CHAPTER - II

FINANCIAL MANAGEMENT AND BUDGETARY CONTROL

Chapter II

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 amount of the voted grants and appropriations charged for different purposes as specified in the schedules appended to the Appropriation Act. 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 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 (Budget Manual), (chapter IX), the Finance Department (FD) is responsible for preparation of the annual budget by obtaining estimates from various departments. The departmental estimates of receipts and expenditure are prepared by the Controlling Officers on the advice of the heads of departments and submitted to the FD by prescribed dates. The FD scrutinises 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 preparation of the budget, management of expenditure and violation of the provisions 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 2013-14 against 249 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 (+)
Voted	I Revenue	136544.31	14889.67	151433.98	135209.13	(-)16224.85
	II Capital	27505.83	5143.22	32649.05	23283.35	(-) 9365.70
	III Loans and Advances	1238.32	634.48	1872.80	1904.52	(+)31.72
Total Voted		**165288.46**	**20667.37**	**185955.83**	**160397.00**	**(-) 25558.83**
Charged	IV Revenue	23785.76	459.10	24244.86	23898.85	(-) 346.01
	V Capital	3.59	0.36	3.95	3.76	(-) 0.19
	VI Public Debt-Repayment	13135.04	0.00	13135.04	11414.19	(-) 1720.85
Total Charged		**36924.39**	**459.46**	**37383.85**	**35316.80**	**(-) 2067.05**
Appropriation to Contingency Fund		850.00	–	850.00	850.00	–
Grand Total		**203062.85**	**21126.83**	**224189.68**	**196563.80**	**(-)27625.88**

Source: Appropriation Accounts 2013-14

Note: The expenditure excludes the recoveries adjusted as reduction of expenditure under revenue expenditure ₹ 4,205.56 crore and capital expenditure ₹ 3,526.09 crore as detailed in Appendix II of Appropriation Accounts

Supplementary provisions of ₹ 21,126.83 crore obtained during the year constituted 10.40 *per cent* of the original provision as against 9.58 *per cent* in the previous year.

The overall savings of ₹ 27,625.88 crore was the result of savings of ₹ 28,230.52 crore in 131 grants and 58 appropriations under the revenue section, 88 grants and nine appropriations under the capital section, set-off by an excess of ₹ 604.64 crore in 36 grants and three appropriations.

As may be seen from **Table 2.1**, against the original provision of ₹ 2,03,062.85 crore, expenditure of only ₹ 1,96,563.80 crore was incurred, thereby requiring no supplementary funds. The actual savings of ₹ 27,625.88 crore includes 100 *per cent* of the supplementary budget of ₹ 21,126.83 crore and three *per cent* of the original provision, which clearly indicates 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 2.3.5**.

The savings and excesses were intimated by the offices of the Accountants General (Accounts and Entitlements)[34] regularly to the Controlling Officers through monthly reports on expenditure. They also took up the matter after closure of the preliminary and final accounts in May and June 2014, requesting the Controlling Officers to explain the reasons for the significant variations, but no explanations were received (October 2014).

[34] Principal Accountant General (Accounts and Entitlements)-I, Maharashtra, Mumbai and Accountant General (Accounts and Entitlements)-II, Maharashtra, Nagpur

2.3 Financial accountability and budget management

2.3.1 Appropriation *vis-à-vis* allocative priorities

Appropriation Accounts revealed that savings in 59 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 ₹ 27,625.88 crore, savings of ₹ 25,482.40 crore (92 *per cent*) occurred in 44 cases relating to 42 grants and two appropriations. The savings in these cases exceeded ₹ 100 crore in each case as detailed in **Appendix 2.2**.

Grants having saving of more than ₹ 1,000 crore are detailed below:

2.3.1.1 Grant Number "F-2 Urban Development and Other Advance Services"

The grant closed with a saving of ₹ 1,906.39 crore. Substantial savings occurred in 14 sub-heads of Major Head 2217 and one sub-head of Major Head 3054. Of the 15 sub-heads, major savings occurred in sub-head 191(00)(48) - Grant to Municipal Corporations under Jawaharlal Nehru National Urban Renewal Mission, due to non-receipt of Central share; in sub-head 191(00)(54) - Assistance to Municipal Corporations for Urban Development Sector under Jawaharlal Nehru National Urban Renewal Mission (State share), due to non-receipt of Central share, revised estimates and non-incurring of expenditure by Mumbai Metropolitan Region Development Authority; in sub-head 191(00)(57) - Grants to Municipal Corporations in the State under Maharashtra Nagarothan Maha-Abhiyan, due to the revised estimates approved by FD.

