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## **Chapter 3**

# **FINANCIAL REPORTING AND COMMENTS ON ACCOUNTS**

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## 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.

#### 3.1 Discontinuation of all physical salary vouchers and contingent vouchers upto ₹ 20,000

GoMP amended the Madhya Pradesh Treasury Code (MPTC) 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 State Government had discontinued sending of all physical salary vouchers and contingent vouchers upto ₹ 20,000 to the Accountant General from October 2016 onwards unilaterally without the concurrence of the Comptroller and Auditor General of India as required under Article 150 of the Constitution. The Drawing and Disbursing Officer (DDOs) are not sending physical bills in respect of these vouchers to the treasuries. The treasuries forwarded electronic bills to the Accountant General which are not digitally signed either by the DDOs or by the Treasury officers.

In the absence of physical vouchers or digitally signed e-vouchers the authenticity, correctness and completeness of accounts could not be ascertained in respect of expenditure towards salary of ₹ 20,596 crore and ₹ 377 crore in regard to contingent expenditure during 2017-18.

#### 3.2 Maintenance of Personal Deposit 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.

GoMP had a closing balance of ₹ 5,370.06 crore in respect of 847 PD accounts as on 31 March 2018. During the year 2017-18, there has been net addition of 48 PD accounts amounting to ₹ 19.69 crore. Further, ₹ 3,565.60 crore and ₹ 1,784.77 crore were lying unspent for one to three years and more than three years respectively.

### 3.2.1 Inoperative Personal/Educational Deposit Accounts

Scrutiny (April to June 2018) of records of Office of the Commissioner, Treasury and Accounts, Bhopal revealed that 43 Personal Deposit (PD)/ Educational Deposit (ED) accounts in seven treasuries with balances of ₹ 10.79 crore remained inoperative for more than three years. Details are given in Table 3.1 below.

**Table 3.1: Details of Inoperative PD/ED Accounts as of March 2018**

(₹ in lakh)			
Sl No.	Name of Treasury	No. of PD /ED Accounts	Amount
1	Alirajpur	02	2.83
2	Damoh	03	35.87
3	Jabalpur	06	3.08
4	Jabalpur City	02	106.69
5	Khargone	15	910.80
6	Narsinghpur	10	17.64
7	Umaria	05	2.19
<b>Total</b>		<b>43</b>	<b>1,079.10</b>

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

On this being pointed out, Treasury Officers replied that the instructions would be issued to all concerned offices and the progress in the matter would be intimated suitably.

The reply is not acceptable as non-transfer of balance of PD/ED accounts to Revenue Deposit accounts resulted in non-compliance of provisions of MPTC.

During exit conference (April 2019) FD replied that instructions had been issued to Departments for closing inoperative accounts.

### 3.2.2 Unauthorised retention of Government money in bank accounts instead of Personal Deposit Account

Madhya Pradesh Financial Code (MPFC) Volume I provides that, unless otherwise expressly authorised by any law, rule, or order having the force of law, moneys may not be removed from the Consolidated Fund and Public Account for investment or deposit elsewhere without the consent of the Finance Department (FD). Further, FD issued (March 2015) instructions that funds for land acquisition kept in the bank accounts should be withdrawn and deposited in the Personal Deposit (PD) account.

Test check of records of Collector, Bhind (August 2017) and Shahdol (July 2016) revealed that an amount of ₹ 2.13 crore and ₹ 7.74 crore pertaining to land acquisition was lying in bank account (No.5302088472) of State Bank of India in the name of Collector, Bhind and nine<sup>43</sup> bank accounts in the name of the Collector, Shahdol respectively.

On this being pointed out, Collector, Bhind replied that the amount was related to the land acquisition cases of the Ater sub-division and this would be

<sup>43</sup> (1) Axis Bank, Shahdol (No. 916010018290375): ₹ 1.01 crore, (2) Bank of Baroda, Shahdol (No. 12930100006582): ₹ 0.64 crore, (3) Central Bank, Sohagpur, (No. 1486852217): ₹ 0.20 crore, (4) Central Bank, Sohagpur, (No. 1486892045): ₹ 0.00\* crore, (5) Central Bank, Sohagpur, (No. 1486891154): ₹ 0.49 crore, (6) Central Regional Gramin Bank (No. 2002041030020900): ₹ 0.52 crore, (7) IDBI Bank (No. 1596110400006934): ₹ 2.75 crore, (8) Central Bank of India, Jaitpur (No. 2373790011): ₹ 1.21 crore, (9) Central MP Gramin Bank Jaisingh Nagar (No. 2002071010001055): ₹ 0.92 crore.

\* ₹ 9,659

distributed according to the requirement, while Collector, Shahdol replied that bank account would be closed as per the Government instructions and money would not be deposited in bank account in future.

The reply is not acceptable as the amount pertaining to land acquisition should have been deposited in PD account instead of bank account. This cause risk of misuse of public fund and fraud. This was also contrary to the instructions issued by the FD.

The matter was referred to the Government (November 2018); their reply was awaited (June 2019).

### 3.2.3 Non-reconciliation of Treasury figures and AG figures of Personal Deposit Accounts

Subsidiary Rule 590 of Madhya Pradesh Treasury Code (MPTC) Volume I provides that, every Personal Deposit (PD) account holder should furnish an annual balance certificate to Accountant General (AG). Difference if any should be explained.

