

# Financial Management and Budgetary Control

## 2.1 Introduction

**2.1.1** 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 reappropriations 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 the budget. Appropriation Accounts thus facilitate management of finances and monitoring of budgetary provisions and are complementary to the Finance Accounts.

**2.1.2** Audit of appropriations by the Comptroller and Auditor General of India seeks to ascertain whether the 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.

**2.1.3** As per the 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 heads of departments and submitted to the Finance Department on prescribed dates. The Finance Department consolidates the estimates and prepares the Detailed Estimates called 'Demand for 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 the 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 2010-11 against 242 grants/appropriations is as given in **Table 2.1**:

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

(₹ in crore)

	Nature of expenditure	Original grant/ Appropriation	Supplementary grants / appropriation	Total	Actual expenditure	Saving (-)/ Excess (+)
<b>Voted</b>	I Revenue	89,217.57	16,937.18	1,06,154.75	92,078.65	(-) 14,076.10
	II Capital	19,704.84	5,599.80	25,304.64	21,171.72	(-) 4,132.92
	III Loans and Advances	713.05	525.22	1,238.27	959.12	(-) 279.15
<b>Total Voted</b>		<b>1,09,635.46</b>	<b>23,062.20</b>	<b>1,32,697.66</b>	<b>1,14,209.49</b>	<b>(-) 18,488.17</b>
<b>Charged</b>	IV Revenue	17,812.67	161.04	17,973.71	17,567.18	(-) 406.53
	V Capital	4.20	—	4.20	3.58	(-) 0.62
	VI Public Debt-Repayment	7,807.90	—	7,807.90	4,773.61	(-) 3,034.29
<b>Total Charged</b>		<b>25,624.77</b>	<b>161.04</b>	<b>25,785.81</b>	<b>22,344.37</b>	<b>(-) 3,441.44</b>
	<b>Appropriation to Contingency Fund</b>	850.00	—	850.00	850.00	—
<b>Grand Total</b>		<b>1,36,110.23</b>	<b>23,223.24</b>	<b>1,59,333.47</b>	<b>1,37,403.86</b>	<b>(-) 21,929.61</b>

**Note:** The expenditure excludes the recoveries adjusted as reduction of expenditure under revenue expenditure ₹ 3,186.46 crore and capital expenditure ₹ 3,211.98 crore.

Supplementary provisions of ₹ 23,223.24 crore obtained during the year constituted 17 per cent of the original provision as against 35 per cent in the previous year.

The overall savings of ₹ 21,929.61 crore was the result of savings of ₹ 22,396.52 crore in 136 grants and 54 appropriations under the Revenue Section, 74 grants and 11 appropriations under the Capital Section, offset by excess of ₹ 466.91 crore in 35 grants and seven appropriations.

As may be seen from the above table, against the original provision of ₹ 1,36,110.23 crore, expenditure of ₹ 1,37,403.86 crore was incurred, thereby requiring only six per cent of supplementary funds. The actual savings of ₹ 21,929.61 crore constituting 94 per cent of the supplementary budget of ₹ 23,223.24 crore, clearly indicate inaccurate estimation of funds and lack of control mechanism. Cases where supplementary provisions proved unnecessary as the expenditure did not come up to the level of the original provisions are discussed in **paragraph 2.3.6**.

The savings and excesses (Detailed Appropriation Accounts) were intimated regularly to the Controlling Officers (COs) through monthly reports on expenditure. The matter was also taken up after closure of the preliminary and final accounts in May and June 2011, requesting the COs to explain the reasons for the significant variations, but no explanation was received (August 2011). The Planning, School Education, Housing, Finance and Industries, Energy and Labour departments had substantial savings/excess expenditure.

## 2.3 Financial Accountability and Budget Management

### 2.3.1 Appropriation vis-à-vis allocative priorities

Appropriation audit revealed that savings in 32 cases exceeded ₹ 10 crore in each case and were more than 20 per cent of the respective budget provisions (**Appendix 2.1**). Out of the total savings of ₹ 21,929.61 crore, savings of ₹ 20,499.27 crore (93 per cent) occurred in 33 cases relating to 31 grants and two appropriations. The savings in these cases exceeded ₹ 100 crore in each case as detailed in **Table 2.2**:

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**Table 2.2 : List of grants with savings of ₹ 100 crore and above**

(₹ in crore)

