

Chapter I
Introduction

CHAPTER-I

INTRODUCTION

1.1 About this Report

This report contains the results of Compliance Audits of various Departments under Economic Sector of the Government of Madhya Pradesh conducted during 2017-18 in compliance with the CAG's audit mandate under Article 151 of the Constitution of India and the CAG's (Duties, Powers and Conditions of Service) Act, 1971.

This Report aims to assist Madhya Pradesh Legislative Assembly to ensure executive accountability and to improve the process of governance and public service delivery by various Departments.

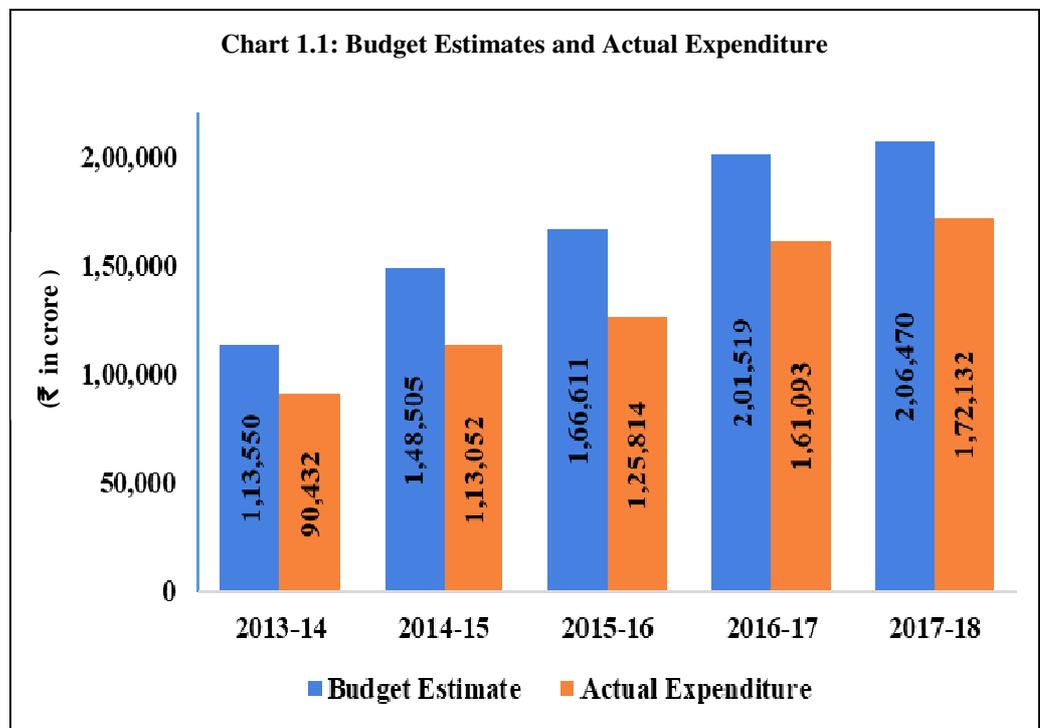
The layout of the Report is as under:

1. **Chapter I:** General information about the audited entities.
2. **Chapter II:** Audit on "Execution of work through Turnkey Contracts in Water Resources Department" and 10 Audit paragraphs.

1.2 Profile of audited entities

Seventeen out of total 53 Departments in Madhya Pradesh fall under the Economic Sector. These Departments are headed by Additional Chief Secretaries/Principal Secretaries, who are assisted by Commissioners/ Directors and subordinate officers under them.

The trend of budget estimate and actual expenditure of the State Government during 2013-18 is as detailed in **Chart 1.1**.



(Source: Appropriation Accounts of respective years)

The trend of expenditure of five major Departments under Economic Sector during 2015-16 to 2017-18 is given in **Table 1.1**.

Table 1.1: Expenditure of major Departments under Economic Sector

(₹ in crore)			
Department	2015-16	2016-17	2017-18
Public Works	6,319.77	8,253.99	8,172.01
Water Resources	5,954.12	7,423.14	7,042.41
Farmer Welfare & Agriculture Development	1,926.30	4,734.91	5,362.35
Forest	2,035.77	2,159.63	2,277.47
Narmada Valley Development Department	1,381.18	1,986.45	2,535.84

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

1.3 Audit Coverage

During the year 2017-18, the Accountant General (Economic and Revenue Sector Audit), Madhya Pradesh conducted compliance audits of 449 out of total 1,495 auditable units under 17 Departments pertaining to the Economic Sector along with Audit on “Execution of work through Turnkey Contracts in Water Resources Department”.

