny of the records of NMC and MJP revealed (February-April 2003) that Rs 48.67 crore (Rs 12.63 crore Government subsidy, Rs 16.09 crore open market loan, Rs 15.30 crore loan from HUDCO and Rs 4.65 crore public contribution) was made available by NMC to MJP for execution of water supply scheme. The MJP had nearly completed the work (October 1999) at a cost of Rs 48.03 crore leaving residuary work for which an amount of only Rs 35 lakh was required. Meanwhile last installment of loan of Rs 4.70 crore was released by HUDCO in March 2000, which was accepted by NMC though NMC was aware that further funds were not required as per progress report of MJP. As the scheme was almost complete, the NMC still had the option to defer and reschedule the loan amount. Instead, NMC accepted the instalment in March 2000 and deposited in current account of the bank up to March 2003, which created an additional liability towards payment of interest amounting to Rs 1.76 crore for the period April 2000 to March 2003.

On being pointed out, the Commissioner, NMC stated in March 2003 that the amount was retained in current account pending demand from MJP. The reply was not acceptable in view of near completion of the work and non-requirement of additional funds by MJP as clearly stated by that organisation.

The matter was referred to the Secretary to the Government in July 2003. Reply has not been received (November 2003).

**Water Supply and Sanitation Department**

**4.4.17 Cost escalation on water supply scheme**

**Delays in implementation of the scheme resulted in cost escalation of Rs 2.96 crore.**

Government administratively approved work of "Latur Water Supply Scheme, stage IV – Part II" (January 1990) for Rs 5 crore. The work order for transmission main and distribution system of the scheme was issued (April 1993) for completion in 24 months. The work was completed (July 2001) at a cost of Rs 8.14 crore, except some minor works, reported to be in progress.

Scrutiny of records of the Executive Engineer, Maharashtra Jeevan Pradhikaran (MJP) Works Division II, Latur (December 2000) revealed that though the administrative approval was accorded in January 1990, the working survey of the distribution system was got approved from the Chief Engineer in August 1992 only. The tenders were invited (October 1992) and finalised by MJP Central Office in March 1993 and work orders were issued (April 1993). The delays in conducting working survey (30 months) and finalisation of tenders increased the cost of the scheme necessitating revision of the estimate of the scheme. The revised estimate was submitted to Government in July 1995 only and Government approved it in October 1997 for Rs 9.01 crore.

The analysis of the cost increase submitted along with the revised estimate revealed that the cost escalation of Rs 2.96 crore was due to increase in DSR, escalation payment and high tender percentage directly related to the delays in commencement and execution of the work, which are attributable to the MJP. The delays were due to shortage of funds, stoppage of work for want of sanction to the revised estimate, delay in supply of cast iron pipes, delay in taking decision regarding usage of asbestos cement (AC) pipes etc. The Executive Engineer attributed (September 2003) these delays to administrative reasons at various levels.

Thus the delay at various stages resulted in cost escalation of the scheme by Rs 2.96 crore.

The matter was referred to the Secretary to the Government in August 2003. Reply has not been received (November 2003).

**4.4.18 Unfruitful expenditure**

**Non-functioning of Digital Water Level Recorders resulted in unfruitful expenditure of Rs 2.94 crore.**

Government of India (GOI) launched (1995-96) Hydrology Project (Project) with financial assistance from World Bank with a view to support major aspects of National Water Policy through improvement of the institutional, infrastructure and technical capacity building for measuring, processing and

disseminating quantity and quality data both for surface and ground water and related climatic data.

Under the Project implemented in the State, it was decided (December 1998) to install Digital Water Level Recorders (DWLRs) to obtain reasonably accurate results and record water levels at intervals of every six hours.

Scrutiny of records of the Director, Groundwater Survey and Development Agency (GSDA), Pune revealed that, 640 DWLR's (with 32 spares) costing Rs 2.94 crore were purchased from M/s Greenspan Technology Private Limited (Agency) in July 1999. These were installed between August 1999 and September 2000 but were not functioning satisfactorily since installation and have been declared beyond repairs due to water ingress.

M/s Greenspan Technology Private Limited neither repaired nor replaced the DWLR's despite repeated reminders. Meanwhile the warranty period also expired (July 2000). Though the DWLRs were not functioning properly since installation, the agency did not take adequate steps to get the performance bank guarantee (PBG) extended beyond July 2000 or encash the same before expiry. The Director, GSDA stated (November 2003) that the PBG for Rs 14.56 lakh expired in July 2000 and that the matter is proposed to be taken up with National Consumer Forum, New Delhi.



**Non functional Digital Water Level Recorder declared irreparable**

Thus, the objective of installation of DWLR's for enhancement of the Project results could not be achieved and expenditure of Rs 2.94 crore proved unfruitful.

The matter was referred to the Secretary to the Government in June 2003 and reminder was issued (September 2003). Reply has not been received (November 2003).

#### **4.4.19 Avoidable expenditure on interest payment**

**Unilateral decision taken with retrospective effect resulted in avoidable expenditure of Rs 2.66 crore on interest payment and legal charges/arbitration cost.**

The Maharashtra Jeevan Pradhikaran (MJP) implemented 118 Water Supply Schemes with World Bank assistance during March 1992 to March 2000. These works were divided into 34 slices with separate agreement for each slice. During execution, quantities of certain items exceeded 125 per cent of those shown in Bill of Quantities (BOQ) and there were certain deviations (extra items) also. Chief Engineer (CE), World Bank Cell, Thane adopted (March 1997) the rates of current district schedule of rates (DSR) plus 21.25

*per cent* for excess quantities/extra items with the approval of the Member Secretary, MJP. The contractors accepted the rates.

Scrutiny of records in MJP (January 2003) revealed that these rates were revised retrospectively to current DSR plus 10.25 *per cent* in April 1998 by the Water Supply and Sanitation Department

. As this unilateral decision of the Government/MJP was not acceptable to some contractors they went to the adjudicator under clause 24 of the contract agreement. In 11 such arbitration awards (decided between November 1999 and June 2001), the arbitrator upheld the claim of the contractors for payment of excess quantities/extra items at the rates decided in March 1997 and also allowed interest accrued thereon till the date of payment. On the advice of techno-legal consultant, the MJP accepted the award (July 2001) and paid between December 2000 and February 2002 an amount of Rs 6.18 crore (including interest Rs 2.40 crore and legal charges of Rs 26 lakh) in 21 cases.

Government replied (August 2003) that the decision to reduce the escalation from 21.25 *per cent* to 10.25 *per cent* had been taken after considering all the pros and cons and was in the interest of the Government.

The reply is not tenable as the escalation rate should have been fixed judicially in the initial stages itself and any subsequent reduction in the rates should have been made after due consultation with the contractors. The unilateral decision by Government/MJP resulted in avoidable expenditure of Rs 2.66 crore on interest payment and legal charges.

### Women and Child Welfare Department

#### 4.4.20 Supply of substandard food

**Supply of substandard food under a Government scheme resulted in non-achievement of its objectives and also rendered the expenditure of Rs 29.82 crore largely unfruitful.**

Centrally sponsored Integrated Child Development Scheme (ICDS), implemented in the rural, tribal and urban areas of the State from 1975-76, consists of supply of supplementary nutritious food and other allied medical services. While establishment expenditure on the scheme is borne by the Government of India (GOI), the expenditure on nutritious food and increased honorarium to Anganwadi workers are borne by the State Government.

According to the scheme, in urban localities, ready to eat food containing a minimum of six to eight grams of proteins yielding 250 to 300 calories is to be supplied to children between the age of six months and six years and pregnant women and nursing mothers belonging to low income families for 300 days in a year through urban centres and Child Development Project Offices (CDPOs).

The Director, Women and Child Welfare, Pune awarded (1996-97) contracts to 137 agencies for supply of cooked food at the rate of Re 1 per day (rate was fixed in March 1994) per beneficiary in Mumbai and suburbs through eight CDPOs and 400 centres under the Assistant Director, ICDS, Mumbai. An expenditure of Rs 21.19 crore was incurred in these offices on the scheme during 1996-2002. According to clause 15 of the tender, food samples were to be tested in Government laboratory at least twice in a month to ensure the requisite proteins/calories. In case, the samples were found substandard, fine at the prescribed rates was to be levied on the contractor and the contracts were to be cancelled if there was no improvement in the quality.

Scrutiny of test reports of food samples in eight CDPOs in Mumbai and suburbs and 400 Special Nutrition Programme centres under Assistant Director, ICDS, Mumbai and Commissioner, ICDS, Navi Mumbai in October 2002 and Women and Child Development Department, Mantralaya, Mumbai in January 2003, revealed that during 1996-2002, almost 80 *per cent* of the samples tested were found to contain less protein/calories than the prescribed norms.

The CDPOs/Assistant Director reported the matter to the Commissioner, ICDS from time to time since 1996-97 and recovered Rs 24.55 lakh as penalty during 1997-2002 from various agencies for supplying substandard food. However, the Commissioner did not take any penal action on the ground that Government could not finalise fresh tenders for supply of food on earlier two occasions as the suppliers filed a writ in the court and the Government extended the existing contracts. The court dismissed the writ petition of agencies (June 2001). Even thereafter the Commissioner failed to take any action and during 2001-2003 an expenditure of Rs 8.63 crore was incurred. In this interim period 100 *per cent* samples tested in six centres were found substandard. Non-revision of the rate for the last nine years could be one of the reasons for supply of substandard food.

When pointed out by Audit, the Commissioner who is competent to cancel the contracts instead of taking action brought the matter to the notice of Government (April 2002).

Thus, inaction on the part of the Commissioner and his failure to apprise the Government in time resulted in continued supply of substandard food and thereby non-achievement of the objective of the scheme, rendering expenditure of Rs 29.82 crore on the scheme largely unfruitful.

The matter was referred to the Secretary to the Government in April 2003. Reply has not been received (November 2003).



**4.5 Idle investment/idle establishment/blockage of funds****Agriculture, Animal Husbandry, Dairy Development and Fisheries Department****4.5.1 Idle investment****Construction of chilling centre costing Rs 1.27 crore despite it being unviable.**

Government accorded approval (March 1998) to a proposal by the Dairy Development Commissioner (DDC) (1997), for construction of chilling centre with capacity of 5000 litres per day (LPD) at Karanja-Lad in Akola district. The approval was given even though the proposal did not contain any specific details of milk collection in the area. The Dairy Development Department commissioned (September 2002) a chilling centre at Karanja-Lad in Akola district with a capacity of 5000 LPD at a cost of Rs 1.27 crore.

Scrutiny of records of DDC (September 2002) revealed that approval for 5000 LPD chilling centre was accorded even when the economic viability of the project was doubtful with average collection of milk in the area during five years ending 1996-97 being very low ranging from 367 to 521 LPD.

Further, before construction of the project, the District Dairy Development Officer had also reported in December 2000 that the milk collection in the area during the preceding three years was only 125, 229 and 150 LPD in 1998-99, 1999-2000 and 2000-01 respectively and there was no scope for increase in milk collection in near future and that the project was not viable. Despite this the plant was set up (September 2002).

Average milk collection during September 2002 to July 2003 was abysmally low at 383 LPD, being less than 10 *per cent* of the capacity installed. Thus, the construction of chilling centre with capacity of 5000 LPD despite knowing the fact that the project was economically unviable resulted in infructuous expenditure of Rs 1.27 crore.

The matter was reported to the Secretary to the Government in September 2003. Reply has not been received (November 2003).

**4.5.2 Delay in closing of unviable chilling centres****Delay in transferring the staff from closed chilling centres resulted in idle wages of Rs 97 lakh.**

The operations at chilling centre, Nawapur (capacity: 10000 litres per day) in Dhule district and at Rajur (capacity: 5000 litres per day) in Ahmednagar

district were stopped in March 1990 and February 1997 for want of sufficient milk collection.

Dairy Development Commissioner (DDC) sent a proposal for closure of chilling centre at Nawapur in June 1996 after a gap of six years from cessation of operations. Similarly, proposal for closure of chilling centre at Rajur was sent in March 2001, after four years from stoppage of operations.

The Government accorded approval for closure in August 1998 for Nawapur centre and in May 2001 for Rajur centre. Finally, staff at Nawapur centre was transferred to other units in March 1999 and at Rajur in May/September 2002. Inordinate delay in closure of chilling centres and transfer of staff to other units resulted in payment of idle wages aggregating Rs 47.88 lakh at Nawapur and Rs 49.26 lakh at Rajur.

The matter has been referred to the Secretary to the reported to Government in September 2003. Reply has not been received (November 2003).

### **Medical Education and Drugs Department**

#### **4.5.3 Blocking of funds**

#### **Improper planning in execution of a scheme resulted in blocking of funds of Rs 8.29 crore and recurring rental liability of Rs 6.5 lakh.**

The Maharashtra University of Health Science (MUHS) was set up in Nashik (June 1998) to disseminate and preserve knowledge of health science, to conduct teaching, survey, research and also for equitable distribution of health service facilities in the society etc. As MUHS was functioning from rented premises, the Government approved the proposal for construction of the MUHS building (December 1998) for Rs 30.73 crore. The work was divided into phase I consisting administrative building, guest house, library, officers' quarters, gates, internal roads, etc and phase II comprising of auditorium hall complex, health centre and gymkhana, staff quarters, additional infrastructure etc. Phase I work was technically approved by the Chief Engineer, Public Works Department, Nashik (May 1999) for an estimated cost of Rs 13 crore.

In order to complete the work quickly, the phase I work was divided into three packages and was awarded (July 1999) to three contractors with stipulated date of completion as 5 October 2000. However, due to short release of funds by the Government, the contractor was asked to stop the works of library, guest house and quarters



**Incomplete administrative building**

(April 2001) and works of the administrative building, compound wall and internal roads (June 2002). Works were completed to the extent of 53 to 73 per cent after incurring an expenditure of Rs.8.29 crore.

Thus, taking up the construction of all the components of work simultaneously without ascertaining the availability of the funds resulted in blocking of Rs 8.29 crore for more than two years and avoidable recurring expenditure of Rs 6.5 lakh *per annum* towards rent for the last four years for the premises presently occupied by the MUHS. All the works were at a standstill (September 2003) and the delay would also result in cost escalation due to time overrun.

Government replied (September 2003) that it has been decided to provide sufficient funds to complete the work (phase I) of the ground floor of the administrative building and hand over the same to the MUHS to effect savings in the expenditure incurred on annual rent.

However, no decision has yet been taken on the major remaining portion of phase I. Further, the work in respect of the administrative building is also yet to be completed.

### Public Health Department

#### 4.5.4 Blocking of funds and wasteful expenditure due to injudicious purchase

**Funds of Rs 50.94 lakh were blocked due to injudicious purchase of ayurvedic medicines and wasteful expenditure of Rs 20.10 lakh due to non-utilisation of medicines before their expiry dates.**

Employees State Insurance Scheme (ESIS), implemented in the State since 1952 by the Commissioner, ESIS, provides medical care to insured persons and their family members through hospitals, dispensaries and specialist centres run under the scheme. The medicines required by these hospitals, dispensaries, specialist centres, approved chemists etc are procured by the Commissionerate every year by making provision in the budget and the expenditure thereon is subsequently got reimbursed from Employees State Insurance Corporation (ESIC), New Delhi at the prescribed rates. In order to streamline the process of procurement of medicines, Government introduced (September 1987) a uniform purchase mechanism in the State which *inter alia* empowered the Commissioner to make purchases upto 70 per cent of expenditure and costly medicines.

Scrutiny of records at the Commissionerate, ESIS hospitals at Kandivali, Thane and Ulhasnagar, ESIS dispensary at Dhule and Administrative Medical Officer, Dadar (between May 2001 and March 2003) revealed that the Commissionerate placed purchase orders (March 2000) with Messers Upkaran Pharmaceuticals, Bhopal (a rate contract company approved by Director of Medical, Education and Research in July 1999) for supply of ayurvedic

medicines without any requisition/indents from the hospitals/dispensaries/specialist centres/chemists and without ascertaining their actual requirement. The agency supplied the medicines worth Rs 1.07 crore between May and June 2000.

It was, however, observed that, medicines worth Rs 71.04 lakh were lying unutilised as of July 2003 even after three years of procurement primarily due to the fact that none of the ESIS hospitals, dispensaries have ayurvedic doctors. The above medicines included time barred medicines worth Rs 20.10 lakh.

In order to avoid accumulation of stock of ayurvedic medicines, the Commissioner issued a circular in November 2000 advising the allopathic doctors, to prescribe ayurvedic medicines, though they were not qualified to do so. This circular was subsequently withdrawn in May 2001. The Commissioner, ESIS in reply stated (August 2003) that there were no clear records to indicate the circumstances under which such large quantities of ayurvedic medicines were purchased and that a departmental enquiry against the then Director (Medical) is in progress since February 2002.

Thus the injudicious purchase of non-essential ayurvedic medicines without assessing the requirement not only resulted in blocking of funds to the tune of Rs 50.94 lakh but also in wasteful expenditure of Rs 20.10 lakh due to non-utilisation of certain medicines before expiry dates.

The matter was referred to the Principal Secretary to the Government in July 2003. Reply has not been received (November 2003).

#### **Revenue and Forests Department**

#### **4.5.5 Irregularities in land acquisition cases**

#### **Irregularities in land acquisition cases resulted in blocking of Rs 5.19 crore paid as compensation.**

Government decided (August and September 1996) to acquire 794.49 hectares of private land for construction of Dindora barrage and pump house on Wardha river on behalf of Central India Power Company Limited (CIPCO) for Thermal Power Project at Bhadravati in Chandrapur district. Government appointed (August 1996) Special Land Acquisition Officer (SLAO) to acquire the land, cost of which was to be recovered from CIPCO.

Scrutiny of the records (March 2003) of SLAO, Nippon Denro Ispat (NDI), Wardha revealed that the SLAO had acquired 473.78 hectares of land between March 1998 and May 2002 and paid Rs 5.19 crore as compensation to the land owners between May 1998 and February 2001. Further 76.26 hectares of land was acquired in 2001-02 for which compensation of Rs 81.97 lakh was yet to be paid to the land owners (August 2003). Payment for acquired land was, however, not made by CIPCO.

Meanwhile, Government put on hold the Thermal Power Project and also closed (September 2001) the issue of Dindora Barrage Water Supply Agreement which was directly related to construction of barrage and withdrew (January 2002) the land acquired by it for Coal Mine intended to be used for supply of Coal to the CIPCO after an objection from Ministry of Defence.

Under the present circumstances, possibility of Thermal Power Project coming up is remote and consequently, there is a little chance of construction of Dindora Barrage and pump house.

Thus, failure on the part of Government to assess the feasibility of project, has resulted in blocking of Rs 5.19 crore paid as compensation to land owners, besides creating liability of Rs 81.97 lakh for the land acquired for which compensation was to be paid.

