CHAPTER - II

FINANCIAL MANAGEMENT AND BUDGETARY CONTROL

Chapter II

Financial Management and Budgetary Control

2.1 Introduction

2.1.1 Appropriation Accounts are accounts of the expenditure, voted and charged, of the Government for each financial year compared with the amounts of the voted grants and appropriations charged for different purposes as specified in the schedules appended to the Appropriation Act. These Accounts list the original budget estimates, supplementary grants, surrenders and re-appropriations distinctly and indicate actual capital and revenue expenditure on various specified services *vis-à-vis* those authorised by the Appropriation Act in respect of both charged and voted items of the budget. Appropriation Accounts thus facilitate management of finances and monitoring of budgetary provisions and are complementary to the Finance Accounts.

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

2.1.3 As per the Maharashtra Budget Manual (Budget Manual), (chapter IX), the Finance Department (FD) is responsible for preparation of the annual budget by obtaining estimates from various Departments. The departmental estimates of receipts and expenditure are prepared by the Controlling Officers on the advice of the heads of departments and submitted to the FD by prescribed dates. The FD scrutinises the estimates and prepares the Detailed Estimates called 'Demand for Grants'. In the preparation of the budget, the aim should be to achieve as close an approximation to the actuals as possible. This demands the exercise of the utmost foresight both in estimating revenue and anticipating expenditure. An avoidable extra provision in an estimate is as much a budgetary irregularity as an excess in the sanctioned expenditure. The budget procedure envisages that the sum provided in an estimate of expenditure on a particular item must be that sum which can be expended in the year and neither larger nor smaller. A saving in an estimate constitutes as much of a financial irregularity as an excess in it. The budget estimates of receipts should be based on the existing rates of taxes, duties, fees *etc*.

Deficiencies in preparation of the budget, management of expenditure and violation of the provisions of the Budget Manual noticed in audit have been discussed in the subsequent paragraphs.

2.2 Summary of Appropriation Accounts

There are 31 departments in the State at the Secretariat level headed by Principal Secretaries/Secretaries. Each department is operating one or more than one demand and the demand for grant generally reflects the allocation for a department.

The summarised position of actual expenditure during 2014-15 against 249 grants/ appropriations is given in **Table 2.1**.

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

(₹ in crore)

	Nature of expenditure	Original grant/ appropri-ation	Supplementary grant/ appropriation	Total	Actual expenditure	Saving (-)/ Excess (+)	Amount surrendered	Amount surrendered on 30 and 31 March 2015	Percentage of savings surrendered on 30 and 31 March (9/8)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Voted	I Revenue	161351.14	22699.16	184050.30	155719.76	(-)28330.54	29026.94	28368.37	97.73
	II Capital	28616.32	8506.73	37123.05	23061.78	(-)14061.27	13352.01	13174.47	98.67
	III Loans and Advances	982.60	43.35	1025.95	1140.56	114.61	216.46	198.78	91.83
Total Voted		**190950.06**	**31249.24**	**222199.30**	**179922.10**	**(-)42277.20**	**42595.41**	**41741.62**	**98.00**
Charged	IV Revenue	26775.42	661.97	27437.39	26987.21	(-)450.18	254.78	198.16	77.78
	V Capital	3.44	0.26	3.70	3.27	(-)0.43	2.34	2.34	100
	VI Public Debt - Repayment	11735.40	165.37	11900.77	15180.68	3279.91	71.45	28.53	39.93
Total Charged		**38514.26**	**827.60**	**39341.86**	**42171.16**	**2829.30**	**328.57**	**229.03**	**69.70**
Appropriation to Contingency fund		4350.00	…	4350.00	4350.00	…	…	…	…
Grand Total		**233814.32**	**32076.84**	**265891.16**	**226443.26**	**(-)39447.90**	**42923.98**	**41970.65**	**97.78**

Source: Appropriation Accounts 2014-15

Note: The expenditure excludes the recoveries adjusted as reduction of expenditure under revenue expenditure ₹ 5,153.86 crore and capital expenditure ₹ 3,541.59 crore as detailed in Appendix II of Appropriation Accounts

Supplementary provisions of ₹ 32,076.84 crore obtained during the year constituted 13.72 *per cent* of the original provision as against 10.40 *per cent* in the previous year.

