

CHAPTER - III

BUDGETARY MANAGEMENT

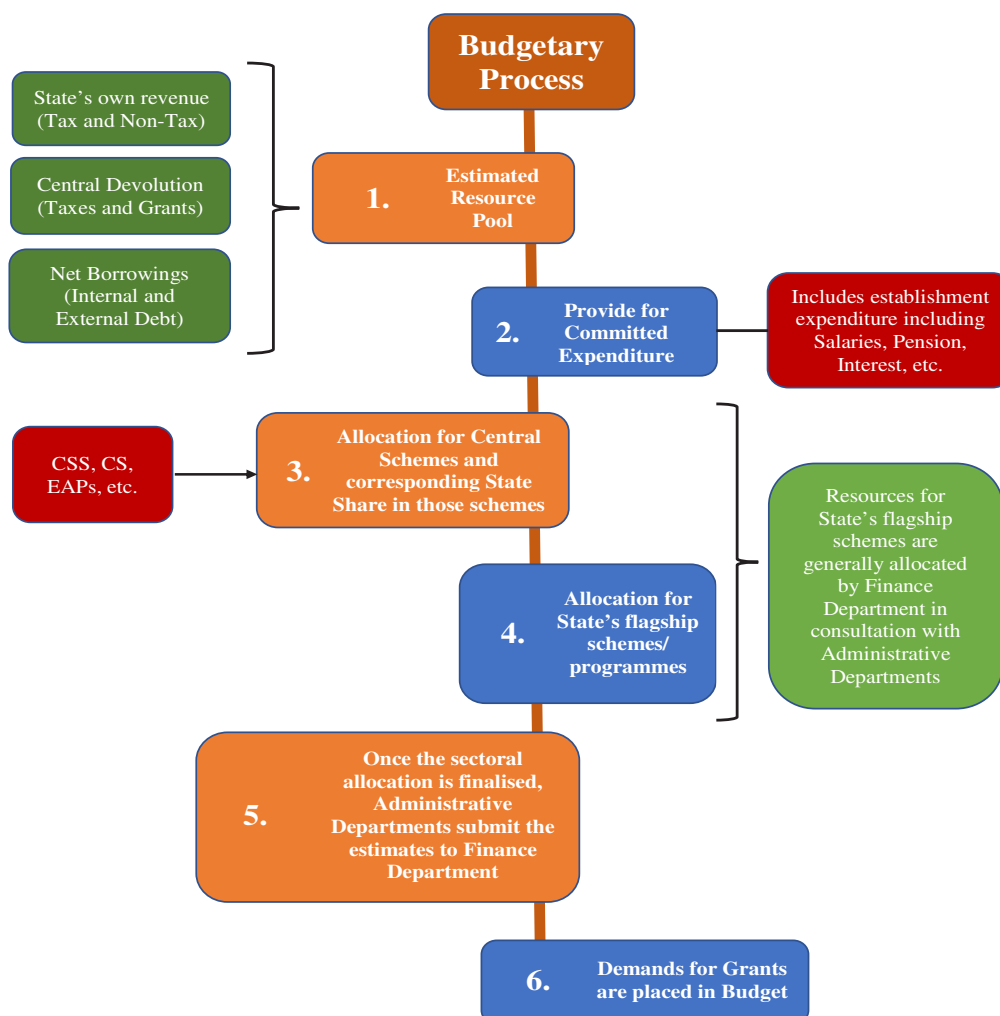
Chapter III Budgetary Management

This Chapter reviews the allocative priorities of the State Government and comments on the transparency of budget formulation and effectiveness of its implementation. It will further review whether the decisions taken at the policy level are implemented at the administrative level without diversion of funds.

3.1 Budget Process

The annual exercise of budgeting is a means for detailing the roadmap for efficient use of public resources. The glossary of Budget related terms is given in **Appendix 3.1**. The Budget process commences with the issue of the Budget Circular, normally in August each year, providing guidance to the Departments in framing their estimates, for the next financial year. A typical budget preparation process in a State is given in **Chart 3.1**.

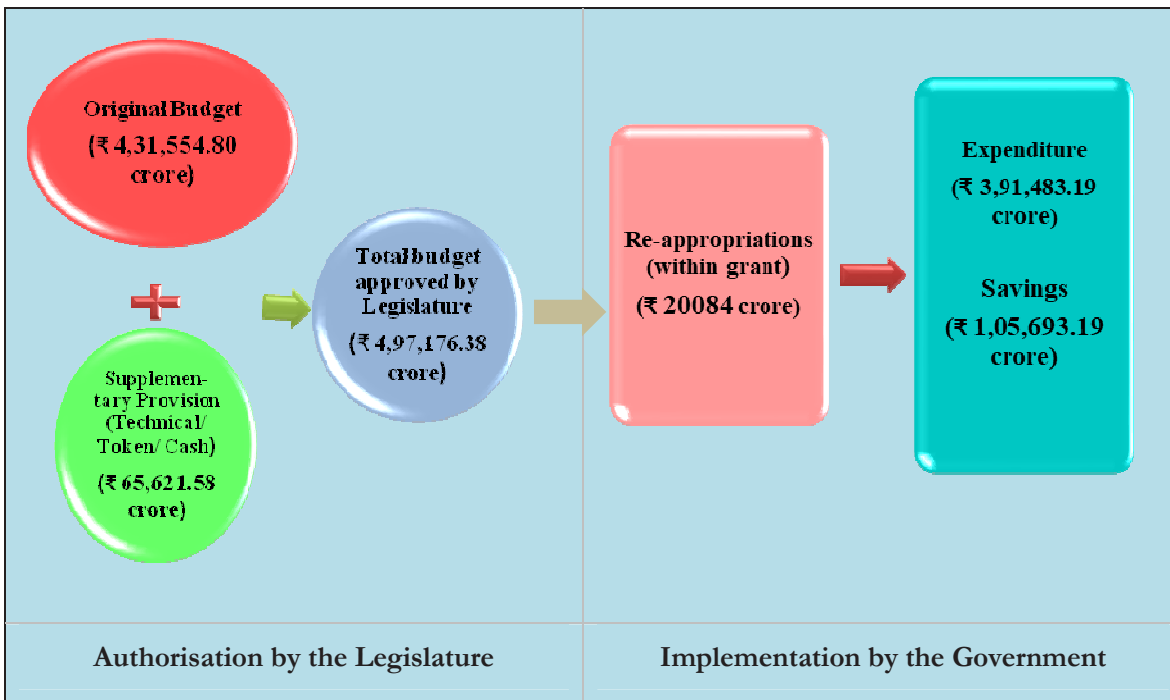
Chart 3.1: Budget preparation process in a State



As per the Maharashtra 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 scrutinizes 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.

The total amount approved by the State Legislature including the original and supplementary budgets, expenditure and savings during the year 2019-20 is depicted in **Chart 3.2**.

Chart 3.2: Summary of Budget and Expenditure for 2019-20



(Source: Appropriation Accounts 2019-20)

3.1.1 Summary of total provisions, actual disbursements and savings during the financial year

The summarized position of total budget provision, actual expenditure and savings during 2019-20 against 296 grants/ appropriations is given in **Table 3.1**.