➤ *Non-recovery of establishment cost*

The Land Acquisition Manual provides that the SLAO appointed for acquiring land for Local Bodies, Companies, Corporations, Commercial Departments etc. are entitled to recover the expenditure on percentage basis as prescribed for reimbursement for the entire establishment expenditure.

Scrutiny (March to May 2003) of the records maintained by the three<sup>4</sup> SLAO's, revealed that these offices were specially created by Government in August 1996 and October 1997 for acquisition of land for Dindora Barrage Project, Vidarbha Irrigation Development Corporation (VIDC), and Maharashtra Krishna Valley Development Corporation (MKVDC). As such, for acquisition of land on their behalf, the cost of establishment was required to be recovered from these agencies. However, none of the SLAO, had recovered the amount from these agencies for the period from 1997 to 2003. This has resulted in non-recovery of establishment cost amounting to Rs 75.07 lakh

When the omissions were pointed in audit SLAO, VIDC, Wardha and SLAO MKVDC, Osmanabad stated that the demand notices would be issued while SLAO, Nippon Denro Ispat had raised the demand.

The matter was referred to the Secretary to the Government in July 2003). Reply has not been received (November 2003).

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<sup>4</sup> SLAO, NDI, Wardha, SLAO, VIDC, Wardha and SLAO, MKVDC, Osmanabad

**Water Supply and Sanitation Department**

**4.5.6 Blockage of funds on water supply schemes**

**Non-adherence to rules, non-payment of dues and non-provision of funds resulted in blockage of funds of Rs 11.09 crore.**

Maharashtra Jeevan Pradhikaran (MJP) was established by the Government (January 1977) for preparation of plan/estimates for Water Supply Schemes (WSS) and their execution through its various divisions spread all over the State. Scrutiny of the records related to execution of such schemes in three divisions of the MJP revealed Rs 11.09 crore were blocked on incomplete WSS as detailed below:

➤ The Deulgaon Sakarsha Regional Rural WSS district Buldhana was awarded to an agency at the cost of Rs 3.77 crore (September 1999) by the Executive Engineer (EE), MJP Works Division 1, Buldhana with stipulated period of completion as 18 months. The contractor executed work to the extent of Rs 1.72 crore (March 2003) and then stopped the work due to objection from Forest Department, from whom prior permission was not obtained. This resulted in blockage of funds of Rs 1.72 crore besides depriving the beneficiaries of water supply. The EE stated (October 2003) that the matter was taken up with Forest Department and will be hastened.

➤ The work of "Regional Rural WSS to 42 villages in Nandgaon and Chandwad Talukas district Nashik" was awarded to an agency (May 1999) at Rs 22.97 crore by the EE, MJP Works Division, Malegaon with stipulated period of completion as 18 months. The contractor executed work costing Rs 8.33 crore (December 2001) and since then work is at standstill. The work could not be completed due to paucity of funds and stoppage of head works by Irrigation Department (July 1999) and due to non-payment of its proportionate share of Rs 4.55 crore by MJP. Thus non-adherence to the stipulated rules resulted in blockage of funds of Rs 8.33 crore for nearly two years. The EE stated (October 2003) that the matter was being pursued with the Government.

➤ The work of "Ghorwad and five villages WSS" Taluka Sinnar, district Nashik was awarded at Rs 1.80 crore (May 1999) to an agency by the EE, MJP Works Division, Nashik, with stipulated period of completion as 18 months. The agency executed work costing Rs 1.04 crore (January 2002) and stopped the same due to non-payment of bill as the MJP was short of funds. The EE stated (September 2003) that the contractor had not started the work for want of an assurance for payment in writing from the MJP. Thus non-provision of sufficient funds resulted in stoppage of work and consequent blockage of funds of Rs 1.04 crore, besides non-achievement of the objective of water supply to the villagers.

The matter was referred to the Secretary to the Government in August 2003. Reply has not been received (November 2003).

#### 4.5.7 Blockage of funds on incomplete water supply scheme

##### Delays in implementation of a water supply scheme resulted in blockage of funds of Rs 84.77 lakh.

The work of "Augmentation to Palghar and 26 villages Regional Rural Water Supply Scheme" (with the objective of supply of 55 litre *per capita* per day (LPCD) water by the year 2026) was administratively approved by Government (April 1997) and technically sanctioned by Chief Engineer, Maharashtra Jeevan Pradhikaran (MJP), Konkan Region, Thane (April 1998). The scheme was to be executed by MJP with grants-in-aid from Government and on completion the same was to be handed over to the Zilla Parishad, Thane for its running and maintenance. The work was awarded (November 1998) to a contractor at the tendered cost of Rs 10.65 crore which was 21 *per cent* below the estimated cost of Rs 13.48 crore. The work was scheduled to be completed on 15 November 2000.

Scrutiny of the records of Executive Engineer, MJP Works Division, Thane (December 2001) and information collected from the Division subsequently revealed that during the execution of work, MJP made changes in the site of water treatment plant (WTP) and alignment of pipe line for which clearance of Forest Department was required, which was not obtained (the proposal was sent to the Forest Department only in January 2000). The contractor's bills were not paid in time due to financial problems. Therefore, contractor requested the MJP (May 2001) to relieve him from the work under clause 15\* after executing approximately 8 *per cent* of works costing Rs 84.77 lakh.

Since the Government was unable to finance the scheme, it decided to implement the same as per revised policy of February 2000 by reducing the supply of water from 55 to 40 LPCD for villages, deleting certain villages which were already having water supply of 40 LPCD and increasing supply to 70 LPCD to Palghar Municipal Council area. The modified scheme was to be financed either by popular contribution (10 *per cent*), Government grants (40 *per cent*) and loan (50 *per cent*) as applicable to 'B' class Municipal Councils or popular contribution (10 *per cent*) and grants (90 *per cent*) applicable to Rural Water Supply Schemes. Since the entire scheme had to be recast entailing major deviations from the contract provision, the contract was terminated (September 2002) under clause 15.

Thus, delay in execution of work by the contractor, change in site of WTP and alignment during execution, delay in obtaining forest clearance for new site and subsequent fund problems resulted in blockage of funds of Rs 84.77 lakh

\* When the total suspension of work exceeds 90 days the contractor shall be at liberty to withdraw from the contractual obligation relating to unexecuted works.

on the scheme defeating the very objective of increased water supply to the beneficiaries.

The Chief Engineer, Konkan Region stated (February 2003) that the work already executed would be utilised in the modified scheme when sanctioned and executed. The modified water supply scheme only for Palghar Municipal Council which was submitted to Government (September 2003) has not yet been approved (November 2003).

The matter was referred to Secretary to Government of Maharashtra in April 2003. Reply has not been received (November 2003).

#### **4.6 Regulatory issues and other points of interest**

##### **Finance Department**

#### **4.6.1 Functioning of Treasuries**

##### **Irregularities noticed during the inspection of treasuries.**

The major irregularities noticed during inspection of 29 treasuries by the Accountant General (A and E) Mumbai and Nagpur during 2002-03 are brought out in the following paragraphs.

##### ➤ ***Overpayment of pension***

Overpayment of pensionary benefits of Rs 54.76 lakh was made to 319 pensioners/family pensioners during 2002-03 due to incorrect calculations of dearness relief, interim relief admissible on pension, non-reduction of family pension from the specified date in pension payment order and non-adjustment of provisional death-cum-retirement gratuity.

##### ➤ ***Drawal of Abstract Contingency bills for purposes not covered by Rules***

According to Maharashtra Treasury Rules (MTR) 1968, countersigned contracts are to be drawn on Abstract Contingency (AC) Bills strictly for purposes detailed in Maharashtra Contingency Expenditure Rules (MCER), 1965.

Inspection of the AC Bills drawn during the year 2001-02, revealed that, in 6 cases, the Treasury Officer (TO), Pune had permitted drawal of funds to the tune of Rs 31.89 lakh for purposes other than those approved, thereby breaching the provisions of MTR 1968 and MCER 1965.

##### ➤ ***Reconciliation of Deposit Balance***

According to MTR 1968, TOs are required to reconcile the balances of deposit transactions with the balances appearing in the books of Accountant General (A and E) but TOs of Nasik, Raigad, Satara, Sindhudurg and Thane did not reconcile the balances for periods ranging from one to two years.



➤ *Excess drawals*

According to MTR 1968, every payment made on the authority of any letter of credit (LOC) must without fail be noted at the time of payment under the TO's initial in the appropriate register or on the reverse of the LOC. The TO must bear in mind that the LOC shows the maximum amount he has been authorised to pay and progressive totals of such payments must be recorded so as to avoid the risk of over payment.

Treasury inspection of Ratnagiri revealed that while the sanctioned amount of the LOC was Rs 15.21 crore, the District Supply Officer passed an amount of Rs 15.99 crore thereby exceeding the limit of the LOC by Rs 78 lakh.

<b>4.6.2</b>	<b>Outstanding Inspection Reports, Departmental Audit Committee Meetings, Follow-up on Audit Reports and Action Taken Notes</b>
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<b>Failure to enforce accountability and protect the interests of Government.</b>
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➤ *Outstanding Inspection Reports*

The Accountant General (Audit) arranges to conduct periodical inspection of the Government departments to test check the transactions and verify the maintenance of important accounting and other records as per prescribed rules and procedures. These inspections are followed up with Inspection Reports (IRs) to the Heads of Offices inspected with a copy to the next higher authorities. A half yearly report of pending IRs is sent to the Secretary of the Department concerned to facilitate monitoring of action taken on audit observations in these IRs.

Inspection reports issued up to December 2002 pertaining to 26 departments disclosed that 23480 paragraphs relating to 9446 IRs were outstanding at the end of June 2003. Yearwise position of the outstanding IRs and paragraphs are detailed in the **Appendix XXVI**.

➤ *Departmental Audit Committee Meeting*

In order to settle the outstanding audit observations contained in the Inspection Reports, Departmental Audit Committees have been constituted by the Government. During 2002-03, only five\* out of the 26 departments convened 14 meetings of the Audit Committee. Out of 12272 paras outstanding against these five departments, 1439 paras were discussed in the meetings, of which, 562 paras were settled.

For ensuring prompt compliance and early clearance of the outstanding paragraphs, it is recommended that Government should address this issue seriously and ensure that an effective procedure is put in place for (a) action against the officials who fail to send replies to IRs/paragraphs as per the

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\* Agriculture, Animal Husbandry, Dairy Development and Fisheries, Home, Public Works, Revenue and Forests and Rural Development and Water Conservation.

prescribed time schedule, (b) action to recover loss/outstanding advances/overpayments in a time bound manner and (c) revamping the system in the Department for proper response to the audit observations.

➤ **Follow up on Audit Reports**

According to instructions issued by the Finance Department in March 1981, 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 one month of presenting the Audit Reports to the State Legislature. The Administrative Departments were, however, not complying with these instructions.

The position of outstanding EMs from 1996-97 to 2001-02 is as follows:

Audit Report	Date of tabling the Report	Number of Paragraphs/ Reviews	Number of EMs received	Balance
1996-97	7 August 1998	64/9	57/9	7/0
1997-98	20 December 1999	59/10	52/8	7/2
1998-99	30 November 2000	39/8	27/6	12/2
1999-2000	14 December 2001	49/6	31/6	18/0
2000-01	29 April 2002	36/7	19/6	17/1
2001-02	22 July 2003	50/1	--	50/1
<b>Total</b>		<b>297/41</b>	<b>186/35</b>	<b>111/6</b>

➤ **Action Taken Notes**

The Maharashtra Legislature Secretariat (MLS) Rules stipulate that the Action Taken Notes (ATN) on the recommendations of the Public Accounts Committee (PAC) on those paragraphs in the Audit Reports that are discussed are required to be forwarded to MLS duly verified in Audit. Likewise, ATNs indicating remedial/corrective action taken on the paras that are not discussed are also required to be forwarded to the PAC duly vetted by Audit. It was observed that there were inordinate delays and persistent failures on the part of a large number of departments in forwarding ATNs on audit paragraphs. Year wise details of such paragraphs are indicated as follows:

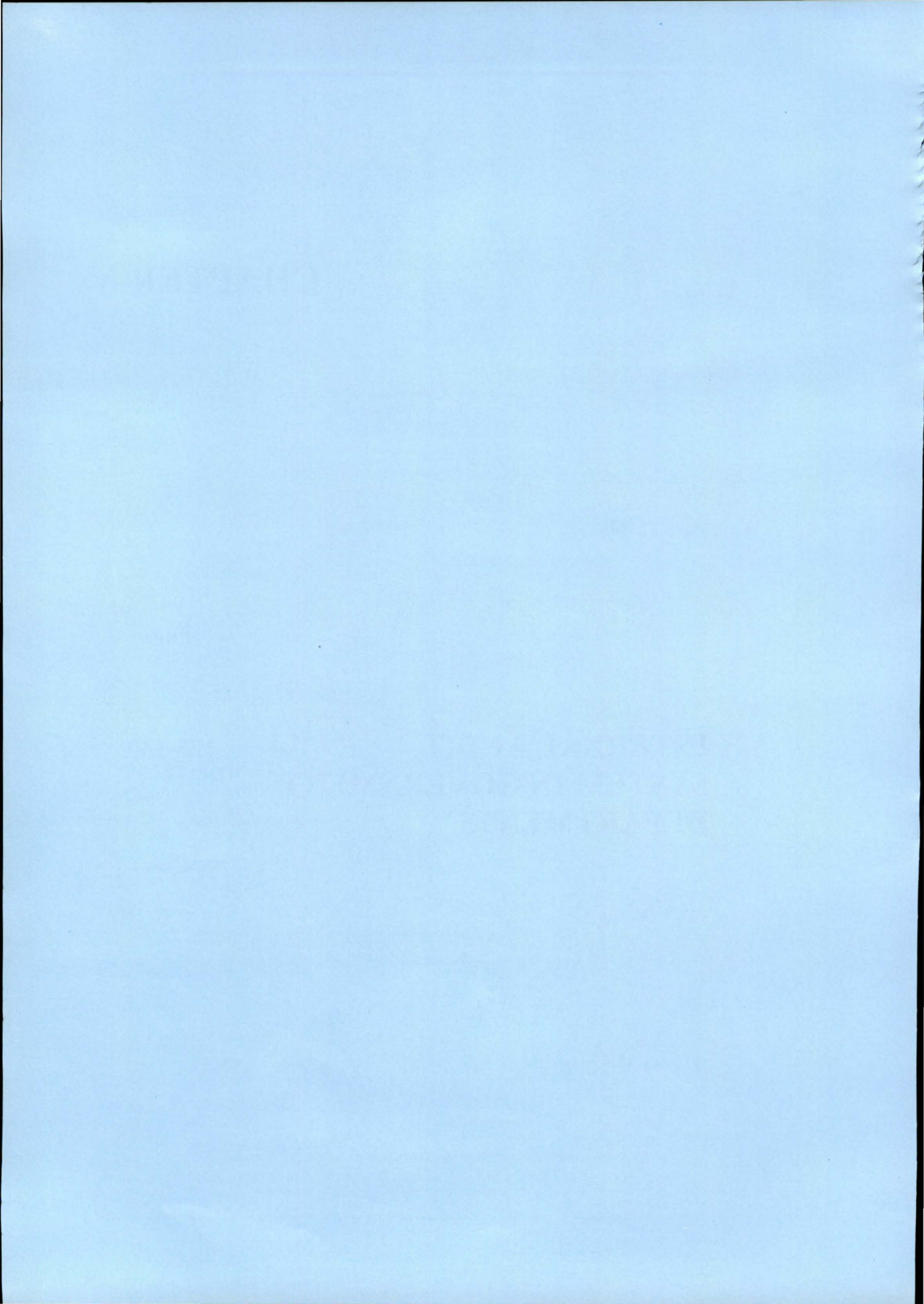
Audit Report	Total number of paras in the Audit Report	Number of paras		ATN awaited in respect of paras	
		Discussed	Not discussed	Discussed	Not discussed
1985-86 to 1990-91	407	60	347	40	347
1991-92	62	7	55	6	55
1992-93	53	6	47	4	47
1993-94	69	20	49	12	49
1994-95	65	22	43	21	43
1995-96	61	19	42	18	42
1996-97	73	14	59	14	59
1997-98	72	--	72	--	72
1998-99	47	--	47	--	47
1999-2000	55	1	54	1	54
2000-01	43	--	43	--	43
2001-02	50	--	50	--	50
<b>Total</b>	<b>1057</b>	<b>149</b>	<b>908</b>	<b>116</b>	<b>908</b>

## **CHAPTER-V**

**Page**

**INTERNAL AUDIT  
SYSTEM IN GOVERNMENT  
DEPARTMENTS**

**123-130**



**CHAPTER V**  
**INTERNAL AUDIT SYSTEM IN GOVERNMENT DEPARTMENTS**

**MEDICAL EDUCATION AND DRUGS DEPARTMENT AND REVENUE DEPARTMENT**

*Introduction*

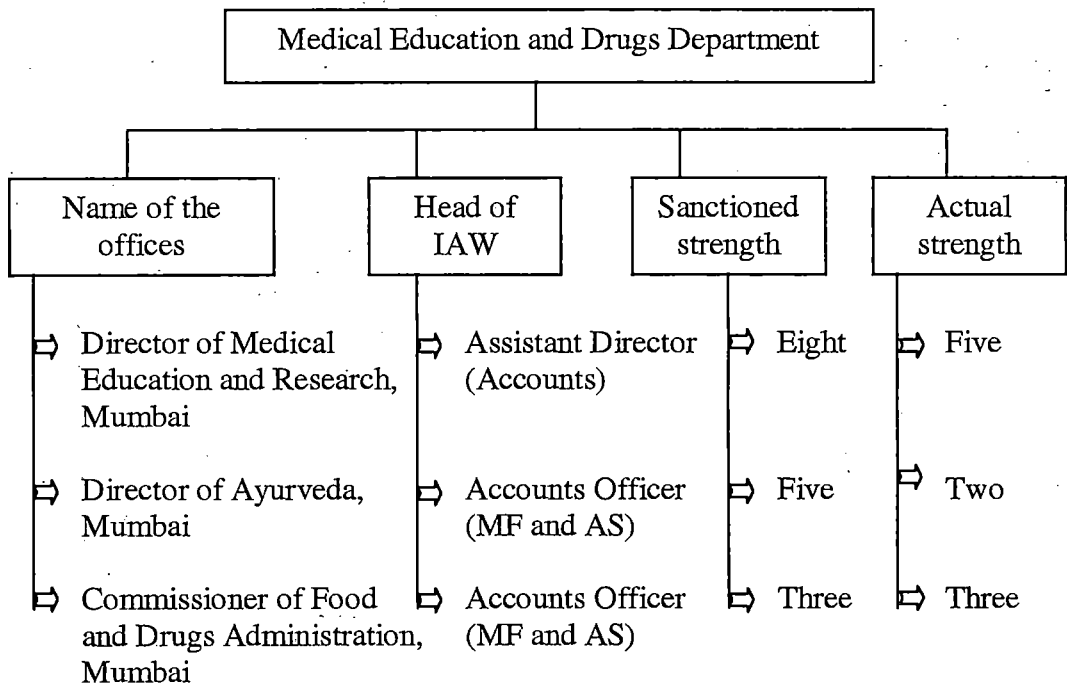
Internal Audit is responsible for examining and evaluating the level of compliance to the departmental rules and procedures, in the aggregate, provide assurance to senior management on the adequacy of the risk management and internal control framework of the department. The responsibility of reviewing the adequacy of such an Internal Audit arrangement lies with the external auditor of Government entities.