The overall savings of ₹ 39,447.90 crore were the result of savings of ₹ 43,265.62 crore in 135 grants and 54 appropriations under the revenue section, 92 grants and 10 appropriations under the capital section, set-off by an excess of ₹ 3,817.72 crore in 29 grants and three appropriations. Of this savings ₹ 42,923.98 crore (99.21 *per cent*) was surrendered. Of this surrendered amount, ₹ 41,970.65 crore (97.78 *per cent*) was surrendered only on the last two days of the financial year.

As may be seen from **Table 2.1,** against the original provision of ₹ 2,33,814.32 crore, expenditure of only ₹ 2,26,443.26 crore was incurred, thereby requiring no supplementary funds. This indicates that seeking supplementary provision was avoidable as the expenditure did not even reach the level of original provision. The actual savings of ₹ 39,447.90 crore includes 100 *per cent* of the supplementary budget of ₹ 32,076.84 crore and 3.15 *per cent* of the original provision, which clearly indicates inaccurate estimation of funds and lack of control mechanism. Cases where supplementary provisions proved unnecessary as the expenditure did not come up to the level of the original provisions are discussed in **Para 2.3.4.3**.

The savings and excesses were intimated by the offices of the Accountants General (Accounts and Entitlements)[27] regularly to the Controlling Officers through monthly reports on expenditure. They also took up the matter after closure of the preliminary and final accounts in May and June 2015, requesting the Controlling Officers to explain the reasons for the significant variations, but no explanation was received (October 2015).

[27] Accountant General (Accounts and Entitlements)-I, Mumbai and Accountant General (Accounts and Entitlements)-II, Nagpur

2.3 Financial Accountability and Budget Management

2.3.1 Excess expenditure

As per Article 204 (3) of the Constitution of India, no money shall be withdrawn from Consolidated Fund of the State except under appropriation made by law passed in accordance with the provisions of this article. Instructions were issued by FD in June 2008 that necessary steps may be taken by Secretaries to ensure rigid enforcement of prescribed financial rules and to see that no excess expenditure takes place in future for reasons which can be anticipated and taken care of in advance either in Budget Estimates or supplementary grants, except in rare or exceptional circumstances.

Notwithstanding the above instructions, excess expenditure over budget provision increased from ₹ 604.64 crore in 2013-14 to ₹ 3,817.72 crore in 2014-15. The excess over provision occurred in 32 grants/appropriation during the year and requires regularization under Article 205 of the Constitution indicating that budgetary estimates were not reviewed properly (as the provisions being insufficient). Expenditure exceeded budget by more than ₹ 100 crore each in two cases and the details are given in **Appendix 2.1**.

Firm measures need to be put in place to avoid excess expenditure by defaulter departments. There is no cogent reasons for the inevitability of excess expenditure when Government gets opportunity to present the Supplementary Demand for Grants during the three sessions of Legislature in a year. The exceeding of Budgetary Grant is the result of bad planning, lack of foresight and ineffective monitoring on the part of budget estimates as well as Supplementary Demands for Grants.

2.3.1.1 Excess over provisions 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, the regularisation of excess expenditure is done after the completion of discussions on the Appropriation Account by the Public Accounts Committee. However, excess expenditure amounting to ₹ 5,065.58 crore for the year 2009-10 to 2013-14 in respect of 174 grants and 24 appropriations **(Appendix 2.2)** was yet to be regularised as of October 2015 due to non-furnishing of Explanatory Notes by the concerned administrative departments/FD.

