



Chapter 1

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1.1 About this Report

This Report of the Comptroller and Auditor General of India (C&AG) relates to matters arising from performance audit of selected programmes and activities and compliance audit of Government departments and autonomous bodies falling under General and Social Sectors in the State.

Performance audit examines whether the objectives of the programmes/activities/departments have been achieved economically and efficiently. On the other hand, compliance audit refers to examination of the transactions relating to expenditure of the audited entities to ascertain whether the provisions of the Constitution of India, applicable laws, rules, regulations and various orders and instructions issued by the competent authorities are being complied with.

The primary purpose of the Report is to bring to the notice of the State Legislature, important results of audit. Auditing Standards require that the materiality level for reporting should be commensurate with the nature, volume and magnitude of transactions. The findings of audit are expected to enable the Executive to take corrective actions as also to frame policies and directives that will lead to improved financial management of the organisations, thereby contributing to better governance.

This chapter, in addition to explaining the planning and extent of audit, provides a synopsis of the significant deficiencies and achievements in implementation of selected schemes, significant audit observations made during the audit of transactions and follow-up on previous Audit Reports. Chapter 2 of this report contains findings arising out of performance audit of selected programme/activities/departments. Chapter 3 contains observations on Chief Controlling Officer based audit of Government departments. Chapter 4 contains observations on transaction audit of various departments under General and Social Sectors.

1.2 Profile of Audited Entities

There are 56 departments in the State at the Secretariat level, headed by Additional Chief Secretaries/Principal Secretaries/Secretaries, who are assisted by Commissioners/Directors and subordinate officers under them. Of these, 36 departments and the PSUs/Autonomous bodies under the control of these departments are under the audit jurisdiction of the Principal Accountant General (General and Social Sector Audit). There are 23,371 Panchayati Raj Institutions (PRIs) and 361 Urban Local Bodies (ULBs).

The summary of the State Government's fiscal transactions during the current year (2011-12) *vis-à-vis* the previous year is given in **Table 1**.

Table 1: Summary of Current Year's Fiscal Transactions

(₹ in crore)

2010-11	Receipts	2011-12	2010-11	Disbursements	2011-12		
Section A- Revenue							
					Non-Plan	Plan	Total
51,854.18	Revenue Receipts	62,604.07	45,011.59	Revenue Expenditure	36,677.16	16,016.55	52,693.71
21,419.34	Tax Revenue	26,973.44	14,646.68	General Services	16,091.11	137.53	16,228.64
5,719.77	Non tax revenue	7,482.73	17,345.40	Social Services	10,460.00	9,836.94	20,296.94
15,638.51	Share of union taxes / duties	18,219.13	10,084.48	Economic Services	7,499.98	5,464.93	12,964.91
9,076.56	Grants from Government of India	9,928.77	2,935.03	Grants-in-aid and Contributions	2,626.07	577.15	3,203.22
Section B: Capitals and Others							
366.54	Misc. Capital receipts	22.65	8799.88	Capital Outlay	32.29	9,022.87	9,055.16
33.65	Recoveries of Loans and advances	9,122.56	3714.73	Loans and Advances disbursed	14,681.31	1,079.25	15,760.56
1.64	Inter-State settlement	2.65	1.85	Inter-State settlement			3.70
7,457.94	Public Debt receipt	6,750.25	2,529.23	Repayment of Public Debt			3,149.79
--	Contingency Fund	100.00	--	Contingency Fund			100.00
65,675.10	Public Account receipts	76,315.22	62,344.26	Public Account disbursements			73,279.04
3,912.93	Opening cash balance	6,900.44	6,900.44	Closing Cash Balance			7,775.88
1,29,301.98	Total	1,61,817.84	1,29,301.98	Total			1,61,817.84

(Source : State Finance Accounts of the respective years)

1.3 Authority for Audit

The authority for audit by the C&AG is derived from Articles 149 and 151 of the Constitution of India and the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. C&AG conducts audit of expenditure of the Departments of Government of Madhya Pradesh under Section 13¹ of the C&AG's (DPC) Act. C&AG is the sole auditor in respect of 47 autonomous bodies (97 units) under General and Social Sectors, which are audited under sections 19(2)² and 19(3)³ of the C&AG's (DPC) Act and in addition, C&AG also conducts audit of 285 other units from these Sectors under Section 14⁴ of C&AG's (DPC) Act, which are substantially funded by the Government. Principles and methodologies for various audits are

¹ Audit of (i) all transactions from the Consolidated Fund of the State, (ii) all transactions relating to the Contingency Fund and Public Accounts and (iii) all trading, manufacturing, profit & loss accounts, balance sheets & other subsidiary accounts

