

CHAPTER II

APPROPRIATION AUDIT AND CONTROL OVER EXPENDITURE

2.1 Summary of appropriation accounts 2001-02

Appropriation Accounts : Government of Maharashtra

Total Number of grants and appropriations (334+94) : 428

Total provisions and actual expenditure

(Rupees in crore)

Provision	Amount	Expenditure	Amount
Original	56635.40		61208.18
Supplementary	10938.58		
Appropriation to Contingency Fund	250.00		250.00
Total Gross Provision	67823.98	Total Gross Expenditure	61458.18
Deduct-Estimated recoveries in reduction of expenditure	7166.87	Deduct-Actual recoveries in reduction of expenditure	6296.84
Total net provision	60657.11	Total net expenditure	55161.34

Voted and Charged provision and expenditure

(Rupees in crore)

	Provision		Expenditure	
	Voted	Charged	Voted	Charged
Revenue	33871.38*	10554.07	30630.90	10501.67
Capital	6029.40	0.96	4080.73 ⁺	3.25
Public debt and Loans and Advances	3906.94	13211.23	2369.08	13622.55
Appropriation to Contingency Fund	250.00	--	250.00	--
Total Gross	44057.72	23766.26	37330.71	24127.47
Deduct-Recoveries in reduction of expenditure	7126.17	40.70	6266.74	30.10
Total : Net	36931.55	23725.56	31063.97	24097.37

2.2 Introduction

The Appropriation Accounts prepared annually indicate the details of amounts on various specified services actually spent by Government *vis-à-vis* those authorised by the Appropriation Acts.

The objective of appropriation audit is to ascertain whether the expenditure actually incurred under various grants is within the authorisation given under the Appropriation Acts and whether the expenditure required to be charged under the provisions of the Constitution is so charged. It also verifies whether the expenditure so incurred is in conformity with the law, relevant rules, regulations and instructions.

* Lower rounding

⁺ Higher rounding

2.3 Summary of Expenditure

The summarised position of actual expenditure during 2001-02 against 428 grants/appropriations was as follows:

	Nature of expenditure	Original grant/ appropriation	Supplementary grant/ appropriation	Total	Actual expenditure	Saving(-)/ Excess(+)
		(Rupees in crore)				
Voted	I. Revenue	29842.66	4028.72*	33871.38	30630.90	(-)3240.48
	II. Capital	5758.42	270.98	6029.40	4080.72	(-)1948.68
	III. Loans and Advances	2454.55	1452.39*	3906.94	2369.08	(-)1537.86
Total (Voted)		38055.63	5752.09	43807.72	37080.70	(-)6727.02
Charged	IV. Revenue	10184.46	369.61	10554.07	10501.67	(-)52.40
	V. Capital	0.82	0.14	0.96	3.26	(+)2.30
	VI. Public debt	8394.49	4816.73	13211.22	13622.55	(+)411.33
	VII. Loans and Advances	--	0.01	0.01	--	(-)0.01
Total (charged)		18579.77	5186.49	23766.26	24127.48	(+)361.22
Appropriation to Contingency Fund		250.00	--	250.00	250.00 [@]	--
Grand Total		56885.40	10938.58	67823.98	61458.18	(-)6365.80

2.4 Results of Appropriation Audit

2.4.1 Excess expenditure 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 regularized by the State Legislature. However, the excess of Rs 2719.11 crore under 37 grants and Rs 963.34 crore under 20 appropriations required regularisation. Details of these are given in Appendix II. Besides, the excess expenditure amounting to Rs 6406.43 crore for the years 1996-2001 in respect of 359 grants/appropriations was also to be regularised, as shown below :

Year	Number of grants/ appropriations	Amount of excess (Rupees in crore)
1996-97	68	256.16
1997-98	69	895.47
1998-99	72	1118.10
1999-2000	83	1837.90
2000-01	67	2298.80
Total	359	6406.43

* Lower rounding

@ Represents the amount appropriated from Consolidated Fund to the Contingency fund. The corpus was temporarily increased during 2000-01 from Rs 150 crore to Rs 400 crore with effect from 7 November 2001 under the Maharashtra Contingency Fund (Amendment) Ordinance No. XXXV of 2001. Rs 15.80 crore drawn from the Maharashtra Contingency Fund during 2001-02 remained unrecouped at the close of the year.