2.3.1.2 Persistent Excess

There was no instance of persistent excess at Grant level. Scrutiny of the appropriation accounts for the period from 2012-13 to 2014-15 revealed that persistent excess expenditure occurred under the 17 sub-heads as shown in **Appendix 2.3.** Though all of these may not have resulted in excess at Grant level and hence may not require regularisation, however, special emphasis need to be given while monitoring the expenditure under these sub heads.

The persistent excess indicated that the budgetary control is not effective and previous years' trends were not taken into account while allocating the funds for the year.

2.3.1.3 Inadequate supplementary provisions resulting in excess expenditure

A supplementary grant or appropriation is an addition to the original authorized grant or appropriation. Para 170 of the Budget Manual specifies that great care should be taken in submitting proposals for supplementary appropriations, as the procedure for obtaining them involves considerable labour.

In eight cases supplementary provision of ₹ 2,695.86 crore proved insufficient by more than ₹ one crore each leaving an aggregated uncovered excess expenditure of ₹ 3,723.20 crore **(Appendix 2.4)**.

This indicates that the administrative departments could not realistically assess/estimate the actual requirement of funds for the remaining period of the financial year due to poor monitoring of expenditure through the monthly expenditure control mechanism.

2.3.2 Unexplained re-appropriations

Paragraph 165 of the Budget Manual stipulates that the orders sanctioning re-appropriation of funds of ₹ 500 and above and those which involve some unique or special feature should briefly specify reasons for the additions to and deductions from the sub-heads affected by them. However, a scrutiny of re-appropriation orders issued by the administrative departments revealed that out of 1,583 items of re-appropriation made, the reasons in respect of 67 (four *per cent*) were of general nature such as, 'actual requirement, revised estimates, release of 90 *per cent* grants by the FD' *etc.* Besides, in 167 items (11 *per cent*), no specific reasons were furnished. This also goes against the principle of transparency envisaged in Section 6 of the Maharashtra Fiscal Responsibility and Budgetary Management Act.

2.3.3 Rush of expenditure

According to the Bombay Financial Rules, 1959, rush of expenditure in the closing month of the financial year should be avoided. Contrary to this, in 612 sub-heads, expenditure exceeding ₹ 10 crore, which also constituted more than 50 *per cent* of the total expenditure was incurred in March 2015. In 41 grants where expenditure exceeding over ₹ 20 crore and also constituting 50 to 100 *per cent* of total expenditure was incurred during the last quarter of 2014-15 as shown in **Appendix 2.5**. In all these grants, expenditure incurred in March 2015 was also to the extent of 50 to 100 *per cent* of total expenditure.

Uniform flow of expenditure is the primary requirement of proper budgetary control which is lacking in the grants/major heads as shown in **Appendix 2.5**, indicating deficient financial management. A detailed analysis of this aspect in the selected grant is included in **Para 2.4.2.**

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

Appropriation Accounts revealed that in 66 cases savings exceeded ₹ 10 crore in each case and also by more than 20 *per cent* of the total provision as shown in **Table 2.2** and **Appendix 2.6**.

Table 2.2: Summarised statement showing savings exceeding ₹ 10 crore and above

Sr. No.	Range of Savings	Number of cases	Total Grant (₹ in crore)	Savings (₹ in crore)	Percentage
1	Up to ₹ 20 crore	12	550.28	181.15	32.92
2	More than ₹ 20 crore and up to ₹ 50 crore	13	1214.46	419.29	34.52
3	More than ₹ 50 crore	41	71587.22	31792.32	44.41
Total		**66**	**73351.96**	**32392.76**	**44.16**

Source: Appropriation Accounts of 2014-15

Further, against the total savings of ₹ 43,265.62 crore, savings of ₹ 40,328.10 crore (93.21 *per cent*) occurred in 44 grants involving ₹ 100 crore and above in each case as detailed in **Appendix 2.7**.