² Audit of the accounts of Corporations (not being Companies) established by or under law made by the State Legislature in accordance with the provisions of the respective legislations

³ Audit of accounts of any body or authority on the request of the Governor, on such terms and conditions as may be agreed upon between the C&AG and the Government

⁴ Audit of all receipts and expenditure of a body/authority substantially financed by grants or loans from the Consolidated Fund of the State and (ii) all receipts and expenditure of any body or authority where the grants or loans to such body or authority from the Consolidated fund of the State in a financial year is not less than ₹ one crore.

prescribed in the Auditing Standards and the Regulations on Audit and Accounts, 2007 issued by the C&AG.

1.4 Organisational structure of the Office of the Principal Accountant General (General and Social Sector Audit), Madhya Pradesh, Gwalior

Under the directions of the C&AG, the Office of the Principal Accountant General (General & Social Sector Audit), Gwalior conducts audit of Government Departments/ Offices/Autonomous Bodies/Institutions under the General and Social Sectors which are spread all over the State. The Principal Accountant General (General & Social Sector Audit) is assisted by five Group Officers.

1.5 Planning and conduct of Audit

Audit process starts with the assessment of risk faced by various departments/organisations based on expenditure incurred, criticality/complexity of activities, level of delegated financial powers, assessment of internal controls and concerns of stakeholders. Previous audit findings are also considered in this exercise. Based on this risk assessment, the frequency and extent of audit are decided. An annual audit plan is formulated to conduct audit on the basis of such risk assessment.

After completion of audit of each unit, Inspection Reports (IRs) containing audit findings are issued to the head of the departments. The departments are requested to furnish replies to the audit findings within one month of receipt of IR. Whenever replies are received, audit findings are either settled or further action for compliance is advised. The important audit observations pointed out in these IRs are processed for inclusion in the Audit Reports, which are submitted to the Governor of Madhya Pradesh under Article 151 of the Constitution of India.

During 2011-12, in the General and Social Sectors 10,086 party-days were used to carry out audit of 2,320 units (compliance audit and performance audit) of various departments/organisation. The audit plan covered those units/entities, which were vulnerable to significant risk as per our assessment.

1.6 Significant audit observations

Audit has reported on several significant deficiencies in implementation of various programmes/activities through performance audits, as well as on the quality of internal controls in selected departments which impact the success of programmes and functioning of the departments. Similarly, the deficiencies noticed during compliance audit of the Government departments/organisations were also reported upon.

1.6.1 Performance audit of programmes/activities/departments and CCO-based audit of Government departments

Performance audit is undertaken to ensure whether the Government programmes have achieved the desired objectives at the minimum cost and given the intended benefits. CCO-based audit is conducted with a view to make a comprehensive appraisal of a department's functioning, identifying systemic issues that need to be addressed at the appropriate higher levels.

The present report contains two performance audits viz. Management of Jails in Madhya Pradesh and Mahatma Gandhi National Rural Employment Guarantee Scheme and two CCO based audits on functioning of Public Health and Family Welfare Department and Department of Culture. The significant audit findings are given below:

1.6.1.1 Management of Jails in Madhya Pradesh

The Performance Audit revealed that financial management was deficient. While provision of Plan funds was much less than the approved Plan outlay, there was under-utilisation of Plan funds. Besides, there were delays in remittances of Departmental receipts into the Government Accounts.

The Department's initiatives for providing facilities/privileges to the prisoners and for security of the prisons were not satisfactory. Inmates were not subjected to quarantine at the time of admission to prisons for want of Reception units. In several jails there were no separate cells for convicts and undertrial female prisoners. Medical treatment was not provided to several ill prisoners who were referred to hospital by the Jail Medical Officers for treatment, for want of police guards/warders.

There were shortages of weapons and modern security equipment such as CCTV, Siren, Intercom, Generators etc. mainly in District jails and Sub-jails. The proposed Prisoner Management System and Visitor Management System were not made operational in the eight test-checked Central jails. There were 91 instances of prisoners escaping from the jails in the State during 2007-12 in which 96 prisoners escaped. Cases of possession of prohibited articles with the prisoners in the jails were also noticed in nine test checked jails.

Undertrial prisoners were not produced in the courts for hearing of their cases on the stipulated dates for want of police escorts. This resulted in unnecessary detention of undertrials. Besides, there were overcrowding in 21 test-checked jails, mainly because of non-construction/delay in construction of jail buildings/barracks. In Central jail Satna, occupancy was 287 *per cent* in excess of its capacity.

