
EXECUTIVE SUMMARY

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Background

The Report on the Finances of the Government of Madhya Pradesh is brought out with a view to assess the financial performance of the State during the year 2014-15 based on audit analysis of financial data. In order to give a perspective to the analysis, we have attempted to compare the achievements made by the State Government *vis-a-vis* the targets envisaged in the Fiscal Responsibility and Budget Management Act (FRBM Act), 2005, State budget documents, norms recommended by the Thirteenth Finance Commission and other financial data obtained from various Government Departments and organisations.

The Report

Based on the audited accounts of the Government of Madhya Pradesh for the year ended 31 March 2015, this Report provides an analytical review of the Annual Accounts of the State Government. The report is structured in three Chapters.

Chapter 1 is based on audit of the Finance Accounts and makes an assessment of the Madhya Pradesh Government's fiscal position as on 31 March 2015. It provides an insight into the trends in the overall finances of the State, actual expenditure *vis-à-vis* budget estimates, salaries and wages, pensions, interest payments and subsidies, expenditure and borrowing patterns, besides giving a brief account of Central funds transferred directly to the State implementing agencies through off-budget route. It also makes an assessment of the adequacy of the State's fiscal priorities to developmental, social sectors and capital expenditure.

Chapter 2 is based on audit of Appropriation Accounts and gives a grant-wise description of appropriations and the manner in which the allocated resources were managed by the service delivery departments. Besides, comments arising out of review of selected grants have also been made in this Chapter.

Chapter 3 is an inventory of the Madhya Pradesh Government's compliance with various reporting requirements and financial rules.

The Report also compiles the data collated from various government departments/organisations in support of the findings. At the end of the Report a glossary of abbreviations is given.

Audit findings

Chapter-1: Finances of the State Government

Management of fiscal imbalances and resource mobilisation

- The State maintained Revenue Surplus during the year 2014-15 at ₹ 6,268 crore. It increased by ₹ 389 crore over the previous year. Though the Fiscal Deficit of the State (₹ 11,352 crore) was within the limits prescribed by XIII Finance Commission, Fiscal Responsibility and Budget Management Act and Budget estimates, the Fiscal Deficit increased from the previous year by ₹ 1,470 crore. However, Fiscal

Deficit relative to GSDP decreased from 2.27 *per cent* in 2013-14 to 2.23 *per cent* in the current year, mainly because of increase in GSDP during 2014-15 compared to the previous year.

(Paragraphs 1.1.2, 1.11 and Profile of State)

- The tax revenue (₹ 36,567 crore) realised during 2014-15 fell short of target prescribed in Revised Budget Estimates 2014-15 (by ₹ 29,912 crore) and MTFPS projection (by ₹ 30,104 crore). Revised Budget Estimates 2014-15 of ₹ 66,479 crore projected by the State was not realistic.

(Paragraph 1.3.1)

Expenditure management and fiscal priority

- Capital Expenditure in 2014-15 increased by 10 *per cent* over the previous year. The increase was mainly under Rural Development, Energy and Transport.

(Paragraph 1.6.2)

- During 2014-15, the Revenue Expenditure (RE) of the State (₹ 82,373 crore) increased by 17.89 *per cent*. The Non-Plan Revenue Expenditure (NPRE) increased by 10.73 *per cent* and constituted 68 *per cent* of RE. Actual NPRE was 51.49 *per cent* more than the XIII FC projection, but marginally less than the projection made in the Medium Term Fiscal Policy Statement of the State.

(Paragraph 1.6.3)

- Expenditure on salaries & wages, pension payments, interest payments and subsidies together constituted 53 *per cent* of Revenue Expenditure and 49 *per cent* of Revenue Receipts. Out of total subsidy payments of ₹ 9,954 crore, 49 *per cent* pertained to Energy Department.

(Paragraphs 1.6.4 and 1.6.4.4)

- The priority given to Social Sector Expenditure and expenditure on Education and Health Sectors in Madhya Pradesh was not adequate during 2014-15, when compared with General Category States' Average.

(Paragraph 1.7.1)

Return on investment

- During 2014-15, return (₹ 80.35 crore) on investment of ₹ 16,104.55 crore made by the Government up to 2014-15 in Statutory corporations, companies, Co-operative societies etc. was only 0.50 *per cent* against the average borrowing cost of 6.88 *per cent* during the year.

