

CHAPTER - III
BUDGETARY MANAGEMENT

Chapter III

Budgetary Management

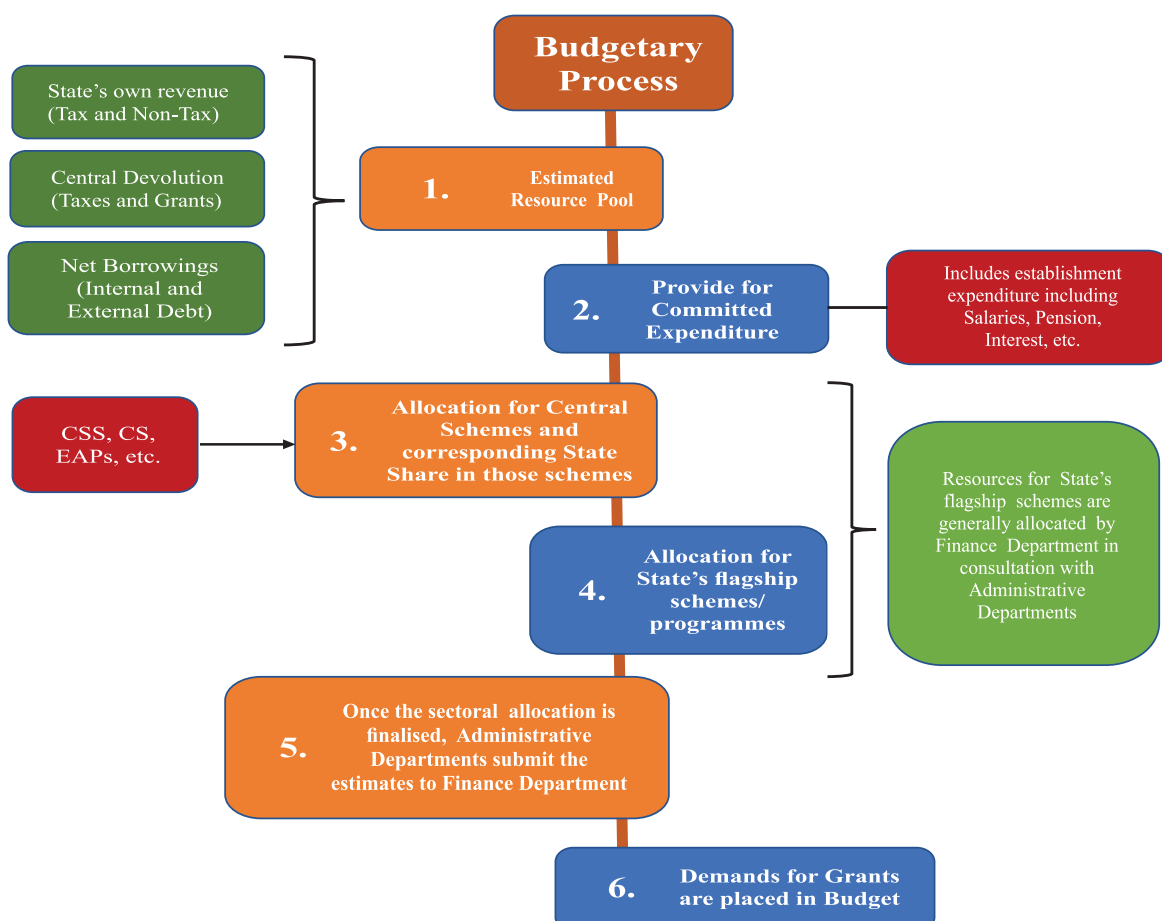
This Chapter reviews the allocative priorities of the State Government and comments on transparency of budget formulation and effectiveness of its implementation. It further reviews whether the decisions taken at the policy level are implemented at the administrative level without diversion of funds.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

3.1 Budget Process

In compliance with Article 202 of the Constitution of India, in respect of every financial year, a statement of the estimated receipts and expenditure of the State for that year called “The Annual Financial Statement” (Budget) is to be laid before the State legislature. The estimates of the expenditure show ‘charged’ and ‘voted’ items¹ of expenditure separately and distinguish expenditure on revenue account from other expenditure. Legislative authorization is necessary before incurring any expenditure by the State Government.

The glossary of Budget related terms is given in **Appendix 3.1**. The Budget process begins with the release of the Budget Circular, normally in August, which provides guidance to departments in structuring their estimates for the following fiscal year. The budget preparation process in the State is given in **Chart 3.1**.

Chart 3.1: Budget preparation process in a State

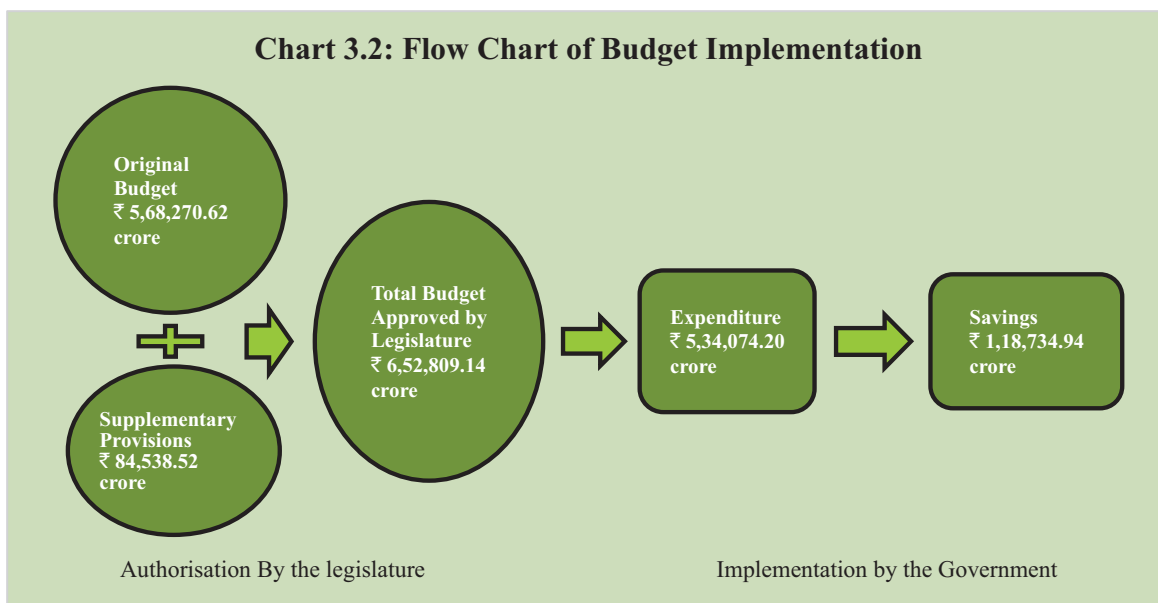


¹ **Charged expenditure:** certain categories of expenditure (e.g salaries of Constitutional authorities, loan repayments etc) constitute a charge on the Consolidated Fund of the State and are not subject to vote by the Legislature

Voted expenditure: All other expenditure is voted by the legislature

According to the Maharashtra Budget Manual (MBM) (Chapter IX), the Finance Department (FD) is responsible for preparing the Annual Budget by obtaining estimates from all the ministries. The Controlling Officers create departmental receipt and expenditure estimates on the advice of the Heads of Departments and present them to the FD as per prescribed timelines. The FD scrutinizes the estimates and prepares the Detailed Estimate 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 it should neither be large nor small. 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 2022-23 is depicted in **Chart 3.2.**



Source: Appropriation Accounts 2022-23

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 2022-23 against 300 grants/ appropriations is given in **Table 3.1.**

Table 3.1: Budget provision, Disbursement and Savings during 2022-23

(₹ in crore)

Total budget provision		Disbursement		Savings	
Voted	Charged	Voted	Charged	Voted	Charged
547921.89	104887.25	444090.50	89983.70	103831.39	14903.55
				(18.95)	(14.21)

Source: Appropriation Accounts 2022-23

Figures in the parenthesis are the percentage of saving to the total budget provision

3.1.2 Charged and Voted Disbursement

Article 112(2) of the Constitution requires that the estimates of expenditure embodied in the annual financial statement shall show separately the sums required to meet expenditure described by the Legislature as expenditure charged upon the Consolidated Fund of State and all other sums required to meet other expenditure proposed to be made from the Consolidated Fund of State and shall distinguish expenditure on revenue account from other expenditure.