A review of the adequacy of internal audit systems in vogue in two Departments of the State Government for the period 2000-2003 conducted during September to October 2003 revealed the following.

**5.1 Medical Education and Drugs Department**

**5.1.1 Organisational Set up**

Organisational set up of the internal audit wing in the Medical Education and Drugs Department (MEDDD) is as under:



### **5.1.2 Duties of internal audit**

IAW functioning under the DMER, Mumbai is to conduct biennial audit of 44 medical colleges/hospitals/health units.

IAW existing in the office of the Commissioner, FDA, Mumbai is to conduct annual audit of 30 offices in the State.

The IAW in the office of the Director of Ayurveda, Mumbai is to conduct annual audit of 15 Government and 20 non-Government (aided) colleges.

The internal audit report of the units concerned approved by the Commissioner/Director is issued to the respective Heads of Institutions for compliance.

### **5.1.3 Scope of Audit**

The internal audit system in the MEDD including the DMER, DA and Commissioner, FDA, Mumbai was reviewed on the basis of information collected for the years 2000-2003 (September 2003). The results are indicated in the succeeding paragraphs.

### **5.1.4 Auditing Standards**

**No manual of Internal Audit or Auditing Standards was prescribed for Internal Audit**

There was no manual of Internal Audit or Auditing Standards prescribing the principles and practices, which the Internal Auditors has to follow. The audit of expenditure was conducted with reference to the prescribed rules<sup>1</sup>. In addition, the MEDD stipulated (September 2000), specific parameters/records to be seen during internal audit.

### **5.1.5 Planning of Internal Audit**

**Annual Audit programme was not prepared**

The IAW of DMER is required to prepare an annual audit plan before the commencement of the financial year for conducting the audit during the year. The IAW functioning under DA and the DMER, Mumbai, did not prepare an annual audit programme for the years 2000-2003.

### **5.1.6 Periodicity and Coverage of Audit**

**Internal Audit of Medical Colleges/hospitals was not conducted as specified**

The IAW is to conduct audit of the units/offices under their jurisdiction. Scrutiny of records maintained in DMER, Mumbai revealed that internal audit of the medical colleges/hospitals/health units was not conducted as specified. Out of 22 units due for audit annually, only two units were audited during 2000-01. No unit was audited during 2001-2003. The position of units covered by the IAW of the three offices under MEDD is as follows:

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<sup>1</sup> Bombay Financial Rules 1959, Maharashtra Contingent Expenditure Rules 1965 and Maharashtra Treasury Rules 1968

Name of IAW	Year	Number of units to be audited		Number of units actually audited		Number of units pending	
		Government	Non-Government	Government	Non-Government	Government	Non-Government
Director of Medical Education and Research, Mumbai	1998-99	22	--	1	--	21	--
	1999-2000	22	--	1	--	21	--
	2000-01	22		2		20	
	2001-02	22	0	Nil		22	
	2002-03	22		Nil		22	
Director of Ayurveda, Mumbai	1998-99	15	20	03	02	12	18
	1999-2000	15	20	06	06	09	14
	2000-01	15	20	15	13	--	7
	2001-02	15	20	15	4		16
	2002-03	15	20	7	5	8	15
Food and Drug Administration, Mumbai	1998-99	31		13		18	
	1999-2000	31		18		13	
	2000-01	30		N A		-	
	2001-02	30		16			
	2002-03	30		20		10	

Internal audit wing of DMER, Mumbai audited only four units during 1998-2003 against 110 units. Reason for the arrears in audit was attributed to shortage of staff during 2000-2003 (September 2003). The reply is not tenable as no justification is given for arrears in audit pertaining to the earlier period 1998-2000 when staff was available.

The arrears in IAW of Director of Ayurveda ranged between three and 15 units in respect of Government and upto 12 units in respect of non-Government units during 1998-2003.

The IAW of FDA audited 13 to 20 units during 1998-2003 against 31 units. No reasons for shortfall in conducting audit were furnished by either of the above.

#### 5.1.7 Follow up of Audit observations

Inspection Reports approved by the Commissionerate/Directorate were issued to the head of the office concerned for compliance. The internal audit wing was to maintain registers showing the unit/year wise number of audit objections initiated, settled and outstanding during the year. The IAW of DMER, Mumbai had not maintained any register showing the unit wise position of the audit observations. The compliance by the units could not be ascertained in the absence of registers/records. The position of outstanding paras of internal audit in respect of offices under MEDD during the period 1998-2003 is as follows:

Unit wise position of audit observations not maintained by internal audit wing in Director, Medical Education and Research

Name of internal audit wing	Year	Number of paras initiated	Number of paras closed	Number of paras outstanding as on 31.08.2003
Director of Ayurveda, Mumbai	1998-99	Audit not conducted		
	1999-2000	Audit not conducted		
	2000-01	181	109	72
	2001-02	196	47	149
	2002-03	29	--	29
Commissioner, Food and Drugs Administration, Mumbai	1998-99	92	92	Nil
	1999-2000	173	170	3
	2000-01	190	190	Nil
	2001-02	167	146	21
	2002-03	174	124	50

### 5.1.8 Reporting

The internal audit reports were of routine nature and no prioritisation was made for conduct of audit

The internal audit reports issued by IAW of DMER office in respect of Public Health Unit Palghar (Thane district) for the period 1997-2001 revealed that the observations were of routine nature ie payment of electricity bills, verification of dead stock registers, delay in remittances, GPF and service books. The report does not show the position of paras outstanding, action taken in respect of previous audit observation pointed out, reconciliation of the remittances and withdrawals, functioning/non-functioning of machinery etc.

There are 44 Government medical colleges and attached hospitals in Maharashtra. Major hospitals are in Mumbai, Pune, and Nagpur cities on which huge expenditure is incurred annually. Such hospitals are required to be audited annually. It was noticed that the audit of such hospitals was not conducted during 1997-2003. This indicated that the audit plan was not based on the priorities viz the financial implication/expenditure incurred etc. In DMER, Mumbai the pendency in audit of the colleges/hospitals/health units ranged from three to 27 years. Despite this no efforts were made to plan the audits on priority basis considering the huge expenditure and other risk factors involved. Verification of medical stock and stores by the medical officer in charge of the hospital need to be mentioned in the inspection report. The IAW report throws no light on the verification of stock and stores, indenting and issue of stores to the indenter. Moreover the annual inspection of the Medical colleges/ Hospitals is to be done by the O and M Officer of the DMER. The IAW report does not comment on the annual inspections not conducted.

### 5.1.9 Training of Audit Personnel

There was no arrangement for imparting training to the internal audit personnel.



**Frauds/embezzlement occurred in 10 hospitals where internal audit was in arrears for six to 24 years**

### 5.1.10 *Special Audit*

IAW of the DMER, Mumbai conducted special audit of 10 medical colleges/hospitals at the instance of the Government/ DMER during January 2001 to February 2003. The special audit of Indira Gandhi Medical College, Nagpur was conducted (February 2002) to look into the difference of Rs 22.44 lakh between the actual cash balance and cash book balance, for the period between April 1992 and December 2001. Responsibility for shortage of cash was fixed by internal audit and the First Information Report was lodged on 26 October 2002 with police. The internal audit of Indira Gandhi medical college had not been conducted since 1988. The special audit was also to look into five cases pertaining to medical store verification and the four cases regarding misuse of post, embezzlement of funds and fraudulent reimbursement of medical claims.

Scrutiny of records revealed that the internal audit of these 10 medical colleges/hospitals was in arrears from six to 24 years. It was thus obvious that failure on the part of IAW to complete regular internal audit resulted in occurrence of misappropriation/frauds.

## 5.2 Revenue Department

### 5.2.1 *Organisational Set up*

The Divisional Commissioner, the executive authority at the divisional level of the revenue administration, monitors the working of the district Collectors. There are six Divisional Commissioners under whom 35 district Collectors are functioning. Based on the recommendations of the Public Accounts Committee and direction of Finance Department, the Government (April 1977) created IAW for the revenue receipts in the offices of the Divisional Commissioners and district Collectors. The IAW of Commissionerate is headed by Assistant Director, Accounts and that of Collectorate by Accounts Officer.

### 5.2.2 *Internal auditing standards set by the Government*

According to the norms fixed by the Government, IAW is required to test check 20 per cent of the total cases in which assessment is complete and check 100 per cent of cases where relief is granted and cases where there are arrears of recoveries to ascertain the correctness. However, due to non availability of records showing category wise position of cases, the department failed to adhere to the norms fixed for assessment.

### 5.2.3 *Lack of Planning for Internal Audit*

In order to have effective internal audit, it is necessary to have proper planning with due consideration of risk indicators based on the money value and probable escape/evasion of revenue. It was, however, noticed that there were no risk indicators provided to IAW for planning and programming of the units. The Divisional Commissioner/Collector approves annual programme of the IAW considering only the number of units in arrears.

**5.2.4 Non-adherence of time schedule for issue of Inspection Reports**

Government directives (August 1996) provide that the IAW should issue Inspection Report (IR) within two months from date of completion of audit. Similarly, the audited body has to furnish compliance of the IR para within one month from the receipt of IR failing which disciplinary action has to be taken against the responsible official.

Scrutiny of records in two Commissionerates, Aurangabad and Nagpur revealed that there was delay in issue of IR over two months in Nanded and Chandrapur Collectorates and in Commissionerate, Nagpur. The first compliance was received after three months in all the offices. In, Nanded collectorate compliance was not received since 1998-99. The Commissioner, Nagpur stated that the first compliance is generally received in one year and in case of money value para, it takes two to three years after the recovery is effected. No departmental action according to Government directive was, however, initiated for non-adherence to the time schedule.

**5.2.5 Arrears in internal audit, coverage and clearance of outstanding paragraphs**

➤ Government framed (April 1983) rules for internal audit according to which every revenue receipt office has to be audited by the IAW once in a year. Similarly, according to Government instructions (April 1984) the IAW in Commissionerate should review the quarterly progress reports critically and in details. They should give special attention to the speedy clearance of paragraphs and issue suitable instructions to the officers impressing upon them the importance and necessity of compliance of paragraphs of IRs promptly.

Scrutiny of records revealed that audit was in arrears since 1992-93 and paras were outstanding since 1976-77. The year wise position of pendency in two Commissionerates as of June 2003 was as follows:

Year	Divisional Commissioner, Nagpur			Divisional Commissioner, Aurangabad		
	Pendency in audit	IR	Paragraphs	Pendency in audit	IR	Paragraphs
1976 to 1997	5	370	1320	18	548	3346
1997-98	6	43	330	12	58	235
1998-99	12	30	315	24	24	349
1999-2000	24	45	753	51	47	1139
2000-01	49	80	1030	77	47	1151
2001-02	87	38	1007	97	54	1514
<b>Total</b>	<b>183</b>	<b>606</b>	<b>4755</b>	<b>279</b>	<b>778</b>	<b>7734</b>

➤ The Assistant Director Accounts, Nagpur Commissionerate attributed the vacant posts as reason for pendency and also to the additional work at Collectorate being entrusted to the IAW. The Commissioner, Aurangabad attributed the pendency to the unavoidable circumstances such as

general elections, natural calamities etc. The large pendency in audit defeated the purpose of creation of IAW.

On being asked reasons for pendency of IR paras for over 25 years, the Divisional Commissioner, Aurangabad stated that efforts for speedy clearance of pending paras were taken up at Commissioner as well as Government level. The Commissioner, Nagpur stated that despite all efforts, non-response from the audited body was the main cause for pendency of paragraphs at district level. The non-response of the audited body in complying with the IR/paragraphs shows that serious thought is not being given to IRs, thereby defeating the purpose of creating the IAW.

The audit programme of the selected IAW Collectorate, revealed that on an average three to four years of audit is taken up at a time. In some cases, period of five to 11 years is covered. Thus inordinate delay in taking up the audit defeated the purpose and objective of internal audit to bring out the omissions/irregularities for its prompt remedial action and avoid its recurrence.

#### **5.2.6 Poor response to Internal Audit**

Scrutiny of records in Nagpur, Commissionerate revealed that out of 127 money value paras pertaining to 1976-77 to 2000-01, involving recovery of Rs 7.17 crore as of June 2003, only of Rs 3.76 lakh in case of 32 paras was recovered (March 2003). The position shows poor response of audited offices to IAW findings as well as poor persuasion of compliance from IAW side.

The Assistant Director (Accounts) stated that the departmental authorities (audited bodies) do not take prompt cognizance of the IRs for assessing correctness of the audit finding, raising demand for defaulted amount despite persuasion by Commissioner in monthly meetings with Collectors.

#### **5.2.7 Training**

Rules provide that the Divisional Commissioner concerned should immediately arrange a short period training programme on audit of revenue and receipts for the IAW staff of the division. However, in none of the Commissionerate test-checked such training was arranged.

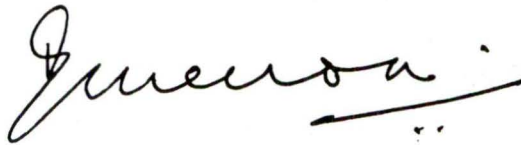
#### **5.2.8 Internal check of expenditure**

Government in March 1981 re-entrusted the work of checking of validity of bills before submission to treasury, inspection of receipt and payment of the Collectorate, Sub-division, Tehsil to the regular revenue staff. There was no internal audit system for expenditure except annual inspection by the Collector/nominated officer as required under Government circular of April 1985.

### **5.3 General Recommendations**

- An Internal Audit Manual should be prepared to provide guidance to the IA staff on audit planning, audit procedures and reporting requirements.

- Well thought out, short and long term audit plan should be prepared to ensure complete coverage of offices and activities.
- IAW should complete audit of units mandated to prevent misappropriation of funds/frauds.
- The system of monitoring and follow up action registers for watching audit objections should be maintained for ensuring compliance.
- Government should conduct a special drive to clear/obtain compliance for paras outstanding in respect of Internal Audit Reports issued.
- Time gap between audits conducted and issue of IRs should be minimised.
- Objections outstanding for a prolonged period for want of action should be communicated to Government.
- Diversion of staff of IAW for other purposes should be discouraged.
- Training of staff engaged on IA should be taken up on a continual basis to impart skills necessary to evaluate the adequacy of controls within the organisation.
- The independent status of IAW should receive due publicity within the department.



(K.S. MENON)

Principal Accountant General (Audit)-I,  
Maharashtra

Mumbai,

The **20 FEB 2004**

Countersigned



(VIJAYENDRA N. KAUL)

Comptroller and Auditor General of India

New Delhi,

The **8 MAR 2004**

# APPENDICES

APPENDIX



**APPENDIX I**  
(Reference : Paragraph 1.4, Page 4)

**Summarised financial position of the Government of Maharashtra as on 31 March 2003**

As on 31.03.2002	LIABILITIES	(Rupees in crore) As on 31.03.2003
8587.24	<b>Internal Debt</b>	17150.66
6432.26	Market Loans bearing interest	7433.41
21.46	Market Loans not bearing interest	25.45
15.76	Loans from LIC	564.83
2117.76	Loans from other institutions	9126.97
--	Ways and Means Advances/Overdrafts from Reserve Bank of India	--
37064.26	<b>Loans and Advances from Central Government</b>	36903.95
429.51	Pre 1984-85 Loans	347.73
28125.93	Non-Plan Loans	27650.43
8354.32	Loans for State Plan Schemes	8734.43
12.70	Loans for Central Plan Schemes	11.73
141.80	Loans for Centrally Sponsored Plan Schemes	147.13
--	Ways and Means Advances	12.50
134.20	<b>Contingency Fund</b>	113.15
7143.39	<b>Small Savings, Provident funds etc</b>	7201.40
8371.27	<b>Deposits</b>	9273.39
13042.88	<b>Reserve Funds</b>	15269.77
890.22	<b>Suspense and Miscellaneous Balances</b>	3999.30
75233.46	<b>TOTAL</b>	89911.62
As on 31.03.2002	ASSETS	As on 31.03.2003
40166.27	<b>Gross Capital Outlay on Fixed Assets</b>	43849.91
11155.07	Investments in shares of Companies, Corporations etc	13605.01
29011.20	Other Capital Outlay	30244.90
8458.44	<b>Loans and Advances</b>	9693.37
3054.46	Loans for Power Projects	3233.77
4978.60	Other Development Loans	5966.28
425.38	Loans to Government servants	493.32
13.17	<b>Advances</b>	13.51
1005.98	<b>Remittance Balances</b>	656.45
697.70	<b>Cash</b>	1435.20
8.76	Cash in Treasuries	6.74
(-)53.81 <sup>1</sup>	Deposits with Reserve Bank	(-)74.17
(-)78.01 <sup>2</sup>	Local remittances	(-)60.40
7.18	Departmental Cash Balance	5.20
0.42	Permanent Advances	0.42
375.61	Cash Balance Investments	967.05
437.55	Investment of earmarked balances	590.36
24891.90	<b>Deficit on Government Accounts</b>	34263.18
8188.57	(i) Revenue Deficit of the Current Year	9371.25
--	(ii) Pro forma correction	0.03
(-)350.02	(iii) Other adjustments	--
17053.35	Accumulated deficit upto 31 March 2002	24891.90
75233.46	<b>TOTAL</b>	89911.62

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<sup>1</sup> Minus balance is due to payments made by the agency bank being more than the receipts collected by them and late reporting of transactions through the Reserve Bank of India, Nagpur

<sup>2</sup> Minus balance is due to non-adjustment of remittances between treasuries and currency chests on 31.3.2002.