During the inspection of Treasury, Indore, treasury inspection party of Pr. AG (A&E)-I, Madhya Pradesh noticed that there was unreconciled difference of ₹ 165.07 crore in the balances of PD accounts between AG (₹ 172.68 crore) and treasury (₹ 7.61 crore). Details are shown in *Appendix 3.1*.

On this being pointed out, Treasury Officer, Indore, replied that due to wrong entry of opening balance at the time of computerisation (2005), the balances were not reconciled and the process of reconciliation is in progress.

The reply is not acceptable as the reconciliation of differences was not done periodically by the administrator of PD account which was in contravention of provisions of MPTC.

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

During exit conference (April 2019) FD replied that instructions would be issued to Commissioner, Treasury and Account for taking necessary action.

***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.*

### 3.3 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.

### 3.3.1 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 2013-14. Details of receipts and expenditure of labour cess during 2013-18 are given in **Table 3.2**.

**Table 3.2: Details of receipts and expenditure of Cess during 2013-18**

(₹ 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
2013-14	571.37	264.49	0.01	0	835.87	110.07	725.80	13
2014-15	725.80	303.93	0.01	0	1,029.74	63.00	966.74	6
2015-16	966.74	286.44	0.001	0	1,253.18	120.18	1,133.00	10
2016-17	1,133.00	346.99	0.00008	0	1,479.99	261.17	1,218.82	18
2017-18	1,218.82	281.95	0.0003	0	1,500.77	287.98	1,212.79	19

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

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

- (i) As per the information furnished by the Board, the sum of ₹ 1,212.79 crore available as on 31 March 2018 out of which ₹ 1,063.78 crore was kept in 29 branches of nationalised banks. The difference of ₹ 149.01 crore was pending for reconciliation. Interest amounting to ₹ 326.94 crore accrued from the amount deposited in the bank accounts was not being depicted in Cash Book. Further amount of cess collected by the various Departments could not be ascertained.
- (ii) 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.

### 3.3.2 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 for the same during 2013-18 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
2013-14	835.87	12	127.60	6	105.05	25,15,516	5,55,899	22.10	12.57
2014-15	1,029.74	15	86.80	8	58.59	24,65,939	3,14,298	12.75	5.69
2015-16	1,253.18	20	125.80	17	101.24	24,81,926	5,16,958	20.83	8.08
2016-17	1,479.99	26	151.60	24	240.58	25,28,255	4,34,225	17.17	16.26
2017-18	1,500.77	24	233.10	21	210.02	25,87,175	4,98,182	19.26	14.00
<b>Total</b>		<b>97</b>	<b>724.90</b>	<b>76</b>	<b>715.48</b>	<b>1,25,78,811</b>	<b>23,19,562</b>	<b>18.44</b>	

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

From the above **Table 3.3**, it is evident that the Board could utilise only 14 *per cent* of the available funds and only 19 *per cent* of the registered workers were benefited under various schemes during 2017-18. Thus, due to non-utilisation of funds amounting to ₹ 1,290.75 crore of available funds, the registered workers were deprived of getting benefit of various schemes. As compared to the neighbouring states, Madhya Pradesh (14 *per cent*) has utilised the available funds less than Chhattisgarh (42 *per cent*) and more than Uttar Pradesh (seven *per cent*) and also benefited workers more than Uttar Pradesh (eight *per cent*) and less than Chhattisgarh (34 *per cent*).

### 3.3.3 Collected Cess not transferred to Board

Rule 5(3) of the BOCW Welfare Cess Rules, 1998 (Cess Rules) provides that the amount of cess collected shall be transferred to the Board within 30 days of its collection.

Test check (April 2017 to August 2018) of records of 10<sup>44</sup> entities revealed that cess amounting to ₹ 1.40 crore collected during August 2008 to February 2018 was not transferred to the Board within the stipulated period of 30 days.

On this being pointed out, DDOs replied that cess would be deposited to Board within time in future as per the provision of the BOCW act and intimated to Audit.

The reply is not acceptable as the collected cess was to be transferred to Board as per cess rules.

The matter was referred to the Government (December 2018); their reply was awaited (June 2019).

### 3.3.4 Non-recovery of dues due to time barred cheques

According to banking norms, a cheque is valid for three months from the date of issue after which it becomes time barred.

Audit observed that the Board received cheques from field offices and deposited into bank. Out of these, 1656 cheques for ₹ 17.34 crore pertaining to period 2003-04 to 2017-18 became time barred.

The Board replied (January 2019) that some cheques were lapsed due to delay in submission and some dishonored due to insufficient amount in the account. These cheques were returned to the concerned agencies/Department for renewal of cheques.

The reply is not acceptable as in case of time barred cheques, the amount should have been recovered from parties concerned to avoid loss of revenue. However, the Board had not issued reminders timely for renewal of time barred cheques.

During exit conference (April 2019), FD replied that these cases would be taken with the concerned Departments.

