

---

---

**Chapter 3**  
**FINANCIAL REPORTING AND**  
**COMMENTS ON ACCOUNTS**

---

---

## CHAPTER 3

### FINANCIAL REPORTING AND COMMENTS ON ACCOUNTS

#### Introduction

This Chapter provides an overview and status of the State Government's compliance with various financial rules, procedures and directives during the current year.

GoMP amended the Treasury Code Volume-I and Volume-II vide notification dated 26 November 2015 which stipulates that all the payments on behalf of the Government shall be made through e-payment. Government also raised the limit of vouchers/sub-vouchers not to be sent to Accountant General (A&E) from ₹ 1,000 to ₹ 20,000 by amending the MPTC in September 2012. The vouchers above ₹ 20,000 are also received by AG (A&E) in physical form. The State Government has stopped sending the establishment vouchers (Pay bills, TA bills, Medical bills etc.) to AG (A&E) since October 2016.

The above practice doesn't have concurrence of the Comptroller and Auditor General of India as required under article 150 of the Constitution. It was also observed that Pr. AG (A&E) has raised serious reservations on electronic data received from the treasury. For these reasons, the audit is unable to vouchsafe on the accuracy and completeness of transactions rendered through treasury computerised system.

#### 3.1 Maintenance of Personal Deposit (PD) Accounts

Article 202 of the Constitution of India provides for Legislative financial control over public expenditure through the annual financial statement/Budget. The Madhya Pradesh Budget Manual (MPBM) requires statements of anticipated savings in expenditure to be submitted by the Budget Controlling Officers to the Finance Department by 15 January.

The CAG's annual audit reports repeatedly comment on violation of financial provisions by many departments of the Government of Madhya Pradesh (GoMP), where unspent funds are routinely transferred to various Personal Deposit (PD) accounts under the Public Account to avoid lapse of grant at the end of the financial year. PD accounts which remain inoperative for continuous three years, should be closed by the Treasury Officer and balances transferred to Government Account.

The PD accounts of GoMP have a closing balance of ₹ 5,350.37 crore as on 31 March 2017.

##### 3.1.1 Inoperative PD accounts

Scrutiny (March 2017) of records of Office of the Commissioner, Treasury and Accounts, Bhopal revealed that 341 PD accounts in 53 treasuries with balances of ₹ 650 crore remained inoperative for more than three years. Details are given in **Table 3.1**.

**Table 3.1: Position of inoperative PD Accounts**

(₹ in lakh)			
Sl. No.	Amount range	No. of Cases	Amount
1	Below one lakh	4	0.90
2	One to five lakh	3	3.81
3	Five to 10 lakh	2	6.09
4	10 to 20 lakh	27	109.87
5	20 to 50 lakh	27	235.39
6	50 lakh and above	278	64,644.80
<b>Total</b>		<b>341</b>	<b>65,000.86</b>

The matter was referred to the Government (September 2017); their reply was awaited (May 2018).

### 3.1.2 Parking of funds in PD accounts

Test check of records of the office of the Labour Commissioner, Indore (April 2017) revealed that ₹ 1.21 crore has been lying unutilised in one PD account since 1998.

The matter was referred to the Government (July 2017); their reply was awaited (May 2018).

### 3.1.3 Irregularities in maintenance of PD account

Scrutiny of records of the PD account operated (January 2008) by Commissioner, Health Services, Bhopal revealed the following:

- (i) The cash book of the PD account was not maintained in prescribed format and plus and minus memoranda were not sent to the Accountant General (A&E) as required.
- (ii) A balance of ₹ 18.99 lakh was lying unutilised in the PD Account since August 2013.
- (iii) The Administrator of PD account did not reconcile balances with the treasury figures. There was unreconciled difference of ₹ 18.98 lakh (Treasury figure: ₹ 18.99 lakh and Cash Book figure: ₹ 200) as on July 2017.

Non-reconciliation of balances in PD accounts periodically and not transferring the unspent balances lying in PD accounts to the Consolidated Fund before the closure of the financial year entails the risk of misuse of public funds, fraud and misappropriation.

The matter was referred to the Government (October 2017); their reply was awaited (May 2018).

### 3.1.4 Funds deposited in Bank accounts instead of PD account by the Administrator

Test check of records (July 2017) of the District Collector and Land Acquisition Officer (LAO), Shajapur revealed that ₹ 1.18 crore received in respect of Land Acquisitions were deposited in various bank accounts instead of the PD account.

During the exit conference (January 2018), FD replied that these cases would be taken up with the concerned Departments.

**Recommendation:** The Finance Department should review all PD accounts and ensure that all amounts unnecessarily lying in these PD accounts are

immediately remitted to the Consolidated Fund and appropriate action is taken against departmental officers who fail to follow the financial rules.