The departments that had major savings were Police, School Education, Urban, Housing, Social Justice, Tribal, Rural Development in the Revenue section and Public Works, Water Resources, Rural Development, Social Justice, Planning, Tribal under Capital section.

There was revenue deficit of ₹ 12,138 crore and fiscal deficit of ₹ 31,827 crore and therefore, depiction of overall saving of ₹ 43,265.62 crore was only notional. This implies that excess provisions were made without due regard to the receipts. Had these savings not occurred, the deficits would have gone up.

2.3.4.1 Persistent savings

In 14 cases, during the last five years, there were persistent savings of more than ₹ 100 crore in each case as shown in **Appendix 2.8**.

The persistent savings indicated that the budgetary controls in the Departments were not effective and previous years' trends were not taken into account while allocating the funds for the year.

2.3.4.2 Unnecessary/excessive supplementary provisions

After the close of the financial year, the supplementary appropriations found to be unnecessary or excessive will be commented as an irregularity in the Appropriation Accounts.

Supplementary provisions aggregating ₹ 12,586.98 crore obtained in 43 cases (₹ 10 crore or more in each case) during the year proved unnecessary as the actual expenditure (₹ 1,06,451.05 crore) did not come up to the level of the original provision (₹ 1,22,473.83 crore) as detailed in **Appendix 2.9**. Details of grants having saving of more than ₹ 1,000 crore and where supplementary provision proved unnecessary are detailed below:

Table 2.3: Grants having saving of more than ₹ 1,000 crore and where supplementary provision proved unnecessary

(₹ in crore)

Grant Number and Description	Original provision	Supplementary provision	Expenditure	Savings
E-2 General Education	34534.74	569.91	33465.14	1639.52
L-7 Capital Expenditure on Rural Development	2358.65	112.60	874.42	1596.83
N-3 Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	8069.41	851.47	7524.97	1395.91
O-10 Capital Outlay on Other Rural Development Programmes	5867.26	245.35	826.51	5286.10
T-5 Revenue Expenditure on Tribal Development Plan	4116.87	558.68	3561.39	1114.16

Source: Appropriation Accounts 2014-15

From **Table 2.3**, it can be seen that the supplementary provision proved unnecessary since the expenditure did not even come up to the original provision in all the five cases which clearly indicates inaccurate estimation of funds and lack of control mechanism.

2.3.4.3 Anticipated savings not surrendered

As per Para 173 of the Budget Manual, the spending departments are required to surrender grants/appropriations or portions thereof to the FD as and when savings are anticipated. Further, surrender of funds should be done as soon as these are foreseen without waiting for the end of the financial year, to enable the FD to efficiently redeploy the anticipated savings on other needy schemes.

At the close of the year 2014-15, in one case saving of ₹ 201.21 crore occurred under the grant G-06 - Pensions and Other Retirement Benefits (Revenue Voted), but no part of it was surrendered by the departments concerned.

Besides, in 115 cases, ₹ 35,478.36 crore was surrendered (in excess of ₹ 10 crore in each case) on the last two working days of the financial year (**Appendix 2.10**) indicating inadequate financial control.

2.4 Outcome of review of selected grants

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

With a view to ascertain how far the authorities were adhering to these instructions, a review of the budgetary procedure and control over expenditure was conducted in respect of Grant No H-05-Roads and Bridges and Grant L-03-Rural Development Programmes.

Under Grant H-05, provision is made for Maintenance and Repair Works under Thirteenth Finance Commission Grants, Central Road Fund (Allocation) Major Works and Ordinary Major/Minor Works and consists of one major head *viz*. 3054-Roads and Bridges.

Grant L-03 is a composite grant consisting of 11 major heads of which five[28] major heads are operated by Rural Development Department and four[29] major heads are operated by Water Conservation Department. Two major heads *viz.* '2501-Special Programmes for Rural Development' and '2505-Rural Development' are operated by both departments.