\* Higher rounding

**APPENDIX II**  
(Reference Paragraph 1.4, Page 4)

**Abstract of Receipts and Disbursements for the year 2002-03**

Receipts (Rupees in crore)				Disbursements (Rupees in crore)						
2001-02 (1)			2002-03 (4)	2001-02 (5)			Non-Plan (7)	Plan (8)	Total (9)	2002-03 (10)
<b>Section-A : Revenue</b>										
<b>30092.95</b>	<b>I.</b>	<b>Revenue receipts</b>	<b>31103.05</b>	<b>38281.52</b>	<b>I.</b>	<b>Revenue expenditure</b>	<b>37229.89</b>	<b>3244.41*</b>	<b>40474.30</b>	<b>40474.30</b>
21287.64		Tax revenue	22799.46	17730.54		<b>General services</b>	17826.92	119.89*	17946.81	
				14136.81		<b>Social services</b>	12584.84	1632.99	14217.83	
4655.08		Non-tax revenue	4517.47	9381.98		Education, Sports, Art and Culture	8695.25	241.85 <sup>1</sup>	8937.10	
				1783.81		Health and Family Welfare	1286.19	369.47	1655.66	
2468.76		State's share of Union Taxes	2279.96	987.65		Water Supply, Sanitation, Housing and Urban Development	937.65	542.52	1480.17	
				16.62		Information and Broadcasting	18.83	0.30	19.13	
355.29		Non-Plan grants	376.17	729.65		Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	619.99	211.20	831.19	
				182.46		Labour and labour Welfare	178.40	10.82	189.22	
601.85		Grants for State Plan Scheme	547.93	1031.59		Social Welfare and Nutrition	823.08	255.75*	1078.83	
				23.05		Others	25.45	1.08	26.53	
724.33		Grants for Central and Centrally sponsored Plan Schemes	582.06	5875.71		<b>Economic Services</b>	6145.45	1490.32	7635.77	
				2392.18		Agriculture and Allied Activities	2375.52 <sup>1</sup>	275.71	2651.23	
				522.36		Rural Development	184.31	720.77	905.08	
				34.46		Special Areas Programmes	0.17	52.39	52.56	
				1873.70		Irrigation and Flood control	1768.34	42.85	1811.19	
				723.41		Energy	728.53	30.17	758.70	
				133.00		Industry and Minerals	87.98	138.20	226.18	
				73.60		Transport	934.14	63.20	997.34	
				0.78		Science, Technology and Environment	--	7.11	7.11	
				122.22		General Economic Services	66.46	159.92	226.38	
				538.46		<b>Grants-in-aid and Contributions</b>	<b>672.68</b>	<b>1.21</b>	<b>673.89</b>	

\* Higher rounding

<sup>1</sup> Lower rounding



APPENDIX II (Contd.)

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	
8188.57	II.	Revenue deficit carried over to Section B	9371.25	--	II.	Revenue Surplus carried over to Section B			--	
<b>Section B</b>										
1466.95	III.	Opening Cash balance including Permanent Advances and Cash Balance Investment	697.70	--	III.	Opening Overdraft from RBI			--	
--	IV.	Miscellaneous Capital receipts	--	2947.88	IV.	Capital Outlay	2038.60	1645.08	3683.68	3683.68
				38.15*		<u>General Services</u>	9.26*	30.12	39.38	
				133.11		<u>Social Services</u>	2.68	156.60	159.28	
				5.93		Education, Sports, Art and Culture	--	4.32*	4.32*	
				50.93		Health and Family Welfare	--	96.08	96.08	
				23.02		Water Supply, Sanitation, Housing and Urban Development	3.44	11.921	15.36	
				38.89 <sup>1</sup>		Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	--	21.90	21.90	
				2.68		Social Welfare and Nutrition	(-)0.76	2.99*	2.23	
				11.66		Others	--	19.39	19.39	
				2776.62		<u>Economic Services</u>	2026.66	1458.36	3485.02	
				501.22		Agriculture and Allied Activities	(-)3.34	153.02	149.68	
				1178.95		Irrigation and Flood Control	1907.83	605.97	2513.80	
				282.87		Energy	--	291.10	291.10	
				13.33		Industry and Minerals	--	5.78	5.78	
				800.26		Transport	120.87	401.19*	522.06	
				-0.07		General Economic Services	1.30	1.24 <sup>1</sup>	2.54	
				0.06		Science Technology and Environment	--	0.06	0.06	

\* Higher rounding  
<sup>1</sup> Lower rounding

**Audit Report (Civil) for the year ended 31 March 2003**

**APPENDIX II (Concl.)**

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
298.09	V.	<b>Recoveries of Loans and Advances-</b>		469.16	59.39	V.	<b>Loans and Advances disbursed-</b>		1704.08
100.51		From Power Projects	0.32		522.29		For Power Projects	179.64	
68.50		From Government Servants	80.03		132.87		To Government Servants	147.97	
129.08		From others	388.81		(-)595.77		To Others	1376.47	
--	VI.	<b>Revenue surplus brought down</b>		--	8188.57	VI.	<b>Revenue deficit brought down</b>		9371.25
8671.33	VII.	<b>Public debt receipts</b>		9758.42	1190.80	VII.	<b>Repayment of Public Debt-</b>		1355.31
--		External debt	--	--	--		External debt	--	--
2334.73		Internal debt other than ways and means Advances and Overdraft	8796.64		229.89		Internal debt other than Ways and Means Advances and Overdraft	233.22	
A		Net transactions under Ways and Means Advances including Overdraft	+		A		Net transactions under Ways and Means Advances including Overdraft	+	
6336.60		Loans and Advances from Central Government	961.78		960.91		Repayment of Loans and Advances to Central Government	1122.09	
600.00	VIII.	<b>Appropriation from Contingency Fund</b>		450.00	250.00	VIII.	<b>Appropriation to Contingency Fund</b>		450.00
305.45	IX.	<b>Contingency Fund</b>		465.80	615.80	IX.	<b>Contingency Fund</b>		486.85
42368.85	X.	<b>Public Account receipts</b>		44867.16	39760.53	X.	<b>Public Account disbursements-</b>		38221.87
1812.68*		Small Savings and Provident Funds	1405.75		1178.10		Small Savings and Provident Funds	1347.74	
4173.95		Reserve funds	4438.67 <sup>1</sup>		2195.71		Reserve Funds	2211.78	
24553.82		Suspense and Miscellaneous	26510.62		25726.37		Suspense and Miscellaneous	23401.53	
6032.93		Remittances	7286.77		6154.32		Remittances	6937.24	
5795.47		Deposits and Advances	5225.35		4506.03		Deposits and Advances	4323.58	
--	XI.	<b>Closing Overdraft from Reserve Bank of India</b>		--	697.70	XI.	<b>Cash Balance at end-</b>		1435.20
					8.76		-Cash in Treasuries	6.74	
--	XII.	<b>Inter State Settlement</b>		--	(-)78.01		-Local Remittances	(-)60.40	
					(-)53.81 <sup>2</sup>		-Deposits with Reserve Bank	(-)74.17	
					7.18		-Departmental Cash Balance	5.20	
					0.42		-Permanent Advances	0.42	
					375.61		-Cash Balance Investment	967.05	
					437.55		-Investment of earmarked balances	590.36	
53710.67		<b>Total</b>	56708.24		53710.67		<b>Total</b>		56708.24

<sup>A</sup> Represent receipts Rs 12431.75 crore and disbursement Rs 12431.75 crore.

<sup>+</sup> Represent receipt Rs 13997.53 crore and disbursement Rs 13997.53 crore.

<sup>1</sup> Lower rounding

<sup>\*</sup> Higher rounding

<sup>2</sup> Minus balance is due to payments made by the agency bank being more than the receipts collected by them and late reporting of transactions through the Reserve Bank of India, Nagpur

**APPENDIX III**  
(Reference: Paragraph 1.4, Page 4)

**Sources and Application of funds**

(Rupees in crore)

2001-02			2002-03
Sources			
30092.95	1	Revenue receipts	31103.05
298.09	2	Recoveries of Loans and Advances	469.16
7480.53	3	Increase in Public debt other than overdraft	8403.11
2608.30	4	Net receipts from Public account	6645.29
634.58		Increase in Small Savings and Provident Funds	58.01
1289.44		Increase in Deposits and Advances	901.78
1978.24		Increase in Reserve funds	2226.89
(-)121.40		Net effect of Remittances	349.53
(-)1172.56		Net effect of Suspense and Miscellaneous transactions	3109.08
350.02	5	Adjustment closed to Government Accounts	--
769.25	6	Decrease in closing cash balance	--
41599.14		<b>Total</b>	<b>46620.61</b>
Application			
38281.52	1	Revenue expenditure	40474.30
2947.88	2	Capital expenditure	3683.68
59.39	3	Lending for development and other purposes	1704.08
310.35	4	Net effect of contingency fund transactions	21.05
--	5	Increase in closing cash balance	737.50
41599.14		<b>Total</b>	<b>46620.61</b>

**Explanatory notes for Exhibit I, II and III:**

1. The abridged accounts in the foregoing statements have to be read with comments and explanations in the Finance Accounts.
2. Government accounts being mainly on cash basis, the deficit on Government account, as shown in Exhibit I, indicates the position on cash basis, as opposed to accrual basis in commercial accounting. Consequently, items payable or receivable or items like depreciation or variation in stock figures etc, do not figure in the accounts.
3. Suspense and Miscellaneous balances include cheques issued but not paid, payments made on behalf of the State and other pending settlement etc.
4. There was a difference of Rs 309.25 lakh (credit) between the figures reflected in the accounts and that intimated by the RBI under "Deposit with Reserve Bank". The difference is under reconciliation (September 2003).

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**APPENDIX IV**  
(Reference : Paragraph I 4, Page 4)

**Time series data on State Government Finances**

(Rupees in crore)

(1)	1998-99 (2)	1999-2000 (3)	2000-01 (4)	2001-02 (5)	2002-03 (6)
<b>Part A. Receipts</b>					
<b>1. Revenue Receipts</b>	<b>21737.09</b>	<b>25269.47</b>	<b>29566.92</b>	<b>30092.95</b>	<b>31103.05</b>
(i) Tax Revenue	14202.36(65)	17264.95(68)	19726.94(67)	21287.64(71)	22799.46(73)
Taxes on Agricultural Income	--	0.12(00)	--	0.16(00)	--
Taxes on Sales, Trade, etc	8066.61(57)	10509.02(61)	12196.39(62)	12131.38(57)	13488.34(59)
State Excise	1748.74(12)	1875.68(11)	1779.51(09)	1787.26(08)	1938.68(9)
Taxes on Vehicles	636.95(05)	708.30(04)	785.84(04)	947.79(04)	941.23(4)
Stamps and Registration fees	1607.87(11)	1939.83(11)	2200.92(11)	2442.67(12)	2823.11(12)
Land Revenue	112.46(01)	177.87(01)	214.72(01)	260.46(01)	386.41(2)
Other Taxes	2029.73(14)	2054.13(12)	2549.56(13)	3717.92(18)	3221.69(14)
(ii) Non-tax Revenue	3572.70(16)	3936.87(16)	5596.26 <sup>1</sup> (19)	4655.08(15)	4517.47(15)
(iii) State's share of Union taxes and duties	2921.90(14)	2608.67(10)	2781.01(09)	2468.76(08)	2279.96(7)
(iv) Grants-in-aid from GOI	1040.13(05)	1458.98(06)	1462.71(05)	1681.47(06)	1506.16(5)
<b>2. Miscellaneous Capital Receipts</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>3. Total revenue and Non-debt capital receipts (1 + 2)</b>	<b>21737.09</b>	<b>25269.47</b>	<b>29566.92</b>	<b>30092.95</b>	<b>31103.05</b>
<b>4. Recoveries of Loans and Advances</b>	<b>269.76</b>	<b>250.90</b>	<b>2595.20</b>	<b>298.09</b>	<b>469.16</b>
<b>5. Public Debt Receipts</b>	<b>5516.50</b>	<b>6058.04</b>	<b>6744.15</b>	<b>8671.33</b>	<b>9758.42</b>
Internal Debt (excluding Ways and Means Advances and Overdrafts)	799.94	1154.80	1342.76	2334.73	8796.64
Net transactions under Ways and Means Advances and Overdraft	0.01	--	--	--	--
Loans and Advances from Government of India <sup>§</sup>	4716.55	4903.24	5401.39	6336.60	961.78
<b>6. Appropriation from Contingency Fund</b>	<b>300.00</b>	<b>1000.00</b>	<b>700.00</b>	<b>600.00</b>	<b>450.00</b>
<b>7. Inter State settlement</b>	<b>0.99</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>8. Total receipts in the Consolidated Fund (3+4+5+6+7)</b>	<b>27824.34</b>	<b>32578.41</b>	<b>39606.27</b>	<b>39662.37</b>	<b>41780.63</b>
<b>9. Contingency Fund Receipts</b>	<b>131.44</b>	<b>1772.94</b>	<b>367.29</b>	<b>305.45</b>	<b>465.80</b>
<b>10. Public Accounts receipts</b>	<b>30342.06</b>	<b>37749.44</b>	<b>38318.68</b>	<b>42368.85</b>	<b>44867.16</b>
<b>11. Total receipts of the State (8+9+10)</b>	<b>58297.84</b>	<b>72100.79</b>	<b>78292.24</b>	<b>82336.67</b>	<b>87113.59</b>
<b>Part B. Expenditure/Disbursement</b>					
<b>12. Revenue expenditure (% of 15)</b>	<b>25663.02(87)</b>	<b>29538.22(79)</b>	<b>37400.95<sup>1</sup>(91)</b>	<b>38281.52(93)</b>	<b>40474.30(88)</b>
Plan	3397.75(13)	2840.56(10)	2921.20 <sup>1</sup> (08)	2881.03(08)	3244.41(8)
Non-Plan	22265.27(87)	26697.66(90)	34479.75(92)	35400.49(92)	37229.89(92)
General Services (incl. Interests payments)	10614.12(41)	12538.73(42)	14702.13(39)	17730.54(46)	17946.81(44)
Social Services	9427.81(37)	11181.28(38)	14350.71(38)	14136.81(37)	14217.83(35)
Economic Services	5445.29(21)	5257.72(18)	7655.86(21)	5875.71(16)	7635.77(19)
Grants-in-aid and Contribution	175.80(01)	560.49(02)	692.25(02)	538.46(01)	673.89(2)
<b>13. Capital Expenditure (% of 15)</b>	<b>3192.51(11)</b>	<b>3761.32(10)</b>	<b>4463.01(11)</b>	<b>2947.88(07)</b>	<b>3683.68(8)</b>
Plan	2484.77(78)	2637.86(70)	3688.30(83)	1475.39(50)	1645.08(45)
Non-Plan	707.74(22)	1123.46(30)	774.71(17)	1472.49(50)	2038.60(55)
General Services	74.71(02)	74.78(02)	45.95(01)	38.15(01)	39.38(1)
Social Services	278.40(09)	181.14(05)	120.46(03)	133.11(05)	159.28(4)
Economic Services	2839.40(89)	3505.40(93)	4296.60(96)	2776.62(94)	3485.02(95)

\* Higher rounding

<sup>1</sup> Lower rounding

§ Includes Ways and Means Advances from GOI

APPENDIX IV (Concl'd)					
(1)	(2)	(3)	(4)	(5)	(6)
14. Disbursement of Loans and Advances (% of 15)	613.70(02)	3926.98(11)	(-726.04(-2)	59.39(00)	1704.08(4)
15. Total (12+13+14)	29469.23	37226.52	41137.92	41288.79	45862.06
16. Repayments of Public Debt	847.95	1017.09	1070.27	1190.80	1355.31
Internal Debt (excluding Ways and Means Advances and Overdrafts)	116.00	199.48	209.60	229.89	233.22
Net transactions under Ways and Means Advances and Overdrafts	--	--	--	--	--
Loans and Advances from Government of India <sup>s</sup>	731.95	817.61	860.67	960.91	1122.09
17. Appropriation to Contingency Fund	100.00	1700.00	350.00	250.00	450.00
18. Total disbursement out of Consolidated Fund (15+16+17)	30417.18	39943.61	42558.19	42729.59	47667.37
19. Contingency Fund disbursements	372.94	1017.29	755.45	615.80	486.85
20. Public Account disbursements	26739.82	32925.27	34538.09	39760.53	38221.87
21. Total disbursement by the state (18+19+20)	57529.94	73886.17	77851.73	83105.92	86376.09
<b>Part C. Deficits</b>					
22. Revenue Deficit(-)/Surplus (+) (1-12)	(-)3925.93	(-)4268.75	(-)7834.03	(-)8188.57	(-)9371.25
23. Fiscal Deficit (3+4-15)	7462.38	11706.15	8975.80	10897.75	14289.85
24. Primary Deficit (23-25)	3789.25	6822.56	3751.26	4468.67	7160.10
<b>Part D. Other data</b>					
25. Interest Payments (included in revenue expenditure)	3673.13	4883.59	5224.54	6429.08	7129.75
26. Arrears of Revenue (Percentage of Tax and non-tax Revenue Receipts)	4563.52(26)	6511.54(31)	7953.69(31)	5140.68(20)	5879.01(22)
27. Financial Assistance to local bodies etc	7943.93	9471.59	7300.59	10979.92	5258.55
28. Ways and Means Advances/Overdraft availed (days)	--	19	244	107/76	171/154
29. Interest on WMA/Overdraft	--	--	12.18	41.03	42.88
30. Gross State Domestic Product (GSDP)	239721	240224	258272 <sup>c</sup>	271406	290142 <sup>d</sup>
31. Outstanding Debt (year end)	27456.14	32497.09	38170.97	45651.50	54054.61
32. Outstanding guarantees (year end) <sup>A</sup>	11152.15	1079.79	2924.81	1534.96	2453.50
33. Maximum amount guaranteed (year end)	27423.01	29214.78	35540.20	33974.20	37521.19
34. Number of incomplete projects	115	68	95	117	133
35. Capital blocked in incomplete projects	3099.23	1705.95	2850.12	3258.16	3829.26

Note: Figures in brackets represent percentages (rounded) to total of each subheading

<sup>s</sup> Includes Ways and Means Advances from GOI

<sup>c</sup> Based on Economic Survey of Maharashtra 2001-02.

<sup>d</sup> Provisional

<sup>A</sup> As per Finance Accounts of respective year

**APPENDIX V**  
(Reference: Paragraph 1.4, Page 5)

**List of terms used in the Chapter - I and basis for their calculation**

<b>Terms</b>	<b>Basis for calculation</b>
Buoyancy of a parameter	Rate of Growth of the parameter GSDP Growth
Buoyancy of a parameter (X) with respect to another parameter (Y)	Rate of Growth of the parameter (X) Rate of Growth of the parameter (Y)
Rate of Growth (ROG)	$[(\text{Current year Amount}/\text{Previous year Amount}) - 1] * 100$
Trend/Average	Trend of growth over a period of 5 years $(\text{LOGEST}(\text{Amount of 1996-97}:\text{Amount of 2001-02}) - 1) * 100$
Share shift/Shift rate of a parameter	Trend of percentage shares, over a period of 5 years, of the parameter in Revenue or Expenditure as the case may be
Development Expenditure	Social Services + Economic Services
Weighted Interest Rate (Average interest paid by the State)	$\text{Interest Payment} / [(\text{Amount of previous year's Fiscal Liabilities} + \text{Current year's Fiscal Liabilities})/2] * 100$
Interest spread	GSDP growth - Weighted Interest rates
Interest received as <i>per cent</i> to Loans Advanced	$\text{Interest Received} [(\text{Opening balance} + \text{Closing balance of Loans and Advances})/2] * 100$
Revenue Deficit	Revenue Receipt - Revenue Expenditure
Fiscal Deficit	Revenue Expenditure + Capital Expenditure + Net Loans and Advances - Revenue Receipts - Miscellaneous Capital Receipts
Primary Deficit	Fiscal Deficit - Interest Payments
Balance from Current Revenue (BCR)	Revenue Receipts minus all Plan grants and Non-Plan Revenue Expenditure excluding debits under 2048-Appropriation for Reduction or Avoidance of Debt.

