EXECUTIVE SUMMARY

Executive Summary

1 The Report

Based on the audited accounts of the Government of Madhya Pradesh for the year ending March 2019, this report provides an analytical review of the finances of the State Government. The report is structured in three Chapters.

Chapter 1- Finances of the State Government

This chapter provides a broad perspective of the finances of the State, analyses the critical changes in major fiscal aggregates relative to the previous year, overall trends during the last five years, debt management of the State and key Public Account transactions, based on the Finance Accounts of the State.

Chapter 2- Financial Management and Budgetary Control

This chapter is based on the Appropriation Accounts of the State and reviews the appropriations and allocative priorities of the State Government and reports on deviations from Constitutional provisions relating to budgetary management.

Chapter 3- Financial Reporting

This chapter comments on the quality of accounts rendered by various authorities of the State Government and issues of non-compliance with prescribed financial rules and regulations by various departmental officials of the State Government.

The Report has 40 appendices containing additional data collated from several sources in support of the audit observations.

2 Audit findings

2.1 Finances of the State Government

The State Government registered an increase of 10.39 per cent in its Revenue Receipts during 2018-19 compared to the previous year, although it could not achieve the extent targeted in the Budget for the year. Apart from an increase of 13.55 per cent in its Own Tax receipts, owing primarily to GST receipts, there was a significant increase of 31.32 per cent in the Non-Tax Revenue during the year 2018-19.

Out of the total collected contribution of ₹1,153.70 crore (employees contribution and Government contribution) towards National Pension System (NPS) during the year 2018-19, the State Government transferred only ₹1,040.60 crore to NSDL. Test check in Audit revealed instances of non-deduction of NPS from the salaries and arrears in 11 offices of Police and Education Departments.

Development expenditure on social and economic sectors of the State was more than that of the average of General Category States (GCS) during 2018-19, except *expenditure on health (4.48 per cent) which was lower than the average of GCS (5.07 per cent).*

The State continued to be non-compliant with the Indian Government Accounting Standards (IGAS–2) as regards the accounting treatment given to expenditure incurred out of grant-in-aid, which had the impact of distorting its expenditure under several Heads of Account, apart from inflating the Revenue Surplus.

The State Government did not honour its commitment/obligation made in its MoU with GoI and the DISCOMs under the UDAY scheme. It did not also set up the Consolidated Sinking Fund and contribute the mandated share of ₹861.82 crore to the Fund. Further, there was short contribution to the Guarantee Redemption Fund.

(Chapter 1)

2.2 Financial Management and Budgetary Control

Budgetary assumptions of the State Government were not realistic during 2018-19 and budgetary estimates were off the mark to a considerable extent, and control over the execution and monitoring of budget was inadequate.

Supplementary Grants/ Appropriations were obtained without adequate justification, and large amounts were expended without budgetary provision. Despite flagging this issue every year over the last several years, the State Government had failed to take corrective measures in this regard.

Savings during the year accounted for 21 per cent of the budget; however, the Controlling Officers did not surrender the funds on time. Departments were not cautioned against persistent savings; nor were their budgets varied in accordance with their ability to absorb the allocations.

Despite flagging the issue several times with the Finance Department and mentioning in the Report of the CAG on the finances of the State Government, the latter continued to misclassify revenue receipts and expenditure in the capital section, which impacted the revenue surplus and other fiscal parameters.

(Chapter 2)

2.3 Financial Reporting

Indiscriminate operation of omnibus Minor Head 800 – 'Other Receipts' (₹34,831.64 crore) and 'Other Expenditure' (₹30,676.59 crore) affected transparency in financial reporting and obscured proper analysis of allocative priorities and quality of expenditure.

Utilisation Certificates had not been submitted by various Departments for an aggregate amount of ₹14,470.62 crore drawn for specific developmental programmes/projects, which was violative of prescribed financial rules and directives and point to inadequate internal controls, while reflecting poorly on the monitoring mechanism of the State Government.

The Controlling Officers have reconciled their accounts figures with those booked by the office of the PAG (A&E) to the extent of only 13.94 per cent in respect of receipts and 48.99 per cent in respect of expenditure. Non-reconciliation of accounts by the account rendering units/authorities affected the accuracy and completeness of accounts of the State and impacted effective budgetary management.

The MP Building and Other Construction Workers Welfare Board parked an amount of ₹1,777.75 crore in bank accounts. Further, the Board could utilise only 15 per cent of the available funds and cater to the welfare of only 30 per cent of the registered workers under various schemes.

An amount of ₹13.78 crore was parked in bank accounts by Collectors of various districts without authorisation from the Finance Department.

There were several PD Accounts with huge balances lying inoperative for over three years. The Government should have monitored these Accounts closely and ensured that such inoperative Accounts are closed and the balances transferred to Government Account in accordance with the Treasury Code of the State.

(Chapter 3)