



**Hand Book on Report of the
Comptroller and Auditor General of India
Economic Sector
for the year ended 31 March 2016
Government of Madhya Pradesh
(Report No. 2 of the year 2017)**



**Office of the
Accountant General
(Economic and Revenue Sector Audit)
Madhya Pradesh, Bhopal
www.agmp.nic.in**

Preface

This brochure presents abridge contents of the Report of the Comptroller and Auditor General of India on Economic Sector, Government of Madhya Pradesh, for the year ended 31 March 2016, Report No.2 of the year 2017. This Report has been prepared for submission to the Governor of Madhya Pradesh under Article 151(2) of the Constitution of India.

The Report contains significant results¹ of four performance/compliance audits and 16 audits paragraphs of the Departments of the Government of Madhya Pradesh under Economic Sector. The complete Report is available on our website www.cag.gov.in.



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¹ While every effort has been made to ensure conformity of the contents of this publication with the related Audit Report, in case of any discrepancy the facts and figures as stated in the Audit Report are to be treated as final.

Highlights

Performance/Compliance Audits

The Report of Comptroller and Auditor General of India on Economic Sector, Government of Madhya Pradesh for the year ended 31 March 2016 includes four Performance/Compliance Audits, viz.

- (i) Implementation of National Food Security Mission - Farmer Welfare and Agriculture Development Department
- (ii) Implementation of Madhya Pradesh Water Sector Restructuring Project – Water Resources Department
- (iii) Audit on preparation of estimates of road works - Public Works Department
- (iv) Audit on Crop Insurance Scheme – Farmer Welfare and Agriculture Development Department



Audit Paragraphs

This Report also includes 16 audit paragraphs on several deficiencies, comprising of one case of Co-operation Department (₹ 1.30 crore), two cases of Forest Department (₹ 6.52 crore), four cases of Narmada Valley Development Department (₹ 40.09 crore), two cases of Public Works Department (₹ 5.74) and seven cases of Water Resources Department (₹ 38.79 crore).



Performance/Compliance Audits

Implementation of National Food Security Mission

Introduction

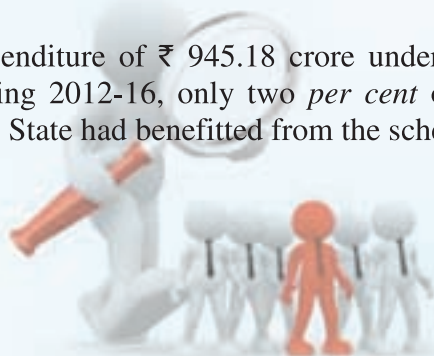
National Food Security Mission (NFSM) is a centrally sponsored crop development scheme which aimed at achieving additional production of food grains and restoring soil health. In Madhya Pradesh, the scheme was being implemented in eight districts under NFSM-Rice, 17 districts under NFSM-Wheat and all 51 districts under NFSM-Pulses. Since 2014-15, NFSM-Coarse cereals and NFSM-Commercial crops were being implemented in 16 districts and eight districts respectively. During 2012-13 to 2015-16, the State had incurred ₹ 945.18 crore out of ₹ 1,051.41 crore received as grants-in-aid from the Government of India for activities to be undertaken under the scheme.

Our Findings

Performance audit covering the period from 2012-13 to 2015-16 revealed that:

Target for production of food grains were not fixed for NFSM districts in the State. As a result, their progress in achieving scheme objective of additional production could not be ascertained.

Despite an expenditure of ₹ 945.18 crore under NFSM in the State during 2012-16, only two *per cent* of the total farmers in the State had benefitted from the scheme.



