

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, passed by the legislature. 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.

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. 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 summarized position of actual expenditure during 2016-17 against 249 grants/appropriations is given in **Table 2.1**.

Table 2.1: Summarized position of actual expenditure vis-à-vis original/supplementary provisions

(₹ in crore)

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Voted	I Revenue	200323.57	24896.96	225220.53	187364.57	(-)37855.96	34197.78	33549.10	98.1
	II Capital	33849.52	2951.48	36801.00	28325.36	(-)8475.64	6749.26	6673.66	98.9
	III Loans and Advances	1531.82	5133.58	6665.40	6277.21	(-)388.19	402.06	400.24	99.6
Total Voted		235704.91	32982.02	268686.93	221967.14	(-)46719.79	41349.10	40623.00	98.2
Charged	IV Revenue	31873.38	644.29	32517.67	32051.15	(-)466.52	326.81	250.62	76.7
	V Capital	6.05	0.36	6.41	5.16	(-)1.25	0.00	0.00	
	VI Public Debt - Repayment	13771.79	0.00	13771.79	11886.89	(-)1884.90	1884.90	1847.15	98
Total Charged		45651.22	644.65	46295.87	43943.20	(-)2352.67	2211.71	2097.77	94.9
Appropriation to Contingency fund				
Grand Total		281356.13	33626.67	314982.80	265910.34	(-)49072.46	43560.81	42720.77	98.1

Source: Appropriation Accounts 2016-17
 Note: The expenditure excludes the recovery adjusted as reduction of expenditure under revenue expenditure ₹ 6,186.98 crore and capital expenditure ₹ 2,801.74 crore as detailed in Appendix II of Appropriation Accounts

2.2.1 The total expenditure stands inflated, without details of expenditure to the following extent:

As on 31 March 2017 detailed contingent bills in support of advances drawn through Abstract Contingent (AC) Bills amounting to ₹ 950.53 crore were not submitted by the Drawing and Disbursing Officers, as required under Maharashtra Treasury Rules 1968. In the absence of Detailed Contingent Bills, the genuineness of the expenditure could not be ascertained. Further it was noticed that out of ₹ 322.46 crore drawn through AC bills during the year 2016-17, ₹ 213.16 crore (66 per cent) was drawn on the last day of the financial year. Significant drawal through AC bills on the last day indicates that the drawal was primarily to exhaust the budget provisions.

2.2.2 The Administrative Departments obtained Supplementary provisions amounting to ₹ 33,626.67 crore during the year which constituted 12 per cent of the original provision as against 14 per cent in the previous year. As may be seen from **Table 2.1**, against the original provision of ₹ 2,81,356.13 crore, expenditure of ₹ 2,65,910.34 crore only was incurred and hence supplementary funds were really not required. This also indicated that seeking supplementary provisions was avoidable since the expenditure had not reached the level of the original budgetary provision.

2.2.3 The actual savings of ₹ 49,072.46 crore includes 100 per cent of the supplementary budget of ₹ 33,626.67 crore and 5.5 per cent of the original provision,

which only confirms inaccurate estimation of funds for supplementary demands made by Departments. Instances where supplementary provisions proved unnecessary, as the expenditure did not come up to the level of the original provisions are discussed in **Para 2.3.4.2**.

2.2.4 The overall savings of ₹ 49,072.46 crore were the result of savings of ₹ 49,240.15 crore in 134 grants and 55 appropriations under the Revenue Section and 88 grants and 11 appropriations under the Capital Section, offset by an excess of ₹ 167.69 crore in 30 grants and six appropriations. Though the Departments surrendered 89 per cent of the savings, ₹ 42,720.77 crore (98 per cent) was surrendered only on the last two days of the financial year.

2.2.5 The savings and excesses were intimated by the offices of the Accountants General (Accounts and Entitlements)¹ 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 2017, requesting the Controlling Officers to explain the reasons for the significant variations, but no explanation was received (October 2017).

2.3 Financial Accountability and Budget Management

2.3.1 Excess Expenditure over provision during 2016-17 requiring regularisation

The excess expenditure over the budget provision during 2016-17 under 34 grants/appropriations amounted to ₹ 167.69 crore and the same requires regularisation under Article 205 of the Constitution. The details are given in **Appendix 2.1**.

The excess expenditure over Budget provision decreased from ₹ 564.82 crore in 2015-16 to ₹ 167.69 crore in 2016-17.

