

## Overview

This Report contains 14 Audit Paragraphs (including one general paragraph) and six performance reviews/apart from comments on the Finance and Appropriation Accounts. As per the existing arrangement, copies of the draft Audit paragraphs and draft Audit Reviews are sent to the concerned Secretary to the State Government by the Principal Accountant General (Civil and Commercial Audit) and Accountant General (Works and Receipt Audit) demi-officially with a request to furnish replies within six weeks. The Secretaries are also reminded demi-officially by the Principal Accountant General (Civil and Commercial Audit) and Accountant General (Works and Receipts Audit) for replies. A Meeting was conveyed on 2 March 2005 by the Principal Accountant General (Civil and Commercial Audit) and the Accountant General (Works and Receipt Audit) with the Chief Secretary and the Principal Secretaries and Secretaries of various departments to expedite response to audit. Despite such efforts, in respect of 11 Audit Paragraphs and five Reviews included in this Report no response was received from the concerned Secretary to the State Government.

### 1. Finances of the State Government

The revenue receipts of the Government increased from Rs.13391 crore in 2002-03 to Rs.14289 crore in 2003-04. The rate of growth which was 19.45 per cent during 2002-03, decreased to 6.7 per cent during 2003-04.

The revenue expenditure increased from Rs.14560 crore in 2002-03 to Rs.18765 crore in 2003-04. The rate of growth which was 1.33 per cent during 2002-03, increased to 28.88 per cent during 2003-04. The revenue expenditure (Rs.18765 crore) during the year exceeded the revenue receipts (Rs.14289 crore) resulting in a revenue deficit of Rs.4476 crore. The revenue deficit increased from Rs.1169 crore in 2002-03 to Rs.4476 crore in 2003-04 registered a growth of 283 per cent.

Fiscal Deficit increased from Rs.4062 crore in 2002-03 to Rs.7323 crore in 2003-04, an increase of 80 per cent.

The revenue receipts as percentage of GSDP decreased from 16.13 per cent in 2002-03 to 14.14 per cent in 2003-04. The revenue expenditure as percentage of GSDP increased to an all time high of 18.57 per cent in 2003-04.

Salaries (Rs.5312 crore), interest payment (Rs.3206 crore) and Pensions (Rs.1197 crore) together consumed 68 per cent of the total revenue receipts of the State during the year.

The share of Social Services and General Services declined from 33.26 per cent and 31.33 per cent in 2002-03 to 27.05 per cent and 30.53 per cent respectively in 2003-04, while the share of Economic Services increased from 30.34 per cent in 2002-03 to 38.74 in 2003-04.

Return on capital investments in various government companies and corporations was insignificant. On an investment (including loan) of Rs.1737.29 crore at the end of 2003-04, the Government received dividend/interest of Rs.8.42 crore which was less than even one per cent (0.48 per cent). Three statutory corporations and 14 Government Companies with an aggregate investment of Rs.529 crore upto 2003-04 were incurring losses and their accumulated losses amounted to Rs.3886 crore as per the accounts furnished by these companies upto 2003-04.

Out of the Financial Assistance to Local Bodies and other institutions provided by the Government, Rs.121.17 crore were drawn and deposited in Civil Deposit by the Commissioner, Urban Administration (Rs.84.70 crore) and the Chief Engineer, Public Health Engineering, Bhopal (Rs.36.47 crore).

*(Paragraph 1.1 to 1.10)*

## **2. Allocative Priorities and Appropriation**

As against the revised appropriation of Rs.36467.80 crore, the actual expenditure during 2003-04 was Rs.30345.27 crore resulting in saving of Rs.6122.53 crore. The expenditure of the Government exceeded the budget provision during the year in 7 grants/appropriations, by Rs.2.54 crore. Such excesses aggregating to Rs.5569.04 crore pertaining to the years 1990-91 to 2002-03 had not been regularised (October 2004). The excess expenditure required regularisation by the State Legislature under Article 205 of the Constitution.