2.3.1.2 Grant Number "L-3 Rural Development Programmes"

Against the total provision of ₹ 4,517.27 crore, expenditure (₹ 3,200.60 crore) under the grant was well within the original provision of ₹ 3,337.33 crore. Thus, the supplementary provision of (₹ 1,179.94 crore) proved unnecessary since the expenditure did not even come up to the original provision.

2.3.1.3 Grant Number "O-10 Capital Outlay on Other Rural Development Programmes"

The grant closed with a saving of ₹ 2,700.50 crore. The savings mainly occurred due to surrender of grants under the Major Head 4515 - Capital Outlay on Other Rural Development Programmes; sub-head 102(00)(01) - MLA/MLC's Local Development Programme, due to non-receipt of proposals within the stipulated time from implementing agency and code of conduct of Lok Sabha elections. Similarly, in sub-head 102(01)(42) - Sevagram Development Plan – District Wardha, funds were withdrawn by surrender/re-appropriation in March 2014 due to non-receipt of administrative approval and in sub-head 102(00)(02) - Development Programmes in the areas of statutory Development Board, funds were withdrawn due to receipt of incomplete proposals from District Rural Development Agencies and non-receipt of proposal for preparation of study report from Development Boards.

2.3.2 Persistent savings

In 12 cases, during the last five years, there were persistent savings of more than ₹ 100 crore in each case, as shown in **Appendix 2.3**.

The persistent savings indicated that the budgetary controls in the departments were not effective and previous years' trends were not taken into account while allocating the funds for the year.

2.3.3 Excess expenditure

During 2013-14, excess expenditure was incurred in 39 grants/appropriations aggregating ₹ 604.64 crore over the grants/appropriations authorized by the State Legislature. The excess expenditure requires regularisation under Article 205 of the Constitution of India. The details are given in **Appendix 2.4**.

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. However, the excess expenditure amounting to ₹ 6,850.31 crore in respect of 176 grants and 30 appropriations for the period from 2008-09 to 2012-13 was yet to be regularised as of October 2014 as detailed in **Appendix 2.5**.

2.3.5 Unnecessary/excessive/inadequate supplementary provisions

A supplementary grant or appropriation is an addition to the original authorized grant or appropriation. Para 170 of the Budget Manual specifies that great care should be taken in submitting proposals for supplementary appropriations, as the procedure for obtaining them involves considerable labour. After the close of the financial year, the supplementary appropriations found to be unnecessary or excessive will be commented as an irregularity in the Appropriation Accounts. Supplementary provision of ₹ 10 crore or more obtained in 34 grants/appropriations aggregating ₹ 5,201.66 crore during the year proved unnecessary as the expenditure did not come up to the level of the original provision as detailed in **Appendix 2.6**.

Further, in 12 grants supplementary provision totalling ₹ 438.17 crore proved insufficient by more than ₹ one crore in each case, leaving an aggregate uncovered excess expenditure of ₹ 475.10 crore **(Appendix 2.7).**

2.3.6 Unexplained re-appropriations

According to Para 165 of the Budget Manual, the orders sanctioning re-appropriation of funds of ₹ 500 and above and those which involve some unique or special feature should briefly specify reasons for the additions to and deductions from the sub-heads affected by them. However, scrutiny of re-appropriation orders issued by the administrative departments revealed that the reasons given for additional provision/ withdrawal of provision in re-appropriation in respect of 295 (10 *per cent*) out of 2,857 items commented in the Appropriation Accounts were of general nature such as, *'actual requirement, revised estimates, release of 90 per cent grants by the FD' etc*. Besides, in 564 items (20 *per cent*), no specific reasons for additional provision/withdrawal of provision were furnished. This also goes against the principle of transparency envisaged in Section 6 of the Maharashtra Fiscal Responsibility and Budgetary Management Act.