2.3.1.1 Excess expenditure relating to previous years pending 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, the regularisation of excess expenditure is done after completion of discussion of Appropriation Account by the Public Accounts Committee. Excess expenditure amounting to ₹ 4,987.18 crore for the year 2013-14 to 2015-16 in respect of 93 grants and 10 appropriations (**Appendix 2.2**) was pending for regularisation as of September 2017.

The cases of excess expenditure over grants are in violation of the will of the Legislature and need to be viewed seriously. It is important that responsibility is fixed in this regard to discourage this practice.

¹ Principal Accountant General (Accounts and Entitlements)-I, Maharashtra, Mumbai and Accountant General (Accounts and Entitlements)-II, Maharashtra, Nagpur

2.3.1.2 Persistent Excess

During the period from 2014-15 to 2016-17 major persistent excess at Grant level was not noticed. However, persistent excess expenditure occurred under the 42 sub-heads shown in **Appendix 2.3**. Though all of these may not have resulted in excess at Grant level and hence, may not require regularisation, but special emphasis need to be given while monitoring the expenditure under these sub-heads.

2.3.1.3 Inadequate Supplementary Provisions resulting in excess expenditure

Whereas there were savings as mentioned in **Paragraph 2.2.3** above, on the other hand, supplementary provisions amounting to ₹ 398.07 crore proved insufficient in 10 grants, since the actual expenditure incurred exceeded (by ₹ one crore or more in each case) the original plus supplementary provision made by ₹ 100.01 crore (**Appendix 2.4**).

2.3.2 Unexplained re-appropriations

Paragraph 165 of the Budget Manual stipulates that 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, on scrutiny of re-appropriation orders issued by the Administrative Departments revealed that out of 2,763 items of re-appropriations made by them during 2016-17, the specific reasons for 146 items (5.3 per cent) were not furnished. This goes against the principle of transparency envisaged in Section 6 of the Maharashtra Fiscal Responsibility and Budgetary Management Act.

Some of the instances where specific reasons were not assigned for obtaining additional provision/withdrawal of provision exceeding ₹ 10 crore as shown in **Table 2.2**.

Table 2.2: Details of additional provisions/withdrawal exceeding ₹ 10 crore without specific reasons

(₹ in crore)		
Grant No	Subhead Description	Amount surrendered/reappropriated
V02	242500107(01)(10) –Interest Subsidy of one <i>per cent</i> providing short term loan to the farmers	(-)100.31
N03	222580800(01)(06)-Increase of amenities in Government and aided institutions	(-)84.76
F02	221780800(00)(02)- Grant-in-aid for expenditure on planning and implementation of Sinhasta Kumbha Mela	(-)79.41
X01	223602101(04)(19)- Integrated Child Development Services Scheme strengthening and restructure (Rural)	(-)78.16
F02	305404800(02)(01)- Grant-in-aid to Municipal Councils/Corporations, <i>etc.</i> for improvement of roads	(-)64.37
F02	221780192(00)(81)- Assistance to Municipal Councils for Amrut Abhiyan	(-)63.17

Source: Appropriation Accounts 2016-17

2.3.3 Rush of expenditure

According to Bombay Financial Rules, 1959, rush of expenditure in the closing month of the financial year should be avoided. Contrary to this, expenditure in respect of 27 grants shown in **Appendix 2.5**, exceeding ₹ 100 crore and constituting more than 50 per cent of the total expenditure was incurred either during the last quarter or during March 2017.

Under Grant No. B10-Major Head 5055-Capital Outlay on Road Transport and Grant No. F07-Major Head 6217-Loans for Urban Development, the total expenditure of ₹ 486.98 crore and ₹ 124.68 crore respectively was incurred only in the month of March 2017.

2.3.4 Appropriation vis-à-vis allocative priorities; Excess provision resulting in savings

Appropriation Accounts for the year 2016-17 revealed that in 51 cases savings exceeded ₹ 10 crore in each case and also by more than 20 per cent of the total provision as shown in **Table 2.3** and **Appendix 2.6**.

Table 2.3: Summarised statement showing savings ₹ 10 crore and above

Sr No	Range of savings	Number of cases	Total grant (₹ in crore)	Savings (₹ in crore)	Percentage
1	Up to ₹ 20 crore	9	356.05	133.88	37.60
2	More than ₹ 20 crore and up to ₹ 50 crore	14	1456.33	461.99	31.72
3	More than ₹ 50 crore	28	37563.02	21009.54	55.93
Total		51	39375.40	21605.41	54.87
Source: Appropriation Accounts of 2016-17					

Further, against the total savings of ₹ 49,072.46 crore, savings of ₹ 46,617.22 crore (95 per cent) occurred in 50 grants involving ₹ 100 crore and above in each case as detailed in **Appendix 2.7**.