Table 3.1: Budget provision, disbursement and Savings during the financial year

(₹ in crore)					
Total budget provision		Disbursement		Saving	
Voted	Charged	Voted	Charged	Voted	Charged
430006.63	67169.75	328039.77	63443.42	101966.86	3726.33
Source: Appropriation Accounts 2019-20					

3.1.2 Charged and Voted Disbursement

The total charged and voted disbursements during the year 2015-16 to 2019-20 are shown in **Table 3.2**.

Table 3.2: Disbursement and Savings during 2015-20

Year	Disbursement			Saving		
	Voted	Charged	Voted	Percentage	Charged	Percentage
2015-16	197072.62	38993.68	47739.18	24.2	5254.85	13.5
2016-17	221967.14	43943.19	46719.78	21.0	2352.32	5.4
2017-18	240582.35	54606.42	76784.27	31.9	1060.84	1.9
2018-19	278697.33	64237.70	69773.31	25.0	4083.05	6.4
2019-20	328039.77	63443.42	101966.86	31.1	3726.33	5.9
Source: Appropriation Accounts of respective years						

During the period 2015-20 there was an overall saving in each year, with savings ranging between 21 *per cent* and 31.9 *per cent* of the disbursement under the Voted portion and 1.9 *per cent* to 13.5 *per cent* under charged portion.

3.2 Appropriation Accounts

Appropriation Accounts are accounts of the expenditure of the Government for each financial year, compared with the amounts of grants voted and appropriations charged for different purposes as specified in the schedules appended to the Appropriation Act passed under Articles 204 and 205 of the Constitution of India. Appropriation Accounts are on Gross basis. These Accounts depict the original budget provision, supplementary grants, surrenders and re-appropriations distinctly and indicate actual capital and revenue expenditure on various specified services *vis-à-vis* those authorised by the Appropriation Act in respect of both Charged and Voted items of budget. Appropriation Accounts thus facilitate understanding of utilisation of funds, the management of finances and monitoring of budgetary provisions and are, therefore, complementary to the Finance Accounts.

The CAG of India conducts the audit of appropriations to ascertain whether the expenditure actually incurred under various grants is in accordance with the authorization given under the Appropriation Act and that the expenditure required to be charged under the provisions of the Constitution (Article 202) is so charged. It also ascertains whether the expenditure incurred is in conformity with the laws, relevant rules, regulations and instructions.

3.3 Comments on integrity of budgetary and accounting process

3.3.1 Unnecessary or Excessive Supplementary Grants

Article 205 of the Constitution of India read with Paras 169 and 170 of the Maharashtra Budget Manual, provides a legal basis for Supplementary Budget or Supplementary Estimates (SE). During 2019-20, the Supplementary provisions (₹ 65,621.58 crore) constituted 15 per cent of the original provisions (₹ 4,31,554.80 crore).

Supplementary provisions aggregating to ₹ 14,655.38 crore obtained in 44 cases (₹ 10 crore or more in each case) during the year proved unnecessary as the actual expenditure ₹ 1,70,763.84 crore did not reach the levels of the original provision (₹ 2,13,263.24 crore) as detailed in **Appendix 3.2**. Grants having saving of more than ₹ 1,000 crore and where supplementary provision proved unnecessary are given in **Table 3.3**. This indicated injudicious budgetary exercise.

Table 3.3: Grants having saving of more than ₹ 1,000 crore where Supplementary provision proved unnecessary

(₹ in crore)				
Grant Number and Description	Original provision	Supplementary provision	Expenditure	Saving out of the original provisions
Revenue Section Voted				
L03 Rural Development Programmes	8537.62	2296.12	6975.92	1561.70
D03 Agriculture Services	8488.68	709.83	6856.49	1632.19
N03 Welfare of Scheduled Caste and Scheduled Tribes, Other Backward Classes and Minorities	8443.87	1490.27	6559.11	1884.76
W02 General Education	8016.71	45.95	5849.87	2166.84
T05 Revenue Expenditure on Tribal Areas Development Sub-Plan	7626.80	190.07	5172.26	2454.54
Y02 Water Supply and Sanitation	6408.81	200.00	2046.21	4362.60
F02 Urban Development and Other Advance Services	14094.48	366.73	8642.30	5452.18
E02 General Education	58544.01	22.60	52740.44	5803.57
Capital Section				
H08 Capital Expenditure On Public Works Administrative and Functional Buildings	1862.74	73.68	734.34	1128.40
ZH05 Capital Expenditure on Irrigation	2723.36	28.5	823.61	1899.75
O10 Capital Outlay on Other Rural Development Programmes	7643.71	581.09	908.54	6735.17

Source: Appropriation Accounts of 2019-20

3.3.2 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.

In December 2019 the corpus of the Fund was temporarily increased to ₹ 5,500 crore through an ordinance which lapsed in January 2020. Further in February 2020 the corpus was again increased to ₹ 10,150 crore which was not restored till 31 March 2020.

During 2019-20, of the nine sanctions issued by FD for ₹ 14,771 crore, eight withdrawals amounting to ₹ 14,708.81 crore were made from the Fund of which ₹ 9,000 crore was not recouped till 31 March 2020. The details of withdrawals from the Contingency Fund during 2019-20 is given in **Table 3.4**.

Table 3.4: Contingency Fund Sanction orders and Utilisation against Sanctions

(₹ in crore)

Sr. No.	Sanction No. and Date	Major head /Grant No.	Purpose for which drawn	Sanction	Expenditure	Recoupment
1	CNF-2019/C.R.1/ BUDGET- 7/23.08.2019	2235/N03	Financial Assistance to Voluntary Organisations for Prevention, Treatment and Rehabilitation of Drug Addicts	22.00	0.00	December 2019
2	CNF-2019/C.R.2/ BUDGET-6/ 26.11.2019	2245/C06	Immediate help to farmers whose crops were destroyed due to untimely rainfall	4500.00	4459.81	December 2019
3	CNF-2019/C.R.3/ FINANCE- 13/25.11.2019	2425/V02	Payment to State Co-operative Banks as per High Court order (May 2019)	225.00	225.00	December 2019
4	CNF-2020/C.R.1/ FINANCE- 9/15.01.2020	2210/R01	Assistance to Mofussil Hospitals and other Medical Services	24.00	24.00	March 2020
5	CNF-2020/C.R.03/ BUDGET- 13/20.02.2020	2435/V02	Debt relief for farmers under the Mahatma Jyotirao Phule Farmers debt relief Scheme 2019	1000.00	1000.00	March 2020
6	CNF-2020/C.R.03/ BUDGET- 13/26.02.2020	2435/V02		2500.00	2500.00	Un-recouped
7	CNF-2020/C.R.03/ BUDGET- 13/27.02.2020	2435/V02		2500.00	2500.00	Un-recouped
8	CNF-2020/C.R.03/ BUDGET- 13/03.03.2020	2435/V02		2000.00	2000.00	Un-recouped
9	CNF-2020/C.R.03/ BUDGET- 13/04.03.2020	2435/V02		2000.00	2000.00	Un-recouped
Total				14771.00	14708.81	

Source: Contingency fund sanction order from respective departments and information from Accountant General (Accounts and Entitlement)-I, Maharashtra, Mumbai

3.3.3 Re-appropriations undertaken require prior Legislative authorisation

Re-appropriation is transfer of funds within a grant from one unit of appropriation, where savings are anticipated, to another unit where need for additional funds is identified. As per Paragraphs 162 to 164 of the Maharashtra Budget Manual, the Finance Department

and the Administrative Department of the Secretariat can sanction re-appropriation from one major, minor or sub head to another such head within the same Grant/Appropriation in the Appropriation Act.