<sup>44</sup> (1) Executive Engineers (EE), Rural Engineering Services (RES), Damoh: ₹ 2.25 lakh, (2) EE, RES, Jhabua: ₹ 2.45 lakh, (3) EE, RES, Hoshangabad: ₹ 3.79 lakh, (4) EE, Public Health and Engineering (PHE), Singroli: ₹ 17.87 lakh, (5) EE, PHE, Chhindwada: ₹ 69.17 lakh, (6) EE, PHE, Jabalpur: ₹ 4.11 lakh, (7) EE, PHE, Bhopal: ₹ 14.20 lakh, (8) District Programme Co-ordinator (DPC), Rajeev Gandhi Shiksha Kendra (RGSK), Gwalior: ₹ 8.15 lakh, (9) DPC, RGSK, Ratlam: ₹ 7.97 lakh, (10) DPC, RGSK, Shivpuri: ₹ 10.37 lakh

### 3.3.5 Outstanding Utilisation Certificates

Rule 238(1) of General Financial Rules provides that Utilisation Certificate (UC) should be submitted within 12 months of the closure of the financial year by the institution or organisation concerned. The Board provided fund to Labour Offices (LOs) and thereafter the LOs provided fund to the respective implementing offices. The UCs regarding allotted fund was to be submitted in the prescribed format as per letter of allotment.

During test check (August 2018) of records of the Board, Audit observed that an amount of ₹ 1,100.10 crore was allotted to 53 District offices of Labour Department by the Board and the same was transferred to various implementing agencies. However, UCs amounting to ₹ 315.45 crore were outstanding as on 31 March 2018 from 47 District offices. The Details of outstanding UCs are given in **Appendix 3.2**.

This shows lack of internal control system in releasing the fund without obtaining UCs from implementing agencies.

**Recommendation:** *The State Government should ensure that the MP BOCW Welfare Board finalises the 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. Further, the internal control mechanism of the Board needs to be strengthened to watch timely submission of the UCs by the Board to whom funds were released.*

## 3.4 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 2017-18, ₹ 35,479.51 crore constituting about 26.31 *per cent* of the total revenue receipts (₹ 1,34,875.39 crore) under various revenue Major Heads of accounts was recorded under minor head 800-other receipts under different Major Heads.

Similarly, ₹ 24,717.79 crore constituting about 15.34 *per cent* of the total expenditure of ₹ 1,61,159.31 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 3.3** and **3.4** and summarised in **Table 3.4**.

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

Particulars	Receipts		Expenditure	
	Amount (₹ in crore)	Heads of accounts	Amount (₹ in crore)	Heads of accounts
100 per cent	550.88	0059, 0217, 0404, 0702, 1452	656.88	2852, 4070, 4852, 4853, 4875, 5055, 5425
Between 75 per cent and 99 per cent	23,690.02	0056, 0211, 0220, 0235, 0403, 0435, 0810, 1601	10,201.64	2075, 2217, 2250, 2702, 4700, 4701
Between 50 per cent and 74 per cent	4,806.06	0035, 0039, 0055, 0215, 0401, 0515, 0851	3,941.24	2204, 2705, 2851, 3454, 4215, 4225, 4515
Between 25 per cent and 49 per cent	2,283.77	0029, 0070, 0210, 0406, 0700, 0853, 0875	5,385.26	2401, 2701, 4702, 5054
Between 10 per cent and 24 per cent	1,199.27	0030, 0043, 0049, 0071, 0230, 0405, 0408, 0425, 0701	3,232.34	2216, 2225, 2245, 2403, 2515, 2700, 3054, 4202, 4217, 4403
<b>Total</b>	<b>32,530.00</b>		<b>23,417.36</b>	

(Source: Finance Accounts for the year 2017-18)

During exit conference (April 2019) FD replied that corrective action would be taken while preparing budget for the financial year 2019-20.

**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.

### 3.5 Wrong Operation of Sub Major Head under Plan/Non-plan

It was notified in the List of Major and Minor Heads (LMMH), that w.e.f. 01.04.2017, Sub-Major Heads 01-'Non-Plan Grants', 02-'Grants for State/Union Territory Plan Schemes', 03-'Grants for Central Plan Schemes' 04 'Grants for Centrally Sponsored Plan Schemes' and '05-Grants for Special Plan Schemes' under Major Head '1601' and minor heads thereunder are unauthorised as per LMMH. Similarly, under Major Head '6004', Sub-Major Heads 01-'Non-Plan Loans', 02-'Loans for State/Union Territory Plan Schemes', 03-'Loans for Central Plan Scheme', 04-'Loans for Centrally Sponsored Plan Schemes', 05-'Loans for Special Schemes', 06-'Ways and Means Advances' and '07-Pre 1984-85 Loans' and minor heads there under would not be operational for fresh transactions.

Scrutiny of Finance Accounts 2017-18 revealed that these sub Major Heads and minor heads were still operated due to allocation of the funds under these heads in the budget documents. As per Finance Accounts 2017-18, an amount of ₹ 27,639.29 crore as detailed in **Table 3.5** and ₹ 191.68 crore were booked under Major Heads 1601 and 6004-02-101 respectively which seems inappropriate.