2.4.1 Allocation of expenditure

Summary of actual expenditure *vis-a-vis* original/supplementary provision made during the year 2012-2015 are given in **Table 2.4.**

Table 2.4: Detail of budgetary provision and actual expenditure under Grant No H-05 and L-03

(₹ in crore)

Year	Original provision	Supplementary provision	Total Grant or Appropriation	Actual Expenditure	Saving	Percentage of saving
Grant No H-05 Roads and Bridges						
2012-13	2839.43	417.05	3256.48	2696.92	559.56	17.18
2013-14	2540.27	1380.44	3920.71	2606.45	1314.26	33.52
2014-15	2731.89	1448.67	4180.65	3604.84	575.81	13.77
Grant No L-03- Rural Development Programmes						
2012-13	2922.32	930.43	3852.75	3174.39	678.36	17.61
2013-14	3337.33	1179.94	4517.27	3200.60	1316.67	29.15
2014-15	5234.79	1689.70	6924.49	5080.32	1844.17	26.63

Source: Appropriation Accounts of respective years

Paragraph 158 of Budget Manual envisaged that for better control over expenditure and to prevent over budgeting, the budget estimates should be prepared with great care so that the budget estimates may neither be inflated nor under pitched.

From the above table, it is revealed that there is persistent saving during the period 2012-15 ranging between 13.77 *per cent* to 33.52 *per cent* under Grant H-05 and 17.61 to 29.15 *per cent* under the Grant L-03.

[28] 2235; 2415; 2515; 2810; and 3054

[29] 2406; 2702; 2402; and 2551

The persistent savings indicated that the budgetary control in the Department was not effective and also the previous year trends were not taken into account while allocating the funds for the financial year.

Persistent Savings under sub-heads

Similarly, scrutiny of the Appropriation Accounts for the period from 2012-13 to 2014-15 revealed that there remained persistent unspent provisions under the following sub-heads during the financial years 2012-15. The details are given in **Table 2.5.**

Table 2.5: Sub-head wise persistent savings

(₹ in crore)

Sr. No.	Description	Year	Total grant	Expenditure	Saving	Percentage of Saving
Grant No H-05 Roads and Bridges						
1	3054 80 001 (00) (01) Roads and Bridges, General, Direction and Administration, Inter Account Transfer Establishment Charges Transferred prorata from MH 2059 Public Works	2012-13	155.75	84.78	70.97	45.57
		2013-14	168.00	29.80	138.20	82.26
		2014-15	168.00	111.54	56.46	33.61
2	3054 80 052 (00) (01) Roads and Bridges, General, Machinery and Equipment, Inter Account Transfer Tools and Plant Charges Transferred prorata from MH 2059 Public Works	2012-13	8.68	2.47	6.21	71.54
		2013-14	8.68	0.77	7.91	91.13
		2014-15	9.11	3.72	5.39	59.17
Total					285.14	

Source: Appropriation Accounts of respective years

Though the above expenditure is of adjustment nature, it is the responsibility of the department to anticipate the savings and surrender well in time so that it can be utilized for other programmes. However, reasons for non-surrender of funds of ₹ 285.14 crore under the above sub-heads of Grant H-05 are awaited. (October 2015).

2.4.2 Rush of Expenditure

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. During 2014-15, it was noticed in both H-05 and L-03 grant that substantial expenditure ranging from 50 *per cent* to 100 *per cent* has been incurred in the month of March, indicating deficient financial management as shown in **Appendix 2.11**.

Unnecessary provision of supplementary grant and thereafter re-appropriation of fund under Grant H-05

A supplementary grant or appropriation is an addition to the original grant or appropriation. Paragraph 170 of Budget manual specifies that great care should be taken in submitting proposal for supplementary grant, as the procedure for obtaining them involves considerable labour. After the close of the financial year, the supplementary appropriation found to be unnecessary or excessive will be commented as an irregularity in the Appropriation Accounts.

