

CHAPTER-I

Introduction

1.1 Budget profile

There are 52 Departments in the State at the Secretariat level, headed by Additional Chief Secretaries/ Principal Secretaries/ Secretaries, who are assisted by Commissioner/ Directors and sub-ordinate officers under them. Of these, 15 Government Departments and 67 Public Sector Units (PSUs)/ two Autonomous 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 major audit findings included in this Audit Report. The position of budget estimates and actuals there against for the State Government during 2009-14 is given in **Table 1.1.**

Table 1.1: Budget and expenditure of the State Government during 2009-14

(₹ in crore)

| Particulars | 2009-10 | | 2010-11 | | 2011-12 | | 2012-13 | | 2013-14 | |
|---------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|------------------|------------------|
| | Budget Estimates | Actual | Budget Estimates | Actual | Budget Estimates | Actual | Budget Estimates | Actual | Budget Estimates | Actual |
| Revenue Expenditure | | | | | | | | | | |
| General Services | 13,685.34 | 12,013.78 | 14,181.41 | 14,646.68 | 18,220.45 | 16,228.64 | 20,577.43 | 17,705.14 | 22295.27 | 20590.93 |
| Social Services | 13,346.61 | 12,961.85 | 14,915.24 | 17,345.40 | 20,277.33 | 20,296.94 | 24,992.18 | 24,375.47 | 30100.70 | 27768.21 |
| Economic Services | 8,753.47 | 8,371.37 | 9,664.10 | 10,084.48 | 12,208.06 | 12,964.91 | 14,251.77 | 16,823.35 | 17465.48 | 16971.33 |
| Grants-in-aid and contributions | 2,476.70 | 2,549.90 | 3,102.51 | 2,935.03 | 3,217.65 | 3,203.22 | 3,722.12 | 4,064.57 | 4527.20 | 4539.29 |
| Total (1) | 38,262.12 | 35,896.90 | 41,863.26 | 45,011.59 | 53,923.49 | 52,693.71 | 63,543.50 | 62,968.53 | 74388.65 | 69869.76 |
| Capital Expenditure | | | | | | | | | | |
| Capital Outlay | 6,793.16 | 7,924.87 | 8,024.72 | 8,799.88 | 8,721.93 | 9,055.16 | 10,820.22 | 11,566.89 | 11113.61 | 10812.52 |
| Loans and advances disbursed | 1,389.39 | 3,816.88 | 1,619.33 | 3,714.73 | 3,200.21 | 15,760.56 | 5,667.26 | 5,378.25 | 6444.60 | 5077.52 |
| Inter-State settlement | 0.13 | 2.78 | 0 | 1.85 | 0 | 3.70 | 0 | 7.02 | 0 | 2.36 |
| Repayment of public debt * | 6,290.45 | 2,394.05 | 5,922.00 | 2,529.23 | 6,800.10 | 3,149.79 | 7,482.72 | 3,583.94 | 8017.43 | 4004.65 |
| Contingency fund | 100.00 | 0 | 100.00 | 0 | 100.00 | 100.00 | 200.00 | 0 | 200.00 | 0 |
| Public account disbursements | 94,675.61 | 50,871.84 | 96,735.11 | 62,344.26 | 1,53,133.63 | 73,279.04 | 2,24,574.20 | 82,735.57 | 313354.87 | 93063.99 |
| Closing Cash Balance | -102.93 | 3,912.93 | -127.73 | 6,900.44 | -78.79 | 7,775.88 | -107.22 | 7,074.81 | -123.16 | 4477.03 |
| Total (2) | 1,09,145.81 | 68,923.35 | 1,12,273.43 | 84,290.39 | 1,71,877.08 | 1,09,124.13 | 2,48,637.18 | 1,10,346.48 | 339007.35 | 117438.07 |
| Grand Total (1+2) | 1,47,407.93 | 1,04,820.25 | 1,54,136.69 | 1,29,301.98 | 2,25,800.57 | 1,61,817.84 | 3,12,180.68 | 1,73,315.01 | 413396.00 | 187307.83 |

