

Financial Management and Budgetary Control

2.1 Introduction

Appropriation Accounts are accounts of the expenditure, voted and charged, of the Government for each financial year compared with the amounts of the voted grants and appropriations charged for different purposes as specified in the schedules appended to the Appropriation Acts. These Accounts list the original budget estimates, supplementary grants, surrenders and re-appropriations distinctly and indicate actual capital and revenue expenditure on various specified services *vis-à-vis* those authorised by the Appropriation Act in respect of both charged and voted items of budget. Appropriation Accounts thus facilitate management of finances and monitoring of budgetary provisions and are, therefore, complementary to Finance Accounts.

Audit of appropriations by the Comptroller and Auditor General of India seeks to ascertain whether expenditure actually incurred under various grants is within the authorisation given under the Appropriation Act and that the expenditure required to be charged under the provisions of the Constitution is so charged. It also ascertains whether the expenditure so incurred is in conformity with the law, relevant rules, regulations and instructions.

As per Maharashtra Budget Manual, the Finance Department is responsible for preparation of the annual budget by obtaining estimates from various departments. The departmental estimates of receipts and expenditure are prepared by Controlling Officers on the advice of the Head of Departments and submitted to the Finance Department on prescribed dates. The Finance Department consolidates the estimates and prepares the Detailed Estimates and Grants. In the preparation of the budget, the aim should be to achieve as close an approximation to the actuals as possible. This demands the exercise of the utmost foresight both in estimating revenue and anticipating expenditure. An avoidable extra provision in an estimate is as much a budgetary irregularity as an excess in the sanctioned expenditure. The budget procedure envisages that the sum provided in an estimate of expenditure on a particular item must be that sum which can be expended in the year and neither larger nor smaller. A saving in an estimate constitutes as much of a financial irregularity as an excess in it. The budget estimates of receipts should be based on the existing rates of taxes, duties, fees *etc.*

Deficiencies in management of budget and expenditure and violation of Budget manual noticed in audit have been discussed in the subsequent paragraphs.

2.2 Summary of Appropriation Accounts

The summarised position of actual expenditure during 2009-10 against 332 grants/appropriations is as given in **Table 2.1**:

Financial Management and Budgetary Control

Table 2.1: Summarised Position of Actual Expenditure vis-à-vis Original/Supplementary provisions

(₹ in crore)

	Nature of expenditure	Original grant/ appropriation	Supplementary grant / appropriation	Total	Actual expenditure	Saving (-)/ Excess (+)
Voted	I Revenue	82,138.71	29,302.69	1,11,441.40	82,338.32	(-) 29,103.08
	II Capital	21,073.59	14,527.23	35,600.82	21,573.65	(-)14,027.17
	III Loans and Advances	990.52	684.57	1,675.09	1,261.10	(-) 413.99
Total Voted		1,04,202.82	44,514.49	1,48,717.31	1,05,173.07	(-) 43,544.24
Charged	IV Revenue	15,943.79	57.41	16,001.20	15,881.63	(-) 119.57
	V Capital	1.16	6.03	7.19	4.32	(-) 2.87
	VI Public Debt-Repayment	6,771.52	59.76	6,831.28	3,825.39	(-) 3,005.89
Total Charged		22,716.47	123.20	22,839.67	19,711.34	(-) 3,128.33
Appropriation to Contingency Fund		350.00	..	350.00	350.00	..
Grand Total		1,27,269.29	44,637.69	1,71,906.98	1,25,234.41	(-) 46,672.57

Note: The expenditure includes the recoveries adjusted as reduction of expenditure under revenue expenditure ₹ 3,303.98 crore and capital expenditure ₹ 4,149.33 crore.

The overall saving of ₹ 46,672.57 crore was the result of saving of ₹ 48,390.15 crore in 131 grants and 52 appropriations under Revenue Section, 72 grants and 11 appropriations under Capital Section, offset by excess of ₹ 1,717.58 crore in 44 grants and 6 appropriations.

