

---

# **EXECUTIVE SUMMARY**

---



## EXECUTIVE SUMMARY

### Fiscal situation of the State

Revenue receipts, revenue expenditure and capital expenditure as a percentage of GSDP increased in 2017-18 when compared to 2013-14 even after accounting for inflation.

*(Paragraph 1.1.1)*

The State has achieved targets of revenue surplus, fiscal deficit and ratio of outstanding debt to GSDP prescribed in the budget estimates 2017-18 and recommendation of XIV FC. However, as per actuals worked out by Audit, revenue surplus was below the target prescribed in budget estimates while fiscal deficit was above the target set by XIV FC.

*(Paragraph 1.1.2)*

### Resource mobilisation

Revenue receipts grew by ₹ 11,568 crore (nine per cent) over 2016-17, but were lower than the budget estimates by ₹ 4,241 crore.

Revenue expenditure increased by ₹ 10,709 crore (nine per cent) over 2016-17, but were lower than the budget estimates by ₹ 4,273 crore.

Capital expenditure increased by ₹ 3,625 crore (13 per cent) over 2016-17, but were lower than the budget estimates by ₹ 499 crore.

**Recommendation:** *The Finance Department should rationalise the budget preparation exercise, so that the persisting gap between the budget estimates and actuals is bridged.*

*(Paragraphs 1.1.1 and 1.1.3)*

### National Pension System

Non-deduction of NPS was noticed in 20 schools out of the 260 schools audited. Similarly, in four Forest Offices out of the 63 Forest Offices audited, non-deduction of NPS from the arrears of dearness allowances were noticed.

Against the total contribution of ₹ 3,321.38 crore (employees' share and Government share for the period 2010-11 to 2017-18), only ₹ 3,203.56 crore was transferred to NSDL and the remaining amount of ₹ 117.82 crore was not transferred to NSDL. During 2017-18, Government transferred only ₹ 801.63 crore to NSDL out of total contribution of ₹ 821.45 crore. This resulted in overstatement of Revenue Surplus and understatement of Fiscal Deficit by ₹ 19.82 crore for 2017-18.

**Recommendation:** *The State Government should examine the reasons for non-deduction and put in place a mechanism to ensure that employees' contributions are fully deducted, fully matched by Government contributions and fully transferred to NSDL in a timely manner. In case of any delay in transfer to NSDL, interest at least at GPF rate may be credited to subscriber's account. Non-deduction of NPS contribution or its non-transfer (along with State Government contribution) is not only a loss to the individual employees it might adversely affect the scheme itself.*

*(Paragraphs 1.3.5.1 and 1.3.5.2)*

### **Adequacy of public expenditure**

The ratio depicting the adequacy of Public Expenditure of Madhya Pradesh in 2017-18 was higher than the average of general category states except in the Education and Health Sector.

*(Paragraph 1.3.6.1)*

### **Transactions under Reserve Funds**

Three reserve funds with balance of ₹ 5.04 crore were not operated during the period 2015-18. Three other reserve funds had investment amounting ₹ 7.69 crore as on 31 March 2018 but no investment was made in these funds at least in the past three years.

Transfers into reserve funds and disbursement therefrom are effected through debit and credit entries under the appropriate revenue expenditure heads under the Consolidated Fund. These represent actual cash transfers only if they impact the Reserve Bank Deposits either directly or by way of investment. Since there were no actual cash transactions in the reserve funds of GoMP, the balances depicted in the accounts are mere book entries. This violates the principles underlying the creation and operation of reserve funds.

**Recommendation:** *The Finance Department should review the practice of treating of transactions and balances under reserve funds as mere book entries and adhere to the principles of underlying the creation and operation of reserve funds by actual investment of balances with the Reserve Bank of India.*

*(Paragraph 1.5.2)*

### **Sinking Fund**

The XII Finance Commission recommended that States should set up Sinking Funds for amortisation of loans. In terms of the guidelines of the Reserve Bank of India, States are required to contribute to the Consolidated Sinking Fund, a minimum of 0.50 *per cent* of their outstanding liabilities as at the end of the previous year. However, GoMP has not constituted a Consolidated Sinking Fund for amortisation of loans unlike other States. The non-creation of the Sinking Fund has resulted in the State Government not contributing ₹ 779 crore in 2017-18 (0.50 *per cent* of outstanding liabilities of ₹ 1,55,800.12 crore as on 31 March 2017). This overstated the Revenue Surplus and understated the Fiscal Deficit of 2017-18 by ₹ 779 crore.

**Recommendation:** *The State Government may consider accepting the recommendation of the XII FC and create a Consolidated Sinking Fund.*

*(Paragraph 1.5.2.1)*

### **Guarantee fees**

During the year 2017-18, a sum of ₹ 25.96 crore (34.07 *per cent*) out of ₹ 76.19 crore receivable, was recovered as guarantee fees. Two institutions however, paid more guarantee fees than required. The remaining nine institutions with outstanding guarantees of ₹ 4,178.10 crore did not pay the stipulated guarantee fees.