Sr. No.	Number and name of the grant	Original provision	Supplementary provision	Total	Actual expenditure	Savings
<b>Revenue - Voted</b>						
1.	B-1 Police Administration	6,045.68	255.30	6,300.98	5,882.93	418.05
2.	C-1 Revenue and District Administration	1,039.30	30.08	1,069.38	895.95	173.43
3.	C-6 Natural Calamities	904.73	950.88	1,855.61	1,414.50	441.11
4.	D-3 Agriculture Services	1,898.10	751.64	2,649.74	2,261.18	388.56
5.	D-5 Dairy Development	714.20	7.00	721.20	512.51	208.69
6.	E-2 General Education	23,226.86	1,299.55	24,526.41	22,828.27	1,698.14
7.	F-2 Urban Development and other Advances Services	4,080.05	440.62	4,520.67	3,907.47	613.20
8.	G-2 Other Fiscal and Miscellaneous Services	1,693.06	Negligible	1,693.06	68.11	1,624.95
9.	G-6 Pension and other Retirement Benefits	6,637.34	2,436.10	9,073.44	8,876.57	196.87
10.	H-5 Roads and Bridges	2,073.09	926.09	2,999.18	2,896.21	102.97
11.	H-6 Public Works and Administrative and Functional Buildings	1,462.20	263.59	1,725.79	1,592.23	133.56
12.	I-3 Irrigation, Power and other Economic Services	2,031.12	210.27	2,241.39	2,002.02	239.37
13.	J-1 Administration of Justice	653.24	213.78	867.02	694.13	172.89
14.	K-7 Industries	630.81	302.50	933.31	827.68	105.63
15.	N-3 Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	3,869.14	1,329.87	5,199.01	4,329.51	869.50
16.	O-1 District Administration	501.50	82.50	584.00	12.09	571.91
17.	O-4 Other Rural Development Programmes	2,313.67	---	2,313.67	0.09	2,313.58
18.	O-7 Secretariat – Economic Services	679.97	6.00	685.97	88.28	597.69
19.	Q-3 Housing	1,743.74	95.85	1,839.59	800.42	1,039.17
20.	R-1 Medical and Public Health	2,936.22	226.01	3,162.23	3,019.57	142.66
21.	T-5 Revenue Expenditure on Tribal Areas Development Sub-Plan	2,392.20	264.15	2,656.35	1,796.03	860.32
22.	X-1 Social Security and Nutrition	1,905.37	63.14	1,968.51	1,630.08	338.43
<b>Capital - Voted</b>						
23.	B-9 Capital Expenditure on Economic Services	435.64	67.91	503.55	392.64	110.91
24.	H-8 Capital Expenditure on Public Works, Administrative and Functional Buildings	358.43	320.43	678.86	470.53	208.33
25.	I-5 Capital Expenditure on Irrigation	7,805.98	1,763.54	9,569.52	9,237.61	331.91
26.	K-11 Capital Expenditure on Energy	1,470.58	510.00	1,980.58	1,741.72	238.86
27.	L-7 Capital Expenditure on Rural Development	348.55	271.03	619.58	414.62	204.96
28.	M-4 Capital Expenditure on Food	3,411.00	715.37	4,126.37	3,705.85	420.52
29.	N-4 Capital Expenditure on Social Services	685.31	113.40	798.72	402.91	395.81
30.	O-9 Capital Outlay on Other Rural Development Programmes	2,160.75	301.57	2,462.32	692.78	1,769.54
31.	T-6 Capital Expenditure on Tribal Areas Development Sub-Plan	707.25	208.64	915.89	576.59	339.30
<b>Capital - Charged</b>						
32.	G-8 Public Debt and Inter State Settlement	7,024.52	---	7,024.52	4,009.77	3,014.75
<b>Revenue - Charged</b>						
33.	G-3 Interest Payment and Debt Servicing	15,210.70	---	15,210.70	14,997.00	213.70
<b>Total</b>						<b>20,499.27</b>

Cases where either the entire budget provision was surrendered or remained unutilized and unsurrendered are highlighted below :

**i) Grant Number “G-2 Other Fiscal and Miscellaneous Services”**

The grant closed with total savings of ₹1,624.95 crore. The savings mainly occurred due to surrender of ₹ 683.49 crore under the head “2075 – Miscellaneous General Services, 103 State Lotteries”. The amount was surrendered due to closure of Two Digit Lottery with effect from January 2007. Reasons for making budget provision and surrendering the entire amount at the end of financial year continuously for the last four years from 2007-08 to 2010-11 had not been intimated (August 2011).

Further, the entire budget provision of ₹ 449.30 crore provided under the head “2075 – Miscellaneous General Services, 800 Other Expenditure” was surrendered in March 2011 as the decision for grants payable to Local Bodies was not taken by the Government. This was the 13<sup>th</sup> successive year in which the entire budget provision was surrendered. Reasons for making huge budget provisions continuously for the last 13 years had not been intimated (August 2011). Though the same was commented upon in the Report on State Finances for the year 2008-09, the irregularity still persists.

**ii) Grant Number “O-9 Capital outlay on Other Rural Development Programmes”**

The grant closed with savings of ₹ 1,769.54 crore which included supplementary grants of ₹ 301.57 crore. Augmentation of funds through supplementary grants (₹ 301.57 crore) proved unnecessary as only 32 *per cent* of the original provision ₹ 2,160.75 crore was expended (₹ 692.78 crore) during the year. Savings of ₹ 275.43 crore occurred mainly under the head “800 – Other Expenditure”.