It can be seen that excess expenditure requiring regularisation is continuously increasing and such excess expenditure is a matter of breach of Legislative Control.

2.4.2 The overall saving of Rs 6365.80 crore was the result of saving of Rs 10048.25 crore in 365 grants and appropriations, offset by excess of Rs 3682.45 crore in 56 grants/appropriations.

2.4.3 Supplementary provisions made during the year constituted 19.31 *per cent* of the original provision as against 39.75 *per cent* in the previous year.

2.4.4 Unnecessary/insufficient/excessive supplementary provisions

2.4.4.1 Supplementary provision of Rs 1249.73 crore made in 73 grants/appropriations during the year proved entirely unnecessary in view of aggregate saving of Rs 4037.57 crore as detailed in Appendix III. Of these supplementary grants, Rs 66.97 crore were obtained in the month of March 2002.

2.4.4.2 In 43 other grants/appropriations, against additional requirement of Rs 1684.26 crore, supplementary grants of Rs 3321.68 crore were obtained, resulting in savings aggregating to Rs 1637.42 crore and also savings in each grant/appropriation exceeding Rs 10 lakh. Details of these grants/appropriations are given in Appendix IV.

2.4.4.3 In 20 grants/appropriations, supplementary provision of Rs 5964.28 crore proved insufficient by more than Rs 10 lakh each, leaving an aggregate uncovered excess expenditure of Rs 2970.47 crore as per details in Appendix V.

2.5 Savings

2.5.1 In 115 grants/appropriations, expenditure fell short by Rs 1 crore or more in each grant/appropriation and also by 10 *per cent* or more of the total provision as indicated in Appendix VI.

2.5.2 In 12 grants/appropriations there were persistent savings in excess of Rs 10 lakh in each grant/appropriation and 20 *per cent* or more of the provision during last three years. Details are given in Appendix VII.

2.6 Excess expenditure

Persistent excess occurred in 6 grants/appropriations as detailed in Appendix VIII. In five of these cases the excess was significant during the last three years and required investigation by the Government for remedial action.

2.7 Excessive/unnecessary reappropriation of funds

Reappropriation is transfer of funds within a grant from one unit of appropriation, where savings are anticipated, to another unit where additional

funds are needed. 143 grants/appropriations where reappropriation of funds proved excessive or insufficient by over Rs 10 lakh are as given in Appendix IX.

2.8 Expenditure without provision

As envisaged in the Budget Manual, expenditure should not be incurred on any item without provision of funds. However, expenditure of Rs 179.03 crore was incurred in 50 grants/appropriations, as detailed in Appendix X, without any provision in the original estimates/supplementary demands and no reappropriation orders were issued for such cases either.

2.9 Anticipated savings not surrendered or injudicious surrender

2.9.1 According to rules, the spending departments are required to surrender the grants/appropriations or portion thereof to Finance Department as and when the savings are anticipated. However, at the close of the year 2001-02 there were 53 grants/appropriations in which large savings occurred but no part of which had been surrendered by the concerned departments. The amount involved in these cases was Rs 153.36 crore (1.53 *per cent* of the total savings). In 58 other grants/appropriations, the amount of available savings of Rs 1 crore and above in each grant/appropriation not surrendered aggregated Rs 1631.48 crore (16.24 *per cent* of total savings). Details are given in Appendices XI and XII respectively. Thus in these cases, Government could not utilise the unspent funds for other activities when more funds could be utilised.

2.9.2 Besides the above, in 217 grants/appropriations, Rs 4930.31 crore were surrendered on the last two days of March 2002 indicating inadequate financial control over expenditure. Details are given in Appendix XIII.