Trend analysis of the total Charged and Voted Disbursement and Savings during the last five years (2018-19 to 2022-23) is shown in **Table 3.2**.

Table 3.2: Disbursement and Savings during 2018-19 to 2022-23

(₹ in crore)

Year	Disbursement		Savings			
	Voted	Charged	Voted	Percentage	Charged	Percentage
2018-19	278697.33	64237.70	69773.31	25.03	4083.05	6.35
2019-20	328039.77	63443.42	101966.86	31.08	3726.33	5.87
2020-21	320694.58	96353.79	104429.48	32.56	2811.71	2.91
2021-22	370445.46	82405.21	93242.70	25.17	18293.33	22.20
2022-23	444090.50	89983.70	103831.39	18.95	14903.55	14.21

Source: Appropriation Accounts of respective years

Under voted grants, savings as percentage of disbursement reduced considerably from 25.03 per cent in 2018-19 to 18.95 per cent in 2022-23.

3.1.3 Budget Marksmanship

3.1.3.1 Aggregate Budget outturn

Aggregate Budget Outturn measures the extent to which the aggregate budget expenditure outturn/actual expenditure reflects the amount originally approved, both in terms of less than approved and in excess of approved.

Table 3.3: Original Budget *viz-a-viz* Actual outturn

(₹ in crore)

Description	Original Approved Budget (BE)	Actual Outturn	Difference between Actual and BE*
(1)	(2)	(3)	(4)
Revenue	436214.15	415536.35	(-)20677.80
Capital	132056.48	118537.85	(-)13518.63
Total	568270.63	534074.20	(-)34196.43

*Excess of actual over provision is denoted as (+) figure and shortage of actuals over original provision is denoted as (-) figures
Source: Appropriation Accounts 2022-23

In the Revenue section, deviation in outturn compared with original budget provision was 4.74 per cent. This was due to deviation ranging between 0 and ± 25 per cent in 101 grants, between ± 25 per cent to ± 50 per cent in 42 grants, between ± 50 per cent and 100 per cent in 21 grants and equal to or more than 100 per cent in 13 grants. No original provision was, however, made in respect of three grants in the Revenue section.

In the Capital section, deviation in outturn compared with original budget provision was 10.24 per cent. This was due to deviation ranging between 0 and ± 25 per cent in 75

grants, between ± 25 per cent and ± 50 per cent in 17 grants, between ± 50 per cent to 100 per cent in 12 grants and equal to or more than 100 per cent in 14 grants. No original provision was, however, made in respect of two grants in Capital section.

3.1.3.2 Expenditure Composition Outturn

Expenditure Composition Outturn measures the extent to which re-allocations between the main budget categories during execution have contributed to variation in expenditure composition.

Table 3.4: Revised Estimate vis-a-vis Budget estimate and Actual expenditure

(₹ in crore)

Description	Original Approved Budget (BE)	Revised Estimates (RE)	Actual Outturn	Difference between BE&RE	Difference between Actual and RE*
1	2	3	4	5	6
Revenue	436214.15	498740.59	415535.64	62526.44	(-)83204.95
Capital	132056.48	154068.56	118537.85	22012.08	(-)35530.71
Total	568270.63	652809.15	534073.49	84538.52	(-)118735.66

*Excess of actuals over revised estimate is denoted as (+) figure and shortage of actuals over original provision is denoted as (-) figure
Source: Appropriation Accounts 2022-23

In the Revenue section, deviation in outturn compared with RE was 16.68 per cent. This was due to deviation between 0 and ± 25 per cent in 107 grants, between ± 25 per cent to ± 50 per cent in 43 grants, between ± 50 per cent to 100 per cent in 18 grants and equal to or more than 100 per cent in 12 grants.

In the Capital section, deviation in outturn compared with RE was 23.06 per cent. This was due to deviation between 0 and ± 25 per cent in 80 grants, between ± 25 per cent to ± 50 per cent in 17 grants, between ± 50 per cent to 100 percent in 14 grants and equal to or more than 100 per cent in nine grants.

3.2 Appropriation Accounts

Appropriation Accounts compare the expenditure of the State Government for each financial year with the amounts of voted grants and charged appropriations 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 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 for the year 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 MBM, provides a legal basis for Supplementary Budget or Supplementary Estimates (SE). During 2022-23, the Supplementary provisions (₹ 84,538.52 crore) constituted 14.88 per cent of the original provisions (₹ 5,68,270.62 crore).

Supplementary provisions aggregating to ₹ 26,214.03 crore obtained in 38 voted Grants (₹ 10 crore or more in each case) during the year proved unnecessary as the actual expenditure of ₹ 1,97,603.19 crore did not reach the levels of the original provision (₹ 2,41,614.91 crore) as detailed in **Appendix 3.2**. Grants having savings of more than ₹ 1,000 crore and where supplementary provision proved unnecessary are given in **Table 3.5**.

Table 3.5: Grants having savings of more than ₹ 1,000 crore where Supplementary provision proved unnecessary

(₹ in crore)

Grant Number and Description	Original provision	Supplementary provision	Expenditure	Savings out of the original provisions (percentage)
Revenue Section Voted				
B.1-Police Administration	24583.07	134.20	19978.85	(-)4604.22
F.2-Urban Development and Other Advance Services	15692.66	2146.35	12003.34	(-)3689.32
G.6-Pensions and Other Retirement Benefits	45448.34	2001.85	43017.19	(-)2431.16
N.3-Welfare of Scheduled Caste, Scheduled Tribes, Other Backward Classes and Minorities	14779.37	3133.61	13010.53	(-)1768.84
O.3-Rural Employment	3634.03	150.00	1863.57	(-)1770.46
T.5-Revenue Expenditure on Tribal Areas Development Sub-Plan	11485.24	1836.17	9542.71	(-)1942.53
Y.2-Water Supply and Sanitation	10861.85	716.16	3911.68	(-)6950.17
Capital Section				
H.8-Capital Expenditure On Public Works Administrative and Functional Buildings	3686.38	695.91	1855.24	(-)1831.14
I.5-Capital Expenditure on Irrigation	15037.04	1504.52	11551.26	(-)3485.78
L.7-Capital Expenditure on Rural Development	5404.98	241.17	4119.83	(-)1285.15
O.10-Capital Outlay on Other Rural Development Programmes	5646.73	267.42	1705.45	(-)3941.28
Source: Appropriation Accounts of 2022-23				

The above cases indicate that provision of supplementary grants despite savings against original grants had deprived other departments that could have utilized the funds. The Department needs to strengthen the estimation of requirement of funds and review the basis of supplementary provisions.

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 Maharashtra 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.

As per the Maharashtra Contingency Fund Act, the corpus of the Contingency Fund of the State is ₹ 150 crore. As per ordinance dated 01 November 2022, it was increased by ₹ 200 crore. During the year 2022-23, the State Government drew ₹ 311.00 crore from the Contingency Fund and the whole amount was recouped by 31 March 2023.

