
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 2013-14 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 2014, 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 2014. It provides an insight into the trends in the overall finances of the State, actual expenditure *vis-a-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 2013-14 at ₹ 5,879 crore. However, it decreased by ₹ 1,580 crore over the previous year. Though the Fiscal Deficit of the State (₹ 9,882 crore) was within the limits prescribed by XIII FC, FRBM Act and Budget estimates, the Fiscal Deficit increased from the previous year by ₹ 462 crore. However, Fiscal Deficit relative to GSDP has improved from

2.53 per cent in 2012-13 to 2.19 per cent in the current year, mainly because of higher growth of GSDP during 2013-14 (21.15 per cent) compared to the previous year (19.41 per cent).

(Paragraph 1.1.2 and Profile of State)

- Revenue Receipts (₹ 75,749 crore) grew by 7.56 per cent in 2013-14 compared to growth of 12.50 per cent in the previous year. The decrease was mainly due to decline in grants from GoI (2 per cent) and lesser growth in State's own Tax Revenue. During 2013-14, 54 per cent of Revenue Receipts came from State's own resources and 46 per cent contributed by Central tax transfers and Grants-in-aid from GoI.

(Paragraph 1.3)

Expenditure management and fiscal priority

- During 2013-14, the Revenue Expenditure (RE) of the State (₹ 69,870 crore) increased by 10.96 per cent. The Non-Plan Revenue Expenditure (NPRE) increased by 13.05 per cent and constituted 72 per cent of RE. Actual NPRE was 46.88 per cent more than the XIII FC projection, but almost equal to the projection made in the MTFPS of the State.

(Paragraph 1.6.3)

- Capital Expenditure in 2013-14 decreased by seven per cent over the previous year. The decrease was mainly under Rural Development, Energy and Agriculture & Allied Activities partly offset by increase in Irrigation & Flood Control and Transport.

(Paragraph 1.6.2)

- 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 ₹ 6,567 crore, 46 per cent pertained to Energy Department.

(Paragraph 1.6.4)

- The priority given to Social Sector Expenditure and expenditure on Education and Health Sectors in Madhya Pradesh was not adequate during 2013-14, when compared with General Category States' Average.

(Paragraph 1.7.1)

Funds transferred to State Implementing Agencies outside the State Budget

- A total amount of ₹ 9,280.05 crore was directly transferred to the State agencies during 2013-14 for implementing various schemes. These funds were not routed through State Budget.

(Paragraph 1.2.2)

Return on investment

- During 2013-14, return (₹ 378.72 crore) on investment of ₹ 15,275.10 crore made by the Government up to 2013-14 in Statutory corporations, companies, Co-operative societies etc. was only 2.48 *per cent* against the average borrowing cost of 6.84 *per cent* during the year.

(Paragraph 1.8.1)

- Twenty two Government Companies and Statutory Corporations with an aggregate investment of ₹ 12,695.31 crore for the latest year for which accounts were finalised as of 2013-14 were running in losses which accumulated to ₹ 22,071.34 crore.

*(Paragraph 1.8.1)***Incomplete projects**

- Expenditure of ₹ 34,465 crore incurred on 201 incomplete projects in the Departments of Energy, Water Resources, Public Works and Narmada Valley Development Authority remained unfruitful as of 31 March 2014. Of these initial estimated cost of 50 projects was revised involving cost over-run of ₹ 12,701 crore.

*(Paragraph 1.8.2)***Management of liabilities**

- At the end of the year 2013-14, total liabilities (TL) of the State was ₹ 96,826 crore. The ratio of TL to GSDP at 21.47 *per cent* was within the limit prescribed in FRBM target and XIII FC (36 *per cent*). The buoyancy of TL with respect to GSDP also decreased from 0.53 in 2012-13 to 0.35 during 2013-14.

*(Paragraph 1.9.2)***Chapter-2: Financial Management and Budgetary Control*****Inflated provision under original and supplementary grants***

- Against the total budget provision of ₹ 1,13,550 crore during 2013-14, total expenditure incurred was ₹ 90,432 crore, resulting in overall savings of ₹ 23,118 crore. Therefore, entire supplementary provision of ₹ 11,088 crore (10.82 *per cent* of original provision) proved unnecessary. In 21 grants, there were savings of more than ₹ 100 crore in each of 27 items, which aggregated to ₹ 12,427 crore.

*(Paragraphs 2.2 and 2.3.1)****Non-surrender/delayed surrender of savings***

- Only 54.24 *per cent* (₹ 12,538.75 crore) of total savings were surrendered during the year. In 59 cases, savings of ₹ 7,558 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 works.

(Paragraph 2.3.9)

Excess expenditure requiring regularisation

- Excess expenditure of ₹ 34.32 crore was incurred during 2013-14, which requires regularisation under Article 205 of the Constitution. Besides, ₹ 740 crore pertaining to previous years also remained unregularised.

(Paragraphs 2.3.5 and 2.3.6)

Central funds parked in Civil Deposit

- Central funds of ₹ 12.25 crore drawn on 29 March 2014 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 2.3.11)

Chapter-3: Financial Reporting

Submission of Utilisation Certificate

- Large number of Utilisation Certificates (36,414) in respect of grants given for by State Government amounting to ₹ 27,372.73 crore were awaited from the grantee institutions, 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 69 months) in submission of accounts by six 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

- Government's compliance towards disposal of 2989 cases of losses, misappropriation etc. amounting to ₹ 28.17 crore was pending.

(Paragraph 3.3)

Submission of DCC bills against AC bills

- Detailed Countersigned Contingent (DCC) bills against ₹ 14.96 crore drawn on Abstract Contingent (AC) bills were awaited as of March 2014.

(Paragraph 3.4.1)

Reconciliation of departmental expenditure

- Controlling Officers of 13 Departments did not reconcile expenditure amounting to ₹ 50,546.04 crore as on 31 March 2014.

(Paragraph 3.5)

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 ₹ 1,784.77 crore in the PD Accounts as of ended March 2014.

(Paragraph 3.9)