**Table 3.5: 1601-Grants-in-aid from Central Government**

		(₹ in crore)
Sub Major Head and Minor Heads thereunder	Description	Receipt During 2017-18
Sub Major Head-01	<b>Non Plan Grants</b>	
<b>Minor Head-109</b>	Grants towards contribution to State Disaster Response Fund	725.25
<b>Minor Head-110</b>	Grant from National Disaster Response Fund	502.09
<b>Minor Head-800</b>	Other Grants	3,180.78

Sub Major Head and Minor Heads thereunder	Description	Receipt During 2017-18
Sub Major Head-02	<b>Grants for State/Union Territory Plan Schemes</b>	
<b>Minor Head-101</b>	Block Grants	4.69
<b>Minor Head-104</b>	Grants under Provision to Article 275(1) of Constitution	63.65
<b>Minor Head-800</b>	Other Grants	23,095.46
Sub Major Head-03	Grants for Central Plan Schemes	
<b>Minor Head-800</b>	Other Grants	67.37
<b>Total-1601</b>		<b>27,639.29</b>

(Source: Finance Accounts for the year 2017-18)

### 3.5.1 Incurring expenditure of Revenue nature from Capital head

According to Rule 11 of the MPFC, Vol-1, all controlling officer must see not only that the total expenditure is kept within the limits of the authorized appropriation but also that the funds allotted to spending units are expended in the public interest and upon objects for which the money was provided.

Scrutiny of records of the Executive Director, Madhya Pradesh Jan Abhiyan Parishad (MPJAP), Bhopal revealed that Directorate of Planning Economics and Statistics, Bhopal (Budget Controlling Officer) had drawn ₹ 56.47 crore during 2010-11 to 2016-17 from the Capital budget under Grant no-64-Major Head-4515 and Grant no-41-Major Head-4515. The said amount was expended by MPJAP on operating activities of revenue nature i.e. salaries, allowances, office expenditure and schemes of the council such as Navankur, Prasphutan, Sanwad, Sanvridhi along with Narmada Seva Yatra and Ekatm Yatra.

Commissioner, Directorate of Planning, Economics and Statistics replied (June 2019) that various schemes like Navankur, Prasphutan, Sanwad, Narmada Seva and Ekatm Yatra Yojna etc. are operated with a view to enhancing public participation in development of the State which are of public interest i.e. water conservation, plantation, conservation of Narmada river etc. Since conservation of river is directly related to economic development of the State, the expenditure incurred on the schemes along with salary and allowances of employees engaged in operation of these schemes have been accounted as capital expenditure.

The reply is not acceptable as this amount should have been used as capital expenditure for minor construction works but the same had been used as revenue expenditure which was in contravention to the provision of MPFC.

During exit conference (April 2019) FD replied that corrective action would be taken while preparing budget for the financial year 2019-20.

### 3.6 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 the intended purposes. It was however, observed that 20,666 UCs amounting to ₹ 17,793.21 crore were outstanding as of 31 March 2018, details of which are given in *Appendix 3.5*. The status of outstanding UCs is given in **Table 3.6**.

**Table 3.6: Outstanding Utilisation Certificates****(₹ in crore)**

Year	Status as on 31 March 2017		Status as on 31 March 2018	
	Number of outstanding UCs	Amount involved	Number of outstanding UCs	Amount involved
Up to 2015-16	21,092	18,075.25	20,664	17,788.36
2016-17	02	4.85	02	4.85
2017-18	--	--	Nil	Nil
<b>Total</b>	<b>21,094</b>	<b>18,080.10</b>	<b>20,666</b>	<b>17,793.21</b>

(Source: Finance Accounts for the years 2016-17 and 2017-18)

Major cases of non-submission of UCs relates to Major Head 3604- Compensation and Assignments to Local Bodies and Panchayati Raj Institutions (₹ 8,711 crore), 2408- Food, Storage and Warehousing (₹ 4,577 crore), 2501-Special Programmes for Rural Development (₹ 1,022 crore), 2235-Social Security and Welfare (₹ 748 crore) and 2401-Crop Husbandry (₹ 440 crore). Non-submission of UCs defeats the very purpose of Legislative control over the public purse and is fraught with the risk of the funds released for various schemes/ programmes being locked up or diverted.

Non submission of Utilisation Certificates (20,666) amounting to ₹ 17,793.21 crore as on 31 March 2018 indicated lack of proper monitoring by the Departments in utilisation of grants sanctioned for specific purposes.

### 3.6.1 Submission of false UCs

During audit of Madhya Pradesh Jan Abhiyan Parishad (MPJAP), it was noticed that MPJAP received ₹ 338 crore for activities of council and administrative expenditure in the form of grant during the period 2006-07 to 2017-18 from the Department of Planning, Economics and Statistics, GoMP. However, MPJAP furnished records of UCs amounting to only ₹ 305.89 crore pertaining to the period 2010-11 to 2017-18 to Audit. Records of UCs for ₹ 32.11 crore pertaining to period 2006-07 to 2009-10 were not furnished to Audit.

Further, as per annual accounts for the year 2017-18, a closing balance of ₹ 23.30 crore was available in the bank account of the State office of MPJAP, out of which ₹ 20.80 crore pertained to grants-in-aid received (during 2007-08 to 2017-18) from Department of Planning, Economics and Statistics, GoMP. However, 100 *per cent* utilisation was shown in the UCs submitted to the department. This shows that the false UCs amounting to ₹ 20.80 crore were submitted by the concerning authorities.

On being pointed out, MPJAP stated (March 2019) that MPJAP is grant recipient institution and it meets its expenses from the grant received. MPJAP is operated through the State/Division/District offices. UCs are issued by State office after allocating the grants to divisional/district offices. Balance available with the divisional/district offices at the end of the financial year is utilised to meet the expenses of the next financial year as there is delay in receipt of the grant in the first quarter of the financial year.

The reply is not acceptable as UCs should have been submitted on the basis of the actual expenditure.

During exit conference (April 2019) FD replied that necessary directions would be issued to the concerned Departments.

