

Preface

This brochure presents, at a glance, the contents of the Audit Report (Civil, Revenue Receipts and Commercial) of the Comptroller and Auditor General of India relating to the Government of Madhya Pradesh for the year ended 31 March 2006. These Reports contain major findings of audit of financial transactions of Government of Madhya Pradesh, Government Companies and Statutory Corporations. Other audit observations, which are not contained in these Audit Reports are pursued for their settlement with the Controlling Officers and Heads of offices.

In accordance with Article 151 of the Constitution, the Comptroller and Auditor General of India forwards his Audit Reports on the accounts as well as on the points noticed during the audit of financial transactions of the State Government to the Governor, who causes them to be laid on the table of the Vidhan Sabha.

The Reports of the Comptroller and Auditor General of India on the transactions of the State Government presented to the Vidhan Sabha stand referred to the Public Accounts Committee (PAC) in respect of Civil and Revenue Receipts and Committee on Public Undertakings (COPU) in respect of Audit Report Commercial. The government departments are to submit *suo moto* Action Taken Notes on all Audit paragraphs and Reviews to the committee, duly vetted by Audit. The Committees select some of the paragraphs/ reviews for detailed examination after which a report containing their observations and recommendations is presented to Vidhan Sabha.

The draft of the paragraphs/ reviews included in the Audit Reports are always forwarded to the Secretary of the department concerned for his comments so that the views of the Government are incorporated in the Audit Reports before their presentation to the Vidhan Sabha. Finance department has prescribed that draft paragraphs should be disposed of as expeditiously as possible and the comments of the concerned department intimated to Audit within a period not exceeding six weeks. In a large number of cases, however, the departments did not abide by the provision about furnishing the comments on the draft paragraphs within the stipulated time.

This brochure contains only a summarised version of more important issues included in the Audit Reports. While it has been our endeavor to keep the contents of this document as close to the original Reports as possible, the original Reports ought to be referred to for authentic facts and figures. The names and telephone numbers of the officers who could be contacted for any clarification in respect of Audit Reports are on the inner page of the backside cover of this publication.

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Audit Report (Civil)

This Report contains five chapters, while two chapters are on observations of Audit on the Finance Accounts and Appropriation Accounts of the Government of Madhya Pradesh, in addition to an assessment of financial performance of the Government with reference to certain indicators, three other chapters comprise reviews and paragraphs arising from the audit of selected schemes and programmes and of financial transactions of Government. The salient features and a gist of important findings have been included in this Epitome.

In terms of the Madhya Pradesh Re-organisation Act 2000, sixteen districts of the erstwhile State of Madhya Pradesh were transferred to the new State of Chhattisgarh on First November 2000 the 'appointed day'. The apportionment of assets and liabilities of the composite State of Madhya Pradesh immediately prior to the appointed day as also the other financial adjustments are being done in each case in accordance with the provisions of the act, *ibid*.

Highlights

- **The apportionment of assets and liabilities of the composite State of Madhya Pradesh on re-organisation of the State could not be completed because of non-receipt of decisions/details from successor States. The actual progress achieved in this direction is indicated in Appendix.**
 - **Non-plan committed expenditure on salary, interest payment and pension together consumed 52 per cent of total revenue receipts during the year 2005-06 which needs to be curtailed.**
 - **The State's low return on investment indicates an implicit subsidy and use of high cost borrowing for investments, which yields very little.**
 - **Excess expenditure of Rs.5087.83 crore over budget provision during the years 1993-94 to 2004-05 was not regularized in terms of Article 205 of the Constitution of India.**
 - **Under Sarva Shiksha Abhiyan the objective to bring all children in school by 2005 was not achieved as 2.72 lakh children were out of school at the end of 2005-06. Progress of civil works was very slow. Scheme activities were not taken up in 2001-02 and only 50 per cent were taken up in 2002-03.**
 - **System of procurement and distribution of foodgrain for enhancing food security at Micro level was found to be weak and deficient. Storing of foodgrain at intermediary locations resulted in avoidable loss of Rs.2.67 crore. Movement of wheat through longer/circuitous route also resulted in avoidable loss of Rs.45.27 lakh. Avoidable expenditure of Rs.48.56 lakh was incurred towards bank commission.**
 - **The management plans under Project Tiger were not got approved by the Tiger Reserves from the competent authority. The Annual Plans were submitted with delays. Final notification to constitute an area as National Park could not be issued. The census of tigers was carried out by counting pug marks which is not considered a fool proof methodology.**
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- **The implementation of construction of Irrigation Projects with NABARD loan was tardy as 232 projects of WRD and 32 projects of NVDA were still in pipeline. Work of 51 projects of WRD was not started. Rupees 249.70 crore and Rs.83.91 crore spent by WRD and NVDA respectively on approved work were disallowed by NABARD. Investment of Rs.75.19 crore on 12 projects was nugatory/ill conceived as they did not yield envisaged benefits.**
- **The GOI share of Rs.77.93 crore under Modernisation of Police Force could not be availed by State Government due to slow progress. Inflated expenditure figures by Rs.159.42 crore were reported to GOI. 78 completed buildings costing Rs.15.76 crore were not handed over. The work of 2658 buildings was not started.**
- **Computerisation of Land records was not yet completed. Updation of database was not carried out in 18440 villages. There was absence of input controls and lack of general IT controls.**
- **Review of widening, strengthening and upgradation of roads from CRF, RIDF and Fast Track Scheme revealed that extra cost of Rs.12.68 crore was incurred in designing of embankment, Rs.9.72 crore were spent in excess of Administrative Approval, extra expenditure of Rs.2.69 crore was spent due to change of specification of earth and additional work costing Rs.2.11 crore was awarded at higher rates.**
- **Internal Control Mechanism in Animal Husbandry Department was not functioning properly. System of maintenance of initial cash account records was defective. Expenditure figures were not reconciled. Non posting of VASs and AVFOs rendered other establishment expenditure of Rs.5.89 crore unfruitful. Records of investment of Rs.1.93 crore was not maintained.**
- **Non-observance of codal provisions by ADH Bhopal and laxity on the part of higher authorities led to defalcation of Rs.1.84 lakh.**
- **Accounts of Executive Engineer, PHE Division Bhind revealed fraudulent drawals of Rs.1.89 crore by tampering with or manipulating figures in cheques.**
- **Infructuous expenditure of Rs.3.37 crore on construction of hospital building on hilly track was noticed from the records of CMHO Chhindwara.**
- **In the construction of 607 meter long Madikheda main earthen dam contractor executing work was overpaid Rs.1.14 crore due to incorrect application of rates.**
- **In the work of Gulab Sagar (Mahan) Project, District Sidhi failure to take timely corrective measures for foundation treatment led to avoidable expenditure of Rs.79.37 lakh on escalation.**
- **Medical equipments worth Rs.3.50 crore were purchased for Sanjay Gandhi Memorial Hospital at Rewa without ensuring availability of staff for making them functional.**
- **In five Central Jails viz Gwalior, Bhopal, Satna, Sagar and Ujjain Rs.2.38 crore were lying unutilised in common fund meant for assistance to victims due to imposition of restrictions.**

SUMMARY OF RECEIPTS AND DISBURSEMENTS FOR THE YEAR 2005-06

(Rupees in crore)