Cultivation area of foodgrains

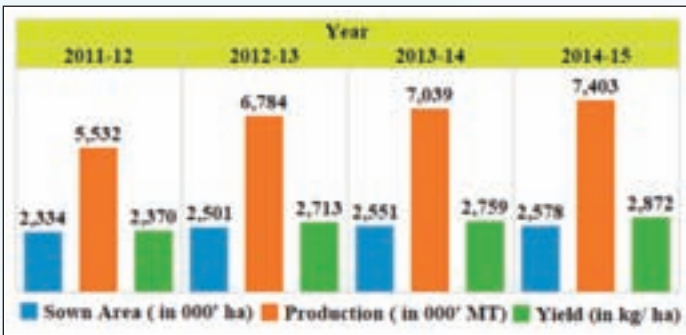
NFSM districts could increase the sown area of rice by five per cent only as against the average growth rate of 26 per cent in sown area of rice at State level. NFSM-Wheat districts also did not achieve sustained growth, as the sown areas decreased in 2014-15 as compared to previous year. Production of pulses substantially decreased by 22 per cent in 2013-14 and by 14 per cent in 2014-15 as compared to 2012-13. However, utilisation of funds received under NFSM by the Department decreased from 95 per cent in 2012-13 to 64 per cent in 2015-16 due to quarterly budgeting system, low rainfall, drought, etc.

Sown area, production and yield of rice in districts under NFSM-Rice

Sown area, production and yield of pulses in districts under NFSM-Pulses



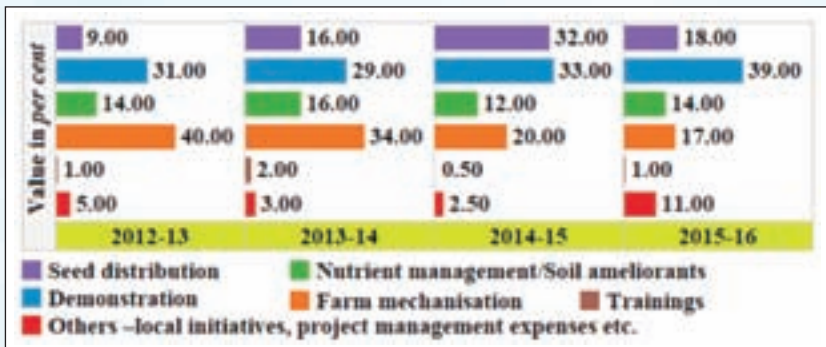
Sown area, production and yield of wheat in districts under NFSM-Wheat



Distribution of quality seeds

The Department did not provide adequate seeds in time. As a result, the objective of the Scheme of distributing quality seeds at subsidised rates to all farmers could not be achieved. A beneficiary survey of farmers conducted by the audit revealed that 250 out of 260 farmers reported higher yield by using quality seeds provided by the Department.

Chart showing the share of various interventions under NFSM



District offices could not ensure quality testing of seeds distributed to farmers before its sowing, which put to risk, the production and income generation of farmers.

Agencies for supply and norms for subsidy

The Department did not fix the agencies and rates of farm implements as required under the NFSM operational guidelines. The assistance to farmers on purchase of farm implements resulted in irregular expenditure of ₹ 261.81 crore.

Norms for providing subsidy on farm implements such as pipes and sprinkler sets were not adhered to by the Department. As a result, the Department provided irregular subsidy of ₹ 5.11 crore to 8,337 farmers in 14 districts.

Field demonstrations

The objective of field demonstration to disseminate the knowledge of improved practices were largely not fulfilled due to deficiencies in conducting cropping system demonstrations, lack of involvement of scientists and deficiency in preparation of results of demonstration. In eight test checked districts, expenditure of ₹ 91.71 crore on 1.74 lakh demonstrations was rendered unfruitful due to failure to maintain prescribed records for demonstration results.



Plans for implementation of scheme

Perspective plan for implementation of scheme in the State was not prepared. Baseline survey and feasibility studies were also not conducted due to which the status of crop productivity and its potential remained unassessed. Inputs from the Block offices were not obtained for preparation of District Annual Action Plans.

Monitoring of the scheme

Inadequate coordination at State and District level of the Department to ensure proper functioning of Project Management Teams affected the planning, implementation and monitoring of the scheme.

Recommendations

State should provide production targets to districts and monitor its progress to ensure achievement of objective of increase in sown areas, production and yield in all crop components. State should also strive to widen the coverage of farmers under the scheme to provide benefits of scheme to maximum farmers.

The Department should evolve a mechanism to ensure full utilisation of funds received during a financial year.

Mechanism of seed distribution and their quality testing should be strengthened to ensure availability of certified seeds to all interested farmers.

State should ensure preparation of demonstration results in a manner that farmers get awareness of benefits of using demonstrated technology, besides involvement of scientists in demonstrations.

