

OVERVIEW

The Report includes two Chapters containing observations on Finance and Appropriation Accounts of the Government of Madhya Pradesh for the year 2007-08 and three others comprising four reviews, one long paragraph and 19 paragraphs dealing with the results of performance audit of selected programmes and schemes as well as audit of the financial transactions of the Government.

The audit has been conducted in accordance with the Auditing Standards prescribed for the Indian Audit and Accounts Department. Audit samples have been drawn based on statistical sampling methods as well as on judgement basis. The specific audit methodology adopted for programmes and schemes has been mentioned in the reviews. The audit conclusions have been drawn and recommendations made taking into consideration the views of the Government.

A summary of the important findings is given below:

1. Finances of the State Government

Revenue expenditure increased by 14 *per cent* while the revenue receipts registered a significant growth of 19 *per cent* as a result of which State Government achieved a revenue surplus of Rs.5,088 crore during 2007-08 as against Rs.3,331 crore during 2006-07. The revenue surplus of Rs.5,088 crore includes Rs.363 crore of debt relief received under DCRF to State by the GOI. During 2007-08, 48 *per cent* of the revenue (Rs.14,756 crore) came from the State's own resources. Arrear of revenue were Rs.802 crore at the end of the year 2007-08.

Fiscal deficit increased from Rs.2,755 crore in 2006-07 to Rs.2784 crore in 2007-08 representing 1.96 *per cent* of the GSDP. There was primary surplus of Rs.1,407 crore in 2007-08 as against primary surplus of Rs.1,274 crore in previous year. Revenue expenditure as a percentage to GSDP increased from 17.44 to 18 *per cent* while capital expenditure as a percentage to GSDP increased from 4.03 to 4.81 *per cent* during 2007-08. The committed expenditure on salaries, pension and interest payments constitute about 68 *per cent* of NPPE during 2007-08.

Fiscal liabilities of the State increased from Rs.53,280 crore in 2006-07 to Rs.55,311 crore in 2007-08 and their ratio to GSDP decreased from 42 to 39 per cent during the period.

Recovery of outstanding loans and advances given by the State Government as well as returns on Government's investment was meagre and the Government continued to invest in loss making corporations and companies.

(Paragraphs 1.1 to 1.12)

2. Allocative Priorities and Appropriation

As against the total grants/appropriations of Rs.43,500.58 crore, the actual expenditure during 2007-08 was Rs.36,104.87 crore resulting in savings of Rs.7,395.71 crore in 171 cases of grants/appropriations. Excess expenditure aggregating to Rs.5,161.40 crore pertaining to the years 1993-94 to 2006-07 had not been regularised (August 2008).

In 17 schemes, expenditure in each case exceeded by Rupees five crore or more and also more than 100 per cent of total provision aggregating to Rs.379.26 crore.

Supplementary provision of Rs.901.43 crore obtained in 38 cases during the year proved unnecessary.

Controlling officers under 11 Major Heads involving expenditure of Rs.2,534.78 crore, representing 7.02 *per cent* of the total expenditure during the year did not carry out reconciliation of expenditure figures.

In 10 cases, against the available savings of Rs.255.77 crore, Rs.286.03 crore was surrendered, resulting in injudicious excess surrender of Rs.30.26 crore.

(Paragraphs 2.1 to 2.7.7)

3. Implementation of Watershed Development Programmes

Watershed Development Programmes were taken up to obviate the drought conditions, prevention of land degradation and improving the soil fertility to achieve sustained growth in agriculture productivity. Deviations in planning of watershed projects and selection of villages under the programmes during 2003-08 were noticed which compromised the objectives of the programme. Components were not executed in prescribed sequence. The progress of project activities in test-checked districts was 65 percent. Due to slow progress, the projects could not be completed in time and many completed projects have not been handed over to watershed committees for operation and maintenance. Impact of the activities under the programme was not assessed to determine the extent of change in socio-economic environment.

(Paragraph 3.1)

4. National Programme of Nutritional Support to Primary Education (Mid Day Meal)

The Mid Day Meal (MDM) scheme was launched as a centrally sponsored scheme with the objective of boosting universalisation of primary education by increasing enrolment, attendance, retention and simultaneous improvement in

the nutritional level of students of school going children. The MDM scheme failed to attract the children for enrolment in primary classes as evident from decrease in enrolment, average attendance and retention. Deficiencies such as keeping of unspent funds, short allotment of cooking cost to Parent Teachers Associations (PTAs) in Shahdol and Shivpuri districts amounting to Rs.3.68 crore, non/short distribution of cooked meals in Bhopal and Bhind districts were observed. A case of suspected embezzlement of Rs.1.20 lakh in Block Education office, Gandwani district Dhar was also noticed. Delay in construction of kitchen cum store, kitchen sheds and procurement of kitchen devices/utensils at district level out of funds provided by Commissioner, Tribal Welfare Department (TWD) instead of crediting in the accounts of PTAs of schools, non/short distribution of de-worming and micronutrient tablets indicated that implementation of the programme lacked focus on internal issues.