3.3.4 Excessive or Unnecessary Re-appropriation

In several cases, re-appropriation proved excessive and resulted in huge savings. As seen from **Appendix 3.3** re-appropriation proved unnecessary in 17 cases, as the re-appropriated amount ultimately resulted in savings of ₹ 10 crore and above in every case. Of these, in seven Sub-heads, the savings were more than ₹ 50 crore in each case as shown in **Table 3.5**.

Table 3.5: Unnecessary re-appropriation of funds

Sr. No.	Grant	Sub-head	Description	Original	Supplementary	Re-appropriation	Total	₹ in crore)	
								Actual	Saving
1	B01	205500108 009	Police Administration	3292.82	35.00	0.78	3328.60	2729.66	598.94
2	V02	285100110 598	Co-operation	90.00	100.00	10.00	200.00	53.98	146.02
3	R01	221001110 A014	Medical and Public Health	883.14	56.17	7.36	946.67	847.28	99.39
4	B01	205500001 001	Police Administration	189.15	0.50	2.80	192.45	133.26	59.19
5	L03	305404196 241	Rural Development Programmes	433.32	0.00	15.00	448.32	389.44	58.88
6	V02	242500195 251	Co-operation	20.00	0.00	49.10	69.10	11.99	57.11
7	E02	220201800 H67	General Education	215.00	0.00	20.73	235.73	181.98	53.75

Source: Appropriation Accounts of 2019-20

The above instances are indicative of the fact that the budget controlling officers failed to adequately assess the requirements and did not have updated information regarding expenditure before re-appropriations.

3.3.5 Unspent amount and surrendered appropriation and/or huge Savings/ Surrenders

Budgetary allocations based on unrealistic proposals, poor expenditure monitoring mechanism, weak scheme implementation capacities/weak internal controls promote release of funds towards the end of the financial year, and increase the propensity of the Departments to retain huge balances outside the Government account in Bank Accounts. Excessive savings also deprives other Departments of the funds which they could have utilized.

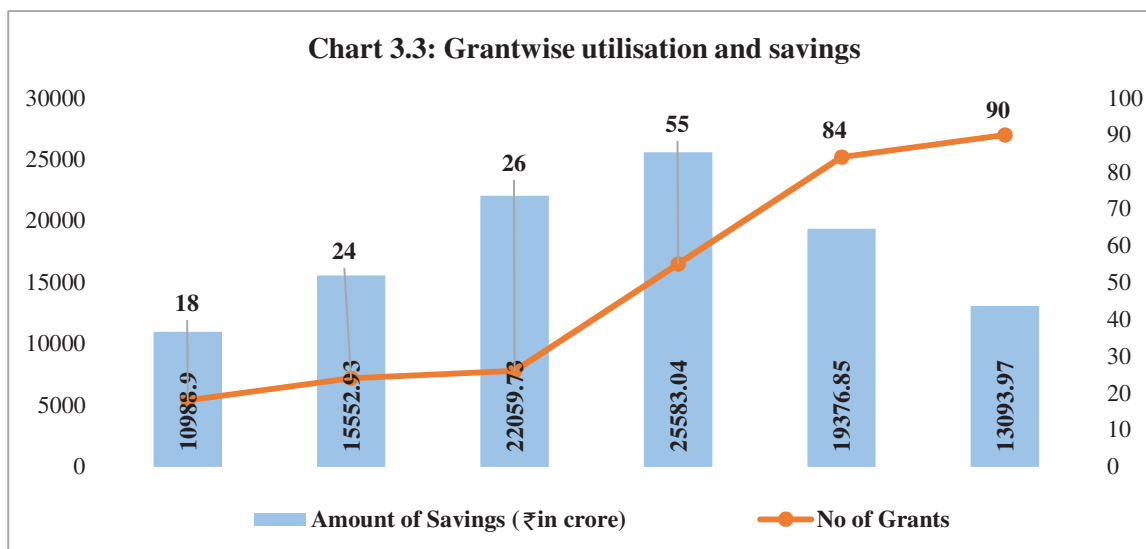
Audit of Appropriation Accounts revealed that out of the net saving of ₹ 1,05,693.19 crore during 2019-20, in case of 100 grants amounting to ₹ 82,126.59 crore (78 per cent), savings exceeded ₹ 10 crore and was 20 per cent or more of the total provision in each case as indicated in **Appendix 3.4**. Further, in case of 74 grants the savings exceeded ₹ 100 crore in each case as shown in **Appendix 3.5**.

Para 173 of the Maharashtra Budget Manual states that Savings should not be kept in reserve by the Disbursing or Controlling Officers to meet possible unforeseen excess

under other heads or to cover new expenditure which would normally be provided for in the next year's estimates. All savings should, when they come to notice, be immediately surrendered. Provision that cannot be profitably utilized should be surrendered.

At the close of the year 2019-20, out of the total saving of ₹ 1,05,693.19 crore, only ₹ 85,795.48 crore was surrendered, of which ₹ 85,590.73 crore was surrendered in March 2020 indicating inadequate financial control.

The percentage of utilization of the total provision along with the total savings is shown in **Chart 3.3**.



(Source: Appropriation Accounts 2019-20)

The Departments which registered major savings were School Education, Urban Development, Rural Development, Social Justice and Special Assistance, Tribal Development, Co-operation Marketing and Textile Department and Water Supply and Sanitation Department. Reasons furnished by the departments for the major savings, as reported in the Appropriation Accounts are given in the succeeding paragraph.

(I) Grant No V-2 Co-operation: The Mahatma Jyotirao Phule Farmer Loan Waiver Scheme under Major Head 2435-Other Agricultural Programme, 101-Scheme for debt relief to Farmers, funds of ₹ 15,000 crore was obtained through supplementary provision, of which only ₹ 3,000 crore could be expended due to short release of funds by Finance Department due to COVID 19 pandemic. However, in addition to the above amount the department had incurred an expenditure of ₹ 9,000 crore met out of advance from the Contingency Fund sanction in February 2020 (₹ 5,000 crore) and March 2020 (₹ 4,000 crore), which was pending recoupment to the fund as on 31 March 2020.

Similarly, for the Chhatrapati Shivaji Maharaj Shetkari Sanman Yojana 2017, out of the total budgeted provision of ₹ 2,905.69 crore, expenditure of ₹ 1,490.51 crore only was incurred. Withdrawal of provision of ₹ 1,415.10 crore in March 2020 was attributed to COVID 19 and non-issue of the list of eligible beneficiaries.