The saving and excess were intimated to the Controlling Officers requesting them to explain the significant variations. Besides issue of regular reminders, the Controlling Officers were requested to furnish the reasons for excess/saving in separate meetings held with each of them during May-June 2010 by the Principal Accountant General (Accounts and Entitlement). The reasons for saving/excess have not been received from the concerned Controlling Officers (August 2010).

2.3 Financial accountability and budget management

2.3.1 Appropriation vis-à-vis allocative priorities

The outcome of the appropriation audit reveals that in 36 cases, saving exceeded by ₹ 10 crore in each case and also by more than 20 per cent of total provision (**Appendix 2.1**). Out of the total saving of ₹ 48,390.15 crore, saving of ₹ 39,347.22 crore (81 per cent)²⁰ occurred in 16 cases relating to 15 grants and 1 appropriation as indicated in **Table 2.2** below :

Table 2.2 : List of Grants with saving of ₹ 100 crore and above

(₹ in crore)

Sr. No.	No. and Name of the Grant	Original	Supplementary	Total	Actual Expenditure	Saving
Revenue-Voted						
1.	A-2 Elections	416.74	111.69	528.43	425.05	103.38
2.	B-7 Economic Services	9.18	255.13	264.31	48.02	216.29
3.	D-5 Dairy Development	782.08	3.33	785.41	575.82	209.59
4.	G-2 Other Fiscal and Miscellaneous Services	4,734.74	--	4,734.74	94.49	4,640.25
5.	L-3 Rural Development Programmes	1,055.42	1,189.09	2,244.51	1,786.57	457.94
6.	O-4 Other Rural Development Programmes	14,935.57	0.10	14,935.67	0.06	14,935.61
7.	Q-3 Housing	685.31	1,858.01	2,543.32	978.65	1,564.67

²⁰ Exceeding ₹ 100 crore in each case.

Table 2.2 : List of Grants with saving of ₹ 100 crore and above (Contd.)

(₹ in crore)

Sr. No.	No. and Name of the Grant	Original	Supplementary	Total	Actual Expenditure	Saving
Revenue-Voted						
8.	V-2 Co-operation	2,825.57	174.99	3,000.56	2,268.97	731.59
9.	X-1 Social Security and Nutrition	676.27	1,079.91	1,756.18	1,346.18	410.00
10.	Y-2 Water Supply and Sanitation	309.68	405.76	715.44	564.36	151.08
Capital-Voted						
11.	B-9 Capital Expenditure on Economic Services	317.12	649.50	966.62	515.30	451.32
12.	F-6A Loans for Urban Development	--	235.77	235.77	100.32	135.45
13.	H-8 Capital Expenditure on Public Works Administrative and Functional Buildings	154.72	497.37	652.09	470.63	181.45
14.	K-11 Capital Expenditure on Energy	715.08	1,207.50	1,922.58	1,359.12	563.46
15.	O-9 Capital Outlay on Other Rural Development Programmes	11,728.58	328.33	12,056.91	466.37	11,590.54
Capital-Charged						
16.	G-8 Public Debt and Inter State Settlement	6,053.64	--	6,053.64	3,049.05	3,004.59
Total		--	--	--	--	39,347.22

In Grant No.X-1 Social Security and Nutrition saving of ₹ 410 crore occurred mainly under 2236 Nutrition – Special Nutrition Programmes – Integrated Child Development Services Scheme due to non-implementation/non-functioning of 10,932 Anganwadis out of 11,293 existing Anganwadis and non-functioning of 16 new projects and 1315 new Anganwadis.

In Grant No.G-2 Other Fiscal and Miscellaneous Services, saving of ₹ 4,640.25 crore occurred mainly under 2070 Other Administrative Services (₹ 2,419 crore for salaries and allowances etc.) and under 2075 – Miscellaneous General Services (₹ 545.84 crore for two digit lottery and on-line lottery).