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**APPENDIX VI**  
(Reference: Paragraph 1.7.2, Page 14)

**Statement showing departmentwise breakup of outstanding Utilisation Certificates (Grants)**

Sr. No.	Department	Number of certificates	Amount (Rupees)
1	Agriculture, Animal Husbandry, Dairy Development and Fisheries	6812	492355234
2	Co-operation and Textiles	1562	318150335
3	Employment and Self-employment	22	1796970
4	Finance	127	381138460
5	Food, Civil Supplies and Consumer Protection	3	43500
6	General Administration	147	78060248
7	Higher and Technical Education	780	2152298902
8	Home	32	19197897
9	Housing	154	137595753
10	Industries, Energy and Labour	156	4734459577
11	Irrigation	90	1878104482
12	Law and Judiciary	80	52737381
13	Medical Education and Drugs	43	173864894
14	Planning	4886	7852036131
15	Public Health	2927	2936811149
16	Public Works	162	309441185
17	Revenue and Forests	1774	635565438
18	Rural Development and Water Conservation	2509	5034247073
19	School Education	6996	40128576172
20	Social Welfare, Cultural Affairs and Sports	27101	7744706827
21	Tribal Development	1212	1575992346
22	Urban Development	613	6897607942
23	Water Supply and Sanitation	1492	12253300176
24	Women and Child Welfare	875	1041118412
	<b>Total</b>	<b>60555</b>	<b>101260406484</b>

**Departmentwise break up of outstanding Utilisation certificates (Loans)**

1	Agriculture, Animal Husbandry, Dairy Development and Fisheries	118	1378110340
2	Co-operation and Textiles	409	859749743
3	Housing	148	124190048
4	Industries, Energy and Labour	1523	218743049
5	Revenue and Forests	222	65768914
6	Rural Development and Water Conservation	23	16315975
7	Tribal Development	408	260198690
8	Urban Development	424	154119473
	<b>Total</b>	<b>3275</b>	<b>3077196232</b>

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**APPENDIX VII**

(Reference: Paragraph 1.7.3, Page 14)

**Statement showing department-wise break up of delay in submission of accounts**

<b>Year(s) for which information was awaited</b>	<b>Name of Department</b>
1998-99 to 2002-03	Agriculture, Animal Husbandry, Dairy Development and Fisheries
1997-98 to 2002-03	Co-operation and Textiles
1997-98 to 2001-02	Environment
1999-2000 to 2002-03	Finance
1994-95 to 1995-96 and 1998-99 to 2002-03	Food, Civil Supplies and Consumer Protection
1995-96 to 1998-99 and 2000-01 to 2002-03	Higher and Technical Education
1993-94 to 2002-03	Home
1999-2000 to 2002-03	Housing
1999-2000 to 2002-03	Industries, Energy and Labour
1998-99 to 2002-03	Irrigation
1999-2000 to 2002-03	Law and Judiciary
2002-2003	Maharashtra Legislative Assembly
1999-2000 to 2001-02	Medical Education and Drugs
1997-98 and 1999-2000 to 2002-03	Planning
1994-95 to 2002-03	Public Health
1993-94 to 1995-96 and 1997-98 to 2002-03	Public Works
1991-92 to 1993-94, 1996-97 to 1997-98 and 2000-01 to 2002-03	Revenue and Forests
1991-92 to 1995-96 and 1998-99 to 2002-03	Rural Development and Water Conservation
1996-97 to 2002-03	School Education
1999-2000 to 2002-03	Social Justice, Cultural Affairs, Sports and Special Assistance
1991-92 to 1996-97 and 1998-99 to 2002-03	Tribal Development
1998-99 to 2002-03	Urban Development
1993-94 to 2002-03	Women and Child Welfare



**APPENDIX VIII**  
(Reference: Paragraph 1.7.4, Page 14)

**Statement showing performance of the autonomous bodies**

Sr. No.	Name of body	Period of entrustment	Year upto which Accounts were rendered	Period upto which Separate Audit Report is issued	Placement of SAR in the Legislature
1	Maharashtra Housing and Area Development Authority, Mumbai	1.4.1998 to 31.3.2003	2000-01	1998-99	1994-95
2	Maharashtra State Khadi and Village Industries Board, Mumbai	1.4.1997 to 31.3.2002	2002-03	2001-02	2000-01 (22.7.03)
3	Maharashtra Jeevan Pradhikaran, Mumbai	1.4.1997 to 31.3.2002	2001-02	2001-02	2000-01
4	Mumbai Metropolitan Region Development Authority, Mumbai	1.4.1999 to 31.3.2004	2002-03	2001-02	No provision for placement
5	Maharashtra State Commission for Women, Mumbai	1.4.1999 to 31.3.2003	2000-01	2000-01	--
6	Maharashtra Maritime Board, Mumbai	1.4.2001 to 31.3.2006	2001-02	2000-01	--
7	Maharashtra Krishna Valley Development Corporation, Pune	1.4.2001 to 31.3.2006	2001-02	2001-02	1996-97 to 1999-2000 (8.4.2003)
8	Konkan Irrigation Development Corporation, Thane	1.1.1998 to 31.3.2003	2001-02	2001-02	1998-99 (8.4.2003)
9	Vidharbha Irrigation Development Corporation, Nagpur	1.4.1997 to 31.3.2002*	2001-02	1999-2000	--
10	Tapi Irrigation Development Corporation, Jalgaon	1.1.1998 to 31.3.2003	2001-02	1999-2000	--
11	Godavari Marathwada Irrigation Development Corporation, Aurangabad	17.8.1998 to 31.3.2004	2001-02	2000-01	--

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\* Entrustment from 1.4.02 is awaited.

**APPENDIX IX**  
(Reference: Paragraph 1.7.5, Page 15)

**Statement showing cases of misappropriation reported upto March 2003 and pending finalisation as on 30 September 2003**

Sr. No.	Name of Department	Reported upto March 1999		Reported during 1999-2000		Reported during 2000-01		Reported during 2001-02		Reported during 2002-03		Total	
		Cases	Amounts	Cases	Amounts	Cases	Amounts	Cases	Amounts	Cases	Amounts	Cases	Amounts
1	2	3	4	5	6	7	8	9	10	11	12	13	14
		(Rupees in lakh)											
1	Agriculture, Animal Husbandry, Dairy Development and Fisheries	38	15.70	-	-	3	3.68	25	25.85	1	0.21	67	45.44
2	Employment and Self employment	1	0.09	-	-	-	-	-	-	-	-	1	0.09
3	Finance	5	110.79	-	-	1	13.89	1	0.58	-	-	7	125.26
4	Food, Civil Supplies and Consumer Protection	13	29.11	-	-	-	-	-	-	1	4.35	14	33.46
5	General Administration	2	1.35	-	-	-	-	-	-	-	-	2	1.35
6	Housing	2	0.61	-	-	-	-	-	-	-	-	2	0.61
7	Higher and Technical Education	2	1.36	1	0.70	-	-	-	-	1	29.65	4	31.71
8	Home	20	13.85	-	-	1	7.60	-	-	-	-	21	21.45
9	Industries, Energy and Labour	-	-	-	-	-	-	-	-	-	-	-	-
10	Irrigation	3	2.39	-	-	-	-	1	3.37	-	-	4	5.76
11	Law and Judiciary	2	1.53	-	-	1	5.51	3	0.43	-	-	6	7.47

APPENDIX IX (Concl.)													
1	2	3	4	5	6	7	8	9	10	11	12	13	14
(Rupees in lakh)													
12	Medical Education and Drugs	3	7.17	-	-	-	-	-	-	-	-	3	7.17
13	Public Health	15	10.56	-	-	1	2.31	4	11.11	2	27.82	22	51.80
14	Public Works	1	1.08	-	-	-	-	-	-	-	-	1	1.08
15	Revenue and Forests	121	25.27	4	1.63	1	3.19	1	0.08	-	-	127	30.17
16	Rural Development and Water Conservation	18	200.79	-	-	-	-	-	-	-	-	18	200.79
17	School Education	2	2.56	-	-	-	-	-	-	-	-	2	2.56
18	Social Justice, Cultural Affairs, Sports and Special Assistance Department	8	84.64	-	-	-	-	-	-	-	-	8	84.64
<b>TOTAL</b>		<b>256</b>	<b>508.85</b>	<b>5</b>	<b>2.33</b>	<b>8</b>	<b>36.18</b>	<b>35</b>	<b>41.42</b>	<b>5</b>	<b>62.03</b>	<b>309</b>	<b>650.81</b>

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**APPENDIX X**  
(Reference: 1.7.6; Page 15)

**Write off of losses, etc.**

Sr. No.	Department	Losses, Irrecoverable revenues, advances etc written-off	
		Number of cases	Amount (Rupees in lakh)
1	Agriculture, Animal Husbandry, Dairy Development and Fisheries	17	19.51
2	Finance	6	0.69
3	Food, Civil Supplies and Consumer Protection	403	7.47
4	General Administration	1	0.27
5	Home	2	0.07
6	Industries, Energy and Labour	2	0.14
7	Irrigation	1	0.13
8	Law and Judiciary	3	2.85
9	Public works	1	0.03
10	Rural Development and Water Conservation	6	0.13
11	Urban Development	8	0.60
	<b>Total</b>	<b>450</b>	<b>31.89</b>

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**APPENDIX XI**

(Reference: Paragraph 1.8.3, Page 16)

**Departmentally managed Commercial and Quasi-Commercial Undertakings whose *Proforma* Accounts are in arrears for more than one year**

	Arrears since	No. of accounts	Remarks
<b>Agriculture, Animal Husbandry, Dairy Development And Fisheries Department</b>			
<b>Milk Scheme</b>			
Government Milk Scheme - Latur	August 1999	4	New Dairy-first accounts awaited
Paragrass Production Scheme, Mumbai	2001-02	2	
Unit Scheme, Mumbai	2001-02	2	
Electricity Scheme, Mumbai	2001-02	2	
Cattle Feed Scheme, Mumbai	2001-02	2	
Water Works Scheme, Mumbai	2001-02	2	
<b>Others</b>			
Land Development by Bulldozer Scheme, Amravati	1996-97	7	
Land Development by Bulldozer Scheme, Aurangabad	1998-99	5	
Land Development by Bulldozer Scheme, Pune	1995-96	8	
Land Development by Bulldozer Scheme, Nagpur	2000-01	3	
<b>Revenue And Forest Department</b>			
Allapali and Pendigundam Forest Ranges of Forest Divisions including Saw Mills and Timber Depot.	1986-87	17	

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**APPENDIX- XII**  
(Reference Paragraph 1.8.3, Page 16)

**Summarised statement of finalisation of accounts and the government investment thereon in departmentally managed commercial and quasi-commercial undertakings**

Sr. No.	Department	Number of undertakings under the Department	Account not finalised (Name of undertakings)	Year from which accounts are due	Investment as per last accounts (Rupees in crore)	Remarks
(1)	(2)	(3)	(4)	(5)	(6)	(7)
(A)	<b>Agriculture, Animal Husbandry, Dairy Development and Fisheries</b>	<b>43</b>	Government Milk Scheme			
<b>Mumbai Region</b>						
1			Greater Mumbai Milk Scheme, Worli	2001-02	(-)24.22	Accumulated loss has eroded the capital
2			Mother dairy, Kurla	2001-02	(-)15.51	Accumulated loss has eroded the capital
3			Aarey Milk Scheme, Goregaon	2001-02	(-) 10.48	Accumulated loss has eroded the capital
4			Milk Transport Service, Worli	2001-02	--	
5			Paragrass Production Scheme, Mumbai	2000-01	1.11	
6			Unit Scheme, Mumbai	2000-01	6.24	
7			Electricity Scheme, Mumbai	2000-01	4.21	
8			Cattle Feed Scheme, Mumbai	2000-01	0.52	
9			Water Works Scheme, Mumbai	2000-01	5.98	
10			Dairy Project, Dapchari	2001-02	7.05	
11			Government Milk Scheme, Chiplun	2002-03	1.75	
12			Government Milk Scheme, Mahad	2002-03	1.87	
13			Government Milk Scheme, Ratnagiri	2002-03	3.47	
14			Government Milk Scheme, Khopoli	2002-03	3.17	
15			Government Milk Scheme, Kankavali	2002-03	3.03	
16			Government Milk Chilling Centre, Saralgaon	2002-03	0.23	

APPENDIX XII (Contd.)						
(1)	(2)	(3)	(4)	(5)	(6)	(7)
17			Cattle Breeding and Rearing Farm Palghar	2002-03	1.27	
18			Government Milk Distribution Depot, Gove, Bhiwandi	2002-03	0.38	
<b>Pune Region</b>						
19			Government Milk Scheme, Pune	2001-02	2.93	
20			Government Milk Scheme, Solapur	2002-03	3.09	
21			Government Milk Scheme, Miraj	2002-03	85.74	
22			Government Milk Scheme, Mahabaleshwar	2002-03	6.57	
23			Government Milk Scheme, Satara	2002-03	25.23	
<b>Nagpur Region</b>						
24			Government Milk Scheme, Nagpur	2002-03	2.89	
25			Government Milk Scheme, Wardha	2001-02	2.00	
26			Government Milk Scheme, Chandrapur	2001-02	0.01	
27			Government Milk Scheme, Gondia	2001-02	3.41	
<b>Aurangabad Region</b>						
28			Government Milk Scheme, Aurangabad	2001-02	9.53	
29			Government Milk Scheme, Udgir	2002-03	19.58	
30			Government Milk Scheme, Beed	2002-03	49.18	
31			Government Milk Scheme, Nanded	2002-03	6.95	
32			Government Milk Scheme, Bhoom	2001-02	3.62	
33			Government Milk Scheme, Parbhani	2002-03	2.13	
34			Government Milk Scheme, Latur	First account awaited		
<b>Nashik Region</b>						
35			Government Milk Scheme, Nashik	2002-03	7.51	
36			Government Milk Scheme, Dhule	2002-03	29.81	
37			Government Milk Scheme, Chalisgaon	2002-03	1.61	

APPENDIX XII (Concl.)						
(1)	(2)	(3)	(4)	(5)	(6)	(7)
38			Government Milk Scheme, Ahmednagar	2002-03	132.97	
39			Government Milk Scheme, Wani	2002-03	0.20	
<b>Amaravati Region</b>						
40			Government Milk Scheme, Amaravati	2001-02	2.60	
41			Government Milk Scheme, Akola	2002-03	13.22	
42			Government Milk Scheme, Yavatmal	2001-02	4.00	
43			Government Milk Scheme, Nandura	2001-02	1.63	
(B)	<b>Agricultural, Animal Husbandry, Dairy Development and Fisheries</b>	4	<b>Land Development by Bulldozers Scheme</b>			
44			Land Development by Bulldozers Scheme, Pune	2001-02		
45			Land Development by Bulldozers Scheme, Aurangabad	1998-99	21.93	
46			Land Development by Bulldozers Scheme, Amravati	1995-96	0.01	
47			Land Development by Bulldozers Scheme, Nagpur	1999-2000	2.18	
48	<b>Food, Civil Supplies and Consumer Protection</b>	2	Procurement Distribution and Price Control Scheme (Mumbai) and Thane Rationing Areas)	2001-02	(-) 70.76	
49			Public Distribution and Price Control Scheme of Mofussil	2001-02	23.46	

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**APPENDIX XIII**

(Reference : Paragraph 1.8.3; Page 16)

**SUMMARISED FINANCIAL STATEMENT OF DEPARTMENTALLY MANAGED COMMERCIAL  
QUASI-COMMERCIAL UNDERTAKINGS**

Sr. No.	Particulars of undertaking	Year of commencement of activities	Period of accounts	Govt. capital (Mean capital)	Block of asset at depreciated cost	Depreciation provided during the year	Turn over	Net profit(+) Net loss (-)	Interest on Mean capital	Total return (9+10)	Percent of return of mean capital
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)

(Rupees in lakh)

**AGRICULTURE, ANIMAL HUSBANDRY, DAIRY DEVELOPMENT AND FISHERIES DEPARTMENT**

**A Government Milk Schemes--Mumbai Region**

1	Greater Mumbai Milk Scheme-Worli	1947	2001-2002	660.26	622.85	40.55	18942.54	-1267.75	0.00	-1267.75	
2	Mother Dairy, Kurla	1975	2001-2002	1618.11	591.19	35.95	11959.14	-981.83	0.00	-981.83	
3	Aarey Milk Scheme, Goregaon	1950	2001-2002	556.35	255.16	38.43	8089.58	-1006.12	0.00	-1006.12	
4	Milk Transport Service, Worli	1951	2001-2002	500.31	321.66	2.73	23.06		67.87	67.87	13.57
5	Paragrass Production Scheme, Mumbai	1950	2000-2001	585.76	112.74	0.83	136.68	-282.99	29.64	-253.35	
6	Unit Scheme, Mumbai	1950	2000-2001		481.83	21.30	272.75	-232.63	82.11	-150.52	
7	Electricity Scheme, Mumbai	1950	2000-2001	390.22	19.16	3.44	406.18	-142.73	55.94	-86.79	
8	Cattle Feed Scheme, Mumbai	1950	2000-2001	125.91	12.75	0.29	44.88	-71.74	10.59	-61.15	
9	Water Works Scheme, Mumbai	1950	2000-2001	230.70	86.08	1.96	497.82	179.44	35.82	215.26	93.31
10	Dairy Project, Dapchari	1960	2001-2002	394.16	596.11	21.42	122.01	-616.53	111.00	-505.53	