(Paragraph 3.2)

5. Infrastructure Development under Tribal Sub-Plan

Madhya Pradesh has the highest ST population in the country. Tribal Sub Plan (TSP) was launched from Fifth Five Year Plan and aimed at rapid socio-economic development of tribal population. One of the objectives of TSP was to develop basic infrastructure like irrigation facilities, roads and bridge connectivity and construction of educational and health infrastructure in the tribal areas of the State. The Public Works Department, Water Resources Department, Narmada Valley Development Authority, and Public Health Engineering Department were responsible for infrastructure development and Tribal Welfare Department was the nodal department.

The funds provided during the entire 10th Plan period (2002-2007) were not fully utilized. An amount of Rs.4.92 crore received under Article 275 (1) of the Constitution remained unutilized in Badwani and Khargone districts. TSP funds Rs.14.68 crore were diverted to non-tribal areas in Katni and Sidhi districts.

Fifty seven irrigation schemes sanctioned during five to nine plan period remained incomplete due to inadequacy of funds. Five minor irrigation schemes were constructed without canal network depriving marginal cultivators from availing the irrigation facility. Irrigation potential created under TSP was underutilized. Unwarranted splitting of TSP works resulted in extra cost of Rs.4.18 crore.

The PWD utilized substantial portion of TSP funds for up-gradation of existing roads instead of new connectivity. A sixty bedded hospital building in Jhabua district remained incomplete for last 12 years due to delay in finalising the tender. Two Eklavya Model Residential Schools (EMRS) were incomplete due

to slow progress by contractors and one additional 50 seated hostel building remained incomplete due to non availability of funds.

(Paragraph 3.3)

6. Irrigation facilities in Narmada Tapti Basin

Programme was aimed to create additional irrigation potential of 1.02 lakh hectare (ha) by constructing 434 projects during 2002-08. One hundred eight projects could only be completed and 0.22 lakh ha additional irrigation potential was created till March 2008. The work of 104 projects was not started. The progress of survey work was also tardy. Moreover, utilization of irrigation potential created was only 25.35 per cent. Rs 35.27 crore was spent in excess over sanctioned cost of 46 projects. Rs 39.95 crore spent on 21 projects remained blocked due to non-completion of canal component. Rupees 32.11 crore spent on 53 projects was unfruitful due to non transfer of 837.531 ha. forestland. Forty four projects constructed at a cost of Rs 29.09 crore without canal component did not meet the objectives of the projects. Annual maintenance and repair works were not attended properly due to inadequate allotment of fund on maintenance.

(Paragraph 3.4)

7. Internal Control in Mahila Evam Bal Vikas Department

Internal Control is an integral part of an organizations operation and is the principal focus of the internal audits attention. A review of the system revealed that the internal controls in the department were weak.

The system of financial controls including preparation of budget estimates was deficient as savings were noticed each year and supplementary provisions were made without requirement. Departmental figures were not reconciled with Accountant General (A&E) figures. There were shortcomings in maintenance of cash books and other basic records. Non-gazetted employees were irregularly vested with drawing and disbursing powers. Assistance was provided to ineligible beneficiaries under Ladli Laxmi Yojna and deficiencies noticed in implementation of Local Food Model Scheme. Instead of providing weaning food to children in the age group six months to 12 months, solid food was provided. Medicine and pre-education kits were not supplied during 2006-08. Shortfall in providing Supplementary Nutrition to beneficiaries ranged between 37 and 53 *per cent*. The internal audit wing is required to plan its coverage scientifically.

(Paragraph 5.1)

8. Results of transaction audit

Besides the above, audit of financial transactions, subjected to test check in various Departments of State Government and their field functionaries revealed instances of loss, wasteful expenditure, avoidable expenditure and other irregularities involving Rs.40.92 crore as mentioned below:

These included fraudulent drawals/losses of Rs.57.95 lakh noticed in Public Health Engineering Department (Rs.3.97 lakh) and School Education Department (Rs.53.98 lakh).

Excess/wasteful expenditure of Rs.5.68 crore noticed in Finance Department (Rs.1.72 crore), Narmada Vally Development Department (Rs.38.98 lakh), Panchayat and Rural Development Department (Rs.39.82 lakh), Public Works Department (Rs.65.62 lakh), School Education Department (Rs.1.08 crore), and Water Resources Department (Rs.1.43 crore).

Violation of contractual obligations/undue favour to contractors/avoidable expenditure of Rs.4.79 crore was noticed in Narmada Vally Development Department.

Idle investment/idle establishment/blocking/diversion of funds etc. of Rs.2.38 crore noticed in Public Health and Family Welfare Department (Rs.1.60 crore), School Education Department (Rs.33.28 lakh), Scheduled Tribes and Scheduled Castes Welfare Department (Rs.44.81 lakh).

Apart from these, there were regulatory issues and other points involving Rs.27.49 crore noticed in Forest Department (Rs.18.40 crore), Medical Education Department (Rs.1.78 crore), Panchayat and Rural Development Department (Rs.27.87 lakh) and Public Works Department (Rs.7.03 crore).

(Paragraphs 4.1.1 to 4.5.5)