**iii) Grant Number “T-6 Capital Expenditure on Tribal Areas Development Sub-Plan”**

Against the total provision of ₹ 915.89 crore, the expenditure was ₹ 576.59 crore, resulting in savings of ₹ 339.30 crore. Thus augmentation of funds through supplementary grants (₹ 208.64 crore) proved unnecessary as the total expenditure (₹ 576.59) was less than even the original estimates (₹ 707.25 crore). The savings of ₹ 339.30 crore mainly comprised a saving of ₹ 109.80 crore under the head “796 – Tribal Areas Sub-Plan” which was neither utilized nor surrendered. Reasons for the same had not been intimated (August 2011).

**iv) Grant Number “G-8 Loans and Advances from the Central Government”**

Against the total provision of ₹ 7024.52 crore, the saving under the grant was ₹ 3,014.75 crore. Savings of ₹ 460 crore under the Major Head “6004 – Loans and Advances from the Central Government” constituted the major portion of the total savings of ₹ 3014.75 crore. Reasons, though sought for, had not been intimated (August 2011).

### 2.3.2 Persistent savings

In 27 cases, during the last five years, there were persistent savings of more than ₹ 10 crore in each case, as shown in **Table 2.3**.

**Table 2.3: List of grants indicating persistent savings during 2006-11**

(₹ in crore)

Sr. No.	Number and name of the grant	Amount of savings (Per cent to total grant)				
		2006-07	2007-08	2008-09	2009-10	2010-11
<b>Revenue-Voted</b>						
1	B-3 Transport Administration	301.17 (77.46)	21.74 (5.64)	10.40 (1.34)	36.03 (3.87)	17.35 (3.13)
2	C-1 Revenue and District Administration	66.24 (12.33)	50.24 (9.13)	48.31 (7.62)	116.16 (12.88)	173.43 (16.22)
3	D-3 Agriculture Services	107.48 (10.68)	126.84 (19.74)	284.77 (17.09)	215.96 (10.03)	388.56 (14.66)
4	D-4 Animal Husbandry	35.02 (8.94)	77.73 (7.22)	10.12 (2.98)	18.82 (4.27)	29.10 (5.49)
5	D-6 Fisheries	74.76 (40.95)	291.45 (32.76)	34.62 (19.41)	60.60 (35.74)	35.40 (25.80)
6	G-1 Sales Tax Administration	45.91 (23.14)	54.83 (24.30)	59.14 (20.50)	29.34 (8.87)	29.91 (8.64)
7	G-2 Other Fiscal and Miscellaneous Services	2,458.37 (74.78)	3,039.87 (99.22)	10,436.74 (98.34)	4,640.25 (98.00)	1,624.95 (95.98)
8	H-6 Public Works and Administrative and Functional Buildings	46.34 (4.61)	56.45 (5.43)	51.16 (4.13)	228.15 (13.95)	133.57 (7.74)
9	I-3 Irrigation, Power and Other Economic Services	410.19 (23.24)	408.12 (22.81)	14.26 (0.83)	180.55 (8.45)	239.37 (10.68)
10	J-1 Administration of Justice	28.51 (9.18)	26.39 (7.83)	10.90 (2.82)	52.78 (9.36)	172.89 (19.94)
11	L-3 Rural Development Programme	178.55 (11.62)	329.95 (18.94)	379.93 (22.03)	457.94 (20.40)	20.05 (1.19)
12	O-3 Rural Employment	67.73 (8.81)	99.67 (9.99)	221.79 (28.00)	180.70 (19.04)	66.99 (10.25)
13	O-4 Other Rural Development Programmes	75.08 (44.78)	1,127.34 (99.99)	1,327.51 (99.99)	14,935.61 (100.00)	2,313.58 (100.00)
14	Q-3 Housing	77.16 (18.75)	162.67 (16.06)	1,228.61 (66.27)	1,564.67 (61.52)	1,039.17 (56.49)
15	W-2 General Education	15.88 (1.14)	71.84 (5.06)	28.05 (1.76)	110.97 (6.14)	59.97 (2.16)
16	W-4 Art and Culture	16.71 (5.23)	19.74 (4.88)	12.48 (3.20)	85.36 (14.87)	17.51 (3.13)
17	X-1 Social Security and Nutrition	131.26 (15.44)	92.75 (9.16)	150.60 (0.14)	410.00 (23.35)	338.43 (17.19)
18	Y-2 Water Supply and Sanitation	48.73 (3.28)	170.30 (9.25)	67.01 (11.47)	151.08 (21.12)	19.75 (3.30)
<b>Capital-Voted</b>						
19	C-12 Loans to Government Servants, etc.	20.07 (43.74)	32.10 (58.65)	12.49 (20.68)	23.32 (34.16)	32.67 (43.20)
20	H-9 Capital outlay on Removal of Regional Imbalance	15.87 (3.48)	64.14 (14.93)	33.82 (16.28)	19.91 (24.25)	28.74 (25.80)
21	I-5 Capital Expenditure on Irrigation	44.02 (0.79)	49.97 (0.70)	16.45 (0.14)	1,032.96 (11.13)	331.91 (3.47)
22	L-7 Capital Expenditure on Rural Development	35.42 (11.13)	29.17 (6.31)	36.42 (10.56)	470.84 (61.91)	204.96 (33.08)
23	O – 9 Capital Outlay on Other Rural Development Programmes	205.05 (30.10)	760.87 (62.45)	987.61 (68.26)	11,590.54 (96.13)	1,769.54 (71.86)
24	T – 6 Capital Expenditure on Tribal Areas Development Sub-Plan	36.25 (7.33)	78.17 (12.41)	156.04 (15.94)	97.35 (10.73)	339.30 (37.05)
25	V-3 Capital Expenditure on Social Services	123.96 (36.00)	160.88 (58.41)	32.42 (12.32)	59.27 (26.35)	49.23 (31.72)
26	V-5 Capital Expenditure on Economic Services	154.07 (9.10)	163.33 (26.04)	36.16 (10.83)	30.60 (7.68)	87.69 (18.16)
<b>Capital Charged</b>						
27	G-8 Public Debt and Inter State Settlement	218.03 (5.05)	1,000.40 (20.13)	2,098.77 (38.38)	3,004.59 (49.63)	3,014.75 (42.92)

