

Chapter-I

Overview

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1.1 About this Report

This Report of the Comptroller and Auditor General of India (CAG) contains matters arising from performance audit of Public Health and Family Welfare Department and compliance audit of transactions of various Departments of the Government of Madhya Pradesh, pertaining to General and Social Sectors.

The primary purpose of this Report is to bring to the notice of the State Legislature, significant results of audit. The findings of audit are expected to enable the Executive to take corrective action, to frame appropriate policies as well as to issue directives that will lead to improved financial management of organisations and contribute to better governance.

This Chapter explains the planning and coverage of audit, response of Departments and Government to audit findings/observations made during audit of transactions and follow-up action on previous Audit Reports.

1.2 Profile of General and Social Sectors

A summary of the expenditure incurred by the 34 Departments of Government of Madhya Pradesh falling within the General and Social Sectors during the three-year period 2016-17 to 2018-19 is given below:

Table-1.1

(₹ in crore)

Sl. No.	Name of the Department	2016-17	2017-18	2018-19
A	General Sector			
1.	Finance Department	8,973.52	9,654.14	12,280.90
2.	Home Department	5,285.18	5,888.01	6,840.54
3.	Revenue Department	4,980.98	3,932.00	3,980.89
4.	Law and Legislative Affairs Department	791.96	972.86	1,358.61
5.	General Administration Department	473.39	593.49	579.39
6.	Public Relation Department	382.49	382.94	418.82
7.	Jail Department	303.48	292.75	328.54
8.	Planning, Economics and Statistics Department	94.31	253.13	228.95
9.	Science and Technology Department	222.37	211.53	175.73
10.	Bhopal Gas Tragedy Relief and Rehabilitation Department	85.56	96.03	102.83
11.	Parliamentary Affairs (State Legislature) Department	69.46	87.13	83.98
12.	Public Service Management Department	53.26	47.67	46.96
13.	Overseas Indian Department	0	0	0.39
Total (A)		21,715.96	22,411.68	26,426.53

Sl. No.	Name of the Department	2016-17	2017-18	2018-19
B	Social Sector			
1.	Panchayat and Rural Development Department	27,063.69	31,654.94	30,916.50
2.	Urban Development and Housing Department	11,087.57	12,675.20	13,619.99
3.	School Education Department	9,720.38	10,563.75	11,270.77
4.	Public Health & Family Welfare Department	3,492.55	5,236.41	5,093.04
5.	Women and Child Development Department	2,704.63	3,831.64	4,222.96
6.	Tribal Affairs Department	4029.25	3,677.81	3,903.72
7.	Public Health Engineering Department	910.71	2,323.67	2,530.04
8.	Medical Education Department	794.12	1,629.79	1,968.02
9.	Higher Education Department	1,749.26	1,709.44	1,963.58
10.	Food, Civil Supplies and Consumer Protection Department	1,908.85	1,576.76	1,309.53
11.	Technical Education and Skill Development Department	567.42	901.62	1,064.35
12.	Scheduled Caste Welfare Department	77.54	1,083.70	976.59
13.	Labour Department	148.03	165.28	974.97
14.	Backward Classes and Minorities Welfare Department	782.50	824.88	840.84
15.	Social Justice and Disabled Persons Welfare Department	189.18	442.99	501.09
16.	AYUSH Department	327.26	351.47	429.42
17.	Culture Department	178.22	278.98	230.07
18.	Spirituality Department	141.29	220.91	192.50
19.	Sports and Youth Welfare Department	101.48	174.59	171.19
20.	Environment ¹ Department	0	0	54.74
21.	Denotified Nomadic and Semi Nomadic Caste Welfare Department	10.25	19.56	15.87
Total (B)		65,984.18	79,343.39	82,249.78
Grand Total (A+B)		87,700.14	1,01,755.07	1,08,676.31

Source: Appropriation Accounts of Government of Madhya Pradesh for the respective years

¹ Up to 2017-18, Environment Department included in Urban Development and Environment Department.

1.3 Office of Principal Accountant General (Audit-I)

Out of 53 departments of the Government of Madhya Pradesh, 34 departments along with 21 Public Sector Undertakings (PSUs) and 55 autonomous bodies falling under General and Social Sectors are audited by the Office of the Principal Accountant General (Audit-I), Madhya Pradesh on behalf of the Comptroller and Auditor General of India (CAG).