**Recommendation:** The State Government should identify the issues holding up submission of UCs and strengthen internal control mechanism of the Departments to watch timely submission of the UCs by the organisations to whom grants were released.

### 3.7 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 3,295 cases of misappropriation, losses, defalcations etc., involving ₹ 38.30 crore up to 31 March 2018 on which final action was pending as of June 2018. Out of these cases, 504 cases involving ₹ 1.35 crore were noticed during 2017-18. 2,736 cases (₹ 16.03 crore) and 11 cases (₹ 8.30 crore) were pending for recovery/regularisation against the Major Heads 2406-Forestry & Wild Life and 2054-Treasury and Accounts Administration respectively. Major Head-wise/Age-wise details of pending cases of misappropriation, losses, defalcations etc. at the end of 2017-18 is given in **Appendix 3.6**. Major Head-wise and nature of irregularity-wise details of these cases are given in **Appendix 3.7**. The age-profile of the pending cases with nature of irregularities emerging from these Appendices are summarised in **Table 3.7** and **Table 3.8**.

**Table 3.7: Profile of pending cases**

(₹ in crore)

Age-profile of the pending cases		
Range in years	Number of cases	Amount involved
0 – 5	902	9.36
5 – 10	238	14.93
10 – 15	304	5.22
15 – 20	388	3.55
20 – 25	280	1.99
25 & above	1,183	3.25
<b>Total</b>	<b>3,295</b>	<b>38.30</b>

(Source: Information furnished by concerned Departments)

**Table 3.8: Category-wise profile of misappropriation, losses, defalcations etc.**

(₹ in crore)

Nature of pending cases		
Nature of the case	Number of cases	Amount involved
Theft	167	6.20
Misappropriation/Loss of material	3,128	32.10
<b>Total</b>	<b>3,295</b>	<b>38.30</b>

(Source: Information furnished by concerned Departments)

Further analysis indicated that the cases were outstanding owing to reasons listed in **Table 3.9**.

**Table 3.9: Reasons for outstanding cases of misappropriation, losses, defalcations etc.**

(₹ in crore)

SI. No.	Reasons for the delay/outstanding cases	Number of cases	Amount
(i)	Criminal proceedings finalised but the recovery of the amount pending	01	0.00*
(ii)	Awaiting orders for recovery or write off	3,224	37.24
(iii)	Pending in the Courts of law	70	1.06
	<b>Total</b>	<b>3,295</b>	<b>38.30</b>

(Source: Information furnished by concerned Departments)

\*Amount ₹ 47,165

Out of 3,295 cases involving ₹ 38.30 crore, 2,155 cases (65 per cent) involving ₹ 14.01 crore were pending for more than 10 years. Orders for recovery or write off were awaited in respect of 3,224 cases (98 per cent). First Information Reports were lodged in 348 cases out of 3,295 cases.

Further, 92 cases of losses involving ₹ 20.30 lakh were written off during the year 2017-18, as detailed in **Appendix 3.8**. An amount of ₹ 55.34 lakh pertaining to 320 cases had been recovered and credited to Government Account during 2017-18. The details are given in **Appendix 3.9**.

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

### 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 ₹ 699.83 crore as on 31 March 2018 while the closing cash balance of the State for the month of March 2018 as certified by the Accountant General (A&E) was ₹ 693.65 crore (credit). The difference of ₹ 6.18 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 was due to non-reconciliation of 707 cases at treasury level from 2006-07 and 405 cases at RBI level from 2008-09 as on 31 March 2018.

### 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 partially reconciled receipt of ₹ 25,914.75 crore (18.27 per cent) against the total receipts of ₹ 1,41,881.03 crore (excluding receipts under "Public Debt") during the year 2017-18. Further, all the 117 BCOs have partially reconciled an expenditure of ₹ 80,505.33 crore (49.15 per cent) against the total expenditure of ₹ 1,63,802.35 crore (excluding repayment of "Public Debt").

Though such non-reconciliation of Departmental figures is pointed out regularly in the CAG's Audit Reports, the lapses still 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 53 of MPTC, temporary advances should be adjusted as early as possible and adjustment should not be delayed for more than three months under any condition. Further, rule 112(2) of the Madhya Pradesh Municipal Accounts Rules, 1971 stipulates that no advance shall be drawn unless expenditure is likely to be incurred within one month.

As on 31 March 2018, 1,216 cases aggregating ₹ 7.06 crore were pending for adjustment by five<sup>45</sup> Departments. Temporary advances of more than ₹ one crore were pending in respect of General Administration (Election) Department (₹ 1.73 crore), Panchayat and Rural Development Department (₹ 3.18 crore) and Horticulture and Food Processing Department (₹ 2.13 crore). Details are given in **Table 3.10** below.

**Table 3.10: Age-wise analysis of cases of advances pending as of March 2018**

(₹ in crore)			
Sl. No.	Pendency	No. of cases	Amount
1	More than 10 years	495	1.02
2	More than five years and upto 10 years	250	1.35
3	More than one year and upto five years	363	3.32
4	Upto one year	108	1.37
<b>Total</b>		<b>1,216</b>	<b>7.06</b>

(Source: Data furnished by the Departments)

- Audit scrutiny of records of four District Collectors (Balaghat, Damoh, Ashok Nagar and Tikamgarh) revealed that 380 cases aggregating ₹ 95.44 lakh were provided as temporary advance for office work, election work etc. pending for adjustment.

