
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 2015-16 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 Fourteenth 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 2016, 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 2016. It provides an insight into the trends in the overall finances of the State, actual expenditure *vis-à-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

Fiscal Situation

- The State maintained Revenue Surplus during the year 2015-16 at ₹ 5,740 crore, which was more than the Budget Estimate (₹ 5,588 crore). However, it decreased by ₹ 528 crore over the previous year mainly due to increase in Revenue Expenditure on Social Welfare and Nutrition, Water Supply and Energy.

(Paragraphs 1.1.2 and 1.1.3)

- Revenue Surplus was overstated by ₹ 916.82 crore due to short-transfer of contributions to State Disaster Response Fund, Guarantee Redemption Fund, Consolidated Sinking Fund for amortisation of loans and Contributory Pension Scheme for State Government employees.

(Paragraph 1.1.2)

- During the current year, the Fiscal Deficit of the State (₹ 14,065 crore) increased from the previous year by ₹ 2,713 crore mainly due to increase in net Capital Expenditure. Fiscal Deficit relative to GSDP also increased from 2.34 per cent in 2014-15 to 2.49 per cent in the current year. However, it was within the limits prescribed by XIV FC, FRBM Act and Budget estimates.

(Paragraphs 1.1.2 and 1.11.1)

Resource mobilisation

- Revenue Receipts (₹ 1,05,511 crore) of the State grew at 19 per cent (₹ 16,870 crore) during 2015-16 over the previous year due to increase in State's share of Union Taxes/Duties (by ₹ 14,291 crore) and Own Tax Revenue (by ₹ 3,647 crore).

(Paragraphs 1.1.1 and 1.3)

- Revenue Buoyancy with reference to GSDP decreased from 1.52 per cent (2014-15) to 1.15 per cent (2015-16) owing to increase in growth rate of GSDP from 11.19 per cent (2014-15) to 16.62 per cent (2015-16).

(Paragraph 1.3)

- The State's share of Union Taxes/Duties increased from ₹ 24,107 crore in 2014-15 to ₹ 38,398 crore during 2015-16 due to substantial increase in the devolution of taxes and grants under XIV FC.

(Paragraph 1.3.5)

- During the current year, 46 per cent of the Revenue Receipts came from State's own resources, which was lower as compared to 53 per cent during 2014-15. The actual realisation under Tax Revenue and Non-Tax revenue was significantly lower than the assessment made by the XIV FC (by 19.22 per cent and 32.51 per cent respectively).

(Paragraphs 1.3 and 1.3.1)

Expenditure management and fiscal priority

- Capital Expenditure increased from ₹ 9,055 crore in 2011-12 to ₹ 16,835 crore in 2015-16 with inter-year fluctuations. During 2015-16, it increased by ₹ 4,957 crore (by 42 per cent) over the previous year. The increase was mainly under Irrigation and Flood Control (by ₹ 2,246 crore), Rural Development (by ₹ 1,170 crore) and Transport (by ₹ 502 crore). However, the Capital Expenditure during 2015-16 was less (by ₹ 1,305 crore) than the Budget Estimate of ₹ 18,140 crore.

(Paragraph 1.6.2)

- During 2015-16, the Revenue Expenditure (RE) of the State (₹ 99,771 crore) increased by 21.12 per cent over the previous year. The Non-Plan

Revenue Expenditure (NPRE) increased by 22.31 *per cent* and constituted 68 *per cent* of RE. The increase in NPRE by ₹ 12,461 crore during 2015-16 was mainly due to increase in expenditure on Social Welfare and Nutrition (by ₹ 3,051 crore), Energy (by ₹ 2,146 crore) and Education, Sports, Art and Culture (by ₹ 1,466 crore). Actual NPRE (₹ 68,319 crore) was slightly higher than the projection (₹ 68,106 crore) made in the MTFPS of the State.

(Paragraphs 1.6.1 and 1.6.3)

- Expenditure on salaries & wages, pension payments, interest payments and subsidies (₹ 48,189 crore) was 48 *per cent* of Revenue Expenditure and 46 *per cent* of Revenue Receipts. Out of total subsidy payments of ₹ 11,725 crore, 60 *per cent* pertained to Energy Department.

(Paragraphs 1.6.4 and 1.6.4.4)

- The priority given to expenditure on Education Sector in Madhya Pradesh was not adequate during 2015-16, when compared with General Category States' Average.

