

Overview

The Report includes two Chapters containing observations on Finance and Appropriation Accounts of the Government of Madhya Pradesh for the year 2006-07 and three others comprising six reviews, one long paragraph and 27 paragraphs dealing with the results of performance audit of selected programmes and schemes as well as audit of the financial transactions of the Government.

The audit has been conducted in accordance with the Auditing Standards prescribed for the Indian Audit and Accounts Department. Audit samples have been drawn based on statistical sampling methods as well as on judgement basis. The specific audit methodology adopted for programmes and schemes has been mentioned in the reviews. The audit conclusions have been drawn and recommendations made taking into consideration the views of the Government.

A summary of the important findings is given below:

1. Finances of the State Government

Revenue expenditure increased by nine *per cent* while the revenue receipts registered a significant growth of 25 *per cent* as a result of which State Government achieved a revenue surplus of Rs.3,331 crore during 2006-07 as against Rs.34 crore during 2005-06. The revenue surplus of Rs.3,331 crore includes Rs.726 crore of debt relief received under DCRF by State from the GOI. During 2006-07, 51 *per cent* of the revenue (Rs.13,131 crore) came from the State's own resources. Arrears of revenue were Rs.919 crore at the end of the year 2006-07.

Fiscal deficit decreased from Rs.4,571 crore in 2005-06 to Rs.2,755 crore in 2006-07 representing 2.10 *per cent* of the GSDP. There was primary surplus of Rs.1,274 crore in 2006-07 as against primary deficit of Rs.1,149 crore in the previous year. Revenue expenditure as a percentage to GSDP increased from 16.6 to 17.1 *per cent* while capital expenditure as a percentage to GSDP increased from 1.7 to 3.9 *per cent* during 2001-07. The committed expenditure on salaries, pension and interest payments was 53 *per cent* of the revenue expenditure of the year.

Fiscal liabilities of the State increased from Rs.26,487 crore in 2001-02 to Rs.53,280 crore in 2006-07 and their ratio to GSDP increased from 31 to 41 *per cent* during the period.

Recovery of outstanding loans and advances given by the State Government as well as returns on Government's investment was meagre and the Government continued to invest in loss making corporations and companies.

During 2001-07, the gap between the interest on capital borrowed for investment and returns therefrom had increased.

(Paragraphs 1.1 to 1.12)

2. Allocative Priorities and Appropriation

As against the total grants/appropriations of Rs.40,464.48 crore, the actual expenditure during 2006-07 was Rs.30,813.10 crore resulting in savings of Rs.9,651.38 crore which was net result of savings of Rs.9,687.38 crore in 178 cases of grants/appropriations and excess of Rs.36 crore in three cases of grants/ appropriations. Excess expenditure aggregating to Rs.5,125.41 crore pertaining to the years 1993-94 to 2005-06 had not been regularised (August 2007).

Supplementary provision of Rs.872.84 crore obtained in 42 cases during the year proved unnecessary.

Controlling officers under 10 Major Heads involving expenditure of Rs.2,916.28 crore, representing 9.5 *per cent* of the total expenditure during the year did not carry out reconciliation of expenditure figures.

In 17 cases, against the available savings of Rs.701.56 crore, Rs.756.88 crore was surrendered, resulting in injudicious excess surrender of Rs.55.32 crore.

(Paragraphs 2.1 to 2.7)

3. Information Technology Audit of Computerisation of Treasuries

Integrated Treasury Computerisation Project (ITCP) was taken up in October 2001 in 53 district treasuries and 159 sub- treasuries in the State of Madhya Pradesh. The main objective of the ITCP was to provide better financial management and control, monitoring of state revenue and expenditure and effective Management Information System. Department failed to implement the project in an economic, effective and efficient, manner to serve the desired purpose because significant amount of work like calculation of pension, pay generation and reconciliation of bank receipts with the departments etc. continued to be done manually. The provision for checking irregular drawals under Madhya Pradesh Treasury Rules 27(TR-27), abstract contingent bills (AC.Bills) and erroneous passing of duplicate bills was absent in the software. Errors in various reports generated by State Finance Monitoring System have been noticed forcing manual corrections, which defeated the objective of an effective Management Information System. No IT Policy / Strategy was formulated by the department for their information system and discrepancies were noticed in the database due to absence of input controls and lack of proper validation controls at the treasury level.

(Paragraph 3.1)

4. Implementation of Forest (Conservation) Act, 1980 in Madhya Pradesh

Forest (Conservation) Act, 1980 was enacted with the objective of maintaining a sustainable balance between the developmental needs of the country and the conservation of natural environment. As per the provisions of the Act, prior permission of the Government of India is essential for diversion of forest lands for non forest purposes. While approving a proposal under the Act, the Central Government stipulates mandatory carrying out of compensatory conservation measures such as compensatory afforestation, catchment area treatment etc., the cost of which is borne by the user agencies. Performance audit of the implementation of the Act in Madhya Pradesh revealed poor implementation of compensatory conservation measures. Non-carrying out of conservation measures in large number of cases; non-utilisation of funds received from user agencies; and failure of significant number of compensatory plantations reflects that the State Government has not been able to mitigate the adverse effects of degradation of the environment resulting from diversion of green forests for non-forest purposes.

(Paragraph 3.2)

5. National Rural Employment Guarantee Scheme

The National Rural Employment Guarantee Act, 2005 guarantees 100 days' employment in a financial year to any rural household whose adult members are willing to do unskilled manual work. The scheme came into force in the State from 2 February 2006 and is being implemented in 18 districts. All the households registered could not be provided 100 days employment. There were cases where ineligible works were taken up for execution, delayed release of funds, works remaining incomplete and delay in payment of wages. In several cases there were delays in affixing photographs of household members on job cards and minors also found a place on the job cards. No separate annual plan was prepared. Employment demand and Employment provided registers were either not maintained or found incomplete so the actual demand of employment and employment provided was not ascertainable. Review of muster rolls showed that persons listed as minors on the job cards were provided employment.