The Department that had major savings were Home Department, Animal Husbandry, Fisheries and Dairy Development Department, School Education and Sports Department, Higher and Technical Education Department, Urban Development Department, Housing Department, Social Justice and Special Assistance Department, Tribal Development Department, Rural Development, Public Works Department and Water Resources Department. Reasons furnished by the Departments for the major savings, as reported in the Appropriation Accounts are given in the succeeding paras.

Home Department

During the year 2016-17 provision amounting to ₹ 127.55 crore under Grant No. B10 Major Head 4055-Capital Outlay on Police was surrendered/ re-appropriated due to non-completion of purchase procedure within the stipulated time or due to non-receipt of Administrative Approval for incurring expenditure.

Agriculture Animal Husbandry and Fisheries Department

- Under Grant No. D03 (Agriculture Services), ₹ 326.80 crore under Major Head '2401-Crop Husbandry' was surrendered/re-appropriated in March 2017 due to short release/non-release of funds by the Government of India for Krishi Unnati Yojana.
- Under Grant No. D04 Major Head 2403-Animal Husbandry, ₹ 50.10 crore was surrendered/re-appropriated in March 2017, since Cabinet approval for the new scheme-'Intensive Poultry Development Blocks' was not received.

Urban Development

Under Grant No. F02 Major Head 2217-Assistance to Municipal Councils for Swachh Bharat Mission (Central Share-60 *per cent*), out of the total provision of ₹ 427.20 crore, an expenditure of only ₹ 43.69 crore could be incurred leaving savings of ₹ 383.51 crore.

Industry, Energy and Labour Department

Under Grant K06 Major Head 2801-Power, out of the provision of ₹ 708.72 crore as Grant-in-aid to Maharashtra State Power Distribution Company Ltd for removal of regional imbalance of agriculture pump set/rural electrification, an amount of ₹ 570 crore was surrendered in March 2017 due to non-receipt of application from farmers of Ratnagiri district and due to non-receipt of approval for Marathawada/Vidharba District from the Administrative Department.

Water Supply and Sanitation

Under Grant Y02 Major Head 2215-Water Supply and Sanitation, unspent provision of ₹ 98.17 crore was due to less receipt of proposal for funds from the implementing agencies under 'Rejuvenation of Non-functional regional water supply schemes'.

The FD, Government of Maharashtra (GoM) in its funds release order for 2016-17 (February 2017) restricted the expenditure to 90 *per cent* of the budget allocation under non-plan scheme and 80 *per cent* for plan scheme. This order of FD resulted in increasing the savings under the Grants.

2.3.4.1 Persistent savings

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.

On test check of Grant files, audit observed that there were savings of more than ₹ 100 crore consistently for the last five years in 23 cases (**Appendix 2.8**) indicating that either the provisions were excessive or the executive was not successful in implementing the legislative aspirations. Some cases of the savings are discussed below:

L07-Capital Expenditure on Rural Development: Under this Grant, as against budgetary provision of ₹ 10,473.59 crore made during 2012-13 to 2016-17 only ₹ 4,606.16 crore were spent during the said five year period resulting in savings of 56 *per cent*. No specific reasons were attributed by the Department. Sub-head wise major savings under this Grant during the last five years is shown in **Table 2.4**.

Table 2.4: Subhead wise Major savings during the last five years under Grant L07

(₹ in crore)

Sr No	Classification	Particulars	2012-13	2013-14	2014-15	2015-16	2016-17
1	4402 00 102 241 (P)(V)	Soil Conservation works in the areas of Inter-State River	89.09				
2	4402 00 102 238 (P)(V)	Land Development through Soil Conservation Measures	75.83				
3	4402 00 102 103 (P)(V)	National Watershed Development Programme -(100 per cent Centrally Sponsored Scheme)	52.00	52.00			
4	4402 00 102 105 (P)(V)	Soil Conservation works in the areas of Inter-State River		95.00			
5	4402 00 102 239 (P)(V)	Integrated Watershed Development Management		59.96			
6	4402 00 102 246 (P)(V)	Provision for Integrated Watershed Management Programme			1237.95	1088.82	
7	4402 00 102 122 (P)(V)	Share Capital Contribution to Maharashtra Water Conservation Corporation			198.49		
8	4402 00 102 247 (P)(V)	Provision for Niranchal World Bank Assisted Project			60.00		
9	5054 04 337 515 (P)(V)	Mukhyamantri Gramin Marga Yojana-New Road				250.00	
10	4702 00 800 A 381 (P)(V)	Minor Irrigation Schemes under state pool- General Plan				129.33	
11	4402 00 102 257 (P)(V)	Pradhan Mantri Krishi Sinchan Yojana – Integrated Watershed Management Programme (Central Share 60 per cent (General))					461.48
12	4402 00 102 258 (P)(V)	Pradhan Mantri Krishi Sinchan Yojana – Integrated Watershed Management Programme (State Share 40 per cent)(General)					400.00
13	4402 00 102 241 (P)(V)	To mitigate the scarcity situation of drinking construction of Cement Bund in scarcity prone 15 Talukas of State.					279.60