Supplementary provision of Rs.1151.54 crore obtained in 54 cases during the year proved unnecessary.

In 49 cases, the entire budget provision of Rupees one crore and above in each case aggregating to Rs.416.58 crore provided under various Central schemes remained unutilised. In 59 schemes, there were substantial savings of Rupees five crore or more and also over 80 per cent of the provision in each case, totalling Rs.2437.29 crore.

In 144 cases of grants/appropriations, savings of Rs.4231.10 crore were not surrendered and were allowed to lapse. This included Rs.4164.14 crore in 50 cases where savings exceeded Rupees five crore in each case were not surrendered.

In 126 cases, Rs.1936.82 crore were surrendered during the year. Of these Rs.1833.51 crore (94.7 per cent) were surrendered on the last day of the financial year.

In 16 cases, the surrendered amount of Rs.619.31 crore was in excess of the available savings of Rs.576.67 crore resulting in excess surrender of Rs.42.64 crore which indicated inefficient budgetary control.

No reconciliation of expenditure figure was carried out by the DDOs under 12 Major Heads involving expenditure of Rs.3386.15 crore, representing 11 per cent of the total expenditure during the year.

During 2003-04, Rs.115.45 crore were drawn and exhibited as final expenditure under various heads (Schemes) after transferring to Major Head 8443-Civil Deposits-800 Other Deposits. Similarly, Rs.139.14 crore were drawn and added to the balance under Major Head 8443-Civil Deposits-106-Personal Deposits in respect of Government Institutions.

Expenditure of Rs.71.88 lakh was incurred in 5 cases without budget provision.

Provision of Rs.25 crore and expenditure of Rs.22.39 crore being grants-in-aid to Local Bodies/Institutions were incorrectly classified and accounted for under Capital section of Account instead of Revenue section.

Rs.55.25 crore were reappropriated/surrendered in violation of instructions of State Government and the Financial Rules.

*(Paragraph 2.1 to 2.7)*

### **3 Implementation of Child labour (Prohibition and Regulation) Act, 1986**

The Child Labour (Prohibition & Regulation) Act, 1986 (Act) bans employment of children in hazardous occupations and regulates the condition of work where the children are not prohibited from working. The Supreme Court issued directives in 1996 regarding identification of children working in hazardous employment, their withdrawal and rehabilitation. Government of India launched the National Child Labour Project (NCLP) for

rehabilitation of children so withdrawn from work. But the districts with higher incidence of child labour like Damoh, Raisen, Sagar and Tikamgarh were not selected for inclusion in the action plan of implementation of NCLP special schools. Action plan for eradication of child labour by 2005 was not implemented by State Government.

Shortfall in inspection of industrial premises ranged from 87 to 94 per cent.

Most of the cases of prosecution ended in acquittal due to improper documentation regarding proof of age, witnesses and panchnama which showed the weakness of the enforcement machinery.

Against Rs.17.65 crore due from offending employers on account of compensation, only Rs.3.75 lakh could be recovered.

Major deviations were noticed in observing GOI guidelines issued by the project societies in running of NCLP Schools.

Job to one adult member of the families of 7752 child labourers withdrawn from hazardous work was not provided.

*(Paragraph 3.1)*

#### **4 Indian System of Medicines and Homoeopathy**

The Director of Indian System of Medicines and Homoeopathy was to implement various programmes and schemes of delivery of health services, imparting education, production of medicines etc. in the systems of Ayurveda, Homoeopathy & Unani with the assistance of District Ayurveda Officers, Principals of colleges and Superintendents of pharmacies in the State.

The performance of hospitals and dispensaries in delivering health services to the patients was affected by non-availability of doctors in dispensaries, inadequacy of medicines, lack of indoor facilities and diet etc. The shortage of teaching staff in colleges had adverse impact on teaching and short supply of raw material brought down the production of medicines in the pharmacies.