### 3.2 Building and Other Construction Workers Welfare Cess

In terms of the Building and Other Construction Workers (BOCW) Welfare Cess Act, 1996, the GoMP constituted (April 2003) the Madhya Pradesh Building and Other Construction Workers Welfare Board (Board). The Board is entitled to receive the cess collected at the rate of one *per cent* of the cost of construction, as stipulated under the BOCW Act, with the aim of improving the working conditions of workers and to provide financial aid to them.

#### 3.2.1 Accounting of Cess

Section 27(1) of BOCW Act requires the Board to maintain proper accounts and other relevant records and prepare an annual statement of accounts. Audit noticed that the Board had not prepared its accounts since 2012-13. Details of receipts and expenditure of labour cess during 2012-17 are given in **Table 3.2**.

**Table 3.2: Details of receipts and expenditure of Cess during 2012-17**

(₹ in crore)

Year	Opening Balance	Amount of cess collected	Registration charges	Interest on deposits	Total funds available	Expenditure	Closing Balance	Percentage of utilisation of available funds
2012-13	464.56	225.76	0.05	0	690.37	119.00	571.37	17
2013-14	571.37	264.49	0.01	0	835.87	110.07	725.80	13
2014-15	725.80	303.58	0.01	0	1,029.39	63.00	966.39	6
2015-16	966.39	286.44	0	0	1,252.83	120.18	1,132.65	10
2016-17	1,132.65	346.99	0	0	1,479.64	261.17	1,218.47	18

(Source: Information provided by M.P. Building and Other Construction Workers Welfare Board, Bhopal)

The following comments deserve mention on the basis of scrutiny of records of the Board and the details given in the **Table 3.2**.

- (i) Apart from not preparing its accounts since 2012-13, the Board provided three different figures of available balance to Audit. Therefore, the authenticity of receipts and expenditure could not be ascertained in Audit.
- (ii) The sum of ₹ 1,218.47 crore available as on 31 March 2017 was kept in 25 branches of nationalised Banks. Interest from the bank accounts was not being depicted in Cash Book.
- (iii) The details of the assets created out of the funds received had not been accounted for in the fixed asset register of the Board, in the absence of which, the physical existence of the assets created and their location could not be verified.

#### 3.2.2 Utilisation of Labour Cess

The State Government notified various schemes/activities viz., maternity benefits, pension, advance for purchase/construction of houses, funeral assistance, medical assistance, cash awards for meritorious students, financial assistance for education/ marriage of children of beneficiaries etc., for benefit from the BOCW Welfare Fund. Details of expenditure on these schemes during 2012-17 are given in **Table 3.3**.

**Table 3.3: Expenditure on schemes against available funds**

(₹ in crore)

Year	Available funds	Budget allotment of schemes		Scheme operated		Registered workers	Workers covered	Percentage	
		No. of schemes	Allotment	No. of schemes	Actual Expenditure			Workers covered	Utilisation of available funds
2012-13	690.37	8	90.00	8	115.64	23,82,158	7,04,885	29.59	16.75
2013-14	835.87	12	164.50	6	105.05	25,15,516	5,55,899	22.10	12.57
2014-15	1,029.39	15	192.10	8	58.59	24,65,939	3,14,298	12.75	5.69
2015-16	1,252.83	20	270.70	17	101.24	24,81,926	5,16,958	20.83	8.08
2016-17	1,479.64	26	545.00	24	240.58	25,28,255	4,25,448	16.83	16.26
<b>Total</b>		<b>81</b>	<b>1,262.30</b>	<b>63</b>	<b>621.10</b>	<b>1,23,73,794</b>	<b>25,17,488</b>	<b>20.35</b>	

(Source: Information provided by M.P. Building and other Construction Workers Welfare Board, Bhopal)

**Recommendation:** The State Government should ensure that the MP BOCW Welfare Board finalises accounts and fulfil its mandate on improving the working conditions of building and other construction workers and providing adequate financial assistance to them, as prescribed in the Act.

### 3.3 Opaqueness in Government Accounts

Minor head 800 relating to other receipts and other expenditure is intended to be operated only when the appropriate minor head has not been provided in the accounts. Routine operation of minor head 800 is to be discouraged, since it renders the accounts opaque.

During 2016-17, ₹ 33,003.16 crore, constituting about 26.76 per cent of the total revenue receipts (₹ 1,23,306.79 crore) under various revenue Major Heads of Accounts was recorded under minor head 800-other receipts under different Major Heads.

Similarly, ₹ 20,906.92 crore, constituting about 14.24 per cent of the total expenditure of ₹ 1,46,825.68 crore was recorded under minor head 800-other expenditure under different Major Heads.

Instances where a substantial portion (10 per cent or more of the total receipts/expenditure under the concerned Major Head) of the receipts/expenditure were classified under minor head 800 - other receipts/ expenditure are given in **Appendix 3.1** and **3.2** and summarised in **Table 3.4**.