During 2022-23, of the two sanctions issued by Finance Department for ₹ 311.00 crore, two withdrawals amounting to ₹ 311.00 crore were made from the Fund. The details of withdrawals from the Contingency Fund during 2022-23 are given in **Table 3.6**.

Table 3.6: Contingency Fund Sanction orders and Utilization against Sanctions

(₹ in crore)

S. No.	Sanction No. and Date	Major head / Grant No.	Purpose for which drawn	Sanction	Expenditure	Recoupment
1	CNF-2022/C.R.01/ BUDGET - 18/27/09/2023	5475/G-08	For share capital and incidental expenses MAHA ARC Ltd	111.00	111.00	111.00
2	CNF-2022/C.R.01/ BUDGET - 18/02/11/2022	5475/G-08	For share capital and incidental expenses MAHA ARC Ltd	200.00	200.00	200.00
Total				311.00	311.00	311.00

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

3.3.3 Excessive / Unnecessary Re-appropriation of Funds

Re-appropriation is the 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 MBM, 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.

In several cases, re-appropriation proved excessive and resulted in huge savings. As seen from **Appendix 3.3**, re-appropriation proved unnecessary in 48 cases, as the re-appropriated amount ultimately resulted in savings of ₹ 10 crore and above in each case. The above instances are indicative of the fact that the budget controlling officers could not adequately assess the requirements and did not update information regarding expenditure before re-appropriations.

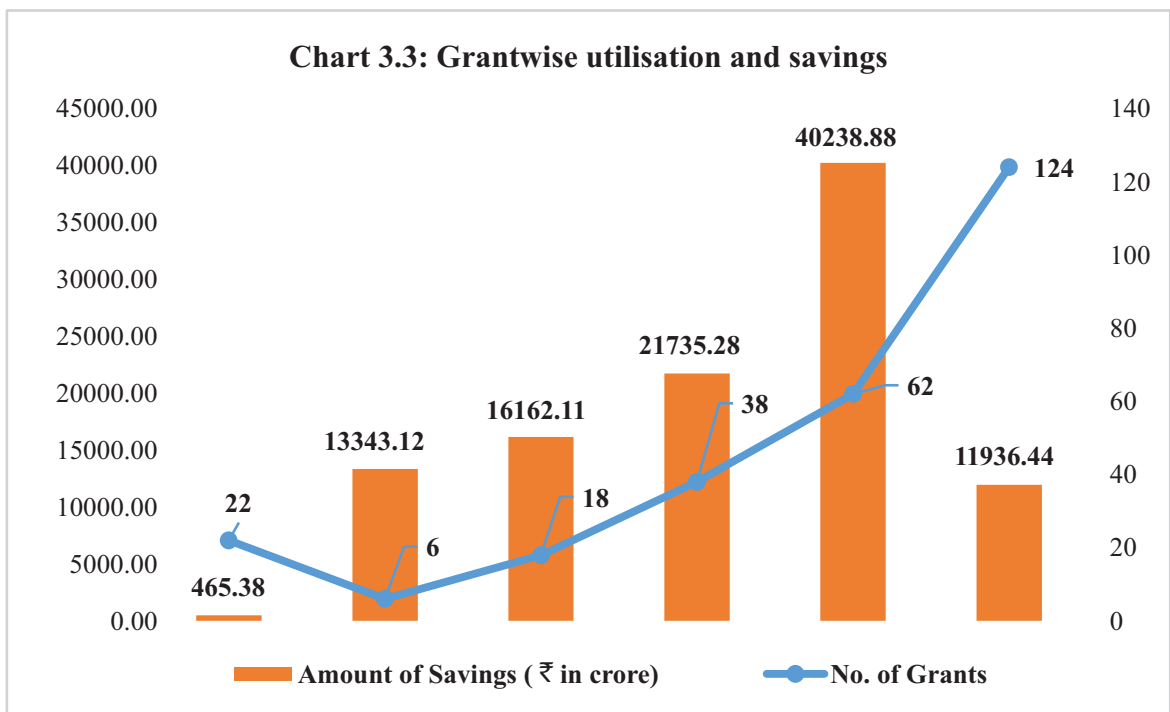
3.3.4 Unspent amount and surrendered Appropriation and/or huge Savings/ Surrenders

Budgetary allocations based on poor expenditure monitoring mechanism and 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 deprive other Departments of the funds which they could have utilized.

Audit of Appropriation Accounts revealed that out of the net savings of ₹ 1,18,734.94 crore during 2022-23, savings in 71 grants amounting to ₹ 81,572.29 crore (68.70 *per cent* of the total savings) was 20 *per cent* or more of the total provision in each case as indicated in **Appendix 3.4**. Further, in 71 grants the savings exceeded ₹100 crore in each case as shown in **Appendix 3.5**.

Para 173 of the MBM 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, when they come to notice, should immediately be surrendered. Provisions that cannot be profitably utilized should be surrendered.

The percentage of utilization of the total provision in 276 voted grants along with the total savings during 2022-23 is shown in **Chart 3.3**.



(Source: Appropriation Accounts 2022-23)

Of the 276 voted grants, there was excess expenditure in six grants, only 124 grants could utilize 90 to 100 *per cent* of their total budgeted provision leading to a savings of ₹ 11,936.44 crore, whereas 22 grants could utilize only upto 10 *per cent* of the budgeted provision.

Reasons furnished by the departments for the major savings, as reported in the Appropriation Accounts are given in the succeeding paragraph.

Grant F-2- Urban development and other advance services- Under Major Head 2217- Urban development Minor head 191- Assistance to local bodies, corporations etc-

The budget provision of ₹ 1,116 crore (Central share) and ₹ 558.00 crore (State Share) for Smart city Abhiyan was withdrawn through re-appropriation/surrender in March 2023 without assigning any specific reason.

Grant L-3- Rural development Programmes- Under Major Head 2235 - Social Security and Welfare, Minor Head 103 Women Welfare, an amount of ₹ 262.39 crore was obtained through supplementary demand on account of subsidy for providing sanitary napkins at concessional rates to school going girls in rural areas under Asmita Programme (State Scheme). However, the entire amount ₹ 262.39 crore was surrendered in March 2023 due to non-finalization of revised plan of implementation of Asmita Scheme at government level. Further, it was observed that during 2018-19, 55 *per cent* of the budgeted amount obtained through supplementary demand was surrendered in March 2019 based on the number of eligible beneficiaries. The entire budgeted provision during 2019-20 to 2021-22 was surrendered in March of the financial year. The reasons attributed in the Appropriation Accounts of the respective year for the surrender was non-approval of the Scheme by the Cabinet and expenditure incurred from funds of earlier year available under the Asmita Programme.

Grant L-7 Capital Expenditure on Rural Development- Under Major head 4515- capital Outlay on other Rural development Programmes, Minor head 103- Rural Development, an amount of ₹ 228.40 crore was obtained through supplementary demand. However, the entire provision of ₹ 228.40 crore was withdrawn through surrender due to technical difficulty in mapping of Single Nodal Agency Account for the sub head.

Grant Y-2 Water Supply and sanitation- Under Major Head 2215- Water supply and sanitation- Minor head 196- Assistance to Zilla Parishads/District level Panchayats, an amount of ₹ 200 crore was provided as grant-in-aid for Water supply Scheme for Marathawada Division by integrated grid process. The entire amount of ₹ 200 crore was surrendered as there was no demand from the implementing agencies under the scheme.

3.3.4.1 Persistent Savings

“Persistent savings” refers to the consistent practice of not utilizing the allocated funds every year. Persistent savings in the last five years 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 39 cases **Appendix 3.6.**

Savings in each financial year 2018-19 to 2022-23 ranged between 51 *per cent* and 98 *per cent* of the total provision under Grant Q-03 ‘Housing’ and between 71 *per cent* and 89 *per cent* under Grant O-10 ‘Capital Outlay on Other Rural Development Programs’.