- (II) **Grant No E-2-General Education:** An amount of ₹ 5,303.77 crore was budgeted for Assistance to Local Bodies for Primary Education under Major Head 2202-103 02- Grants to other local bodies. Out of the budgeted provision an amount of ₹ 1,130.99 crore was surrendered in March 2020 due to savings in salaries of vacant posts.
- (III) **Grant No Q-3 Housing:** The entire budgeted provision of ₹ 6,894.76 crore for the Pradhan Mantri Awas Yojana- “Housing for all” under Major Head 2216-103 Assistance to Housing Board, Corporation etc., was surrendered in March 2020 due to non-receipt of Central Share for the scheme.
- (IV) **Grant No N-3 Welfare of Scheduled Castes, Scheduled Tribes, Other Backward Castes and minorities:** The budgeted provision for the Government of India Post Matric Scholarship scheme was ₹ 1,867.20 crore, of which, the department surrendered ₹ 813.82 crore (43 *per cent*) in March 2020 due to non-receipt of online applications from the students for scholarship under the scheme.
- (V) **Grant No Y-2 Water supply and Sanitation:** For implementing the Mukhya Mantri Rural Drinking Water Programme under Major Head 2215-102 Rural Water Supply Programme, out of the budgeted provision of ₹ 300 crore, the department surrendered ₹ 148.88 crore in March 2020. The department has not furnished any reasons for surrendering the amount.

3.3.5.1 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 Grants audit observed that there were savings of more than ₹ 100 crore consistently for the last five years in 30 cases (**Appendix 3.6**) indicating that either the provisions were excessive or the executive was not successful in implementing the legislative aspirations.

Savings in each financial year 2015-20 ranged between 87 *per cent* and 97 *per cent* of the total provision under Grant G-02 ‘Other Fiscal and Miscellaneous Services’. Similarly, savings under Grant N-04 ‘Capital expenditure on Social Services’ ranged between 62 *per cent* and 90 *per cent*, Grant Q-03 ‘Housing’ ranged between 51 *per cent* and 99 *per cent* and under Grant Y-02 ‘Water Supply and Sanitation’ the savings ranged between 48 *per cent* and 70 *per cent* of the total provision. The department did not assign specific reasons for savings during any of the years.

3.3.5.2 Grants with ‘Nil’ expenditure

During 2019-20, budget provision of more than ₹ 10 crore amounting to ₹ 371.33 crore made under the following six Grants remained un-utilised at the end of the year. Details are given in **Table 3.6**.

Table 3.6: Grants with 'Nil' expenditure

(₹ in crore)

Sr. No.	Grant	V/C	Total Provision	Actual Expdr.	Remarks
1	C09 - Capital Outlay on other Administrative and Social Service	V	250.05	0	Expenditure could not be incurred due to non-receipt of authorization/sanction from the Administrative Department.
2	G08 - Capital Outlay on other Administrative Services	V	44.82	0	The amount was provisioned for Construction of Sales Tax buildings by Maharashtra State Road Development Corporation. However, as administrative approval for construction of Sales tax building was not received, the entire amount of ₹ 44.82 crore was surrendered in March 2020.
3	A08 - Census, Surveys and Statistics	V	26.53	0	Surrender of entire provision of ₹ 26.53 crore in March 2020 was due to postponement of Census programme for 2021 owing to enforcement of lockdown in entire nation due to Corona Pandemic.
4	C06 - Relief on account of Natural Calamities	C	25.35	0	
5	K10 - Capital Outlay on Other Industries	V	14.38	0	Surrender of entire provision of ₹ 14.38 crore in March 2020 was attributed to non receipt of revised proposals from Directorate of Industries and Regional Office after making changes proposed by the High Power Committee (March 2020) and the subsequent Covid 19 Pandemic.
6	W08 - Capital Outlay on Education, Sports, Art and Culture	V	10.20	0	Surrender of entire provision of ₹ 10.20 crore in March 2020 was attributed to non-release of Central Share by the Central Government
Total			371.33	0	

Source: Appropriation Accounts 2019-20

3.3.6 Excess expenditure and its regularization

Article 205(1)(b) of the Constitution provides that if any money has been spent on any service during a financial year in excess of the amount granted for that service and for that year, the Governor shall cause to be presented to the Legislative Assembly of the State, a demand for such excess. This implies that, it is mandatory for a State Government to get excesses over grants/appropriations regularised by the State Legislature for the Financial Year. Although, no time limit for regularisation of excess expenditure has been prescribed under the Article, the regularisation of excess expenditure is done after the completion of discussion of the Appropriation Accounts by the Public Accounts Committee. Failure to do so, is in contravention of constitutional provisions and defeats the objective of ensuring accountability by the Legislature of the Executive over utilisation of public money.

3.3.6.1 Excess expenditure relating to 2019-20

Excess expenditure over the provision for the year is not only in contravention of the

provisions requiring Legislative sanction but also indicative of bad planning, which could be avoided by keeping track of expenditure progression with budget made for the purpose.

During the year 2019-20, against the Budget Estimates of ₹ 4,97,176.38 crore, expenditure of ₹ 3,91,483.19 crore has been done in 296 Grants/ Appropriations. Though there were overall savings of ₹ 1,05,693.19 crore, there was excess expenditure in seven Grants/Appropriations amounting to ₹ 978.29 crore which requires regularization as per Article 205 of the Constitution of India.

The Grants/appropriations closed with huge excess over provisions during 2019-20 requiring regularisation is shown in **Table 3.7**.

Table 3.7: Grants/appropriations closed with excess over provisions during 2019-20 requiring regularisation

(₹ in crore)

Sr. No.	Name and the title of the Voted grant/ Charged appropriation	Total grant	Expenditure	Excess
Voted Grant				
1	C06 Relief on account of Natural Calamities	16989.306	17954.676	965.370
2	O28 District Plan, Satara	213.013	213.017	0.004
3	S05 Loans to Govt Servants	10.031	21.877	11.846
Charged Appropriation				
4	G01 Sales Tax Administration	0.010	0.059	0.049
5	K07 Industries	0.000	0.901	0.901
6	N01 Interest payment	6.314	6.322	0.008
7	U01 Interest Payment	5.656	5.765	0.109
TOTAL		17224.33	18202.617	978.287

Source: Appropriation Accounts 2019-20

The excess under Grant C 06 was mainly due to the receipt of the assistance from National Disaster Response Fund (100 per cent Central Assistance) on 27 March 2020. As a result, shadow provision of the amount could not be placed in the Legislature. The department further stated that even before the receipt of funds from Central Government, expenditure for providing relief to the affected people by Kyar and Maha cyclones was incurred as per the norms of SDRF.

3.3.6.2 Regularisation of excess expenditure of previous financial years

Excess expenditure remaining un-regularised for extended periods dilutes legislative control over the executive. 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 regularization of excess expenditure is done after completion of discussion on Appropriation Accounts by the Public Accounts Committee. Excess expenditure amounting to ₹ 993.31 crore for the year 2017-18 and 2018-19 in respect of 21 grants and eight appropriations was pending for regularization as on March 2020 as detailed in **Appendix 3.7**.

3.3.6.3 Persistent excess in certain grants

As seen from **Appendix 3.3** re-appropriation proved unnecessary in 17 cases, as the re-appropriated amount ultimately resulted in savings of ₹ 10 crore and above in every case.

During the period from 2017-18 to 2019-20, persistent excess expenditure occurred under 43 sub-heads as shown in **Appendix 3.8**. Of these, in five sub-heads, the excess expenditure was more than ₹ 10 crore in each case. Persistent excess expenditure during 2017-20 is shown in **Table 3.8**.