**Table 3.4: Bookings under minor head 800- 'other receipts' and 'other expenditure'**

Particulars	Receipts			Expenditure				
	Amounts (₹ in crore)	Heads of accounts			Amounts (₹ in crore)	Heads of accounts		
100 per cent	1,433.52	0035, 0217, 0852,	0056, 0702, 0875,	0211, 0801, 1452	47.29	4070, 4853, 5475	4408, 4875,	4852, 5055,
Between 75 per cent and 99 per cent	30,014.68	0039, 0220, 0853,	0059, 0235, 1601	0215, 0435,	10,588.61	2250, 4515, 5425	2702, 4700,	2852, 4701,
Between 50 per cent and 74 per cent	53.25	0401,	0700		4,235.75	2075, 2705, 4403	2204, 2853,	2217, 3454,

Particulars	Receipts			Expenditure			
	Amounts (₹ in crore)	Heads of accounts			Amounts (₹ in crore)	Heads of accounts	
Between 25 per cent and 49 per cent	175.78	0049, 0405,	0230, 0515,	0403, 0851	3,227.52	2205, 4225,	3054, 4702, 4215, 5054
Between 10 per cent and 24 per cent	913.21	0029, 0075, 0408,	0043, 0210, 0810,	0055, 0406, 1054	1,245.16	2403, 2700, 4217,	2405, 2701, 2515, 4202, 4711
<b>Total</b>	<b>32,590.44</b>				<b>19,344.33</b>		

(Source: Finance Accounts for the year 2016-17)

**Recommendation:** The Finance Department should, in consultation with the Accountant General (A&E), conduct a comprehensive review of all items presently appearing under minor head 800 and ensure that all such receipts and expenditure are in future booked under the appropriate head of account.

### 3.4 Reporting of misappropriation, losses and defalcations etc.

The financial rules provide that any loss of public money, caused by defalcation or otherwise, should be immediately reported to the Accountant General, even when such loss has been made good by the party responsible for it.

The State Government reported 3,212 cases of misappropriation, losses, defalcations etc., involving ₹ 37.76 crore up to 31 March 2017 on which final action was pending as of June 2017. The amounts included ₹ 1.88 crore (231 cases) for the year 2016-17. ₹ 15.98 crore (2,631 cases) and ₹ 8.30 crore (11 cases) were pending for recovery/regularisation against the Major Head 2406-Forestry & Wild Life and Major Head 2054-Treasury and Accounts Administration respectively. Major Head-wise/Age-wise details of pending cases of misappropriation, losses, defalcations etc. at the end of 2016-17 is given in **Appendix 3.3**. Major Head-wise and nature of irregularity-wise details of these cases are given in **Appendix 3.4**. The age-profile of the pending cases with nature of irregularities emerging from these Appendices are summarised in **Table 3.5** and **Table 3.6**.

**Table 3.5: Profile of pending cases**

Age-profile of the pending cases		
Range in years	Number of cases	Amount involved
0 – 5	756	13.52
5 – 10	261	8.57
10 – 15	283	3.14
15 – 20	441	3.96
20 – 25	300	1.89
25 & above	1,171	6.68
<b>Total</b>	<b>3,212</b>	<b>37.76</b>

(Source: Information furnished by concerned Departments)

**Table 3.6: Category-wise profile of misappropriation, losses, defalcations etc.**

Nature of pending cases		
Nature of the case	Number of cases	Amount involved
Theft	167	6.09
Misappropriation/Loss of material	3,045	31.67
<b>Total</b>	<b>3,212</b>	<b>37.76</b>

(Source: Information furnished by concerned Departments)

Further analysis indicated that the cases were outstanding owing to reasons listed in **Table 3.7**.

**Table 3.7: Reasons for outstanding cases of misappropriation, losses, defalcations etc.**

(₹ in crore)			
SI. No.	Reasons for the delay/outstanding cases	Number of cases	Amount
(i)	Awaiting departmental and criminal investigation	08	0.26
(ii)	Departmental action initiated but not finalised	06	0.05
(iii)	Awaiting orders for recovery or write off	3,118	36.39
(iv)	Pending in the Courts of law	80	1.06
<b>Total</b>		<b>3,212</b>	<b>37.76</b>

(Source: Information furnished by concerned Departments)

Thus, out of 3,212 cases involving ₹ 37.76 crore, 2,195 cases (68 per cent) involving ₹ 15.67 crore were pending for more than 10 years. In 3,118 cases (97 per cent), orders for recovery or write off were awaited.

Further, 46 cases of losses involving ₹ 50.50 lakh were written off during the year 2016-17, as detailed in **Appendix 3.5**. An amount of ₹ 43.02 lakh pertaining to 261 cases had been recovered and credited to Government Account during 2016-17. The details are given in **Appendix 3.6**.