State should ensure proper functioning of various institutions prescribed for implementation and monitoring of the NFSM at State and District level. Baseline survey and feasibility studies should be conducted to assess the resource endowments of farmers, level of crop production, its potential and demand.



Implementation of Madhya Pradesh Water Sector Restructuring Project

Introduction

Madhya Pradesh Water Sector Restructuring Project (MPWSRP) was taken up in 2004 by WRD, Government of Madhya Pradesh (GoMP) with assistance from the World Bank. It aimed to rehabilitate and modernise existing irrigation assets in selected six river basins (Chambal, Betwa, Ken, Sindh, Tons and Wainganga) of the State having Culturable Command Area (CCA) of 6.18 lakh hectare (ha). The administrative approval of the project was revised (April 2015) to ₹ 2,498 crore from ₹ 1,919 crore (August 2004). MPWSRP, after five time extensions, was closed in June 2015 after incurring an expenditure of ₹ 2,497.52 crore.



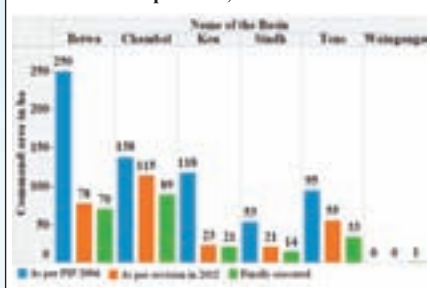
Our Findings

A performance audit of MPWSRP during the period 2010-16 revealed the following:

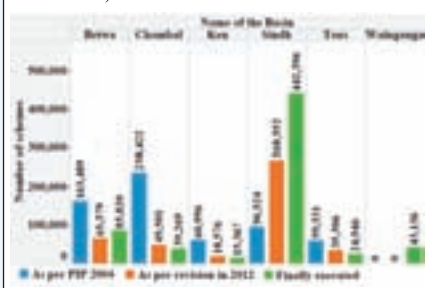
Change in scope of project

The scope of MPWSRP was restructured in June 2012 and 362 irrigation schemes were discontinued as Department failed to complete the scheme as per Project Implementation Plan (PIP). The easy execution of Chambal Canal System prompted WRD for its overemphasis after restructuring of the project in June 2012. Works valuing ₹ 606.24 crore (24 per cent of total expenditure under MPWSRP) were taken up during 2012-13 to 2013-14 for Chambal Canal System. Of these works, Cement Concrete lining, which could be easily executed in a short span of time, constituted 94.29 per cent of works. The overemphasis on Chambal Canal System helped Department in achieving the required financial progress for closing the project. However, this adversely affected achievement of CCA of medium and minor schemes.

No. of schemes planned, revised and executed



Planned, revised and executed CCA in ha



Agriculture intensification and diversification

The MPWSRP envisaged for agricultural intensification and diversification through effective collaboration of GoMP line Departments (WRD, FW&AD, Horticulture and Food Processing Department and Jawaharlal Nehru Krishi Vishav Vidyalaya (JNKVV), Jabalpur). Due to poor integration with line departments, absence of sustainable water supply to farmers, lack of extension activities and training to Water User Associations (WUAs), agriculture intensification and diversification did not correspond to the achievement of irrigated area under MPWSRP.

During beneficiary survey, 133 out of 334 (40 *per cent*) farmers reported not participating in any training programme of FW&AD. Thus, there was lack of effort at institutional level to generate awareness among farmers about the benefits of crop diversification.

The impact of sown area of gram, *arhar* and mustard was taken as an indicator for agriculture intensification in PIP. There was reduction in sown areas of gram and *arhar* during 2014-15 by 20 *per cent* and 35 *per cent* respectively as compared to 2011-12. Further, the sown area of mustard was reduced in 2014-15 by 19 *per cent* as compared to 2012-13. Plantation area of fruits, vegetables and spices remained low ranging from 2.90 *per cent* to 7.31 *per cent*, as against the target of 21 *per cent* of the irrigated area envisaged in PIP and was even below state average of nine *per cent*.

Contract management and execution

Avoidable liability of commitment charges of ₹ 9.38 crore was created due to delayed planning and execution of works.