Office of the Pr.AG

1.4 Authority for audit

The CAG's authority for audit is derived from Articles 149 to 151 of the Constitution of India, read with CAG's (Duties, Powers and Conditions of Service) Act, 1971 (DPC Act). The CAG audits General and Social Sector Departments of the Government as per the following provisions of the DPC Act:

- Audit of expenditure is carried out under Section 13² of the DPC Act;
- Audit of PSUs is carried out under the Section 19(1)³ of the DPC Act;
- Audit of **autonomous bodies** is conducted under Sections 19(2)⁴ and 20(1)⁵ of the DPC Act;
- **Local bodies** are audited under Section 20(1) of the DPC Act;
- In addition, CAG also conducts audit of **other autonomous bodies** which are substantially funded by the Government under Section 14⁶ of the DPC Act.

Principles and methodologies for various audits are prescribed in Auditing Standards and the Regulations on Audit and Accounts, as well as other guidelines, manuals and instructions issued by or on behalf of the CAG.

² Audit of (i) all transactions from the Consolidated Fund of State (ii) all transactions relating to the Contingency Fund and Public Account and (iii) all trading, manufacturing, profit & loss accounts, balance sheets and other subsidiary accounts kept in any Department of a State.

³ Audit of the accounts of Government companies is performed and exercised in accordance with the provisions of the Companies Act, 2013.

⁴ Audit of accounts of Corporations (not being Companies) established by or under law made by State Legislature in accordance with provisions of the respective legislations.

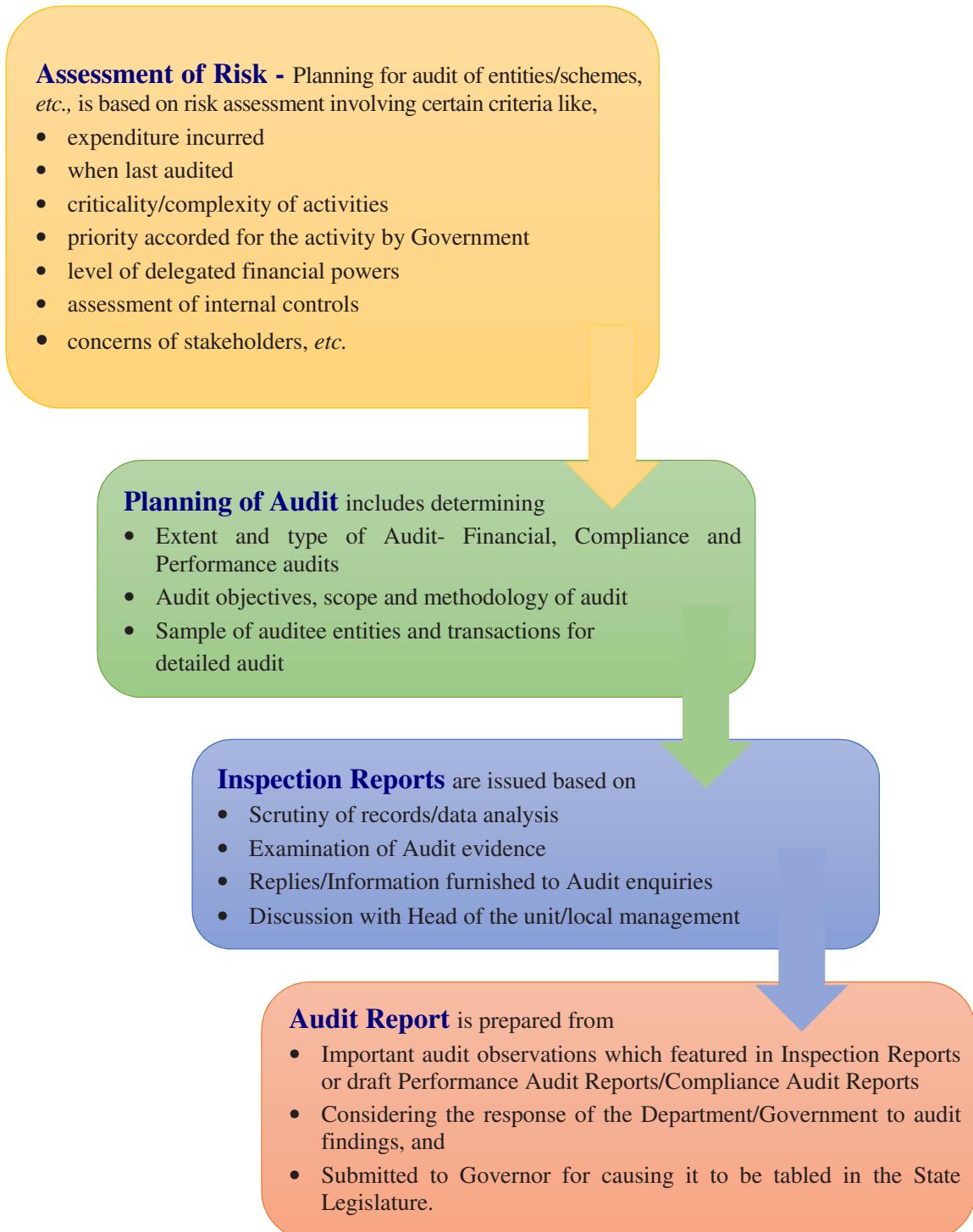
⁵ Audit of accounts of any body or authority on request of Governor, on such terms and conditions as may be agreed upon between CAG and Government.