**Recommendation:** The Government should expedite completion of departmental action as warranted, and strengthen internal control systems to prevent/reduce recurrence of such cases.

### 3.5 Non-submission of Utilisation Certificates

The financial rules stipulate that where Grants-in-aid are given for specific purposes, departmental officers concerned should obtain Utilisation Certificates (UCs) from grantees which, after verification, should be forwarded to the Accountant General (A&E), to ensure that the funds have been utilised for intended purposes. It was however, observed that UCs amounting to ₹ 18,080.10 crore were outstanding as of 31 March, 2017, as given in **Table 3.8** below. High pendency of UCs is fraught with the risk of misappropriation of funds and fraud.

**Table 3.8: Outstanding Utilisation Certificates**

(₹ in crore)		
Year	Number of Outstanding Utilisation Certificates	Amount
Up to 2014-15	21,075	17,748.04
2015-16	17	327.21
2016-17	2	4.85
<b>Total</b>	<b>21,094</b>	<b>18,080.10</b>

(Source: Finance Accounts for the year 2016-17)

Details of UCs outstanding as on 31 March 2017 are given in **Appendix 3.7**. Major cases of non submission of UCs relate to Major Head 3604- Compensation and Assignments to Local Bodies and Panchayati Raj Institutions (₹ 8,711 crore), 2408- Food, Storage and Warehousing (₹ 4,796 crore), 2501- Special Programmes for Rural Development (₹ 1,022 crore), 2235-Social Security and Welfare (₹ 748 crore) and 2401-Crop Husbandry (₹ 440 crore). Though such instances of non-submission of UCs are being reported in the reports of the C&AG regularly, there has been no

improvement. In many cases, the same recipients continue to receive further grants from the same departments, even while the UCs for earlier grants are pending.

### 3.6 Submission of false Utilisation Certificates

The following irregularities were noticed during audit of the Culture Department:

- Test check of records (May 2017) of the Commissioner, Archaeology, Archives and Museums, Bhopal revealed that ₹ 47.80 crore and ₹ 26.25 crore were received during the financial years 2013-14 and 2014-15 respectively under XIII Finance Commission grants from the Central Government for upgradation and development of historical places. Though the whole amount of ₹ 74.05 crore was kept in the Public Account and no expenditure was incurred, the Commissioner furnished UCs for the entire amount to the Government on 23.02.2015 (₹ 47.80 crore) and 26.03.2015 (₹ 26.25 crore) respectively.
- Similarly, Department of Culture, Bhopal received ₹ 10 crore in the financial year 2012-13 for upgradation and development work of eight museums and construction work of new museum in Ujjain under Lump sum Additional Central Assistance Scheme. The Department transferred the amount to the Public Account. Though ₹ 2.90 crore was unspent, the Department included this amount in the UCs submitted to the Government in April 2016.

**Recommendation:** The Finance Department is required to prescribe a time frame within which administrative departments releasing grants collect UCs pending for more than the time stipulated in the grant orders and also ensure that till such time, administrative departments release no further grants to defaulting grantees. Fixing of accountability and appropriate departmental and other action may be considered for officers and implementing agencies providing false UCs.

### 3.7 Outstanding Detailed Countersigned Contingent Bills

The financial rules require that advances drawn through Abstract Contingent (AC) bills are adjusted promptly through Detailed Countersigned Contingent (DCC) bills. Though the Finance Department has withdrawn (July 2011) the practice of drawing advance through AC bills, 19 AC bills of ₹ 7.59 crore for previous periods were lying unadjusted as on 31 March 2017, as per details in **Table 3.9**. Failure to submit DCC bills on time is fraught with risk of misappropriation and fraud.

**Table 3.9: Outstanding Detailed Countersigned Contingent Bills**

(₹ in crore)

Year	Number of Outstanding DCC bills	Amount
2004-05	11	4.60
2005-06	05	2.74
2006-07	03	0.25
<b>Total</b>	<b>19</b>	<b>7.59</b>

(Source: Information furnished by Pr.AG (A&E)-I, Madhya Pradesh)



**Recommendation:** The Finance Department should ensure that all controlling officers adjust all pending AC bills expeditiously.

### 3.8 Variation in cash balance

As per the certificate of confirmation of balances issued by the Reserve Bank of India, the State had a debit balance of ₹ 417.92 crore while the closing cash balance of the State for the month of March 2017 as certified by the Accountant General (A&E) was ₹ 52.99 crore (credit). Thus, there was a difference of ₹ 364.93 crore (net debit) between the cash balance of the State Government, as worked out by the Accountant General (A&E) and as reported by the Reserve Bank of India (as on 31.03.2017).

### 3.9 Reconciliation of departmental receipts and expenditure

According to Para 24.9.3 of the Madhya Pradesh Budget Manual (MPBM), Budget Controlling Officers (BCOs) are responsible for reconciliation of accounts maintained by them with those appearing in the Accountant General (A&E)'s books and for identifying and correcting misclassifications.