On this being pointed out, Department replied that this would be intimated after adjusting the advance.

Reply is not acceptable as the amount of temporary advances was not adjusted by the Department in accordance with the provision of MPTC.

The matter was referred to the Government (August 2018); their reply was awaited (June 2019).

- Test check (September-December 2017) of records of Municipal Corporations (Sagar, Satna, and Ujjain) and Nagar Parishads (Chandiyā, District- Umariā and Orchha, District-Tikamgarh) revealed that 230 cases amounting to ₹ 3.18 crore provided as temporary advances to individuals for purchasing, constructions, survey, sports activities, maintenance of vehicles, court cases, travelling expenses etc. between 1984 to 2017 by Urban Local Bodies.

On this being pointed out, Commissioner, Sagar (September 2017) stated that advance were being adjusted and letters were issued for the adjustment of the advances. While Commissioner, Ujjain replied (November 2017) that advances would be adjusted at the end of the financial year. CEO, Orchha (July 2017), Chandiyā (October 2017) and Satna (December 2017) stated that advances would be adjusted.

Reply is not acceptable as the amount of temporary advances was not adjusted by the Department in accordance with the provision of MP Municipal Accounts Rules.

The matter was referred to the Government (December 2018); their reply was awaited (June 2019).

<sup>45</sup> (1) Food and Civil Supply Department (₹ 1.35 lakh), (2) General Administration (Election) Department (₹ 172.93 lakh), (3) Horticulture and Food Processing Department (₹ 213.26 lakh), (4) Irrigation Department (₹ 0.83 lakh) and (5) Panchayat and Rural Development Department (₹ 317.63 lakh)

**Recommendation:** The Finance Department should ensure to get implemented effective internal control mechanism in the concerned Department.

### 3.11 Payment of previous year's liabilities from the next year's Budget

Subsidiary rule 283 of MPTC provides that all charges actually incurred must be drawn and paid at once, and under no circumstances they be allowed to stand over to be paid from the grant of another year. To the extent possible, expenditure should be postponed till the sanction of new budget, but on no account the charge be incurred in one year and thrown on the grant of another year.

Test check of records of Office of the Superintendents of Police (SP) of five<sup>46</sup> Districts revealed that in 59 cases, the bill amounting to ₹ 203.72 lakh pertaining to previous year (2016-17) was pending for payment in financial year (2017-18). Thus, the charges incurred in one year was thrown on the grant of another year, which was in contravention to subsidiary rule 283 of MPTC.

On this being pointed out, SP, Ashok Nagar, Raisen and Sidhi stated that due to the non-availability of budget in financial year 2016-17, the payment had been made in financial year 2017-18. SP, Rewa stated that the budget had been allocated in 2017-18 and payment was being made. SP, Jabalpur stated that due to lack of budget provision and restriction imposed on withdrawal by Government, payment could not be made in March 2017, the same had been made against budget provision for 2017-18.

The reply was not acceptable as under the provisions of MPTC, payment of pending bills was to be made in the same financial year.

The matter was referred to the Government (January 2019); their reply was awaited (June 2019).

**Recommendation:** The Government should ensure that the Departments must draw and pay all charges actually incurred at once and under no circumstances they be allowed to stand over to be paid from the grant of another year.

### 3.12 Irregular maintenance of Bank accounts

According to Rule 9 of MPTC 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 Fisherman Welfare and Fisheries Development Department, ₹ 88.65 lakh was withdrawn from the Consolidated Fund for Fisher Farmer Development Agencies (FFDA) schemes etc. and deposited in five bank accounts without obtaining permission from the Finance Department, which were being operated by three<sup>47</sup> Drawing and Disbursing Officers (DDOs) as on 31 March 2018.

<sup>46</sup> (1) Ashok Nagar: ₹ 14.80 lakh, (2) Jabalpur: ₹ 55.75 lakh, (3) Raisen: ₹ 22.95 lakh, (4) Rewa : ₹ 80.03 lakh and (5) Sidhi : ₹ 30.19 lakh

<sup>47</sup> (1) Assistant Director, Fisheries, Mandala: ₹ 54.37 lakh, (2) Assistant Director, Fisheries, Narsinghpur: ₹ 2.11 lakh, (3) Fish Farmer Development Agency, Shahdol: ₹ 32.17 lakh

### 3.12.1 Parking of funds in Bank accounts to avoid lapse of Budget Grant

Test check of records of the office of District Organizer Tribal Welfare (DOTW), Shivpuri revealed that an amount of ₹ 9.18 crore of various schemes namely Ganvesh (Uniform), Scholarship etc. was withdrawn from the treasury during 2016-17 to 2017-18 and deposited in five bank accounts<sup>48</sup> in the name of Jila Sanyojak Aadim Jati, Shivpuri without permission of FD.

On this being pointed out, DOTW stated that the amount would be deposited in the Government account.

Fact remains that amount was withdrawn without immediate requirement which leads to blockage of funds and is in contravention of the provisions of MPTC.

During exit conference (April 2019) FD replied that necessary instructions would be issued to the concerned Department.

### 3.12.2 Parking of funds of different schemes of Panchayati Raj Institutions

As per rule 173 of Chapter 9 of MPFC Volume I, unless it is otherwise ordered by Government, every grant made for a specific object is subject to the implied conditions that any portion of the amount, which is not ultimately, require for expenditure upon that object should be duly surrendered to the Government.

