



**Chapter-I**  
**Introduction**



## Chapter I: Introduction

### 1.1 Budget profile

There are 54 Departments in the State at the Secretariat level, headed by Additional Chief Secretaries/Principal Secretaries/Secretaries, who are assisted by Commissioner/Directors and subordinate officers under them. Of these, 35 Government Departments and Public Sector Units (PSUs)/Autonomous bodies coming under these Departments are under the audit jurisdiction of the Accountant General (General & Social Sector Audit) Madhya Pradesh. These Departments were covered in audit and the major audit findings are included in this Audit Report. The position of budget estimates and actual there against for the State Government during the years 2011-12 to 2015-16 is given in **Table-1.1**.

**Table-1.1: Budget and expenditure of the State Government during 2011-12 to 2015-16.**  
(₹ in crore)

Particulars	2011-12		2012-13		2013-14		2014-15		2015-16	
	Budget Estimates	Actuals	Budget Estimates	Actuals	Budget Estimates	Actuals	Budget Estimates	Actuals	Budget Estimates	Actuals
<b>Revenue Expenditure</b>										
General services	18,220.45	16,228.64	20,577.43	17,705.14	22,295.27	20,590.93	24,243.56	22,365.11	32,626.15	25,700.26
Social services	20,277.33	20,296.94	24,992.18	24,375.47	30,100.70	27,768.21	42,092.49	32,067.15	43,217.07	42,650.93
Economic services	12,208.06	12,964.91	14,251.77	16,823.35	17,465.48	16,971.33	27,796.22	23,715.12	27,180.85	25,528.52
Grants-in-aid & contributions	3,217.65	3,203.22	3,722.12	4,064.57	4527.20	4,539.29	4,881.55	4,225.44	5,810.85	5,890.99
<b>Total (1)</b>	<b>53,923.49</b>	<b>52,693.71</b>	<b>63,543.50</b>	<b>62,968.53</b>	<b>74,388.65</b>	<b>69,869.76</b>	<b>99,013.82</b>	<b>82,372.82</b>	<b>1,08,834.92</b>	<b>99,770.70</b>
<b>Capital expenditure</b>										
Capital Outlay	8,721.93	9,055.16	10,820.22	11,566.89	11,113.61	10,812.52	14,143.36	11,877.68	18,139.56	16,835.47
Loans and advances disbursed	3,200.21	15,760.56	5,667.26	5,378.25	6,444.60	5,077.52	3,883.82	12,534.61	4,224.58	3,157.91
Inter-State Settlements	--	3.70	--	7.02	--	2.36	--	0.98	--	1.94
Repayment of Public Debt*	6,800.10	3,149.79	7,482.72	3,583.94	8,017.43	4,004.65	9,177.00	4,920.52	8,773.17	4,860.36
Contingency Fund	100.00	100.00	200.00	--	200.00	--	200.00	301.08	500.00	-
Public Accounts disbursements	1,53,133.63	73,279.04	2,24,574.20	82,735.57	31,3354.87	93,063.99	2,85,344.25	1,08,165.30	2,15,110.50	1,28,336.75
Closing Cash balance	-78.79	7,775.88	-107.22	7,074.81	-123.16	4,477.03	-76.82	5,401.96	-513.02	10,898.72
<b>Total (2)</b>	<b>1,71,877.08</b>	<b>1,09,124.13</b>	<b>2,48,637.18</b>	<b>1,10,346.48</b>	<b>339007.35</b>	<b>117438.07</b>	<b>312671.61</b>	<b>143202.13</b>	<b>2,46,234.79</b>	<b>1,64,091.15</b>
<b>Grand Total (1+2)</b>	<b>2,25,800.57</b>	<b>1,61,817.84</b>	<b>3,12,180.68</b>	<b>1,73,315.01</b>	<b>413396.00</b>	<b>187307.83</b>	<b>411685.43</b>	<b>225574.95</b>	<b>3,55,069.71</b>	<b>2,63,861.85</b>

\*Excluding net transactions under ways and means advances and overdraft

(Source: Finance Accounts and Budget documents)

### 1.2 Application of resources of the State Government

During 2015-16, total expenditure (revenue, capital and loans and advances) of the State was ₹1,19,766 crore against ₹ 1,06,787 crore during 2014-15. Revenue expenditure during the year (₹ 99,771 crore) increased by 21.12 per cent over the previous year (₹ 82,373 crore). Revenue Expenditure constituted 83.30 per cent of total expenditure. Capital Expenditure during 2015-16 increased by 41.73 per cent over the previous year. The Non-Plan Revenue Expenditure constituted 68.48 per cent of revenue expenditure and increased by 22.31 per cent over the previous year.