All the 117 BCOs have only partially reconciled for ₹ 3,807 crore (3.07 per cent) against the total receipts of ₹ 1,24,103 crore (excluding receipts under "Public Debt") during the year 2016-17. Further, all the 117 BCOs have partially reconciled an expenditure of ₹ 53,986 crore (35.57 per cent) against the total expenditure of ₹ 1,51,767 crore (excluding repayment of "Public Debt"), as on 31 March 2017.

Though such non-reconciliation of Departmental figures is pointed out regularly in the CAG's Audit Reports, the lapses continue to persist.

**Recommendation:** The Finance Department should evolve a mechanism to ensure that all Budget Controlling Officers reconcile their accounts with the Accountant General (A&E) every month.

### 3.10 Adjustment of Temporary Advances

According to Subsidiary Rule of Madhya Pradesh Treasury Code, temporary advances should be adjusted as early as possible and adjustment should not be delayed for more than three months under any condition.

As on 31 March 2017, 5,225 cases aggregating ₹ 7.99 crore were pending for adjustment by 13 Departments<sup>40</sup>. Temporary advances of more than ₹ one crore were pending in respect of General Administration (Election) Department (₹ 4.72 crore) and Farmer Welfare and Agriculture Development Department (₹ 2.78 crore). Details are given in **Table 3.10** below.

<sup>40</sup> (1) Backward and Minority Welfare: ₹ 1.25 lakh, (2) Commerce, Industry and Employment: ₹ 0.28 lakh, (3) Culture: ₹ 0.90 lakh, (4) Farmer Welfare and Agriculture Development: ₹ 278.09 lakh, (5) General Administration (Election): ₹ 471.57 lakh, (6) Horticulture and Food Processing: ₹ 13.06 lakh, (7) Jail: ₹ 1.74 lakh, (8) Micro, Small and Medium Enterprises: ₹ 6.51 lakh, (9) Panchayat and Rural Development: ₹ 2.56 lakh, (10) Revenue: ₹ 0.31 lakh, (11) Sports and Youth Welfare: ₹ 22.57 lakh, (12) Tribal Welfare: ₹ 0.24 lakh, (13) Water Resources: ₹ 0.18 lakh

**Table 3.10: Age-wise analysis of cases of advances pending as of March 2017****(₹ in crore)**

Sl. No.	Pendency	No. of cases	Amount
1	More than 10 years	1,339	1.25
2	More than five years and upto 10 years	177	0.57
3	More than one year and upto five years	1,841	3.22
4	Upto one year	1,868	2.95
<b>Total</b>		<b>5,225</b>	<b>7.99</b>

(Source: Data furnished by the Departments)

Test check of the records of the Deputy Director, Horticulture, Mandsaur, Guna and Assistant Director, Horticulture, Sheopur, revealed that 13 cases<sup>41</sup> amounting to ₹ 13.06 lakh of temporary advances were pending adjustment for a period of one to four years.

In the office of the District Sports and Youth Welfare Officer, Datia and Morena, 63 cases amounting to ₹ 22.57 lakh of temporary advances were pending for adjustment.

The matter was referred to the Government (July 2017 and March 2018); their reply was awaited (May 2018).

### 3.11 Short contribution by the department

Test check (April 2017) of records of the Commissioner, Labour Department, Indore revealed that ₹ 25.92 crore was received from employers as contributions under the Madhya Pradesh Labour Welfare Fund Act 1982, during the financial years 1987-88 to 2016-17, against which only ₹ 8.36 crore was contributed by the Government against the requirement for matching contribution. This resulted in short contribution of ₹ 17.56 crore which also overstated the Revenue Surplus and understated Fiscal Deficit to this extent.

**Recommendation:** The Finance Department should remit its matching contribution on time.

### 3.12 Irregular maintenance of Bank accounts

The financial rules stipulate that a Government servant may not, except with the special permission of the Government, deposit in a bank moneys withdrawn from the Consolidated Fund and Public Account of the State.

As per information received from five Departments<sup>42</sup> ₹ 20.34 crore was withdrawn from the Consolidated Fund and deposited in 19 bank accounts, which were being operated by 13 Drawing and Disbursing Officers (DDOs) as on 31 March 2017. Details are given in **Appendix 3.8**.

<sup>41</sup> (1) Deputy Director, Horticulture Mandsaur: nine cases amounting to ₹ 6.78 lakh, (2) Deputy Director, Horticulture, Guna: two cases amounting to ₹ 3.73 lakh, (3) Assistant Director, Horticulture, Sheopur: two cases amounting to ₹ 2.55 lakh

<sup>42</sup> (1) Horticulture and Food Processing ₹ 650.31 lakh, (2) Micro, Small and Medium Enterprises ₹ 0.72 lakh, (3) Planning Economics & Statistics ₹ 197.54 lakh, (4) General Administration ₹ 1,060.51 lakh, (5) Revenue ₹ 125.35 lakh

Scrutiny of records of Collectors of eight districts<sup>43</sup> revealed that ₹ 10.61 crore was withdrawn from the treasury and deposited in nine bank accounts in the name of Drawing and Disbursing Officers (DDOs) during August 2016 to March 2017.

