



**Chapter-I**  
**Introduction**



## CHAPTER-I

### Introduction

#### 1.1 Budget Profile

There are 54 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, 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 and 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 by the State Government during 2011-16 is given in table 1.1.

**Table 1.1: Budget and expenditure of the State Government during 2011-16**  
(₹ in crore)

Particulars	2011-12		2012-13		2013-14		2014-15		2015-16	
	Budget Estimates	Actual								
<b>Revenue Expenditure</b>										
General Services	18,220.45	16,228.64	20,577.43	17,705.14	22,295.27	20,590.93	24,243.56	22,365.11	32,626.15	25,700.26
Social Services	20,277.33	20,296.94	24,992.18	24,375.47	30,100.70	27,768.21	42,092.49	32,067.15	43,217.07	42,650.93
Economic Services	12,208.06	12,964.91	14,251.77	16,823.35	17,465.48	16,971.33	27,796.22	23,715.12	27,180.85	25,528.52
Grants-in-aid and contributions	3,217.65	3,203.22	3,722.12	4,064.57	4,527.20	4,539.29	4,881.55	4,225.44	5,810.85	5,890.99
<b>Total (1)</b>	<b>53,923.49</b>	<b>52,693.71</b>	<b>63,543.50</b>	<b>62,968.53</b>	<b>74,388.65</b>	<b>69,869.76</b>	<b>99,013.82</b>	<b>82,372.82</b>	<b>1,08,834.92</b>	<b>99,770.70</b>
<b>Capital Section</b>										
Capital Outlay	8,721.93	9,055.16	10,820.22	11,566.89	11,113.61	10,812.52	14,143.36	11,877.68	18,139.56	16,835.47
Loans and advances disbursed	3,200.21	15,760.56	5,667.26	5,378.25	6,444.60	5,077.52	3,883.82	12,534.61	4,224.58	3,157.91
Inter-State settlement	0	3.70	0	7.02	0	2.36	0	0.98	0	1.94
Repayment of public debt*	6,800.10	3,149.79	7,482.72	3,583.94	8,017.43	4,004.65	9,177.00	4,920.52	8,773.17	4,860.36
Contingency fund	100.00	100.00	200.00	0	200.00	0	200.00	301.08	500.00	0
Public account disbursements	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	2,15,110.50	1,28,336.75
Closing Cash Balance	-78.79	7,775.88	-107.22	7,074.81	-123.16	4,477.03	-76.82	5,401.96	-513.02	10,898.72
<b>Total (2)</b>	<b>1,71,877.08</b>	<b>1,09,124.13</b>	<b>2,48,637.18</b>	<b>1,10,346.48</b>	<b>3,39,007.35</b>	<b>1,17,438.07</b>	<b>3,12,671.61</b>	<b>1,43,202.13</b>	<b>2,46,234.79</b>	<b>1,64,091.15</b>
<b>Grand Total (1+2)</b>	<b>2,25,800.57</b>	<b>1,61,817.84</b>	<b>3,12,180.68</b>	<b>1,73,315.01</b>	<b>4,13,396.00</b>	<b>1,87,307.83</b>	<b>4,11,685.43</b>	<b>2,25,574.95</b>	<b>3,55,069.71</b>	<b>2,63,861.85</b>

\* 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 2015-16, total expenditure (revenue, capital, loans and advances and Inter-State settlement) of the State was ₹ 1,19,766 crore against ₹ 1,06,786 crore during 2014-15. Revenue expenditure during the year (₹ 99,771 crore) increased by 21.12 per cent over the previous year (₹ 82,373 crore). Revenue Expenditure constituted 83.30 per cent of total expenditure. Capital Expenditure during 2015-16 increased by 41.74 per cent over the previous year.

Total expenditure of the State during the period 2011-16 increased by ₹ 42,253 crore (54.51 per cent).

### 1.3 Grants-in-aid from Government of India

The Grants-in-aid received from the Government of India (GoI) during the years 2011-12 to 2015-16 have been given in **table 1.2**.

**Table 1.2: Grants-in-aid from GoI**

(₹ in crore)

Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
Non-Plan Grants	2,114	333	3,540	4,425	3,990
Grants for State Plan Schemes	4,215	7,099	5,536	9,011	13,371
Grants for Central Plan Schemes	364	500	153	1,263	359
Grants for Centrally Sponsored Schemes	3,236	4,108	2,548	2,893	610
Grants for Special Plan Schemes	0	0	0	0	0
<b>Total</b>	<b>9,929</b>	<b>12,040</b>	<b>11,777</b>	<b>17,592</b>	<b>18,330</b>
Percentage of increase(+)/decrease(-) over previous year	9.39	21.26	(-)2.18	49.38	4.19

(Source: Finance Accounts of respective years)

### 1.4 Planning and conduct of audit

The audit process starts with the risk assessment of various Departments, autonomous bodies, schemes/projects, etc. 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 four weeks. 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 2015-16, compliance audit of 508 Drawing and Disbursing Officers of the State and two autonomous bodies were conducted by the office of the Accountant General (Economic and Revenue Sector Audit) Madhya Pradesh. Besides, four Performance/Compliance Audits were also conducted.