While total expenditure of the State during the period 2011-12 to 2015-16 increased at an annual average rate of 11 *per cent*, the revenue receipts grew at an annual average growth rate of 14 *per cent* during 2011-12 to 2015-16.

### 1.3 Persistent savings

In 12 cases, during the last five years from 2011-12 to 2015-16, there were persistent savings of more than ₹ one crore and also more than 20 *per cent* of the total provision in each case as shown in **Table-1.2**.

**Table-1.2: Grants/Appropriations under which persistent savings occurred during 2011-12 to 2015-2016**

(₹ in crore)

Sl. No.	Number and Name of the Grant/ Appropriation	Amount of Savings ( <i>per cent</i> to total Grant in brackets)				
		2011-12	2012-13	2013-14	2014-15	2015-16
(1)	(2)	(3)	(4)	(5)	(6)	(7)
<b>Revenue-Voted</b>						
1	16-Fisheries	13.04 (21.53)	12.25 (21.43)	17.77 (26.78)	26.88 (36.16)	19.11 (27.19)
Saving occurred under the Major Head 2405-Fisheries.						
2	31-Planning, Economics and Statistics	386.39 (84.12)	211.54 (75.54)	121.62 (50.42)	195.23 (73.02)	81.14 (54.35)
Savings occurred under the Major Heads 3451-Secretariat-Economic Services and 3454-Census, Surveys and Statistics.						
3	38-Ayush	76.08 (30.99)	136.12 (39.55)	169.39 (44.55)	234.29 (50.87)	117.29 (28.63)
Saving occurred under the Major Head 2210-Medical and Public Health.						
4	40-Expenditure pertaining to Water Resources Department-Command Area Development	109.64 (97.52)	2.67 (51.84)	3.82 (50.73)	6.22 (51.53)	6.24 (53.70)
Saving occurred under the Major Head 2705-Command Area Development.						
5	61-Expenditure Pertaining to Bundelkhand Package	70.36 (47.28)	107.00 (67.10)	180.56 (90.28)	113.16 (78.82)	15.86 (27.66)
Savings occurred under the Major Heads 2405 -Fisheries and 2515-Other Rural Development Programmes.						
<b>Revenue-Charged</b>						
6	06-Finance	14.23 (96.28)	12.93 (52.18)	13.24 (89.64)	12.40 (83.90)	15.53 (89.87)
Saving occurred under the Major Head 2071-Pensions and other Retirement Benefits.						
<b>Capital-Voted</b>						
7	06-Finance	1,501.78 (92.80)	1,374.53 (95.53)	234.74 (81.98)	141.27 (30.01)	137.26 (75.81)
Saving occurred under the Major Heads 4070-Capital Outlay on other Administrative Services and 6075-Loans for Miscellaneous General Services.						
8	27-School Education (Primary Education)	1.12 (25.00)	13.06 (49.73)	34.85 (71.41)	24.97 (21.44)	129.46 (34.92)
Saving occurred under the Major Head 4202-Capital Outlay on Education, Sports, Art and Culture.						
9	58-Expenditure on Relief on account of Natural Calamities and Scarcity	2.50 (85.62)	2.50 (76.69)	2.50 (100)	2.50 (100)	3.00 (100)
Saving occurred under the Major Head 6245-Loans for relief on account of Natural Calamities.						

(1)	(2)	(3)	(4)	(5)	(6)	(7)
10	61-Expenditure Pertaining to Bundelkhand Package	258.29 (41.71)	249.71 (35.44)	211.00 (51.63)	120.56 (32.65)	62.41 (22.00)
Saving occurred under the Major Heads 4401-Capital Outlay on Crop Husbandry, 4700-Capital Outlay on Major Irrigation, 4701-Capital Outlay on Medium Irrigation, 4702-Capital Outlay on Minor Irrigation and 4705-Capital Outlay on Command Area Development						
11	67-Public Works-Buildings	41.39 (38.11)	45.79 (32.98)	91.29 (49.98)	75.72 (40.33)	68.62 (28.48)
Saving occurred under the Major Heads 4059-Capital Outlay on Public Works, 4210-Capital Outlay on Medical and Public Health, 4216-Capital Outlay on Housing and 4853-Capital Outlay on Non-Ferrous Mining and Metallurgical.						
<b>Capital-Charged</b>						
12	Public Debt	3,650.31 (53.68)	3,903.17 (52.13)	4,018.05 (50.08)	4,256.48 (46.38)	3,912.80 (44.60)
Saving occurred under the Major Heads 6003-Internal Debt of the State Government and 6004-Loans and Advances from the Central Government.						

