

CHAPTER-II

ALLOCATIVE PRIORITIES AND APPROPRIATION

2.1 Introduction

The Appropriation Accounts prepared annually indicate 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.

Audit of appropriation by the Comptroller and Auditor General of India seeks to ascertain whether the expenditure actually incurred under various grants is within the authorisation given under the Appropriation Act and that the expenditure required to be charged under the provisions of the Constitution is so charged. It also ascertains whether the expenditure so incurred is in conformity with the law, relevant rules, regulations and instructions.

2.2 Summary of Appropriation Accounts

The summarised position of actual expenditure during 2007-08 against grants and appropriations was as follows:

(Rupees in crore)

	Nature of expenditure	Original grants/ appropriation	Supplementary grants/ appropriation	Total	Actual expenditure	Saving(-)/ Excess(+)
Voted	I. Revenue	54782.96	6854.99	61637.95	53917.65	(-)7720.30
	II. Capital	13422.41	2613.16	16035.57	14305.00	(-)1730.57
	III. Loans and Advances	2861.44	186.88	3048.32	1785.24	(-)1263.08
Total (Voted)		71066.81	9655.03	80721.84	70007.89	(-)10713.95
Charged	IV. Revenue	17910.97	264.24	18175.21	13117.49	(-)5057.72
	V. Capital	25.25	5.11	30.36	24.33	(-)6.03
	VI. Public Debt	5646.50	0.00	5646.50	4705.14	(-)941.36
	VII. Loans and Advances	---	1.19	1.19	1.19	0.00
Total (Charged)		23582.72	270.54	23853.26	17848.15	(-)6005.11
Appropriation to Contingency Fund		350.00	0.00	350.00	350.00	0.00
Grand Total		94999.53	9925.57	104925.10	88206.04	(-)16719.06

Note: The expenditure includes the recoveries adjusted as reduction of expenditure under revenue expenditure Rs 2,255.09 crore and capital expenditure Rs 3,407.03 crore

The overall savings of Rs 16,719.06 crore was the net result of savings of Rs 17,306.47 crore in 231 cases of grants/appropriations offset by excess of Rs 587.41 crore in 22 cases of grants/appropriations. Detailed Appropriation Accounts were sent to the Controlling Officers. Separate meetings were also held with the Controlling Officers of each department by the Accountant General (Accounts and Entitlement) during the period from 26 May and

11 June 2008 in which they were requested to furnish reasons for excesses/savings. The reasons for savings/excesses are still awaited from the concerned Controlling Officers.

Out of total expenditure of Rs 87,856.04 crore, expenditure of Rs 37,676.25 crore (43 *per cent*) was spent during the quarter January to March 2008. It was further noticed that Rs 23,400.77 crore (27 *per cent*) was spent in March 2008.

2.3 Fulfilment of Allocative Priorities

2.3.1 Appropriation by Allocative Priorities

Analysis of savings with reference to allocative priorities brought out the following:

In 31 cases, savings exceeded Rs 10 crore in each case and also by more than 20 *per cent* of total provision (**Appendix 2.1**).

Out of 31 cases, six cases resulted in 100 *per cent* savings in grants/appropriations under Transport, Administration, Secretariat-Other General Services, Sales Tax Administration, Rural Employment and other Rural Development Programmes, while five cases resulted in 75 *per cent* or more savings under Revenue and District Administration, Secretariat-Other General Services, Other Fiscal and Miscellaneous Services, Capital expenditure on Social Services and Loans for Urban Development.

Excess requiring regularisation

2.3.2 Excess over provision relating to previous years requiring regularisation

As per Article 205 of the Constitution of India, it is mandatory for a State Government to get the excess over a grant/appropriation regularised by the State Legislature. Although no time limit for regularisation of expenditure has been prescribed under the Article, but the regularisation of excess expenditure is done after the completion of discussion of the Appropriation Accounts by the Public Accounts Committee (PAC). Excess expenditure amounting to Rs 6,078.76 crore for the years 2002-03 to 2006-07 was still to be discussed by the PAC and regularised by the State Legislature. Reasons for the excess expenditure had not been intimated by Government.

(Rupees in crore)

Year	No. of grants/ appropriation	Amount of excess
2002-03	29	2542.88
2003-04	25	1015.24
2004-05	26	407.35
2005-06	34	1156.99
2006-07	29	956.30
Total	143	6078.76

2.3.3 Excess over provisions during 2007-08 requiring regularisation

The excess of Rs 427.92 crore under 11 grants and Rs 159.49 crore under 11 appropriations requires regularisation (**Appendix 2.2**).