Educational facilities for the prisoners were not available in the District jails and Sub jails. The prisoners engaged in industries running in the jails were not paid equitable wages as per the Minimum Wages Act, though directed by the Supreme Court of India.

There were significant shortages of jail staff and medical/paramedical staff in the Department. Only 50 *per cent* of the targeted warders were imparted training.

(Paragraph 2.1)

1.6.1.2 Mahatma Gandhi National Rural Employment Guarantee Scheme

The National Rural Employment Guarantee Act became effective in February 2006 in 18 districts of Madhya Pradesh in the first phase and the remaining districts were covered by April 2008. A Performance Audit was conducted on implementation of the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) in 13 districts covering the period 2007-12. Government of India released ₹ 15,946.54 crore to the State, and an expenditure of ₹ 17,193.12 crore was incurred for the Scheme during 2007-12.

Audit observed that during 2011-12, there were 1,18,60,150 registered households in the State and employment of 117.20 crore persondays were generated.

Though State Employment Guarantee Council was constituted within the stipulated period, it did not meet at the scheduled intervals. The Employment Guarantee Fund was not constituted at the State, District, Block and Gram Panchayat level.

The prescribed procedure for the preparation of annual development plan was not followed and the labour budget was not framed realistically. Wasteful expenditure was incurred on the preparation of Detailed Project Reports.

Orders of the State Government made it necessary to register all rural households under the scheme, due to which 13.35 lakh to 19.74 lakh ineligible beneficiaries were registered under the scheme in the selected districts. However, only 2.31 *per cent* to 12.60 *per cent* of the registered households could complete 100 days of guaranteed employment. Employment provided to the ST beneficiaries decreased from 49 *per cent* to 27 *per cent* during the period 2007-12.

We observed that impermissible works were executed under the scheme, some of the executed works were not found in existence and the wage material ratio of 60:40 was not maintained.

Important registers were either not maintained or were incomplete. MIS data was not reconciled with the Monthly Progress Reports and no records of inspection of works were maintained at the Gram Panchayat level.

(Paragraph 2.2)

1.6.1.3 CCO based audit of Public Health & Family Welfare Department (PH&FW)

A CCO-based audit of PH&FW Department revealed that the Department prepared Perspective Plan and Annual Plans. A Programme Implementation Plan was also prepared. However, the plans were prepared without conducting household and facility survey.

Budgetary and financial management was deficient as reflected from significant under-utilisation of funds by both Director of Health Services and the Mission Director, NRHM, unnecessary provision of supplementary grants, rush of expenditure in the month of March, violation of codal provision for maintenance of cash and delay in submission of UCs resulting in delay in receipt of Central funds.

The Department did not ensure utilisation of funds provided under Deen Dayal Antodaya Upchar Yojna, Rajya Bimari Sahayata Nidhi and Mukhya Mantri Bal Hriday Upchar Yojna for the eligible beneficiaries/intended purposes. The Trauma centre at Guna district proposed in February 2006 was yet to be established.

There were significant shortages of health centres compared to the targets set under NRHM framework. Facilities in the hospitals were deficient compared to Indian Public Health Standards. Thirty-four vision centres proposed for 17 districts were not established. During 2011-12, the number of institutional deliveries was 86 *per cent* of total deliveries. The Department could not achieve the targets of Maternal Mortality Rate, Infant Mortality Rate and Total Fertility Rate, though there was marginal improvement in December 2011.

Procurement procedure was deficient. The suppliers failed to supply medicines/material in time which led to local purchases at higher cost from the local market. Medicines were issued to patients before obtaining quality test report.

There were significant shortages of manpower in the key posts compared to IPHS norms as well as the sanctioned strength. Despite shortage, doctors were posted against the post of District Programme Manager.

Health planning and monitoring committees were not formed at different levels. Two Apex Committees at State level did not meet at regular intervals for strategic planning and for monitoring the implementation of schemes. Internal control mechanism was not codified through an updated departmental manual and the target set for internal audit inspections was not achieved.

(Paragraph 3.1)

1.6.1.4 CCO based audit of Department of Culture

The Department has not formulated any cultural policy so far.

Financial management was weak as evidenced by deficiencies in maintenance of cash book, rush of expenditure at the end of financial year, non-obtaining of security deposit from persons handling cash and stores, non adjustment of temporary advances for long periods etc.

During the period under review the Department paid ₹ 7.19 crore to artistes, film personalities, playback singers etc. as honorarium without fixing any criteria.