2.3.7 Anticipated savings not surrendered

As per Para 173 of the Budget Manual, spending departments are required to surrender grants/appropriations or portions thereof to the FD as and when savings are anticipated. Further, surrender of funds should be done as soon as these are foreseen without waiting for the end of the financial year, to enable the FD to utilise the funds on other schemes.

At the close of the year 2013-14 no part of the savings (₹ 10 crore and above), which occurred in nine grants/appropriations (₹ 502.38 crore), had been surrendered by the departments concerned **(Appendix 2.8)**. Besides, in 57 cases, savings in excess of ₹ 10 crore, aggregating ₹ 11,794.69 crore were surrendered on the last two working days of March 2014 (29 and 31 March), indicating inadequate financial control as well as non-utilisation of these funds for other development purposes (**Appendix 2.9**).

2.3.8 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 495 sub-heads, expenditure exceeding ₹ 10 crore, which also constituted more than 50 *per cent* of the total expenditure under these sub-heads, was incurred in March 2014. **Table 2.2** presents 23 Major Heads where 51 to 100 *per cent* expenditure was incurred during the last quarter of 2013-14. In all these Major Heads, expenditure incurred in March 2014 was also to the extent of 14 to 100 *per cent*.

Table 2.2: Rush of expenditure during the last quarter and last month of 2013-14

(₹ in crore)

Sr. No.	Major Head	Total expenditure during the year	Expenditure during the last quarter of the year		Expenditure during March 2014	
			Amount	Percentage of total expenditure	Amount	Percentage of total expenditure
1	2216 Housing	339.73	246.09	72.44	214.24	63.06
2	2217 Urban Development	34.06	23.06	67.70	21.92	64.36
3	2245 Relief on account of Natural Calamities	6557.05	3348.24	51.06	2820.06	43.01
4	2551 Hill Areas	33.35	18.88	56.61	18.79	56.34
5	2702 Minor Irrigation	82.88	61.84	74.61	43.63	52.64
6	2801 Power	46.42	23.48	50.58	15.63	33.67
7	3054 Roads and Bridges	2606.45	1470.62	56.42	1024.74	39.32
8	3454 Census, Surveys and Statistics	72.51	40.99	56.53	37.91	52.28
9	3604 Compensation and Assignments to Local Bodies and Panchayati Raj Institutions	60.04	60.04	100	9	14.99
10	4055 Capital Outlay on Police	108.20	95.68	88.43	90.77	83.89
11	4059 Capital Outlay on Public Works	497.77	259.61	52.15	174.19	34.99
12	4210 Capital Outlay on Medical and Public Health	462.24	255.77	55.33	184.82	39.98
13	4216 Capital Outlay on Housing	49.74	35.54	71.45	27.83	55.95
14	4402 Capital Outlay on Soil and Water Conservation	736.97	468.60	63.58	397.08	53.88
15	4415 Capital Outlay on Agricultural Research and Education	21.02	12.78	60.80	3.01	14.32
16	4405 Capital Outlay on Fisheries	25	18.75	75	8.01	32.04
17	4701 Capital Outlay on Major and Medium Irrigation	46.16	42	90.99	42.17	91.36

Sr. No.	Major Head	Total expenditure during the year	Expenditure during the last quarter of the year		Expenditure during March 2014	
			Amount	Percentage of total expenditure	Amount	Percentage of total expenditure
18	4801 Capital Outlay on Power Projects	279.91	143.53	51.28	80.95	28.92
19	5054 Capital Outlay on Roads and Bridges	3005.78	1751.79	58.28	1059.46	35.25
20	5452 Capital Outlay on Tourism	16	16	100	16	100
21	6003 Internal Debt of the State Government	76.78	52.83	68.81	52.83	68.81
22	6425 Loans for Co-operation	70.22	48	68.36	48	68.36
23	7610 Loans to Government Servants *etc.*	102.67	83.42	81.25	66.56	64.83

Source: Appropriation Accounts 2013-14, Monthly Civil Accounts for March 2014, Information from Principal Accountant General (Accounts and Entitlements)-I, Maharashtra, Mumbai and Accountant General (Accounts and Entitlements)-II, Maharashtra, Nagpur

Uniform flow of expenditure is the primary requirement of proper budgetary control which was lacking in the Major Heads as shown in **Table 2.2**, indicating deficient financial management. An analysis of this aspect in the selected grant is included in **Paragraph 2.4.3.**

2.4 Outcome of review of selected grant

Audit conducted (October 2014) a review of the budgetary procedure and control over expenditure of M-4 'Capital Expenditure on Food'. Important findings are detailed below.