Provision was made in Scheme Modernisation Plans for works of field channels, water courses and farm turnouts. But these works were not executed in Chambal Canal System. As a result, ₹ 205.52 crore earmarked for micro distribution network and canal automation were diverted for other purposes.

Unjustified expenditure of ₹ 263.85 crore was incurred on execution of excess quantities and length of CC lining of canals beyond the scope of Scheme Modernisation Plans (SMP).

Provisions of specifications appended with National Competitive Bidding (NCB) were not adhered resulting in irregularities amounting to ₹ 65.18 crore in works for trimming of earthwork and CC lining of canals, besides, inadequate quality control of works.

Adherence with agreement clauses was inadequate leading to undue financial benefit of ₹ 68.74 crore in issues relating to additional security deposit, liquidated damages, royalty charges and insurance coverage of works.

Provisions of schedule of rates were not followed, which led to extra cost of ₹ 24.02 crore due to incorrect lead of metal, incorrect rate of embankment and item of blasting besides, excess payment on account of shrinkage allowance.

Quality control and monitoring of the project was inadequate as core tests of works were not ensured. This resulted in undue financial aid of ₹ 20.47 crore to contractors,



Recommendations

The Government should make a firm plan and adequate internal control mechanism to utilise the available loan in time to avoid the payment of commitment charges.

The Government should adopt concrete criteria for selection of schemes and distribution of funds throughout the project to avoid slippage in scheme coverage and delays in their execution.

The Government should ensure strict adherence with provisions of SMPs for the execution of micro distribution network along with modernisation work of main canal for optimal utilisation of water by end user.

The Government should strengthen internal control system for strict adherence with contract management for ensuring recovery of extra cost/ excess payments, penalty for delay, deduction of additional security deposit and insurance coverage of works from the defaulting contractors in order to safeguard its interest.

The Government should consider making suitable arrangements for third party supervision of works and strengthening quality control mechanism for conducting the quality tests to ensure execution of works according to the laid down specifications.



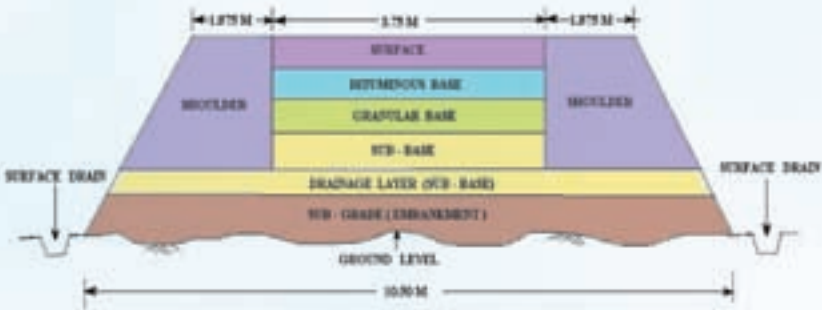
Audit Paragraphs

Audit on preparation of estimates of road works

Introduction

Public Works Department is the principal agency of Government of Madhya Pradesh for planning, designing, construction and maintenance of roads, Government buildings and infrastructure development. During the period 2013-16, an expenditure of ₹ 4,559.47 crore was incurred on construction of new roads/upgradation and strengthening of existing roads.

Cross Sections of Bituminous Road



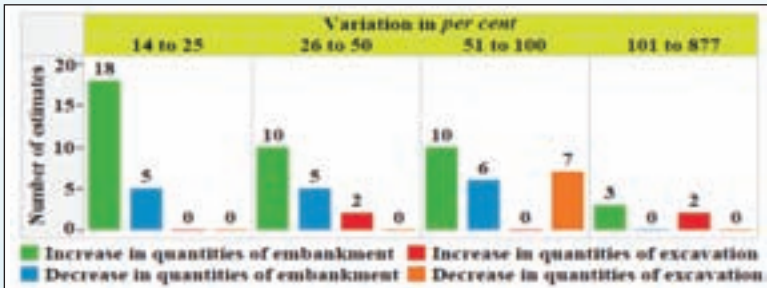
Our Findings

Out of 57 Public Works Division in the State, the test checked 12 divisions executed 391 road works valued at ₹ 1699.25 crore during 2012-16. Out of this, 196 estimates for road works valued ₹ 1250.74 crore were audited, which revealed that:

In all the test checked 196 estimates, pre-requisite activities for preparation of estimates of road works, such as feasibility study and detailed survey and investigation were not carried out. As a result, there were large deviations from estimates at the time of execution.