Scrutiny of the Appropriation Accounts of the financial year 2014-15 revealed that the Department made provision of supplementary grants in the following sub-heads and the same has been withdrawn in the month of March 2015, as detailed in **Table 2.6**.

Table 2.6: Major head-wise provision and withdrawal of supplementary grants

(₹ in crore)

Year	MH	Sub-head	Original Grant	Supplementary grant	Actual expenditure	Amount re-appropriated
2014-15	3054	80 107(00)(01)	00	5.00	00	5.00
2014-15	3054	80 004(00)(01)	00	0.21	00	0.21
Total			**00**	**5.21**	**00**	**5.21**

Source: Appropriation Accounts 2014-15

From the above table, it is evident that unnecessary provision of supplementary grant was made though there was no provision made in the original grant.

Control/Monitoring of Expenditure under Grant H-05

As per paragraph 155(i) and (iv) of Budget Manual, in order to ensure that the amount allotted to each disbursing officer is not exceeded without permission, the disbursing officer should submit the statement of his expenditure for the month and total expenditure up to date to the controlling officer in form 9 and all controlling officers should maintain a register of expenditure in budget manual form 10 for effective control of expenditure.

From the test check of records of three controlling offices (SE PWC Nagpur, SE PWC Chandrapur and SE PWC Osmanabad), it was noticed that disbursing officers were not submitting the statement of expenditure in form 9 and similarly controlling officers were also not maintaining the register of expenditure in budget manual form 10.

On this being pointed out, the SEs stated that since monthly statement of expenditure in form 9 was not submitted by the disbursing officer, form 10 at controlling officers level was also not maintained. The reply is not tenable as non-submission of monthly expenditure in form 9 by the disbursing officer and non-maintenance of statement of expenditure in form 10 defeats the very purpose of monitoring the budget and the progress of actual expenditure by controlling officer.

2.4.3 Transfer of funds from Consolidated Fund to Public Accounts under Grant L-03

A) In the accounts for the year 2013-14, it was observed that an amount of ₹ 206.72 crore has been transferred from MH 2515-800(01)(08)-Grant-in-aid to Zilla Parishads for Rural Development to MH 8443-108-Public Works Deposit to avoid lapse of budget provided by the Legislature for the year 2013-14.

On this being pointed out, it was justified that the funds were received only in March 2014 and used for the work of laying roads, gutter and other related basic facilities out of the MP/MLA fund and it was not possible to complete the work by March 2014. Moreover, it was stated that since the work was already in progress, if the funds were surrendered, it would affect the progress and time schedule of work. Further, it would be difficult to get it back immediately as the elections were also due during 2014-15. In view of these reasons, sanction of the Deputy Chief Minister was obtained to transfer the funds to Public Accounts with instructions to complete the work by September 2014.

The department replied that extension to complete the work was given up to 30 March 2015 by Government (March 2015). Further, department stated that 20 *per cent* of work remained incomplete due to non-release of balance funds.

B) Similarly, audit observed that in the year 2014-15 also an amount of ₹ 144.46 crore was transferred from MH 2515-800(01)(08)-Grant-in-aid to Zilla Parishads for Rural Development to MH 8443-108-Public Works Deposit to avoid lapse of budget provided by the Legislature for the year

2014-15. This exception was permitted (March 2015) after stipulating that the work should be completed by September 2015 and further extension of time would not be allowed.

Transfer of funds to Public Works Deposits is not acceptable to audit because such a transfer was objected by Accountant General Nagpur vide letter dated 18 September 2012 and subsequent Government Resolution of FD (April 2014) objecting transfer of unutilised funds to 8443-Civil Deposits at the end of the financial year. It has also been reiterated by FD that under any circumstances it should not be kept as deposits under Public Works Department.