2004-05	Receipts	2005-06	2004-05	Disbursements	2005-06		
Section-A: Revenue							
					Non-Plan	Plan	Total
19743.25	I. Revenue receipts	20596.79	18026.37	I. Revenue expenditure	16351.00	4212.47	20563.47
7772.97	Tax revenue	9114.70	7468.35	General services	7563.32	29.79	7593.11
4461.86	Non-tax revenue	2208.20	5672.45	Social Services	4397.92	2260.42	6658.34
5076.68	Share of Union Taxes/Duties	6341.35	3968.91	Economic Services	3475.06	1719.64	5194.70
2431.74	Grants from Govt. of India	2932.54	916.66	Grants-in-aid / Contributions	914.70	202.62	1117.32
Section-B: Capital							
--	II Misc. Capital Receipts	--	4950.98	II Capital Outlay	2923.47	3699.81	6623.28
53.20	III. Recoveries of Loans and Advances	2851.98	3310.86	III Loans and Advances disbursed	796.54	37.91	834.45
8849.00	IV Public debt receipts	5160.65	3391.38	IV Repayment of Public # Debt	953.96	--	953.96
24790.22	V Public account receipts	29037.68	23591.45	V Public account # disbursements	28095.77	--	28095.77
--	VI Inter State Settlement	--	--	VI Inter State Settlement	--	--	--
1.00	VII Contingency Fund	--	--	VII Contingency Fund	8.14	--	8.14
94.21	Opening cash Balance	259.84	259.84	Closing Cash Balance	827.87	--	827.87
53530.88	Total	57906.94	53530.88	Total	49956.74	7950.20	57906.94

Note: # Bifurcation of plan and non- plan not available

Summary of Appropriation Accounts

(Rupees in crore)

	Nature of expenditure	Original grants/ appropriation	Supplementary grant/ appropriation	Total	Actual expenditure	Saving(-) Excess(+)
Voted	I. Revenue	16827.59	2585.98	19413.57	16866.92	-2546.65
	II. Capital	5018.43	4690.43	9708.86	8379.32	-1329.54
	III. Loans & Advances	828.80	589.12	1417.92	1235.20	-182.72
Total Voted		22674.82	7865.53	30540.35	26481.44	-4058.91
Charged	IV. Revenue	4571.54	17.09	4588.63	3781.99	-806.64
	V. Capital	12.47	1.06	13.53	3.41	-10.12
	VI. Public Debt	8531.42	--	8531.42	953.96	-7577.46
Total Charged		13115.43	18.15	13133.58	4739.36	-8394.22
Grand Total		35790.25	7883.68	43673.93	31220.80	-12453.13

Note: - The expenditure includes the recoveries adjusted as reduction of expenditure under revenue expenditure: Rs.85.44 crore and capital expenditure: Rs.2160.20 crore.

TIME-SERIES DATA ON STATE GOVERNMENT FINANCES

(Rupees in crore)

	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
1. Revenue Receipts	12839	11211	13391	14289	19743	20597
(i) Tax Revenue	5640(44)	4679(42)	6165(46)	6789(48)	7773(39)	9115(44)
Taxes on Sales, Trade, etc.	2766(49)	2361(50)	2906(47)	3293(49)	3913(51)	4508(50)
State Excise	975(17)	705(15)	890(15)	1086(16)	1193(15)	1370(15)
Stamps and Registration fees	477(8)	445(10)	535(9)	614(9)	789(10)	1009(11)
Taxes on Vehicles	406(7)	393(8)	429(7)	455(6)	489(6)	556(6)
Other Taxes	1016(19)	775(17)	1405(22)	1341(20)	1389(18)	1672(18)
(ii) Non Tax Revenue	1724(13)	1602(14)	1635(12)	1480(10)	4462(23)	2208(11)
(iii) State's share in Union taxes and duties	3955(31)	3439(31)	3729(28)	4247(30)	5077(26)	6341(31)
(iv) Grants-in-aid from GOI	1520(12)	1491(13)	1862(14)	1773(12)	2431(12)	2933(14)
2. Misc. Capital Receipts	--	--	--	--	--	--
3. Total revenue and Non debt capital receipts (1+2)	12839	11211	13391	14289	19743	20597
4. Recovery of Loans and Advances	13	1588	43	36	53	2852
5. Public Debt Receipts	3101	3281	4949	9938	8849	5161
Internal Debt (Excluding Ways & Means Advances and Overdraft)	1876(61)	1830(56)	3169(64)	7949(80)	6968(79)	4867(94)
Loans and Advances from Government of India ^s	994(32)	1451(44)	1780(36)	1722(17)	1881(21)	294(6)
Net Transactions under Ways and means advances and overdraft	231(7)	--	--	267(3)	--	--
6. Total receipts in the Consolidated fund (3+4+5)	15953	16080	18383	24263	28645	28610
7. Contingency Fund receipts	7	--	--	--	1	--
8. Public Account receipts	16520	15013	20120	22285	24790	29038
9. Total receipts of the Government (6+7+8)	32480	31093	38503	46548	53436	57648
10. Revenue expenditure	14985(91)	14369(87)	14560(83)	18765(87)	18026(69)	20563(73)
Plan	2683(18)	2516(18)	3520(24)	2816(15)	3165(18)	4212(20)
Non-Plan	12302(82)	11853(82)	11040(76)	15949(85)	14861(82)	16351(80)
General Services (including interest, payments)	5323(36)	5049(35)	5445(37)	6574(35)	7468(41)	7593(37)
Social Services	5836(39)	4583(32)	5284(36)	5322(28)	5672(32)	6658(32)
Economic Services	3298(22)	4364(30)	3425(24)	6278(34)	3969(22)	5195(25)
Grants-in-aid and contributions	528(3)	373(3)	406(3)	591(3)	917(5)	1117(6)
11. Capital Expenditure	1110(7)	1471(9)	2455(14)	2679 (12)	4951(19)	6623(24)
Plan	1105(100)	1466(100)	2449(100)	2673(100)	3568(72)	3700(56)
Non-Plan	05	05	6	6	1383(28)	2923(44)
General Services	16(2)	22(1)	36 (1)	36(1)	146(3)	121(2)
Social Services	136(12)	172(12)	536(22)	535(20)	432(9)	635(10)
Economic Services	958(86)	1277(87)	1883(77)	2108(79)	4373(88)	5867(88)

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^s Includes ways and means advances from GOI.

(Rupees in crore)

	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
12. Disbursement of Loans and Advances	296(2)	599(4)	481 (3)	204(1)	3311(12)	834 (3)
12A Inter-State settlement	--	5-	-	--	--	--
13. Total expenditure (10+11+12)	16391	16444	17496	21648	26288	28020
14. Repayment of Public Debt	818	522	1494	2275	3391	954
Internal Debt (excluding Ways & Means Advances and Overdraft)	123	150	153	278	1147	539
Net transactions under Ways and Means Advances and Overdraft	294	--	-	--	267	--
Loans and Advances from Government of India ⁵	401	372	1341	1997	1977	415
15. Appropriation to Contingency Fund	--	--	-	--	--	--
16. Total disbursement out of Consolidated Fund (13+14+15)	17209	16966	18990	23923	29679	28974
17. Contingency Fund disbursements	--	--	-	--	--	8
18. Public Account disbursements	15836	13569	19935	22439	23591	28096
19. Total disbursements by the Government (16+17+18)	33045	30535	38925	46362	53270	57078
20. Revenue Deficit /Surplus (+)	2146	3158	1169	4476	(+1717) ¹	(+) ^{2,1} 34
21. Fiscal Deficit (3+4-13)	3539	3645	4062	7323	6492	4571
22. Primary Deficit (21-23)	1128	1391	1560	4117	2831	1149
Part D. Other data						
23. Interest payments (included in revenue expenditure)	2411	2254	2502	3206	3661	3422
24. Arrears of Revenue (percentage of Tax & non-Tax Revenue receipts)	347(5)	204(3)	839 (11)	758 ³ (9)	34 (0.28)	986 (8.71)
25. Financial assistance to local bodies etc.	813	2304	525	3324	1143	2081
26. Ways and Means Advances/ Overdraft availed (days)	165/47	117/172	103/176	200/60	127/00	--
27. Interest on WMA/Overdraft	8/3	11/5	11/7	13/4	4/00	--
28. Gross State Domestic Product (GSDP)	88445	81286 ⁴	83011 ⁴	101027 ⁴	107926 ⁵	109055 ⁵
29. Outstanding debt (year-end)	22548	26487	30340	37525	44235	49173
30. Outstanding guarantees (year-end)	467	472	585	974	2016	613
31. Maximum amount guaranteed (year- end)	9673	9701	11572	12131	12507	12637
32. Number of incomplete projects	185	180	301	453	436	NA
33. Capital blocked in incomplete projects	4983	5589	6459	7447	9031	NA

¹ Figure pertains to Revenue Surplus.

