



**Chapter - 1**

**Introduction**

## Chapter 1: Introduction

### 1.1 About this Report

This Report of the Comptroller and Auditor General of India (C&AG) relates to matters arising from performance audit of selected programmes and activities and compliance audit of Government departments and autonomous bodies falling under General and Social Sectors in the State.

### 1.2 Profile of audited entities and State Budget

There are 56 departments in the State at the Secretariat level, headed by Additional Chief Secretaries/Principal Secretaries/Secretaries, who are assisted by Commissioners/Directors and subordinate officers under them. Of these, 36 departments and the PSUs/Autonomous bodies under the control of these departments are under the audit jurisdiction of the Principal Accountant General (General and Social Sector Audit).

The summary of the State Government's fiscal transactions during the current year (2012-13) *vis-à-vis* the previous year is given in **Table 1**.

**Table 1: Summary of Current Year's Fiscal Transactions**

(₹ in crore)

2011-12	Receipts	2012-13	2011-12	Disbursements	2012-13		
<b>Section A- Revenue</b>							
					<b>Non-Plan</b>	<b>Plan</b>	<b>Total</b>
<b>62,604.07</b>	<b>Revenue Receipts</b>	<b>70427.28</b>	<b>52,693.71</b>	<b>Revenue Expenditure</b>	<b>44,619.19</b>	<b>18,349.34</b>	<b>62,968.53</b>
26,973.44	Tax Revenue	30581.70	16,228.64	General Services	17,613.11	92.03	17,705.14
7,482.73	Non tax revenue	7000.22	20,296.94	Social Services	12,686.85	11,688.62	24,375.47
18,219.13	Share of union taxes / duties	20805.16	12,964.91	Economic Services	11,019.66	5,803.69	16,823.35
9,928.77	Grants from Government of India	12,040.20	3,203.22	Grants-in-aid and Contributions	3,299.57	765.00	4,064.57
<b>Section B: Capitals and Others</b>							
<b>22.65</b>	<b>Misc. Capital receipts</b>	<b>31.45</b>	<b>9,055.16</b>	<b>Capital Outlay</b>	<b>23.91</b>	<b>11,542.98</b>	<b>11,566.89</b>
<b>9,122.56</b>	<b>Recoveries of Loans and advances</b>	<b>32.53</b>	<b>15,760.56</b>	<b>Loans and Advances disbursed</b>	<b>3,842.13</b>	<b>1,536.12</b>	<b>5,378.25</b>
<b>2.65</b>	<b>Inter-State settlement</b>	<b>9.14</b>	<b>3.70</b>	<b>Inter-State settlement</b>			<b>7.02</b>
<b>6,750.25</b>	<b>Public Debt receipt</b>	<b>8,791.16</b>	<b>3,149.79</b>	<b>Repayment of Public Debt</b>			<b>3,583.94</b>
<b>100.00</b>	<b>Contingency Fund</b>	<b>-</b>	<b>100.00</b>	<b>Contingency Fund</b>			<b>-</b>
<b>76,315.22</b>	<b>Public Account receipts</b>	<b>86,247.57</b>	<b>73,279.04</b>	<b>Public Account disbursements</b>			<b>82,735.57</b>
<b>6,900.44</b>	<b>Opening cash balance</b>	<b>7,775.88</b>	<b>7,775.88</b>	<b>Closing Cash Balance</b>			<b>7,074.81</b>
<b>1,61,817.84</b>	<b>Total</b>	<b>1,73,315.01</b>	<b>1,61,817.84</b>	<b>Total</b>			<b>1,73,315.01</b>

(Source : Finance Accounts of Madhya Pradesh 2012-13)

### 1.3 Planning and conduct of Audit

The Audit process starts with the risk assessment of various departments, autonomous bodies, schemes/ projects, etc., criticality/ complexity of activities, level of delegated financial powers, internal controls and concerns of stakeholders and previous audit findings. Based on this risk assessment, the

frequency and extent of audit are decided and an Annual Audit Plan is formulated.

After completion of audit, Inspection Report containing audit findings is issued to the head of the office with request to furnish replies within one month. Whenever replies are received, audit findings are either settled/ or further action for compliance is advised. The important audit observations pointed out in these Inspection Reports are processed for inclusion in the Audit Reports of the Comptroller and Auditor General of India, which are submitted to the Governor of Madhya Pradesh under Article 151 of the Constitution of India.

During 2012-13, audit of 844 units (compliance audit and performance audit) of various departments/organisations of the State was conducted by the office of the Principal Accountant General (General and Social Sectors Audit).