3.3.4.2 Grants with ‘Nil’ expenditure

During 2022-23, budget provision of more than ₹ 10 crore amounting to ₹ 69.51 crore made under three grants remained un-utilized at the end of the year. Details are given in **Table 3.7.**

Table 3.7: Grants with 'Nil' expenditure

(₹ in crore)

S. No.	Grant	V/C	Total Provision	Actual Expenditure	Remarks
1.	D-01 Interest payments	V	17.51	0.00	Due to non-receipt of loan from NABARD, entire provision was surrendered.
2.	D-10 Internal Debt of the State Government	C	15.00	0.00	Provision was made for Loans from National Co-operative Development Corporation. The entire provision was surrendered without assigning any specific reason.
3.	X-03 Capital Expenditure on Social Services	V	37.00	0.00	Provision was made for Construction of Anganwadi Centres as per recommendation of the 13 th Finance Commission. The entire amount was surrendered in view of directions of the Finance Department to review the works under the scheme.
Total			69.51		

Source: Appropriation Accounts 2022-23

3.3.5 Excess expenditure and its regularisation

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 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 the State Government to get excesses over grants/appropriations regularized by the State Legislature for the financial year. Although no time limit for regularization of excess expenditure has been prescribed under the Article, the regularization 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 of the Executive in utilization of public money.

3.3.5.1 Excess expenditure relating to 2022-23

Excess expenditure over the provision for the year is not only in contravention of the provisions requiring legislative sanction but is indicative of bad planning, which can be avoided by keeping track of progress of expenditure as against the budget made for the purpose. However, during the year 2022-23, against the Budget Estimates of ₹ 6,52,809.14 crore, expenditure of ₹ 5,34,074.20 crore was incurred in 300 grants/appropriations. Though there were overall savings of ₹ 1,18,734.94 crore, there was excess expenditure in six voted grants and two charged appropriations amounting to ₹ 71.66 crore, which required regularization as per Article 205 of the Constitution of India.

The Grants/appropriations which closed with excess over provisions during 2022-23 requiring regularization are shown in **Table 3.8**.

Table 3.8: Grants/appropriations which closed with excess over provisions during 2022-23 requiring regularization

(₹ in crore)

S. No.	Name and the title of the Voted grant/ Charged appropriation	Total grant	Expenditure	Excess
Voted Grant				
1	O-24 District Plan- Sindhudurg	144.60	144.66	0.05
2	O-30 District Plan-Sangli	278.44	278.45	0.01
3	O-43 District Plan-Ahmednagar	117.83	118.41	0.58
4	O-70 District Plan –Gadchiroli	231.35	231.51	0.16
5	O-74 District Plan- Amravati	257.74	257.84	0.10
6	W-04 Art and Culture	432.89	481.08	48.19
Charged Appropriation				
7	G-06 Pensions and Other Retirement Benefits.	76.24	92.79	16.55
8	T-01 Interest Payment	53.53	59.56	6.02
TOTAL		1592.62	1664.30	71.66
Source: Appropriation Accounts 2022-23				

3.3.5.2 Regularisation of excess expenditure of previous financial years

As has been stated in Paragraph 3.3.5 above, excess expenditure remaining unregularized 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 regularized by the State Legislature. Although no time limit for regularization 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 ₹ 2,918.52 crore for the year 2017-18, 2018-19, 2019-20, 2020-21 and 2021-22 in respect of 42 grants and 15 appropriations was pending for regularization as of March 2023 as detailed in **Appendix 3.7**.

3.3.6 Grants-in-Aid for creation of capital assets

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

As per IGAS-2, GIA disbursed by a grantor to a grantee shall be classified and accounted for as revenue expenditure. The misclassification of GIA as capital expenditure for 2018-19 to 2022-23 is shown in **Table 3.9**.

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

(₹ in crore)

	2018-19	2019-20	2020-21	2021-22	2022-23
GIA booked as Capital Expenditure	1311.26	1580.59	1423.66	1662.63	3440.70
Total Expenditure	303615.89	338690.64	342638.31	398792.31	473922.42
Capital Outlay	35049.05	36415.57	29686.70	46670.39	61643.61
Share of GIA in Capital Outlay as percentage	3.74	4.34	4.80	3.56	5.58

	2018-19	2019-20	2020-21	2021-22	2022-23
Impact on Revenue Deficit (-) /Revenue Surplus (+) if expenditure from GIA is treated as Revenue Expenditure	1311.26	1580.59	1423.66	1662.63	3440.70
Source: Finance Accounts of respective years					

3.4 Comments on transparency of Budgetary and Accounting Process

3.4.1 Lumpsum Budgetary Provisions

Para 53 and Para 12(e) of Appendix X of MBM stipulate that budget provision should be examined with respect to the difference between the estimates and actuals in the past three years and the proposed amount should be reduced on that basis. Lumpsum amounts should not as a rule, be proposed to be made in the budget estimates. The lumpsum budgetary provisions for 2022-23 are shown in **Table 3.10**.

Table 3.10: Lumpsum Budgetary Provisions

(₹ in crore)

S.No	Grant No and Head of Account	Provision	Expenditure	Remarks
1	O10-(4515-800-01-01)-Lumpsum Provision for Unbudgeted Capital Outlay (State Plan)	3792.60	0.00	The entire provision was surrendered.
2	G02-(2070-800-02-01)-Lumpsum Provision for Salaries and Allowances, etc	1500.00	0.00	
3	O04-(2515-800-01-01)-Lumpsum Provision for Unbudgeted Revenue Outlay (State Plan)	100.00	0.00	
4	T05-(2225-796-01-51)-Lumpsum Provision for Unbudgeted Revenue Outlay	51.86	0.00	
Source: Appropriation Accounts 2022-23				

3.4.2 Major Policy pronouncements in Budget and their actual funding for ensuring implementation

Several policy initiatives/schemes (₹ 10 crore and above) were taken up by the Government during 2022-23 which were wholly or partially not executed due to non-approval of scheme guidelines/modalities, non-commencement of works for want of administrative sanction, non-release of budget, etc. Savings in such schemes deprive other Departments of the funds which they could have utilized.

It was observed that under 16 schemes, there was approved outlay (original +supplementary) of ₹ 6,994 crore which was fully withdrawn through surrender/re-appropriation as shown in **Appendix 3.8**. This reflects the fact that budgetary allocations were based on unrealistic proposals.

3.5 Comments on effectiveness of Budgetary and Accounting Process

3.5.1 Budget projection and gap between expectation and actual

Budgetary allocations based on unrealistic proposals, poor expenditure monitoring mechanism and weak scheme implementation capacities/ weak internal controls lead to sub-optimal allocation among various developmental needs. Excessive savings in some departments deprive other departments of the funds, which they could have utilized.