2.9.3 In 34 grants/appropriations, the amount surrendered was in excess of actual savings, indicating inadequate budgetary control. As against the actual savings of Rs 3542.55 crore, the amount surrendered was Rs 4548.70 crore resulting in excess surrender of Rs 1006.15 crore. Details are given in Appendix XIV. The excess savings indicated that the Controlling Officers did not have adequate control over expenditure flow. These irregularities could be minimised if the precautions envisaged in Appendix 10 (Para 179) of the Maharashtra Budget Manual are taken by all the departments.

2.10 Advances from Contingency Fund

The Contingency Fund of the State was established under the Bombay Contingency Fund Act, 1956, as per the provisions of Articles 267 (2) and 283 (2) of the Constitution of India. Advances from the Fund are to be made only for meeting expenditure of an unforeseen and emergent character, the

postponement of which, till its authorisation by the Legislature would be undesirable.

The Fund is in the nature of an imprest and its corpus is Rs 150 crore which was temporarily raised to Rs 500 crores with effect from 31 January 2001. The balance at the beginning of the year was Rs 444.55 crore with an unrecouped balance of Rs 55.45 crore. The corpus of the Fund was again temporarily raised to Rs 400 crore with effect from 7 November 2001. The ordinance ceased to operate after six weeks from the reassembly of the Legislature. During 2001-02, advances drawn but not recouped to the Fund amounted to Rs 15.80 crore. The closing balance of the Fund as on 31 March 2002 was Rs 134.20 crore.

According to the provisions in the Maharashtra Budget Manual, the Controlling Officers (COs) should submit to the Accountant General (A&E) every month details of expenditure incurred by them from the advances sanctioned from the Contingency Fund so that the same can be correctly classified. COs are also required to reconcile the expenditure booked by the Accountant General (A&E) with the accounts of the Contingency Fund maintained by them. However, the monthly statements of expenditure were not sent by the COs and reconciliation was not done with the Accountant General's books.

The Budget Manual lays down that proposals for sanctioning advances from the Contingency Fund may be made by the Administrative departments of the State Government when they are in a position to justify the circumstances under which (a) provisions could not be made in the Annual or Supplementary budget, (b) the expenditure could not be foreseen, and (c) the expenditure could not be postponed till the necessary approval of the Legislature is obtained.

During 2001-02, 107 sanctions were issued for withdrawal of Rs 777.96 crore. A review of the operation of Contingency Fund disclosed that (i) two sanctions amounting to Rs 277.50 crore were subsequently reduced to Rs 16.75 crore and (ii) nine sanctions amounting to Rs 94.28 crore were subsequently increased to Rs 159.47 crore.

A few illustrative grants/appropriations detailed in Appendix XV show that advances from Contingency Fund were obtained (for Rs 191.43 crore in 10 cases) though the expenditure was not unforeseeable.

2.11 Trend of recoveries and credits

Under the system of gross budgeting followed by Government, the demands for grants presented to the Legislature are for gross expenditure and exclude all credits and recoveries which are adjusted in the accounts as reduction of expenditure. The anticipated recoveries and credits are shown separately in the budget estimates.

In 108 grants/appropriations, the actual recoveries adjusted in reduction of expenditure (Rs 3710.51 crore) exceeded the estimated recoveries (Rs 2603.14

crore) by Rs 1107.37 crore and in 41 grants/appropriations the actual recoveries (Rs 2586.33 crore) were less than the estimated recoveries (Rs 4563.73 crore) by Rs 1977.40 crore. More details are given in Appendix II of Appropriation Accounts.

2.12 Non-receipt of explanations for savings/excesses

For the year 2001-02, explanations for savings/excesses were not received in respect of 1162 heads of account which form 70.21 *per cent* of the number of heads. The percentage was 53 for the year 2000-01.

2.13 Unreconciled expenditure

Financial rules require that the COs should periodically reconcile the departmental figures of expenditure with those booked by the Accountant General. In respect of 17 departments, expenditure of Rs 1656.86 crore pertaining to 2001-02 remained unreconciled till April 2002. Details are given in Appendix XVI.

