



# Chapter 1

## Introduction

## CHAPTER-I

### Introduction

#### 1.1 Budget Profile

There are 56 Departments in the State at the Secretariat level, headed by Additional Chief Secretaries/Principal Secretaries/Secretaries, who are assisted by Commissioner/Directors and subordinate officers under them. Of these, 15 Government Departments and Public Sector Units (PSUs)/Autonomous bodies/Local Bodies coming under these Departments, are under the audit jurisdiction of the Accountant General (Economic & Revenue Sector Audit) Madhya Pradesh. These Departments were covered in audit and the audit findings included in this Audit Report. The position of budget estimates and actuals there against by the State Government during 2008-13 is given in **Table 1.1** .

**Table 1.1: Budget and expenditure of the State Government during 2008-13 (₹ in crore)**

Particulars	2010-11		2011-12		2012-13	
	Budget Estimates	Actual	Budget Estimates	Actual	Budget Estimates	Actual
<b>Revenue Expenditure</b>						
General Services	14,181.41	14,646.68	18,220.45	16,228.64	20,577.43	17,705.14
Social Services	14,915.24	17,345.40	20,277.33	20,296.94	24,992.18	24,375.47
Economic Services	9,664.10	10,084.48	12,208.06	12,964.91	14,251.77	16,823.35
Grants-in-aid and contributions	3,102.51	2,935.03	3,217.65	3,203.22	3,722.12	4,064.57
<b>Total (1)</b>	<b>41,863.26</b>	<b>45,011.59</b>	<b>53,923.49</b>	<b>52,693.71</b>	<b>63,543.50</b>	<b>62,968.53</b>
<b>Capital Expenditure</b>						
Capital Outlay	8,024.72	8,799.88	8,721.93	9,055.16	10,820.22	11,566.89
Loans and advances disbursed	1,619.33	3,714.73	3,200.21	15,760.56	5,667.26	5,378.25
Inter-State settlement	0	1.85	0	3.70	0	7.02
Repayment of public debt*	5,922.00	2,529.23	6,800.10	3,149.79	7,482.72	3,583.94
Contingency fund	100.00	0	100.00	100.00	200.00	0
Public account disbursements	96,735.11	62,344.26	1,53,133.63	73,279.04	2,24,574.20	82,735.57
Closing Cash Balance	-127.73	6,900.44	-78.79	7,775.88	-107.22	7,074.81
<b>Total (2)</b>	<b>1,12,273.43</b>	<b>84,290.39</b>	<b>1,71,877.08</b>	<b>1,09,124.13</b>	<b>2,48,637.18</b>	<b>1,10,346.48</b>
<b>Grand Total (1+2)</b>	<b>1,54,136.69</b>	<b>1,29,301.98</b>	<b>2,25,800.57</b>	<b>1,61,817.84</b>	<b>3,12,180.68</b>	<b>1,73,315.01</b>

\* Excluding transactions under ways and means advances

(Source: Finance Accounts and Budget documents)

#### 1.2 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 a 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 (IRs) 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 468 units (compliance audit and performance audit) of various departments/ organisations of the State was conducted by the office of the Accountant General (Economic & Revenue Sector Audit) Madhya Pradesh.

### **1.3 Lack of responsiveness of Government to Inspection Report paragraphs**

The Accountant General (Economic & Revenue Sectors Audit) Madhya Pradesh 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 the issue of Audit Inspection Reports. When important irregularities, etc. detected during audit inspection are not settled on the spot, these IRs are issued to the head of officers inspected, with a copy to the next higher authorities.

The head of offices and next higher authorities are required to report their compliance to the Accountant General (AG) within four weeks of receipt of IRs. Serious irregularities are also brought to the notice of the Heads of the Departments by the AG, Madhya Pradesh through a half yearly report of pending IRs sent to the Principal Secretary (Finance) .

During 2012-13, nine meetings of the High Power Committee were held in which 348 IRs (869 paragraphs) were settled.

As of 30 June 2013, 5,404 IRs (21,463 paragraphs) were outstanding against economic sector departments<sup>1</sup>. Of these, 3,296 IRs (10,324 paragraphs) were pending settlement for more than five years. Year wise details of IRs and paragraphs outstanding are detailed in **Appendix 1.1**.

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 Government Response to significant audit observations (draft paragraphs and 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 and improving service delivery to the citizens.

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<sup>1</sup> Animal Husbandry, Civil Aviation, Commerce Industries & Employment, Co-operative, Energy, Farmer Welfare and Agriculture, Fisheries, Forest, Horticulture & Food Processing, Madhya Pradesh Rural Road Development Authority, Narmada Valley Development Authority, Public Works, Rural Industries, Tourism, and Water Resources.

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 Report 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 AG 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 and 15 draft paragraphs were forwarded to the concerned Administrative Secretaries. Government reply has been received in cases of two Performance Audits and 10 draft paragraphs only .