### 1.5 Lack of responsiveness of Government to Inspection Reports

The Accountant General (Economic and 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 of 30 June 2016, 5,894 IRs (23,411 paragraphs) were outstanding against economic sector Departments<sup>1</sup>. Of these, 4,794 paragraphs relating to 1,773 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 (A and B)**.

During 2015-16, seven meetings of the High Power Committee<sup>2</sup> were held in which 536 IRs and 2,363 paragraphs were discussed, out of which 174 IRs and 1,332 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.

## **1.6 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 four Performance/Compliance Audits and 16 paragraphs were forwarded to the concerned Administrative Secretaries. But replies of the Government have been received in case of two Performance Audit and 10 paragraphs only. However, discussion on audit findings has taken place with

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

<sup>2</sup> 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.

the Government in exit conference in respect of four Performance/Compliance Audits, seven paragraphs of Water Resources Department, four paragraphs of Narmada Valley Development Authority and two paragraphs of Public Works Department.

### 1.7 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 73 paragraphs pertaining to Economic (Non-PSUs) Sectors in the Audit Reports for the years 2010-11, 2012-13, 2013-14 and 2014-15 departmental replies in respect of 21 paragraphs were not received (December 2016) (table 1.3).

**Table 1.3: Receipt of departmental replies on the paragraphs included in Audit Reports of Economic Sector**

Year of Audit Report	Department(s)	Departmental replies pending as of 31.12.2016	Date of presentation in the State Legislature	Due date for receipt of Departmental Replies
2010-11	Water Resources	02	12-12-2012	12-03-2013
2012-13	Water Resources	04	22-07-2014	22-10-2014
2013-14	Water Resources	01	22-07-2015	22-10-2015
2014-15	Farmer Welfare and Agriculture Development	01	17-03-2016	17-06-2016
	Madhya Pradesh Rural Road Development Authority	02		
	Public Works	02		
	Water Resources	09		
<b>Total</b>		<b>21</b>		

(Source: Data reconciled with Vidhan Sabha Secretariat)

### 1.8 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 2015-16, recovery of ₹ 146.18 crore was pointed out in audit. During the same period, the DDOs concerned had effected recovery of ₹ 39.13 crore in respect of recovery pointed in earlier years and current year. 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 2015-16 in respect of earlier years and current year			Recoveries effected during 2015-16 in respect of earlier years and current year	
		Number of cases	Pointed out	Accepted	Number of cases	Amount involved
Co-operation Department	Outstanding Audit Fees	01	14.60	14.60	01	8.22
Co-operation Department	Non-recovery of share capital, loans and interest under ICDP schemes	01	12.71	12.71	01	10.55
Narmada Valley Development Department	Excess payment of price escalation	01	7.98	7.82	01	7.82
Panchayat & Rural Development Department	Extra cost for construction/upgradation of Rural roads	01	3.63	3.63	01	1.86
Public Works Department	Irregular and unauthorised payment to contractor on account of price escalation beyond the scope of agreement	01	1.36	1.36	01	1.36
Public Works Department	Non-recovery of Royalty charges	01	1.15	1.15	01	1.15

### 1.9 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. The audit of accounts of two autonomous bodies under the Department in Economic Sector in the State has been entrusted to the Accountant General (Economic and Revenue Sector Audit), Madhya Pradesh. The status of entrustment of audit, rendering of accounts to Audit, issuance of Separate Audit Reports (SAR) and their placement in the Legislature is given in **table 1.5**.

**Table 1.5: 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 <sup>3</sup> in submission/ non-submission of accounts (in months)
1	Madhya Pradesh (MP) Khadi and Village Industries Board, Bhopal	Entrustment under 19 (3) C&AG (DPC) Act	2013-14	2012-13	SARs for the year 2012-13 was issued in November 2015 and the same was placed in state legislature on 28 July 2016.	2013-14 (24) 2014-15 (15) 2015-16 (03)
2	Madhya Pradesh Electricity Regulatory Commission (MPERC), Bhopal	Entrustment vide Act of Parliament	2015-16	2014-15	SAR for the year 2014-15 was issued in September 2015 and laid in Legislature on 9 December 2015.	No delay

<sup>3</sup> Period of delay taken from the due date of receipt of accounts i.e. 30 June of the ensuing financial year till 30 September 2016.

As seen from the **table 1.5**, there were significant delays of up to 24 months in submission of accounts by Madhya Pradesh (MP) Khadi and Village Industries Board. Inordinate delays in submission of accounts and presentation of the SARs to the State Legislature result in delays in scrutiny of the functioning of these bodies, where Government investments are made, besides delays in initiating necessary remedial action on financial irregularities in the ABs.