



Chapter - 1

Introduction

Chapter-1: Introduction

1.1 Budget profile

There are 53 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, 35 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 actual there against for the State Government during the years 2010-11 to 2014-15 is given in **Table-1**.

Table-1: Budget and expenditure of the State Government during 2010-11 to 2014-15

(₹ in crore)

Particulars	2010-11		2011-12		2012-13		2013-14		2014-15	
	Budget Estimates	Actuals								
Revenue Expenditure										
General services	14,181.41	14,646.68	18,220.45	16,228.64	20,577.43	17,705.14	22,295.27	20,590.93	24,243.56	22,365.11
Social services	14,915.24	17,345.40	20,277.33	20,296.94	24,992.18	24,375.47	30,100.70	27,768.21	42,092.49	32,067.15
Economic services	9,664.10	10,084.48	12,208.06	12,964.91	14,251.77	16,823.35	17,465.48	16,971.33	27,796.22	23,715.12
Grants-in-aid & contributions	3,102.51	2,935.03	3,217.65	3,203.22	3,722.12	4,064.57	4527.20	4,539.29	4,881.55	4,225.44
Total (1)	41,863.26	45,011.59	53,923.49	52,693.71	63,543.50	62,968.53	74,388.65	69,869.76	99,013.82	82,372.82
Capital Section										
Capital expenditure	8,024.72	8,799.88	8,721.93	9,055.16	10,820.22	11,566.89	11,113.61	10,812.52	14,143.36	11,877.68
Loans and advances disbursed	1,619.33	3,714.73	3,200.21	15,760.56	5,667.26	5,378.25	6,444.60	5,077.52	3,883.82	12,534.61
Inter-State Settlements	--	1.85	--	3.70	--	7.02	--	2.36	--	0.98
Repayment of Public Debt*	5,922.00	2,529.23	6,800.10	3,149.79	7,482.72	3,583.94	8,017.43	4,004.65	9,177.00	4,920.52
Contingency Fund	100.00	--	100.00	100.00	200.00	--	200.00	--	200.00	301.08
Public Accounts disbursements	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	2,85,344.25	1,08,165.30
Closing Cash balance	-127.73	6,900.44	-78.79	7,775.88	-107.22	7,074.81	-123.16	4,477.03	-76.82	5,401.96
Total (2)	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	3,12,671.61	1,43,202.13
Grand Total (1+2)	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	4,11,685.43	2,25,574.95

*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 2014-15, total expenditure (revenue, capital and loans and advances) of the State was ₹ 1,06,787 crore against ₹ 85,762 crore during 2013-14. Revenue expenditure during the year (₹ 82,373 crore) increased by 17.89 per cent over the previous year (₹ 69,870 crore). Revenue Expenditure constituted 77.14 per cent of total expenditure. Capital Expenditure during 2014-15 increased by 9.8 per cent over the previous year. The Non-Plan Revenue Expenditure constituted 67.81 per cent of revenue expenditure and increased by 10.73 per cent over the previous year.

While total expenditure of the State during the period 2010-11 to 2014-15 increased at an annual average rate of 17 per cent, the revenue receipts grew at an annual average growth rate of 14 per cent during 2010-11 to 2014-15.

1.3 Persistent savings

In eight cases during the last five years from 2010-11 to 2014-15 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/appropriations with persistent savings during 2010-11 to 2014-15

(₹ in crore)

Sl.No.	Grant/Appropriation and name	number	Amount of Savings (Percent to total grant in brackets)				
			2010-11	2011-12	2012-13	2013-14	2014-15
Revenue-Voted							
1.	29- law and Legislative Affairs		259.71 (41.04)	137.82 (20.06)	192.19 (28.05)	333.48 (35.47)	564.12 (44.34)
Savings occurred mainly under the Major Heads 2014-Administration of Justice and 2015-Election							
2	31-Planning, Economics and Statistics		85.87 (56.29)	386.39 (84.12)	211.54 (75.54)	121.62 (50.42)	195.23 (73.02)
Savings occurred under the Major Heads 3451-Secretariat-Economic Services & 3454-Census, Surveys and Statistics							
3	40-Expenditure Pertaining to Water Resources Department- Command Area Development		1.22 (38.98)	109.64 (97.52)	2.67 (51.84)	3.82 (50.73)	6.22 (51.53)
Savings occurred under the Major Head 2705-Command Area Development							
Revenue-Charged							
4	06-Finance		12.41 (97.49)	14.23 (96.28)	12.93 (52.18)	13.24 (89.64)	12.40 (83.90)
Savings Occurred Mainly under the Major Head 2071-Pensions and other Retirement Benefits							
Capital-Voted							
5.	06-Finance		74.94 (70.18)	1,501.78 (92.80)	1,374.53 (95.53)	234.74 (81.98)	141.27 (30.01)
Savings occurred mainly under the Major Head 6075-Loans for Miscellaneous General Services							
6.	58-Expenditure on Relief on account of Natural Calamities and Scarcity		2.93 (69.76)	2.50 (85.62)	2.50 (76.69)	2.50 (100)	2.50 (100)
Savings occurred under the Major Head 6245-loans for relief on account of Natural Calamities							
7	67-Public Works- Buildings		35.89 (33.27)	41.39 (38.11)	45.79 (32.98)	91.29 (49.98)	75.72 (40.33)
Savings occurred mainly under the Major Head 4059- Capital Outlay on Public Works							
Capital-Charged							
8.	Public Debt		3,392.77 (57.29)	3,650.31 (53.68)	3,903.17 (52.13)	4,018.05 (50.08)	4,256.48 (46.38)
Savings occurred mainly under the Major Head 6003-Internal Debt of the State Government							

(Source: Appropriation Accounts of concerned years)

1.4 Grants-in-aid from Government of India

The Grants-in-aid received from the GoI during the years 2010-11 to 2014-15 have been given in Table-3.