(Paragraph 1.8.1)

- Twenty seven Government Companies and Statutory Corporations, with an aggregate investment of ₹ 13,523.24 crore for the latest year for which accounts were finalised as of 2014-15, were running in losses which accumulated to ₹ 29,268.72 crore.

(Paragraph 1.8.1)

Incomplete projects

- Expenditure of ₹ 14,344.25 crore incurred on 68 incomplete projects in the Departments of Narmada Valley Development Authority and Water Resources remained unfruitful as of 31 March 2015.

(Paragraph 1.8.2)

Management of cash balance and liabilities

- The investment held in 'Cash Balance Investment Account' by the State Government stood at ₹ 4477 crore and ₹ 5402 crore at the end of 2013-14 and 2014-15 respectively. Keeping the huge amount in the Cash Balance Investment Account at lower rate of interest while borrowing at higher rate has financial implications. The high level of investment held in 'Cash Balance Investment Account' at the end of these financial years indicates that there is need for better cash management.

(Paragraph 1.8.4)

- The outstanding fiscal liabilities steadily increased over the years from ₹ 75,504 crore at the end of 2010-11 to ₹ 1,08,688 crore at the end of 2014-15. Fiscal liabilities at the end of 2014-15 were 21.40 *per cent* of GSDP against the limit of 35.30 *per cent* prescribed by XIII Finance Commission. The growing volume of debt has resulted in increasing liability for servicing the debt.

(Paragraph 1.9.2)

Chapter-2: Financial Management and Budgetary Control

Inflated provision under original and supplementary grants

- Against the total budget provision of ₹ 1,48,505 crore during 2014-15, total expenditure incurred was ₹ 1,13,052 crore, resulting in overall savings of ₹ 35,453 crore. Therefore, entire supplementary provision of ₹ 19,504 crore (15.12 *per cent* of original provision) proved unnecessary. In 37 cases (32 grants/appropriation), there were savings of more than ₹ 100 crore in each case, which aggregated to ₹ 28,334 crore.

(Paragraphs 2.2 and 2.3.1)

Non-recoupment of Contingency fund of ₹1.08 crore

- The State Government sanctioned an advance amounting to ₹ 1.08 crore from the Contingency Fund of State to Urban Administration and Development Department. The expenditure was incurred during the year, however, advance from the Contingency Fund of State remained unrecouped.

(Paragraph 2.2)

Non-surrender/delayed surrender of savings

- Only 49.64 per cent (₹ 17,597.59 crore) of total savings were surrendered during the year. In 117 cases, savings of ₹ 16,148 crore (more than ₹ 10 crore in each) was surrendered on the last day of the financial year, leaving no scope for utilising the funds for other development purposes.

(Paragraphs 2.2 and 2.3.9)

Excess expenditure requiring regularisation

- Excess expenditure of ₹ 446.28 crore was incurred during 2014-15, which requires regularisation under Article 205 of the Constitution. Besides, ₹ 774.60 crore pertaining to previous years were yet to be regularised.

(Paragraphs 2.3.5 and 2.3.6)

Central funds parked in Civil Deposit

- Central funds of ₹ 115.45 crore drawn on 31 March 2015 was transferred to Civil Deposit in Public Account to avoid lapse of funds, which inflated the expenditure of the year under the Consolidated Fund of the State.

(Paragraph 2.3.12)

Chapter-3: Financial Reporting

Submission of Utilisation Certificate

- Utilisation Certificates (34950) in respect of grant-in-aid given by different departments of State Government amounting to ₹ 27,005.73 crore were outstanding as on 31 March 2015, indicating lack of proper monitoring by the concerned departments of utilisation of grants.

(Paragraph 3.1)

Submission of Accounts by Autonomous Bodies

- There were significant delays (up to 205 months) in submission of accounts by five Autonomous Bodies to the Accountant General, resulting in delays in scrutiny of functioning of the Autonomous Bodies.

(Paragraph 3.2)

Reporting of misappropriations and losses

- Total of 3134 cases of losses, misappropriation etc. amounting to ₹ 34.37 crore were pending in different departments as on 30 June 2015. Delayed action on the part of department led to non-realisation of Government fund.

(Paragraph 3.3)

Maintenance of Personal Deposit Accounts

- Personal Deposit (PD) Accounts were continued even after close of the financial year without approval of Finance Department, in violation of the provisions of Madhya Pradesh Treasury Code. There was significant amount of closing balance aggregating to ₹ 2,704.45 crore in the PD accounts at the end of March 2015.

(Paragraph 3.11)