Table 3.8: Persistent excess expenditure occurred under subheads

(₹ in crore)

Sr. No.	Grant	MJH	SMH	MNH	SBH	SBH Description	V/C	Excess 2017-18	Excess 2018-19	Excess 2019-20
1	C07-Forest	2406	02	110	236	Compensation for the Losses due to Wild Animals Attack	V	16.66	32.52	29.98
2	F02-Urban Development and Other Advance Services	2217	80	191	091	Special provision for Development of Basic Amenities in area of the Municipal Corporations	V	464.36	320.00	282.83
3	O16-District Plan - Mumbai Suburban	2216	02	800	149	Removal and Rehabilitation of Slum Dwellers	V	12.00	14.00	12.00
4	O16-District Plan - Mumbai Suburban	3435	04	103	059	Grant-in-aid to Mumbai Municipal Corporation for aesthetic improvements in Greater Mumbai	V	29.19	23.77	10.00
5	O35-District Plan - Kolhapur	4515	00	800	079	Other District Schemes	V	12.48	15.60	17.17

Source: Appropriation Accounts of respective year

Though all of these may not have resulted in excess at Grant Level and hence, may not require regularization, special emphasis needs to be given while monitoring the expenditure under these sub heads.

3.3.7 Grants-in-Aid for creation of capital assets

Grants-in-Aid are payments in the nature of assistance, or contributions made by one government to another government, body, institution or individual.

As per IGAS-2, Grants-in-Aid disbursed by a grantor to a grantee shall be classified and accounted for as Revenue expenditure. The misclassification of Grants-in-Aid as Capital expenditure for 2015-20 is shown in **Table 3.9**.

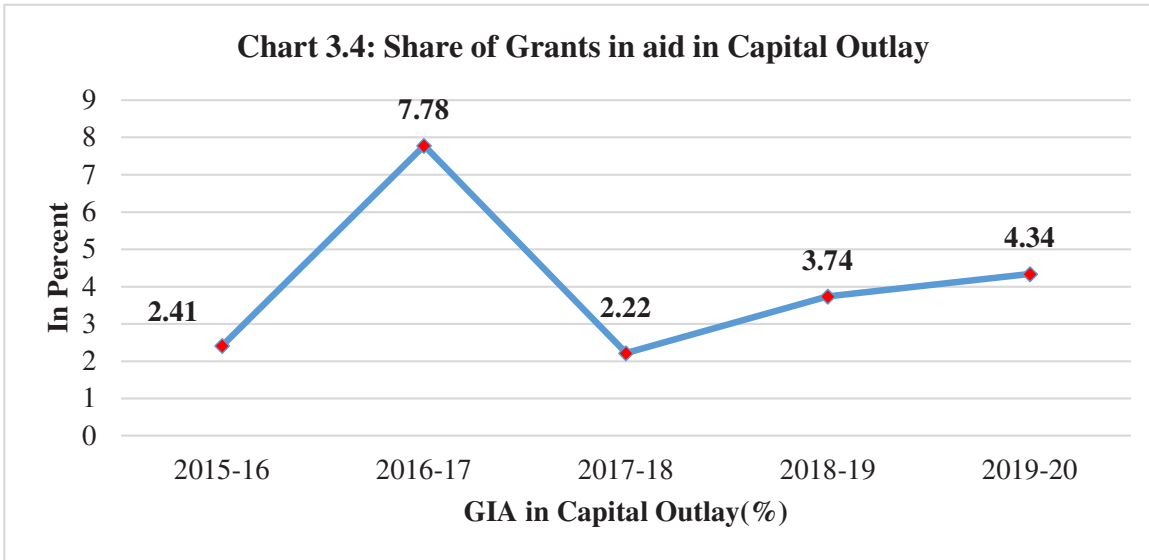
Table 3.9: Misclassification of Grants-in-Aid as Capital expenditure

(₹ in crore)

	2015-16	2016-17	2017-18	2018-19	2019-20
GIA booked as Capital Expenditure	548.25	1988.33	595.01	1311.26	1580.59
Total Expenditure	214281.84	245055.21	269392.54	303615.89	338690.64
Capital Outlay	22793.16	25549.27	26842.18	35049.05	36415.57
Share of GIA in Capital Outlay in <i>per cent</i>	2.41	7.78	2.22	3.74	4.34
Impact on Revenue Deficit (-) /revenue Surplus (+) if expenditure from GIA is treated as Revenue Expenditure	548.25	1988.33	595.01	1311.26	1580.59

Source: Finance Accounts of respective years

The share of Grants-in-Aid in Capital Outlay is shown in **Chart 3.4**.



Source: Finance Accounts of respective years

3.4 Comments on transparency of budgetary and Accounting Process

3.4.1 Lumpsum Budgetary Provisions

As per para 53 and para 12(e) of Appendix X of Maharashtra Budget Manual, budget provision should be examined *w.r.t.* the difference between the estimates and actuals in the past three years and the proposed amount should be reduced on that basis. Lumpsum should not as a rule, be proposed to be made in the budget estimates. The lumpsum budgetary provisions for 2019-20 are shown in **Table 3.10**.

Table 3.10: Lumpsum Budgetary Provisions

(₹ in crore)

Sr. No.	Grant No and Head of Account	Provision	Expenditure	Remarks
1	O10-(4515-00-800-010)- Lumpsum Provision for unbudgeted capital outlay (State Plan)	6500.00	0.00	The entire amount was withdrawn and re-appropriated within the grant
2	N03-(2225-80-800-C97)- Lumpsum Provision for Unbudgeted Revenue Outlay	616.59	0.00	
3	O04-(2515-00-800-048)- Lumpsum Provision for Unbudgeted Revenue Outlay (State Plan)	2175.25	0.00	
4	G02-(2070-00-800-052)- Lumpsum Provision for Salaries and Allowances, etc.	1500.00	0.00	
5	T05-(2225-02-796-C96)- Lumpsum Provision for Unbudgeted Revenue Outlay	141.80	0.00	
6	N04-(4225-01-800-113)- Lumpsum Provision for Unbudgeted Capital Outlay	100.00	0.00	

Source: Appropriation Accounts 2019-20

3.5 Comments on effectiveness of budgetary and accounting process

3.5.1 Budget projection and gap between expectation and actual

Efficient management of tax administration/other receipts and public expenditure holds the balance for achievement of various fiscal indicators. Budgetary allocations based on unrealistic proposals, poor expenditure monitoring mechanism, weak scheme implementation capacities/ weak internal controls lead to sub-optimal allocation among various developmental needs. Excessive savings in some departments deprives other departments of the funds which they could have utilized.

The summarised position of actual Expenditure *vis-à-vis* Budget (original/supplementary) provisions during 2019-20 is given in **Table 3.11**.