#### **1.4 Lack of responsiveness of Government to Audit**

##### **1.4.1 Outstanding Inspection Reports**

The Principal Accountant General (General and Social Sectors Audit), Madhya Pradesh, Gwalior (PAG) conducts periodical inspection of Government Departments by test-check of transactions and verify the maintenance of important accounting and other records as per the prescribed rules and procedures. These inspections are followed by issue of Audit Inspection Reports (IRs). When important irregularities, etc., detected during audit inspection, are not settled on the spot, these IRs are issued to the heads of offices inspected, with a copy to the next higher authorities.

The heads of offices and next higher authorities are required to report their compliance to the PAG within four weeks of receipt of IRs. Serious irregularities are also brought to the notice of the Heads of the departments by the office of the PAG.

Based on the results of test audit, number of audit observations contained in 7439 IRs (20,718 paragraphs) were outstanding against the departments under General and Social Sectors as on 30 September 2013<sup>1</sup>, as given in **Table-2**. Year-wise details of IRs and paragraphs outstanding are detailed in **Appendix-I.I**.

**Table-2: Outstanding Inspection Reports / Paragraphs**

<b>Sr. No.</b>	<b>Name of Sector</b>	<b>Inspection Reports</b>	<b>Paragraphs</b>
1	Social Sector	6332	17885
2	General Sector	1107	2833
<b>Total</b>		<b>7439</b>	<b>20718</b>

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<sup>1</sup> Including IRs and paragraphs issued upto 31 March 2013 and outstanding as on 30 September 2013.

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The departmental officers failed to take action on observations contained in IRs within the prescribed time frame resulting in erosion of accountability.

It is recommended that the Government may look into the matter to ensure prompt and proper response to audit observations.

#### **1.4.2 Government response to significant audit observations (draft paragraphs /reviews)**

In the last few years, Audit has reported on several significant deficiencies in implementation of various programmes/ activities as well as on the quality of internal controls in selected departments, which have negative impact on the success of programmes and functioning of the departments. The focus was on auditing the specific programmes/ schemes and to offer suitable recommendations to the executive for taking corrective action and improving service delivery to the citizens.

As per the provision of Comptroller and Auditor General of India's Regulations on Audit and Accounts, 2007, the departments are required to send their responses to draft performance audit reports/ draft paragraphs proposed for inclusion in the Comptroller and Auditor General of India's Audit Reports within six weeks. It was brought to their personal attention that in view of likely inclusion of such paragraphs in the Reports of the Comptroller and Auditor General of India, to be placed before the State Legislature, it would be desirable to include their comments in the matter. They were also advised to have meeting with the Principal Accountant General to discuss the draft reports of Performance Audits and draft audit paragraphs. These draft reports and paragraphs proposed for inclusion in the Report were also forwarded to the Additional Chief Secretaries/ Principal Secretaries/ Secretaries concerned for seeking their replies. For the present Audit Report, draft reports on six Performance Audits, 10 draft paragraphs were forwarded to the concerned Administrative Secretaries. But Government reply has been received in four Performance Audits and three draft audit paragraphs.

#### **1.4.3 Constitution of Audit Committee**

The Government while accepting the recommendations of Shakti Committee (High Powered Committee) constituted a High Powered Committee (May 2000) for monitoring the follow-up action on audit report paragraphs, one meeting of the High Powered Committee was held during 2012-13. The Government constituted an Apex Level Committee (April 2009) and 24 Departmental Audit Committees (DAC) for speedy settlement of audit observations. But no periodicity of meetings of the Apex Committee was prescribed in the order. However DAC are required to meet once in three months. No meetings of DAC and Apex Committee were held during the year.

#### 1.4.4 Follow-up on Audit Reports

According to the Rules of procedure for the internal working of the Committee on Public Accounts, the Administrative Departments were to initiate, *suo motu* action on all Audit Paragraphs and Reviews featuring in the Comptroller and Auditor General's Audit Reports (ARs) regardless of whether these are taken up for examination by the Public Accounts Committee (PAC) or not. They were also to furnish detailed notes, duly vetted by audit indicating the remedial action taken or proposed to be taken by them within three months of the presentation of the ARs to the State Legislature.

Out of total 55 paragraphs pertaining to General and Social Sectors included in the Audit Reports for the years 2005-06, 2007-08, 2008-09 and 2010-11 departmental replies in respect of 11 paragraphs were not received (September 2013) (Table 3). The matter was reported to the Principal Secretary, Vidhan Sabha (October 2013).