Quantities of earthwork were provisioned in the test checked estimates by taking average thickness without taking actual ground levels. Due to failure in taking levels in 103 road works and erroneous consideration of levels in 93 road works, quantities of earthwork were not provisioned correctly in the estimates resulting in variation of more than 10 per cent in 68 road works.

Range of variation in quantities of earthwork from original estimate during execution



Road works were awarded without ensuring adequate provision in the estimates for acquisition of forest and private lands. As a result, 26 out of 196 test checked road works were delayed for two months to over six years, which included 15 road works on which an expenditure of ₹ 66.86 crore was already incurred remained incomplete even after lapse of 21 to 68 months.



A view of incomplete segment at km 6/6 and 6/4 of Rewa Sirmour road to Gargin Tola-Rajgarh road of Rewa district as on December 2016 due to non-acquisition of private land

Cost of utility shifting in 10 estimates was provisioned on assumption basis without obtaining technical sanction from concerned Departments resulting in delay from 11 months to 27 months in construction of roads, besides increase in cost of road by ₹ 7.14 crore.

In 13 estimates, design traffic of road crust was incorrectly computed resulting in adoption of substandard specification in 10 estimates and richer specification resulting in extra cost of ₹ 2.98 crore in three estimates. It was also observed that though design traffics were worked out correctly in 20 estimates, department erroneously adopted richer specification resulting in extra cost of ₹ 21.30 crore.

Provisions of cross drainage (96 estimates) and length of road (30 estimates) were made without survey and investigation. As a result, wide deviation from estimate was noticed in 94 estimates which resulted in excess expenditure of ₹ 32.56 crore. Similarly, length of road specified in the estimate was increased up to three kilo metres in six road works and decreased up to 10.5 kilo metres in 24 road works.



A view of incomplete work at km chainage 1,200 and 2,100 of Anarad to Nihaldevi road as on January 2017 due to delay in proposal for acquisition of forest land

Recommendations

The Government should ensure that technical sanctions are granted after conducting surveys and investigation in accordance with the codal provisions.

The Government should ensure that actual costs of utility shifting and acquisition of private and forest lands are obtained from concerned Departments while preparing estimates.

The Government should ensure that accountability is fixed for computation mistakes and erroneous adoption of specification for designing of road crust with richer as well as substandard specifications.

The Government should ensure adequate consultation with Panchayat, MPRRDA and other Government agencies before preparation of estimates for assessing the required length of road and type, number and location of cross drainage.



Audit on Crop Insurance Scheme

Introduction

National Agricultural Insurance Scheme (NAIS) was launched by Government of India (GoI) from Rabi 1999-2000 season to mitigate the financial loss suffered by farmers due to crop failure on account of natural calamities, pests and diseases. Agriculture Insurance Company of India Limited (AIC) was the implementing agency of the scheme.

Our Findings

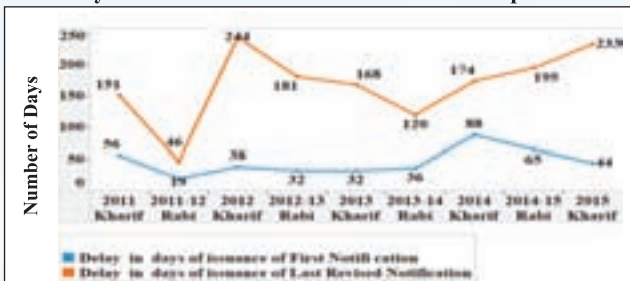
The audit revealed that:

The coverage of farmers under NAIS increased from 14.58 per cent (Rabi 2010-11) to 33.80 per cent (Kharif 2015) of the total number of 88.72 lakh farmers in the State. The increase in coverage was due to compulsory insurance of loanee farmers, as only 2841 non-loanee farmers were covered under the scheme during Rabi 2010-11 to Kharif 2015. However, inadequate coverage of 14.58 per cent to 33.80 per cent farmers under the scheme adversely affected the objectives of NAIS to help stabilise farm income, particularly in disaster years.