The summarised position of actual expenditure *vis-à-vis* budget (original/supplementary) provisions during 2022-23 is given in **Table 3.11**

Table 3.11: Summarised position of actual Expenditure vis-à-vis Budget (Original/Supplementary) provisions during 2022-23

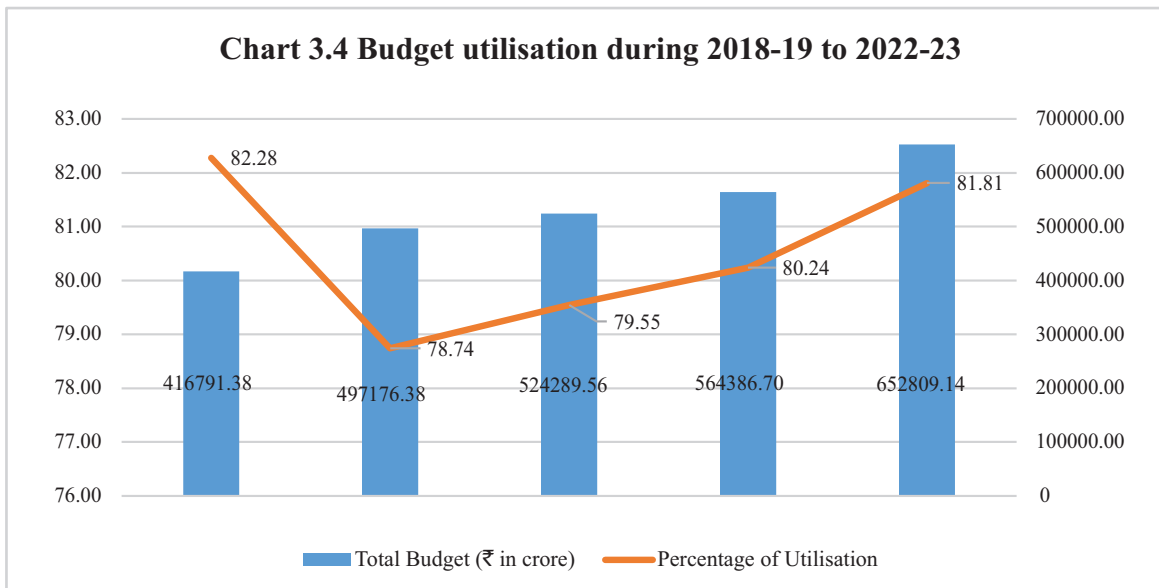
(₹ in crore)

	Nature of expenditure	Original grant/ appropriation	Supplementary grant/ appropriation	Total	Actual expenditure	Savings	Savings %
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Voted	I Revenue	386357.07	60562.14	446919.21	370399.40	(-)76519.81	17.12
	II Capital	76383.22	19462.07	95845.29	68826.69	(-)27018.60	28.19
	III Loans and Advances	2414.04	2543.35	4957.39	4664.41	(-)292.98	5.91
Total Voted		465154.33	82567.56	547721.89	443890.50	(-)103831.39	18.96
Charged	IV Revenue	49857.08	1964.30	51821.38	45136.96	(-)6684.42	12.90
	V Capital	56.25	6.66	62.91	51.70	(-)11.21	17.80
	VI Public Debt	53002.96	0.00	53002.96	44795.04	(-)8207.92	15.49
Total Charged		102916.29	1970.96	104887.25	89983.70	(-)14903.55	14.21
Appropriation to Contingency fund		200.00	...	200.00	200.00	...	
Grand Total		568270.62	84538.52	652809.14	534074.20	(-)118734.94	18.19

Source: Appropriation Accounts 2022-23

The savings and excesses were intimated by the office of the Accountant General (Accounts and Entitlement)-I, Maharashtra 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 March 2023, requesting the Controlling Officers to explain the reasons for the significant variations, but no explanation was received (June 2023).

The position of budget utilisation during previous five years is given in **Chart 3.4**



(Source: Appropriation Accounts of the respective years)

Trends in the original budget, revised estimates, actual expenditure for the period 2018-19 to 2022-23 are given in **Table.3.12**

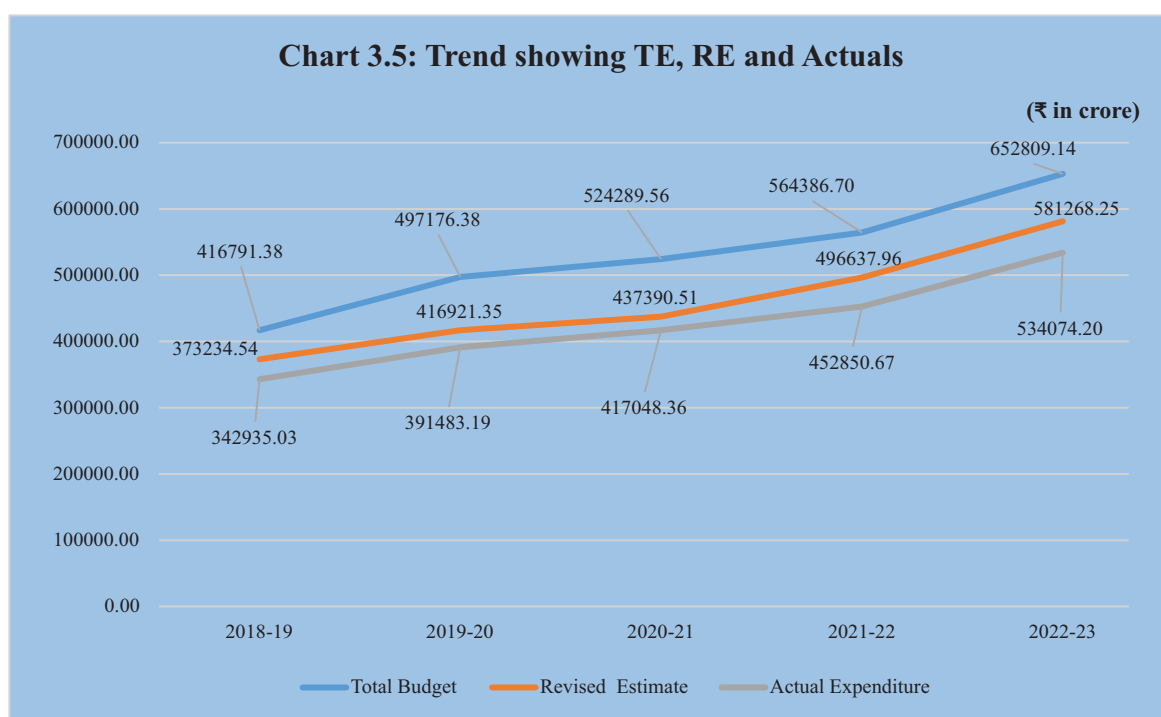
Table 3.12: Original Budget, Revised Estimate and Actual Expenditure

(₹ in crore)

	2018-19	2019-20	2020-21	2021-22	2022-23
Original Budget	380734.44	431554.81	452136.69	503688.31	568270.62
Supplementary Budget	36056.94	65621.57	72152.87	60698.39	84538.52
Total Budget (TB)	416791.38	497176.38	524289.56	564386.70	652809.14
Revised Estimate (RE)	373234.54	416921.35	437390.51	496637.96	581268.25
Actual Expenditure (AE)	342935.03	391483.19	417048.36	452850.67	534074.20
Savings	(-73856.35)	(-105693.19)	(-107241.20)	(-111536.03)	(-118734.94)
Percentage of supplementary to the original provision	9.47	15.21	15.96	12.05	14.88
Percentage of overall saving/excess to the overall provision	17.72	21.26	20.45	19.76	18.19
TB-RE	43556.84	80255.03	86899.05	67748.74	71540.89
RE-AE	30299.51	25438.16	20342.15	43787.29	47194.05
(TB-RE) as % of TB	10.45	16.14	16.57	12.00	10.96
(RE-AE) as % of TB	7.27	5.12	3.88	7.76	7.23

Source: Annual Financial Statement and Appropriation Accounts of the respective years

As seen from above table, the supplementary provision of ₹ 84,538.52 crore during 2022-23 constituted 14.88 per cent of the original provision as against 12.05 per cent in the previous year (2021-22).



Source: Annual Financial Statement and Appropriation Accounts of the respective years

From the above **Chart 3.5**, it can be seen that over the years from 2018-19 to 2022-23, the Revised Estimate (RE) was always lower than the Total Budget (TB) of the State. The supplementary provisions during 2018-19 to 2022-23 proved unnecessary since the expenditure did not come up even to the level of original budget provisions.