² Actual Revenue surplus is Rs.33.32 crore. Revenue Surplus is understated by Rs.814.78 crore due to conversion of investment under rural electrification Corporation into grant by State Government.

³ Revenue figure of some principal heads of revenue.

⁴ Quick estimates for the successor State of Madhya Pradesh.

⁵ Advance estimates.

FINANCES OF THE STATE GOVERNMENT

<i>Main sources of revenue</i>	Main sources of Tax Revenue were Taxes on sales, trade, etc. (50 per cent), State Excise (15 per cent) and Stamps and Registration fees (11 per cent). Non Tax Revenue came mainly from Forestry and Wild Life (22 per cent) Non-Ferrous Mining and Metallurgical Industries (37 per cent) and Interest Receipts (24 percent)
<i>Increase in tax revenue by 17 percent</i>	Tax Revenue increased from Rs.7773 crore during 2004-05 to Rs.9115 crore during 2005-06, while Non-Tax Revenue decreased from Rs.4462 crore in 2004-05 to Rs.2208 crore in 2005-06.
<i>Increase in Central funds and GIA</i>	The State's share of Union taxes and grants-in-aid from GOI increased from Rs.7508 crore in 2004-05 to Rs.9274 crore in 2005-06.
<i>Increase in Non-Plan/ Plan Revenue expenditure</i>	Under Revenue section Plan expenditure increased from Rs.3165 crore in 2004-05 to Rs.4212 crore in 2005-06 (33 per cent) and Non-Plan expenditure increased from Rs.14861 crore in 2004-05 to Rs.16351 crore in 2005-06.
<i>Salaries, interest payments and pensions consumed more than half of revenue receipts</i>	Non-plan committed expenditure on salary (Rs.5669 crore), interest payment (Rs.3422 crore) and pension (Rs.1557 crore) together consumed 52 per cent of the total revenue receipts during the year 2005-06 which needs to be curtailed.
<i>Sectoral expenditure</i>	Of the Revenue expenditure of Rs.20563 crore, the expenditure on General Services was Rs.7593 crore (37 per cent), Economic Services Rs.5195 crore (25 per cent), Social Services Rs.6658 crore (32 per cent) and Grants-in-aid Rs.1117 crore (6 per cent).
<i>Decline in interest payments</i>	Interest payments decreased from Rs.3661 crore in 2004-05 to Rs.3422 crore in 2005-06, and constituted 38 per cent of tax revenue for the year 2005-06.
<i>Financial assistance to Local bodies</i>	Financial assistance provided to local bodies and other institutions increased by 96 per cent from Rs.1104 crore during 2004-05 to Rs.2167 crore during 2005-06.
<i>Recovery of loans given to Government Companies, Corporations, other bodies, etc.</i>	The loans and advances given by State Government to various companies, corporations, autonomous bodies, co-operatives, non-government institutions, etc., for development and non-development activities decreased from Rs.3311 crore in 2004-05 to Rs.834 crore in 2005-06. The recovery of loans during 2005-06 was Rs.2852 crore as against Rs.53 crore in 2004-05. The closing balance of loans and advances as on 31 March 2006 was Rs.3848 crore.
<i>34 percent increase in capital expenditure</i>	Capital expenditure increased from Rs.4951 crore in 2004-05 to Rs.6623 crore in 2005-06, its share in total expenditure increased from 19 to 24 per cent.

<i>Meagre return on investments</i>	Investments of Rs.6966 crore at the end of 2005-06 yielded a meagre return of Rs.5.72 crore as interest and dividend.
<i>Decline in fiscal deficit</i>	The fiscal deficit decreased from Rs.6492 crore in 2004-05 to Rs.4571 crore in 2005-06.

ALLOCATIVE PRIORITIES AND APPROPRIATION

<i>Overall savings of Rs.12453.13 crore</i>	Actual expenditure during the year 2005-06 was Rs.31220.80 crore against the total provision of Rs.43673.93 crore. The overall savings of Rs.12453.13 crore was the net result of savings of Rs.12490.71 crore in 200 cases of grants and appropriations offset by excess of Rs.37.58 crore in six cases of grants and appropriations.
<i>Unnecessary/excessive supplementary provisions</i>	In 57 cases, supplementary provision of Rs.730.85 crore obtained during the year proved unnecessary. In 38 cases, against additional requirement of Rs.5332.17 crore, supplementary grants of Rs.6664.74 crore were obtained resulting in savings in each case exceeding Rs.10 lakh aggregating to Rs.1332.57 crore.
<i>Significant saving remained unsurrendered; 92 percent surrenders on the last day of the financial year</i>	In 154 cases of grants/appropriations, savings of Rs.9747.59 crore were not surrendered and were allowed to lapse. This included Rs.9663.28 crore in 44 cases, where saving exceeded Rupees five crore and above in each case, was not surrendered. In 116 cases of grants/appropriations, Rs.2583.25 crore (91.7 per cent), were surrendered on the last day of March 2006 out of the total surrender of Rs.2817.48 crore.
<i>Excess over provision requiring regularisation</i>	The excess expenditure amounting to Rs.5087.83 crore for the years 1993-94 to 2004-05 was yet to be regularised. Excess of Rs.37.58 crore under six grants/appropriations during 2005-06 also requires regularisation under article 205 of Constitution of India.
<i>Rush of expenditure in March 2006</i>	In ten cases, the expenditure during March 2006 ranged between 45 per cent to 90 per cent of the total expenditure during the year.
<i>Non-reconciliation of expenditure</i>	Expenditure of Rs.1716.71 crore under ten major heads, representing 5.5 per cent of total expenditure, remained unreconciled by various controlling officers.
<i>Parking of funds under Civil Deposits</i>	Rupees 212.78 crore being unspent amounts were credited to Major head 8443-Civil Deposits, 800-Other Deposits after exhibiting as expenditure incurred in accounts.
<i>Non-utilisation of Central scheme funds</i>	In 22 cases, the entire budget provision of Rupees one crore and more in each case totalling to Rs.299.27 crore under various Central schemes remained unutilised.

<i>Substantial excess under schemes</i>	In 14 schemes, expenditure in each case was in excess of approved provisions by Rupees five crore or more and also by more than 100 per cent of the total provision, aggregating to Rs.356.60 crore.
<i>Injudicious surrender of funds</i>	In 14 cases, Rs.923.54 crore were surrendered as against the available savings of Rs.880.63 crore resulting in injudicious excess surrender of Rs.42.91 crore and in 2 cases, Rs.31.47 crore were surrendered though there was excess expenditure of Rs.2.87 crore.
<i>Defective re-appropriations/ surrenders</i>	Rupees 306.12 crore were re-appropriated/surrendered during the year, in violation of instructions of the State Government and Financial rules.