Source: Appropriation Accounts of respective years

O10 - Capital Outlay on Other Rural Development Programmes: Under this Grant, as against budgetary provision of ₹ 22,774.24 crore made during 2012-13 to 2016-17 only ₹ 3,757.18 crore were spent during the said five year period resulting in savings of 84 per cent. The Department attributed this to (i) receipt of incomplete proposals from District Rural Development Agencies; (ii) Non-receipt of proposal for preparation of study report from Development Board as instructed by Honorable Governor and (iii) 20 per cent cut imposed by Finance Department.

2.3.4.2 Unnecessary/excessive supplementary provisions

Supplementary provisions aggregating ₹ 7,282.94 crore obtained in 35 cases (₹ 10 crore or more in each case) during the year proved unnecessary as the actual expenditure (₹ 1,02,898.06 crore) did not come up to the level of the original provision (₹ 1,18,287.34 crore) as detailed in **Appendix 2.9**. Details of grants having saving of

more than ₹ 500 crore where supplementary provision proved unnecessary are shown in **Table 2.5**.

Table 2.5: Grants having saving of more than ₹ 500 crore where supplementary provision proved unnecessary

(₹ in crore)

Grant Number and Description	Original provision	Supplementary provision	Expenditure	Savings
REVENUE SECTION				
C06 Relief on account of Natural Calamities	7128.54	51.92	5759.91	1420.55
E02 General Education	40630.85	1136.98	37265.61	4502.22
N03 Welfare of Scheduled Caste, Scheduled Tribes and Other Backward Classes	10489.61	375.60	9098.96	1766.25
T05 Revenue Expenditure on Tribal Areas Development Sub-Plan	5230.82	189.80	4398.08	1022.54
Y02 Water Supply and Sanitation	3377.60	544.69	1900.88	2021.41
CAPITAL SECTION				
L07 Capital Expenditure on Rural Development	2341.38	387.00	1300.71	1427.67
O10 Capital Outlay on Other Rural Development Programmes	3583.22	203.85	782.5	3004.57

Source: Appropriation Accounts of 2016-17

From **Table 2.5** it can be seen that the supplementary provision proved unnecessary since the expenditure did not even come up to the original provision in all the seven cases which clearly indicates inaccurate estimation of funds.

2.3.4.3 Anticipated savings not surrendered

As per Para 173 of the Budget Manual, the 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 efficiently redeploy the anticipated savings on other needy Schemes.

At the close of 2016-17, it was seen that, in 68 cases (in excess of ₹ 50 crore in each case), Departments surrendered ₹ 41,409.15 crore (15 per cent of total voted provision of ₹ 2,68,686.93 crore) on the last two working days of the financial year (**Appendix 2.10**) indicating inadequate financial control and non-utilization of these funds for other development purposes.

2.4 Outcome of review of selected Grants

The Budget Manual provides that the authority administering a Grant is responsible for watching the progress of expenditure under its control and for keeping it within the sanctioned Grant or appropriation. The duties and responsibilities of the authorities include preparing the estimates timely and accurately and also to ensure that the Grant placed at their disposal is spent only on the objects for which it has been provided and to surrender savings if no longer required.

With a view to ascertain how far the authorities were adhering to these instructions, a review of budgetary process followed and expenditure control exercised, in respect of the following three selected grants for the period 2014-15 to 2016-17.

- (i) **Grant C01-Revenue and District Administration of Forest Department:** This includes the budget provision for Office Establishment, Collection Charges, Entertainment Tax, Land Acquisition Establishment which covers four Major Heads namely Land Revenue (2029), Other Taxes and Duties on Commodities and Services (2045), District Administration (2053), Other Administrative Services (2070).
- (ii) **Grant No. N04- Capital expenditure on Social Services in Social Justice and Special Assistance Department:** Under this Grant provision is made for expenditure related to Scheduled Caste and for investment in Public Sector and other Undertaking in the form of Share Capital. This Grant includes three Major Heads namely 4225, 6225 and 4235 operated by Social Justice and Special Assistance Department.
- (iii) **Grant No. Q03-Housing-** Under this, Grant provision is made for assistance to Housing Boards, Corporation and other expenditure related to Housing. This Grant consists of three Major Heads namely, Housing Department (2216), Urban Development Department (2217) and Social Security and Welfare Department (2235).