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It was observed that there were 100 *per cent* savings under Grant O-4 during the last four years from 2007-08 to 2010-11. During the year 2010-11, the major portion of savings of ₹ 2,313.58 crore consisted of unutilised and unsurrendered amounts of budget provision of ₹ 380.36 crore under the head “800 - Other Expenditure, (01)(02) – Lump sum provision for unbudgeted revenue outlay (District Plan)”. Reasons, though sought for, had not been intimated (August 2011).

The persistent savings indicated that the budgetary controls in the departments were not effective.

### 2.3.3 Excess expenditure

During 2010-11, excess expenditure was incurred in 42 grants/appropriations aggregating ₹ 466.91 crore over the grants/appropriations authorized by the legislature. The excess expenditure requires regularisation under Article 205 of the Constitution. The details are given in **Appendix 2.2**.

In one case (Revenue-Voted H-3 Housing), expenditure of ₹ 415.71 crore exceeded the approved provision of ₹ 315.70 crore by ₹ 100.01 crore i.e 32 *per cent* of total provision. Reasons for the excess expenditure were not received from the department (August 2011).

### 2.3.4 Excess over provisions relating to previous years requiring regularisation

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 discussions on the Appropriation Accounts by the Public Accounts Committee (PAC). However, the excess expenditure amounting to ₹ 5,650.66 crore for the period from 2006-07 to 2009-10 is 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 regularisation of the excess expenditure were received during December 2010 and April 2011. The excess expenditure had not been regularised (October 2011). The year-wise excess expenditure pending regularisation is summarised below:

**Table 2.4: 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
2009-10	42	6	1717.58
<b>Total</b>	<b>158</b>	<b>103</b>	<b>10,773.11</b>

Source: Appropriation Accounts

Non-regularisation of the excess over provisions under the grants/ appropriations over the years is a breach of legislative controls over grants/appropriations.

### 2.3.5 Expenditure without provisions

As per the Budget Manual, no expenditure is to be incurred on a scheme/ service without provision of funds. It was, however, noticed that expenditure of ₹ 329.48 crore was incurred in 42 cases as detailed in **Appendix 2.4** without any provision in the original estimates/ supplementary demand and without any reappropriation orders to this effect. The reasons for incurring expenditure without budget provision had not been intimated by the various administrative departments (August 2011).

In 12<sup>27</sup> out of the 42 cases, it was observed that the entire provision of ₹ 507.64 crore was reduced to 'NIL' through reappropriation. The decision proved injudicious in view of expenditure of ₹ 7.53 crore under various heads.

### 2.3.6 Unnecessary/excessive/inadequate supplementary provisions

Supplementary provisions aggregating ₹ 3,603.46 crore obtained in 43 cases involving ₹ 10 lakh or more in each case during the year proved unnecessary as the expenditure did not come up to the level of the original provision as detailed in **Appendix 2.5**.

In 30 cases, supplementary provision totalling ₹ 1,464.22 crore proved insufficient by more than ₹ one crore in each case, leaving an aggregate uncovered excess expenditure of ₹ 459.70 crore (**Appendix 2.6**).

