

Chapter-1: 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 subordinate officers under them. Of these, 34 Government Departments and Public Sector Units (PSUs)/Autonomous bodies coming under these Departments are under the audit jurisdiction of the Accountant General (General & Social Sector Audit) Madhya Pradesh. These Departments were covered in audit and the major audit findings are included in this Audit Report. The position of budget estimates and actuals thereagainst for the State Government during the years 2009-10 to 2013-14 is given in **Table 1**.

Table-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	22,295.27	20,590.93
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	30,100.70	27,768.21
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	17,465.48	16,971.33
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	4,527.20	4,539.29
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	74,388.65	69,869.76
Capital Section										
Capital expenditure	6,793.16	7,924.87	8,024.72	8,799.88	8,721.93	9,055.16	10,820.22	11,566.89	11,113.61	10,812.52
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	6,444.60	5,077.52
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	8,017.43	4,004.65
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	3,13,354.87	93,063.99
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	4,477.03
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	3,39,007.35	1,17,438.07
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	4,13,396.00	1,87,307.83

* 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 Persistent savings

In six cases during the last five years from 2009-10 to 2013-14, there were persistent savings of more than ₹ one crore in each case and also by 20 per cent or more of the total provision under the relevant grant/appropriation as shown in **Table 2**.

Table-2: List of grants with persistent savings during 2009-14

(₹ in crore)

Sl. No.	Grant number and name	Amount of Savings (Percentage of total grant)				
		2009-10	2010-11	2011-12	2012-13	2013-14
Revenue-Charged						
1	06-Finance	9.99 (78.48)	12.41 (97.49)	14.23 (96.28)	12.93 (52.18)	13.24 (89.64)
Capital-Voted						
2	06-Finance	113.33 (68.34)	74.94 (70.18)	1501.78 (92.80)	1374.53 (95.53)	234.74 (81.98)
3	22-Urban Administration and Development-Urban Bodies	174.67 (52.34)	95.08 (38.50)	44.23 (28.68)	61.21 (37.99)	39.80 (46.33)
4	53-Financial Assistance to Urban bodies under scheduled Castes Sub-Plan	8.61 (21.04)	25.43 (41.56)	11.23 (30.11)	15.39 (41.06)	9.88 (74.29)
5	58-Expenditure on Relief on Account of Natural Calamities and Scarcity	2.70 (64.29)	2.93 (69.76)	2.50 (85.62)	2.50 (76.69)	2.50 (100)
Capital-Charged						
6	Public Debt	3,896.40 (61.94)	3,392.77 (57.29)	3,650.31 (53.68)	3,903.17 (52.13)	4,018.05 (50.08)

(Source: Appropriation Accounts of concerned years)

1.4 Funds transferred directly to the State implementing agencies

During 2013-14, 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.

1.5 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-3**.

Table-3: Grants-in-aid from GoI

(₹ in crore)

Particulars	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

1.6 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 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 2013-14, compliance audit of 652 Drawing and Disbursing Officers of the State and 88 autonomous bodies were conducted by the office of the Accountant General (General & Social Sector Audit) Madhya Pradesh, Gwalior. Besides, six Performance Audits were also conducted.

1.7 Lack of responsiveness of Government to Inspection Reports

The Accountant General (General & Social 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 Inspection Report (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 regularly.

We observed that 6793 IRs (20,688 paragraphs) in respect of Social Sector Departments and 1389 IRs (3637 paragraphs) in respect of General Sector Departments issued up to March 2014 remained pending for settlement as on 30 September 2014. The year-wise position of these outstanding IRs and paragraphs are detailed in *Appendix 1.1*.

During 2013-14, nine meetings of the Departmental Audit Committees were held in which 359 IRs and 2902 paragraphs were settled.

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

1.8 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 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 six Performance Audits/Long Paragraphs and 10 draft paragraphs were forwarded to the concerned Administrative Secretaries. Replies of the Government have been received in case of six Performance Audits/Long Paragraphs and eight paragraphs.

1.9 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 69 paragraphs pertaining to General and Social (Non-PSUs) Sectors in the Audit Reports for the years 2005-06, 2008-09, 2010-11, 2011-12 and 2012-13 departmental replies in respect of 31 paragraphs were not received (November 2014) as detailed in *Appendix 1.2*.

1.10 Status of placement of Separate Audit Reports of Autonomous Bodies in the State Assembly

Several Autonomous Bodies (ABs) 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

Sl. 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 ¹ in submission / non-submission of accounts (in months)
1	M.P. Human Rights Commission, Bhopal	Up to 2013-14	2012-13	2011-12	2011-12	2012-13 (08)
2	MP Building and Construction Workers Welfare Board, Bhopal	Entrustment vide Act. of Parliament	2010-11	2005-06	Information awaited	2006-07 (69), 2007-08 (57), 2008-09 (45), 2009-10 (48), 2010-11 (31), 2011-12 (24), 2012-13 (12)
3	MP State Legal Service Authority, Jabalpur	Entrustment vide Act of Parliament	Not rendered since inception (1997-98)	-	Information awaited	1997-98(192)
4	MP Housing and Infrastructure Development Board, Bhopal	Up to 2013-14	2011-12	2011-12	Information awaited	2007-08 (50), 2008-09 (40), 2009-10 (34), 2010-11 (22), 2011-12 (12), 2012-13 (12)

Out of four ABs, Madhya Pradesh State Legal Services Authority, Jabalpur has not submitted their accounts since inception of the AB (1997-98) even after lapse of 16 years. Correspondence was made (September 2014) with the Member Secretary, MP State Legal Services Authority, Jabalpur for submission of the accounts. However, no response was received (December 2014). As seen from the **Table 4**, there were significant delays of up to 69 months in submission of accounts by three ABs (Serial No. 2, 3 and 4).

¹ Period of delay taken from the due date of receipt of accounts i.e. 30th June of the ensuing financial year till 30th June 2014.