2.14 Persistent excess expenditure

The demands for Grant No. D-9, Major Head 2702 Minor Irrigation pertaining to Agriculture, Animal Husbandry, Dairy Development and Fisheries Department and Grant No. S-1 Major Head 2210 Medical and Public Health pertaining to Medical Education and Drugs Department were reviewed in audit and the results of scrutiny are indicated below :

Agriculture, Animal Husbandry, Dairy Development and Fisheries Department

2.14.1 General

Agriculture, Animal Husbandry, Dairy Development and Fisheries Department was operating D-9 Major Head 2702 Minor Irrigation from 1999-2000 onwards. Commissioner of Agriculture, Pune is the controlling officer for the grant and is responsible for controlling the expenditure from the allotted grants.

Budget proposals for the ensuing year are formulated by the field units of the department and are submitted to the Commissioner who verifies and consolidates the same and submits to the Administrative department. These budget proposals are scrutinised by the Administrative department and are submitted to the Planning Department in respect of plan grants and to the Finance Department in respect of non-plan grants. The Planning Department scrutinises the proposals on the basis of annual plan allocations, resources available, priority of development sectors and sends its recommendations to the Finance Department. The Finance Department finalises the budget proposals for the entire State which are placed before the State Legislature in

budget session for approval as required under Article 203 of the Constitution of India.

The summarised position of the final grant and actual expenditure during the year 1999-2000 to 2001-02 relating to Grant D-9 Major Head 2702-Minor Irrigation is given below:

Year	Name of the department	Final modified grant	Actual expenditure	Variation (+) Excess (-) Saving	Percentage of excess
		Rupees	in	crore	
1999-2000	Agriculture, Animal Husbandry, Dairy Development and Fisheries	2.37	10.81	(+) 8.44	356
2000-01	Agriculture, Animal Husbandry, Dairy Development and Fisheries	2.23	15.20	(+) 12.97	582
2001-02	Agriculture, Animal Husbandry, Dairy Development and Fisheries	2.25	13.10	(+) 10.85	482
	Total	6.85	39.11	32.26	

The above table shows that the department incurred excess expenditure of Rs 32.26 crore against total grants of Rs 6.85 crore between 1999-2002 and it ranged between 356 per cent and 582 per cent.

Rule 153 of Maharashtra Treasury Rules provides that the Treasury Officer may make payment against bills presented if funds are available for the purpose provided and that he does not refuse payment when the Drawing and Disbursing Officer (DDO) has undertaken to obtain funds by supplementary grant and the claim is otherwise in order. It was observed in audit that although excess expenditure was being incurred every year no instruction were issued by the Finance Department to the Treasury Officer for not releasing the amount to the concerned DDO. The Planning as well as Finance Department did not provide additional funds to cover the excess expenditure. This excess expenditure was yet to be regularised.

2.14.2 Excess expenditure under 104-Ayacut development without augmenting the provision

Financial rules provide that the budget controlling officers should exercise effective control over the progress of expenditure so as to ensure that the excess expenditure under any unit of appropriation is augmented by reappropriation of funds from other units of appropriation where savings are available or by seeking supplementary grants.

It was observed that the excess of expenditure over final modified grants was mainly under the minor head of account "104-Ayacut development" operated by Agriculture Department under plan scheme. For execution of the works of Ayacut development by the Commissioner of Agriculture, Pune 2163 posts sanctioned were continued upto March 2002. It was, however, observed that though the posts were continued from time to time and the Commissioner of Agriculture demanded funds, the Planning Department, did not provide adequate funds for pay and allowances of the establishment in the Budget Estimate/Revised Estimates for the years 1999-2000 to 2001-02.