REVIEWS

Sarva Shiksha Abhyan

Sarva Shiksha Abhiyan (SSA) programme aims to provide useful and relevant elementary education for all children in the 6 to 14 age group by 2010 with the active participation of the community by effectively involving the Panchayatiraj institutions, parent teacher association (PTA) so as to bridge social, regional and gender gap. The Annual Work Plan and Budget for the year 2001-02 and 2002-03 was submitted with protracted delay. Resultantly the approval and release of fund was delayed and activities could not be taken up during 2001-02 and only 50 per cent activities planned could be completed during 2002-03.

Major audit findings

<i>Funds worth Rs.17.95 crore were diverted on other activities</i>	Funds aggregating Rs.17.95 crore were diverted mainly for adult education, printing of Middle and Primary Board Examination papers, printing of educational calendar and purchase of office building.
<i>District Project Co-ordinators Ujjain, Dhar and Hoshangabad irregularly paid Rs.5.96 crore.</i>	District Project Coordinator (DPC) Ujjain irregularly paid Rs.3.76 crore to Janpad Panchayats for execution of works, DPC, Dhar procured gates and windows worth Rs.96.42 lakh instead of crediting it into Shala Shiksha Kosh of PTA and DPC Hoshangabad irregularly paid Rs.1.24 crore for construction of 80 Education Guarantee Scheme buildings.
<i>Teaching Learning Equipment grant of Rs.5.96 was not credited into PTA's account.</i>	DPCs did not credit Teaching Learning Equipment grant of Rs.5.96 crore in to PTA's account of 1094 Upper Primary Schools and 3223 Primary Schools.

Text Books of Rs.76.08 crore were irregularly distributed free from SSA fund.

State Government distributed free Text Books to all the students of class I to V, worth Rs.76.08 crore from SSA fund for which there was no provision in AWP&B of SSA.

Unnecessary procurement of items worth Rs.1.82 crore from SSA fund.

Unnecessary procurement of duplicating machines, furniture and other material worth Rs.1.82 crore was made out of SSA fund.

Food Security, Subsidy and Management of Foodgrains

The Government's food management strategy towards ensuring food security involves procurement of foodgrains at Minimum Support Price from the growers, its storage, handling, movement and allocation of foodgrains so procured for eventual distribution to targeted population for ensuring availability of foodgrains to the public at affordable price for enhancing food security at the micro level. However, system of procurement and distribution in Madhya Pradesh was found to be weak and deficient.

Major audit findings

Storing of foodgrains at intermediary locations resulted in avoidable loss of Rs.2.67 crore

Wheat procuring districts were required to transport surplus stock of wheat to the needy districts directly from the procuring centres, but instead of this foodgrains were stored at intermediary locations during 2003-05 resulting in avoidable loss of Rs.2.67 crore for local transportation, handling, interest etc.

Excess payment of Rs.58.63 lakh

Excess payment of Rs.58.63 lakh towards transportation charges was made to Madhya Pradesh State Civil Supply Corporation (MPCSC)

Avoidable loss of Rs.4.08 crore due to procurement of substandard wheat and paddy.

Non adherence to quality control measures led to procurement of substandard wheat and paddy, resulting in avoidable loss of Rs.4.08 crore

Rupees 68.15 crore was neither refunded nor adjusted in subsequent subsidy by MPCSC

MPCSC neither refunded Rs.68.15 crore accumulated on account of double margin nor adjusted in subsidy claims preferred for reimbursement.

Avoidable expenditure of Rs.48.56 lakh as Bank Commission The districts were making payments to FCI through bank drafts instead of cheques, resulting in avoidable expenditure of Rs.48.56 lakh as bank commission.

Irregular drawal of Rs.2.17 crore Irregular drawal of Rs.2.17 crore towards transportation charges for foodgrains was made and the same was also not refunded into treasury.

Project Tiger and India Eco Development Project

The Government of India launched Project Tiger, a Centrally sponsored scheme in 1973 to ensure a viable population of tigers in country and to preserve such areas as part of our national heritage for the benefit, education and enjoyment of future generations. Final notification to constitute an area as National Park could not be issued. The census of tigers was carried out by counting pug marks which is not considered a fool proof methodology.

Major audit findings

Lack of credible data for planning Compartment histories were not updated by Tiger Reserves leading to lack of credible consolidated data for planning purposes.

Adequate efforts not made to release biotic pressure on 5827 families The efforts for relocation of villages from core area were inadequate resultantly 5827 families in 100 villages continued to exert biotic pressure in tiger reserves.

Weak protection measures in Tiger reserves Protection measures to combat poaching were weak due to lack of Beat inspection, insufficient arms/ammunition/ communication equipments and inadequate fire protection measures.

Discrepancies in the process of estimation of herbivore population Abnormal growth rate of herbivore population were observed in Panna, Bandhavgarh and Satpura reserves depicting discrepancies in the process of estimation of herbivore population.

Construction of Irrigation Projects with NABARD Loan

Six hundred twenty seven projects of Water Resources Department (WRD) and thirty five projects of Narmada Valley Development Authority (NVDA) were sanctioned with National Bank for Agriculture and Rural Development (NABARD) loan at a total outlay of Rs. 1418.17 crore and Rs. 1163.25 crore to create additional irrigation potential of 2.98 lakh hectare and 2.51 lakh hectare respectively, till March 2006. Rupees 161.26 crore and Rs. 74.46 crore were unauthorisedly spent in excess of the sanctioned cost by WRD and NVDA respectively due to incorrect estimation. Thirteen projects of WRD on which Rs.2.07 crore was spent, were abandoned due to infeasibility and other constraints. Possibility of completion of 12 projects is remote due to uncertain position of forest clearances.

Major audit findings

Rupees 333.61 crore disqualified from NABARD loan

Rupees 249.70 crore and Rs. 83.91 crore spent by WRD and NVDA respectively on unapproved items were disallowed by NABARD as of June 2006.

Substantial shortfall in utilization of irrigation potential

There was substantial shortfall in utilization of irrigation potential in 49 lift irrigation schemes.

Nugatory expenditure of Rs. 75.19 crore

Investment of Rs.75.19 crore on 12 projects proved nugatory/ ill conceived as they did not yield the projected benefits.

Blockage of Rs.65.78 crore on incomplete projects

Investment of Rs.65.78 crore on construction of 38 projects was blocked due to non construction of canals.

Irregular purchases

Store articles costing Rs. 3.05 crore were purchased from Dewas Udyog, Dewas in violation of Store Purchase Rules.

Recoveries rendered unrecoverable

Debitable cost of Rs. 4.32 crore could not be recovered from defaulting contractors due to deviation in contract clauses.

Modernisation of Police Force

Modernisation of Police Force (Scheme) was introduced (1969) by Government of India to improve the efficiency of Police Force and remove the deficiencies in infrastructure viz. Buildings, mobility, weapons, communication, computerisation, Forensic Science Laboratory, Finger Print Bureau and training to deal with growing crimes, terrorists and naxalite activities and meet the internal security threat.

Major audit findings

The GOI share of Rs.77.93 crore not availed

Due to slow pace of utilisation, GOI share worth Rs.77.93 crore could not be availed by State Government.

Inflated reporting of expenditure of Rs.159.42 crore was made to GOI

There were huge unutilized balance of Rs.159.42 crore lying with construction agencies which were shown as expended in returns sent to GOI.

868 construction works remained incomplete.

Construction work of 868 buildings taken up during 2001-05 were remained incomplete as of August 2006 even after incurring expenditure of Rs.12.82 crore.

Non comment of 2658 construction works

Construction of 2658 buildings costing Rs.109.75 crore sanctioned in 2000-2006 was not started inspite of availability of funds.

Procurement of vehicles without ensuring availability of drivers

In eight test checked districts against the availability of 688 vehicles only 412 drivers were in position which had adverse impact on utilisation of all the vehicles.