## APPENDIX XIII (Contd.)

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
11	Government Milk Scheme, Chiplun	1964	2002-2003	407.43	78.98	3.43	297.57	-128.78	36.36	-92.42	
12	Government Milk Scheme, Mahad	1966	2002-2003	223.39	187.95	3.96	64.87	-44.14	21.16	-22.98	
13	Government Milk Scheme, Ratnagiri	1966	2002-2003	321.44	184.82	6.39	159.38	-147.77	36.96	-110.81	
14	Government Milk Scheme, Khopoli	1966	2002-2003	213.81	319.75	8.26	663.43	-60.35	4.11	-56.24	
15	Government Milk Scheme, Konkavali	1967	2002-2003	470.42	292.94	17.36	217.71	-154.38	42.13	-112.25	
16	Government Milk Chling Centre, Saralgaon	1979	2002-2003	57.04	9.54	0.48	23.37	-28.94	6.56	-22.38	
17	Government Milk Scheme, Palghar	1979	2002-2003	193.70	66.30	1.59	66.15	-70.87	25.28	-45.59	
18	Govt. Milk Distrn. Depot, Gove, Bhiwandi	1987	2002-2003	169.62	41.52	2.11	745.33	-196.20	30.23	-165.97	
<b>PUNE REGION</b>											
19	Government Milk Scheme, Pune	1950	2001-2002	3915.10	502.40	30.83	12660.42	-4301.77	360.60	-3941.17	
20	Government Milk Scheme, Solapur	1960	2002-2003	538.33	84.23	6.70	540.97	-198.51	33.08	-165.43	
21	Government Milk Scheme, Miraj	1961	2002-2003	5130.85	504.54	35.50	4629.99	-3467.81	803.38	-2664.43	
22	Government Milk Scheme, Mahabaleshwar	1962	2002-2003	536.95	43.24	2.91	313.23	-99.47	63.23	-36.24	
23	Government Milk Scheme, Satara	1979	2002-2003	3052.37	314.52	11.74	2250.84	-618.12	348.73	-269.39	

**APPENDIX XHI (Contd.)**

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
<b>NAGPUR REGION</b>											
24	Government Milk Scheme, Nagpur	1958	2002-2003	1511.99	197.33	25.17	3049.68	-638.84	79.62	-559.22	
25	Government Milk Scheme, Wardha	1976	2001-2002	402.52	49.14	2.70	254.65	-162.58	30.78	-131.80	
26	Government Milk Scheme, Chandrapur	1979	2001-2002	326.89	182.08	12.97	1004.65	-287.11	28.21	-258.90	
27	Government Milk Scheme, Gondia	1979	2001-2002	582.84	75.65	4.25	2024.06	-191.63	52.37	-139.26	
<b>AURANGABAD REGION</b>											
28	Government Milk Scheme, Aurangabad	1962	2001-2002	1156.73	247.08	9.10	2021.81	-347.82	114.79	-233.03	
29	Government Milk Scheme, Udgir	1971	2002-2003	3878.87	689.60	32.20	1983.69	-1681.81	192.63	-1489.18	
30	Government Milk Scheme, Beed	1978	2002-2003	4380.23	499.32	17.00	3187.03	-842.90	461.62	-381.28	
31	Government Milk Scheme, Nanded	1977	2002-2003	1144.05	107.19	3.80	1211.06	-360.13	78.83	-281.30	
32	Government Milk Scheme, Bhoom	1978	2001-2002	667.90	168.90	4.67	1028.10	-228.24	55.08	-173.16	
33	Government Milk Scheme, Parbhani	1979	2002-2003	497.94	78.91	2.83	253.59	-285.36	27.38	-257.98	
34	Government Milk Scheme, Latur	1999	First Proforma Accounts not submitted so far								
<b>NASHIK REGION</b>											
35	Government Milk Scheme, Nashik	1960	2002-2003	955.76	74.67	5.22	112.11	-262.86	83.97	-178.89	

**APPENDIX XIII (Contd.)**

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
36	Government Milk Scheme, Dhule	1962	2002-2003	3475.13	361.07	16.00	2047.18	-1063.67	331.81	-731.86	
37	Government Milk Scheme, Chalisgaon	1969	2002-2003	271.16	7.57	0.84	317.47	-68.22	25.48	-42.74	
38	Government Milk Scheme, Ahmednagar	1969	2002-2003	10727.71	226.55	10.25	9149.67	-2011.54	1236.82	-774.72	
39	Government Milk Scheme, Wani	1978	2002-2003	155.65	14.20	0.26	197.01	-44.69	10.00	-34.69	
<b>AMRAVATI REGION</b>											
40	Government Milk Scheme, Amravati	1962	2001-2002	460.36	186.77	5.18	441.86	-149.48	32.56	-116.92	
41	Government Milk Scheme, Akola	1962	2002-2003	3000.92	594.36	45.56	1824.34	-1390.87	232.43	-1158.44	
42	Government Milk Scheme, Yeotmal	2000	2001-2002	420.45	286.67	12.09	244.99	-177.95	50.26	-127.69	
43	Government Milk Scheme, Nandura	1978	2001-2002	426.55	82.16	10.04	188.21	-213.82	30.64	-183.18	
<b>B</b>	<b>LAND DEVELOPMENT BY BULLDOZERS SCHEME</b>										
44	Land Development by Bulldozers Scheme, Pune	1944	1994-1995	144.26	77.47	4.52	46.75	-72.83	18.75	-54.08	
45	Land Development by Bulldozers Scheme, Aurangabad	1960	1998-1999	32.99	1.05		2.02	-23.42	4.78	-18.64	
46	Land Development by Bulldozers Scheme, Amravati	1965	1995-1996	2.82	0.41		1.80	-4.46	0.40	-4.06	
47	Land Development by Bulldozers Scheme, Nagpur	1966	1999-2000	2.17	0.23		1.81	0.21	0.32	0.53	

APPENDIX XIII (Concl'd)

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
<b>FOOD, CIVIL SUPPLIES AND CONSUMERS PROTECTION DEPARTMENT</b>											
48	Procurement Distribution and Price Control Scheme, Mumbai and Thane Area	1959	2001-2002	39936.32	185.88	32.95	5332.64	-7076.30	4592.68		
49	Public Distribution and Price Control Scheme of Muffussil	1957	2001-2002	8029.87	675.15	637.03	61169.10	2345.56	923.44		
<b>REVENUE AND FOREST DEPARTMENT</b>											
50	Allapalli and Pedigundam Forest Ranges of Forest Divisions including Saw Mills and Timber Deport.	1926	1985-1986	1857.85	15.57	9.27	826.24	383.32	170.74	554.06	29.82

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**APPENDIX XIV**  
(Reference Paragraph 2.3.1; Page 30)

**Statement of various grant/appropriation where expenditure fell short by more than Rs 10 crore each and more than 20 per cent of the total provision**

Sr. No	Description of the grant/appropriation	(Rupees in crore)		
		Total grant/appropriation	Saving	Percentage
(1)	(2)	(3)	(4)	(5)
1	A-6-A-Civil Aviation (Revenue-Voted)	68.00	28.00	41
2	B-3-Transport Administration (Revenue-Voted)	290.63	244.80	84
3	B-9-Capital Expenditure on Economic Services (Capital-Voted)	160.73	37.29	23
4	C-2-Stamps and Registration (Revenue-Voted)	69.90	23.98	34
5	C-4-Secretariat and Other General Services (Revenue-Voted)	33.95	11.51	34
6	D-1-Interest Payments (Revenue-Charged)	46.17	31.04	67
7	F-2-Urban Development and Other Administrative Services (Revenue-Voted)	690.58	190.59	28
8	G-2-Other Fiscal and Miscellaneous Services (Revenue-Voted)	2541.16	2224.76	88
9	G-4-Secretariat and other General Services (Revenue-Voted)	302.67	295.73	98
10	G-6-Pension and Other Retirement Benefits (Revenue-Charged)	68.57	45.96	67
11	G-9-Loans to Government Servants, etc (Loans and Advances-Voted)	191.26	43.29	23
12	H-7-Capital Expenditure on Social Services and Economic Services (Capital-Voted)	447.07	179.62	40
13	H-8-Capital Expenditure on Public Works Administrative and Functional Buildings (Capital-Voted)	78.51	16.96	22
14	H-9-Capital Outlay on Removal of Regional Imbalance (Capital-Voted)	263.01	146.52	56
15	K-5-Industries (Revenue-Voted)	496.40	316.08	64

APPENDIX XIV (Contd.)				
(1)	(2)	(3)	(4)	(5)
16	K-8-Capital Expenditure on Industries (Capital-Voted)	52.91	33.85	64
17	K-9-Capital Expenditure on Energy (Loans and Advances-Voted)	540.66	366.43	68
18	L-3-Rural Development Programmes (Revenue-Voted)	960.63	224.12	23
19	L-5-Compensation and Assignments (Revenue-Voted)	154.24	89.64	58
20	L-5-Compensation and Assignments (Revenue-Charged)	31.48	12.64	40
21	L-7-Capital Expenditure on Rural Development (Capital-Voted)	104.92	61.54	59
22	L-8-Capital Expenditure on Removal of Regional Imbalance (Capital-Voted)	60.31	27.69	46
23	L-9-Miscellaneous Loans (Loans and Advances-Voted)	1347.52	758.86	56
24	M-1-Food (Revenue-Voted)	224.80	99.96	44
25	N-2-Sports and Youth Services (Revenue-Voted)	85.88	37.13	43
26	N-4-Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes (Revenue-Voted)	1124.95	244.11	22
27	N-5-Capital Expenditure on Social Services (Capital-Voted)	35.02	24.74	71
28	Q-3-Housing (Revenue-Voted)	461.81	214.77	46
29	T-5-Capital Expenditure on Tribal Area Development Sub-Plan (Capital-Voted)	129.76	47.42	37
30	V-1-Interest Payments (Revenue-Charged)	110.39	74.96	68
31	V-3-Co-operation (Revenue-Voted)	198.73	77.89	39
32	V-5-Capital Expenditure on Social Services and Economic Services (Capital-Voted)	1468.79	318.99	22
33	V-6-Internal Debt (Loans and Advances-Charged)	55.13	53.52	97
34	W-1-Interest Payments (Revenue-Charged)	82.02	29.20	36

APPENDIX XIV (Concl.)				
(1)	(2)	(3)	(4)	(5)
35	Y-2-Water Supply and Sanitation (Revenue-Voted)	1109.34	435.15	39
36	Y-6-Capital Expenditure on Economic and Social Services (Capital-Voted)	209.92	64.35	31
37	ZA-1-Secretariat and Other Social Services (Revenue-Voted)	39.23	11.66	30

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**APPENDIX XV**  
(Reference: Paragraph 2.3.3, Page 30)

**Excess over grants/appropriations requiring regularisation**

Sr. No.	Number and name of the grant/appropriation	Total grant or appropriation	Actual expenditure	Amount of excess
		Rupees		
(1)	(2)	(3)	(4)	(5)
<b>Grants - Revenue</b>				
1	A-3-Public Service Commission	5,25,000	72,07,734	66,82,734
2	C-9-Compensation and Assignments	50,000	99,770	49,770
3	H-3-Housing	1,14,68,20,000	1,32,53,55,752	17,85,35,752
4	I-1-Irrigation, Power and Other Economic Services	6,46,75,25,000	17,30,64,08,494	10,83,88,83,494
5	O-1-District Administration	91,92,50,000	91,95,92,165	3,42,165
6	O-2-Rural Employment	11,74,71,65,000	12,13,77,10,322	39,05,45,322
7	S-1-Medical and Public Health	3,89,87,78,000	3,91,25,06,921	1,37,28,921
8	V-2-Labour and Employment	1,80,000	2,15,916	35,916
9	Y-3-Minor Irrigation	8,73,55,000	9,16,73,587	43,18,587
10	Y-5-Compensation and Assignments	9,38,00,000	9,38,08,828	8,828
<b>Capital/Loans And Advances</b>				
11	B-10-Loans for Housing	37,21,35,000	43,02,38,361	5,81,03,361
12	M-3-Capital Expenditure on Food	20,76,32,83,000	22,88,69,21,939	2,12,36,38,939
	<b>Total Grants</b>	<b>45,49,68,66,000</b>	<b>59,11,17,39,789</b>	<b>13,61,48,73,789</b>
<b>Appropriation -Revenue</b>				
13	A-4-Secretariat and Miscellaneous General Services	1,10,000	1,58,581	48,581
14	A-5-Social Services	100,000	1,120,824	10,20,824
15	B-1-Police Administration	40,51,000	68,74,332	28,23,332
16	B-3-Transport Administration	6,66,80,03,000	6,66,80,15,023	12,023
17	C-3-Interest Payments	70,75,000	87,17,877	16,42,877
18	C-5-Other Social Services	36,89,000	43,35,720	6,46,720
19	D-4-Dairy Development	32,70,000	1,41,95,320	1,09,25,320
20	E-2-General Education	17,27,000	17,46,762	19,762
21	H-1-Interest Payment	20,17,79,000	20,17,79,329	329
22	H-5-Roads and Bridges	15,00,000	2,82,30,000	2,67,30,000
23	L-1-Interest Payments	2,26,79,44,000	4,09,21,65,681	1,82,42,21,681
24	W-4-Art and Culture	52,000	2,91,912	2,39,912
25	Y-1-Interest Payments	17,58,30,000	19,77,00,639	2,18,70,639
26	Z-C1-Parliament/State/Union Territory Legislatures	32,32,000	47,28,298	14,96,298
<b>Capital/Loans And Advances</b>				
27	C-10-Capital Expenditure on Other Administrative and Other Social Services	10,00,000	84,36,926	74,36,926
28	F-5-Capital Expenditure on Social Services	10,00,000	1,13,88,223	1,03,88,223
29	G-8-Public Debt and Inter- State Settlement	1,43,38,03,74,000	1,53,28,47,14,341	9,90,43,40,341
	<b>Total Appropriation</b>	<b>1,52,72,07,36,000</b>	<b>1,64,53,45,99,788</b>	<b>11,81,38,63,788</b>
	<b>Grand Total</b>	<b>1,98,21,76,02,000</b>	<b>2,23,64,63,39,577</b>	<b>25,42,87,37,577</b>

**APPENDIX XVI**  
(Reference Paragraph 2.3.5; Page 30)

**Statement of various grants/appropriations where supplementary provision proved unnecessary**

(Rupees in lakh)

Sr. No.	Number and name of the grant/ appropriation	Original provision	Supplementary provision	Total grant/ appropriation	Actual Expenditure	Saving
(1)	(2)	(3)	(4)	(5)	(6)	(7)
<b>I GRANTS</b>						
1	A-5-Social Services	6231.60	59.80	6291.40	5979.06	312.34
2	A-6-Information and publicity	1956.04	367.23	2323.27	1908.63	414.64
3	B-1-Police Administration	193553.15	14146.77	207699.92	176940.23	30759.69
4	B-3-Transport Administration	28866.79	195.79	29062.58	4582.40	24480.18
5	B-7-Economic Services	4095.90	308.45	4404.35	2503.29	1901.06
6	B-9-Capital Expenditure on Economic Services	15307.00	766.15	16073.15	12344.38	3728.77
7	C-1-Revenue and District Administration	40075.79	353.18	40428.97	34951.20	5477.77
8	C-2-Stamps and Registration	5296.05	1693.58	6989.63	4591.44	2398.19
9	C-4-Secretariat and Other General Services	3372.10	22.55	3394.65	2243.76	1150.89
10	C-7-Forests	29045.99	1526.70	30572.69	25270.76	5301.93
11	C-8-Other Economic Services	382.46	111.10	493.56	360.36	133.20
12	D-8-Capital Expenditure on Animal Husbandry	425.00	15.00	440.00	388.86	51.14
13	D-10-Capital Expenditure on Fisheries	2293.26	0.01	2293.27	1958.44	334.83
14	F-4-Compensation and Assignments	57997.11	8158.28	66155.39	57948.90	8206.49
15	G-2-Other Fiscal and Miscellaneous services	252142.80	1973.12	254115.92	31640.35	222475.57
16	H-6-Public Works and Administrative and Functional Buildings	74441.69	26.57	74468.26	66647.75	7820.51
17	H-8-Capital Expenditure on Public works and Administrative and Functional Buildings	6738.48	1112.19	7850.67	6154.39	1696.28
18	H-9-Capital Outlay on Removal of Regional Imbalance	21275.59	5025.00	26300.59	11648.88	14651.71
19	J-1-Administration of Justice	20316.12	469.55	20785.67	19166.18	1619.49
20	J-2-Secretariat and Other Social and Economic Services	1250.56	71.87	1322.43	1242.55	79.88
21	J-3-Compensation and Assignments	183.75	360.66	544.41	159.96	384.45
22	K-2-Stationery and Printing	7193.38	6.30	7199.68	6357.49	842.19
23	K-3-Labour and Employment	3802.36	64.50	3866.86	3360.19	506.67
24	L-2-District Administration	53711.92	2825.66	56537.58	49788.58	6749.00

APPENDIX XVI (Contd.)						
(1)	(2)	(3)	(4)	(5)	(6)	(7)
25	L-4-Secretariat-Economic Services	625.54	26.86	652.40	572.25	80.15
26	L-5-Compensation and Assignments	9646.95	5776.82	15423.77	6459.77	8964.00
27	L-6-Regional Imbalance	1526.01	70.24	1596.25	618.16	978.09
28	L-7-Capital Expenditure on Rural Development	9476.33	1015.98	10492.31	4337.88	6154.43
29	L-8-Capital Expenditure on Removal of Regional Imbalance	6005.71	25.00	6030.71	3262.02	2768.69
30	M-1-Food	15640.44	6839.47	22479.91	12483.92	9995.99
31	N-1-Secretariat and Other Social Services	4577.71	4.74	4582.45	3850.78	731.67
32	N-2-Sports and Youth Services	5459.87	3128.05	8587.92	4875.27	3712.65
33	N-4-Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	89312.53	23182.37	112494.90	88084.27	24410.63
34	N-5-Capital Expenditure on Social Services	2835.34	667.00	3502.34	1028.00	2474.34
35	Q-3-Housing	32559.63	13621.18	46180.81	24704.07	21476.74
36	Q-4-Secretariat -Other Economic Services	219.78	27.00	246.78	186.04	60.74
37	R-1-Medical and Public Health	139816.96	6186.18	146003.14	121957.82	24045.32
38	S-2-Secretariat - Social Services	222.90	0.54	223.44	195.60	27.84
39	T-5-Capital Expenditure on Tribal Area Development	8820.39	4156.09	12976.48	8234.39	4742.09
40	T-6-Capital Outlay on Removal of Regional Imbalance	469.43	143.64	613.07	458.35	154.72
41	V-3-Co-operation	16552.58	3320.72	19873.30	12084.43	7788.87
42	V-4-Secretariat and Other Economic Services	322.68	7.23	329.91	311.42	18.49
43	W-2-General Education	103258.46	380.08	103638.54	96522.27	7116.27
44	X-1-Social Security and Nutrition	54094.88	832.00	54926.88	46578.17	8348.71
45	Y-2-Water Supply and Sanitation	75952.76	34980.75	110933.51	67418.14	43515.37
46	ZA-1-Secretariat and Other Social Services	3892.77	30.41	3923.18	2756.70	1166.48
47	ZC-01-Parliament/State/ Union Territory Legislatures	3885.85	165.25	4051.10	3545.44	505.66
	<b>Total</b>	<b>1415130.39</b>	<b>144247.61</b>	<b>1559378.00</b>	<b>1038663.19</b>	<b>520714.81</b>