Table 3.11: Summarised position of actual Expenditure vis-à-vis Budget (Original/Supplementary) provisions during 2019-20

(₹ in crore)

(1)	Nature of expenditure	Original grant/appropriation	Supplementary grant/appropriation	Total	Actual expenditure	Net savings (-)	Amount Surrendered	
							Amount	percentage
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Voted	I Revenue	301073.47	50734.11	351807.58	271065.54	(-)80742.04	66640.67	83
	II Capital	46148.29	13391.11	59539.4	39654.37	(-)19885.03	14524.39	73
	III Loans Advances	2007.45	1302.2	3309.65	1969.86	(-)1339.79	1280.51	96
Total Voted		349229.21	65427.42	414656.63	312689.77	101966.86	82445.57	
Charged	IV Revenue	40755.66	180.35	40936.01	38782.05	(-)2153.96	1783.33	83
	V Capital	25.4	13.81	39.21	35.52	(-)3.69	0.04	1
	VI Public Debt	26194.53	0	26194.53	24625.85	(-)1568.68	1566.54	100
Total Charged		66975.59	194.16	67169.75	63443.42	(-)3726.33	3349.91	
Appropriation to Contingency fund		15350		15350	15350		0	0
Grand Total		431554.8	65621.58	497176.38	391483.19	(-)105693.19	85795.48	

Source: Appropriation Accounts 2019-20

The supplementary provision amounting to ₹ 65,621.58 crore during the year constituted 15 per cent of the original provision as against nine per cent in the previous year (2018-19).

The savings and excesses were intimated by the offices of the Accountant General (Accounts and Entitlement) regularly to the Controlling Officers through Monthly Reports on expenditure. They also took up the matter with Departments concerned after closure of the preliminary and final accounts in July 2020, requesting the Controlling Officers to explain the reasons for the significant variations, but no explanation was received (December 2020).

The trend in overall savings against the overall provision in the budget during 2015-20 is shown in **Table 3.12**.

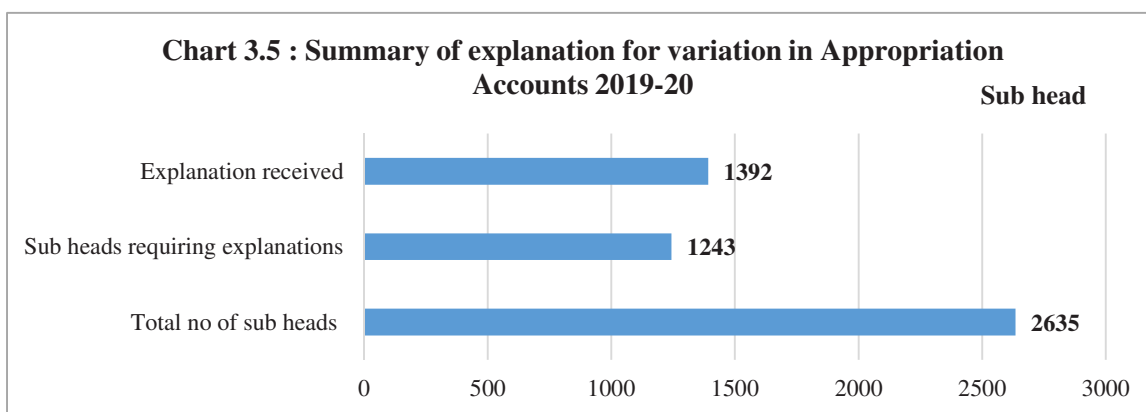
Table 3.12: Trends in overall savings against overall provision

(₹ in crore)

	2015-16	2016-17	2017-18	2018-19	2019-20
Original Budget	253592.10	281356.13	309226.41	380734.44	431554.81
Supplementary Budget	35468.24	33626.30	63807.47	36056.94	65621.57
Total Budget	289060.34	314982.43	373033.88	416791.38	497176.38
Actual Expenditure	236066.30	265910.32	295188.77	342935.03	391483.19
Saving	52994.04	49072.11	77845.11	70856.35	105693.19
Percentage of Saving	18.33	15.58	20.86	17.00	21.26

Source: Appropriation Accounts of respective years.

The summary of explanation of Variation in Appropriation Accounts is shown in **Chart 3.5**.



Source: Information obtained from VLC Section of Accountant General (A&E)-I Maharashtra

3.5.2 Financial power being flouted in relation to re-appropriation

3.5.2.1 Flow of Expenditure

Government Funds should be spent evenly throughout the year. The rush of expenditure towards the end of the financial year is regarded as a breach of financial propriety.

According to the Bombay Financial Rules 1959, flow of expenditure in the closing month of the financial year should be avoided. Contrary to this, in 35 Grants as listed in **Appendix 3.9**, it was noticed that expenditure in excess of ₹ 100 crore and consisting of 50 *per cent* or more of the total provision was incurred during the last quarter of the year 2019-20. Flow of expenditure at the end of the year shows poor expenditure control. Of the total expenditure of ₹ 63,274.63 crore, expenditure to the extent of ₹ 39,478.54 crore (62 *per cent*) was incurred during the last quarter.

The Grants which incurred 100 *per cent* expenditure in March 2020 is given in **Table 3.13**.

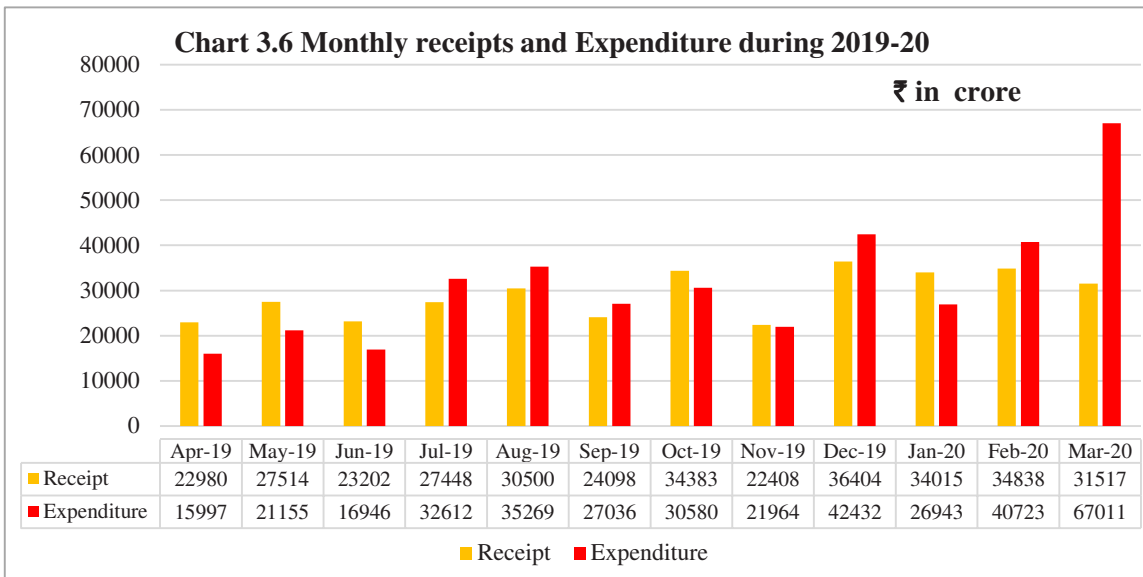
Table 3.13: Flow of expenditure in March 2020

(₹ in crore)

Sr. No.	Grant No.	Major Head	Grant Description	Total Expenditure during the year	Expenditure during March 2020	
					Amount	Percentage of total expenditure
1	E01	2049	Interest Payments	1702.04	1702.04	100
2	F07	6217	Loans for Urban Development	1416.78	1416.78	100
3	S04	4210	Capital Outlay on Medical and Public Health	550.06	543.64	98.83
4	W01	2049	Interest Payments	327.85	327.85	100