2.3.2 Persistent saving

In 7 cases, during the last five years there was persistent saving of more than ₹ 10 crore in each case, as shown in Table 2.3.

Table 2.3: List of grants indicating persistent saving during 2005-10

(₹ in crore)

Sr. No.	No. and Name of the grant	Amount of saving (Per cent to total grant)				
		2005-06	2006-07	2007-08	2008-09	2009-10
Capital-Voted						
1.	H-9 Capital Outlay on Removal of Regional Imbalance	18.55 (4.57)	15.87 (3.48)	(64.14) (14.93)	33.82 (16.28)	19.91 (24.25)
2.	L-7 Capital Expenditure on Rural Development	36.78 (28.60)	35.42 (11.13)	29.17 (6.31)	36.42 (10.56)	470.84 (61.91)
3.	O-9 Capital Outlay on Other Rural Development Programmes	340.57 (42.34)	205.05 (30.10)	760.87 (62.45)	987.61 (68.26)	11,590.54 (96.13)
4.	T-6 Capital Expenditure on Tribal Area Development Sub-plan	14.33 (4.95)	36.25 (7.33)	78.17 (12.44)	156.04 (15.94)	97.35 (10.73)
5.	V-3 Capital Expenditure on Social Services	176.77 (15.94)	123.96 (36.00)	160.88 (58.41)	32.42 (12.32)	59.27 (26.35)
6.	V-5 Capital Expenditure on Economic Services	423.46 (7.94)	154.07 (9.10)	163.33 (26.04)	36.16 (10.83)	30.60 (7.68)
Capital Charged						
7.	G-8 Public Debt and Inter State Settlement	83.99 (1.70)	218.03 (5.05)	1,000.40 (20.13)	2,098.77 (38.38)	3,004.59 (49.63)

Financial Management and Budgetary Control

The persistent saving indicates that the budgetary controls in the departments were either not effective or not observed properly.

2.3.3 Excess expenditure

In 4 cases, expenditure aggregating ₹ 5,726.19 crore exceeded the approved provisions by ₹ 10 crore or more in each case and also by more than 20 per cent of the total provision resulting in excess expenditure of ₹ 1,420.54 crore (83 per cent of total excess). Reasons for excess expenditure were not received from the Departments. Details are given in **Table 2.4**.

Table 2.4: Excess expenditure more than ₹ 10 crore and 20 per cent of total provision

(₹ in crore)

No. and name of the Grant / Appropriation	Total Grant / Appropriation	Expenditure	Percentage of excess expenditure
C-6 Natural Calamities	0.70	182.48	25969
H-3 Housing	293.99	362.22	23
K-11A Internal Debt	0.0001	101.86	101860000
M-4 Capital Expenditure on Food	4010.96	5079.63	27
Total		5726.19	

2.3.4 Expenditure without provision

As per the Budget Manual, expenditure should not be incurred on a scheme/ service without provision of funds. It was, however, noticed that expenditure of ₹ 601.53 crore was incurred in 28 cases as detailed in **Appendix 2.2** without any provision in the original estimates/ supplementary demand and without any re-appropriation orders to this effect.

2.3.5 Excess over provisions relating to previous years

As per Article 205 of the Constitution of India, it is mandatory for a State Government to get the excess over a grant/appropriation regularised by the State Legislature. Although no time limit for regularisation of expenditure has been prescribed under the Article, the regularisation of excess expenditure is done after the completion of discussion of the Appropriation Accounts by the Public Accounts Committee (PAC). However, the excess expenditure amounting to ₹ 9,055.53 crore for the years 2002-03 to 2008-09 was yet to be regularised as detailed in **Appendix 2.3**. Though the State PAC discussed the Appropriation Accounts for the years 2002-03 to 2005-06 during May-June 2010, their recommendations for regularization of excess expenditure were not received as of October 2010. The year-wise excess expenditure pending regularisation is summarised below:

Table 2.5: Excess over provisions relating to previous years requiring regularization