2.4.1.1 Budget and expenditure

The overall position of budget provision, actual disbursement and savings under the functional Heads of the Grant for the years 2014-15 to 2016-17 is given in **Table 2.6**.

Table 2.6: Detail of budgetary provisions and actual expenditure under Grant No. C01, N04 and Q03

(₹ in crore)						
Year	Original provision	Supplementary provision	Total Grant or Appropriation	Actual Expenditure	Saving	Percentage of saving
Grant C01 (Voted) Revenue and District Administration						
2014-15	1578.08	11.64	1589.72	1285.26	304.46	19
2015-16	1738.54	47.71	1786.25	1468.39	317.86	17
2016-17	1882.10	17.18	1899.28	1587.48	311.80	16
Grant N04 (Voted) Capital expenditure on Social Services						
2014-15	1458.29	--	1458.29	450.33	1007.96	69
2015-16	1349.90	79.60	1429.50	227.09	1202.40	84
2016-17	1259.75	--	1259.75	142.56	1117.19	88
Grant Q03 Housing (All Voted)						
2014-15	1230.00	225.00	1455.00	475.05	979.95	67
2015-16	499.31	45.00	544.31	208.87	335.44	62
2016-17	331.95	1750.36	2082.31	419.77	1662.54	80

Source: Appropriation Accounts of respective years

Table 2.6 shows persistent savings between 16 per cent and 19 per cent under Grant C01, between 69 per cent and 88 per cent under Grant N04 and between 62 per cent and 80 per cent under Grant Q03, during the period 2014-15 to 2016-17.

Further, it can be seen from the **Table 2.6** that the actual expenditure under Grant C01 did not come up to the original provisions even then supplementary provisions were made during the years 2014-15 to 2016-17 indicating over estimation and defective budgeting.

2.4.1.2 Substantial Savings under sub-heads

During 2016-17, in two sub-heads under Grant N04 and one sub-head under Grant Q03 savings were ₹ 10 crore and above and were also between 50 per cent to 100 per cent of the total Grant as shown in **Table 2.7**.

Table 2.7: Sub-head wise substantial savings

(₹ in crore)

Sr No	Cross Reference Code	Description	Total Grant	Actual Expenditure	Savings	Percentage of savings	Reasons for savings
Grant N04 : Social Justice and Special Assistance Department							
1	422501277	Upgradation of Government Hostels for Scheduled Castes Boys and Girls (S.C.P.)	45.00	2.41	42.59	94.64	As only 15 out of 48 proposals were complete in all respect, the same was sanctioned by the Department and the balance amount was surrendered
2	422501277	Construction of Government Residential School for Schedule Castes and Nav Boudha Boys and Girls	67.00	14.14	52.86	78.90	
Grant Q03 : Housing Department							
1	22162996	Housing for all grants to Implementing Agencies (Central Share 60 per cent) (plan)	1050.00	209.37	840.63	80.06	Withdrawal of provision of ₹ 840.63 crore in March was based on actual expenditure
Source: Appropriation Accounts 2016-17							

2.4.1.3 Surrender of entire provision

Scrutiny of Appropriation Accounts for the year 2016-17 revealed that the entire provision of one sub-head amounting to ₹ 17.94 crore under Grant No.C01, four sub-heads amounting to ₹ 283.30 crore under Grant No.N04 and two sub-heads amounting to ₹ 740.00 crore under Grant Q03 were withdrawn in the month of March 2017 through re-appropriation as detailed in **Table 2.8**.