(Source: Appropriation Accounts of respective years)

#### 1.4 Funds transferred directly to the State implementing agencies

During 2015-16, GoI directly transferred ₹ 1,239.68 crore to various State implementing agencies. Since these funds are not routed through the State Budget/State Treasuries, these are not reflected in the account of the Government.

#### 1.5 Grants-in-aid from Government of India

The Grants-in-aid received from the GoI during the years 2011-12 to 2015-16 have been given in **Table-1.3**.

**Table-1.3: Grants-in-aid from GoI**

Particulars	₹ in crore				
	2011-12	2012-13	2013-14	2014-15	2015-16
Non-Plan Grants	2,114	333	3,540	4,425	3,990
Grants for State Plan Schemes	4,215	7,099	5,536	9,011	13,371
Grants for Central Plan Schemes	364	500	153	1,263	359
Grants for Centrally Sponsored Schemes	3,236	4,108	2,548	2,893	610
Grants for Special Plan Schemes	--	--	--	--	--
<b>Total</b>	<b>9,929</b>	<b>12,040</b>	<b>11,777</b>	<b>17,592</b>	<b>18,330</b>
Percentage of increase(+)/decrease(-) over previous year	9.39	21.26	(-) 2.18	49.38	4.19
<b>Total Grants as a percentage of Revenue Receipts</b>	<b>15.86</b>	<b>17.10</b>	<b>15.55</b>	<b>19.85</b>	<b>17.37</b>

(Source: Finance Accounts of respective years)

#### 1.6 Planning and conduct of audit

The audit process starts with the risk assessment of various Departments, autonomous bodies, schemes/projects, etc. considering criticality/complexity of activities, level of delegated financial powers, internal controls and concerns of stakeholders and previous audit findings. Based on this risk assessment, the frequency and extent of audit are decided and an Annual Audit Plan is formulated.

After completion of audit, Inspection Report containing audit findings is issued to the head of the office with request to furnish replies within one month. Whenever replies are received, audit findings are either settled or further action for compliance is advised. The important audit observations pointed out in these Inspection Reports are processed for inclusion in the Audit Reports of the Comptroller and Auditor General of India, which are submitted to the Governor of Madhya Pradesh under Article 151 of the Constitution of India.

During 2015-16, compliance audit of 1019 Drawing and Disbursing Officers of the State and 92 autonomous bodies (excluding Local bodies) were conducted by the office of the Accountant General (General and Social Sector Audit) Madhya Pradesh, Gwalior. Besides, three Performance Audits, three Compliance Audits and one Follow up Audit were also conducted.

### **1.7 Lack of responsiveness of Government to Inspection Reports**

The Accountant General (General and Social Sectors Audit) Madhya Pradesh conducts periodical inspection of Government Departments by test-check of transactions and verify the maintenance of important accounting and other records as per the prescribed rules and procedures. These inspections are followed by issue of Audit Inspection Report (IRs). When important irregularities, etc. detected during audit inspection are not settled on the spot, these IRs are issued to the heads of offices inspected, with a copy to the next higher authorities.

The heads of offices and next higher authorities are required to report their compliance to the Accountant General (AG) within four weeks of receipt of IRs. Serious irregularities are also brought to the notice of the Heads of the Departments by the office of the Accountant General, Madhya Pradesh regularly.

We observed that 7,378 IRs (23,555 paragraphs) in respect of Social Sector Departments and 1,662 IRs (4,619 paragraphs) in respect of General Sector Departments issued up to March 2016 remained pending for settlement as on 30 September 2016. The year-wise position of these outstanding IRs and paragraphs are detailed in *Appendix 1.1*.

During 2015-16, six meetings of the Departmental Audit Committees were held in which 140 IRs and 893 paragraphs were settled.

It is recommended that the Government may look into the matter to ensure prompt and proper response to audit observations.

### **1.8 Response of Government to significant audit observations**

In the last few years, Audit has reported on several significant deficiencies in implementation of various programmes/activities as well as on the quality of internal controls in selected Departments, which have negative impact on the success of programmes and functioning of the Departments. The focus was on auditing the specific programmes/schemes and to offer suitable recommendations to the executive for taking corrective action and improving service delivery to the citizens.

As per the provision of Comptroller and Auditor General of India's Regulations on Audit and Accounts, 2007, the Departments are required to send their responses to draft performance audit reports/draft paragraphs proposed for inclusion in the Comptroller and Auditor General of India's Audit Reports within six weeks. It was brought to their notice that in view of likely inclusion of such paragraphs in the Report of the Comptroller and Auditor General of India, to be placed before the State Legislature, it would be desirable to include their comments in the matter. They were also advised to have meeting with the Accountant General to discuss the draft reports of Performance Audits. These draft reports and paragraphs proposed for inclusion in the Report were also forwarded to the Additional Chief Secretaries/Principal Secretaries/Secretaries concerned for seeking their replies. For the present Audit Report, draft reports on seven Performance Audits/Compliance Audits/Follow up Audit and 18 draft paragraphs were forwarded to the concerned Administrative Secretaries. Replies of the Government have been received in all seven Performance Audits/Compliance Audits/Follow up Audit and 13 paragraphs.