The expenditure on medicines, machinery and equipment was only one to three per cent of total expenditure under the Grant "Expenditure Pertaining To Medical Education Department" during 1999-2004.

Indoor facilities were not commissioned in Ayurveda hospital, Baihar (Balaghat) even after 12 years of sanction and were

closed down in Tamia (Chhindwara), Damoh, Hoshangabad, Jhabua and Khargone.

Sanctioned bed strength was not provided ranging between 17 to 50 per cent in five and 67 to 100 per cent in eight hospitals.

Four dispensaries had not started functioning and 18 dispensaries were running without the supporting staff. In 193 (36 per cent) dispensaries treatment was given to 22.83 lakh patients during 1999-2004 by compounders and class IV staff in absence of doctors.

Inadequate teaching staff adversely affected quality of teaching in colleges and affiliated hospitals were not up to CCIM/CCH norms.

The production of medicines was very low in the pharmacies. No production was done in Unani Pharmacy during 2003-04.

Department failed to ensure quality control in purchase of medicines worth Rs.5.10 crore.

*(Paragraph 3.2)*

## **5. Health Care, Drinking Water Supply and Employment Generation Scheme in Betul District**

Betul district, situated in the central southern part of the state covered an area of 10043 sq. km. of which more than 53 per cent was arable land. Of 13.95 lakh population, more than 81 per cent was rural and 50 per cent belonged to SC and ST. Most of the villages in the district did not have easy access to medical facilities. Shortage of doctors and paramedical staff further added to already insufficient medical facilities available in district. Supply of potable drinking water remained a dream to the inhabitants of 665 villages of the district as these villages were not covered under any of the drinking water supply schemes launched by the Government of India and the State Government. Government could not provide the minimum employment of 100 mandays per year per family as envisaged under any of the Employment Generation Programmes.

There was shortage of 90 Health Centres in the District. Even the existing Health Centres were functioning with inadequate infrastructure like buildings and equipment etc. Some centres did not have even the basic necessities like water and electricity.

About 37 per cent of posts of specialist / clinical specialists and PGMOs were vacant which affected normal functioning of health centres.

Potable drinking water was not available in 665 villages / habitations, while availability in all five towns and 757 villages / habitations was less than the norms. Due to non-closure of 1256 water sources having unsafe water, 1.88 lakh people were allowed to consume contaminated water.

Spray of ineffective pesticides could not control spread of malaria which claimed 30 lives and rendered expenditure of Rs.3.49 crore incurred on spray unfruitful.

In spite of spending of Rs.99.85 crore during 1999-2004, average employment generated was merely 17 days against the target of 100 days per BPL family per year.

Irregular expenditure of Rs.1.11 crore was incurred on repairs of dwelling units, wells and construction of drains under Sampoorna Gramin Rozgar Yojana.

Eight watershed projects (cost:Rs.1.27 crore) under the Draught Prone Area Programme remained incomplete even after five years.

*(Paragraph 3.3)*

## **6. Pradhan Mantri Gram Sadak Yojana**

The Pradhan Mantri Gram Sadak Yojana (PMGSY) was launched by Government of India (GOI) on the 25<sup>th</sup> December 2000 with the object of providing connectivity by way of all weather roads (AWRs) to unconnected rural habitations with a population of 1000 persons or more and between 500 and 999 persons by the end of March 2003 and 2007 respectively. For implementation of the scheme in the State, the Government of Madhya Pradesh (GOMP) established (23 December 2000) Madhya Pradesh Rural Road Development Authority (MPRRDA). GOI released Rs.1206.93 crore during March 2001 to March 2003 against the sanctioned amount of Rs.2065.38 crore to provide connectivity for 3367 unconnected habitations. After a period of more than four and half years the MPRRDA could provide new connectivity to 1159 habitations only by incurring expenditure of Rs.1088.31 crore as of July 2004. The dismal performance was mainly due to poor planning & implementation, incorrect selection of roads and ineffective monitoring.