(₹ in crore)

Year	Number of		Amount of excess over provision
	Grants	Appropriations	
2002-03	12	17	2,542.87
2003-04	11	15	1,015.24
2004-05	9	17	407.35
2005-06	19	15	1,156.99
2006-07	16	13	956.30
2007-08	11	11	587.41
2008-09	38	9	2,389.37
Total	116	97	9,055.53

Source: Appropriation Accounts

2.3.6 Excess over provisions during 2009-10 requiring regularisation

During 2009-10, excess expenditure was incurred in 51 grants aggregating to ₹ 1,717.58 crore over the grant/appropriation authorized by the Legislature. The excess expenditure requires regularisation under Article 205 of the Constitution. The details are in **Appendix 2.4**.

2.3.7 Unnecessary/excessive/inadequate supplementary provision

In 34 cases, supplementary provision of ₹ 10 lakh or more in each case aggregating to ₹ 767.31 crore obtained during the year proved unnecessary as the expenditure did not come up to the level of original provision as detailed in **Appendix 2.5**.

In 16 cases, supplementary provision of ₹ 2,531.18 crore proved insufficient by more than ₹ 1 crore each leaving an aggregate uncovered excess expenditure of ₹ 222.13 crore (**Appendix 2.6**).

2.3.8 Excessive/unnecessary re-appropriation of funds

Re-appropriation is transfer of funds within a grant from one unit of appropriation, where saving is anticipated, to another unit where additional funds are needed. Injudicious re-appropriation proved excessive or insufficient and resulted in saving/excess of over ₹ 1 crore in 78 sub-heads as detailed in **Appendix 2.7**.

2.3.9 Unexplained re-appropriations

According to Paragraph 165 of the Maharashtra Budget Manual, the orders sanctioning re-appropriation of funds of ₹ 500 and above and those which involve some novel or special feature should briefly specify reasons for the additions to and deductions from the sub-heads affected by them. However, on scrutiny of re-appropriation orders issued by the Finance Department revealed that the reasons given for additional provision/withdrawal of provision in re-appropriation in respect of 794 (42 per cent) out of 1,871 items commented in the Appropriation Accounts, orders were of general nature such as 'actual requirement', 'economy measures' etc. Besides, in 691 cases, no reasons for additional provision/withdrawal of provision were furnished. This also goes against the principle of transparency stipulated in Section 6 of Fiscal Responsibility and Budgetary Management Act.

2.3.10 Surrender in excess of actual saving

In 25 cases, the amount surrendered (₹ 50 lakh or more in each case) was in excess of actual saving indicating lack of budgetary control in these departments. As against saving of ₹ 3,346.08 crore in these cases, the amount surrendered was ₹ 4,667.12 crore resulting in excess surrender of ₹ 1,321.04 crore. Details are given in **Appendix 2.8**.

Scrutiny revealed that under the Grant No. F-2 Urban Development and Other Advance Services, savings of ₹ 430.36 crore occurred under 25 sub-heads (Major heads 2053, 2070, 2217 and 3054) were surrendered while excess expenditure of ₹ 778.69 crore under seven other sub-heads (Major heads 2217 and 3606) was incurred within the same Grant. Thus, the savings were set-off against the excess expenditure, and the saving appearing under the Grant was less than the actual surrender amount. Instead of surrendering the amount, it should have been re-appropriated to the heads where excess expenditure was incurred. This indicated lack of proper budgetary control.

2.3.11 Anticipated saving not surrendered

As per the Maharashtra Budget Manual, the spending departments are required to surrender the grants/appropriations or portion thereof to the Finance Department as and when the savings

Financial Management and Budgetary Control

are anticipated. During 2009-10, no part of the savings, occurred in 36 cases (₹ 425.81 crore) had been surrendered by the concerned departments. (**Appendix 2.9**).