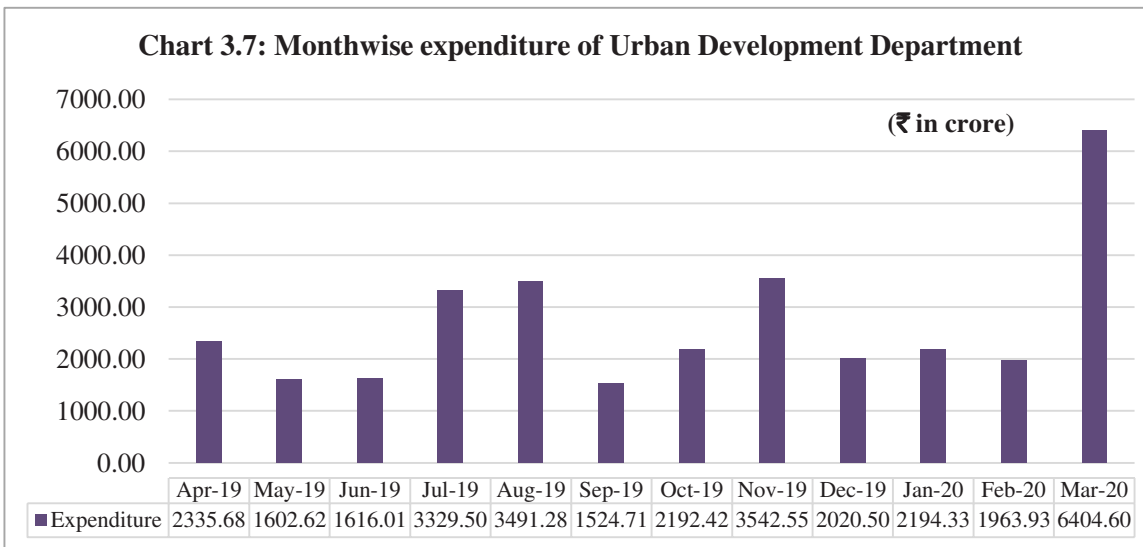
Source: information obtained from VLC Section of Accountant General (A&E)-I Maharashtra.

The monthly receipts and expenditure during 2019-20, is shown in **Chart 3.6**.



Source: Information obtained from VLC Section of Accountant General (A&E)-I Maharashtra

The month-wise expenditure of Urban Development Department is shown in **Chart 3.7**.



(Source: Information obtained from VLC section)

3.5.3 Review of selected Grants

The Maharashtra 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 ascertaining how far the authorities were adhering to these instructions, audit test checked records of the Administrative Department for the period 2016-19 of the following Grants.

- (I) **Grant I03-Expenditure on Irrigation, Power and Other Economic Services:** Under this Grant provision is made for Soil and Water Conservation, Forestry & Wild Life, Minor, Medium and Major Irrigation Projects, Command Area Development, Flood Control and Drainage, Power and Space Research which covers eight Major Heads namely Soil and Water Conservation (2402), Forestry & Wild Life (2406), Medium and Major Irrigation (2702), Minor Irrigation (2701), Command Area Development (2705), Flood Control and Drainage (2711), Power (2801) and Space Research (3402)
- (II) **Grant K08 – Secretariat Economic Service:** Under this Grant provision is made for Implementation of E-governance project, Training to Government Employees (3451)
- (III) **Grant V03 – Capital Expenditure on Social Services:** Under this Grant provision is made for Share Capital Contribution to Maharashtra Co-operative Development Corporation, Co-operative Spinning Mills, Powerloom Corporation, Powerloom Co-operative Societies (NCDC), Agriculture Processing Societies (NCDC) and covers three major heads namely 4425-Capital outlay on Co-operation, 4851 – Capital outlay on Village and Small Industries and 5475 – Capital outlay on Other General Economic Services.

3.5.3.1 Budget and Expenditure

The overall position of budget provision, actual disbursement and savings under the functional Heads of the Grant for the years 2017-18 to 2019-20 is given in **Table 3.14**.

Table 3.14: Details of budgetary provisions and actual expenditure under Grant No: I03, K08 and V03

(₹ in crore)

Year	Original provision	Supplementary provision	Total Grant or Appropriation	Actual Expenditure	Saving	Percentage of saving
I03-Expenditure on Irrigation, Power and Other Economic Services						
2017-18	1921.46	2.18	1923.65	1600.72	322.92	16.78
2018-19	2008.08	3.01	2011.10	1580.66	430.44	21.40
2019-20	2210.80	0.39	2211.19	1772.54	438.65	19.83
K08 – Secretariat Economic Service						
2017-18	27.66	0.00	27.66	13.78	13.88	50.18
2018-19	28.67	0.00	28.67	14.53	14.14	49.31
2019-20	24.65	0.03	24.68	19.69	4.99	20.21
V03 – Capital Expenditure on Social Services						
2017-18	143.07	0.00	143.07	90.13	52.94	37.01
2018-19	111.50	501.40	612.90	161.93	450.97	73.58
2019-20	91.49	300.13	391.62	43.54	348.08	88.88

Source: Appropriation Accounts of respective years

Table 3.14 shows persistent savings between 16 per cent and 21 per cent under Grant No. I-03, between 20 per cent and 50 per cent under Grant No. K-08 and between 37 per cent and 89 per cent under Grant No. V-03, during the period 2017-18 to 2019-20.

Further, it can be seen from **Table 3.14** that the actual expenditure under Grant No. I-03 and V-03 did not come up even to the original provisions even then supplementary provisions were made during the years 2017-18 to 2019-20 indicating over estimation and defective budgeting.

3.5.3.2 Substantial Savings under sub-heads

During 2019-20, in two sub-heads under Grant No.K-08 and four sub-heads under Grant No.V-03 savings of ₹ 10 crore and above and also between 68 per cent and 100 per cent of the total provision were noticed as shown in **Table 3.15**.

Table 3.15: Sub-head wise substantial saving under Grant No.K-08 and V-03 during 2019-20
(₹ in crore)

Sr No	Cross Reference Code	Description	Total Grant	Actual Expenditure	Savings	Percentage of savings	Reasons for savings
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
K08 – Secretariat Economic Service							
1	3451-090(00)(05)	Implementation of e-Governance Project	2.00	0.63	1.37	68.49	Due to Saving in certain special items of e-governance project due to “Ease of doing business
2	3451-003(00)(01)	Training to Government Employees	0.19	0.00	0.19	100.00	Due to non-release of entire amount required for payment of Government employees training bill of Yashada Pune
V03 – Capital Expenditure on Social Services							
1	4425-00-108(02)(08)	Share Capital to Agro Processing Societies (Kolhe Committee) (State Plan)	4.00	0.31	3.69	92..25	Due to non receipt of proposals from Marathwada and Vidharbha region and due to corona pandemic situation no action was taken for 2 proposals received from rest of Maharashtra
2	4425-00-190(00)(02)	Share Capital Contribution to the Agriculture Processing Societies (National Co-operative Development Corp)	6.00	1.90	4.10	68.33	
3	4425-00-190(00)(06)	Share Capital Contribution to Co-operative Spinning Mills (National Co-operative Development Corporation.	0.40	0.00	0.40	100	Due to no action taken on any proposals after 20 March 2020 due to corona pandemic situation.
4	4425-00-190(00)(01)	Share Capital Contribution to Maharashtra Co-operative Development Corporation.	300.00	0.00	300.00	100	Due to non-approval of proposals by the Finance Department.