2.3.4 Original budget and supplementary provisions

Supplementary provisions (Rs 9,925.58 crore) made during the year constituted 10.45 *per cent* of the original provision (Rs 94,999.53 crore) as against 16.13 *per cent* in the previous year.

Unnecessary/excessive/inadequate supplementary provisions

2.3.5 Supplementary provisions of Rs 1,502.60 crore made in 38 cases of grants/appropriations during the year proved unnecessary, as the actual expenditure was even below the original provision in view of aggregate saving of Rs 3,658.63 crore as detailed in **Appendix 2.3**.

2.3.6 In 44 cases, against actual requirement of Rs 6,375.07 crore, supplementary grants and appropriations of Rs 8,475.86 crore were obtained resulting in savings exceeding Rs 1 crore, aggregating Rs 2,100.79 crore. Details of these are given in **Appendix 2.4**.

2.3.7 In 7 cases, supplementary provision of Rs 177.99 crore proved insufficient by more than Rs 1 crore each, leaving an aggregate uncovered excess expenditure of Rs 361.60 crore (**Appendix 2.5**).

2.3.8 Excessive/insufficient re-appropriation of funds

Re-appropriation is transfer of funds within a grant from one unit of appropriation where savings are anticipated to another unit where additional funds are needed. Sixty seven cases where the re-appropriation of fund proved to be excessive or insufficient over grant by Rs 1 crore or more are detailed in **Appendix 2.6**.

2.3.9 Anticipated savings not surrendered

As per paragraphs 158 and 173 of the Maharashtra Budget Manual, the spending departments are required to surrender the grants/appropriations or portion thereof to the Finance Department as and when the savings are anticipated. At the close of the year 2007-08, there were, however, 11 grants/appropriations in which savings occurred but no part of which had been surrendered by the concerned departments. The amount involved in these cases was Rs 136.10 crore (**Appendix 2.7**).

Similarly, out of total savings of Rs 7,157.83 crore under 34 other grants/appropriations, the amount of available savings of Rs 1 crore and above in each grant/appropriation not surrendered aggregated Rs 3,113.21 crore (18 *per cent* of total savings). Details are given in **Appendix 2.8**. Thus, in these cases, Government could not utilise the unspent funds for other activities where more funds could be utilised.

2.3.10 Besides, in 61 cases, (surrender of funds in excess of Rs 10 crore), Rs 10,216.41 crore were surrendered on the last two working days of March

2008 indicating inadequate financial control over expenditure. Details are given in **Appendix 2.9**.

2.3.11 In 40 grants/appropriations the amount surrendered was in excess of actual savings, indicating inadequate budgetary control. As against the actual savings of Rs 2,069.55 crore, the amount surrendered was Rs 2,610.86 crore, resulting in excess surrender of Rs 541.31 crore. Details are given in **Appendix 2.10**.

2.3.12 Pendency in submission of Detailed Contingent Bills against Abstract Contingent Bills

As per the Maharashtra Treasury Rules, 1968, detailed contingent (DC) bills are to be submitted within one month of the drawal of abstract contingent (AC) bills. Scrutiny revealed that DC bills had not been submitted by the Controlling Officers to the Accountant General for a total amount of Rs 1,246.78 crore drawn in 42,797 AC bills upto March 2008, as shown below:

(Rs. in crore)

Year in which drawn	No. of AC Bills	Amount outstanding
Upto 2000-01	35254	275.31
2001-02	670	19.31
2002-03	779	17.44
2003-04	631	24.21
2004-05	837	406.77
2005-06	943	368.11
2006-07	1208	91.33
2007-08	2475	44.30
Total	42797	1246.78

Department-wise pending detailed contingent bills for the years upto 2007-08 are detailed in **Appendix 2.11**.

2.4 Un-reconciled expenditure

Departmental figures of expenditure should be reconciled with those of the Accountant General (Accounts and Entitlement) every month. The reconciliation had, however, remained in arrears in several departments. In respect of 26 departments, expenditure of Rs 3,113.65 crore pertaining to 2007-08 remained un-reconciled till April 2008. Details are given in **Appendix 2.12**.

2.5 Budgetary Control

2.5.1 In six cases, expenditure aggregating Rs 273.95 crore exceeded the approved provisions by Rs 25 lakh or more in each case and also by more than 10 *per cent* of the total provisions. Details are given in **Appendix 2.13**.