No records have been maintained regarding inspections and monitoring carried out at district/block and G.P. level. No internal audit was conducted at block/GP level during 2006-07. Social audit of NREGS works was not taken up. Thus the implementations of NREGS in the State was deficient.

(Paragraph 3.3)

6. Accelerated Rural Water Supply Programme

The Accelerated Rural Water Supply Programme (ARWSP) envisaged coverage of all rural habitations of the State during the 8th Plan period (1992-1997). However, this could not be achieved even in 9th Plan period due to lack of sufficient funds and re-emergence of problem habitations etc.

An expenditure of Rs.1,216.32 crore was incurred during the 10th Plan period (2002-03 to 2006-07).

Despite investment of Rs.1,216.32 crore on implementation of the programme to tackle the acute drinking water need of the rural population of the State under the ARWSP and Minimum Needs Programme funds during 2002-03 to 2006-07, 1,777 habitations still did not have any source of drinking water and 14,840 habitations remained partially covered as of March 2007. Re-emergence of 42,284 (Not Completed-14,035 and Partially Completed-28,249) habitations and increase in water quality affected habitations further negated the impact of the programme.

(Paragraph 3.4)

7. Educational Development of SCs and STs

The State has a constitutional responsibility of promoting educational and economic interest of the weaker sections of the society and in particular of the Scheduled Castes and Scheduled Tribes. The Department implemented several educational schemes for improvement of literacy levels, improvement of enrolment and retention levels, reduction of drop out rate and increasing representation of SC/ST students in higher education and professional institutions. Planning for various schemes for educational development of SCs/STs was not based on actual data of eligible beneficiaries. There were instances of under-utilisation/lapse of available funds, sanction of funds for work that had already been completed etc. There were a few cases of sanction of grant in aid to ineligible private educational institutions. The controls on disbursement of scholarships and maintenance allowance was poor leading to payments without verification of eligibility; over payments and the final disbursement to beneficiaries was also not properly monitored.

There were delays in construction of ashram schools and 74 of the 130 ashram schools sanctioned in 2002-03 were as yet incomplete. There were shortages of staff in schools. The academic performance of the students was poor inspite of several schemes being run for their benefit.

(Paragraph 3.5)

8. Working of Nurseries

Horticulture and Food Processing Department (Department) is responsible for producing high quality planting material, certified seeds and ensuring their

availability to farmers along with dissemination of latest technology. Review of records in Directorate and in 10 districts revealed that budgeting was deficient as persistent savings occurred each year. Expenditure on running the nurseries exceeded the revenue earned from sale of plants. Target of doubling three percent area during tenth five year plan was not met. Fruit production declined from 11.43 lakh tons at the end of Ninth Five Year Plan to 10.33 lakh ton by the end of 2005-06. The area under medicinal and aromatic plants reduced from 18,364 hectare (2001-02) to 15,582 hectare (2004-05) and the production from 1.10 lakh ton to 0.93 lakh ton.

(Paragraph 3.6)

9. Internal control in Public Health and Family Welfare Department

The system of preparation of budget estimates was deficient as the persistent savings were noticed and supplementary provisions were made without requirement. Departmental figures were not reconciled with Accountant General (A&E) figures. Funds of central schemes were kept in Civil Deposit which lapsed to Government account as State revenue. System of maintenance of cash book and verification of cash was defective and security deposit from officials handling cash/store was not obtained. The fortnightly verification of drawals was not made from treasury list. Diagnostic centres were not established, Public Health Centres were running without doctors, and deficiencies were noticed in implementation of various Schemes. There was shortfall in inspection by Commissioner Health Services/Joint Director Health Services. The internal audit was not conducted during 2002-07, which defeated the object of establishment of Internal Audit Wing.

(Paragraph 5.1)

10. Results of transaction audit

Besides the above, audit of financial transactions, subjected to test check in various Departments of Government and their field functionaries revealed instances of loss, wasteful expenditure, avoidable expenditure and other irregularities involving Rs.51.07 crore as mentioned below:

These included fraud/embezzlement/losses of Rs.0.89 crore noticed in Horticulture Department (Rs.37.56 lakh), Labour Department (Rs.40.17 lakh), Public Health and Family Welfare Department (Rs.10.55 lakh).

Excess/wasteful/infructuous/unfruitful expenditure of Rs.10.71 crore noticed in Higher Education Department (Rs.26.20 lakh), Jail Department (Rs.2.86 crore), Narmada Valley Development Department (Rs.5.63 crore), Panchayat and Rural Development Department (Rs.30.75 lakh), Public Works Department (Rs.70.31 lakh), Revenue Department (Rs.28.29 lakh) and Water Resources Department (Rs.67.03 lakh).

Violation of contractual obligations/undue favour to contractors/avoidable expenditure of Rs.1.01 crore were noticed in Public Works Department (Rs.67.19 lakh) and Water Resources Department (Rs.33.46 lakh).

Idle investment/idle establishment/blocking of funds etc. of Rs.1.43 crore noticed in Housing and Environment Department.

Apart from these, there were regulatory issues and other points involving Rs.37.03 crore noticed in Forest Department (Rs.54 lakh), Home Department (Rs.5.46 crore), Horticulture Department (Rs.2.82 crore), Public Works Department (Rs.74.90 lakh), School Education Department (Rs.1.13 crore) and Water Resources Department (Rs.26.33 crore).

(Paragraphs 4.1.1 to 4.5.6)