Similarly, out of total savings of ₹ 34,822.92 crore under 48 other grants/ appropriations (saving of ₹ 1 crore and above in each grant/appropriation) ₹ 16,440.39 crore (47 per cent of total saving) were not surrendered (**Appendix 2.10**). Besides, in 94 cases, savings in excess of ₹ 10 crore, aggregating ₹ 27,824.33 crore (**Appendix 2.11**) were surrendered on the last two working days of the year indicating inadequate financial control. Due to late surrender, these funds could not be utilised for other development purposes.

2.3.12 Rush of expenditure

According to the Bombay Financial Rules, 1959, rush of expenditure in the closing month of the financial year should be avoided. Contrary to this, in respect of 83 sub-heads, expenditure exceeding ₹ 10 crore and also more than 50 per cent of the total expenditure for the year was incurred in March 2010. **Table 2.6** presents the major heads where 58 to 100 per cent expenditure was incurred during the last quarter and 50 to 82 per cent expenditure was incurred during the last month of the financial year.

Table 2.6 : Rush of expenditure during the last quarter and last month of 2009-10

(₹ in crore)

Sr. No.	Major Head	Total expenditure during the year	Expenditure during the last quarter of the year		Expenditure during March 2010	
			Amount	Percentage of total expenditure	Amount	Percentage of total expenditure
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	2501 Special Programmes for Rural Development	244.72	143.37	58.59	132.96	54.33
2	2505 Rural Employment	1,954.27	1,117.66	57.19	972.39	49.76
3	3452 Tourism	443.96	292.05	65.78	287.93	64.85
4	4225 Capital Outlay on Welfare of Scheduled Castes, Scheduled Tribes and other Backward Classes	310.89	231.01	74.31	221.86	71.36
5	6225 Loans for Welfare of Scheduled Castes, Scheduled Tribes and other Backward Classes	168.14	167.96	99.89	138.51	82.38

Source: Appropriation Accounts

The above position shows that there was a lack of uniform flow of expenditure during the year which is the primary requirement of proper budgetary control indicating deficient financial management.

2.4 Advances from contingency fund

The Contingency Fund of the State has been established under the Bombay Contingency Fund Act, 1956, in terms of provisions of Article 267 (2) and 283 (2) of the Constitution of India. Advances from the Fund are to be made only for meeting expenditure of an unforeseen and emergent nature, postponement of which, till its authorisation by the Legislature would be undesirable. The Fund is in the nature of an imprest and its corpus is ₹ 150 crore which was temporarily raised to ₹ 500 crore with effect from 21 August 2009 vide Ordinance No. XVI of 2009. The balance at the beginning of the year was ₹ 398.07 crore with an un-recouped balance of ₹ 1.93 crore. During the year 2009-10, advances drawn but not recouped to the fund

amounted to ₹ 3.00 crore. The closing balance of the Fund as on 31 March 2010 was ₹ 147 crore.

During 2009-10, 59 sanctions were issued for withdrawal of ₹ 460.72 crore from the Contingency Fund. A few illustrative cases listed in **Appendix 2.12** show that the nature of expenditure for which the department obtained advances from Contingency Fund was foreseeable.

2.5 Outcome of review of selected grants

A review of receipts and expenditure of two Grants (No.X-I and No.W) was undertaken in audit. Some of the irregularities noticed are summarized below:

2.5.1 Grant No. X-I – Women and Child Development Department

There were persistent savings under the Grant during last four years viz., 2006-07 (₹ 131.26 crore), 2007-08 (₹ 92.75 crore), 2008-09 (₹ 150.60 crore) and 2009-10 (₹ 410 crore). The savings were mainly under 2236 – Nutrition – 101 – Special Nutrition Programmes, due to non-release of sanction from Government for implementation of the scheme.

During 2009-10, ₹ 1.83 crore under 2235-02-103(20)(01) Jijamata Mahila Adhar Vima Yojana, remained unutilized as the proposal of closure of the scheme was under consideration of the Government.