MPRRDA received only Rs.1206.93 crore as against sanctioned Additional Central Assistance (ACA) of Rs.2065.38 crore due to short fall in expenditure (Rs.531.15 crore) during 2001-03.

An expenditure of Rs.143.39 crore was incurred on the works under 33 packages as against sanctioned amount of Rs.125.27 crore resulting in unauthorised expenditure of Rs.18.12 crore.

Payment of advances without any provision in agreements constituted undue financial aid to contractors worth Rs.9.36 crore.

Incorrect selection of roads for construction/upgradation under phases I & II against the criteria of the guidelines resulted in diversion of ACA for Rs.200.48 crore and blocking of funds of Rs.9.36 crore.

Execution of extra thickness of crust due to adoption of incorrect design criteria for rural roads resulted in avoidable cost of Rs.2.56 crore.

Extra cost of Rs.22.24crore due to execution of primer coat without assessing its requirement and adoption of higher specification for tack coat and CD work.

Extra cost of Rs.2.70 crore was incurred due to unauthorised execution of costlier earth work.

Excess/inadmissible payment of Rs.3.46 crore was made and undue financial aid of Rs.2.69 crore was extended to contractors due to incorrect computation, incorrect application of rates and award of additional work at higher rates.

*(Paragraph 3.4)*

## **7. Simhastha Mela 2004**

Simhastha Mela at Ujjain, held on the banks of river Kshipra every twelfth year when the 'Brahapati' enters the 'Singh' Rashi (Leo sign of the Zodiac), is the one of the largest spiritual gathering known to humanity. On this occasion pilgrims congregate in lakhs to Ujjain to have a holy dip in the sacred river Kshipra. The last Simhastha was held during April-May 2004 and was attended by nearly 2.75 crore people.

In order to provide the best of amenities to the pilgrims during the Simhastha Mela 2004, Government of M.P sanctioned action plan amounting to Rs.265.28 crore for different activities like maintenance of law and order, construction of roads, bridges,

stop dams, ghats etc and for development of facilities related to accommodation, public health, electricity, drinking water, sanitation etc. An expenditure of Rs.239.54 crore was incurred till June 2004.

Unauthorised expenditure of Rs.26.50 crore was incurred on 114 works without sanction of Ministerial sub committee.

An amount of Rs.2.76 crore was drawn in March 2004 of which only an amount of Rs.54 lakh was utilised by the time of completion of Simhastha Mela and the balance of Rs.2.22 crore has not been returned back to the Government.

Executing the pumping main with costlier DI Pipe instead of PSC pipe resulted in enhancement of capital cost by Rs.8.48 crore.

Extra expenditure of Rs.3.62 crore due to allotment of work at higher rates.

Unfruitful investment of Rs.26.22 crore in construction of 8 roads owing to inadequate quality surveillance.

Failure of Unhel-Ujjain (26.6 km) road constructed at a cost of Rs. 4.05 crore between June 2002 and April 2004 to last its designed life due to inadequate quality control and lack of supervision.

Due to non adherence to the specification extra expenditure of Rs.1.04 crore was incurred.

Undue financial aid of Rs.3.10 crore to contractors on account of payment of secured advances on maxphalt and down graded metal without provision in agreements.

*(Paragraph 3.5)*

## **8. Internal Control on Education Department**

Internal Control system safeguards against errors and irregularities in operational and financial matters. It examines and evaluates the level of compliance of the departmental rules and procedures. It also assures senior management on the adequacy of risk management and internal control framework in the department. Review of the internal control mechanism (ICM) in school education department revealed that ICM in the department was not functioning properly. Cases of over payment of pay and allowances to teachers appointed under 'Operation Blackboard Scheme' and irregular payment of grants-in-aid to Government aided educational institutions were noticed. Bank

accounts were opened by Drawing and Disbursing Officers (DDOs) in 8 test checked districts without obtaining sanction from competent authority. There was gross deficiency in conducting departmental inspections of offices of District Education Officer (DEO) and Block Education Officer (BEO) and schools.