Test check of records of Office of the Chief Executive Officer (CEO), Zila Panchayat<sup>49</sup>/Janpad Panchayat<sup>50</sup> (July 2017 and December 2017), revealed that an amount of ₹ 2.37 crore of 18 schemes<sup>51</sup> was deposited in the bank accounts of ZP/JPs. Further, the amount was not surrendered/deposited in Government account even after closing/non-operation of the schemes.

This resulted in parking of ₹ 2.37 crore in the bank accounts of the schemes till the date of audit.

On this being pointed out, CEO JPs Ashoknagar, Thikri, Jhirniya, Sabalgarh, Pawai, Sanchi accepted the audit observation and stated that action would be taken for depositing the amount of closed schemes to Government Account.

Fact remains that the parking of funds is not only a violation of rules but also affects the flow of funds for the purpose it was provided.

During exit conference (April 2019) FD replied that necessary instructions would be issued to the concerned Departments.

**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*

<sup>48</sup> (1) State Bank of India, (No. 10547193121): ₹ 0.30 crore, (2) Axis Bank, (No. 911020002506994): ₹ 5.85 crore, (3) Axis Bank, (No. 911010020719975): ₹ 1.57 crore, (4) ICICI Bank, (No. 14905000621): ₹ 0.05 crore, (5) HDFC Bank, (No. 50200008698785): ₹ 1.41 crore,

<sup>49</sup> Datia

<sup>50</sup> Ashok Nagar, Jhirniya (Khargone), Pawai (Panna), Sabalgarh (Morena), Sanchi (Raisen) and Thikri (Badwani)

<sup>51</sup> 10<sup>th</sup> and 11<sup>th</sup> Finance Commission (₹ 18.32 lakh), Indira Awas Yojna (₹ 0.19 lakh), Jaiv Vividhata (₹ 2.07 lakh), Mid-Day-Meal (₹ 44.84 lakh), National Sum Vikas Yojna (₹ 3.27 lakh), Nirmal Bharat Abhiyan (₹ 3.19 lakh), Panchayat Nirvachan Namankan Fees (₹ 3.48 lakh), Pension Schemes (₹ 139.86 lakh), Rashtriya Maternity Yojna ₹ 0.09 lakh), Rashtriya Pariwar Sahayata Yojna (₹ 2.61 lakh), Shahriya Vikas Abhikaran (₹ 0.43 lakh), Sampoorana Gramin Rojgar Yojna (₹ 0.24 lakh), Sarv Shiksha Abhiyan (₹ 0.24 lakh), SGSY (kup) (₹ 9.66 lakh), Shiksha Karmi (₹ 0.53 lakh), Swarnjayanti Rojgar Yojna (₹ 6.80 lakh), Tribal Welfare (₹ 0.35 lakh), Zila Shiksha Kendra (₹ 0.56 lakh)

*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 2018 is given in **Table 3.11**.

**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>52</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	2015-16	2013-14	2013-14 (placement of SAR on 07.03.2018)	2014-15 (31) 2015-16 (19) 2016-17 (15) 2017-18 (03)
2	MP Human Rights Commission, Bhopal	Section 19(2) of C&AG (DPC) Act	2016-17	2015-16	2014-15 (placement of SAR on 30.11.2017)	2015-16 (15) 2016-17 (03) 2017-18 (03)
3	MP Building and Other Construction Workers Welfare Board, Bhopal	Section 19(2) of C&AG (DPC) Act	2012-13	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 (20) 2012-13 (59) 2013-14 (51) 2014-15 (39) 2015-16 (27) 2016-17 (15) 2017-18 (03)
4	MP State Legal Services Authority, Jabalpur	Section 19(2) of C&AG (DPC) Act	2006-07 to 2009-10	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 (51) 2014-15 (39) 2015-16 (27) 2016-17 (15) 2017-18 (03)
5	MP Housing and Infrastructure Development Board, Bhopal	Section 19(3) of C&AG (DPC) Act	2017-18	2016-17	2015-16 (Placement of SAR on 18.07.2017)	2016-17 (02)
6	Madhya Pradesh Electricity Regulatory Commission (MPERC), Bhopal	Section 19(2) of C&AG (DPC) Act	2017-18	2016-17	2016-17 (placement of SAR on 21.03.2018)	-

<sup>52</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 2018.

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

### 3.14 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 3.12** below.

**Table 3.12: Impact on Revenue Surplus, Fiscal Deficit and Outstanding liabilities as per Finance Accounts and as worked out by Audit**

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	19.82	19.82	-
Non-contribution to Consolidated Sinking Fund	779.00	779.00	779.00
Short contribution to Guarantee Redemption Fund	148.48	148.48	148.48
Non-payment of interest on Reserve Funds and Deposits bearing interest	1.23	1.23	1.23
Misclassification between revenue and capital expenditure	653.12	-	-
<b>Total</b>	<b>1,601.65</b>	<b>948.53</b>	<b>928.71</b>

(Source: Finance Accounts 2017-18)

In view of the above, the Revenue Surplus, Fiscal Deficit and Outstanding Liabilities of the State for the year 2017-18 which are ₹ 4,629 crore, ₹ 22,745 crore and ₹ 1,72,363 crore as projected in the Finance Accounts would actually be ₹ 3,027 crore, ₹ 23,694 crore and ₹ 1,73,292 crore respectively.