2.4.4 Budget Speech Analysis

Bio-metric Attendance System

Budget speech of 2012-13, announced that to ensure attendance punctuality at village level Government and Semi-Government functionaries, State has decided to introduce Bio-metric attendance system and a pilot project has been launched which will be fully operationalised during 2012-13.

The scheme was implemented in six talukas[30] of six districts[31] from July 2011 and funds of ₹ 5.65 crore were distributed. Tenders were called for at Government level and Thirteenth Finance Commission funds were used.

Due to technical problems like non-availability of internet connection, irregular supply of electricity *etc.* the scheme did not materialise and Government ordered to close the scheme (May 2015). Thus, the very purpose of the scheme could not be achieved inspite of spending ₹ 5.65 crore for implementation.

Yashwantrao Chavan Gram Sadak Yojana

Said scheme was announced in the Budget speech of 2012-13 to connect the rural people not being covered under Prime Minister Gram Sadak Yojana to cover 5000 habitations in next five years.

The scheme could not be implemented due to non-availability of fund thereby defeating the purpose of budget speech announcements.

Special Programme for development of pilgrimage places

In the Budget speech of 2014-15, a provision of ₹ 25.49 crore was announced to provide basic amenities at the pilgrimage places. Though ₹ 25.49 crore was budgeted, FD released only ₹ 22.49 crore and a 25 *per cent* cut was imposed on the released amount and only ₹ 16.87 crore was made available for expenditure. Details about the successful implementation and the achievement of the intended benefits of the special programme was not made available to audit (October 2015).

2.4.5 Suspense Transactions

An analysis of Suspense transactions under Grant L-03 co-related with Grant H-06 is given every year in Appropriation Accounts. As per instructions of FD (March 1989) adjustments of all items under the sub-head Cash Settlement Suspense Account would be carried out in the same year and the sub-head should be closed to Nil. Hence no budget provision is made under this head.

[30] Srivardhan; Walva; Dharani; Mudked; Divli; and Sangamner
[31] Raigad; Sangli; Amravati; Nanded; Wardha; and Ahmednagar

The Maharashtra Public Works Department Account Code also states that the minor head suspense sub-divided into four heads[32] kept in each division under suspense Major Head of expenditure are of a temporary character and all transactions recorded under them are ultimately removed either by payment or recovery in cash or adjustment.

On verification of Appropriation Accounts 2014-15, it has been noticed that the closing balance at the end of the year had a debit balance and the reasons for the non-clearance of details under the sub-head have not been provided so far.

Analysis of the suspense transactions under the grant L-03 for the year 2014-15 is given in **Table 2.7.**

Table 2.7: Details of suspense transaction under L-03

(₹ in lakh)

Suspense Head	Opening Balance	Debit	Credit	Closing Balance
	(+) Debit/(-) Credit			(+) Debit/(-) Credit
Stock	(+)945.68		1.65	(+)944.03
Purchase	(-)86.90	--	---	(-)86.90
Miscellaneous Public Works Advance	(+)198.81	---	---	(+)198.81
Cash Settlement Suspense Account	(+)15.31	---	---	(+)15.31
Total	**(+)1072.90**	**---**	**1.65**	**(+)1071.25**

Source: Appropriation Accounts 2014-15

Explanation for non-clearance of debit balance under the suspense head for years together are sought for from the Administrative Department (October 2015). Reply is awaited.

2.5 Advances from Contingency Fund

The Contingency Fund of the State has been established under the Bombay Contingency Fund Act, 1956, in terms of provisions of Article 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, 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 ₹ 150 crore, which was temporarily raised from time to time to ₹ 2,150 crore. The balance at the beginning of the year (2014-15) was ₹ 140 crore. During the year 2014-15, ₹ 10 crore drawn from contingency fund in 2013-14, was recouped to the fund. The closing balance of the fund as on 31 March 2015 was ₹ 2,150 crore.