* Excluding net transactions under ways and means advances and overdraft

(Source: Finance Accounts and Budget documents)

1.2 Application of resources of the State Government

During 2013-14, total expenditure (revenue, capital and loans & advances) of the State was ₹ 85,762 crore against ₹ 79,920 crore during 2012-13. Revenue

expenditure during the year (₹ 69,870 crore) increased by 10.96 per cent over the previous year (₹ 62,967 crore). Revenue Expenditure constituted 81 per cent of total expenditure. Capital Expenditure during 2013-14 decreased by seven per cent over the previous year. The Non-Plan Revenue Expenditure constituted 72 per cent of Revenue Expenditure and increased by 10.92 per cent over the previous year.

While total expenditure of the State during the period 2009-14 increased at an annual average rate of 18 per cent, the revenue receipts grew at an annual average growth rate of 17 per cent during 2009-14.

1.3 Funds transferred directly to the State implementing agencies

During 2013-14, Government of India (GoI) directly transferred ₹ 9,280.05 crore to various State implementing agencies without routing through the State budget for implementation of various schemes/ programmes. In the present mechanism, these funds are not routed through State Treasury system and hence do not find mention in the Finance Accounts of the State. As such the Annual Finance Accounts of the State do not provide a complete picture of resources under the control of the State Government.

1.4 Grants-in-aid from Government of India

The Grants-in-aid received from the GoI during the years 2009-10 to 2013-14 have been given in **Table- 1.2**.

Table- 1.2: Grants-in-aid from GoI

| Particulars | (₹ in crore) | | | | |
|--|--------------|--------------|--------------|---------------|---------------|
| | 2009-10 | 2010-11 | 2011-12 | 2012-13 | 2013-14 |
| Non-Plan Grants | 1,533 | 1,636 | 2,114 | 333 | 3,540 |
| Grants for State Plan Schemes | 3,102 | 4,522 | 4,215 | 7,099 | 5,536 |
| Grants for Central Plan Schemes and Grants for Centrally Sponsored Schemes | 2,028 | 2,919 | 3,600 | 4,608 | 2,701 |
| Total | 6,663 | 9,077 | 9,929 | 12,040 | 11,777 |
| Percentage of increase over previous year | 13.84 | 36.23 | 9.39 | 21.26 | -2.18 |
| Percentage of Revenue Receipts | 16.10 | 17.50 | 15.86 | 17.10 | 15.55 |

1.5 Planning and conduct of Audit

The audit process starts with the risk assessment of various Departments, autonomous bodies, schemes/ projects, etc. considering 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 (IR) 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 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 2013-14, compliance audit of 561 Drawing and Disbursing Officers (DDOs) of the State and two autonomous bodies were conducted by the office of the Accountant General (Economic & Revenue Sector Audit) Madhya Pradesh. Besides, four Performance Audits were also conducted.

1.6 Lack of responsiveness of Government to Inspection Reports

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 issue of Audit 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 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 office of the AG, Madhya Pradesh through a quarterly report of pending IRs.

As 30 June 2014, 5,750 IRs (22,211 paragraphs) were outstanding against economic sector departments¹. Of these, 4,219 paragraphs relating to 1,658 IRs had not been settled for more than 10 years. The year-wise position of these outstanding IRs and paragraphs are detailed in **Appendix 1.1**.

During 2013-14, 13 meetings of the High Power Committee² were held in which 1,083 IRs and 4,413 paragraphs were discussed out of which 364 IRs and 2,503 paragraphs were settled.

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.

1.7 Response of Government to significant audit observations

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

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

² High Power Committee comprises of Group Officer and Branch Officer from office of the Accountant General (E&RSA) and Zonal Head of the Department (Chief Engineer/ Joint Director)/ Head of the Unit (Executive Engineer/ Deputy Director) of the State Government.