The details of grant required, sanctioned and expenditure incurred thereon in respect of above were as under :

(Rupees in crore)

	1999-2000	2000-01	2001-02
Grants asked for by the Department	22.45	23.00	23.74
Grant sanctioned by Planning Department (RE)	1.50	1.50	1.50
Expenditure incurred	8.91	14.08	12.84
Excess expenditure	7.41	12.58	11.34
Percentage of excess	494.00	838.66	756.00

It may be seen from the above table that the Planning Department sanctioned only Rs 1.5 crore as against demand ranging between Rs 22.45 crore and Rs 23.74 crore projected by the department against which actual expenditure ranged between Rs 8.91 crore and Rs 14.08 crore during 1999-2002. Though the department projected its requirement with reference to proposals made by the controlling officer, the Planning Department has allocated the grants with reference to plan outlay which was approved by the Finance Department. The requirement of funds projected by the department were not considered by the Planning Department/Finance Department even at the stage of sanctioning final modified grant in the month of March. Thus, the budget estimates placed before the Legislature presented a misleading picture of the requirement of funds of the department.

Finance Department stated (August 2002) that as far as the schemewise plan allocation was concerned and in absence of proper plan allocation, Finance Department has no role in allotment of plan grants to make required provisions. Planning Department stated (August 2002) that taking into consideration limited resources available and according to priority the Planning Department had to accommodate all the commitments within the allocation made. While making the department-wise allocation it might not be possible to fulfil every department's additional demand of funds due to State's financial resources constraint.

Thus, while finalising the grants, the Planning Department ignored the proposals of the department which consisted of items of inevitable expenditure resulting in persistent excess expenditure during the years 1999-2000 to 2001-02.

2.14.3 Control of Expenditure

The Commissioner of Agriculture being the controlling officers distributes grants to the DDOs through Superintending Agriculture Officers. The monthly reports regarding progress of expenditure were received in "Form 9" of the Budget Manual from the DDOs and were consolidated by the Controlling Officers. Similarly, register of expenditure in "Form 10" of Budget Manual for watching progress of expenditure on the scheme with its breakup into different objects of expenditure against corresponding sanctioned budget allocation was also maintained by the Controlling Officer. However Planning Department did

not take cognizance of the excess expenditure being incurred by the department year after year. Monthly progressive expenditure were also not being received in Finance Department.

Medical Education and Drugs Department

2.14.4 General

The grant is operated and controlled by the Medical Education and Drugs Department which has five Directorates under it, namely (i) Director of Medical Education and Research, Mumbai, (DMER), (ii) Director of Ayurved, Mumbai, (iii) Commissioner of Food and Drugs Administration, Mumbai (FDA), (iv) Director of Maharashtra Mental Institute, Pune and (v) Director of Haffkine Institute, Mumbai.

The Budget proposals for the ensuing years are formulated by the field units of the Department and submitted by them to the Directorates who verify and consolidate the same and submit to the Administrative department for approval. These Budget proposals are scrutinised by the Administrative department and are submitted to the Planning Department in respect of plan grants and to the Finance Department in respect of non-plan grants. The Finance Department finalises the budget proposals for the entire State, which are placed before the State Legislature in budget session for approval as required under Article 203 of the Constitution of India.

A summarised position of the final modified grant and actual expenditure during the period 1998-99 to 2001-02 relating to the Grant S-1 Major Head - 2210 Medical and Public Health is as follows: -

(Rupees in crore)

Year	Final Modified Grant (FMG)	Actual expenditure	Excess expenditure over FMG	Percentage of excess to FMG
1998-99	277.61	296.37	18.76	6.76
1999-2000	401.38	418.59	17.21	4.29
2000-01	414.79	435.17	20.38	4.91
2001-02	394.37	399.37	5.00	1.27
Total	1488.15	1549.50	61.35	

The above table shows that during the period 1998-2002 the Department incurred expenditure of Rs 1549.50 crore against grants of Rs 1488.15 crore resulting in excess expenditure of Rs 61.35 crore, the percentage of excess expenditure ranged from 1.27 to 6.76. The reasons for the excess expenditure are explained hereafter.