Source: Appropriation Accounts 2019-20

3.5.3.3 Surrender of entire provision

Scrutiny of Appropriation Accounts for the year 2019-20 revealed that the entire provision under four sub-heads amounting to ₹ 1.56 crore under Grant I-03, one sub-head amounting to ₹ 19 crore under Grant No. K-08 and five sub-heads under Grant No. V-03 amounting to ₹ 311.53 crore were withdrawn/surrendered in the month of March 2020 through re-appropriation as detailed in **Table 3.16**.

Table 3.16: Details showing surrender of entire provision under Grant no. I-03, K-08 and V-03

(₹ in crore)

Sr. No.	Description	Original and Supplementary Grant	Amount Re-appropriated	Total Grant	Actual Expenditure
I03-Expenditure on Irrigation, Power and Other Economic Services					
1	2701 Major and Medium Irrigation 005(04)(02) Superintending Engineer, Thane Irrigation Circle, Thane	0.11	0.11	0.00	0.00
2	2701 Major and Medium Irrigation 800(15)(01) Punyashlok Ahilyadevi Holkar Water Users Association Awards	0.45	0.45	0.00	0.00
3	2801 Power 800(01)(06) Bhatsa Hydro Electric Project Thane Irrigation Project Circle, Thane	0.50	0.50	0.00	0.00
4	2801 Power 004(05)(05) Superintending Engineer, Koyana Design Circle, Pune	0.50	0.50	0.00	0.00
K08 – Secretariat Economic Service					
5	3451 Secretariat Economic Service 003(00)(01) Training to Government Employees	0.19	0.19	0.00	0.00
V03 – Capital Expenditure on Social Services					
6	4425 Capital outlay on Co-operation 190(00)(01) Share Capital Contribution to Maharashtra Co-operative Development Corporation.	300.00	300.00	0.00	0.00
7	4425 Capital outlay on Co-operation 190(00)(04) Share Capital Contribution to the Co-operative Sugar Factories for Co-generation Project.	9.00	9.00	0.00	0.00
8	4425 Capital outlay on Co-operation 190(00)(06) Share Capital Contribution to Co-operative Spinning mills (NCDC).	0.40	0.40	0.00	0.00

Sr. No.	Description	Original and Supplementary Grant	Amount Re-appropriated	Total Grant	Actual Expenditure
9	4851 Capital outlay on Village and Small Industries. 190(00)(02) Share Capital Contribution to the Maharashtra State Handloom Corporation.	2.00	2.00	0.00	0.00
10	5475 Capital outlay on other General Economic Services 102(01)(07) Share Capital Contribution to the Urban Co-operative Consumer's Societies	0.14	0.14	0.00	0.00

Source: Appropriation Accounts 2019-20

3.5.3.4 Drawals of huge amount (above ₹ 50 lakh) during February and March 2020 to avoid lapse of Grant No. I-03

Scrutiny of Data from VLC (Accounts) of Appropriation Accounts 2019-20 of Grant I-03 revealed that in eleven cases under Major Head 2701, there was huge withdrawal of amount exceeding ₹ 50 lakh in each case indicating that these drawals were necessarily made to avoid lapse of grants. The voucher wise details are given in **Table 3.17**.

Table 3.17: Drawal of huge amount (above ₹ 50 lakh) during February and March 2020 to avoid lapse of Grant No. I-03

Sub Head	DDO Name	Treasury	Voucher No.	Voucher Dt	Amount (₹ in lakh)
270180001 D99801	Executive Engineer, Jalna Irrigation Division, Jalna	Jalna	1	6-Mar-20	65.11
270180002 A89501	Executive Engineer, Hydrology Project Division, Aurangabad	Aurangabad	3	7-Feb-20	51.71
270180001 C0501	Executive Engineer, Irrigation Division, Yavatmal	Yavatmal	5	3-Feb-20	51.07
270180001 D99501	Executive Engineer, Canal Design Division, Nanded	Nanded	11	3-Mar-20	66.37
270180001 D15801	Executive Engineer, Irrigation Division, Akola	Akola	8	15-Feb-20	54.53
270180001 D99501	Executive Engineer, Aurangabad Irrigation Division, Basmatnagar, Hingoli	Hingoli	4	5-Feb-20	65.24
270180001 D99501	Executive Engineer, Aurangabad Irrigation Division, Basmatnagar, Hingoli	Hingoli	3	3-Mar-20	61.37
270180001 D99501	Executive Engineer, Nanded Irrigation Division (South), Nanded	Nanded	10	2-Mar-20	54.07
270180001 D99501	Executive Engineer, Canal Design Division, Nanded	Nanded	2	3-Feb-20	89.99
270180001 D99501	Executive Engineer, Canal Design Division, Nanded	Nanded	8	7-Feb-20	50.23
270180001 D99501	Executive Engineer, Nanded Irrigation Division (South), Nanded	Nanded	11	10-Feb-20	57.07
Total					666.76

Source: Data from VLC (Accounts) Accountant General (A&E)-II, Maharashtra.

3.5.3.5 Persistent Savings

For Implementation of e-governance project, budget provisions were made under Grant K-8 Industry, Energy and Labour Department Major Head 3451 from 2016-17 onwards. However, during 2017-18 to 2019-20 more than 90 *per cent* of the budget provision was re-appropriated for various reasons as detailed below. Faulty planning and inaccurate estimation resulted in surrender/re-appropriation of funds during 2017-20.

Table 3.18: Persistent savings under Grant K-8

(₹ in crore)

Year	Scheme announced	Amount allotted	Actual expenditure	Re-appropriation	Reasons for re-appropriation
2016-17	Implementation of E-governance project	18.92	-	18.92	Entire provision has been surrendered due to non-receipt of technical approval from Information and Technology department for implementing ILMS system.
2017-18	Implementation of E-governance project	10.85	-	10.85	Entire provision has been surrendered due to cancellation of ILMS project by Apex Committee
2018-19	Implementation of E-governance project	10.85	0.22	10.63	Surrender of provision of ₹ 10.63 crore in March 2019 was due to receipt of fewer proposals than anticipated
2019-20	Implementation of E-governance project	2.00	0.63	1.37	Surrender of provision was due to non-release of fund from Finance Department

3.6 Conclusion

- Against the total provision of ₹ 4,97,176.38 crore during 2019-20, an expenditure of ₹ 3,91,483.19 crore was incurred leading to a saving of ₹ 1,05,693.19 crore (27 *per cent*). Out of the savings, ₹ 85,795.48 crore was surrendered in March 2020. Surrender of savings in the fag end of the financial year indicated inadequate financial discipline.
- Supplementary Grants/ Appropriations were obtained without adequate justification, in many cases supplementary provision proved unnecessary, since the expenditure did not even come up to the original provision which clearly indicates inaccurate estimation of funds.

3.7 Recommendations

- (i) Government should enforce proper implementation and monitoring of budget to ensure that savings are curtailed, large savings within the Grant/ Appropriation may be avoided, and anticipated savings should be identified and surrendered within the specified timeframe.
- (ii) State Government assess and formulate to the extent possible a realistic budget based on reliable assumptions of the needs of the Departments and their capacity to utilise the allocated resources.