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

Balances amounting to ₹ 118.28 crore under Public Accounts along with balance under Capital Section ₹ 5,750.38 crore, Guarantees ₹ 967.43 crore and Loans and Advances ₹ 1,297.35 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. Details are given in **Table 3.13** below.

**Table 3.13: Un-apportioned balances as of March 2018**

Head of Account	Un-apportioned balance as on 31 March 2017	Un-apportioned balance as on 31 March 2018
Public Accounts	669.76	118.28
Capital Section	5,755.20	5,750.38
Guarantees	967.43	967.43
Loans and Advances	2,176.05	1,297.35

(Source: Finance Accounts 2016-17 and 2017-18)

During the year 2017-18, the State Governments of Madhya Pradesh and Chhattisgarh had apportioned 82 per cent (₹ 551.48 crore) under Public Accounts and 40 per cent (₹ 878.70 crore) under Loans and Advances in 2017-18, as compared to the un-apportioned balances in 2016-17.

During exit conference (April 2019) FD replied that it had been resolved in a meeting with Chhattisgarh Government and Accountant General (A&E) of both states.

The reply is not acceptable as the apportionment of Public Accounts, Capital Section, Guarantees and Loans and Advances still remained un-apportioned as depicted in Finance Accounts 2017-18 and the same has also not yet published in Gazette notification.

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

### 3.16 Improper maintenance of Cash Books by the Departments

The Cash Book is a primary record of financial transactions of receipts and disbursements which is required to be maintained mandatorily in each office to ensure proper receipt and custody of Government money. Non-maintenance/improper maintenance of cash book not only impacts the accuracy and completeness of accounts but is also a red flag for probable fraud, misappropriation and embezzlement of Government funds.

The audit inspection reports of the Accountant General issued to various Departments have reflected many instances of non-maintenance/improper maintenance of cash books by various entities under GoMP. The details are shown in **Appendix 3.10**.

### 3.17 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) of the Companies Act, 2013<sup>53</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, 46 per cent of the PSUs in Madhya Pradesh are in arrears of accounts as detailed in **Table 3.14**.

**Table 3.14: Age-wise arrears of Accounts of PSUs as of 31 December 2018**

Sl. No.	Particulars	Working	Non-working	Total
1	Number of PSUs/Corporations	58	16	74
2(a)	Number of PSUs/Corporations having accounts in arrears	30	04	34
2(b)	Number of accounts in arrears	62	70	132
3(a)	Number of PSUs/Corporations with accounts in arrears of less than five years	28	0	28
3(b)	Number of accounts arrears in above PSUs/Corporations	41	0	41
4(a)	Number of PSUs/Corporations with accounts in arrears for five to 10 years	01	02	03

<sup>53</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.

Sl. No.	Particulars	Working	Non-working	Total
4(b)	Number of accounts arrears in above PSUs/Corporations	07	16	23
5(a)	Number of PSUs/Corporations with accounts in arrears for 10 years and above	01	02	03
5(b)	Number of accounts arrears in above PSUs/Corporations	14	54	68
6	Extent of arrears of accounts (in years)	1-14	1-28	1-28

(Source: Information furnished by PSUs)

Due to non-finalisation of accounts in respect of 34 PSUs, 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 for one to 28 years. The accounts were in arrears for less than five years in respect of 28 PSUs and for six PSUs the arrears ranged between six to 28 years.

The above indicates 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 ₹ 8,315.39 crore in 13 working PSUs (equity: ₹ 2,089.73 crore, loans: ₹ 88.92 crore, capital grants: ₹ 564.21 crore, guarantees: ₹ 115.23 crore and others (subsidy): ₹ 5,457.30 crore) during the period for which accounts were in arrears for the last one to 14 years as detailed in **Appendix 3.11**. The accounts were in arrears for 14 years in respect of one PSU and for 12 PSUs it ranged between one to seven years. The State Government needs to see if this is value-for-money expenditure; and if such assistance can justifiably be booked as capital expenditure for Equity (₹ 2,089.73 crore) and Loans (₹ 88.92 crore) and as revenue expenditure for Subsidies (₹ 5,457.30 crore) and Grants (₹ 564.21 crore).

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 3.11**.

**Recommendation:** *The Finance Department should review the cases of all PSUs that are in arrear in 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.*

### 3.18 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, 22 PSUs with Government equity of ₹ 1,662.62 crore earned aggregate profit of ₹ 998.37 crore, only six PSUs proposed dividend of ₹ 45.63 crore or 4.57 per cent of overall profit of these PSUs. Thus, 16 PSUs did not declare dividend of ₹ 139.56 crore despite earning profit of ₹ 697.80 crore in 2017-18 in violation of the dividend policy of GoMP. Details are given in **Appendix 3.12**.

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

### 3.19 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 2018 is stated in the **Table 3.15**.

**Table 3.15: 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	28,034.13	20,200.38	7,833.75
Loans	33,125.36	28,574.53	4,550.83
Guarantees	4,999.20	3,901.27	1,097.93

(Source: Finance Accounts for the year 2017-18 and information furnished by PSUs)

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.

**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.*



(D. SAHU)

**Accountant General**  
(General and Social Sector Audit)  
Madhya Pradesh

Gwalior  
The 20 November 2019

Countersigned



(RAJIV MEHRISHI)

New Delhi  
The 29 November 2019

Comptroller and Auditor General of India