2.14.5 Budget estimates and actual expenditure

The Maharashtra Budget Manual envisages careful preparation of the budget estimates so that the estimates prepared are as close and accurate as possible, realistic, not abnormally excessive or substantially less. For this purpose the

estimate should be based on the average of the actuals of the past three years. Details of departmental estimates, final modified grant, and actual expenditure of the grant for the period 1998-99 to 2001-02 are as follows: -

(Rupees in crore)

Period	Departmental estimate (Revised)	F.M.G.	Difference between Col.2 and 3	Percentage of Col.3 to Col.2	Actual expenditure	Excess with reference to FMG
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1998-99	324.79	277.61	47.18	85.47	296.37	18.76
1999-2000	446.81	401.38	45.43	89.83	418.59	17.21
2000-01	469.82	414.79	55.03	88.29	435.17	20.38
2001-02	565.52	394.37	171.15	69.74	399.37	5.00

i) Excess Expenditure due to non-provision of Funds of Revised Estimates:

It can be seen from the above that the FMG sanctioned by Finance Department ranged from 69.74 per cent to 89.83 per cent compared to the department estimates (Revised). The Finance Department reduced the grants of even the inevitable items of expenditure like pay and allowances and office expenses. The position of the grants for pay and allowances demanded by the three Directorates (DMER, Director of Ayurved and Commissioner of FDA) and the FMG sanctioned by Finance Department were as detailed below:

(Rupees in crore)

Details	1998-99	1999-2000	2000-01	2001-02
Departmental Estimate (Revised)	169.45	267.28	315.88	562.02
FMG/(Percentage to Departmental Estimate)	157.89 (93.18)	246.48 (92.21)	278.72 (88.24)	392.05 (69.76)
Actual Expenditure/(Percentage to Departmental Estimate)	166.39 (98.19)	265.25 (99.24)	295.25 (93.47)	392.78 (69.89)

From the above given table it can be seen that even though the department projected their requirement in a realistic manner, Finance Department did not provide adequate grants for the pay and allowances resulting in excess expenditure under the grant. The excess expenditure on account of pay and allowances was necessitated due to payment of arrears on account of implementation of the V Pay Commission recommendations and University Grant Commission pay scales to the Professors of Medical Colleges.

One of the reasons for the excess expenditure are the provisions of Rule 153 of the Maharashtra Treasury Rules which authorise the Treasury Officers to make payments on the strength of an undertaking given by the DDOs to obtain supplementary funds till last day of the financial year, as the re-appropriation orders are issued till 31 March every year.

ii) *Import of Machinery and Equipment by opening Letter of Credit - booking of Expenditure against the budget provision of previous year.*

Every year budget provisions are made for procurement of machinery and equipment in the hospitals and Medical Colleges under the Administrative control of this department. The sanctions for this expenditure are accorded invariably by the Health Department at the fag end of the year. Therefore the purchase procedure formalities for opening of Letter of Credit and importing the consignments are completed in the ensuing/following financial year, which results in booking of the expenditure in the year where there is no budget provision available for that expenditure.

Expenditure of Rs 4.50 crore, Rs 4.37 crore and Rs 3.67 crore were incurred by four State Hospitals* alone on importing machinery and equipments during the period 1998-2001 though the grants were not available in those years. The Department (August 2002) admitted that they are not making suitable provisions in the revised departmental estimates to accommodate the above expenditure.

2.14.6 *Note of Error*

The Controlling Offices are responsible for reconciliation of consolidated monthly expenditure booked by the department with that booked by the Accountant General (A and E) and ensure that there is no occasion to point out discrepancies in the figures of actual expenditure once accepted after the close of the year. Scrutiny of the records revealed that even after the close of the year there were huge differences between figures booked by the Accountant General (A and E) and the Department, which was rectified by Note of Error. DMER alone had proposed note of error amounting to Rs 2.98 crore and Rs 93.48 lakh during 1999-2000 and 2000-01. This resulted in variation between the FMG and the actual expenditure booked.

* Cama and Albles, G.T. Hospital, J.J.Hospital and St. George Hospital, Mumbai