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 notice 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. 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 four Performance Audits and 11 draft paragraphs were forwarded to the concerned Administrative Secretaries. But replies of the Government have been received in case of one Performance Audit and one draft paragraph only. However, discussion on audit findings has taken place with the Government in exit conference in respect of all the four Performance Audit.

1.8 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 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 132 paragraphs pertaining to Economic (Non-PSUs) Sectors in the Audit Reports for the years 2007-08, 2009-10, 2010-11, 2011-12 and 2012-13 departmental replies in respect of 49 paragraphs were not received (November 2014) (Table 1.3).

Table 1.3 Receipt of departmental replies on the paragraphs included in Audit Reports of Economic Sector (Non-PSUs)

| Year | Department(s) | Departmental replies pending as of 30.11.2014 | Date of presentation in the State Legislature | Due date for receipt of Departmental Replies |
|---------|--|---|---|--|
| 2007-08 | Water Resources | 01 | 21-07-2009 | 21-10-2009 |
| 2009-10 | Farmer Welfare & Agriculture Development | 01 | 23-07-2011 | 23-10-2011 |
| 2010-11 | Public Works | 04 | 12-12-2012 | 12-03-2013 |
| | Water Resources | 05 | | |
| 2011-12 | Forest | 05 | 11-01-2014 | 11-04-2014 |
| | Narmada Valley Development | 02 | | |
| | Public Works | 02 | | |
| | Water Resources | 08 | | |
| 2012-13 | Forest | 03 | 22-07-2014 | 22-10-2014 |
| | Farmer Welfare & Agriculture Development | 01 | | |
| | Co-operative | 01 | | |

| Year | Department(s) | Departmental replies pending as of 30.11.2014 | Date of presentation in the State Legislature | Due date for receipt of Departmental Replies |
|------|--|---|---|--|
| | Madhya Pradesh Rural Roads Development | 01 | | |
| | Narmada Valley Development | 01 | | |
| | Public Works | 04 | | |
| | Panchayat and Rural Development | 01 | | |
| | Water Resources | 09 | | |
| | Total | 49 | | |

(Source: Data confirmed by Vidhan Sabha Secretariat)

1.9 Recoveries at the instance of Audit

The audit findings involving recoveries that came to notice in the course of test audit of accounts of the Departments of the State Government were referred to various departmental Drawing and Disbursing Officers (DDOs) for confirmation and further necessary action under intimation to audit.

During 2013-14, recovery of ₹ 203 crore was pointed out in audit. During the same period, the DDOs concerned had effected recovery of ₹ 7.84 crore in respect of recovery pointed in earlier years. A few cases of recoveries with significant money value are given in **Table-1.4**.

Table-1.4: Recoveries pointed out by audit and accepted/ recovered by the Departments (₹ in crore)

| Department | Particulars of recoveries noticed | Recoveries pointed out in Audit and accepted by the Departments during 2013-14 | | | Recoveries effected during 2013-14 in respect of earlier years | |
|------------|------------------------------------|--|-------------|----------|--|-----------------|
| | | Number of cases | Pointed out | Accepted | Number of cases | Amount involved |
| MPPRDA | Non-recovery of liquidated damages | 21 | 31.65 | 19.76 | 11 | 3.01 |
| MPPRDA | Mobilisation & machinery advance | 01 | 0.91 | 0.91 | 01 | 0.45 |
| NVDA | Interest on mobilisation advance | 01 | 0.70 | 0.70 | 01 | 0.35 |

1.10 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 bodies³ under the Department in Economic Sector in the State has been entrusted to the Comptroller and Auditor General of India.

³ Madhya Pradesh State Electricity Regulatory Commission and Madhya Pradesh Khadi Gramodyog Board.

The Separate Audit Reports (SARs) of Madhya Pradesh State Electricity Regulatory Commission issued by Audit for the year 2012-13 has been placed (January 2014) before the State Legislature and the SAR for Madhya Pradesh Khadi Gramodyog Board has not been issued due to delay in receipt of accounts for 2011-12 and 2012-13.