Excess disbursement of ₹ 1.17 crore was made to 23,372 *kala mandalis* for purchase of musical instruments.

Expenditure of ₹ 1.80 crore was made by the Department for providing water and electricity for an activity which did not come under the objectives of the Department.

The Department did not ensure that NGOs to whom grants of ₹ 3.02 crore were given during 2009-10 to 2011-12, were engaged in the field of Culture.

Funds received under the Twelfth Finance Commission for upgrading and modernising the auditorium at Bharat Bhawan Trust amounting to ₹ 63.55 lakh were not utilised within the currency period i.e. up to 2009-10.

Budget allotment of ₹ 3.01 crore received for construction of three *Sanskritik Kala Sankuls* at Rewa, Sagar and Khandwa was found withdrawn without requirement in the year 2008-09 as the construction works of these *sankuls* have not been started till November 2012.

Allotment of ₹ 40.85 lakh received in March 2009 from the Government for the purpose of setting up of Dr. Vishnu Shridhar Wakankar Archaeological Research Institute was found withdrawn and deposited in the bank account of Heritage Development Trust, in contravention of MPTC rule 284.

Expenditure incurred on restoration works undertaken in monuments was being rendered unfruitful due to shortage of security and care.

The internal control mechanism in the Department was found weak due to absence of an internal audit wing, absence of departmental manuals and inadequate reporting systems.

(Paragraph 3.2)

1.6.2 Compliance audit of transactions

Audit has also reported on several significant deficiencies in critical areas, which impact the effective functioning of the Government departments/ organisations. These are broadly categorised and grouped as:

- Non-compliance with rules.
- Failure of oversight/governance.

1.6.2.1 Non-compliance with rules

For sound financial administration and financial control, it is essential that expenditure conforms to financial rules, regulations and orders issued by the competent authority. This not only prevents irregularities, misappropriation and frauds, but helps in maintaining good financial discipline. This report contains instances of non-compliance with rules involving ₹ 29.63 crore which are as under:

- *The District Planning Officer, Panna embezzled ₹ 2.11 lakh through irregular drawal of funds from the treasury in advance and by making incorrect entries in the cash book. After this was pointed out in audit, ₹1.80 lakh was deposited in the departmental bank account.*

(Paragraph 4.1.1)

- *Rupees 1.50 lakh was embezzled in the office of the District Organiser, Scheduled Caste and Scheduled Tribes Welfare Department (DOTW), Panna. The amount was deposited in the Government Account after being pointed out in audit.*

(Paragraph 4.1.2)

- *Violation of Government Rules and absence of internal control resulted in misappropriation of ₹ 41.79 lakh in the Office of the Deputy Director, Social Justice, Rajgarh.*

(Paragraph 4.1.3)

- *Government receipts of ₹ 25.88 crore were unauthorisedly retained by the Academy of Administration, Bhopal outside the Government account and the same utilised for meeting its expenditure, in violation of the codal provision.*

(Paragraph 4.1.4)

- *Superintendent, Sultania Zanana Hospital, Bhopal made unauthorised purchase of medicines, etc. worth ₹ 3.30 crore from a supplier without inviting tenders, in violation of the provisions of Store Purchase Rules.*

(Paragraph 4.1.5)

1.6.2.2 Failure of oversight/governance

The Government has an obligation to improve the quality of life of the people for which it works towards fulfilment of certain goals in the area of health, education, development and up gradation of infrastructure and public service etc. However, Audit noticed instances where the funds released by Government for creating public assets for the benefit of the community remained unutilised/blocked and/or proved unfruitful/unproductive due to indecisiveness, lack of administrative oversight and concerted action at various levels involving ₹ 3.63 crore. A few such cases are mentioned below:

- *Due to inaction of the Department, an amount of ₹ 1.17 crore remained outstanding with M/s Hospital Services Consultancy Corporation for more than seven years.*

(Paragraph 4.2.1)

- *Twenty-four Female Multipurpose Health Workers (FMHW) were irregularly posted in District Hospital, Dewas resulting in irregular expenditure of ₹ 2.46 crore on their pay and allowances. Besides, the rural people were deprived of the services of FMHWs for which they were appointed.*

(Paragraph 4.2.2)

1.7 Lack of responsiveness of Government to Audit

1.7.1 Outstanding Inspection Reports

The Heads of Offices and higher authorities are required to comply with the audit observations contained in the Inspection Reports (IRs), promptly rectify the defects/omissions and report their compliance to the Principal Accountant General (General and Social Sector Audit) within four weeks of their receipt. The Principal Accountant General also brings serious irregularities to the notice of the Heads of Departments.