State Government failed to timely notify crop-wise areas to be covered under the scheme and the delays in notification ranged up to eight months.

Farmers of 120 Patwari Halkas were deprived of the benefits under the scheme due to delay in issuing notifications for these areas after cut off dates for receipt of declaration by insurance agency.

Delays in issuance of notification for each crop season



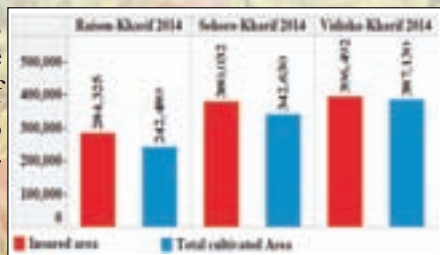
As a result of failure of Superintendent Land Records and Deputy Directors of Agriculture in providing the results of crop cutting experiments, Agriculture Insurance Company could not calculate the insurance claim of farmers in 6,702 *Patwari Halkas*.

In Actuarial regime, Agriculture Insurance Company would bear insurance claims of the farmers by increasing the insurance charges ascertained by its statistical experts. However, it was not implemented even after five years of introduction of NAIS in the State. This resulted to extra financial burden of ₹ 692.92 crore to the State Government during *Rabi 2010-11 to Kharif 2015*.

There were delays in disbursement of insurance claims to farmers ranging from one month to over two years during *Rabi 2010-11 to Kharif 2015*. During beneficiary survey of 256 farmers in five districts, 16 *per cent* of the farmers stated that they could not repay their loans in due time due to delay in receipt of claims and hence, were debarred for loans in next season. Thus, delay in disbursement of claims resulted in hardship to claimants.

Due to failure of financial institutions to adhere to the limits specified for providing finances to the farmers, insurance claim submitted by farmers was increased by ₹ 101.07 crore. This caused extra financial burden to the Government.

During *Kharif 2013*, insured areas were more than the sown areas of notified crops by 9.06 lakh hectare in 3362 *Patwari Halkas* of 42 districts. The Department attributed it to obtaining more than one *Kisan Credit Card* by farmers.



Recommendations

The Government should take effective steps for timely issuance of notification of crops and area for crop insurance to provide sufficient time to non-loanee farmers to avail the benefits of insurance coverage under the scheme.

The Government should ensure to provide results of Crop Cutting Experiments within stipulated time to insurance agency for timely calculation of insurance claims of farmers.

The Government should ensure adequate publicity of the scheme to optimise the coverage of farmers.

The Government should ensure timely disbursement of insurance claims in order to avoid hardship to the farmers.

The Government should consider the coverage of major crops viz *urad*, *moong* and lentil.

The Government should ensure holding of single KCC account for the individual farmer using unique identification instruments and coordination between Revenue Department and Financial institutions to avoid insurance of unsown area.

The Government should strengthen monitoring mechanism to avoid lapses in coverage and settlement of claims.



Compliance Audit Paragraph

Audit has reported on several significant deficiencies in critical areas which impact the effectiveness of the State Government. Some important findings arising out of Compliance Audit (16 paragraphs) are featured in the Report. The major observations relate to failure to comply with rules and regulations, audit against propriety and cases of expenditure without adequate justification and failure of oversight/governance. Some of them are mentioned below:

Co-operation Department

The decision of MARKFED, Bhopal to accept the rates of transportation at much higher rate as compared to previous year led to extra cost amounting to ₹ 1.30 crore.

Forest Department

In Divisional Forest Offices, Alirajpur, Anuppur, Betul (North) and Vidisha, application of provisional/incorrect rates of Net Present Value has resulted into an amount of ₹ 5.89 crore being outstanding for recovery from the user agencies for use of diverted forest land.

Delay in implementation of revised rates of entry fees in the National Parks/Sanctuaries/Tiger Reserves of Madhya Pradesh led to irrecoverable loss of ₹ 62.68 lakh to the Government.