Permission was not obtained from the Finance Department to open the bank accounts.

Audit (February 2017) of records of the Deputy Controller (DC), Government Press, Bhopal revealed that ₹ 20 lakh was withdrawn from the Consolidated Fund of the State (March 1989) and deposited under Term Deposit Receipts (TDRs) in the name of the DC in State Bank of India, Bhopal for 181-181 days which accumulated to ₹ 1.30 crore with accrued interest as on 30 September 2016. The TDRs continued till date (March 2017).

Withdrawals from the Consolidated Fund for the purpose of deposit in bank account without authority, is fraught with the risk of misappropriation and fraud.

The matter was referred to the Government (July 2017); their reply was awaited (May 2018).

### 3.12.1 Parking of fund in bank accounts to avoid lapse of Budget Grants

Subsidiary rules of MPTC provide that no money shall be withdrawn from the treasury unless it is required for immediate disbursement.

Scrutiny (June 2017) of records of the Commissioner, Directorate of Swaraj Sansthan, Bhopal, Department of Culture, GoMP revealed that ₹ 8.59 crore was withdrawn from the treasury during 2011-12 to 2016-17 and deposited in the bank account of Maharaja Vikramaditya Shodhpeeth, a body under the Directorate of Swaraj Sansthan.

The matter was referred to the Government (September 2017); their reply was awaited (May 2018).

**Recommendation:** *The Finance Department should evolve a mechanism to ensure that Government departments and entities under them do not draw money from the treasury to prevent the lapse of budget grants. The Finance Department should also review all bank accounts operated by State Government departments and close all accounts that are not authorised by the Finance Department. Fixing of accountability and appropriate departmental and other action may be considered for officers depositing money in bank accounts without taking permission from the Government.*

## 3.13 Status of placement of Separate Audit Reports of Autonomous Bodies in the State Assembly

The State Government has set up several Autonomous Bodies (ABs) in the fields of Agriculture, Housing, Labour Welfare, Urban Development, etc. The audit of accounts of six ABs in the State has been entrusted to the Comptroller and Auditor General of India. The status of entrustment of audit, rendering of accounts to audit, issuance of Separate Audit Reports (SARs) and their placement in the Legislature as on 30 September 2017 is given in **Table 3.11**.

<sup>43</sup> (1) Balaghat (₹ 0.54 crore, December 2016), (2) Dewas (₹ 1.26 crore, May 2017), (3) Gwalior (₹ 4.88 crore, January 2017), (4) Indore (₹ 1.07 crore, May 2017), (5) Morena (₹ 0.47 crore, December 2016), (6) Panna (₹ 0.66 crore, September 2016), (7) Singrauli (₹ 0.80 crore, November 2016), (8) Vidisha (₹ 0.93 crore, January 2017)

**Table 3.11: Status of rendering accounts of the Autonomous Bodies**

Sl. No.	Name of body	Audit under Act	Year up to which accounts were rendered	Period up to which SARs were issued	Placement of SAR in the Legislature	Delay <sup>44</sup> in submission/non-submission of accounts (in months)
1	Madhya Pradesh (MP) Khadi and Village Industries Board, Bhopal	Section 19(3) of C&AG (DPC) Act	2013-14	2013-14	2013-14 (placement of SAR on 07.03.2018)	2013-14 (26) 2014-15 (27) 2015-16 (15) 2016-17 (03)
2	MP Human Rights Commission, Bhopal	Section 19(2) of C&AG (DPC) Act	2015-16	2014-15	2014-15 (placement of SAR on 30.11.2017)	2015-16 (15) 2016-17 (03)
3	MP Building and Other Construction Workers Welfare Board, Bhopal	Section 19(2) of C&AG (DPC) Act	2011-12	2011-12	SARs for the year 2003-04 to 2011-12 were issued. Status of placing SARs in the State Legislature was awaited.	2011-12 (23) 2012-13 (51) 2013-14 (39) 2014-15 (27) 2015-16 (15) 2016-17 (03)
4	MP State Legal Services Authority, Jabalpur	Section 19(2) of C&AG (DPC) Act	1997-98 to 2012-13	2001-02 Accounts for the year 1997-98 to 2012-13 were received from the MP State Legal Services Authority in August 2015.	SAR for the year 1997-98 was issued on 13.10.2017. Status of placing SAR in the State Legislature was awaited. MP SLSA, Jabalpur has placed its unaudited accounts from 1997-98 to 2012-13 in State Legislature on 25.02.2016.	1997-98 (205) to 2012-13 (25) 2013-14 (39) 2014-15 (27) 2015-16 (15) 2016-17 (03)
5	MP Housing and Infrastructure Development Board, Bhopal	Section 19(3) of C&AG (DPC) Act	2015-16	2015-16	2015-16 (Placement of SAR on 18.07.2017)	2016-17 (03)
6	Madhya Pradesh Electricity Regulatory Commission (MPERC), Bhopal	Section 19(2) of C&AG (DPC) Act	2016-17	2016-17	Status of placing SAR in the State Legislature was awaited.	-