2.5.2 As per the Budget Manual, expenditure should not be incurred on a scheme/service without provision of funds. It was, however, noticed that expenditure of Rs 29.52 crore was incurred in seven cases as detailed in

Appendix 2.14 without any provision in the original estimates/supplementary demand and without any re-appropriation orders to this effect.

2.5.3 Drawal of funds to avoid lapse of budget grant

As per provisions of Maharashtra Treasury Rules, 1968 read with Rule 57 of Bombay Financial Rules, no money shall be drawn from the treasury unless it is required for immediate disbursement.

(a) In respect of the cases mentioned in **Appendix 2.15**, the amounts drawn (Rs 552.76 crore) were neither fully spent for the specific purposes nor remitted to Government Accounts before closure of financial year 2007-08.

(b) The Principal, Industrial Training Institute, Wani District Yavatmal (March 2008) had drawn Rs 29.50 lakh for construction of workshop sheds, class rooms and upgradation of equipments. However, no administrative approval for construction works was found on record. Out of this, Rs 17 lakh was transferred to the Executive Engineer, Public Works Division, Pandharkawada, Rs 1.77 lakh was kept in his Personal Ledger Account (May 2008) and the remaining amount of Rs 11.23 lakh was kept in his cash chest in the form of cheques (June 2008).

2.6 Advances from Contingency Fund

The Contingency Fund is in the nature of an imprest and its corpus is Rs 150 crore which was temporarily raised to Rs 500 crore with effect from 8 June 2007 under the Maharashtra Contingency Fund (Amendment) Ordinance No III of 2007. The balance at the beginning of the year was Rs 94.64 crore with an un-recouped balance of Rs 55.36 crore. During 2007-08, advances drawn but not recouped to the Fund amounted to Rs 58.94 crore. The closing balance of the Fund as on 31 March 2008 was Rs 91.06 crore.

The details of expenditure incurred by the Controlling officers (COs) from the advances sanctioned from the Contingency Fund were not sent by the COs and reconciliation was not done with the Accountant General's books.

During 2007-08, 103 sanctions were issued for withdrawal of Rs 498.97 crore from the Contingency Fund. A review of the operation of Contingency Fund disclosed that (i) one sanction amounting to Rs 18 crore was increased to Rs 48 crore (ii) one sanction amounting to Rs 0.03 crore was decreased to Rs 0.01 crore (iii) one sanction for Rs 0.20 crore was subsequently cancelled during the year. A few illustrative cases detailed in **Appendix 2.16** shows that advances from Contingency Fund were obtained (for Rs 264.90 crore in 13 cases) though the expenditure was foreseeable.

2.7 Personal Ledger Account

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

During 2007-08, 2,461 PLAs were in operation in Vidarbha and Marathwada regions. Flow of funds from these PLAs during 2007-08 was as follows:

(Rupees in crore)

Opening Balance as on 01 April 2007	848.20
Amount transferred to PLA during the year	1833.45
Amount disbursed from PLA during the year	1001.04
Closing Balance as on 31 March 2008	1680.61

Records relating to 30 PLAs in seven¹ districts maintained by Medical Colleges and Hospitals, Special Land Acquisition Officers (SLAOs), Education Institutions and Joint Directors of Higher Education were reviewed between May 2008 and June 2008. Following important points were noticed:

2.7.1 Short remittance of hospital fees collected

Government of Maharashtra, Public Health Department, Mantralaya, Mumbai vide Resolution No WBP-1099/CR-7/99-WB, dated 6-11-1999 directed that the hospital fees collected by District Hospitals/Rural Hospitals should be remitted in PLA on the same day.

Six² Government Medical Colleges and Hospitals collected hospital fees of Rs 55 lakh during 2007-08 but kept the amount as cash in hand for expenditure of hospitals. Similarly Dean, Medical College, Ambejogai did not credit Rs 62 lakh collected for the earlier years. Retention of PLA cash in hand may lead to misutilisation /misappropriation.

It was also noticed that twelve³ hospitals and three⁴ technical institutions did not credit the hospital fees and other receipts collected within the prescribed time limit and there were delays ranging from 7 to 270 days.

2.7.2 Non-maintenance of separate PLA cash book

Principals of three⁵ colleges did not maintain separate cash books of PLAs for entering the transactions of Government Scholarships though required in terms of Rule 494 of MTR, 1968.

Due to non-maintenance of separate PLA cash book, reconciliation at the end of each month with treasury and the closing balance at the end of each month could not be ascertained in Audit.