### 1.5 Follow-up on Audit Reports

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

Out of total 105 paragraphs pertaining to Economic (Non-PSUs) Sectors in the Audit Reports for the years 2004-05, 2005-06, 2006-07, 2007-08, 2008-09, 2009-10 and 2010-11 departmental replies in respect of 21 paragraphs were not received (September 2013) (**Table 1.2**). The matter was reported to the Government (November 2013).

**Table 1.2 Position regarding receipt of departmental replies on the paragraphs included in the Audit Reports of Economic Sector (Non-PSUs)**

Year	Department(s)	Departmental replies pending as of 30.9. 2013	Date of presentation in the State Legislature	Due date for receipt of Departmental Replies
2004-05	Water Resources	01	24-03-2006	24-06-2006
2005-06	Water Resources	02	26-07-2007	26-10-2007
2007-08	Water Resources	01	21-07-2009	21-10-2009
2008-09	Panchayat & Rural Development	01	28-07-2010	28-10-2010
2009-10	Farmer Welfare & Agriculture	01	23-07-2011	23-10-2011
2010-11	Public Works	04	12-12-2012	12-03-2013
	Water Resources	10	12-12-2012	12-03-2013
	Panchayat and Rural Development	01	12-12-2012	12-03-2013
		<b>21</b>		

(Source: Data confirmed by Vidhan Sabha Secretariat)

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

As a result of audit during the year 2012-13, amount of ₹ 99.02 crore was accepted by the audited entities for effecting recoveries. During the same period audited entities of five Departments/authority<sup>2</sup> recovered ₹ 6.33 crore. Instances of significant recoveries are given below :

Rural Industries Department paid (during the period 2002-03 to 2006-07) ₹ 1.73 crore to concerned co-operative banks for revival of credit limits of 87 Societies. The credit limits of only 39 Societies were revived on adjustment of outstanding loan of ₹ 63.93 lakh of the Societies. The Department failed to enforce the condition of revival of credit limit of the Societies by the banks in respect of the remaining 48 Societies as of March 2013. On this being pointed (May 2011) out, remaining amount of ₹ 1.09 crore was recovered (February 2012 to May 2013) by the Department from the bank at the instance of audit.

*(Rural Industries Department)*

- Madhya Pradesh Rural Roads Development Authority, in PIU-I Betul, General Manager, granted (December 2005 to February 2007) mobilisation advance to the tune of ₹ 90.96 lakh to the contractors, of which outstanding advance of ₹ 59.80 lakh (as of March 2007) against the contractors, was recovered.
- Liquidated damages for delay beyond the stipulated date for completion of works were not deducted by the Madhya Pradesh Rural Road Development Authority. The leviable penalty in terms of contract was worked (from June 2006 to June 2008) out ₹ 5.25 crore at the rate of 10 per cent of initial contract price. General Manager, Project Implementation Unit (PIU), Morena intimated the recovery of ₹ 45.37 lakh.

*(Madhya Pradesh Rural Roads Development Authority)*

- In case of Construction of high level bridge across Tamas River on Rajapur-Chilla Road by Public Works Department, excess payment of ₹ 33.29 lakh was made (May 2012) on account of escalation due to erroneous consideration of value of work done. On this being pointed out (January 2013) in audit, the Department recovered (August 2013) the amount.
- Public Works Department foreclosed, the work of high level bridge across river Sonar on Kisanganj-Barkhedi-Jerath road in damaged and incomplete condition. The negative bill (May 2005 to November 2012) of incomplete work indicated excess payment of ₹ 13.08 lakh. On being pointed (November 2012) out in audit, the Department recovered (August 2013) the amount from the contractor.

*(Public Works Department)*

- The royalty charges in respect of mineral brought and utilised in works were not deducted from bills of the contractors. The royalty charges

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<sup>2</sup> Madhya Pradesh Rural Road Development Authority, Narmada Valley Development Authority, Public Works, Rural Industries and Water Resources Departments.

amounting to ₹ 15.56 lakh had been pointed out by Audit. Executive Engineer, N.D. Division, Dhar intimated the recovery of the same from contractors.

*(Narmada Valley Development Department)*

### **1.7 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 two autonomous bodies<sup>3</sup> of Economic Sector in the State has been entrusted to the Comptroller and Auditor General of India.

Separate Audit Reports (SARs) of Madhya Pradesh Electricity Regulatory Commission issued by the Audit for the year 2011-12 has been placed (December 2012) before the State Legislature and SAR for Madhya Pradesh Khadi Gramodyog Board has not been issued due to delay in receipt of accounts for 2011-12.

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<sup>3</sup> Madhya Pradesh Electricity Regulatory Commission and Madhya Pradesh Khadi Gramodyog Board