

Chapter I
Introduction

CHAPTER-I

INTRODUCTION

1.1 About this Report

This report contains the results of Performance and Compliance Audits of various Departments under Economic Sector of the Government of Madhya Pradesh conducted during 2016-17 in compliance with the CAG's audit mandate under Article 151 of the Constitution of India and the CAG's (Duties, Powers and Conditions of Service) Act, 1971.

This Report aims to assist the Madhya Pradesh Legislative Assembly in ensuring executive accountability and improving the process of governance and improving public service delivery of various Departments.

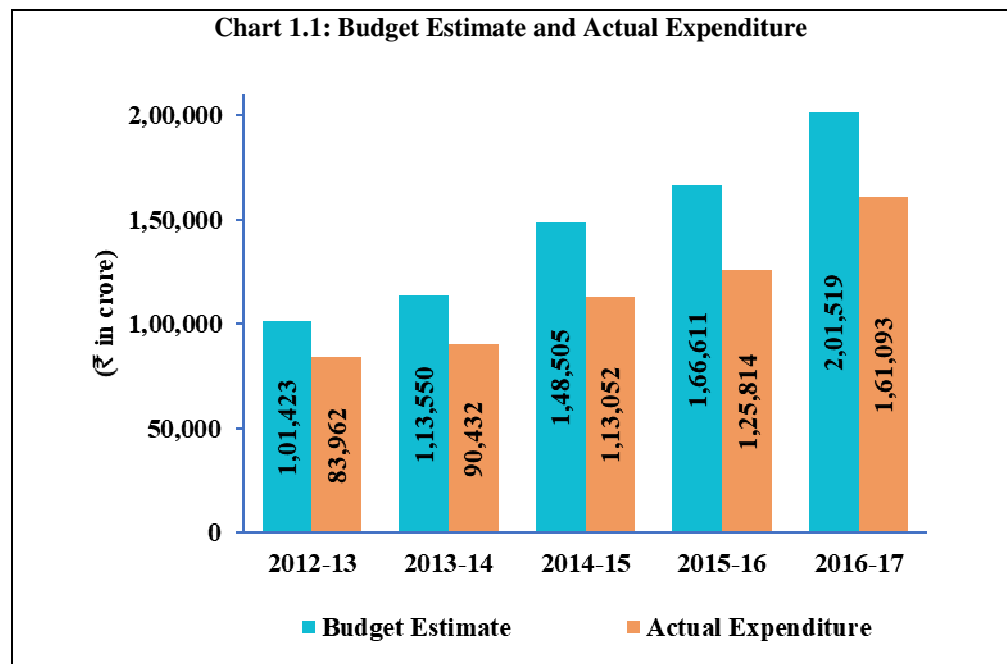
The layout of the Report is as under:

1. **Chapter I:** General information about the audited entities.
2. **Chapter II:** Performance Audit on 'Construction of Omkareshwar Sagar Project (Canals)'.
3. **Chapter III:** Compliance Audit on 'Construction of Pench Diversion Project' and eight Audit paragraphs.

1.2 Profile of audited entities

Sixteen out of total 54 Departments in Madhya Pradesh fall under the Economic Sector. These Departments are headed by Additional Chief Secretaries/Principal Secretaries, who are assisted by Commissioners/Directors and subordinate officers under them.

The trend of budget estimate and actual expenditure of the State Government during 2012-17 is as detailed in **Chart 1.1**.



(Source: Appropriation Accounts of respective years)

The trend of expenditure of five major Departments under Economic Sector during 2014-15 to 2016-17 is given in **Table 1.1**.

Table 1.1: Expenditure of major Departments under Economic Sector

(₹ in crore)

Department	2014-15	2015-16	2016-17
Public Works	5,067.60	6,319.77	8,253.99
Water Resources	4,178.93	5,954.12	7,423.14
Agriculture	2,552.27	1,926.30	4,734.91
Forest	2,222.96	2,035.77	2,159.63
Narmada Valley Development Department	982.98	1,381.18	1,986.45

(Source: Data collected from Finance Department, Government of Madhya Pradesh)

1.3 Audit Coverage

During the year 2016-17, the Accountant General (Economic and Revenue Sector Audit), Madhya Pradesh conducted the compliance audit of 479 out of the total 1,458 auditable units under the 16 Departments pertaining to the Economic Sector, and also one Performance Audit on 'Construction of Omkareshwar Sagar Project (Canals)'.