Principals replied (May/June 2008) that separate cash books of PLA would be maintained from April 2008, as pointed out by Audit.

¹ Amravati, Aurangabad, Beed, Chandrapur, Jalna, Latur and Nagpur

² Aurangabad, Ambejogai, Jalna & Nagpur (3)

³ Ambejogai, Amravati, Aurangabad, Chandrapur, Darwha, Gangakhed, Nagpur (3), Osmanabad, Wardha & Yavatmal

⁴ Bhandara, Buldhana & Khamgaon

⁵ Deogiri College & Vivekanand College, Aurangabad and Rajiv Gandhi College of E.R.& T., Chandrapur

2.7.3 Irregularities in operation from PLAs

Irregular expenditure from PLA

Medical Education and Drugs Department had allowed (November 2001) the Medical Colleges to incur expenditure from PLA on prescribed items which are of contingent, emergent and time bound nature.

Dean Government Medical College, (Hospital side) Ambejogai, Aurangabad, Nagpur and Latur (College side) incurred expenditure of Rs 56.58 lakh on employment of private security guards during 2007-08 which was not prescribed in the order quoted *supra*.

It was replied (May/June 2008) that expenditure was incurred from the PLA with the orders of the Director and the same would be recouped in due course.

Payment of interest of Rs 7.77 lakh without sanction from Government

The Joint Director of Higher Education, Nagpur Division, Nagpur paid (March 2008) the amount of Rs 7.77 lakh from PLA on account of interest on arrears of pensionery benefit on the basis of Hon. High Court Nagpur Bench's Judgment dated 1 November 2007. However, sanction for making payment of interest to the concerned persons was not received from the Government of Maharashtra.

The Department replied that the payment was made as per the directives given by the Director of Education, (Higher Education), Maharashtra State vide letter dated 19 December 2007. The contention was not acceptable as sanction for making payment of interest was not received from Government.

Un-operated Personnel Ledger Account for more than three years

As per Rule 495 of the Maharashtra Treasury Rules (MTR), 1968 and para 585 (2) of the Maharashtra Treasury Manual (MTM), Personnel Deposits (PDs)/Personnel Ledger Accounts (PLAs) which are not operated for more than three continuous accounting years are to be closed and the balances in such PDs and PLAs are to be credited to Government Accounts as Miscellaneous Revenue under Major Head 0075.

Scrutiny of records revealed that 41 PLAs in Vidarbha and Marathwada regions with balance amount of Rs 84.34 lakh were not in operation since last three years and were not closed as on March 2008. Similarly, 85 PLAs in rest of Maharashtra which were not operated for more than three years had not been closed and the balance of Rs 84.22 lakh lying in them was not credited to the Government account.

Non-reconciliation of balances

As per para 589 of MTM, Treasury Officers are required to obtain certificates of balances at the end of each year from the administrators of PLAs. After obtaining such certificates, differences, if any, are required to be reconciled with the treasury figures and the certificates are to be forwarded to the Accountant General (A&E)-I, Mumbai for confirmation of the balances.

It was, however, noticed that:

- there were differences between the administrators' balances and treasuries' balances in 302 cases,
- there were differences between the treasuries' balances and sub-treasuries' balances in 175 cases and
- there were differences between the sub-treasuries' balances and the administrators' balances in 191 cases.

Besides, annual certificate of balances as on 31 March 2007 had not been submitted by 425 administrators.

It was further noticed (June 2008) that ten⁶ Drawing Officers had not reconciled PLA difference of Rs 3.93 crore with the records of the treasury concerned as on March 2008. Non-reconciliation may lead to non-detecting of fraud and misappropriation.

Department replied (May/June 2008) that monthly reconciliation with treasury records would be carried out hereafter.

2.8 Government money outside the Consolidated Fund

An amount of Rs 2.42 crore released by the Government in July 2004 for construction of police staff quarters at Pendhari, Jambandi and Kasansur Police stations in Gadchiroli District to the Superintendent of Police Gadchiroli was lying in a bank account outside the consolidated fund of the State. This account was opened in the State Bank of India, Gadchiroli as the Public Works Division II, Gadchiroli and Public Works Division, Allapalli had returned this amount due to their inability to construct the staff quarters. The inability of the public works divisions to construct the quarters was attributed to contractors not responding to tenders due to naxalite threats.

⁶ Amravati (1), Aurangabad (3), Jalna (2), Latur (2) and Nagpur (2)