APPENDIX XVI (Concl.)						
(1)	(2)	(3)	(4)	(5)	(6)	(7)
<b>II Appropriations</b>						
48	D-11-Internal Debt of the State Government	1626.82	161.49	1788.31	1607.17	181.14
49	G-1-Sales Tax Administration	317527.87	21608.35	339136.22	297517.09	41619.13
50	G-3-Interest Payment and Debt Servicing	673928.78	862.16	674790.94	634815.57	39975.37
51	H-6-Public Works and Administrative and Functional Buildings	187.50	5.85	193.35	186.90	6.45
52	K-2-Stationery and Printing	0.08	6.95	7.03	0.00	7.03
53	K-5-Industries	3644.50	0.27	3644.77	3495.86	148.91
54	R-1-Medical and Public Health	10.00	0.68	10.68	7.79	2.89
55	S-1-Medical and Public Health	1.00	0.75	1.75	0.00	1.75
56	T-1-Interest Payments	72.69	35.74	108.43	40.67	67.76
57	V-1-Interest Payments	5201.65	5837.43	11039.08	3542.76	7496.32
	<b>Total</b>	<b>1002200.89</b>	<b>28519.67</b>	<b>1030720.56</b>	<b>941213.81</b>	<b>89506.75</b>
	<b>Grand Total</b>	<b>2417331.28</b>	<b>172767.28</b>	<b>2590098.56</b>	<b>1979877.00</b>	<b>610221.56</b>

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**APPENDIX XVII**  
(Reference: Paragraph 2.3.6, Page 31)

**Statement of cases where supplementary provision resulted in saving exceeding  
Rs 1 crore in each case**

(Rupees in lakh)

Sr No	Number and name of the grant/ appropriation	Original Provision	Supple- mentary Provision	Total	Expenditure	Saving
(1)	(2)	(3)	(4)	(5)	(6)	(7)
<b>I GRANTS</b>						
1	A-2-Elections	1392.93	1875.52	3268.45	2693.02	575.43
2	A-4-Secretariat and Miscellaneous General Services	5619.44	1651.81	7271.25	6168.31	1102.94
3	A-6-A Civil Aviation	0.00	6800.00	6800.00	4000.00	2800.00
4	B-2-State Excise Duties	2641.53	372.58	3014.11	2841.35	172.76
5	B-5-Jails	4843.25	1223.57	6066.82	5889.99	176.83
6	C-5-Other Social Services	851.29	194.41	1045.70	857.81	187.89
7	C-6-Natural Calamities	34785.55	2000.00	36785.55	35919.99	865.56
8	D-2-Agriculture Services	66537.91	13553.95	80091.86	75773.35	4318.51
9	D-3-Animal Husbandry	17323.11	1022.73	18345.84	17340.98	1004.86
10	D-4-Dairy Development	106111.94	28144.92	134256.86	112135.90	22120.96
11	E-2-General Education	713173.50	64487.36	777660.86	766919.18	10741.68
12	E-3-Secretariat and Other Social Services	2070.35	481.67	2552.02	2342.53	209.49
13	F-2-Urban Development and Other Administrative Services	44155.46	24903.02	69058.48	49999.04	19059.44
14	G-1-Sales Tax Administration	11513.77	2237.53	13751.30	11591.25	2160.05
15	G-6-Pension and Other Retirement Benefits	230427.00	38472.78	268899.78	250511.74	18388.04
16	H-5-Roads and Bridges	113057.18	98884.25	211941.43	176227.99	35713.44
17	H-7-Capital Expenditure on Social Services and Economic Services	23319.69	21387.33	44707.02	26744.81	17962.21
18	I-3-Capital Expenditure on Irrigation	187187.27	136752.71	323939.98	283185.92	40754.06
19	K-4-Energy	71698.69	2301.72	74000.41	73689.45	310.96
20	K-5-Industries	6824.46	42815.13	49639.59	18031.59	31608.00
21	K-6-Secretariat-Economic Services	357.60	482.45	840.05	417.58	422.47
22	K-8-Capital Expenditure on Industries	206.06	5084.51	5290.57	1905.46	3385.11
23	K-9-Capital Expenditure on Energy	5548.08	48518.00	54066.08	17423.00	36643.08
24	L-3-Rural Development Programmes	44411.00	51651.64	96062.64	73650.38	22412.26
25	N-3-Art and Culture	2001.94	372.48	2374.42	2196.58	177.84

**Audit Report (Civil) for the year ended 31 March 2003**

APPENDIX XVII (Concl'd.)						
(1)	(2)	(3)	(4)	(5)	(6)	(7)
26	O-3-Secretariat and Other Economic Services	8542.62	9512.75	18055.37	16878.80	1176.57
27	T-2-Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	23176.34	8833.81	32010.15	31380.93	629.22
28	T-4-Revenue Expenditure on Tribal Area Development Sub-plan	22521.50	3496.70	26018.20	22759.81	3258.39
29	V-5-Capital Expenditure on Social Services and Economic Services	68880.25	77998.25	146878.50	114979.79	31898.71
30	W-4-Art and Culture	14818.86	2881.39	17700.25	16897.81	802.44
31	W-5-Secretariat -Social Services	704.65	329.00	1033.65	857.81	175.84
32	W-6-Revenue Expenditure on Removal of Regional Imbalance	90.00	358.73	448.73	290.47	158.26
33	Y-6-Capital Expenditure on Economic and Social Services	11724.57	9267.10	20991.67	14557.04	6434.63
	<b>Total</b>	<b>1846517.79</b>	<b>708349.80</b>	<b>2554867.59</b>	<b>2237059.66</b>	<b>317807.93</b>
<b>II APPROPRIATIONS</b>						
34	C-11-Capital Expenditure on Economic and Social Services	0.00	768.13	768.13	627.47	140.66
35	E-1-Interest Payments	26779.71	11235.44	38015.15	33567.98	4447.17
36	G-6-Pension and Other Retirement Benefits	506.00	6351.07	6857.07	2261.29	4595.78
37	L-5-Compensation and Assignments	748.44	2400.00	3148.44	1884.24	1264.20
38	Q-1-Interest Payments	1035.74	3822.59	4858.33	4626.81	231.52
	<b>Total</b>	<b>29069.89</b>	<b>24577.23</b>	<b>53647.12</b>	<b>42967.79</b>	<b>10679.33</b>
	<b>Grand Total</b>	<b>1875587.68</b>	<b>732927.03</b>	<b>2608514.71</b>	<b>2280027.45</b>	<b>328487.26</b>
	<b>Total (i) Supplementary grants/appropriation</b>			<b>732927.03</b>		
	<b>Total (ii) Saving</b>			<b>328487.26</b>		
	<b>(iii) Actual requirements (i) - (ii)</b>			<b>404439.77</b>		

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**APPENDIX XVIII**  
(Reference: Paragraph 2.3.3; Page 31)

**Cases where reappropriation of funds proved excessive or insufficient over grant by over Rs 1 crore  
(Rupees in lakh)**

Sr. No.	Grant No. and title of Grant/ Appropriation	Head of Account	Reappropriation	Excess(+)/ Savings(-)
(1)	(2)	(3)	(4)	(5)
1	B-10 Loans for Housing	6216.190(00)	(-)360.74	(+)941.77
2	C-2 Stamps and Registration	2030.102(00)(01)	(-)137.69	(+)294.13
3	C-4 Secretariat and other General Services	2059.800.20(07)(01)	(-)814.56	(+)368.34
4	C-7 Forests	2406.101.(12)(01)	(+)48.05	(-)116.68
5	C-7 Forests	2406.101(02)	(+)48.05	(-)191.58
6	D-4 Dairy Development	2404.102(01)(01)	(+)184.43	(-)331.47
7	D-4 Dairy Development	2404.201(02)	(-)18296.07	(+)7284.55
8	D-4 Dairy Development	2404.202(01)	(+)2986.20	(-)2997.27
9	D-4 Dairy Development	2404.201(01)	(+)944.48	(-)933.63
10	D-4 Dairy Development	2404.202(02)	(-)469.00	(+)3000.73
11	D-4 Dairy Development	2404.206(02)	(-)173.20	(+)449.85
12	E-1 Interest Payments	2049.104(02)(01)	(+)412.87	(-)4447.13
13	F-2 Urban Development and Other Administrative Services	2217.191(00)(32)	(-)162.51	(+)195.63
14	F-2 Urban Development and Other Administrative Services	2217.191(00)(25)	(-)183.44	(+)1031.78
15	G-2 Other Fiscal and Miscellaneous Services	2075.103(00)(05)	(+)2415.99	(-)2416.00
16	G-3 Interest Payment and Debt Servicing	2049.101(00)(01)	(+)267.39	(-)289.03
17	G-6 Pension and Other Retirement Benefits	2071.101(00)(01)	(+)9349.28	(-)4338.78
18	G-6 Pension and Other Retirement Benefits	2071.103(00)(03)	(-)204.58	(+)406.63
19	H-3 Housing	2216.052(00)(01)	(-)142.77	(+)501.28
20	H-5 Roads and Bridges	010.(00)(02)	(+)2470.79	(-)1174.59
21	H-6 Public Works and Administrative and Functional Buildings	2059.001(00)(08)	(+)447.44	(-)3637.60
22	H-6 Public Works and Administrative and Functional Buildings	2059.001(00)(05)	(-)1865.78	(+)3399.03
23	H-7 Capital Expenditure on Social Services and Economic Services	5054.800(ii)	(-)1086.29	(+)802.69
24	I-1 Irrigation, Power and Other Economic Services	2701.001(04)	(-)37.23	(+)1651.84
25	I-1 Irrigation, Power and Other Economic Services	2701.002(01)	(-)42.79	(+)170.36
26	I-1 Irrigation, Power and Other Economic Services	2701.001(05)	(+)76.08	(-)203.81
27	I-3 Capital Expenditure on Irrigation	4701.190(01)(04)	(-)1714.27	(+)1299.99
28	I-3 Capital Expenditure on Irrigation	4701.190(02)(02)	(-)2682.72	(+)2657.23

APPENDIX XVIII (Concl.)				
(1)	(2)	(3)	(4)	(5)
29	J-1 Administration of Justice	2014.114(00)(01)	(-)123.37	(+)150.63
30	L-1 Interest Payments	2049.104(01)(01)	(-)8459.28	(+)26702.07
31	M-3 Capital Expenditure on Food	4408.101(02)(01)	(-)38720.28	(+)5305.95
32	N-1 Secretariat and Other Social Services	2216.104(01)(08)	(+)928.79	(-)360.45
33	N-4 Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	2225.277(03)(01)	(-)100.00	(+)157.39
34	Q-3 Housing	2216.800(01)(01)	(-)600.00	(+)369.79
35	R-1 Medical and Public health	2210.010(01)(07)	(-)10030.54	(+)472.59
36	R-1 Medical and Public health	2210.001(01)(04)	(+)950.99	(-)647.62
37	R-1 Medical and Public health	2210.101(01)(10)	(+)437.65	(-)299.28
38	S-1 Medical and Public health	2210.101(01)(04)	(-)28.43	(+)142.61
39	T-4 Revenue Expenditure on Tribal Area Development Sub-Plan	2210.796.800(00)(01)	(+)751.71	(-)305.58
40	T-4 Revenue Expenditure on Tribal Area Development Sub-Plan	2225.796.001(01)(01)	(+)175.87	(-)103.61
41	V-6 Internal Debt	6003.108(00)(01)	(-)5500.00	(+)161.49
42	W-1 Interest Payments	2049.104(00)(02)	(-)3323.76	(+)842.00
43	W-1 Interest Payments	2049.104(00)(01)	(-)150.81	(+)1891.72
44	W-2 General Education	2202.104(01)(02)	(-)128.08	(+)294.09
45	X-1 Social Security and Nutrition	2236.101(01)(03)	(-)61.93	(+)168.06
46	X-1 Social Security and Nutrition	2236.101(04)(02)	(-)169.29	(+)410.81

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**APPENDIX XIX**  
(Reference: Paragraph 2.3.9, Page 32)

**Details of saving of Rs 1 crore and above not surrendered**

(Rupees in crore)

Sr. No.	Number and name of grant/appropriation	Saving	Surrender	Saving which remained to be surrendered
1	B-1 Police Administration	307.60	113.49	194.11
2	B-3 Transport Administration	244.80	1.09	243.71
3	B-9 Capital Expenditure on Economic Services	37.29	0.29	37.00
4	C-1 Revenue and District Administration	54.78	48.84	5.94
5	C-1 Revenue and District Administration	9.73	0.02	9.71
6	C-6 Natural Calamities	8.66	7.07	1.59
7	C-7 Forests	53.02	48.89	4.13
8	D-1 Interest Payments	31.04	28.96	2.08
9	E-2 General Education	107.42	91.10	16.32
10	F-4 Compensation and Assignments	82.06	28.04	54.02
11	F-5 Capital Expenditure on Social Services	5.10	3.81	1.29
12	G-2 Other Fiscal and Miscellaneous Services	2224.76	2163.29	61.47
13	G-3 Interest Payment and Debt Servicing	399.75	129.37	270.38
14	G-9 Loans to Government Servants, etc.	43.29	23.13	20.16
15	H-6 Public Works and Administrative and Functional Buildings	78.21	71.62	6.59
16	I-3 Capital Expenditure on Irrigation	407.54	404.62	2.92
17	J-1 Administration of Justice	16.19	13.53	2.66
18	K-3 Labour and Employment	5.07	1.75	3.32
19	K-4 Energy	3.11	0.88	2.23
20	K-5 Industries	316.08	301.39	14.69
21	K-9 Capital Expenditure on Energy	366.43	27.74	338.69
22	L-2 District Administration	67.49	55.65	11.84
23	L-3 Rural Development Programmes	224.12	186.16	37.96
24	L-5 Compensation and Assignments	89.64	88.27	1.37
25	L-7 Capital Expenditure on Rural Development	61.54	7.46	54.08
26	L-9 Miscellaneous Loans	758.86	755.16	3.70
27	N-1 Secretariat and Other Social Services	7.32	0.86	6.46
28	N-4 Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	244.11	6.58	237.53
29	N-5 Capital Expenditure on Social Services	24.74	12.70	12.04
30	O-3 Secretariat and Other Economic Services	11.77	3.69	8.08
31	R-1 Medical and Public Health	240.45	180.73	59.72
32	T-4 Revenue Expenditure on Tribal Area Development Sub-plan	32.58	9.69	22.89
33	V-3 Co-operation	77.89	39.34	38.55
34	V-5 Capital Expenditure on Social Services and Economic Services	318.99	315.28	3.71
35	W-2 General Education	71.16	67.17	3.99
36	W-4 Art and Culture	8.02	4.82	3.20
37	Y-2 Water Supply and Sanitation	435.15	433.49	1.66
38	Y-6 Capital Expenditure on Economic and Social Services	64.35	1.55	62.80
39	ZC-1 Parliament/State/Union Territory Legislatures	5.06	3.82	1.24
	<b>Total</b>	<b>7545.17</b>	<b>5681.34</b>	<b>1863.83</b>

**APPENDIX XX**  
(Reference: Paragraph 2.3.10; Page 33)

**Cases of surrender of funds in excess of Rs 10 crore on 30 and 31 March 2003**

(Rupees in crore)

Sr. No.	Grant No.	Major Head	Name of the Grant	Amount of surrender
1	B-1	2055	Police	108.08
2	B-7	3051	Ports and Light Houses	15.61
3	D-2	2415	Agricultural Research and Education	45.55
4	F-2	2217	Urban Development	197.18
5	F-4	3604	Compensation and Assignment to Local Bodies and Panchayati Raj Institutions	28.05
6	G-2	2070	Other Administrative Services	2160.09
7	G-4	2070	Other Administrative Services	294.92
8	K-8	6885	Other loans to Industries and Minerals	16.59
9	L-2	2053	District Administration	14.55
10	L-3	2810	Non-Conventional Sources of Energy	30.42
11	L-5	3604	Compensation and Assignments to Local Bodies and Panchayati Raj Institutions	97.40
12	L-9	7615	Miscellaneous Loans	322.77
13	M-1	2408	Food, Storage and Warehousing	95.52
14	M-3	4408	Capital Outlay on Food, Storage and Housing	837.20
15	N-2	2204	Sports and Youth Services	36.84
16	P-3	2216	Housing	216.54
17	R-1	2235	Social Security and Welfare	33.42
18	R-1	2235	Social Security and Welfare	102.70
19	T-5	4059	Capital Outlay on Public Works	47.61
20	V-1	2049	Interest Payments	74.98
21	V-3	2425	Co-operation	10.57
22	V-5	4425	Capital Outlay on Co-operation	148.92
23	V-5	6425	Loans for Co-operation	146.78
24	V-6	6003	Internal Debt of the State Government	55.00
25	W-1	2049	Interest Payments	55.35
26	W-2	2202	General Education	67.17
27	X-1	2236	Nutrition	23.52
28	Y-2	2215	Water Supply and Sanitation	433.49
29	ZA-1	2230	Labour and Employment	10.87
<b>Total</b>				<b>5727.69</b>

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**APPENDIX XXI**  
(Reference: Paragraph 2.3.11; Page 33)

**Details of surrender in excess of actual savings in the grants/appropriations involving substantial amounts**

(Rupees in crore)