Table-3: Grants-in-aid from GoI

(₹ in crore)

Particulars	2010-11	2011-12	2012-13	2013-14	2014-15
Non-Plan Grants	1,636	2,114	333	3,540	4,425
Grants for State Plan Schemes	4,522	4,215	7,099	5,536	9,011
Grants for Central Plan Schemes	649	364	500	153	1,263
Grants for Centrally Sponsored Schemes	2,270	3,236	4,108	2,548	2,893
Grants for Special Plan Schemes	--	--	--	--	--
Total	9,077	9,929	12,040	11,777	17,592
Percentage of increase(+)/decrease(-) over previous year	36.23	9.39	21.26	(-) 2.18	49.38
Total Grants as a percentage of Revenue Receipts	17.50	15.86	17.10	15.55	19.85

(Source: Finance Accounts)

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 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 2014-15, compliance audit of 820 Drawing and Disbursing Officers of the State and 92 autonomous bodies (excluding Local bodies) were conducted by the office of the Accountant General (General and Social Sector Audit) Madhya Pradesh, Gwalior. Besides, 10 Performance Audits were also conducted.

1.6 Lack of responsiveness of Government to Inspection Reports

The Accountant General (General and 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 7,170 IRs (22,143 paragraphs) in respect of Social Sector Departments and 1,451 IRs (3,792 paragraphs) in respect of General Sector Departments issued up to March 2015 remained pending for settlement as on 30 September 2015. The year-wise position of these outstanding IRs and paragraphs are detailed in *Appendix 1.1*.

During 2014-15, eight meetings of the Departmental Audit Committees were held in which 195 IRs and 1,545 paragraphs were settled.

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

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 10 Performance Audits/Long Paragraphs and 28 draft paragraphs were forwarded to the concerned Administrative Secretaries. Replies of the Government have been received in all 10 Performance Audits/Long Paragraphs and 17 paragraphs.

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 51 paragraphs pertaining to General and Social (Non-PSUs) Sectors in the Audit Reports for the years 2008-09, 2010-11 to 2012-13 departmental replies in respect of seven paragraphs were not received (September 2015) as detailed in **Table-4**.

Table-4: Position regarding receipt of Departmental Replies on the paragraphs included in the Audit Reports on General and Social (Non-PSUs) Sectors

Year	Department(s)	Departmental Replies pending as of 30 September 2015	Date of presentation in the State Legislature	Due date for receipt of Departmental Replies
2008-09	Revenue	01	28-07-2010	28-10-2010
2010-11	Revenue	01	12-12-2012	12-03-2013
2011-12	Planning, Economy and Statistics	01	11-01-2014	11-04-2014
2012-13	Public Health Engineering	01	22-07-2014	22-10-2014
	Panchayat and Rural Development	01		
	Housing and Environment	01		
	General Administration	01		
	Total	07		

1.9 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. 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. 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 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-5**.

Table-5 : Status of rendering of 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	MP Human Rights Commission, Bhopal	up to 2014-15	2013-14	2013-14	2012-13 SAR for the year 2013-14 was issued. Information about status of placing SAR to the State Legislature was awaited.	2013-14 (03) 2014-15 (03)
2	MP Building and Other Construction Workers Welfare Board, Bhopal	Entrustment vide Act of Parliament	2011-12	2011-12	SAR for the year 2011-12 was issued. Information about status of placing SAR to the State Legislature was awaited.	2011-12 (23)
3	MP State Legal Services Authority, Jabalpur	Entrustment vide Act of Parliament	1997-98 to 2012-13	Accounts for the year 1997-98 to 2012-13 were received from the entity in August 2015. These accounts will be audited and SAR issued.	-	1997-98 (205) to 2012-13 (25)
4	MP Housing and Infrastructure Development Board, Bhopal	up to 2016-17	2013-14	2013-14	SAR for the year 2013-14 was issued. Information about status of placing SAR to the State Legislature was awaited, despite reminder (May 2015).	2013-14 (09) 2014-15 (03)

As seen from the **Table 5**, there were significant delays of up to 205 months in submission of accounts by Madhya Pradesh Legal Services Authority and accounts for the year 1997-98 to 2012-13 were received from the entity in August 2015.

Inordinate delays in submission of accounts and presentation of the SARs to the State Legislature resulted in delays in scrutiny of the functioning of these bodies, where Government investments are made, beside delays in initiating necessary remedial action on financial irregularities in the ABs.

¹ Period of delay taken from the due date of receipt of accounts i.e. 30 June of the ensuing financial year till 30 June 2015.