Paragraph 165 of the Budget Manual stipulates that the orders sanctioning reappropriation 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-appropriations orders issued by the administrative departments revealed that of 1,063 items of re-appropriations made during 2022-23, no specific reasons were given in respect of 68 cases (6.40 per cent). This goes against the principle of transparency envisaged in Section 6 of the Maharashtra Fiscal Responsibility and Budgetary Management Act.

3.5.2 Budgetary flow and review of Grants

3.5.2.1 Rush of Expenditure

Rule 62(3) of the General Financial Rules provides that rush of expenditure particularly in the closing months of the financial year, is regarded as a breach of financial propriety and should be avoided.

According to the Bombay Financial Rules 1959, flow of expenditure in the closing month of the financial year should be avoided. Contrary to the provisions of the Rule, in 13 Grants as listed in **Table 3.13**, it was noticed that 100 per cent expenditure was incurred during the fourth quarter of the year.

Details of 13 grants which incurred 100 per cent expenditure in the fourth quarter are given in **Table 3.13**.

Table 3.13: Flow of expenditure in March 2023

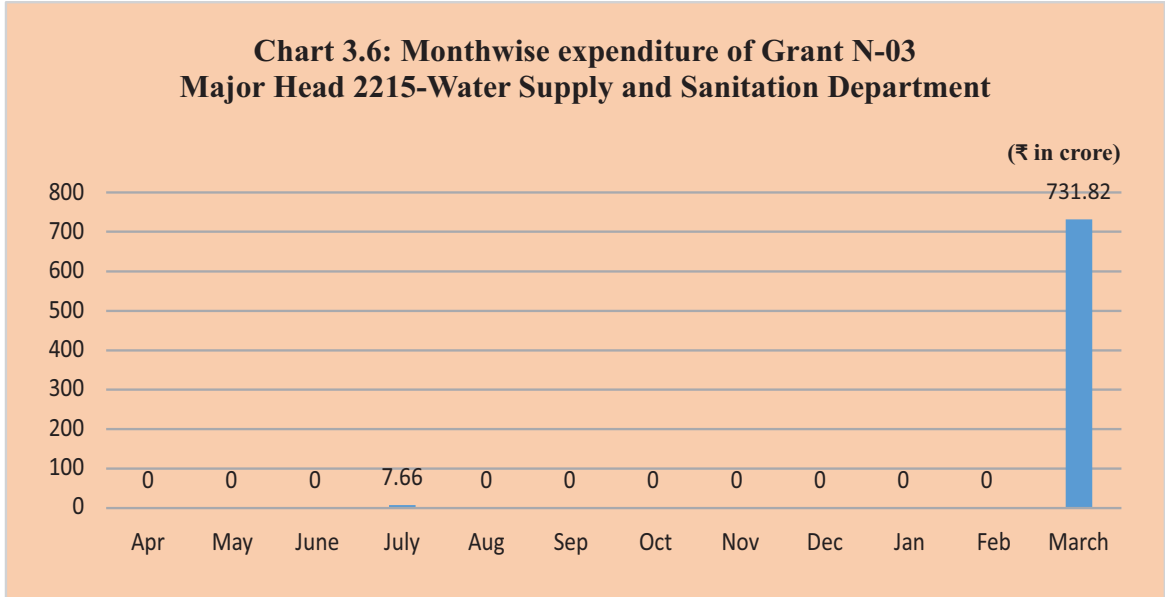
(₹ in crore)

S. No	Grant No.	Grant Description	Total Expenditure during the year	Expenditure during fourth Quarter 2022-23
1	B08	Flood Control Projects	1.75	1.75
2	C09	Capital Expenditure on Other Administrative and Social Services	7.66	7.66
3	K09	Capital Expenditure on Economic and Social Services	31.84	31.84
4	K10	Capital Expenditure on Industries	72.52	72.52
5	U01	Interest Payments	6.62	6.62
6	V05	Capital Expenditure on Economic Services	2.91	2.91
7	ZA01	Secretariat and Other Social Services	599.17	599.17
8	ZD05	Capital Outlay on Education, Sports, Art and Culture	9.10	9.10
9	ZE02	Capital Outlay on Social Security and Welfare	25.50	25.50
10	ZE03	Loans to Government Servants, etc.	0.43	0.43
11	ZF04	Capital Outlay on Public Works	0.61	0.61
12	ZG04	Capital outlay on Welfare of SC	4.02	4.02
13	ZH02	Social Security and Welfare	0.03	0.03

Source:- Information received from office of the Accountant General (A&E)-I Maharashtra, Mumbai

As seen from **Appendix 3.9** expenditure incurred in the fourth quarter ranged between 50 per cent and 100 per cent and the expenditure incurred during the month of March 2023 alone ranged between 50.18 and 100 per cent.

Month-wise expenditure of Major Head 2215 Water Supply and Sanitation under Grant N-03 having high percentage of expenditure in March is given below in **Chart 3.6**.

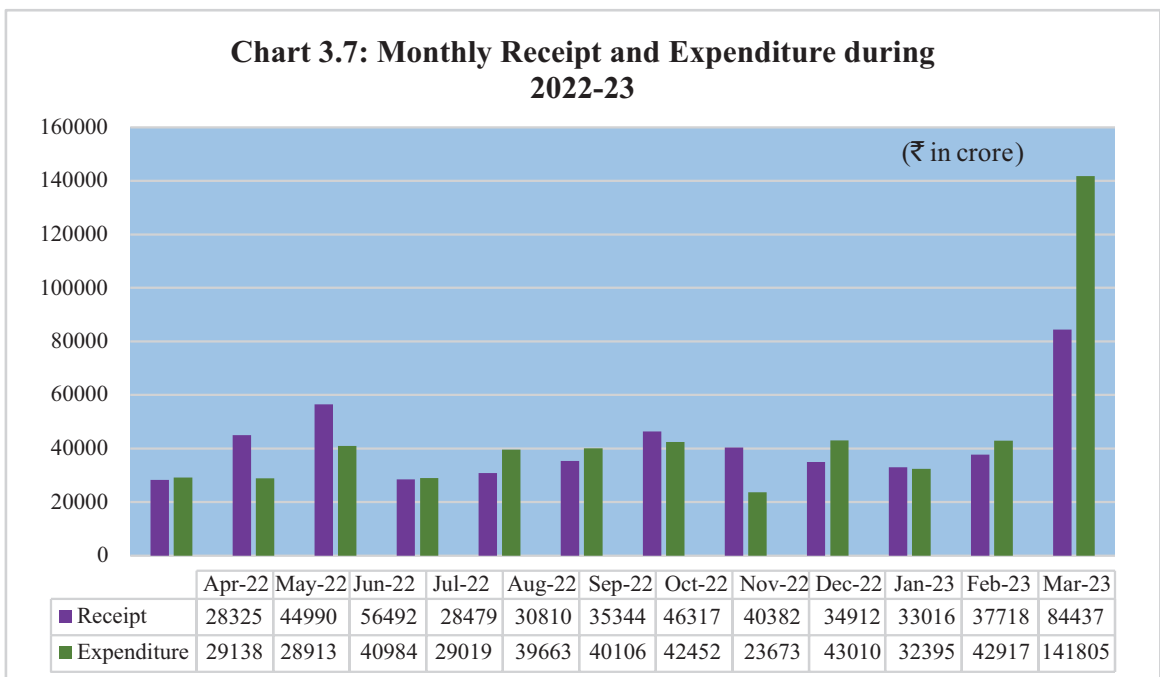


(Source: Information obtained from Accountant General (A&E)-I Maharashtra, Mumbai)

It was observed that under Major Head 2215 under Grant N-03, 98.96 per cent expenditure (₹ 731.82 crore) of the total expenditure of ₹ 739.47 crore was incurred in March 2023.