### 2.3.7 Excessive/unnecessary reappropriation of funds

Reappropriation is transfer of funds within a grant from one unit of appropriation, where savings are anticipated, to another unit where additional funds are needed. Reappropriation proved injudicious in view of excessive surrenders or insufficient augmentation and resulted in savings/excesses of ₹ one crore and above in 139 sub-heads as detailed in **Appendix 2.7**. In seven<sup>28</sup> cases, reduction of provisions through reappropriation proved injudicious as the excess expenditure was more than the provisions reduced through reappropriation. Similarly, in nine<sup>29</sup> cases, the reappropriation of funds proved excessive as the savings were more than the funds provided through reappropriation.

### 2.3.8 Unexplained reappropriations

According to Paragraph 165 of the Maharashtra Budget Manual, the orders sanctioning reappropriation 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 reappropriation orders issued by the administrative departments revealed that the reasons given for additional provision/withdrawal of provision in reappropriation in respect of 463 (22 *per cent*) out of 2,090 items commented in the Appropriation Accounts, orders were of general nature such as 'actual requirement', 'revised estimates, release of 90 *per cent* grants by the Finance Department' *etc.* Besides, in 801 items (38 *per cent*), no specific reasons for additional provision/withdrawal of provision were furnished. This also goes against the principle of transparency stipulated in Section 6 of the Fiscal Responsibility and Budgetary Management Act.

### 2.3.9 Surrender in excess of actual savings

In 26 cases, the amounts surrendered (₹ 50 lakh or more in each case) were in excess of the actual savings, indicating lack of or inadequate budgetary control in these departments. As

<sup>27</sup> Sr.Nos. 1 to 5, 7, 10, 32 to 35, 50 of Appendix 2.4.

<sup>28</sup> Sr.Nos. 10, 11, 24, 29, 63, 99, 106 of Appendix 2.7.

<sup>29</sup> Sr.Nos. 3, 20, 26, 50, 71, 75, 91, 119, 126 of Appendix 2.7.

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against savings of ₹ 4,141.71 crore, the amount surrendered was ₹ 4,886.08 crore, resulting in excess surrender of ₹ 744.37 crore. Details are given in **Appendix 2.8**.

In 20 cases, it was noticed that a total amount of ₹ 124.29 crore was surrendered though excess expenditure of ₹ 389.02 crore was incurred under these grants. Instead of surrendering, the amounts, should have been reappropriated to the heads where excess expenditure was incurred. This indicated lack of proper budgetary control. Details are given in **Table 2.5**.

**Table 2.5: Surrender of grants in cases of excess expenditure**

(₹ in crore)				
Grant number	Name of the grant / appropriation	Total grant	Excess	Amount surrendered
C-2	Stamps and Registration	135.35	13.04	3.84
C-11	Internal Debt of the State Government	0.05	0.02	0.04
F-5	Capital Expenditure on Social Services	0.05	4.58	0.05
H-3	Housing	315.70	100.01	1.62
K-6	Energy	3,603.70	207.91	104.09
O-13	District Plan – Mumbai City (Revenue Section)	34.99	5.75	0.01
O-14	District Plan – Mumbai Suburban (Capital Section)	22.32	3.30	0.12
O-15	District Plan – Thane (Revenue Section)	123.56	0.98	6.35
O-18	District Plan – Sindhudurg (Revenue Section)	60.50	0.49	0.0051
O-19	District Plan – Pune (Capital Section)	60.47	7.58	0.62
O-22	District Plan – Solapur (Capital Section)	30.76	5.84	0.06
O-24	District Plan – Nasik (Capital Section)	45.64	3.01	0.01
O-26	District Plan – Jalgaon (Capital Section)	22.51	2.76	0.12
O-30	District Plan – Jalna (Capital Section)	20.08	7.92	1.27
O-32	District Plan – Nanded (Revenue Section)	113.34	6.72	0.09
O-37	District Plan – Nagpur (Capital Section)	23.91	6.89	0.91
O-45	District Plan – Yavatmal (Capital Section)	29.93	0.04	0.41
O-46	District Plan – Buldhana (Capital Section)	27.29	1.97	0.12
O-47	District Plan – Washim (Capital Section)	14.63	1.71	0.02
W-3	Technical Education	886.27	8.50	4.53
<b>TOTAL</b>		<b>5,571.05</b>	<b>389.02</b>	<b>124.29</b>

### 2.3.10 Anticipated savings not surrendered

As per the Maharashtra Budget Manual, spending departments are required to surrender grants/appropriations or portions thereof to the Finance Department as and when savings are anticipated. At the close of the year 2010-11, no part of the savings, which occurred in 30 cases (₹ 1,815.90 crore) had been surrendered by the concerned departments (**Appendix 2.9**). Similarly, out of total savings of ₹ 10,985.15 crore under 64 other grants/appropriations, with savings of ₹ one crore and above in each grant/appropriation, ₹ 8,159.19 crore only were surrendered, leaving a balance of ₹ 2,825.96 crore (26 per cent of total savings) which were not surrendered at all (**Appendix 2.10**).