Table 2.8: Surrender of entire provision under Grant C01, N04 and Q03

(₹ in crore)

Sr No	Description	Original and Supplementary Grant	Amount Re-appropriated	Total Grant	Actual Expenditure
Grant C01 Revenue and District Administration					
1	202900103(02)(03) Land Records Expenditure National Land Records Modernisation Programme (NLRMP), Director of Land Records 100 per cent Centrally Sponsored Scheme	17.94	17.94	0	0
Grant N04 Capital Expenditure on Social Services					
1	422501190(01)(01)-Share Capital Contribution to Lokshahir Annabhau Sathe Mahamandal (Matang Unnati Mahamandal) (S.C.P)	75.00	75.00	0	0
2	422501190(01)(02)-Share Capital Contribution to Mahatma Phule Backward Class Development Corporation (S.C.P)	69.30	69.30	0	0
3	422501190(01)(03)-Share Capital Contribution to Leather Industries Development Corporation of Maharashtra	39.00	39.00	0	0
4	422501190(01)(04)-Share Capital Contribution to Co-operative Societies of Scheduled Castes (S.C.P.)	100.00	100.00	0	0
Grant Q03 Housing					
1	221680103(04)(01)-Jawaharlal Nehru National Urban Renewal Mission - Basic Services to Urban Poor Plan (General Plan) (State Share) (25%)	40.00	40.00	0	0
2	2216.80103(08)(02)-Housing for all Grants to Implementing Agencies (Plan) (State Share 40 per cent)	700.00	700.00	0	0

Source: Appropriation Accounts 2016-17

- With an aim to provide home to homeless people in the State, the Government of Maharashtra had decided to implement the Centrally Sponsored Scheme “Shelter for all-2022”, with necessary modification as per the State’s requirement. A provision of ₹ 700 crore (State share 40 per cent) which was made during the year 2016-17 as shown in **Table 2.8** was surrendered entirely in March 2017, by Housing Department for want of demands for funds under the scheme.

2.4.1.4 Rush of Expenditure of grants under sub-heads

According to the Bombay Financial Rules, 1959 rush of expenditure in the closing month of the financial year should be avoided. Uniform flow of expenditure is the primary requirement of proper budgetary control. In two sub-heads under Grant C01, three sub-heads under Grant N04 and two sub-heads under Grant Q03 more than 75 per cent of the expenditure totalling to ₹ 362 crore was incurred in March 2017 as given in **Table 2.9**.

Table 2.9: Rush of expenditure in the last month of 2016-17 under Grant C01, N04 and Q03

(₹ in crore)

Sr No	Sub Head	Sub-head Description	Total Expenditure	Expenditure during March 2017	Percentage of total expenditure incurred in March-17
Grant C01 Revenue and District Administration					
1	202900102 081	National Land Records Modernisation Programme (50 per cent Central grant)	9.60	9.60	100
2	202900102 083	National Land Records Modernisation Programme, 50 per cent Centrally Sponsored Scheme Central Share	22.30	22.30	100
Grant N04 Capital Expenditure on Social Services					
1	622501800 022	Loans to Co-operative Spinning Mills of Scheduled Castes	24.00	24.00	100
2	422501277 048	Construction of Government Hostels for Backward Class Boys and Girls (S.C.P.)	82.43	65.11	78.99
3	422501277 050	Construction of Government Residential School for Scheduled Castes and Nav Boudha Boys and Girls	14.14	10.72	75.84
Grant Q03 Housing					
1	221680103 110	Development of New Township of Chandrapur	65.19	65.19	100
2	221680103 299	Housing for all-Grants to Implementing Agencies (Central share 60 per cent) (plan)	209.37	164.98	78.8
Grand Total			427.03	361.90	

Source: Appropriation Accounts 2016-17

2.4.1.5 Unnecessary re-appropriation

Scrutiny of Appropriation Accounts for the year 2016-17 revealed that in two sub-heads under Grant C01, re-appropriation orders issued resulted in the subhead closing with an excess expenditure as shown in **Table 2.10**.

Table 2.10: Unnecessary Re-appropriation leading to Excess expenditure

(₹ in crore)

Sr No	Description of the Head of Account/ Cross Reference Code	Original Grant	Amount re-appropriated	Total Grant (3-4)	Actual expenditure	excess expenditure (5-6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Grant C01 Revenue and District Administration						
1	2029 Land Revenue 103 Land Records (02) District Land Records (02)(01) Director of Land Records	251.37	40.96	210.41	217.26	6.85
2	2053 District Administration 94 Other Establishment (03) Village Officers (03)(02) Commissioner Nashik	95.59	11.04	84.55	85.09	0.54

Source: Appropriation Accounts 2016-17

2.4.1.6 Control/Monitoring of Expenditure under Grant No. C01

As per Paragraph 155 (i) and (iv) of Budget Manual, in order to ensure that the amount allotted to each disbursing officer is not exceeded without permission, the disbursing officer should submit the statement of his expenditure for the month and total expenditure up to date to the Controlling Officer in Form No. 9 and all Controlling

Officers should maintain a register of expenditure in Form No. 10 for effective control of expenditure.