⁶ Audit of all (i) receipts and expenditure of a body/authority substantially financed by grants or loans from the Consolidated Fund of State and (ii) all receipts and expenditure of any body or authority where grants or loans to such body or authority from the Consolidated Fund of State in a financial year is not less than ₹one crore.

1.5 Planning and Conduct of audit

The following flowchart depicts the process of planning and conduct of audit and preparation of Audit Reports:

Figure-1.1: Planning and conduct of audit and preparation of Audit Reports



After completion of compliance audit of each unit, an Inspection Report (IR) containing audit findings is issued to the head of the unit with a request to furnish replies within one month of receipt of the IR. Whenever replies are received, audit findings are either settled or further action for compliance is advised. Significant audit observations pointed out in these IRs, which require attention at the highest level in Government, are issued as draft paragraphs to the Government for their responses, before possible inclusion after due consideration of the responses, in the Audit Reports. In addition, draft Compliance Audits and Performance Audits on specific themes, topics, schemes are also issued to the Government for their responses, before possible inclusion in the Audit Reports. These Audit Reports are submitted to the Governor of Madhya Pradesh under Article 151 of the Constitution of India for causing them to be laid on the Table of the State Legislature.

1.6 Response of Departments to audit findings

1.6.1 Response to previous Inspection Reports

Heads of Offices and next higher authorities are required to respond to the observations contained in IRs and take appropriate corrective action. Audit observations communicated in IRs are also discussed at periodical intervals in Audit Committee meetings at District/State levels by officers of the Principal Accountant General's office with officers of the concerned Departments.

As of March 2020, 11,953 IRs containing 42,154 paragraphs pertaining to previous years were pending for settlement as detailed below. Of these, first replies have not been received in respect of 6,956 paragraphs (16.50 *per cent*) contained in 1,153 IRs. Department-wise details are given in *Appendix 1.1*.

Table-1.2

Year	Number of IRs/Paragraphs pending for settlement as of 31 March 2020		IRs/Paragraphs where even first replies have not been received as of 31 March 2020	
	IRs	Paragraphs	IRs	Paragraphs
2014-15 & earlier years	7,740	20,581	162	610
2015-16	1,030	4,450	162	806
2016-17	1,354	6,284	240	1,443
2017-18	1,161	6,344	299	1,967
2018-19	668	4,495	290	2,130
Total	11,953	42,154	1,153	6,956

Source: Records maintained by the O/o Pr. AG (Audit-I), Madhya Pradesh

Lack of action on IRs and audit paragraphs is fraught with the risk of perpetuating serious financial irregularities pointed out in these reports. It may also result in dilution of internal controls in the governance process, inefficient and ineffective delivery of public goods/

services, fraud, corruption and loss to public exchequer. State Government, therefore, needs to institute an appropriate mechanism to review these IRs and audit paragraphs and take expeditious action to address the concerns flagged in these.

1.6.2 Response of Government to audit observations

All Departments are required to send their responses to draft audit paragraphs proposed for inclusion in CAG's Report within six weeks⁷ of their receipt. During the year 2019-20, five draft compliance audit paragraphs were forwarded to the Additional Chief Secretary/Principal Secretaries of the Departments⁸ concerned, drawing their attention to the audit findings and requesting them to send their response within six weeks. It was brought to their personal attention that these paragraphs were likely to be included in the Audit Report of the CAG of India, which would be placed before the State Legislature and it would be desirable to include their comments/responses to the audit findings. Despite this, Home Department and Tribal Affairs Department did not furnish reply to two draft compliance audit paragraphs as on the date of finalisation of this Report. The fact of non-receipt of Government responses was also brought to the notice of the Chief Secretary to the Government in August 2020. The responses of the Government, wherever received, have been appropriately incorporated in the Report.