Besides, in 64 cases, savings in excess of ₹ 10 crore, aggregating ₹ 18,227.04 crore (**Appendix 2.11**) were surrendered on the last two working days of March 2011, indicating inadequate financial control as well as non-utilisation of these funds for other development purposes.

### 2.3.11 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 91 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 12 Major Heads where 62 to 100 *per cent* expenditure was incurred during the last quarter. Out of these Major Heads, 54 to 100 *per cent* expenditure was incurred in March 2011.

**Table 2.6 : Rush of expenditure during the last quarter and last month of 2010-11**

(₹ in crore)

Sr. No.	Major Head	Total expenditure during the year	Expenditure during the last quarter of the year		Expenditure during March 2011	
			Amount	Percentage of total expenditure	Amount	Percentage of total expenditure
1	2515 Other Rural Development Programme	1,160.61	718.40	61.90	622.26	53.61
2	3452 Tourism	391.54	372.92	95.24	364.66	93.13
3	3456 Civil Supplies	0.03	0.03	100.00	0.03	100.00
4	4225 Capital Outlay on Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	477.74	459.61	96.21	427.89	89.57
5	4401 Capital Outlay on Crop Husbandry	0.21	0.16	76.19	0.16	76.19
6	4402 Capital Outlay on Soil and Water Conservation	534.26	403.75	75.57	360.01	67.38
7	4403 Capital Outlay on Animal Husbandry	30.26	28.19	93.16	24.83	82.06
8	4404 Capital Outlay on Dairy Development	0.04	0.04	100.00	0.04	100.00
9	5475 Capital Outlay on Other General Economic Services	3.59	3.59	100.00	3.59	100.00
10	6225 Loans for Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	88.80	88.77	99.97	76.98	86.69
11	6401 Loans for Crop Subsidy	18.50	13.12	70.92	13.12	70.92
12	7475 Loans for Other General Economic Services	0.05	0.05	100.00	0.05	100.00

Uniform flow of expenditure is the primary requirement of proper budgetary control which is lacking during the year 2010-11, indicating deficient financial management.

### 2.3.12 Budget Speech of Finance Minister

The Finance Minister, Government of Maharashtra, delivered a speech while presenting the budget before the Legislature and announced various schemes and programmes to be implemented for the benefit of the public during the ensuing year. Scrutiny of the budget speech for the year 2010-11 revealed that in the following case, the assurance given was not fulfilled :

It was proposed to implement the Rajiv Gandhi New Jeevandai Yojana, with the purpose of reimbursement of expenditure on treatment of various diseases through an Insurance Company, for families below the poverty line and for those who are above the poverty line throughout the State in phases. The first phase was proposed to be implemented in six districts and ₹ 250 crore was proposed in the budget.

Scrutiny of records revealed that no funds were actually provided during the year 2010-11. A budget provision of only ₹ 32 crore was made during the year 2011-12, but no money was released (September 2011). The scheme is yet to be implemented. The tender procedure for finalisation of the Insurance Company is still under process (September 2011).