Test-check of records of two Controlling Officers² revealed that the disbursing officers were not submitting statements of expenditure in Form No. 9 and similarly, the Controlling Officers were not maintaining registers of expenditure in Form No. 10.

The Divisional Commissioner stated (August 2017) that hereafter procedure would be followed.

Thus non-submission of monthly expenditure in the prescribed formats defeated the purpose of monitoring the budget and the progress of actual expenditure by Controlling Officer.

2.5 Advances from Contingency Fund

In terms of provisions of Article 267 (2) and 283 (2) of the Constitution of India the Contingency Fund of the State has been established under the Bombay Contingency Fund Act, 1956. Advances from the Fund are to be made only for meeting expenditure of an unforeseen and emergent character, postponement of which, till its authorization by the Legislature, would be undesirable. The Fund is in the nature of an imprest and its corpus is ₹ 150 crore, the closing balance of the Fund as on 31 March 2017 was ₹ 150 crore.

During 2016-17, of the 21 sanctions issued by FD for ₹ 261.94 crore, 11 withdrawals amounting to ₹ 191.70 crore were made from the Fund.

In eight cases, as listed in **Appendix 2.11**, the nature of expenditure for which the Departments concerned had obtained advances from the Fund was foreseeable, and therefore, the drawals from the Contingency Fund were unwarranted and irregular.

In 10 out of 21 sanctions advances amounting to ₹ 46.92 crore were not drawn by the Departments concerned indicated the funds were not required to meet expenses of emergent character as shown in **Appendix 2.12**.

2.6 Misclassification of Expenditure

2.6.1 Incorrect booking of Revenue Expenditure under Capital

In terms of the Indian Government Accounting Standards (IGAS) 2, notified by the Government of India, Grants-in-aid are to be classified as revenue expenditure in the books of the grantor and as revenue receipts in the books of the recipient.

It was noticed that during 2016-17, Grants-in-aids of ₹ 1,988.33 crore (six cases) released by the State Government had been classified and booked under Capital expenditure heads instead of the Revenue expenditure of Account resulting in understatement of revenue deficit by ₹ 1,988.33 crore as shown in **Table 2.11**.

² Divisional Commissioner, Nagpur and Divisional Commissioner, Amravati

Table 2.11: Details of Grants-in-aid classified/booked under Capital Expenditure

		(₹ in crore)
Sr No	Classification	GIA
1	4070-Capital Outlay on Other Administrative Services	20.00
2	4217-Capital Outlay on Urban Development	437.70
3	4250-Capital Outlay on Other Social Services	1476.01
4	4402-Capital Outlay on Soil and Water Conservation	6.45
5	4405-Capital Outlay on Fisheries	14.29
6	4415-Capital outlay on Agricultural, Research and Education	33.88
Total		1988.33
Source: Appropriation Accounts 2016-17		

2.6.2 Non-transfer of balances to Consolidated Fund

As per Government Resolution (October 2001) of Revenue and Forest Department of Maharashtra, the balance in the Personal Deposit (PD) account of Inspector General of Registration was to be credited to Consolidated Fund at the end of every quarter. It was seen that an accumulated balance of ₹ 876.37 crore was lying in the account as on 31 March 2017, which was not credited to the Consolidated Fund of the State. Inspector General of Registration and Controller of Stamps stated (June 2017) that of the total balances, only ₹ 500 crore could possibly be deposited into Government Account, as Arbitrator claims of about ₹ 300 crore were to be met.

Similarly, as per Government Resolution (July 2011) of Home Department of Maharashtra, the unspent balance at the end of the year in the PD accounts operated by the Regional Transport Offices/Deputy Transport Officers is to be brought to “Nil” by crediting the same into Consolidated Fund. However, there were unspent balances of ₹ 1.32 crore in 13 PD accounts as on 31 March 2017 which were not credited to the Consolidated Fund.

Thus, non-transfer of unspent balances from PD accounts back to Consolidated Fund at the end of the financial year resulted in overstatement of revenue deficit by ₹ 877.69 crore.

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 34 District Treasuries (including 322 sub-Treasuries) and the Pay and Accounts Office, Mumbai during 2016-17 are brought out in the succeeding paragraphs.

2.7.1 Transfer of funds to Personal Deposit Accounts

According to Rule 494 of Maharashtra Treasury Rules, 1968 and Rule 12 of Bombay Financial Rules 1959, Personal Deposit Account/Personal Ledger Account (PLA) can be opened with Treasury Officer for specified purpose on the basis of approval of Government in consultation with the Accountant General of the State.