1.4 Response of the Government to Audit

Audit affords four stage opportunity to the audited units/Departments to elicit their views on audit observations, viz.,

- **Audit Memos:** Issued to the head of the audited unit during the field audit to be replied during the audit itself.
- **Inspection Reports:** Issued within a month of the completion of audit to be replied by the head of the audited unit within four weeks.
- **Draft Paragraphs:** Issued to the heads of the Departments under whom the audited units function for submission of departmental views within six weeks for consideration prior to their being included in the Audit Report.
- **Exit Conference:** Opportunity is given to the head of Departments and State Government to elicit departmental/Government views on the audit observations prior to finalisation of the Audit Report.

In all these stages, Audit strives to provide full opportunity to audited units/heads of Departments/State Government to provide rebuttals and clarifications and only when the departmental replies are not received or are not convincing, the audit observations are processed for inclusion in the Inspection Report or Audit Report, as the case may be. However, it has been noticed that the audited units/ Departments, in most of the cases, do not submit timely and satisfactory reply as indicated below:

1.4.1 Inspection Reports (IRs)

A detailed review of IRs issued up to March 2017 to 1,458 Drawing and Disbursing Officers (DDOs) pertaining to 16 Departments revealed that 24,061 paragraphs contained in 6,046 IRs were outstanding for settlement for want of convincing replies as on 31 March 2018. Of these, the DDOs submitted initial replies against 18,366 paragraphs contained in 4,013 IRs while, in respect of 5,695 paragraphs contained in 2,033 IRs there was no response from DDOs.

The status of outstanding IRs is given in **Table 1.2**.

Table 1.2: Outstanding IRs and Paragraphs (issued up to 31 March 2017) as on 31 March 2018

Sl. No.	Period	No. of outstanding IRs (per cent)	No. of outstanding Paras (per cent)
1	2016-17	528 (9)	3,520 (15)
2	1 year to 3 years	1,468 (24)	9,012 (37)
3	3 years to 5 years	623 (10)	2,819 (12)
4	More than 5 years	3,427 (57)	8,710 (36)
Total		6,046	24,061

During 2016-17, 12 meetings of Audit with departmental officers (Audit Committee Meetings) were held, in which 218 IRs and 1,467 Paras were settled.

1.4.2 Performance and Compliance Audits

For the present Audit Report 2016-17, draft reports on one Performance Audit, two Compliance Audits and 22 Audit Paragraphs were forwarded to the concerned Administrative Secretaries to elicit their views on the audit observations. While replies/responses have been received for the Performance Audit and Compliance Audits, no replies has been received till March 2018 for eight out of 22 Audit Paragraphs, despite repeated reminders.

1.5 Action taken on earlier Audit Reports

According to the rules of procedure for the internal working of the Committee on Public Accounts, the Administrative Departments were to initiate, *suo moto* action on all Audit Paragraphs and Reviews featuring in the Comptroller and Auditor General's Audit Reports, regardless of whether these are taken up for examination by the Public Accounts Committee (PAC) or not. They were also to furnish detailed Action Taken Notes (ATNs), duly vetted by audit, indicating the remedial action taken or proposed to be taken by them.

During the years 2011-12 to 2015-16, 98 audit paragraphs were reported in the Audit Reports on Economic Sector. Of these, PAC had taken up 50 paragraphs for discussion and 48 paragraphs for written reply. Out of eight recommendations of PAC on these paragraphs, ATNs of Government were received on five recommendations as on March 2018 as detailed in **Table 1.3**.

Table 1.3: Status of PAC discussion, Madhya Pradesh, Vidhan Sabha

Status	Audit Report on Economic Sector for the year 2011-12 to 2015-16
No. of total Audit Paras	98
Taken up by PAC for discussion (Oral discussion)	50
Taken up by PAC for submission of written reply	48
Recommendation made by PAC	08 (05 paras under oral discussion + 03 paras for written reply)
ATN received	05 (03 paras under oral discussion + 02 paras for written reply)
Action taken by the Department	05 (03 paras under oral discussion + 02 paras for written reply)