### 1.9 Follow-up on Audit Reports

According to the Rules of procedure for the internal working of the Public Accounts Committee(PAC), the Administrative Departments were to initiate, *suomotu* action on audit paragraphs and reviews featuring in the Comptroller and Auditor General's Audit Reports (ARs) regardless of whether these are taken up for examination by the PAC or not. They were also to furnish detailed notes, duly vetted by Audit indicating the remedial action taken or proposed to be taken by them within three months of the presentation of the ARs to the State Legislature.

Out of total 44 paragraphs pertaining to General and Social (Non-PSUs) Sectors in the Audit Reports for the years 2013-14 and 2014-15, departmental replies in respect of 30 paragraphs were not received (December 2016) as detailed in **Table-1.4**.

**Table-1.4: Position regarding receipt of Departmental Replies on the paragraphs included in the Audit Reports on General and Social (Non-PSUs) Sectors**

Year	Department(s)	Departmental Replies pending as of 31 December 2016	Date of presentation in the State Legislature	Due date for receipt of Departmental Replies
(1)	(2)	(3)	(4)	(5)
2013-14	Food, Civil supplies and Consumer Protection Department	01	22-07-2015	22-10-2015
	Women and Child Development Department, Tribal Development and Scheduled Caste Development Department	01		
	Women and Child Development Department	01		
	Urban Development and Environment Department	01		

(1)	(2)	(3)	(4)	(5)
2014-15	Panchayat and Rural Development Department	03	17-03-2016	17-06-2016
	Public Health and Family Welfare Department	04		
	Higher Education Department	03		
	Social Justice Department	01		
	Scheduled Caste Welfare and Tribal Welfare Department	04		
	Public Service Management Department	01		
	Jail Department	01		
	Planning, Economics and Statistics Department	01		
	School Education Department	03		
	Public Health Engineering Department	01		
	Home Department	02		
	Women and Child Development Department	01		
	AYUSH Department	01		
<b>Total</b>	<b>30</b>			

### 1.10 Status of placement of Separate Audit Reports of Autonomous Bodies in the State Assembly

Several Autonomous Bodies (ABs) have been set up by the State Government. The audit of accounts of four autonomous bodies pertaining to General and Social Sectors in the State has been entrusted to the Comptroller and Auditor General of India. These bodies are audited by the Comptroller and Auditor General of India for verification of their transactions, operational activities and accounts, regulatory compliance audit, review of internal management, financial control and review of systems and procedure, etc. The status of entrustment of audit, rendering of accounts to audit, issuance of Separate Audit Report and its placement in the Legislature is indicated in **Table-1.5**

**Table-1.5: Status of rendering of Accounts of the Autonomous Bodies**

Sl. No.	Name of body	Period of entrustment	Year up to which accounts were rendered	Period up to which SARs were issued	Placement of SAR in the Legislature	Delay <sup>1</sup> in submission/non-submission of accounts(in months)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1.	MP Human Rights Commission, Bhopal	Entrustment vide Act of Parliament	2014-15	2013-14	2013-14	2014-15 (08 months) 2015-16 (03 months)
2.	MP Building and Other Construction Workers Welfare Board, Bhopal	Entrustment vide Act of Parliament	2011-12	2011-12	SAR for the year 2011-12 was issued. Information about status of placing SAR to the State Legislature was awaited.	2011-12 (23 months)

<sup>1</sup> Period of delay taken from the due date of receipt of accounts i.e. 30 June of the ensuing financial year till 30 June 2016.



(1)	(2)	(3)	(4)	(5)	(6)	(7)
3.	MP State Legal Services Authority, Jabalpur	Entrustment vide Act of Parliament	2012-13	-	-	1997-98 (205 months) to 2012-13 (25 months)
4.	MP Housing and Infrastructure Development Board, Bhopal	2012-13 to 2016-17	2015-16	2014-15	25.07.2016	2014-15 (04 months)

As seen from the **Table 1.5**, there were significant delays of up to 205 months in submission of accounts by MP SLSA and accounts for the year 1997-98 to 2012-13 were received from the entity in August 2015.

Inordinate delays in submission of accounts and presentation of the SARs to the State Legislature resulted in delays in scrutiny of the functioning of these bodies, where Government investments are made, beside delays in initiating necessary remedial action on financial irregularities in the ABs.