As of 31 December 2012, 6987 IRs (18486 paragraphs) issued up to 31 March 2012 were outstanding against General and Social Sector departments. Of these, 4,164 IRs (9146 paragraphs) were pending settlement for more than five years. Year wise details of IRs and paragraphs outstanding are detailed in **Appendix-1.1**.

1.7.2 Response of the departments to Draft Audit Report

Draft Paragraphs and draft performance audits/ CCO based audit reviews were forwarded demi-officially to the Principal Secretaries/ Secretaries of the departments concerned between May and September 2012 with a request to send their response within six weeks. The departmental replies for three out of four Performance Audits/CCO-based Audits and four out of seven draft paragraphs featured in this Report have not been received. The replies wherever received have been suitably incorporated in the Report.

1.7.3 Constitution of Audit Committee

The Government while accepting the recommendations of Shakhder Committee (High Powered Committee) constituted a High Powered Committee (May 2000) for monitoring the follow-up action on audit report paragraphs. The Government constituted an Apex Committee⁵ (April 2009) for this purpose. However, no periodicity of meetings of the Apex Committee was prescribed in the order. Only one meeting of the Apex Committee was held during 2011-12.

The Government also constituted 24 Departmental Audit Committees (DAC) for speedy settlement of audit observations. Departmental Audit Committees are required to meet once in three months. Out of 96 meetings of DAC due during 2011-12, only two meetings of DAC (Housing and Environment department and Medical Education Department) were held during the year.

1.7.4 Follow up on Audit Reports

As per instructions issued (November 1998) by the Madhya Pradesh Vidhan Sabha Secretariat, the departments are to intimate the Public Accounts Committee (PAC) and the PAG about the action taken or any action proposed by them in respect of Audit Report paragraphs within three months of presentation of the Audit Report in the State Legislature.

Out of total 47 paragraphs pertaining to General and Social Sectors included in the Audit Reports for the years 2005-06, 2007-08 and 2008-09 departmental replies in respect of seven paragraphs were not received (December 2012) (**Appendix-1.2**). The matter was reported to the Principal Secretary, Vidhan Sabha (February 2013).

⁵ Members of the Apex committee are Principal Secretary, Finance Department, Govt. of M.P (Chairman), Principal Accountant General (Member), Secretary of the concerned department (Member) and Senior Deputy Accountant General (Member Secretary)

1.7.5 Discussion of Audit Paragraphs by Public Accounts Committee (PAC)

Discussion of Audit Reports (Civil) was completed up to the year 2005-06. However, 17 paragraphs pertaining to Audit Reports for the years 2006-07 to 2009-10 were pending for discussions by the Public Accounts Committee (December 2012). Audit Report (Civil) for the year ended March 2011 was presented in the State Legislature on 12 December 2012. Department-wise and year-wise details are given in **Appendix-1.3**.

1.7.6 Government response to PAC's recommendations

The Chief Secretary, Government of Madhya Pradesh issued (November 1994) instructions to all the departments to inform PAC about the action taken or the action proposed by them in respect of PAC's recommendations within six months of presentation of PAC's report in the State Legislature. The copies of action taken notes are also to be endorsed to the Principal Accountant General for his comments.

As of December 2012, 26 departments did not furnish ATNs on PAC's recommendations made on 240 Audit Report paragraphs. ATNs had not been furnished on the recommendations made as early as 1986-87. Department-wise and year-wise details are given in **Appendix-1.4**. The pending position of ATN was brought to the notice of the Chief Secretary (February 2013) with a request to issue suitable instructions to the departments concerned.

1.8 Records not produced to Audit

Test check of records (October 2010) of the Deputy Director, Social Justice Rajgarh, revealed that an amount of ₹ 18.80 crore was drawn by the Deputy Director from the treasury through 355 bills during the period February 2008 to March 2009. However, the relevant records such as cash book, vouchers, bill transit book, cheque register, acknowledgement of payees were not produced to Audit. During the next audit conducted in March 2012, the records relating to ₹ 18.80 crore were again requisitioned. However, the same were not produced to Audit. Non-production of records for audit runs the risk of instances of fraud and misappropriation of Government money remaining undetected. On this being pointed out, the Department constituted (April 2012) a Committee to investigate the matter. The Committee also did not find vouchers for ₹ 18.26 crore. The Additional Chief Secretary-cum-Development Commissioner intimated that out of total expenditure of ₹ 18.80 crore utilisation of ₹ 24.33 lakh was yet to be confirmed (December 2012).