Sr. No.	Number and name of grant/appropriation	Amount surrendered	Actual saving
1	A-1 Governor and Council of Ministers	2.44	1.61
2	A-1 Governor and Council of Ministers	0.06	0.04
3	A-2 Elections	5.97	5.75
4	A-4 Secretariat and Miscellaneous General Services	11.14	11.03
5	A-5 Social Services	8.58	3.12
6	B-5 Jails	1.95	1.77
7	B-7 Economic Services	20.15	19.01
8	C-2 Stamps and Registration	26.95	23.98
9	C-4 Secretariat and Other General Services	10.46	6.67
10	C-5 Other Social Services	2.14	1.88
11	C-11 Capital Expenditure on Economic Services	9.27	9.12
12	C-12 Internal Debt of the State Government	0.12	0.10
13	D-2 Agriculture Services	56.91	43.19
14	D-3 Animal Husbandry	11.62	10.05
15	D-4 Dairy Development	231.91	221.21
16	D-7 Capital Expenditure on Agriculture Services	2.71	2.26
17	D-9 Capital Expenditure on Dairy Development	0.79	0.74
18	F-2 Urban Development and Other Administrative Services	198.41	190.59
19	G-1 Sales Tax Administration	23.45	21.60
20	H-4 Secretariat and Other Economic Services	2.21	2.20
21	H-5 Roads and Bridges	375.52	357.13
22	H-7 Capital Expenditure on Social Services and Economic Services	193.25	179.62
23	H-8 Capital Expenditure on Public Works and Administrative and functional Buildings	18.31	16.96
24	J-1 Administration of Justice	1.68	0.97
25	J-3 Compensation and Assignments	3.85	3.84
26	K-5 Industries	1.73	1.49
27	K-7 Capital Expenditure on Economic Social Services	4.18	4.09
28	M-1 Food	100.64	99.96
29	M-2 Secretariat and Other Economic Services	0.25	0.14
30	N-3 Art and Culture	2.18	1.78
31	Q-3 Housing	217.43	214.77
32	R-1 Medical and Public Health	0.04	0.03
33	T-2 Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	9.32	6.29
34	T-5 Capital Expenditure on Tribal Area Development Sub-plan	47.61	47.42
35	V-1 Interest Payments	74.98	74.96
36	V-4 Secretariat and Other Economic Services	0.20	0.18
37	V-6 Internal Debt	55.00	53.52
38	W-1 Interest Payments	55.35	29.20
39	X-1 Social Security and Nutrition	119.61	83.49
	<b>Total</b>	<b>1908.37</b>	<b>1751.76</b>

**APPENDIX XXII**  
(Reference: Paragraph 2.4, Page 33)

**Statement showing unreconciled expenditure**

Sr. No.	Department	Expenditure for 2002-03 not reconciled (Rupees in crore)	Grant and Major Head
(1)	(2)	(3)	(4)
1	General Administration	3.73	A-1 2013
2	-do-	0.85	A-2 2015
3	-do-	15.11	A-4 2052
4	-do-	26.05	A-4 2059
5	-do-	0.52	A-4 2070
6	-do-	252.03	A-4 2075
7	-do-	4.13	A-5 2235
8	-do-	180.82	A-5 2256
9	-do-	0.12	A-5 2251
10	-do-	40.00	A-6A 3053
11	Home	31.16	B-1 2070
12	-do-	0.42	B-3 2041
13	-do-	0.60	B-3 3056
14	-do-	111.62	B-6 2217
15	-do-	1.79	B-9 5075
16	Revenue and Forests	1.20	C-1 2053
17	-do-	6.04	C-2 2030
18	-do-	0.54	C-6 2245
19	-do-	0.36	C-7 2406
20	-do-	0.16	C-8 2415
21	-do-	0.20	C-10 4217
22	Agriculture, Animal Husbandry, Dairy Development and Fisheries	48.00	D-2 2401
23	-do-	2.34	D-5 2405
24	-do-	0.70	D-9 4404
25	-do-	0.16	D-10 4405
26	School Education	468.77	E-2 2202
27	-do-	0.50	E-3 2204
28	Urban Development	97.84	F-2 2217
29	-do-	5.31	F-2 2230
30	Finance	2.52	G-2 2041
31	-do-	0.50	G-2 2070
32	-do-	147.97	G-9 7610
33	Public Works	48.39	H-6 2203
34	-do-	36.10	H-6 2210
35	-do-	13.90	H-7 5054
36	-do-	86.00	H-8 4403
37	-do-	1.22	H-8 4210
38	-do-	20.00	H-8 4250
39	Irrigation	2.88	I-1 2702
40	-do-	23.16	I-1 2801
41	-do-	0.20	I-3 4801

APPENDIX XXII (Contd.)				
(1)	(2)	(3)	(4)	
42	Industries, Energy and Labour	2.74	K-2	2058
43	Rural Development and Water Conservation	33.51	L-3	2515
44	Food, Civil Supplies and Consumer Protection	29.18	M-1	2408
45	Social Justice, Cultural Affairs, Sports and Special Assistance	27.83	N-4	2235
46	Planning	0.50	O-3	3451
47	Housing	10.52	Q-3	2216
48	Public Health	3.88	R-1	2219
49	Co-operation and Textiles	0.53	V-3	2851
50	-do-	15.00	V-4	3456
51	Women and Child Welfare	52.62	X-1	2236
52	Water Supply and Sanitation	507.29	Y-2	2215
53	Employment and Self Employment	0.19	2A-1	2230
54	Maharashtra Legislature Secretariat	20.11	2C-1	2011
	<b>Total</b>	<b>2387.81</b>		

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**APPENDIX XXIII**  
(Reference: Paragraph 2.5.1, Page 33)

Statement of various grants/appropriations where expenditure exceeded the approved provision by Rs 25 lakh or more and also by more than 10 per cent of the total provision

(Rupees in crore)

Sr. No.	Name and name of grant/appropriation	Amount of excess (Percentage to Provision within bracket)
1	A-3 Public Service Commission (Revenue - Voted)	0.67 (1273)
2	B-1 Police Administration (Revenue - Charged)	0.28 (70)
3	B-10 Loans for Housing (Capital - Voted)	5.81 (16)
4	C-10 Capital Expenditure on Other Administrative and Social Services (Capital - Charged)	0.74 (744)
5	D-4 Dairy Development (Revenue - Charged)	1.09 (334)
6	F-5 Capital Expenditure on Social Services (Capital - Charged)	1.04 (1039)
7	H-3 Housing (Revenue - Voted)	17.85 (16)
8	H-5 Roads and Bridges (Revenue - Charged)	2.67 (1782)
9	I-1 Irrigation, Power and other Economic Services (Revenue - Voted)	1083.89 (168)
10	L-1 Interest Payments (Revenue - Charged)	182.42 (80)
11	M-3 Capital Expenditure on Food (Capital - Voted)	212.36 (10)
12	Y-1 Interest Payments (Revenue - Charged)	2.19 (12)
	<b>Total</b>	<b>1511.01</b>

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**APPENDIX XXIV**  
(Reference: Paragraph 2.5.2, Page 33)

Statement of cases where expenditure was incurred without any provision of funds

(Rupees in lakh)

Sr. No.	Grant No.	Head of Account	Expenditure
<b>General Administration Department</b>			
1	A-3	2051-102(01)(01)	67.17
<b>Home Department</b>			
2	B-1	2055-115(00)(01)	2285.30
3	B-1	2055-115(00)(03)	945.54
<b>Revenue And Forests Department</b>			
4	C-4	2059-80-800(02)(01)	101.28
5	C-5	2235-(00)(01)	0.98
6	C-10	4235-(00)(01)	84.37
7	C-11	4701-(00)(11)	7.05
<b>Agriculture, Animal Husbandry, Dairy Development And Fisheries Department</b>			
8	D-2	2401-103(00)(19)	10.80
9	D-4	2404-230(01)	24.67
10	D-4	2404-232(01)	17.09
11	D-4	2404-235(04)	6.17
<b>School Education Department</b>			
12	E-3	2235-104(00)(01)	6.04
<b>Finance Department</b>			
13	G-3	2049-101(00)(09)	13.82
14	G-3	2049-101(00)(10)	32.87
15	G-3	2049-101(00)(12)	46.19
16	G-8	6003-109(2)	19.65
17	G-9	7610-204(00)(01)	0.45
18	G-9	7610-800	2.97
<b>Public Works Department</b>			
19	H-5	3054(03)(02)	282.30
20	H-6	2059-(06)	5.51
<b>Irrigation Department</b>			
21	I-1	2705(05)(01)	29.96
22	I-3	4701(05)(01)	12500.00
<b>Rural Development And Water Conservation Department</b>			
23	L-3	2702(80)799	12.55
24	L-4	3451-090	1.92
<b>Public Health Department</b>			
25	R-1	2210-110-7(01)(15)	11.49
26	R-1	2210-010(01)(08)	226.69
<b>Tribal Development Department</b>			
27	T-4	2210-110(02)(a)	9.49
28	T-5	4702-800(00)(01)	84.36
29	T-5	4702-800(00)(01)	25.78
<b>Total</b>			<b>16862.46</b>

**APPENDIX XXV**  
(Reference: Paragraph 2.6; Page 34)

Cases of drawal from Contingency Fund where the expenditure was not such as could not have been foreseen

Sr. No.	Sanction No. and Date	Department/ Grant No/ Major Head	Purpose for which drawn	Amount Sanctioned (Rupees)
(1)	(2)	(3)	(4)	(5)
1	CNF/11.02/5/Bud/19 dt. 24.4.2002	Water Supply and Sanitation Y-2 2215	To meet the expenditure towards scarcity measures undertaken during the scarcity period for drinking water.	13,59,00,000
2	CNF/11.02/24/Bud/10dt. 24-6-2002	Law and Judiciary J-1 2014	To meet expenditure on the furniture and furnishing cloth for honourable judges of high Court.	30,19,120
3	CNF/11.02/27/Bud/17 dt. 1-7-2002	Tribal Development T-5 4702	Additional grants to Vidarbha Irrigation Development Corporation for the minor irrigation works.	1,27,70,000
4	CNF/11.02/29/Bud/8 dt.15-7-2002	Public Health R-1 2210	For payment of custom duty for CT scan machine to be installed at Latur, Chandrapur and Kolhapur.	44,21,712
5	CNF/11.02/30/Bud/13 Dt. 30.07.2002	Industries, Energy and Labour K-6 3451	Expenditure for working of the Commission appointed for settling the conflict between Dabhol Power Project and Maharashtra Government.	37,21,400
6	CNF/11.02/34/Bud/09 dt. 20.08.2002	Irrigation I-3 4701	Payment of Share Capital Contribution to Maharashtra Krishna Valley Development Corporation to meet the expenditure on salaries of its employees.	34,00,00,000
7	CNF/11.02/36/Bud/10 dt.27.08.2002	Law and Judiciary J-1 2014	Purchase of xerox machine for Subordinate courts working under Administration of High Court.	1,90,89,320
8	CNF/11.02/38/Bud 10 dt. 31.08.2002	Law and Judiciary J-1 2014	Payment of salary and allowances to six posts of Metropolitan Magistrates which were vacant for six months	9,97,920



APPENDIX XXV (Concl.)				
(1)	(2)	(3)	(4)	(5)
9	CNF/11.02/43/Bud/7 dt.12.09.2002	Finance Department G-3 2049	Payment of interest on loans from Life Insurance Corporation of India	37,16,438
10	CNF/11.02/49/Bud /8 dt. 11.09.2002	Medical Education and Drugs S-1 2210	For payment of electricity and water bills of Medical Colleges and Hospitals	9,00,00,000
11	CNF/11.02/069/Bud /19 dt. 25.11.2002	Water Supply and Sanitation Y-6 6215	To meet the expenditure towards HUDCO Loans	39,40,03,000
12	CNF/11.02/82/Bud 12 dt. 26.12.2002	Co-operation and Textiles V-5 6860	Loan to Marathwada Textiles Corporation for payment of salaries and wages	82,00,000
13	CNF/11.03/100/Bud/ 11 dt. 28-1-2003	Public Works H-8 4059	To construct Tahsildar office building at Loha, Mudkhed and Ardhapur in Nanded district	1,20,00,000
14	CNF/11.03/112/Bud/8 dt.3-3-2003	Public Health R-3 4210	Construction of Hospital under World Bank aid	25,27,00,000
15	CNF/11.03/120/ Bud/83 dt.25-3-2003	Law and Judiciary J-1 2014	For formation of new courts as per recommendation of 11 <sup>th</sup> Finance Commission	5,00,00,000
16	No. CNF/11.00/127 Bud/13 dt. 31-3-2003	Co-operation and Textiles V-4 6425	Loans to Marathwada State Sahakari Kapus Utpadak Panan Mahasangh	18,46,00,000
			<b>Total</b>	<b>1,51,51,38,910</b>

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**APPENDIX XXVI**  
(Reference: Paragraph 4.6.2, Page 121)

**Statement showing outstanding Inspection Reports and Paragraphs issued upto December 2002 but outstanding as on June 2003**

Sr. No.	Name of the Department	Upto 1997-98		1998-99		1999-2000		2000-01		2001-02		2002-03		Total	
		IRs	Paras	IRs	Paras	IRs	Paras	IRs	Paras	IRs	Paras	IRs	Paras	IRs	Paras
1	Agriculture, Animal Husbandry, Dairy Development and Fisheries	350	489	34	53	67	142	117	229	226	582	129	450	923	1945
2	Co-operation and Textiles	161	271	29	46	37	74	63	129	119	250	79	224	488	994
3	Employment and Self-Employment	--	--	1	2	1	4	1	1	1	2	--	--	4	9
4	Environment	--	--	--	--	--	--	1	1	1	3	--	--	2	4
5	Finance	10	12	1	1	4	4	1	1	7	9	9	23	32	50
6	Food, Civil Supplies and Consumer Protection	2	2	1	2	--	--	1	1	4	10	--	--	8	15
7	General Administration	8	11	6	7	4	4	9	12	13	36	19	62	59	132
8	Higher and Technical Education	278	426	174	278	176	323	94	236	108	333	89	206	919	1802
9	Home	116	185	47	85	51	101	65	162	71	212	45	221	395	966
10	Housing	5	8	13	22	1	1	4	10	4	10	1	2	28	53
11	Industries, Energy and Labour	18	21	11	20	11	24	20	30	22	50	17	60	99	205
12	Irrigation	1273	2996	109	391	80	274	66	303	116	593	61	300	1705	4857
13	Law and Judiciary	6	8	6	8	7	10	16	29	23	44	33	62	91	161
14	Maharashtra Legislature Secretariat	--	--	--	--	--	--	--	--	1	1	--	--	1	1
15	Medical Education and Drugs	55	85	17	26	20	53	27	116	17	65	33	106	169	451
16	Planning	1	1	1	1	1	1	1	1	2	7	6	8	12	19
17	Public Health	52	68	29	44	43	70	54	109	67	223	76	293	321	807
18	Public Works	207	345	60	117	86	205	94	330	70	387	45	262	562	1646
19	Revenue and Forests	660	1201	139	276	160	399	196	634	176	692	140	538	1471	3740
20	Rural Development and Water Conservation	687	1283	126	305	167	511	131	523	134	651	117	702	1362	3975
21	School Education	11	16	10	18	5	9	16	37	15	41	14	45	71	166
22	Social Justice, Cultural Affairs Sports and Special Assistance	66	111	20	44	42	73	54	97	74	182	81	229	337	736
23	Tribal Development	15	23	9	11	12	25	13	22	33	63	36	100	118	244
24	Urban Development	15	19	3	5	4	8	6	16	5	13	4	20	37	81
25	Water Supply and Sanitation	5	6	3	3	6	10	9	19	16	48	10	35	49	121
26	Women and Child Welfare	11	11	8	10	12	16	19	44	52	90	81	129	183	300
	<b>Total</b>	<b>4012</b>	<b>7598</b>	<b>857</b>	<b>1775</b>	<b>997</b>	<b>2341</b>	<b>1078</b>	<b>3092</b>	<b>1377</b>	<b>4597</b>	<b>1125</b>	<b>4077</b>	<b>9446</b>	<b>23480</b>

APPENDIX XXVII

**Chapter 1**

BCR : Balance from Current Revenue  
 FD : Fiscal Deficit  
 FD/GSDP : Fiscal Deficit/Gross State Domestic Product  
 FL : Fiscal Liabilities  
 GOI : Government of India  
 GSDP : Gross State Domestic Product  
 OR : Own Resources  
 PD : Primary Deficit  
 PD/GSDP : Primary Deficit/Gross State Domestic Product  
 RBI : Reserve Bank of India  
 RD : Revenue Deficit  
 RD/GSDP : Revenue Deficit/Gross State Domestic Product  
 RE : Revenue Expenditure  
 RR : Revenue Receipts  
 TE : Total Expenditure  
 UCs : Utilisation Certificates  
 WMA : Ways and Mean Advances

**Implementation of Drugs and Cosmetics Act, 1940**

DCGI : Drugs Controller General of India  
 DCA : Drugs Control Administration  
 DCLs : Drugs Control Laboratories  
 DIs : Drugs Inspectors  
 FDA : Food and Drugs Administration  
 GOI : Government of India  
 RMPs : Registered Medical Practitioners

**Public Works Department**

BBM : Bituminous Bound Macadam  
 BM : Bitumen Macadam  
 BT : Black Tapping  
 CBR : California Berm Ratio  
 CE : Chief Engineer  
 CR : Current Repairs  
 CRT : Converted Regular Temporary  
 Dn : Division  
 DSR : District Schedule of Rates  
 EE : Executive Engineer  
 FMG : Final Modified Grant  
 GOI : Government of India  
 Kg : Kilogram  
 LBM : Lean Bituminous Macadam  
 LOC : Letter of Credit  
 MLA : Member of Legislative Assembly  
 MOST : Ministry of Surface Transport  
 MPW : Maharashtra Public Works Manual  
 MP : Member of Parliament  
 M and R : Maintenance and Repairs  
 MT : Metric Tonne  
 NABARD : National Bank of Agriculture and Rural Development

NH : National Highway  
 PAO : Pay and Accounts Office  
 PW : Public Works  
 SE : Superintending Engineer  
 SP : Special Project

**Prevention and control of fire**

AMC : Amravati Municipal Corporation  
 BMC : Brihanmumbai Municipal Corporation  
 DMA : Director of Municipal Administration  
 GIC : General Insurance Company  
 GOI : Government of India  
 NMC : Nagpur Municipal Corporation  
 NOC : No Objection Certificate  
 PCMC : Pimpri-Chinchwad Municipal Corporation  
 SFAC : State Fire Advisory Committee  
 SFO : Station Fire Officer

**Integrated Watershed Development Program**

CCT : Continuous Contour Trenches  
 CEO(ZP) : Chief Executive Officer, Zilla Parishad  
 CNB : Cement Nalla Bandh  
 DCF : Deputy Conservator of Forest  
 DCMC : District Co-ordination and Monitoring Committee  
 DDSF : Deputy Director Social Forestry  
 DSAO : District Superintending Agriculture Officer  
 EE : Executive Engineer  
 EGS : Employment Guarantee Scheme  
 ES : Earthen Structure  
 FP : Farm Ponds  
 IWDP : Integrated Watershed Development Program  
 LBS : Loose Boulder Structure  
 MI : Minor Irrigation  
 MNB : Mati Nalla Bandh  
 NGO : Non Government Organisation  
 SCWAM : Director, Soil Conservation and Watershed Area Management  
 SDAO : Sub Divisional Agriculture Officer  
 SGGSDA : Senior Geologist, Ground Water Survey Development  
 SGRY : Sampurna Gramin Rojgar Yojana  
 TAO : Taluka Agriculture Officer  
 VWCC : Village Water Conservation Committee  
 WCP : Water Conservation Program  
 ZP/LS : Zilla Parishad/Local Sector

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