

EXECUTIVE SUMMARY

Background

The Report on the Finances of the Government of Madhya Pradesh is brought out with a view to assess the financial performance of the State during 2012-13 based on audit analysis of financial data. In order to give a perspective to the analysis, we have attempted to compare the achievements made by the State Government *vis-a-vis* the targets envisaged in the Fiscal Responsibility and Budget Management Act (FRBM Act), 2005, Budget Documents, norms recommended by the Thirteenth Finance Commission and other financial data obtained from various Government Departments and organisations.

The Report

Based on the audited accounts of the Government of Madhya Pradesh for the year ended March 2013, this Report provides an analytical review of the Annual Accounts of the State Government. The report is structured in three Chapters.

Chapter 1 is based on the audit of the Finance Accounts and makes an assessment of the Madhya Pradesh Government's fiscal position as on 31 March 2013. It provides an insight into the trends in the overall finances of the State, Actual Expenditure *vis-a-vis* Budget Estimates, Salaries and Wages, Pensions, Interest Payments and Subsidies, Expenditure and Borrowing patterns, besides giving a brief account of Central funds transferred directly to the State implementing agencies through the off-budget route. It also makes an assessment of the adequacy of the State's Fiscal priorities to Developmental, Social Sectors and Capital Expenditure.

Chapter 2 is based on audit of Appropriation Accounts and gives a grant-wise description of appropriations and the manner in which the allocated resources were managed by the service delivery departments. Besides, comments arising out of review of one grant i.e. Grant No. 19 pertaining to Public Health and Family Welfare Department have also been made in this Chapter.

Chapter 3 is an inventory of the Madhya Pradesh Government's compliance with various reporting requirements and financial rules.

The Report also compiles the data collated from various government departments/organisations in support of the findings. At the end of the Report a glossary of abbreviations is given.

Audit findings

Management of fiscal imbalances and resource mobilisation

- The State maintained Revenue Surplus during the year 2012-13 at ₹ 7,459 crore. However, it decreased by ₹ 2,451 crore over the previous year. Though the Fiscal Deficit of the State (₹ 9,420 crore) was within the limits prescribed by XIII FC, FRBM Act and Budget estimates, the Fiscal Deficit increased from the previous year (by ₹ 3,660 crore). The Fiscal Deficit relative to GSDP also increased from 1.86 *per cent* in 2011-12 to 2.60 *per cent* in the current year.
- Revenue Receipts (₹ 70,427 crore) grew by 12.50 *per cent* over 2011-12. Growth of Revenue Receipts showed increasing trend during 2008-11, thereafter decreased gradually during 2011-13, mainly due to lesser growth in State's own Tax Revenue. During 2012-13, 53 *per cent* of Revenue Receipts came from State's own resources and 47 *per cent* was contributed by Central tax transfer and Grants-in-aid from GoI.
- The GSDP growth rate during 2012-13 at current price (16.85 *per cent*) of the State was higher than that of India's GDP (13.26 *per cent*).

Expenditure Management and Fiscal Priority

- The Revenue Expenditure (RE) of the State increased by 19.50 *per cent* from ₹ 52,694 crore in 2011-12 to ₹ 62,968 crore in 2012-13. The Non-Plan Revenue Expenditure (NPRE) increased by 21.65 *per cent* and constituted 71 *per cent* of RE. Actual NPRE was 39.83 *per cent* more than the XIII FC projection, but almost equal to the projection made in the MTFPS of the State.
- Capital Expenditure in 2012-13 (₹ 11,567 crore) increased by 28 *per cent* over the previous year. The increase was mainly under Rural Development and Irrigation and flood control.
- Expenditure on salaries and wages, pension payments, interest payments and subsidies together constituted 51 *per cent* of Revenue Expenditure and 46 *per cent* of Revenue Receipts. Out of total subsidy payments of ₹ 5,697 crore, 47 *per cent* pertained to Energy Department.
- The priority given to Social Sector Expenditure and expenditure on Education and Health Sectors in Madhya Pradesh was not adequate during 2012-13, when compared with the General Category States' Average.