2.4.1 Introduction

Grant M-4 (Capital Expenditure on Food) accounts for transactions relating to purchase of food grains for Public Distribution System under Major Head - 4408 Capital Outlay of Food grains, Storage and Warehousing. Further, the difference in the purchase cost and selling price of food grain is treated as subsidy and the same is debited to Major Head - 2408. The budget provision kept under Major Head - 4408 for procurement reduced by Part III recoveries (Part III- Receipts realized by selling food grains is treated as reduction of expenditure) is kept as the budget provision under Major Head - 2408 towards subsidy under the scheme sub-heads.

The overall position of budget provisions, actual disbursements and savings under M-4 grant during the last three years is shown in **Table 2.3**.

Table 2.3: Financial overview of grant M-4

(₹ in crore)

Year	Original provision	Supplementary provision	Total grant or appropriation	Actual expenditure	Savings
Grant number M-4					
2011-12	3910.81	0	3910.81	3529.37	381.44
2012-13	4164.31	50.00	4214.31	3638.64	575.67
2013-14	3686.31	60.00	3746.31	3572.48	173.83

Source: Appropriation Accounts of respective years

2.4.2 Substantial savings/excesses under sub-heads

Scrutiny of the Appropriation Accounts revealed that under Grant M-4, of the total 10 sub-heads commented upon by audit on savings/excesses occurred during the years 2011-12 to 2013-14, there were five such sub-heads where savings/excesses were more than ₹ one crore, as detailed in **Table 2.4**.

Table 2.4: Scheme-wise savings of more than ₹ one crore

(₹ in crore)

Sr. No	Year	Sub-head	Total grant	Expenditure	Saving (-) / excess (+)
1	2011-12	4408-01-101(02)(02) Mofussil-Cost of Purchase	2310.53	2317.53	(+)7.00
2	2012-13	4408-01-101(02)(02) Mofussil-Cost of Purchase	1973.79	1967.78	(-)6.01
3	2012-13	4408-02-101(01)(01) Construction of New Godowns (Mofussil)	60.00	45.99	(-)14.01
4	2013-14	4408-01-101(02)(09) Provision for purchase under National Food Security Scheme – Mofussil	77.04	65.01	(-)12.03
5	2013-14	4408-01-101(02)(01) Mumbai City – Cost of Purchase	791.52	851.53	(+)60.01

Source : Appropriation Accounts of respective years

In respect of sub-head 4408-01-101(02)(02) at Sr. No. 1 above, the Food, Civil Supplies and Consumer Protection Department had proposed two notes of error in February 2013 and November 2013 which increased the expenditure to ₹ 2,328.29 crore and the excess to ₹ 17.76 crore from ₹ seven crore.

2.4.3 Rush of expenditure

Under the Grant M-4, expenditure ranging from 21 *per cent* to 64 *per cent* was incurred in the month of March during 2011-12 and 2012-13, as detailed in **Table 2.5.**

Table 2.5: Rush of expenditure in grant number M - 4

(₹ in crore)

Month and year	Major Head and sub-head	Total grant	Expenditure incurred in March	Percentage of expenditure incurred in March
March 2012	4408-02-101(01)(01) Construction of new godowns (Mofussil)	36.88	23.70	64
March 2012	4408-01-101(02)(01) Mumbai City - Cost of Purchase	864.88	179.45	21
March 2013	4408-101(02)(01) Mumbai City - Cost of Purchase	1004.46	338.87	34

Source : Information received from Principal Accountant General (Accounts and Entitlement)-I, Maharashtra, Mumbai

Uniform flow of expenditure, which is the primary requirement of proper budgetary control, was lacking in the above sub-heads, indicating deficient financial management by the department.