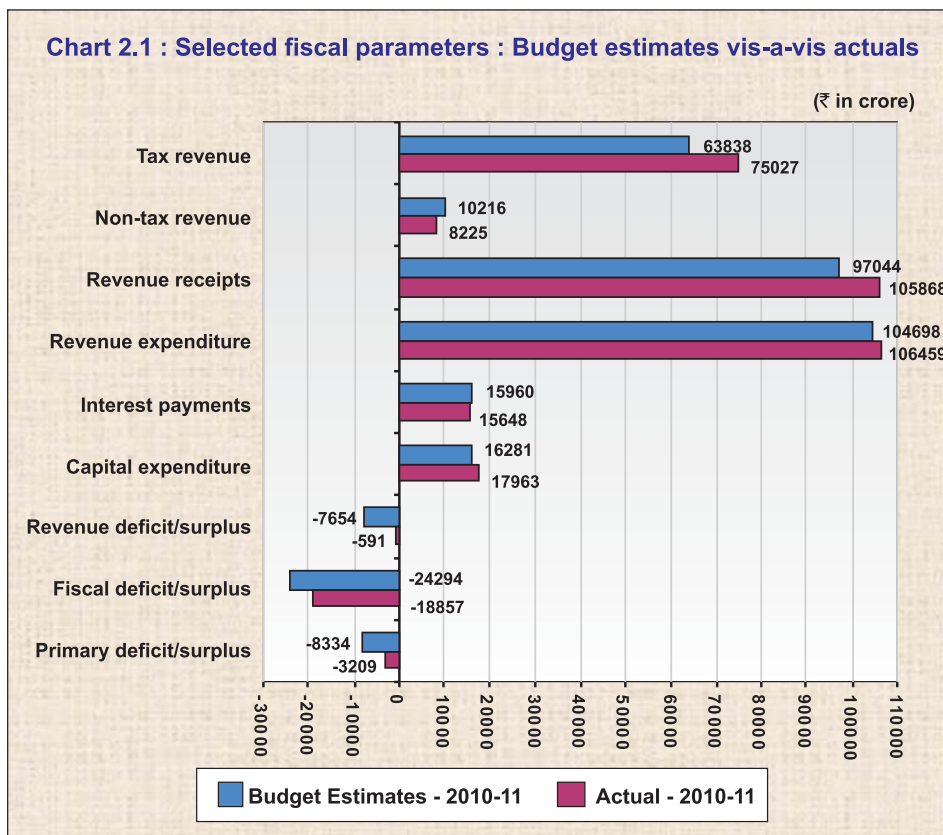
### 2.4 Advances from Contingency Fund

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 character, 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 ₹ 1,000 crore with effect from 6 January 2011 vide Ordinance No. 1 of 2011. The balance at the beginning of the year was ₹ 147 crore with an unrecouped balance of ₹ three crore. During the year 2010-11, advances drawn but not recouped to the fund amounted to ₹ 11.20 crore. The closing balance of the fund as on 31 March 2011 was ₹ 988.80 crore.

During 2010-11, 62 sanctions were issued for withdrawal of ₹ 1,052.33 crore from the Contingency Fund. A few illustrative cases listed in **Appendix 2.12** show that the character of expenditure for which the department obtained advances from Contingency Fund was foreseeable. Therefore, the drawal of funds from the Contingency Fund was irregular.

### 2.5 Outcome of Analysis of Budgetary Assumptions

During 2010-11, the actual revenue receipts and expenditure were more than the budget estimates by nine and 1.68 *per cent* respectively, resulting in significant decrease in revenue deficit. The capital expenditure increased by 10 *per cent* and interest payments decreased by two *per cent* over the budget estimates. The budgeted and actual figures under revenue receipts and expenditure are given in **Chart 2.1** and **Appendix 2.13**.



As may be observed from **Chart 2.1** (also see **Appendix 2.13**), there was considerable variation between budget estimates and actuals in the case of several key parameters. Due

to the measures adopted by the State Government in recovering taxes and to mitigate the loopholes in revenue collection; robust growth in the real estate sector both in terms of price realisation and number of transactions and devolution from Government of India as per the recommendations of the Thirteenth Finance Commission, revenue receipts had a positive variation (₹ 8,824 crore: 9.09 *per cent*) over budget estimates and almost all categories of revenue receipts (with the exception of Miscellaneous General Services, Land Revenue, Taxes on Goods and Passenger and Non-ferrous Mining and Metallurgical Industries) were higher than the budget estimates. Revenue expenditure also showed a positive variation of 1.68 *per cent* over the budget estimates, mainly because of more expenditure under Social Welfare and Nutrition, Information and Broadcasting, Agriculture and allied services, Special Area Programme, Power, Industry and Minerals, Transport and Communication and Grants-in-aid and Contributions.

The increase in revenue receipts was the net result of increase in tax revenue by 18 *per cent* and share in Central taxes by five *per cent*, set off by a decrease in non-tax revenue by 19 *per cent* and grants-in-aid from Government of India by eight *per cent*.

The actual capital expenditure was more by ₹ 1,682 crore (10 *per cent*) compared to the original budget estimates during 2010-11. The increase was mainly under Irrigation and Flood Control (₹ 1,704 crore), Transport and Communication (₹ 728 crore), Power (₹ 314 crore), Education, Sports, Art and Culture (₹ 103 crore) and Health and Family Welfare (₹ 38 crore) set off by decrease in Rural development (₹ 1,425 crore).

The actual revenue deficit was less than the budget estimates by 92 *per cent* (₹ 7,062 crore), mainly because of increase under tax revenue by 18 *per cent* over the budget estimates. Tax revenue increased (₹ 11,189 crore) mainly under taxes on sales, trade etc., vehicles, stamps and registration and electricity over the previous year.

Actual fiscal deficit<sup>30</sup> was less than the assessment made in the budget estimates by 22 *per cent* (₹ 5,437 crore), mainly due to decrease in revenue deficit.

## 2.6 Outcome of Review of Selected Grants

A review of budgetary procedure and control over expenditure of two grants (Grant numbers “F-2 Urban Development Department” and “O-18 Planning Department – District Plan – Sindhudurg”) was conducted (June 2011) on the basis of the grants selected by the Office of the Principal Accountant General (A & E) I, Maharashtra, Mumbai. Important points noticed during the review are detailed below :

### 2.6.1 Grant number “F 2 – Urban Development Department”

There were persistent savings under the Grant during the last three years viz., 2008-09 (₹ 665.64 crore), 2009-10 (₹ 328.66 crore), 2010-11 (₹ 708.77 crore). These savings were mainly under Major Head “2217 – Urban Development, 80 – General, 191 – Assistance to Municipal Corporations”.