Irregular payment of Rs.1.24 crore was made from the block grants paid to Government aided educational institutions during 2000-04 towards teachers' contributory provident fund.

Over payment of Rs.70.97 lakh was made to teachers appointed under Centrally Sponsored Scheme 'Operation Blackboard' in Morena district by raising their pay from Rs.1200 to Rs.4000 without any orders issued by the Government.

DDOs (9) had opened bank accounts without obtaining sanction from competent authority and deposited Government funds worth Rs.54.82 lakh in these accounts as of March 2004.

Inspection of schools and offices were not conducted by departmental authority according to prescribed roster.

Shortage of staff in internal audit wing led to deficiency in system of internal audit.

*(Paragraph 5.1)*

## **9. Other Points as a Audit of Transactions**

### **Fraudulent drawal/losses**

Failure to observe the codal provisions facilitated embezzlement of Government money to the tune of Rs.21.70 lakh.

*(Paragraph 4.1.1)*

There was fictitious and doubtful payment of Rs.15.78 crore on the works pertaining to rehabilitation and resettlement of the Sardar Sarovar Project affected families and in works pertaining to Rani Awanti Bai Lodhi Sagar Project due to eneffective financial control on the work of survey, site clearance, maintenance of canal and purchase of stationary etc.

*(Paragraph 4.1.2)*

**Infructuous/Wasteful expenditure and overpayment**

Excess payment of Rs.5.50 crore due to incorrect calculation of escalation besides short recovery of Rs.11.39 lakh on account of hard rock issued to the contractor.

*(Paragraph 4.2.1)*

Payment for trench excavation at the rate of Rs.86 per cum resulted in excess payment of Rs.37.89 lakh.

*(Paragraph 4.2.2)*

Non-adjustment of rates on account of use of RCC hume pipes IS-458-1988 in place of IS-458-1971 resulted in an excess payment of Rs.55.56 lakh to contractors.

*(Paragraph 4.2.3)*

Inflated measurement relating to various items of works including dry and wet excavation resulted in overpayment of Rs.4.08 crore to the contractor; besides that, award of work without ascertaining the contractor's resources also resulted in extra cost of Rs.22.17 crore.

*(Paragraph 4.2.4)*

Excess/ avoidable expenditure of Rs.55.27 lakh due to incorrect application/ fixation of job rates in DFO (G) Shivpuri, Field Director Pench Tiger Reserve and CF Seoni in respect of felling of Khair trees & construction of boulders check dam.

*(Paragraph 4.2.5)*

Pay and allowances to the tune of Rs.1.19 crore were paid to kitchen staff while no cooked diet had been provided to the indoor patients.

*(Paragraph 4.2.6)*

**Avoidable/Excess/Unfruitful expenditure**

Execution of Kalmoda Irrigation tank without approval from Forest Department and Government of India rendered expenditure of Rs.75.10 lakh unfruitful.

*(Paragraph 4.3.1)*

Execution of tack coat using paving bitumen instead of bituminous emulsion was contrary to the specifications leading to extra cost of Rs.2.25 crore.

*(Paragraph 4.3.2)*

Execution of single coat surface dressing prior to laying of Open Graded Premix Carpet with Seal Coat was superfluous and resulted in extra cost of Rs.47.62 lakh.

*(Paragraph 4.3.3)*

Inadequate Survey and Investigation led to variation in quantities and extra cost of Rs.49.41 lakh.

*(Paragraph 4.3.4)*

Expenditure on development of plots without assessing market demand resulted in blocking of funds to the tune of Rs.1.44 crore.

*(Paragraph 4.3.5)*

#### **Regulatory issues and other points**

Centrally sponsored scheme for strengthening of revenue administration and updating of land records was not executed as envisaged, resulting in non-utilisation of Central assistance of Rs.5.01 crore.

*(Paragraph 4.4.1)*