1.4 Response of the Government to Audit

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

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

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

1.4.1 Inspection Reports (IRs)

A detailed review of IRs issued up to March 2018 to 1,495 Drawing and Disbursing Officers (DDOs) pertaining to 17 Departments revealed that 25,123 paragraphs contained in 6,231 IRs were outstanding for settlement for want of convincing replies as on 31 March 2019. Of these, the DDOs submitted initial replies against 23,049 paragraphs contained in 5,974 IRs while, in respect of 2,074 paragraphs contained in 257 IRs, there was no response from DDOs.

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

Table 1.2: Outstanding IRs and Paragraphs (issued up to 31 March 2018) as on 31 March 2019

Sl. No.	Period	No. of outstanding IRs (per cent)	No. of outstanding Paras (per cent)
1	2017-18	465 (08)	3,539 (14)
2	1 year to 3 years	1,447 (23)	8,063 (32)
3	3 years to 5 years	930 (15)	3,909 (16)
4	More than 5 years	3,389 (54)	9,612 (38)
Total		6,231	25,123

During 2017-18, seven meetings of Audit with departmental officers (Audit Committee Meetings) were held, in which 299 IRs and 1,972 Paras were settled.

1.4.2 Compliance Audit

For the present Audit Report 2017-18, Audit on “Execution of work through Turnkey Contracts in Water Resources Department” and 10 Draft Paragraphs were forwarded to the Administrative Secretaries concerned to elicit their views on the audit observations. No replies have been received till January 2020 for three out of 10 Audit Paragraphs, despite repeated reminders.

1.5 Action taken on earlier Audit Reports

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

During the years 2011-12 to 2016-17, 108 audit paragraphs were reported in the Audit Reports on Economic Sector. Of these, PAC had taken up 50 paragraphs for discussion and 48 paragraphs for written reply, while 10 audit paragraphs of the year 2016-17 are yet to be selected either for oral discussion or for written reply by the PAC. Out of 17 recommendations of PAC on these paragraphs, Government has taken action on five recommendations as on April 2019 as detailed in **Table 1.3**.

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

Status	Audit Report on Economic Sector for the year 2011-12 to 2016-17
Total no. of Audit Paras	108
Taken up by PAC for oral discussion	50
Taken up by PAC for submission of written reply	48
Recommendations made by PAC	17 (Nine paras under oral discussion + Eight paras for written reply)
Action taken by the Department	05 (Three paras under oral discussion + Two paras for written reply)

1.6 Recoveries at the instance of Audit

The audit findings involving recoveries that came to notice in the course of test audit of accounts of the Departments of the State Government were referred to various departmental Drawing and Disbursing Officers (DDOs) for confirmation and further necessary action under intimation to audit.

During 2017-18, recovery of ₹ 1,426.36 crore was pointed out in audit. During the same period, the DDOs concerned had effected recovery of ₹ 36.48 crore in respect of recovery pointed in current year. A summary of a few cases of recoveries pointed out and effected are given in **Table 1.4**.

Table 1.4: Recoveries pointed out by audit and accepted/recovered by the Departments
(₹ in crore)

Department	Particulars of recoveries noticed	Recoveries pointed out in Audit and accepted by the Departments during 2017-18			Recoveries effected during 2017-18	
		Number of cases	Pointed out	Accepted	Number of cases	Amount involved
Water Resources Department	Financial aid to the Contractor due to non-recovery of price adjustment	01	27.24	21.28	01	21.28
	Excess payment to Contractor due to non-deduction of rates for execution of contraction grooves in place of PVC strips at joints in canal lining	01	0.61	0.61	01	0.61
Public Works Department	Extra cost due to non-incorporation of amendments in the agreement.	01	0.98	0.98	01	0.98
	Undue advantage to the Contractor due to non-recovery of price adjustment.	01	0.72	0.72	01	0.72
	Excess payment to Contractor for extra cement.	01	0.46	0.46	01	0.46
Forest Department	Incorrect computation of Supervision Charges from user agency resulted in short recovery.	01	0.26	0.26	01	0.26