On line connectivity was not ensured even after availability of computers and its peripherals

On line connectivity was not ensured and hardware and software purchased for Common Integrated Police Application Project was not put to use.

Computerisation of Land Records (Land Record Management System “Bhu Abhilekh)

Government of India launched the Centrally sponsored scheme of computerisation of land records in 1988-89 with the objective to provide timely and accurate copies of Records of Rights (RORs) to landowners and updating of changes if any in the Land Record database. The Department failed to implement the scheme completely.

Major Audit findings :-

***Non establishment/
Non functional
computer centres***

Computer centers at three districts headquarters and 97 sub divisions were not established inspite of availability of funds and computer centres in three districts were non functional.

***Computerisation of
Land records was not
completed***

Computerisation of Land records was not yet complete as in seven tehsils Records of Rights (RoRs) were still being issued to landowners in manuscript and data entries in 18440 villages were not updated.

***Discrepancies were
noticed in the
database.***

Discrepancies were noticed in the database due to absence of input controls and lack of proper validation at tehsil levels.

***Non framing of IT
policy/ strategy***

Non framing of IT policy/strategy resulted in lack of general IT controls

Widening, Strengthening and Upgradation of roads from Central Road Fund (CRF), Rural Infrastructure Development Fund (RIDF) and Fast Track Scheme

Government of India, Ministry of Surface Transport, approved 102 works from Central Road Fund (CRF) for widening, strengthening and upgradation of State Highways (SH) and Major District Roads (MDR) in Madhya Pradesh at a cost of Rs.437.60 crore between 2001-06. During the same period, the Government of Madhya Pradesh approved 167 works of Village Roads (VR) for construction and improvement at a cost of Rs.309.97 crore from NABARD loan assistance. The State Government had also taken up (2003-04 and 2004-05) the work of renewal and strengthening 7751 Kms of SH and MDR under Fast Track Scheme at a cost of Rs. 309.86 crore. As of March 2006, 59 works under CRF, 42 works under NABARD and 3014 km roads under fast track scheme were actually completed after spending Rs.286.55 crore,

Rs.119.94 crore and Rs.275.56 crore respectively. The fast track scheme was to be completed by March 2005, but the achievement as of March 2006 was only 39 per cent. CRF funds Rs.21.54 crore were misutilised on improvement of village roads and other district roads. Management Information System (MIS) had not been operationalised though Rs.2.17 crore was spent on purchase of computers.

Major audit findings

Execution of Granular Sub base with extra thickness resulted in extra cost of Rs.12.68 crore.

Contrary to MORT&H specifications, extra cost of Rs. 12.68 crore was incurred in designing of embankment, with granular sub base providing excessive thickness in crust of the road and bituminous surfacing and surface dressing

Unauthorised expenditure of Rs.16.35 crore

Despite instructions from MORT&H, Rs. 9.72 crore were spent in excess of Administrative Approval. There was excess of Rs. 4.36 crore due to payment of the works not sanctioned and Rs. 2.27 crore were diverted for other works.

Extra expenditure of Rs. 2.69 crore due to improper work management

Lack of proper work management led to extra expenditure of Rs 2.69 crore on change of specification of earth brought from outside.

Irregular award of work costing Rs. 2.11 crore

Additional works worth Rs. 2.11 crore was awarded at higher rates without inviting tenders and disregarding the codal provisions.

Substandard execution of work costing Rs. 11.80 crore

Bituminous Macadam worth Rs. 2.23 crore and Semi dense bituminous concrete worth Rs. 8.50 crore executed were below specification. Thickness of granular sub base on weak soil was reduced. Work valuing Rs. 1.07 crore was substandard and liable to premature damage.

Irregular/Excess payment of Rs.9.87 crore

Excess payment of Rs. 9.87 crore due to non recovery of liquidated damages, incorrect application of rates, consumption of extra bitumen, inadmissible payment of price variation and non renewal of bank guarantees were also noticed.

Internal Control System in Animal Husbandry Department

Internal control mechanism in Animal Husbandry Department was found to be not functioning properly. System of maintenance of initial cash account records was defective. Expenditure figures were not reconciled.

Major audit findings

Deficient Budget estimates

Budget estimates were grossly deficient. There was persistent savings and Rs.7.91 crore were parked in Civil Deposit and with Corporations.

Irregular drawal of salary worth Rs.46.72 crore and overpayment of salary Rs.14.66 lakh

Irregular drawal of salary worth Rs.46.72 crore was made without continuation of temporary posts and irregular insitu promotions to 95 Assistant Vety Field Officers (AVFOs) resulted in an overpayment of salary amounting to Rs.14.66 lakh.

Unfruitful expenditure of Rs.5.89 crore.

Non posting of VAS and AVFO in 35 hospitals and 171 dispensaries respectively deprived the facility of treatment to cattles resulted in an unfruitful expenditure of Rs.5.89 crore on salary of para veterinary staff and medicines.

Non maintenance of record of investment of Rs.1.93 crore

No record of investment amounting to Rs.1.93 crore was available with the Directorate and Veterinary kits worth Rs.45.38 lakh were lying idle.

Results of Transaction Audit

AGRICULTURE DEPARTMENT

Defalcation of Rs.1.84 lakh

Non observance of codal provisions by Assistant Director of Horticulture, Bhopal resulted in defalcation of Rs.1.84 lakh

FOOD, CIVIL SUPPLIES AND CONSUMER PROTECTION DEPARTMENT

Depositing the funds with post office instead of Cooperative bank deprived the Government from interest of Rs.37.50 lakh

Savings from rounding of the rates of Kerosene were kept for two years in a fixed deposit account with Post Office instead of Cooperative Bank by the Controller, District Supply, Bhopal which deprived the Government from interest worth Rs.37.50 lakh.

HOME DEPARTMENT

Non rendition of prescribed returns deprived the State exchequer of Central share of Rs.4.89 crore

Non rendition of prescribed returns by Director, Sainik Welfare, Madhya Pradesh Bhopal to the Kendriya Sainik Board deprived the State exchequer of Central share of Rs.4.89 crore on account of maintenance expenditure of Rajya/Zila Sainik Boards.

HOUSING AND ENVIRONMENT DEPARTMENT

Avoidable expenditure of Rs.35.37 lakh was spent on maintenance in developed colonies

Avoidable expenditure of Rs.35.37 lakh was incurred by EEs, Madhya Pradesh Housing Board Division No.1 Gwalior and Bhopal between 2001-06 on maintenance in Developed Colonies (Madhav Nagar, Gwalior and Kohefiza, Bhopal) in contravention to Government notification and MPHB orders.

JAIL DEPARTMENT

Rupees 2.38 crore were lying un-utilised in

In five Central Jails at Bhopal, Gwalior, Satna, Sagar, and Ujjain, Rs.2.38 crore were lying unutilised in common fund as

common fund of March 2006 defeating the object of the scheme to provide financial assistance to the victims.

MEDICAL EDUCATION DEPARTMENT

Idle investment of Rs.3.50 crore on purchase of medical equipments Medical equipment worth Rs.3.50 crore purchased during 2000-02 for Sanjay Gandhi Memorial Hospital, Rewa without ensuring availability of staff for making them functional, were still (November 2006) lying idle.

NARMADA VALLEY DEVELOPMENT DEPARTMENT

Pilferage of stores Pilferage of material and failure to hand over unused balance material by a Sub- Engineer of RABS Distributory Division, Patan resulted in loss of Rs. 92.76 lakh to Government.