It was observed that reconciliation of expenditure was not carried out by the Controlling Officers properly during 2009-10. There were differences in the figures of the final modified grants as well as excess and savings reflected in the Appropriation Accounts for 2008-09 and those intimated by the Department. Even after receipt of the Explanatory Memorandum of the Unofficial References (UORs) furnished by the Department, the differences remained unsettled which was due to non-reconciliation of expenditure and non-confirmation of the Final Modified Grant with the Office of the Principal Accountant General (A&E).

During 2009-10, an amount of ₹ 15.23 crore required to be provided under the Minor head 2235-02-103(03)(10) for implementation of "Tejaswini Maharashtra Rural Women Empowerment Programme" were erroneously budgeted under 2235-02-103(03)(01).

During 2009-10, there are seven cases of injudicious re-appropriations (Grant no. X-I), which resulted in final saving or excess more than ₹ 1 crore.

Sr.No.	Grant Description	Head of Account	Reappropriation	Final Excess / Saving
1	Social Security and Nutrition	2236-02-101(04)(01)	(-)46.01	(+)10.21
2	Social Security and Nutrition	2236-02-101(01)(06)	(-)14.41	(+)5.33
3	Social Security and Nutrition	2236-02-101(01)(07)	(-)16.16	(+)5.04
4	Social Security and Nutrition	2236-02-102(02)(03)	(+)5.23	(-)2.62
5	Social Security and Nutrition	2235-02-103(03)(10)	(+)15.23	(-)2.59
6	Social Security and Nutrition	2236-02-101(03)(01)	(-)135.91	(+)4.23
7	Social Security and Nutrition	2235-02-104(01)(01)	(+)2.26	(-)1.21

Grant No. W - Higher and Technical Education Department

During audit scrutiny it was observed that the reconciliation of expenditure was not carried out properly by all the Controlling Officers. The Administrative Department also did not ensure reconciliation of expenditure by the Directorates with the Office of the Pr. Accountant General (A&E).

Financial Management and Budgetary Control

During 2009-10, under Grant No. W-9, M.H. 7610 – Loans to Government Servants *etc.*, ₹ 8.95 crore, being 49 *per cent* of the grant was surrendered on 31st March 2010, which could have been assessed and surrendered well in advance, so that the amount could be utilised for other developmental schemes.

Department replied that the demand for advances were received till end of March. The reply was not tenable as the scrutiny for sanction of House Building Advance takes sufficient time and assessment of demands has to be carried out by the administrative department well in advance to avoid large savings.

During 2009-10, there were two cases of injudicious re-appropriation (Grant no. W-4) under the Grant, which resulted in the final saving/excess of more than ₹ 1 crore.

Grant Description	Head of Account	Re-appropriation	Saving/ Excess
Art and Culture	2230-03-003(02)(05)	(-) 13.12	(+) 5.11
Art and Culture	2230-03-003(02)(01)	(+) 6.36	(-) 4.63

2.6 Conclusion and Recommendations

The overall saving of ₹ 46,672.57 crore was the net result of saving of ₹ 48,390.15 crore set off by excess of ₹ 1,717.58 crore. The excess expenditure requires regularisation of the State Legislature. Anticipated savings of ₹ 27,824.33 crore was surrendered on the last working day of the financial year. In 25 cases, ₹ 4,667 crore was surrendered in excess of the actual savings. In respect of 28 Departments, expenditure to the extent of ₹ 27,060 crore were not reconciled with the figures of Pr.Accountant General (A&E). There were rush of expenditure (50 to 82 *per cent*) under five major heads. Persistent excess expenditure, erroneous budgeting, injudicious re-appropriations and delay in surrender of savings were noticed in Women and Child Welfare Department and Higher and Technical Education Department.

Recommendations:

- *In order to avoid large savings, all the departments should submit realistic budget estimates keeping in view the trends in expenditure and actual requirement of both plan funds and non-plan funds.*
- *All departments should closely monitor the expenditure against the allocations and incurring excess expenditure over the grants should be strictly avoided.*