2.4.4 Observations on compilation of accounts under Grant M-4

Test check of six[35] District Supply Officers (DSOs) holding personal ledger accounts under Grant M-4 revealed the following:

- No uniformity was maintained in the submission of accounts by the DSOs to the Financial Advisor and Deputy Secretary of Food, Civil Supplies and Consumer Protection Department.
- There were differences in the balances between the departmental accounts and the treasury accounts. These differences (₹ 211.62 crore) were pending for a long period (1960-2013). Further action to account for this difference has not been taken by the department as of March 2014. As a result possibility of embezzlement/loss cannot be ruled out.
- The registers of monthly expenditure were incomplete. Corrections in the compiled accounts were carried out in pencil. There were differences between the figures shown in the treasury certificates and that shown in the compiled accounts.
- There were delays in submission of compiled accounts to the Principal Accountant General (Accounts and Entitlement)-I, Maharashtra, Mumbai for the years 2011-12 and 2012-13, resulting in their exclusion from the Monthly Civil Accounts.

2.5 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 from time to time to ₹ 500 crore. The balance at the beginning of 2013-14 was ₹ 650 crore. During the year 2013-14, ₹ 10 crore drawn from the fund has not been recouped till the close of the year. The closing balance of the fund as on 31 March 2014 was ₹ 140 crore.

During 2013-14, of the 18 sanctions issued by FD for an amount of ₹ 761.24 crore, 15 withdrawals amounting to ₹ 205.44 crore were made from the fund. In three out of 18 sanctions, advances amounting to ₹ 18.61 crore were not drawn by the departments concerned, indicating that the funds were not required to meet expenses of emergent character. In another three cases, as listed in **Appendix 2.10,** the character of expenditure for which the departments concerned had obtained advances from the fund was foreseeable. Therefore, the drawals from the Contingency Fund was irregular. Further, in respect of seven sanctions amounting ₹ 623.61 crore, the actual expenditure ranged between zero and 18.43 *per cent* of the sanctioned amount, as detailed in **Appendix 2.11**.

2.6 Misclassification of expenditure especially from grants-in-aid

During 2013-14, grants-in-aid of ₹ 783.56 crore (13 cases) and subsidies of ₹ 14.35 crore (one case) released by the GoM was classified and booked under capital expenditure heads instead of revenue expenditure heads of accounts, resulting in understatement of the revenue deficit by ₹ 797.91 crore.

[35] DSO- Mumbai, DSO-Pune, DSO-Sindhudurg, DSO-Ratnagiri, DSO-Raigad and DSO-Nashik

2.7 Outcome of inspection of treasuries

The major irregularities noticed by the Principal Accountant General (Accounts and Entitlements)-I, Maharashtra, Mumbai and the Accountant General (Accounts and Entitlements)-II, Maharashtra, Nagpur during inspection of 33 district treasuries (including 323 sub-treasuries) and the Pay and Accounts Office, Mumbai during 2013-14 are brought out in the succeeding paragraphs:

2.7.1 Transfer of funds to personal deposit accounts

The Personal Deposit (PD) accounts, also known as Personal Ledger Accounts (PLA), are in the nature of a banking account kept in the treasuries. The GoM is authorised to keep funds required for specific purposes in the PD accounts by transfer of funds from the Consolidated Fund. Generally, administrators[36] are required to close such accounts on the last working day of the year and transfer the unspent balances back to the Government accounts (Consolidated Fund). However, as on 31 March 2014, 4,221 PD accounts showing a total balance of ₹ 9,254.78 crore were not transferred back to the Consolidated Fund, as indicated in **Table 2.6.**

Table 2.6: Status of personal deposit accounts during 2013-14

Sr. No.	Particulars	Number	Particulars	Amount (₹ in crore)
1	Opening balance	6242	Opening balance	7952.89[#]
2	Newly opened	39	Amount credited	19636.48
3	Closed accounts	2060	Amounts disbursed	18334.59
4	Closing Balance	4221	Closing balance	9254.78

Source: Finance Accounts 2013-14

[#] Difference in opening balance is due to rectification of misclassification during previous year

Out of ₹ 19,636.48 crore credited to PD accounts (including receipts from other sources) during 2013-14, ₹ 3,700.48 crore (19 *per cent*) was credited in March 2013 alone.