**Recommendation:** *The Finance Department and the concerned Administrative Departments are required (i) to ensure that all institutions*

*availing of guarantees pay guarantee fees in full, and till such time no further guarantees are given to these institutions, and (ii) to review and reconcile the guarantee fee details of MP Power Generating Company and State Urban Development Authorities who, as per the Finance Accounts, have paid more guarantee fees than required.*

**(Paragraph 1.5.2.2)**

### **Guarantee Redemption Fund (GRF)**

The State Government constituted the Guarantee Redemption Fund (GRF) in 2005-06 in view of recommendation of XII Finance Commission. As per the scheme, the Fund is required to be credited with guarantee fees realised in the preceding year and a matching contribution is made by the State Government. Guarantee fees of ₹ 74.24 crore was realised in the preceding year and State Government was required to make a matching contribution of ₹ 74.24 crore. Accordingly ₹ 148.48 crore was to be contributed by the State to the Fund in the year 2017-18, but no amount was contributed by the State Government to the fund resulting in short contribution of ₹ 148.48 crore. As on 31 March 2018, the balance in the Fund was ₹ 408.79 crore against total outstanding guarantees of ₹ 14,002.99 crore which was invested in Central Government Dated Securities.

**Recommendation:** *The State Government should consider contributing to the Guarantee Redemption Fund as per scheme.*

**(Paragraph 1.5.2.2)**

### **Savings**

Failure of the Finance Department to monitor departmental expenditure by controlling offices resulted in savings amounting to ₹ 34,337.14 crore remaining unutilised during 2017-18.

**Recommendations:** *The Finance Department should monitor the trends of expenditure by Departmental Controlling Officers, so that funds are not retained unnecessarily and are surrendered at the earliest, without resorting to last minute surrenders and lapsing of allocations.*

**(Paragraph 2.1)**

### **Excess expenditure requiring regularisation**

State Government did not regularise the excess expenditure amounting to ₹ 660.67 crore covering 16 grants and 15 appropriations pertaining to the period 2003-17.

**Recommendation:** *The Finance Department should ensure that the excess expenditure of remaining years is regularised by the State Legislature at the earliest and strict departmental action is taken against controlling officers who exceed the budget.*

**(Paragraph 2.2.1)**

### **Surrender orders not accepted by Accountant General**

The Accountant General (A&E) refused to accept 74 sanctions for surrender of funds amounting to ₹ 5,571.93 crore.

**Recommendation:** The Finance Department should ensure that sanction orders for surrenders by controlling officers are timely, complete and valid as stipulated under the guidelines.

(Paragraph 2.2.9.1)

### **Rush of expenditure**

100 per cent expenditure was incurred during March 2018 in 13 cases of 10 grants/appropriations amounting to ₹ 2,948.76 crore.

**Recommendation:** The Finance Department should review the pattern of expenditure and take corrective measures to avoid rush of expenditure at the end of the financial year.

(Paragraph 2.2.11)

### **Personal Deposit (PD) accounts**

GoMP had a closing balance of ₹ 5,370.06 crore in respect of 847 PD accounts as on 31 March 2018. Further, 43 PD/ED accounts in seven treasuries with balances of ₹ 10.79 crore remained inoperative for more than three years.

**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.

(Paragraphs 3.2 and 3.2.1)

### **Building and Other Construction Workers (BOCW) Welfare Cess**

An amount of ₹ 1,212.79 crore available with the Board as on 31 March 2018 out of which ₹ 1,063.78 crore was kept in bank accounts. The difference of ₹ 149.01 crore was pending for reconciliation. However, interest amounting to ₹ 326.94 crore accrued from the amount deposited in the bank accounts was not being depicted in Cash Book.

The Board does not have a fixed asset register, in the absence of which, the physical existence of the assets created and their location could not be verified.

**Recommendation:** The State Government should ensure that the MP BOCW Welfare Board finalises accounts as per Act 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.

(Paragraph 3.3.1)

### **Opacity in Government Accounts**

GoMP departments routinely operated minor head 800 which is to be operated only in rare cases. During 2017-18, ₹ 35,479.51 crore under receipts and ₹ 24,717.79 crore under expenditure was booked under minor heads 800 resulting in opacity of transactions.

**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.

(Paragraph 3.4)

**Non-submission of Utilisation Certificates**

Utilisation Certificates (20,666) in respect of grants-in-aid given by different Departments of State Government amounting to ₹ 17,793.21 crore were outstanding as on 31 March 2018, indicating lack of proper monitoring by the concerned Departments of utilisation of grants.

***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.*

**(Paragraph 3.6)**

**Parking of fund of different schemes of Panchayati Raj Institutions**

Panchayat and Rural Development Department deposited ₹ 2.37 crore of different schemes in bank accounts. Further, this amount was not deposited/surrendered to Government account even after the closing/non-operation of schemes.

***Recommendation:** The Finance Department should review all bank accounts operated by State Government department 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.*

**(Paragraph 3.12.2)**

**Finalisation of accounts of PSUs/Corporations**

The accounts of 30 working PSUs/Corporations (62 accounts) and four non-working PSUs/Corporations (70 accounts) are in arrears of one to 28 years. Despite this, the Finance Department has provided budgetary support of ₹ 8,315.39 crore to 13 PSUs during the period for which accounts were in arrears.

***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.*

**(Paragraph 3.17)**

**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. As per their latest finalised accounts, 22 PSUs earned aggregate profit ₹ 998.37 crore, though only six PSUs proposed dividend of ₹ 45.63 crore and 16 PSUs did not declare dividend of ₹ 139.56 crore despite earning profit.

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

**(Paragraph 3.18)**