Failure to effect recoveries from a contractor In Narmada Development Division No. 3 Sehora the Executive Engineer failed to recover additional security deposit from a contractor by ignoring contract condition resulting in avoidable loss of Rs.37.18 lakh. Besides, debit extra cost of Rs. 7.72 crore was also not recovered from the contractor who left the work incomplete

Non recovery of royalty charges from contractors In RABS Project, Jabalpur, two Executive Engineers failed to recover royalty charges Rs 1.45 crore from contractors who had extracted minor minerals (moorum, sand and metal and granular soil) unauthorisedly without payment of royalty in advance.

PUBLIC HEALTH ENGINEERING DEPARTMENT

Fraudulent drawals by manipulating Government Cheques Fraudulent drawals of Government money by tampering with and manipulating figures in cheques resulted in embezzlement of Rs.1.89 crore in Public Health Engineering Division, Bind.

Over payment due to incorrect application of rate In six PHE Divisions executing the work of drilling of 3303 tubewells, payment for yield test payable @ Rs. 75 per tubewell was paid @ Rs. 2437 per tube well resulting in over payment of Rs. 78.02 crore to the contractors.

Unfruitful expenditure Non- functioning of Pollution Abatement Scheme in Chambal River executed during November 1998 to June 2001 by PHE Project Division, Ujjain under National River Conservation Plan resulted in unfruitful expenditure of Rs. 2.66 crore.

PUBLIC HEALTH AND FAMILY WELFARE DEPARTMENT

Infructuous expenditure of Rs.3.37 crore on construction of hospital building Due to construction of hospital building at unsuitable site in Chhindwara District the intended objective of augmentation of medical facility was not achieved and expenditure of Rs.3.37 crore on construction proved infructuous.

PUBLIC WORKS DEPARTMENT

Excess payment due to violation of contract conditions

In road works executed by PWD Divisions Katni, Rajgarh and Ashoknagar, use of bulk bitumen instead of packed bitumen in violation of special condition of contracts resulted in excess payment of Rs. 61.38 lakh to contractors.

Excess payment due to application of incorrect rate

In PWD Divisions, Gwalior, Tikamgarh and Balaghat, backfilling in abatements and sides of Hume Pipe culverts, payable @ Rs.165 per cum. was incorrectly paid @ Rs.467 per cum. resulting in over payment of Rs.33 lakh to contractors.

Sub-standard execution and non-recovery from contractor

In PWD(NH) Division Katni, execution of sub-standard bituminous work led to premature failure of road rendering the entire work wasteful (Rs.54.36 lakh), besides non recovery of extra cost Rs.62.04 lakh spent by department for restoration of traffic.

WATER RESOURCES DEPARTMENT

Overpayment due to incorrect application of rates

A contractor executing work of an earthen dam in Sindh Project Earthen Dam Division, Narwar (Shivpuri) was overpaid Rs. 1.14 crore due to incorrect application of rates for excess quantities.

Avoidable expenditure on price escalation

Failure in Mahan Project Division Sidhi, to take corrective measures for foundation treatment timely, delayed the work abnormally and led to avoidable expenditure of Rs. 79.37 lakh on price escalation.

Audit Report (Revenue Receipts)

This report presents the results of Audit of receipts comprising Commercial Tax, State Excise, Taxes on Vehicle, Land Revenue, Other Tax Receipts, Forest Receipts, Mining Receipts and other Non-Tax receipts of the Government of Madhya Pradesh.

Highlights of the Audit Report (Revenue Receipts) Government of Madhya Pradesh

Audit observed under assessment/short levy/losses etc. of revenue amounting to Rs.1284.61 crore in 1,99,985 cases of Commercial tax, State Excise, Motor Vehicles tax, Land Revenue, Stamp Duty & Registration Fees, Other Tax Receipts, Forest Receipts, Mining and Non-Tax Receipts departments. During the year 2005-06 the department accepted under assessment etc. of Rs.548.59 crore involved in 1,20,915 cases pointed out in 2005-06 and earlier years.

Highlights

- **Short levy of tax of Rs.6.85 crore was due to incorrect issue of eligibility certificates (ECs).**
- **Grant of exemption/deferment of tax of Rs.9.92 crore to seven ineligible units resulted in short levy of tax to that extent.**
- **Irregular grant of exemption from payment of tax on provisional EC resulted in non realization of Government revenue of Rs.3.43 crore.**
- **Non realization of Government revenue of Rs.1.96 crore was due to failure of the department to take timely action against defaulted licenses.**
- **Failure of the department to recover excise duty from licensees from which verification reports were not received resulted in non realization of Government revenue of Rs.3.10 crore.**
- **Vehicle tax of Rs.6.17 crore and penalty of Rs.3.88 crore in respect of 1770 motor vehicle for the period between April 2001 and March 2005 was neither paid by the owner's of the vehicles nor was it demanded by the Taxation Authority.**
- **Non renewal of lease deed of nazul plots resulted in loss of revenue of Rs.3.08 crore for the period from 2001-02 to 2005-06.**
- **Short levy of transit fee resulted in non realization of revenue of Rs.7.00 crore.**

Summary of Revenue Receipts

The State Government receipts for the year 2005-06 amounted to Rs.20596.79 crore as against Rs.19,743.25 crore during 2004-05. While the revenue raised by Government amounted to Rs.11,322.90 crore (tax revenue: Rs.9,114.70 crore and non tax revenue Rs.2,208.20 crore) the balance Rs.9,273.89 crore was received from Government of India as the states share of divisible union taxes (Rs.6,341.35 crore) and grants-in-aid (Rs.2932.54 crore).

The report contains 47 paragraphs including two reviews involving Rs.85.85 crore.

Appraisal of system

Review on Commercial Tax incentives to New Industries

Lack of internal control mechanism to ensure that the ECs issued were consistent with the provisions of the scheme and that the provisions/conditions laid down in the Scheme/EC are complied with. There was no system to evaluate the performance of the beneficiary units during the period of eligibility and also a further period of five years.

This resulted in non realization of Government Revenue amounting to Rs.40.14 crore during the period 2000-01 to 2004-05.

Review on Receipts from Transport Department

Failure of the department to follow the system of scrutiny of declaration submitted by the owner of vehicles, non adhering the provisions of Acts/Rules and instructions issued by the department and inadequate monitoring in respect of recovery of uncollected dues resulted in non/short recovery and loss of Government revenue of Rs.45.96 crore.

Results of Transaction Audit

COMMERCIAL TAX

- | | |
|--|---|
| <i>(a) Irregular grant of exemption on the basis of provisional E.C.</i> | Grant of exemption on the basis of provisional E.C. valid for six months only from Ist October 1997 resulted in non-realisation of Government revenue of Rs.3.43 crore. |
| <i>(b) Non imposing of penalty</i> | Non levy of penalty on concealment of turnover resulted in non realization of Government revenue of Rs.2.38 crore. |

STATE EXCISE

- | | |
|--|---|
| <i>(a) Non realisation of Excise Duty on unacknowledged Export of liquor</i> | Failure of the department to recover excise duty from licensees due to non receipt of verification report after a lapse of one to 22 months resulted in non realization of Government revenue of Rs.3.10 crore. |
| <i>(b) Incorrect allowance of wastage of spirit in redistillation</i> | Non realization of excise duty of Rs.1.98 crore due to incorrect allowance of wastages. |

OTHER TAX RECEIPTS

LAND REVENUE

Non renewal of lease of Nazul Plots Loss of revenue of Rs.3.08 crore for the period 2001-02 to 2005-06 due to non renewal of lease deed of Nazul Plots.

FOREST RECEIPTS

Short levy of transit fee Short levy of transit fee resulted in non realization of revenue of Rs.7.00 crore.

MINING RECEIPTS

Non realization of revenue due to non renewal of lease deed Non renewal of mining lease deed resulted in non-realisation of revenue of Rs.1.66 crore.