The aggregate amount of the unspent balances in the accounts of the administrators was not readily ascertainable as such funds also included receipts from sources other than the Consolidated Fund of the State.

2.7.2 Non-reconciliation in personal deposit/personal ledger accounts balances

As per paragraph 589 of Maharashtra Treasury Manual, Treasury Officer is required to obtain a certificate of balance at the end of each year from the administrator of PLA. After obtaining such certificate, differences if any, is required to be reconciled with the treasury figures and the certificate of balance, after reconciliation with the treasury, should be forwarded to Principal Accountant General (Accounts and Entitlements)-I, Maharashtra, Mumbai for confirmation. Inspection of treasuries revealed the following:

- In 216 cases, there was difference between the administrators' balance and the treasury/Pay and Accounts Office balance.
- In 357 cases, there was difference between the treasury balance and the sub-treasury balance.
- In 276 cases, there was difference between the sub-treasury balance and the administrators' balance.

[36] Personal deposit/Personal ledger account holders

Besides, 1,496 out of 6,242 administrators have not furnished the certificates of balances as on March 2013 to Treasury Officers/ Pay and Accounts Office.

2.7.3 Personal ledger accounts in Government hospitals and medical colleges

2.7.3.1 Transaction of Government revenue and expenditure outside Consolidated Fund

As per Article 266 and 204 of the Constitution of India, all revenues received by the State shall form part of the Consolidated Fund of the State and no money shall be withdrawn from the Consolidated Fund of the State except under appropriation made by law. The GoM however, authorised the heads of Government hospitals and medical colleges to retain the fees and other hospital charges received from patients in their PLA under the Public Account and utilise the same for meeting various expenses. The position of receipts into and payments from PLA in Government hospitals and medical colleges during 2013-14 is shown in **Table 2.7**.

Table 2.7: Position of receipts into and payments from Personal Ledger Accounts during 2013-14

Particulars	Amount (₹ in crore)
Opening balance	134.79
Amount credited (including recoupment) to PLA during the year	94.64
Expenditure incurred from PLA during the year	53.08
Unspent balance in the PLA as on 31 March 2014	176.35
Source: Finance Accounts of 2013-14	

2.7.3.2 Drawal of funds to avoid lapse of budget grants

On GoM instructions, Cama and Albless hospital drew (March 2010) an amount of ₹ 10.91 crore on Abstract Contingent (AC) bill for purchase of equipment and credited the same into the PLA of the hospital. In March 2011, an amount of ₹ one crore drawn on AC bill for the same purpose was also credited into the PLA though, there was no specific authorisation for the same. Scrutiny of the records revealed that out of the total ₹ 11.91 crore drawn, an amount of ₹ 1.47 crore was lying unutilized as of July 2014 and the Detailed Contingent bills against these AC bills were pending for a period of three to four years. This clearly showed that the amounts were drawn on AC bills and kept in PLA to avoid lapse of budgetary grants.

2.7.3.3 Unexplained deficit in cash balances

As per the provisions of Bombay Financial Rules, 1959 and MTR, 1968, the cash book should be closed and balanced each day and the balance of each column at the end of each month should be verified with the balance of cash in hand and a certificate to that effect recorded in the cash book under the signature of Government servant responsible for the money.

In V S General hospital, Thane, the cash balance as per PLA cash book as on 10 July 2014 was ₹ 36,97,316. In support of this balance, there were pending advances of ₹ 13,98,007 and paid vouchers of ₹ 6,88,789 only. Thus, there was a deficit of ₹ 16,10,520 in the cash balance. On enquiry by audit, the Chief Administrative Officer of the hospital stated (July 2014) that the cashier could not hand over the cash due to his sudden illness.

The fact remained that the PLA cash balance was reduced by an amount of ₹ 16,10,520 which was kept out of Government account. Further, the chances of misappropriation of cash in this case can also not be ruled out. This also indicated lack of monitoring at the level of the hospital, Directorate of Health Services (DHS) and the Public Health Department (PHD).