1.6.3 Response of Government to audit paragraphs that featured in earlier Audit Reports

Administrative Departments are required to submit Explanatory Notes (EN) on paragraphs and reviews included in Audit Reports, within three months⁹ of their presentation to State Legislature duly indicating action taken or proposed to be taken. For this purpose, the Departments are not required to wait for any notice or call from the Public Accounts Committee. Explanatory Notes on all paragraphs/ performance audit reviews included in all Audit Reports upto 2016-17 were received as on 31 March 2020.

1.6.4 Response of Government to recommendations of the Public Accounts Committee

Administrative Departments are required to submit Action Taken Notes (ATNs) on recommendations of Public Accounts Committee (PAC) within six months¹⁰ from the date of receipt of recommendations. As of March 2020, 23 ATNs on 37 paras of Audit Reports in respect of 13 Departments were yet to be received. Details are given in *Appendix 1.2*.

⁷ As per paragraph 207 of Regulations on Audit and Accounts 2007.

⁸ Home Department; Planning, Economics and Statistical Department; Sports and Youth Welfare Department and Tribal Affairs Department.

⁹ As per para 4.30 of the Report of the High Power Committee appointed to review the response of the State Governments to the Audit Reports of the Comptroller and Auditor General of India.

¹⁰ As per para 4.33 of the Report of the High Power Committee appointed to review the response of the State Governments to the Audit Reports of the Comptroller and Auditor General of India.

1.7 Recovery at the instance of Audit

Test-check of records¹¹ in the office of District Planning and Statistical Officer (DPO), Raisen (January 2019 and August 2019), revealed that entries of the bills in respect of the paid amounts to the beneficiaries of *Vidhayak Nidhi Yojana* and *Saansad Swechhaanudan*¹², in the Cash Book and Bill Register had not been reconciled with treasury voucher slips. The Drawing and Disbursing Officer (DDO) did not ensure the correctness of the bank account details of the claimants before submission of bills nor did she verify e-payment amounts and the bank details of e-payment after passing of the bills. The DDO also did not ensure confidentiality of her login password and shared the same with the Data Entry Operator (DEO). This facilitated the DEO who was a contractual employee to link his personal bank account as well as the bank accounts of his wife, brother and other unauthorized persons/ Institutions/Non-Government Organizations (NGOs) to the names of beneficiaries. While uploading the bills in the Integrated Financial Management Information System (IFMIS), the DEO replaced the *bonafide* beneficiaries/ implementing agencies' bank account numbers which were registered in the system with his and his kin's bank account numbers. Thus, routing the payment to non-entitled persons resulted in defalcation of an amount of ₹97.06 lakh.

In view of the audit observation, Department of Planning, Economics and Statistics, stated (February 2020) that the entire objected amount had been recovered and that in view of negligence in discharge of duties by DDO, Assistant Statistical Officer and Accountant, departmental inquiry had been instituted and charge sheets issued against them. The Department has lodged First Information Report (FIR) against the contractual DEO in January 2021.

Audit recommends that the State Government build in appropriate validation controls in IFMIS to ensure that the credentials of the beneficiaries are authenticated with their Aadhaar seeding with bank account and only authorised people have access to the system. Government also needs to create awareness about security measures to be taken by the users of the system (*eg.* not sharing passwords *etc.*) and ensure security audit of the system is carried out at prescribed intervals.

1.8 Significant audit observations

This Report contains findings of audit in respect of performance audit of '**Implementation of Food Safety and Standards Act, 2006**' and four compliance audit paragraphs that emerged from a test-check of accounts and transactions of four Departments¹³ of Government of Madhya Pradesh during 2018-19.

¹¹ In 66 cases out of total 1806 cases checked (pertaining to the period March 2015 to July 2019), unauthorized transfer to non-entitled persons was observed during audit scrutiny.

¹² Schemes to grant financial assistance to beneficiaries (individuals/organisations) for medical treatment, education and other assorted purposes specified under the guidelines of these schemes on the basis of recommendations made by Member of Legislative Assembly/ Member of Parliament.

¹³ Home, Public Health & Family Welfare, Sports & Youth Welfare and Tribal Affairs.

Significant results of audit that featured in this Report are summarised below.