**Recommendation:** Government should ensure timely submission of accounts of the Autonomous bodies to Audit.

### 3.14 Delay in finalisation in the accounts of Public Sector Undertakings

Financial statements of Companies for each financial year are to be finalised within six months from the end of the relevant financial year i.e., September end under Section 166 and 210 of the Companies Act, 1956. Similar provisions also exist under Section 96(1) read with Section 129(2) of the Companies Act 2013. Failure to do so may attract penal provisions under 129(7)

<sup>44</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 2017.

of the Companies Act, 2013<sup>45</sup>, which stipulates that every officer of the defaulting company responsible shall be punishable with imprisonment for a term which may extend to one year or with fine which shall not be less than fifty thousand rupees but which may extend to five lakh rupees, or with both.

The accounts of statutory corporations are required to be finalised, audited and presented to the Legislature as per the provisions of their respective Acts.

In violation of the above provisions, 50 per cent of the PSUs in Madhya Pradesh are in arrears of accounts as detailed in **Table 3.12**.

**Table 3.12: Age-wise arrears of Accounts of PSUs as of 31 March 2017**

Sl. No.	Particulars	Working	Non-working	Total
1	Number of PSUs/ Corporations	54	18	72
2(a)	Number of PSUs/ Corporations having accounts in arrears	29	7	36
2(b)	Number of accounts in arrears	54	94	148
3(a)	Number of PSUs/ Corporations with accounts in arrears of less than 5 years	27	0	27
3(b)	Number of accounts arrears in above PSUs/Corporations	34	0	34
4(a)	Number of PSUs/Corporations with accounts in arrears for 5 to 10 years	1	4	5
4(b)	Number of accounts arrears in above PSUs/ Corporations	7	29	36
5(a)	Number of PSUs/ Corporations with accounts in arrears for 10 years and above	1	3	4
5(b)	Number of accounts arrears in above PSUs/Corporations	13	65	78
6	Extent of arrears of accounts (in years)	1-13	1-27	1-27

(Source: Information furnished by PSUs)

Due to non-finalisation of accounts, the CAG has been unable to perform the supplementary audit of Companies as stipulated in the Companies Act, and statutory audit of the Corporations as stipulated in their respective Acts, for periods up to 27 years.

The above denotes failure of the concerned administrative departments and specifically of the Finance Department to ensure that the defaulting companies and corporations comply with the relevant Acts.

It is of specific interest to observe that even in the absence of accounts to judge the genuineness of demands for financial support from these PSUs, the Finance Department has regularly provided budgetary support to these PSUs by way of infusion of equity, loans and Grants-in-aid/subsidies, guarantees. The State Government had extended budgetary support of ₹ 8,908.65 crore in 17 working PSUs (equity: ₹ 94.63 crore, loans: ₹ 1,224.74 crore, capital grants: ₹ 2,333.38 crore, guarantees: ₹ 740.36 crore and others (subsidy): ₹ 4,515.54 crore) during the period for which accounts were in arrears as detailed in **Appendix 3.9**.

<sup>45</sup> Earlier under section 210(5) of the Companies Act 1956 which stipulated that if any person, being a director of the company, fails to take reasonable steps to comply with the provisions of this section, shall be punishable for each offence with imprisonment for a term which may extend to six months, or with fine which may extend to ten thousand rupees or with both.

Further, the State Government had also extended budgetary support (grant) of ₹ 4.34 crore to one non-working company during the period for which its accounts were in arrears as detailed in **Appendix 3.9**.

**Recommendation:** The Finance Department should review the cases of all PSUs that are in arrears of accounts, ensure that the accounts are made current within a reasonable period and stop financial support in all cases where accounts continue to be in arrears.

### 3.15 Dividend not declared

As per State Government policy (July 2005), all PSUs are required to pay a minimum dividend of 20 per cent of profit after tax. Though as per their latest finalised accounts, 29 PSUs with Government equity of ₹ 7,853.40 crore earned aggregate profit of ₹ 397.73 crore, only four PSUs proposed dividend of ₹ 43.38 crore or 10.91 per cent of overall profit of these PSUs. Thus, 25 PSUs did not declare dividend of ₹ 37.49 crore despite earning profit in violation of the dividend policy of GoMP. Details are given in **Appendix 3.10**.