Audit Report (Commercial)

The Report deals with the activities of 42 Public Sector Undertakings (PSUs) comprising 38 Government Companies (29 working and 9 non-working) and four Statutory Corporations (all working). There is one Company under section 619(B) of the Companies Act 1956 and one Autonomous Body and its audit is also entrusted to the CAG under section 104(2) of the Electricity Act, 2003. The report contains five reviews and 20 paragraphs dealing important findings noticed in the course of test check of the PSUs. The highlights of the Report are as under:

Highlights

- **The accounts of 26 working Government Companies and 3 Statutory Corporations were in arrears for periods ranging from one to seven years as on 30 September 2006.**
- **Accumulated losses in two Statutory Corporations exceeded their paid-up capital by more than 4 times.**
- **Even after completion of five or more years of existence, the individual turnover of eight working Government Companies remained less than rupees five crore in each of the preceding five years of their latest finalised accounts.**
- **The performance of Madhya Pradesh Pichhara Varg Tatha Alpsankhyak Vitta Evam Vikas Nigam with regard to its stated objectives of implementing schemes for social, economic & educational upliftment of Backward classes & Minorities was abysmally low. Neither did it conduct any survey of the targeted population nor any short term/ long term strategies for providing assistance in the past 12 years was made by the company. Abnormal delay in disbursement of loans, furnishing of utilisation certificates and diversion of loan funds for repayment of dues to financing agencies led to non achievement of its main objectives. Serious deficiencies in system of record keeping/accounting and lack of internal audit led to misappropriation of cash remaining undetected.**
- **Madhya Pradesh Rajya Van Vikas Nigam's performance with regard to promotion, development and commercial exploitation of plantation was deficient. There was avoidable expenditure of Rs.12.51 crore due to low production of standard size rootshoots, replacement of casualties in excess of norms and replantation in areas of failed plantation. High rate of failure in bamboo plantation and low yield resulted in loss of Rs.20.71 crore. Postponement of thinning and failure of teak plantation resulted in revenue loss of Rs.15.1 crore and Rs.2.26 crore respectively.**
- **The activities of Madhya Pradesh Financial Corporation with regard to achieving its objective of balanced industrial development lacked both focus and direction. Since its inception, no assessment of success to the extent of achievement of objectives was made and this resulted in imbalanced spread of loan across the state. The performance of the Corporation suffered mainly due to deficient appraisals, deviations from its own guidelines, leading to grant of loans for unviable/ineligible units or to promoters of doubtful credit worthiness/ inadequate security. Follow-up of recovery of loan was poor and despite offering one time settlement, it could recover only Rs.41 crore out of settlement amount of Rs.85.76 crore.**

- **Deficiencies were found in the performance of Madhya Pradesh State Electricity Board with regard to implementation of ADB funded project. Improper planning in procurement of conductors, transmission/sub-transmission and distribution materials resulted in locking up of funds worth Rs.94.67 crore. Due to delay in commissioning of various 220/132 KV lines/sub-stations the Board could not derive benefits in reduction of sub-transmission losses, besides lack of financial prudence and coordination among various activities resulted in extra expenditure of Rs.2.81 crore.**
- **The handling of theft of energy and materials by Madhya Pradesh State Electricity Board has been sub optimal. Transmission & Distribution losses ranged upto 45.57 per cent as against the acceptable level of 15.5 per cent. Lack of uniform policy in checking the consumer's service connections, low rate of filing of FIR's and inability to recover stolen property made the Board suffer huge losses.**

Overview of Government companies and Statutory Corporations

Introduction

As on 31 March 2006, the State had 42 Public Sector Undertakings (PSUs) comprising 38 Government Companies and four Statutory Corporations. Out of 38 Government Companies, 29 were working Companies. All the four Statutory Corporations were working Corporations. In addition, there was one Company under the purview of section 619-B of the Companies Act, 1956 and one Autonomous Body and its audit is also entrusted to the CAG under section 104(2) of the Electricity Act, 2003. The total investment in working PSUs increased from Rs.5637.59 crore as on 31 March 2005 to Rs.18796.34 crore as on 31 March 2006. The total investment in non-working PSUs increased from Rs.224.36 crore to Rs.225.47 crore during the same period.

Investment in Public Sector Undertakings

Budgetary support & guarantee on loans.

The budgetary support in the form of capital, loans and grants /subsidy disbursed to the working PSUs increased from Rs.1449.99 crore in 2004-05 to Rs.4531.88 crore in 2005-06. The State Government guaranteed loans aggregating Rs.2513.89 crore during 2005-06. The total amount of outstanding loans guaranteed by the State Government increased from Rs.646.35 crore as on 31 March 2005 to Rs.7236.07crore as on 31 March 2006.

Arrears of Accounts

Three working Government Companies and one Statutory Corporation, had finalised their accounts for the year 2005-06. The accounts of 26 working Government Companies and three Statutory Corporations were in arrears for periods ranging from one to seven years as on 30 September 2006. Madhya Pradesh Electricity Regulatory Commission and two new Companies have not finalised their accounts since inception. One non-working Government Company had finalised its accounts for the year 2005-06. Fifty accounts of eight non-working Companies were in arrears for periods ranging from one to 16 years as on 30 September 2006.

Working results of PSUs

According to latest finalised accounts, eight working PSUs (six Government Companies and two Statutory Corporations) incurred aggregate loss of Rs.56.57 crore. On the other hand, 17 working PSUs (15 Government Companies and two Statutory Corporations) earned aggregate profit of Rs.1,298.70 crore as per their latest finalised accounts. Six working Government Companies declared dividend of Rs.11.17 crore during the year. Two Statutory Corporations had accumulated losses of Rs.1,008.31 crore, which exceeded their paid-up capital of Rs.223.95 crore by more than four times.

Recommend-ation for closure.

Even after completion of five or more years of their existence, the individual turnover of eight working Government Companies remained less than rupees five crore in each of the preceding five years as per their latest finalised accounts. As such, the Government may either improve the performance of these eight Government Companies or consider their closure.

Financial assistance by Madhya Pradesh Pichhra Varg Tatha Alpsankhyak Vitta Evam Vikas Nigam.

Poor achievement of objective

The performance of the Company with regard to achievement of targets during the five years 2001-06 was abysmally low in implementation of all the schemes by the Company.

Failure to assess the targeted population

Though the Company has been extending financial assistance for over 12 years for the economic upliftment of targeted population, no survey of beneficiaries was conducted to formulate a base for covering all the beneficiaries in a phase manner.

Denial of assistance to beneficiaries as disburseable funds were diverted

Loans of Rs.6.04 crore and Government share of project cost (Rs.4.45 crore) meant for disbursement to beneficiaries were diverted for repayment of instalments due to financing agencies resulting in denial of assistance to needy beneficiaries. Delay in sending Utilisation certificates resulted in avoidable interest payment of Rs. 5.11 crore.

Failure to maintain proper records led to misappropriation

Improper maintenance of records coupled with absence of internal audit facilitated misappropriation of cash in five districts. In spite of misappropriations, the Company has not taken any corrective/punitive action.

Promotion and development of plantations including commercial exploitation thereof by Madhya Pradesh Rajya Van Vikas Nigam Limited.

Abysmal performance of company

Performance of the Company with regards to promotion, development and commercial exploitation was found to be deficient due to low production of standard size rootshoots in nurseries, replacement of casualties in excess of norms/ replacement by pre-sprouted polypot plants and replantation in areas of failed plantation which resulted in avoidable additional expenditure of Rs.12.51 crore. Despite fixation of progressively lower targets, the Company failed to achieve them.