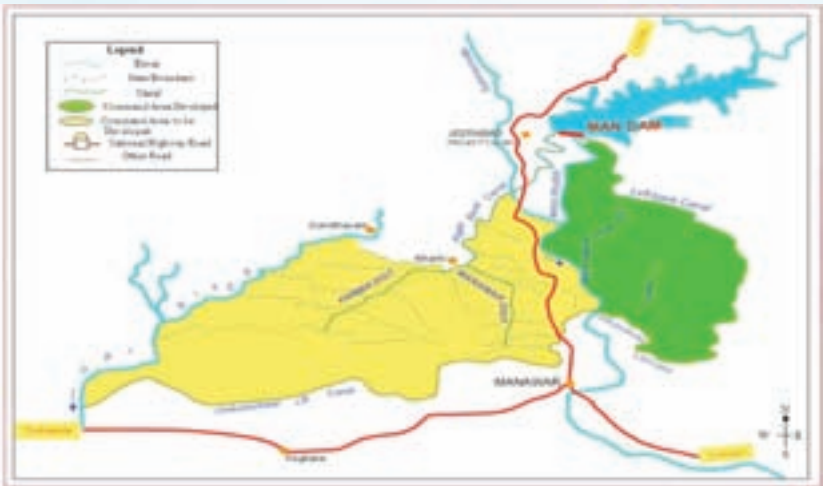
Narmada Valley Development Department

In ND Division No. 32 Barwaha, clause for central excise exemption was not included in the Notice Inviting Tender for a tender on turnkey basis which led to undue benefit to the contractor amounting to ₹ 22.26 crore, which would have been otherwise extended to the Government, by way of reduced project cost.

The Executive Engineer, ND Division No. 7, Satna irregularly granted mobilisation advance of ₹ 1.89 crore to the contractor in contravention to the provisions of the contract and there was short recovery of penalty of ₹ 6.78 crore.

The Executive Engineer, Omkareshwar Project Canal Division, Dhamnod (Dhar) adopted incorrect prices of Petrol Oil and Lubricants which resulted in excess payment of ₹ 7.89 crore to the contractors. However, after being pointed out by audit, an amount ₹ 7.82 crore has been recovered.

In ND Division No. 16, Kukshi, District Dhar, the Executive Engineer made incorrect provision and executed excess thickness of cement concrete lining work against the irrigation specifications resulting in extra cost of ₹ 1.27 crore.



Public Works Department

The Executive Engineer, Public Works Department (B&R) Division, Ujjain executed excess thickness of Crusher Run Macadam against the IRC-37 specification which led to unauthorised payment of ₹ 98.25 lakh.

Injudicious fixation of higher rate for item “clearing and grubbing” in the Schedule of Rates led to extra cost of ₹ 4.76 crore in Public Works Division, Simhastha.

Water Resources Department

Audit noticed extra cost of ₹ 5.65 crore due to inclusion of higher rate for RCC pipe, royalty of ₹ 3.26 crore for hard rock not recovered, undue financial aid to contractor on account of payment of ₹ 40.82 lakh made to Railway authority and irregular payment of ₹ 48.85 lakh for temporary land acquisition in execution of Khan River diversion project under Simhastha-2016.

In Water Resource division-I, Jhabua, the value of the excavated hard rock was not included by the Executive Engineer in the books (Material-at-Site) of the division, which led to probable loss of ₹ 21.23 crore to the Government.

In Sanjay Sarowar Bhingarh Right Bank Main canal under Tilwara left bank canal, Division-Keolari (Seoni), the seepage problem could not be resolved even after constructing RCC duct with less water way area and diversion channel due to inadequate estimation and poor planning. This led to infructuous expenditure of ₹ 3.00 crore.



Spillage of water between Chainage 760 and Chainage 782 during Joint Physical Verification

The Executive Engineer, Pancham Nagar Project Survey Division, Hatta made incorrect provision of lead for sand from 100 km clubbed in the cement concrete item resulting in excess payment of ₹ 1.58 crore to the contractor.

Adoption of incorrect clubbed rate of earthwork instead of adoption of complete item for earthwork resulted in extra cost of ₹ 1.31 crore in Water Resource Department Division Manawar and Shajapur.

Adoption of higher clubbed rates for providing and placing of Cohesive non-swelling item resulted in extra cost of ₹ 1.09 crore in six WR Divisions.

Incorrect provision and execution of tamping in canal work as a separate item resulted in extra cost of ₹ 77.36 lakh in 12 canal lining works for 11 schemes in seven divisions. However, after being pointed out by audit, an amount ₹ 12.56 lakh has been recovered.



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