Flow of Receipt and Expenditure

The monthly flow of receipts into the state exchequer and disbursement during 2022-23 is shown in **Chart 3.7**.



(Source: Monthly Civil Accounts)

The **chart 3.7** shows that receipts were comparatively higher than expenditure during the months of May, June, October, November and January. However, both receipt and

expenditure increased substantially in the month of March 2023 in comparison to the remaining months of the year. Further, scrutiny of the pattern of expenditure during 2022-23 revealed that the State Government incurred an expenditure of ₹ 1,41,805 crore, constituting about 26.55 per cent of the total expenditure of ₹ 5,34,074 crore, in the month of March 2023 alone.

Huge expenditure in the last month of the financial year is inconsistent with prudent financial management and indicates a weak internal control system and lack of budgetary control/management.

3.5.3 Review of selected Grants

A review of budgetary procedure and control over expenditure in respect of two selected grants i.e Grant H-6 Expenditure on Public Works and Administrative and Functional Building and Grant Q-3 Housing, was conducted wherein magnitude of variation in original grants, supplementary demands and actual expenditure were analysed.

The MBM 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 ensuring that the grant placed at their disposal is spent only on the objects for which it has been provided and to surrender savings if not required.

With a view to ascertaining how far the authorities were adhering to these instructions, audit test checked the records of the administrative department for the period 2019-20 to 2022-23 of the following Grants.

3.5.3.1 Grant H-6 Expenditure on Public Works and Administrative and Functional Building

(i) Introduction

Under this Grant, provision is made for revenue expenditure on Public Works and Administrative and Functional Building, General Education, Technical Education, Art and Culture, Medical and Public Health, Urban Development, Labour and Employment, Animal Husbandry, Fisheries which covers nine Major Heads namely (2059) Public Works, (2202) General Education, (2203) Technical Education, (2205) Art and Culture, (2210) Medical and Public Health, (2217) Urban Development, (2230) Labour and Employment, (2403) Animal Husbandry and (2405) Fisheries.

(ii) Budget and Expenditure

The overall position of budget provision, actual disbursement and savings under the Grant for the years 2020-21 to 2022-23 is given in **Table 3.14**.

Table 3.14: Details of budgetary provisions and actual expenditure under Grant No: H-06

(₹ in crore)

Year	Original provision	Supplementary provision	Total Grant / Appropriation	Actual Expenditure	Savings	Percentage of savings
H-06 Expenditure on Public Works and Administrative and Functional Building						
2020-21	3059.20	100.00	3159.20	2052.84	1106.37	35.02
2021-22	3190.92	263.18	3454.10	2587.23	866.86	25.09
2022-23	3353.58	351.61	3705.20	3031.42	673.78	18.18

Source: Appropriation Accounts of the respective year

Table 3.14 shows that savings ranged between 18.18 *per cent* and 35.02 *per cent* during 2020-21 to 2022-23.

(iii) 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 one sub-heads under Grant H-06, 41 *per cent* of the expenditure amounting to ₹ 770.53 crore was incurred in the last quarter of 2022-23 and in two sub heads more than 25 *per cent* of the expenditure amounting to ₹ 517.98 crore was incurred in the month of March 2023 as given in **Table 3.15**.

Table 3.15: Rush of expenditure in the last month of 2022-23 under Grant H-06

(₹ in crore)

S.No	Sub head	Description	Total Expenditure	Expenditure during fourth quarter of 2022-23	Percentage of total Expenditure during fourth quarter of 2022-23	Expenditure during March 2023	Percentage of Expenditure during March 2023
1	2059	Public Works and Administrative and Functional Buildings	1859.39	770.53	41.44	504.60	27.14
2	2217	Public Works and Administrative and Functional Buildings	41.09	0.00	0.00	13.38	32.57

Source: Appropriation Accounts 2023

As per para 173 of the Budget Manual, the spending Departments are required to surrender grant /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.

(iv) Surrender of entire provision

Scrutiny of Appropriation Accounts for the year 2022-23 revealed that the entire provision under two sub-heads amounting to ₹ 3.95 crore under Grant H-06 were surrendered in the month of March 2023 through re-appropriation as detailed in **Table 3.16**.

Table 3.16: Details showing surrender of entire provision under Grant Nos. H-06

(₹ in crore)

S. No.	Description	Original and Supplementary Grant	Amount Re-appropriated	Total Grant	Actual Expenditure
H - 06 Public Works and Administrative and Functional Building					
1	2059-Public Works 001(49)(01) Superintending Engineer Vigilance Squad Mumbai- Supervision	1.45	1.45	0.00	0.00
2	2059-Public Works 052(00)(02) Computerisation of office under Public Works Department	2.50	2.50	0.00	0.00

Source: Appropriation Accounts 2022-23

Surrender of the entire provision of ₹ 3.95 crore in the month of March 2023 was done without assigning any reason.

3.5.3.2 Grant Q-03 Housing

(i) Introduction

Grant Q-03 Housing: consists of Major Head 2216-Housing. Under this grant, provision is made for Assistance to Housing Boards and Corporations.

(ii) Budget and Expenditure

The overall position of budget provision, actual disbursement and savings under the Grant for the years 2020-21 to 2022-23 is given in **Table 3.17**.

Table 3.17: Details of budgetary provisions and actual expenditure under Grant Q-03

(₹ in crore)

Year	Original provision	Supplementary provision	Total Grant / Appropriation	Actual Expenditure	Savings	Percentage of savings
Grant Q-03 Housing						
2020-21	4473.17	0.55	4473.72	736.14	3737.58	83.55
2021-22	4535.16	0.67	4535.83	365.30	4170.53	91.95
2022-23	9283.10	0.00	9283.10	1699.09	7584.02	81.70
Source: Appropriation Accounts of respective years						

From the above table it was evident that there was persistent savings ranging between 81.70 per cent and 91.95 per cent in Grant No. Q-03, during 2020-21 to 2022-23. Under Grant Q-03, surrender was mainly due to restricted release of funds by Central Government, less demand by MHADA and reduction of provision by FD in revised estimates.

(iii) Substantial Savings under sub-heads

During 2022-23, in six sub-heads under Grant No. Q-03 savings of ₹ 10 crore and above, which was between 30 per cent and 88.67 per cent of the total provision were noticed as shown in **Table 3.18**.

Table 3.18: Sub-head wise substantial saving under Grant Q-03

(₹ in crore)

S. No.	Cross Reference Code	Description	Total Grant	Actual	Savings	Percentage of Saving
Q-03 Housing (Voted)						
1	2216-103(03)(06)	Development of new township of Chandrapur	65.00	31.85	33.15	51.00
Surrender of provision of ₹ 33.15 crore in March 2023 was based on actual expenditure incurred under the scheme.						
2	2216-103(08)(01)	Housing for all grants to implementation agencies (PMAY) (Central share 60 per cent)	8105.00	917.91	7187.09	88.67
Surrender of provision of ₹ 7187.09 crore in March 2023 was attributed to restricted release of central share by Central Government.						