2.7.3.4 Unnecessary continuation of personal ledger accounts

- In September 2007, Civil Surgeon, Government hospital, Latur was merged with the Dean, Government medical college and hospital, Latur. However, the balance of ₹ 11,14,698 lying dormant since September 2007 in the PLA of Civil Surgeon, Government hospital, Latur was not merged.
- As per the PHD directives of June 1970, the DHS, Mumbai was declared as the administrator of PLA for crediting specific proceeds and interest received from various funds[37].

  Scrutiny of PLA cash book of DHS, Mumbai for the period 2011-12 to 2013-14 revealed that there were no transactions for the items (as indicated in the footnote) for which it was opened. Instead, the funds disbursed by Water Supply and Sanitation Department to DHS, for strengthening of district level health laboratories and water quality monitoring facilities, was credited into the PLA. This PLA was having a closing balance of ₹ 7.71 crore as on March 2014. The action of DHS, Mumbai was not in order because the National Rural Drinking Water Programme guidelines (2009) and Water Supply and Sanitation Department instructions (July 2012) stipulated opening of a separate savings bank account and the interest earned thereon were to be utilised for the programme activities.

2.7.3.5 Unadjusted advances

As per Rule 8 of MTR, 1968, all moneys received by or tendered to Government Officers on account of the revenues of Maharashtra State shall not be appropriated to meet departmental expenditure, nor otherwise kept apart from the Government Account. Audit scrutiny revealed that ₹ 53.20 lakh advanced by 10 Government hospitals and medical colleges for meeting various contingent expenditure was pending settlement since 2003-04. The details are given in **Appendix 2.12.**

2.7.3.6 Violation of codal provisions/Government directives

- In seven out of 25 PLA test-checked, there were differences between the balances in PLA cash books and corresponding treasury pass books, due to non-reconciliation (**Appendix 2.13**).
- As per Rule 586 (2) of MTR, 1968, withdrawals should be made only on personal deposit cheque signed by administrators of the deposits accounts and should never be allowed to exceed the balance at credit in the deposit account concerned. However, there were minus balances in the PLA operated by two rural hospitals/medical colleges[38].
- As per Rule 8(1) of MTR, 1968, all moneys received by or tendered to Government Officers on account of the revenues of Maharashtra State shall without undue delay and that at any rate within two days of the receipt of the money be paid in full into a treasury or into the bank and shall be included in the treasury accounts. However, in 17 out of 23 Government hospitals/medical

[37] Race Day Proceeds, Interest received on securities of Bombay Hospital Maintenance Fund, Interest received on securities of Bombay Women's Victoria Fund, Interest received on securities of William Moore Memorial Fund, Interest received on securities Ardeshir Moos Memorial Scholarship Fund

[38] Shri Ramanand Thirth rural medical college and hospital, Ambejogai and Rural hospital, Vaijapur, Dist. Aurangabad

colleges, there were delays ranging from one to 365 days in crediting the daily receipts into PLA **(Appendix 2.14)**.

2.7.4 Overpayment of pension

Overpayment of pensionary benefits of ₹ 1.64 crore was made during 2013-14 on account of incorrect calculation of dearness relief, non-adjustment of provisional Death-cum-Retirement Gratuity, non-reduction of family pension from the specific dates mentioned in the pension payment orders, *etc*. Of this, only ₹ 0.39 crore had been recovered up to October 2014. Thus, a balance of ₹ 1.25 crore was still outstanding.

2.8 Conclusion and recommendations

1. The overall savings of ₹ 27,625.88 crore in the Appropriation accounts was the net result of savings of ₹ 28,230.52 crore, set off by an excess of ₹ 604.64 crore. This excess expenditure requires regularisation by the State Legislature. There was rush of expenditure (14 to 100 *per cent*) during the last month of the financial year under 23 Major Heads.

   All departments may closely monitor the expenditure against the allocations and excess expenditure over allocations be avoided to the extent possible. Funds may be surrendered well before the close of the year so as to enable their utilisation for other developmental schemes.

2. During 2013-14, grants-in-aid of ₹ 783.56 crore (13 cases) and subsidies of ₹ 14.35 crore (one case) released by the GoM was classified and booked under capital expenditure heads instead of revenue expenditure heads of accounts, resulting in understatement of the revenue deficit by ₹ 797.91 crore.

   The Government may ensure compliance to IGAS in budget formulation so that the expenditure is correctly accounted for in the Government accounts.