**Recommendation:** The State Government should ensure that all profit earning PSUs pay the stipulated dividend to Government.

### 3.16 Impact on Revenue surplus and Fiscal deficit

As discussed in various places in the Report and as per Finance Accounts, the impact of incorrect booking/accounting of expenditure and revenue as worked by Audit is given in **Table 3.13** below.

**Table 3.13: Impact on Revenue Surplus, Fiscal Deficit and Outstanding liabilities as per Finance Accounts and as worked out by Audit**

(₹ in crore)

Details of incorrect booking and short transfer/contribution	Impact on Revenue Surplus	Impact on Fiscal Deficit	Impact on outstanding liabilities
	Overstatement	Understatement	Understatement
Short transfer of contribution to NSDL	21.86	21.86	-
Non contribution to Consolidated Sinking Fund	635.72	635.72	635.72
Short contribution to Guarantee Redemption Fund	674.05	674.05	674.05
Non-payment of interest on Reserve Funds and Deposits bearing interest	58.43	58.43	58.43
Misclassification between revenue and capital expenditure	585.67	-	-
<b>Total</b>	<b>1,975.73</b>	<b>1,390.06</b>	<b>1,368.20</b>

(Source: Finance Accounts 2016-17)

In view of the above, the Revenue Surplus, Fiscal Deficit and Outstanding Liabilities of the State which are ₹ 7,781 crore, ₹ 20,304 crore and ₹ 1,48,440 crore as projected in the Finance Accounts would actually be ₹ 5,805 crore, ₹ 21,694 crore and ₹ 1,49,808 crore respectively.

### 3.17 Non-reconciliation of Equities/Loans/Guarantees

The figures in respect of equity, loans and guarantees outstanding as per records of the State PSUs should agree with the figures appearing in the Finance Accounts of the State. Where the figures do not agree, the concerned PSUs and FD should reconcile the differences. The position in this regard as on 31 March 2017 is stated in the **Table 3.14**.

**Table 3.14: Equity, loans and guarantees outstanding as per Finance Accounts and records of PSUs**

(₹ in crore)

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of PSUs	Difference
Equity	17,231.86	14,668.29	2,563.57
Loans	22,723.87	33,349.22	10,625.35
Guarantees	11,462.86	3,709.32	7,753.54

(Source: Finance Accounts for the year 2016-17)

Though the differences between the amounts reflected in the Finance Accounts and as per the records of the PSUs were reported in the Audit Reports on Public Sector Undertakings of earlier years, no corrective action was taken by the State Government.

During the exit conference (January 2018), the Finance Department replied that the figures would be reconciled in due course of time. Such reconciliation is to be done immediately, and preferably before the finalisation of the Finance Accounts 2017-18.

**Recommendation:** *The Finance Department and the concerned administrative Departments are required to work closely with the Accountant General (A&E) to reconcile the differences in records and accounts relating to State Government investments, loans and guarantees extended to State PSUs.*

### 3.18 Expenditure on foreign tours of Government delegations not depicted in Government accounts

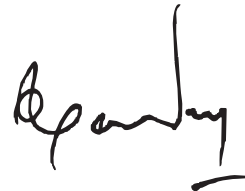
Madhya Pradesh Trade and Investment Facilitation Corporation Limited (Company) had organised 15 foreign tours of delegations comprising of Government of Madhya Pradesh (GoMP) delegates, Company officials etc., to various countries. The expenditure of ₹ 8.96 crore on the above foreign tours was met from the funds released to the company as Grants-in-Aid under the head “5531-Destination M.P. Investment Drive” by Directorate of Industries (DoI), GoMP.

Audit observed that the expenditure on foreign tours of GoMP delegations was not specifically routed through the State budget or depicted in the State Government Accounts. Instead the same was paid by the Company from the above grant, and thus budgetary scrutiny of expenditure incurred on above foreign tours was avoided.

### 3.19 Apportionment of balances as on reorganisation of the State

Balances amounting to ₹ 669.76 crore under Public Accounts along with balance under Capital Section ₹ 5,755.20 crore and Loans and Advances ₹ 2,176.05 crore remained to be apportioned between the successor States Madhya Pradesh and Chhattisgarh, even after two decades of the reorganisation of the erstwhile State of Madhya Pradesh with effect from November 2000.

*Recommendation:* The State Government is required to liaison with the Government of Chhattisgarh to expedite the apportionment of balances under Public Accounts, capital section and Loans and advances between the two successor States.



(RAJIV KUMAR PANDEY)  
Accountant General  
(General and Social Sector Audit)  
Madhya Pradesh

Gwalior  
The 3 August 2018

Countersigned



(RAJIV MEHRISHI)  
Comptroller and Auditor General of India

New Delhi  
The 8 August 2018