Funds transferred to State Implementing Agencies outside the State Budget

- A total amount of ₹ 6,233.66 crore was directly transferred to the State agencies during 2012-13 for implementing various schemes. These funds were not routed through State Budget. There is no mechanism for monitoring the utilisation of such funds.

Incomplete projects

- In Water Resources Department, expenditure of ₹ 2,412.53 crore incurred on 55 incomplete projects remained unfruitful as of March 2013. Of these, initial estimated cost of 24 projects was revised by the Government involving a cost overrun of ₹ 2,067.92 crore.

Return on investment

- During 2012-13, return (₹ 18.38 crore) on investment of ₹ 14,656.50 crore made by the Government up to 2012-13 in Statutory corporations, companies, Co-operative societies, etc. was only 0.13 *per cent* against the average borrowing cost of 6.48 *per cent* during the year.

Net availability of funds

- During the year 2012-13, repayment of internal debt, GOI loans and other obligations and interest thereon constituted 86 *per cent* of fresh debts leaving very less funds for asset creation.

Management of Liabilities

- At the end of the year 2012-13, total liabilities (TL) of the State was ₹ 90,168 crore. The ratio of TL to GSDP (24.92 *per cent*) was within the limit of 40 *per cent* fixed under the FRBM Act, 2005 and also within 36.8 *per cent* prescribed by XIII FC. However, the buoyancy of TL with respect to GSDP increased from 0.44 in 2011-12 to 0.61 during 2012-13.
- Net Market Borrowings (₹ 3,363 crore) of the State continued to finance a major portion of Fiscal Deficit during 2012-13. Government raised market loans despite having sufficient cash balances during the period 2009-13, which were invested in low interest bearing '14 days Treasury Bills'. The assessment of market borrowings in the Annual Plans, Budget Estimates and Revised Estimates was injudicious.

Financial Management and Budgetary Control

- Against the total budget provision of ₹ 1,01,423 crore during 2012-13, expenditure incurred was ₹ 83,962 crore. Supplementary provision of ₹ 10,581 crore during 2012-13 proved unnecessary as there was an overall saving of ₹ 17,461 crore. In 11 cases (eight departments) savings were more than ₹ 100 crore in each case aggregating to ₹ 9,026 crore (52 *per cent* of total savings).
- We observed that only ₹ 5,670.36 crore (32 *per cent* of the total savings) was surrendered during the year. In 33 cases, significant savings (more than ₹ 10 crore in each) aggregating ₹ 2,135 crore was surrendered on the last day of the financial year, leaving no scope for utilizing the funds for other works.
- A sum of ₹ 389 crore was transferred to Civil Deposit in Public Account at the end of the year inflating the expenditure of the year under the Consolidated Fund of the State.

- Expenditure of ₹ 335 crore was incurred without any provision in the State Budget. Also, Re-appropriation/surrender of funds in 19 cases was made injudiciously which resulted in savings/excess in each scheme.
- Excess expenditure of ₹ 0.24 crore incurred during 2012-13 which require regularisation under Article 205 of the Constitution. Besides, ₹ 3,015 crore relating to the period 1997-98 to 2011-2012 also remained unregularised.

Financial Reporting

- State Government's compliance with various financial rules and procedures was deficient. Large number of Utilisation Certificates (38623) in respect of grants given for ₹ 28,240.91 crore were awaited from the grantee institutions, indicating lack of proper monitoring by the Departments in the utilisation of grants.
- There were significant delays (up to 57 months) in submission of accounts by the autonomous bodies, affecting their transparency and accountability.
- Government's compliance towards disposal of cases of losses, misappropriation, etc. amounting to ₹ 51.76 crore was pending.
- Detailed Countersigned Contingent bills against ₹ 15.24 crore drawn on Abstract Contingent bills were awaited at the end of 2012-13.
- As on 31 March 2013, ₹ 2,063 crore was retained in 904 Personal Deposit Account in violation of the provisions of Madhya Pradesh Treasury Code.
- Controlling Officers of 23 Departments did not reconcile expenditure amounting to ₹ 27,580.95 crore during 2012-13.