S. No.	Cross Reference Code	Description	Total Grant	Actual	Savings	Percentage of Saving
3	2216-103(08)(02)	Housing for all grants to implementation agencies (PMAY) (State share 40 per cent)	905.50	611.28	294.22	32.49
Surrender of provision of ₹ 294.22 crore in March 2023 was attributed to State share released by the Finance Department.						
4	2216-103(01)(04)	Housing scheme (Infrastructure facilities)	100.00	60.00	40.00	40.00
Surrender of provision of ₹ 40.00 crore in March 2023 was attributed to less demand by MHADA.						
5	2216-800(00)(02)	Payment to Maharashtra Housing and Area Development authority as Government contribution to Bombay Building Repairs and Reconstruction Fund	38.00	26.60	11.40	30.00
Surrender of provision of ₹ 11.40 crore in March 2023 attributed to reduction of provision by Finance Department in revised estimate.						
6	2216-800(00)(05)	Payment of cess collection to Maharashtra Housing and Area Development authority for credit to Bombay Building Repairs and Reconstruction Fund	38.00	26.60	11.40	30.00
Surrender of provision of ₹ 11.40 crore in March 2023 attributed to reduction of provision by Finance Department in revised estimate.						
Source: Appropriation Accounts 2022-23						

(iv) Persistent saving under Sub-heads

(a) Development of New Township of Chandrapur

The Housing Department Government of Maharashtra decided (1998) to set up Chandrapur township on an area of 1,391.71 hectares in Chandrapur district. Maharashtra Housing and Area Development Authority (MHADA) was appointed as the Special Planning Authority to carry out the development works in the notified areas of New Chandrapur as proposed in the sanctioned Regional Plan of Chandrapur-Bellarapur Region. The scheme of development works was being implemented by Nagpur Housing and Area Development Board, a regional unit of MHADA. The Urban Development Department vide its notification dated 30 June 1998 approved/sanctioned the development plan of the said scheme. The scheme includes works like power supply, water supply, main road works, land acquisition works and erection of bridge in New Chandrapur city.

Government of Maharashtra decided vide GR dated 7th April 2008 that the funds required for development works of New Chandrapur city should be first spent by MHADA and necessary proposal for reimbursement of that expenditure should be submitted to the State Government. The budget provision and expenditure incurred during 2019-20 to 2022-23 are as detailed in **Table 3.19**.

Table 3.19: Budget provision and Expenditure during 2019-20 to 2022-23

(₹ in crore)

Year	Description	Budget Provision	Actual expenditure	Saving	Percentage of Savings
2019-20	2216 Housing	50.00	30.00	20.00	40
2020-21	103 Assistance to Housing Board, Corporation etc.	70.00	0.00	70.00	100
2021-22		80.00	0.00	80.00	100
2022-23	103(03)(6) Development of new Township of Chandrapur	65.00	31.85	33.15	51
Total		265.00	61.85	203.15	

Source: Appropriation Accounts of the respective years

During 2020-21 the entire budget provision was surrendered/re-appropriated due to non-approval of the proposal by the Planning Department and during 2021-22 due to non rectification of the objections raised by the State Government in the proposals of reimbursement of expenditure incurred under the scheme submitted by the MHADA within the stipulated time.

Budget provision has been made continuously for this scheme. However, for the year 2020-21 and 2021-22 the entire provision was surrendered and for the year 2022-23 budget provision of ₹ 65.00 crore was made, out of which only ₹ 31.85 crore was expended. This indicated poor monitoring of expenditure and weak financial controls.

For the period 2019-20 to 2022-23, the total budget provision was ₹ 265.00 crore of which, only ₹ 61.85 crore was expended and balance provision of ₹ 203.15 crore (76 per cent) was surrendered. The matter was referred (August 2023) to the Secretary, Housing. Reply is awaited.

(b) Pradhan Mantri Awas Yojana (Urban)

The Government of India launched the Pradhan Mantri Awas Yojana in June 2015 to achieve the goal of housing for all by the year 2022. The term of the said scheme was extended till 31 December 2024. Currently this scheme is being implemented in 397 cities of the State. The funding pattern of the Scheme is Central Share 60 per cent and State share 40 per cent. Maharashtra Housing and Area Development Authority (MHADA) and Directorate of Municipal Administration (DMA) have been authorized as the steering agency and campaign directorate respectively for the said scheme.

As per the PMAY guidelines and Government resolutions issued from time to time, the Central assistance of ₹ 1.5 lakhs and State share ₹ 1.00 lakh per dwelling unit would be made available to the beneficiaries of the scheme. Government of Maharashtra in Housing Department (February 2018) approved to release the State share of ₹ 1.00 lakh per dwelling unit per beneficiary from the Maharashtra Nivara Fund, an extra budgetary resource.

The budget provision, actual expenditure, and savings of the Scheme during 2019-20 to 2022-23 is detailed in **Table 3.20**.

Table 3.20: Budget provision and actual expenditure during 2019-20 to 2022-23

(₹ in crore)

Year	Scheme announced	Budget Provision	Actual expenditure	Savings	Percentage of Savings
2019-20	Housing for all Grants to Implementing Agencies (PMAY) (Central Share 60%)	6189.42	0.00	6189.42	100.00
2019-20	Housing for all Grants to Implementing Agencies (PMAY) (State Share 40%)	705.59	0.00	705.59	100.00
2020-21	Housing for all Grants to Implementing Agencies (PMAY) (Central Share 60%)	3500.00	663.45	2836.55	81.04
2020-21	Housing for all Grants to Implementing Agencies (PMAY) (State Share 40%)	699.50	0.00	699.50	100.00
2021-22	Housing for all Grants to Implementing Agencies (PMAY) (Central Share 60%)	3500.00	256.95	3243.05	92.66
2021-22	Housing for all Grants to Implementing Agencies (PMAY) (State Share 40%)	750.49	0.00	750.49	100.00
2022-23	Housing for all Grants to Implementing Agencies (PMAY) (Central Share 60%)	8105.00	917.91	7187.09	88.67
2022-23	Housing for all Grants to Implementing Agencies (PMAY) (State Share 40%)	905.50	611.28	294.22	32.49

Source: Appropriation Accounts 2022-23

The entire amount of State share was surrendered during 2019-20 due to non-release of Central share under the scheme. During 2020-21, the department had surrendered the entire provision of ₹ 699.50 crore stating that there was no release of Central share. However, it was seen that that the central government had released a grant of ₹ 633.45 crore in 2020-21. Hence the reason given by the Department for surrendering the entire provision of State share is contradictory. The surrender of the entire provision during 2021-22 was due to incurring of the expenditure of the scheme from the 'Maharashtra Nivara Nidhi'(MNN), an extra budgetary resources, which is within the jurisdiction of Maharashtra Housing and Area Development authority, as per the Government of Maharashtra decision (February 2018). The funding and functioning of MNN, is explained in Paragraph 2.5.2.7.1 of this Report. Thus, budget allocation based on unrealistic proposals promotes excessive savings and deprive other departments of the funds.

3.6 Conclusion

- The budgeting exercise carried out by the State Government needs to be more realistic as 18.19 *per cent* of the total provision remained unutilized. The total expenditure incurred during the year was six *per cent* less than the original budget and the supplementary budget constituted 15 *per cent* of the original budget.
- There were cases of misclassification between revenue and capital sections.
- There was excess expenditure in six voted grants and two charged appropriations amounting to ₹ 71.66 crore, which required regularization as per Article 205 of the Constitution of India. Further, excess expenditure amounting to ₹ 2,918.52 crore for the year 2017-18 to 2021-22 in respect of 42 grants and 15 appropriations was pending for regularization as of March 2023.
- Supplementary grants/appropriations as well as re-appropriation were obtained without adequate justification as large amounts remained unutilized.

3.7 Recommendations

- (i) The State Government should formulate a realistic budget based on reliable assumptions considering the needs of the Departments and their capacity to utilise the allocated resources.
- (ii) An appropriate control mechanism needs to be instituted by the Government to enforce proper implementation and monitoring of budget to ensure that savings are curtailed, large savings within the Grant/Appropriation are controlled and anticipated savings are identified and surrendered within the specified time frame.
- (iii) Priority should be accorded to all cases of pending regularisation of excess expenditure over the budget provision.