As per Para 155(iv) of the Maharashtra Budget Manual, every Controlling Officer should maintain a register of expenditure in Budget Manual Form No. 10 for effective control of expenditure to see that the figures entered in the register are up-to-date. It was noticed that no such register was maintained by the department. Further, the provisions of the Budget Manual *ibid* stipulated that each Controlling Officer has to ensure that the expenditure is regularly reconciled with the Offices of the Principal Accountant General (A&E) I, Maharashtra, Mumbai, Accountant General (A&E) II, Maharashtra, Nagpur and the Pay and Accounts, Maharashtra, Mumbai. However, the reconciliation of expenditure was not carried out by the Controlling

<sup>30</sup> see glossary at page 112

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Officer during 2010-11 which indicated weak financial control.

Besides, there was provision of ₹ 106.11 crore under Major Head “2217, 80 General, 191 Assistance to Municipal Corporations, 191(00)(37) Additional Central Assistance to Mumbai Urban Transport Project” pertaining to this grant, out of which ₹ 83.64 crore was surrendered, leaving a net provision of ₹ 22.46 crore. Against this, expenditure of ₹ 70.63 crore was made, resulting in excess expenditure of ₹ 48.17 crore. Thus surrender of funds of ₹ 83.64 crore was injudicious in view of excess expenditure made. Reasons were sought for from the department, which are still awaited (August 2011).

In two cases, it was noticed that entire budget provision was withdrawn through surrender/ reappropriation due to non-release of funds by the Central Government.

(₹ in crore)

Sr. No.	Grant Description	Head of Account	Budget Provision	Funds withdrawn
1	Mumbai Metro Railway Project	2217-80-191(00)(50)	235.50	235.50
2	Grant-in-aid to Brihan Mumbai Storm Water Drainage Project	2217-80-191(00)(51)	200.00	200.00

In one case, it was noticed that under Major Head “2217-80-192(00)(73) – Assistance to Municipal Councils as per recommendations of 13<sup>th</sup> Finance Commission”, interest of ₹ 3.57 crore was paid by the department to the municipal councils due to delay in release of funds received from the Government of India. Though this was interest payment, it was booked as expenditure under the same head as grant-in-aid.

### 2.6.2 Grant number “O 18 Planning Department (District Plan – Sindhudurg)”

During audit scrutiny, it was observed that the administrative department did not ensure timely reconciliation of expenditure by the Controlling Officers.

In 10 cases as detailed below, it was noticed that expenditure of ₹ 1.69 crore was incurred without budget provision.

Sr. No.	Grant Description	Head of Account	Expenditure incurred (₹ in crore)
1	Development of facilities in pre-SSC Technical Education	2203-00-103(36)(03)	0.0092
2	Upgradation of Ayurvedic and Unani Hospitals	2210-02-101(36)(02)	0.04
3	Repairs and Maintenance of Primary Health Centres	2210-06-800(36)(05)	0.15
4	Construction of Primary Health Centres	2210-06-800(36)(06)	0.04
5	Strengthening of Primary Health Centres	2210-06-800(36)(07)	0.10
6	Expansion of Technical and Vocational Training of Craftsmen	2230-03-003(36)(02)	0.0002
7	Supply of medicines to Veterinary Institutions	2403-00-101(36)(09)	0.04
8	Special Repairs to Ex-Malgujari Tank	2702-80-196(36)(03)	0.04
9	Ordinary State Road Fund	3054-03-337(36)(01)	0.27
10	Ordinary State Road Fund	3054-04-800(36)(01)	1.00
<b>TOTAL</b>			<b>1.69</b>

## 2.7 Conclusion

The overall savings of ₹ 21,929.61 crore were the net result of savings of ₹ 22,396.52 crore, set off by excess of ₹ 466.91 crore. The excess expenditure requires regularisation of State Legislature. Anticipated savings of ₹ 18,227.04 crore were surrendered on the last working

day of the financial year. In 26 cases, ₹ 4,886.08 crore was surrendered against the actual savings of ₹ 4,141.71 crore, which resulted in excess surrender of ₹ 744.37 crore. Expenditure to the extent of ₹ 52,076.84 crore was not reconciled with the figures of Offices of the Principal Accountant General (A&E) I, Maharashtra, Mumbai, Accountant General (A&E) II, Maharashtra, Nagpur and the Pay and Accounts, Maharashtra, Mumbai. There was rush of expenditure (54 to 100 *per cent*) under 12 major heads. Persistent excess expenditure, erroneous budgeting, injudicious reappropriations and delay in surrender of savings were noticed in the Planning Department and Revenue & Forests Department.

### 2.8 Recommendations

- All the departments should submit realistic budget estimates, keeping in view the trends of expenditure and the actual requirement of funds in order to avoid large savings/excesses.
- All departments should closely monitor the expenditure against the allocations and incurring of excess expenditure over the grants should be strictly avoided.
- Surrender of funds should be done much before the last working day of the closing year so as to enable the Government to utilize the funds on other schemes.
- Release of funds at the end of the year should be avoided.