<i>Loss of potential revenue</i>	Higher rate of failure of Bamboo plantation and low yield (24 per cent) in various divisions during April 2001 to March 2005 resulted in loss of potential revenue of Rs.20.71 crore.
<i>Deficient planning</i>	Postponement of thinning in 7,349 hectares due to substandard teak plantation resulted in loss of potential revenue of Rs.15.13 crore with consequential loss of interest of Rs.4.43 crore. Failure of teak plantation in type C area of Kundam division, Jabalpur resulted in loss of revenue of Rs.2.26 crore.
<i>Absence of internal control</i>	Absence of effective internal control mechanism facilitated defalcation of sale proceeds to the extent of Rs.3.69 crore out of which Rs.2.41 crore could not be recovered.
<i>Failure to undertake inter division comparison.</i>	No system was in place to monitor the substantial variations in actual cost of plantation compared to the estimated cost. Inter-division comparison of actual cost was also not made to ascertain reasons for abnormal variance either to take cost control measures or ensure preparation of realistic estimates.

Financial assistance to industrial units by Madhya Pradesh Financial Corporation

<i>Position of Corporation</i>	As of 31 March 2005, the Corporation had outstanding loans aggregating Rs.395.40 crore against 2033 units, out of which 891 units were in operation, 40 units were under implementation and 382 units were closed due to lack of working capital, market demand, technological obsolescence, internal disputes, financial mismanagement.
<i>Failure to assess the success achieved in industrialisation.</i>	Even though the Corporation had extended financial assistance of Rs.1,882.11 crore to 8,720 applicants since its inception in 1955, neither assessment of success achieved by the industries financed in the state nor planning for future course of action was conducted.
<i>Deficient system of appraisal</i>	Rules framed by the Corporation for sanction of loans were deviated in respect of sanctions aggregating Rs.27.36 crore in 24 cases. Deficient system of project appraisals led to loan assistance to unviable projects, ineligible applicants, promoters of doubtful creditworthiness/ inadequate security and for discharging of loans outstanding with other financial institutions.
<i>Poor follow up mechanism</i>	Despite persistent default, follow-up of recovery of loan was poor and action was not initiated. While targets for recovery of loans were low, no targets were fixed for recovery of old dues. To bridge the gap between funds available and funds required, the Corporation resorted to borrowings through bonds incurring additional interest burden of Rs.22.42 crore.
<i>Failure of settlement scheme</i>	One time settlements were extended to wilful defaulters and in cases where adequate collateral securities were available. The Corporation sacrificed Rs.71.34 crore on one time settlement of dues of Rs.157.10 crore for Rs.85.76 crore and could recover only Rs.41 crore out of settlement amount, defeating the very objective of quick realisation of dues.

Procurement of material and implementation of transmission and distribution schemes of ADB funded project by Madhya Pradesh State Electricity Board

<i>Improper purchase planning</i>	Improper planning in procurement resulted in excess procurement of conductors and advance procurement of transmission/sub-transmission and distribution materials, blocking Board's fund valuing Rs.98.58 crore.
<i>Improper purchase evaluation</i>	Due to placement of orders for identical items of material at different rates under different packages of the same tender, the Board had to incur extra expenditure of Rs.2.81 crore.
<i>Undue benefit</i>	The Board granted extension of delivery periods to defaulting suppliers without imposing liquidated damages valuing Rs.93 lakh.
<i>Delay in commissioning</i>	Due to delay in commissioning of various 220/132 KV lines/sub-stations the Board could not derive the envisaged benefits in reduction of sub transmission losses.

Handling of theft of energy and materials in Madhya Pradesh State Electricity Board

<i>No system to identify T & D loss</i>	The Board had no system to identify the actual transmission and distribution loss so as to arrive at the exact quantum of theft in Board's system. Such loss ranged between 45.57 and 42.62 <i>per cent</i> against the acceptable level of 15.5 <i>per cent</i> , resulting in loss of potential revenue to the tune of Rs.9,397.47 crore.
<i>Demand pending realisation</i>	Out of the total demand of Rs.390.12 crore on account of value of theft of electricity detected, Rs.93.82 crore representing 24.05 <i>per cent</i> were pending realisation.
<i>Poor reporting of theft cases led to inadequate recovery.</i>	During the five years ended March 2005, as against 10,413 cases of theft of Board's property involving Rs.25.15 crore, the Board filed FIR's in respect of 4,328 cases. The Board could recover stolen property worth Rs.8.63 lakh representing 0.34 <i>per cent</i> of the total value of theft.

Results of Transaction Audit

Transaction audit observations included in this Report highlight deficiencies in the management of PSUs, which resulted in serious financial implications. Some important observations are below:

Government companies

<i>Failure to monitor movement of stocks</i>	Intermediary storage of wheat by Madhya Pradesh Civil Supplies Corporation Limited resulted in avoidable expenditure of Rs.1.01 crore on local transportation and storage, Rs. 1.06 crore towards interest on the cost of wheat locked up.
<i>Deficient loan placement procedure</i>	Placement of inter-corporate loan without obtaining security coupled with various deficiencies in sanction and pre/post disbursement procedures by Madhya Pradesh State Industrial Development Corporation Limited resulted in locking up of Rs.14.50 crore besides non-realisation of interest of Rs.20.28 crore.

Failure to take timely action Failure of **Madhya Pradesh State Industrial Development Corporation Limited** to take timely, effective, legal action for takeover of assets and to initiate Revenue Recovery proceedings resulted in non-recovery of both principal and interest of Rs.12.39 crore.

Statutory Corporation

Failure to commission Non-commissioning of fire protection system resulted in blockage of funds of Rs.3.36 crore and consequential loss of interest of Rs.1.28 crore in **Madhya Pradesh State Electricity Board**.

Failure in scrutiny of bills Failure to scrutinise freight bills and delay in raising refund claims resulted in excess expenditure of Rs.2.86 crore on transportation charges in **Madhya Pradesh State Electricity Board**.

Non-adherence to tariff order Non-adherence to the tariff order by **Madhya Pradesh State Electricity Board** resulted in under billing of electricity charges and consequent revenue loss of Rs.1.10 crore.

Appendix

Statement showing apportionment of assets and liabilities of the erstwhile State of Madhya Pradesh as on 31 March 2006 between successor States of Madhya Pradesh and Chhattisgarh

(Rupees in crore)

Items	Balance as on 31 October 2000	Apportioned to		Balance retained in MP accounts pending apportionment	Reference to Finance Accounts Statements No.
		Madhya Pradesh	Chhattisgarh		
I- Liabilities-					
1. Small savings, provident funds, etc.	7371.51	5570.57	1239.45	561.49	4, 16 and 17
2. Deposits	1872.19	1516.52	358.05	(-) 2.38	4 and 16
3. Reserve Funds	657.94(a)	45.49	11.55	102.46 (b)	4 and 16
4. Suspense and Miscellaneous Balances	39.58	25.46	5.93	8.19 (c)	16
II- Assets-					
1. Gross Capital Outlay	15760.57	4950.27	1484.59	9325.71	2 and 13
2. Loans and Advances	2883.18	559.83	135.91	2187.44 (d)	5 and 18
3. Guarantees	9709.60	--	--	10549.04 (e)	

N.B.: For further details, see Finance Accounts.

- (a) Dropped Rs.498.44 crore out of total of Rs.657.94 crore, in terms of second proviso to Section 42(1) of M.P. Re-organisation Act, 2000.
- (b) Retained in M.P. pending decision of GOI.
- (c) Retained in M.P for want of details.
- (d) Retained in M.P due to non-receipt of decisions/details from successor States.
- (e) Differs from the figures of Rs.10773.99 crore of 2004-05 by Rs.224.95 crore due to (i) old guarantee cancelled Rs.239.95 crore (ii) Old guarantee received Rs.15.00 crore.