1.8.1 Implementation of Food Safety and Standards Act, 2006

Food Safety and Standards (FSS) Act, 2006 regulates the manufacture, storage, distribution, sale and import of food to ensure availability of safe and wholesome food for human consumption. Performance audit of its implementation revealed that the existing legal framework was deficient, as the Government of Madhya Pradesh (GoMP) did not establish separate Food Safety Appellate Tribunal (FSAT) and also separate special or ordinary courts for trial of offences as required under the Act/Rules, despite increase in appeal and serious cases pending in District & Sessions Judges' court and Chief Judicial Magistrates' court respectively as of February 2020. The administrative machinery was also lacking, as all the important posts including Commissioner, Food Safety, Designated Officers (DOs) etc. necessary for overseeing the implementation of FSS Act were held as additional charge. Manpower vacancies of 61 *per cent* at various levels further crippled the Department in conducting survey and inspections of Food Business Operators (FBOs), which is critical to ensure compliance with the Act. The Department could not ensure collection of penalties of ₹3.64 crore imposed under the Act and also did not initiate RRC proceedings against the defaulter FBOs. Other issues of non-maintenance of database of FBOs, pendency of applications for license/registration, FBOs operating fair price shops, liquor shops etc. without licenses, fewer number of regulatory samples drawn and analysed and shortfall in analysis of surveillance samples were noticed. Existence of robust testing infrastructure is intrinsic to the objective of food safety. However, the State Food Laboratory (SFL), Bhopal was not completely upgraded for microbiological testing and food labs at Indore and Ujjain were also not upgraded which affected the food analysis work. The Department also took no action to establish level 2 food labs at three places in the State. The CFS at State level and DOs at district levels did not generate the list of defaulters from the Food Licensing & Registration System (FLRS) software to ascertain expired licenses/ registrations.

(Chapter 2)

1.8.2 Creation, Maintenance and Utilisation of Sports Infrastructure

Sports Policy, 2005 of the Department intended to develop one playground in each village within five years. However, the Department could create only 253 playgrounds on its own during 2005-19 against 54,903 villages in the State, indicating inadequacy of departmental efforts or unrealistic target in the Sports Policy. During 2014-19, the Department did not establish a single sports academy in the 15 tribal dominated districts though it had stated in its Sports Policy to undertake measures to unearth hidden talents of tribal population and spent ₹36.41 crore under Tribal Sub Plan. The Department did not manage its contracts efficiently as it did not specify time lines for construction or included provisions for liquidated damages, fines or penalties etc. against the implementing agencies. The Department in various cases, delayed administrative approval and release of funds to the agencies, which came in the way of timely construction of sports infrastructure. Sports infrastructure remained unutilised due to incomplete works, poor condition of playing field, non-handing over of mini stadium, non-procurement of essential equipment, non-availability of staff and non-installation of sports equipment. The Department did not

synchronize recruitment of coaches and ancillary staff, and engagement of maintenance staff, leading to non-utilisation or under-utilisation of sports academies in the State. The shortage of coaches in 18 sports academies was as high as 65 *per cent*.

(Paragraph 3.1)

1.8.3 Human Resource Management in Home (Police) Department

The Home (Police) Department is tasked with maintaining law and order, public peace, protecting life, liberty and property of citizens and preventing and detecting crimes. To discharge these responsibilities, it requires a robust system for determining manpower requirements and their efficient, effective and judicious utilisation. The Department struggled with vacancies of 26,536 (20.68 *per cent*) in various cadres, but it delayed indenting for recruitment to the Madhya Pradesh Professional Examination Board. While the police stations, except a few, were crippled due to shortage of manpower, police lines had 37.67 *per cent* excess staff than the sanctioned strength. Co-relation between crime rate and manpower deployment confirmed that crimes were committed less in areas which had higher police presence and deficient police deployment exhibited increased crime rates in those areas. The Police Training School, Bhauri, Bhopal and Police Hospital, Shivpuri could not function due to posts being vacant. The Department also failed to regulate provision of security guards to VIPs and discontinue non-essential security, which may have further stressed the already overburdened police force.

(Paragraph 3.2)

1.8.4 Infructuous Expenditure

Construction of overhead tank for water supply without obtaining approval of Municipal Corporation, Rewa led to infructuous expenditure of ₹60.18 lakh and blocking of funds amounting to ₹27.64 lakh.

(Paragraph 3.3)

1.8.5 Suspected fraudulent drawals

Fraudulent drawal of ₹16.43 crore by officials of Block Education Office, Udaigarh, Alirajpur and Sub-Treasury Office, Jobat, Alirajpur.

(Paragraph 3.4)

1.9 Acknowledgement

The Office of the Principal Accountant General (Audit-I), Madhya Pradesh, Gwalior wishes to acknowledge the co-operation and assistance rendered by the officials of the State Government, especially the Public Health & Family Welfare Department, and various other departments during the course of conduct of Audit.