**Table-3: Position regarding receipt of Departmental replies on the paragraphs included in the ARs**

Audit Reports	Year	Department(s)	Sector	Departmental replies pending as of 30 September 2013	Date of presentation in the State Legislature	Due date for receipt of Departmental replies
General and Social Sectors (Non-PSUs)	2005-06	Panchayat and Rural Development	Social Sector	01	26-7-2007	26-10-2007
		Public Health Engineering	Social Sector	01	26-7-2007	26-10-2007
	2007-08	Finance	General Sector	01	21-7-2009	21-10-2009
	2008-09	Panchayat and Rural Development	Social Sector	02	28-7-2010	28-10-2010
		Revenue	General Sector	01	28-7-2010	28-10-2010
	2010-11	Housing and Environment	Social Sector	01	12-12-2012	12-03-2013
		Public Health and Family Welfare	Social Sector	03	12-12-2012	12-03-2013
		Labour	General Sector	01	12-12-2012	12-03-2013
	<b>Total</b>				<b>11</b>	

(Source : Data confirmed by Vidhan Sabha Secretariat)

#### 1.4.5 Government response to PAC's recommendations

The Chief Secretary, Government of Madhya Pradesh issued (November 1994) instructions to all the departments to inform PAC about the action taken

or the action proposed by them in respect of PAC's recommendations within six months of presentation of PAC's report in the State Legislature. The copies of action taken notes (ATNs) are also to be endorsed to the Principal Accountant General for his comments.

As of September 2013, 23 departments did not furnish ATNs on PAC's recommendations made on 217 Audit Report paragraphs. ATNs had not been furnished on the recommendations made as early as 1986-87. Department-wise and year-wise details are given in **Appendix-1.2**. The pending position of ATN was brought to the notice of the Chief Secretary (October 2013) with a request to issue suitable instructions to the departments concerned.

### **1.5 Recoveries at the instance of Audit**

Test check of records (October 2012) of Project Officer, District Urban Development Agency (DUDA), Ujjain revealed that an amount of ₹ 4.90 crore was sanctioned (November 2011) by DUDA to Nagar Palika Nigam, Ujjain (NPNU) as loan for construction of 1320 houses under Slum Rehabilitation Scheme. An agreement was executed (November 2011) between Collector cum Chairman, DUDA Ujjain and Commissioner, NPNU and the DUDA, Ujjain remitted ₹ 4.90 crore (November to December 2011) to NPNU. As per the agreement the loan was to be utilised only as margin money for obtaining loan from financial institutions for completion of the houses. We observed (July 2013) that the DUDA, Ujjain sanctioned loans without ensuring utilisation of the funds as margin money for obtaining loan from financial institutions. The NPNU did not utilise the funds as margin money for obtaining loan and spent the amount for payment of bills. After being pointed out by Audit (October 2012), the matter was taken up by the DUDA with the NPNU and the entire loan amount was refunded (November 2013) by NPNU to DUDA, Ujjain.

### **1.6 Status of placement of Separate Audit Reports of Autonomous Bodies in the State Assembly**

Several Autonomous Bodies have been set up by the State Government. A large number of these bodies are audited by the Comptroller and Auditor General of India for verification of their transactions, operational activities and accounts, regulatory compliance audit, review of internal management, financial control and review of systems and procedure, etc. The audit of accounts of four autonomous bodies (pertaining to General and Social Sectors) in the State 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 **Table 4**.

**Table 4 : Status of rendering Accounts of the Autonomous Bodies**

S.No.	Name of body	Period of entrustment	Year up to which accounts were rendered	Period up to which SARs were issued	Placement of SAR in the Legislature	Delay <sup>2</sup> in submission / non-submission of accounts (in Months)
1	Madhya Pradesh Housing Board, Bhopal	Up to 2011-12	2010-11	2007-08	2003-04	2008-09 (40) 2009-10(34) 2010-11(22) 2011-12(12)
2	M.P.Human Rights Commission, Bhopal	Up to 2012-13	2011-12	2011-12	2008-09	2011-12(Nil) 2012-13(Nil)
3	MP Building and Construction Workers Welfare Board, Bhopal	Up to 2012-13	2008-09	2005-06	Information awaited	2006-07(57) 2007-08(45) 2008-09(33) 2009-10(36) 2010-11(24) 2011-12(12) 2012-13(Nil)
4	MP State Legal Service Authority, Jabalpur	Entrustment vide Act of Parliament	Not rendered since inception (1997-98)	-	Information awaited	180

Out of four Autonomous Bodies, Madhya Pradesh State Legal Service Authority, Jabalpur did not submit their accounts since inception (1997-98). There were delays up to 57 months in submission of accounts by two Autonomous Bodies (Serial No.1 and 3).

<sup>2</sup> Period of delay taken from the due date of receipt of accounts i.e. 30<sup>th</sup> June of the ensuing Financial year till 30<sup>th</sup> June 2013