The PD accounts, also known as 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, Administrators³ 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 2017, 1,627 PD accounts showed a total closing balance of ₹ 13,334.51 crore, as indicated in **Table 2.12**.

Table 2.12: Status of Personal Deposit Accounts during 2016-17

Opening balance		Newly opened		Closed accounts		Closing Balance	
Number	Amount (₹ in crore)	Number	Amount (₹ in crore)	Number	Amount (₹ in crore)	Number	Amount (₹ in crore)
1903	11160.06	7	21605.88	283	19431.43	1627	13334.51

Source: Finance Accounts 2016-17

However, the closing balance as per Finance Accounts has not been reconciled by the Administrators of PD/PLA and hence the correct closing balance which should have been remitted to the Consolidated Fund of the State cannot be ascertained.

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, are 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 and Accountant General (Accounts and Entitlements)-II, Maharashtra, Nagpur for confirmation.

Inspection of Treasuries revealed that in 208 of 1,903 Administrators holding PD accounts, there were differences between the Administrators balances and the Treasury/Pay and Accounts Office balances. In 343 cases, there were differences between the Treasury balances and the Sub-Treasury balances. In 216 cases, there were differences between the Sub-Treasury balances and the Administrators balances. Besides, 679 out of 1,903 Administrators did not furnish certificates of balances as on March 2016 to Treasury Officers/ Pay and Accounts Office indicating absence of regular reconciliation. Periodical reconciliation with the Treasury would have cleared the differences.

2.7.3 Inoperative Personal Ledger Accounts for more than one year not closed

As per Rule 495 of Maharashtra Treasury Rules and Maharashtra Treasury Manual, PLAs which are inoperative for more than three consecutive accounting years should be closed and the balances at the credit of such accounts should either be paid to the PLA holder or credited to the Consolidated Fund of the State. The time limit was revised⁴ (January 2014) by FD, GoM to one year.

³ Personal deposit/Personal ledger account holders

⁴ Vide Finance Department's Government Resolution संकीर्ण 1014/प्र क्र 5/कोषा प्रशा/5 dated 24 January 2014

It was observed that in the case of 280 accounts, PLAs were not operated by the Administrators for a period of one year and more, resulting in unutilized balance of ₹ 15.54 crore lying idle in the PLAs as of March 2017. District-wise details are given in **Appendix 2.13**. As per established practice, funds from the Consolidated Fund of the State to PLA should be transferred through 'Nil bills' (non-cash transaction). It was seen that all Treasuries (except Pune Treasury) did not follow the above practice and instead withdrew large funds through cheques and credited them to PLA subsequently. The unspent amount so transferred from the Consolidated Fund and not credited back from the inoperative PLAs could not be ascertained since the PD accounts included receipts from sources other than the Consolidated Fund also.

2.7.4 Overpayment of Pension

Overpayment of pensionary benefits of ₹ 0.96 crore was made by Treasuries during 2016-17 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.*

2.8 Conclusion

During the year 2016-17, the overall savings of ₹ 49,072.46 crore were the net result of savings of ₹ 49,240.15 crore, set off by an excess of ₹ 167.69 crore.

Most of the saving have occurred due to inadequate monitoring by Departments over the budget estimates and expenditure. All anticipated savings should be surrendered on time so that the funds can be utilized for other development purposes.

There was rush of expenditure (51 to 100 *per cent*) during the last quarter of 2016-17 and substantial portion of it was spent during the last month of the financial year. In some of cases, there were persistent saving of more than ₹ 100 crore in each case during the last five years in respect of grants pertaining mainly to Finance Department, Social Justice and Special Assistance Department, Public Works Department *etc.* indicating that either the provisions were excessive or the executive was not successful in implementing the legislative aspirations.

Indian Government Accounting Standard-2 regarding Accounting and Classification of Grants-in-aid prescribes that the Grants-in-aid disbursed by a grantor shall be classified and accounted for as revenue expenditure in the Financial Statements of the grantor irrespective of the purpose for which the funds were disbursed. However, during the year 2016-17, Grant-in-aid amounting to ₹ 1988.33 crore in six cases was disbursed under the capital major heads of expenditure in violation of Indian Government Accounting Standard-2.

2.9 Recommendations

- *All the Departments should closely monitor expenditure against 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 utilization for other developmental schemes.*

- *The Government may ensure compliance to Indian Government Accounting Standard in budget formulation so that the expenditure under Grants-in-aid is accounted for as revenue expenditure in the Government Accounts.*