(Paragraph 1.7.1)

Return on investment

- During 2015-16, return (₹ 129.64 crore) on investment of ₹ 16,599.57 crore made by the Government up to 2015-16 in Statutory corporations, Government companies, Co-operatives etc. was only 0.78 *per cent* against the average rate of interest on Government borrowings of 6.86 *per cent* during the year.

(Paragraph 1.8.1)

- Twenty six Government Companies and Statutory Corporations with an aggregate investment of ₹ 14,460.30 crore for the latest years for which accounts were finalised as of 2015-16, were running in losses which accumulated to ₹ 35,542.78 crore.

(Paragraph 1.8.1)

Management of cash balance and liabilities

- The investment held in 'Cash Balance Investment Account' by the State Government increased by ₹ 4,694 crore from ₹ 4,791 crore as on 31 March 2015 to ₹ 9,485 crore as on 31 March 2016. Since the market loans as on 31 March 2016 was ₹ 56,141 crore, there is a need for review of the high level of investment held in 'Cash Balance Investment Account'.

(Paragraph 1.8.4)

- The outstanding fiscal liabilities steadily increased over the years from ₹ 81,757 crore in 2011-12 to ₹ 1,27,144 crore at the end of 2015-16. These liabilities increased by 16.98 *per cent* during 2015-16 as against 12.25 *per cent* in 2014-15. The increase in Fiscal Liabilities during 2015-16 over the previous year was mainly under Market Loans (by ₹ 12,991 crore). Fiscal Liabilities at the end of 2015-16 were 22.50 *per cent* of GSDP against the limit of 24.87 *per cent* prescribed by

XIV Finance Commission. The growing volume of debt has resulted in increasing liability for servicing the debt.

(Paragraph 1.9.2)

Chapter-2: Financial Management and Budgetary Control

Inflated provision under original and supplementary grants

- There was large savings of ₹ 40,796.27 crore (24.49 *per cent*) against total budget provision of ₹ 1,66,610.52 crore during 2015-16. In 36 cases (28 grants/appropriations), significant savings of ₹ 100 crore and above and more than 20 *per cent* of total provision occurred in each case, which aggregated to ₹ 33,602 crore, which indicate improper budget estimation.

(Paragraphs 2.2 and 2.3.1)

Failure to surrender/delayed surrender of savings

- Only 47.70 *per cent* (₹ 19,459 crore) of total savings were surrendered during the year. In 113 cases, savings of ₹ 17,330 crore (₹ 10 crore or more in each case) were surrendered on the last day of the financial year, leaving no scope for utilising the funds for other development purposes.

(Paragraphs 2.2 and 2.3.8)

Excess expenditure requiring regularisation

- Excess expenditure of ₹ 918.09 crore pertaining to 38 grants and 20 appropriations of previous years requires regularisation under Article 205 of the Constitution.

(Paragraph 2.3.5)

Funds transferred from Consolidated Fund of the State for parking in Civil Deposit

- Funds of ₹ 54.01 crore drawn on 31 March 2016 was transferred from Consolidated Fund of the State to Civil Deposits 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

Outstanding Utilisation Certificates against the Grants

- Utilisation Certificates (27612) in respect of grants-in-aid given by different Departments of State Government amounting to ₹ 21,359.28 crore were outstanding as on 31 March 2016, 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 205 months) in submission of accounts by five Autonomous Bodies to the Accountant General, resulting in delays in scrutiny of functioning of the Autonomous Bodies

(Paragraph 3.2)

Cases of misappropriations, losses and defalcations

- Total of 3099 cases of misappropriation, losses, etc. amounting to ₹ 37.19 crore were pending in different Departments as on 30 June 2016. In 2991 cases (97 per cent), orders for recovery or write off were awaited.

(Paragraph 3.3)

Operation of omnibus minor head '800'

- Classification of large amounts (₹ 17,669.83 crore under revenue and capital expenditure major heads and ₹ 11,890.88 crore under revenue receipts major heads) booked under the Minor Heads '800-Other Receipts/Expenditure' affected transparency in the financial reporting.

(Paragraph 3.7)

Irregular maintenance of bank accounts

- In case of six Departments, the amount of ₹ 28.25 crore was withdrawn from Consolidated Fund of the State and parked in 51 bank accounts as on 31 March 2016.

(Paragraph 3.9)

Fund kept in 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 ₹ 3,231.92 crore in the PD accounts at the end of March 2016. The failure to close PD accounts at the close of the year resulted in overstatement of expenditure under Consolidated Fund during the year.

(Paragraph 3.11)