During 2014-15, of the 11 sanctions issued by FD for an amount of ₹ 4,370.21 crore, eight withdrawals amounting to ₹ 559.45 crore were made from the fund. In three cases, as listed in **Appendix 2.12,** the nature of expenditure for which the departments concerned had obtained advances from the fund was foreseeable. Therefore, the drawals from the Contingency Fund was irregular. Further, in respect of nine sanctions, the actual expenditure of ₹ 553.75 crore ranged between zero and 96 *per cent* of the sanctioned amount as detailed in **Appendix 2.13.** The fact that in three out of 11 sanctions, advances amounting to ₹ 11.03 crore were not drawn by the departments concerned indicated the funds were not required to meet expenses of emergent character.

2.6 Misclassification of expenditure

Accounting of Government revenue and expenditure outside Consolidated Fund

As per Article 266 and 204 of the Constitution of India, all revenues of the Government shall form part of the Consolidated Fund of the State and no money shall be withdrawn from that

[32] (i) purchase (ii) stock (iii) miscellaneous public works advance and (iv) workshop suspense

fund except under appropriation made by law. The State Government, however, has authorised the heads of Government Hospitals to retain the fees and other hospital charges received from patients in their Personal Ledger Accounts (PLA) under the Public Account and utilise the same for various expenses like maintenance of buildings, equipment, office expenses *etc.* Even the hospitals which do not have a PLA keep their receipts in the PLAs of the neighbouring hospitals. The quantum of all such transactions outside the Consolidated Fund is given in **Table 2.8.**

Table 2.8: Transactions outside the Consolidated Fund

(₹ in crore)

Opening balance as on 01 April 2014	Amount credited to personal ledger accounts during the year	Amount withdrawn from personal ledger accounts during the year	Closing balance as on 31 March 2015
174.24*	124.51	100.68	198.07

* decrease in previous year's closing balance was due to rectification of misclassification

Source: Finance Accounts 2014-15

The above procedure is not only a violation of constitutional provisions but also circumvents intended Legislative and budgetary control over expenditure. Thus, the crediting of Government receipts in PLA resulted in overstatement of revenue deficit by ₹ 23.83 crore as can be seen from **Table 2.8**.

Incorrect booking of Revenue expenditure under Capital

During 2014-15, grants-in-aid of ₹ 297.39 crore (three cases) and subsidies of ₹ 4.69 crore (one case) released by Government of Maharashtra (GoM) was classified and booked under capital expenditure heads instead of revenue expenditure heads of accounts, resulting in understatement of the revenue deficit by ₹ 302.08 crore.

Non-transfer of unspent balances to Consolidated Fund

As per Government Resolution of Revenue and Forest Department of Maharashtra, the unspent balance in the Personal Deposit (PD) account of Inspector General of Registration was to be credited to Consolidated Fund at the end of every quarter. There was an accumulated unspent balance of ₹ 720.94 crore over the years lying in the account as on 31 March 2015 which remained uncredited to the Consolidated Fund of the State.

Similarly, as per the Government Resolution of Home Department of Maharashtra, the unspent balance at the end of the year in the PD accounts operated by the Regional Transport Offices/Deputy Transport Officers is to be brought to 'nil' by crediting the same into Consolidated Fund. There were unspent balances of ₹ 4.20 crore in 17 PD accounts as on 31 March 2015 not credited to Consolidated Fund. Thus, the non-transfer of unspent balances from PD accounts back to Consolidated Fund at the end of the financial year resulted in overstatement of revenue deficit by ₹ 725.14 crore.

2.7 Outcome of inspection of treasuries

The major irregularities noticed by the Accountant General (Accounts and Entitlements)-I, Maharashtra, Mumbai and the Accountant General (Accounts and Entitlements)-II, Maharashtra, Nagpur during inspection of 34 district treasuries (including 322 sub-treasuries) and the Pay and Accounts Office, Mumbai during 2014-15 are brought out in the succeeding paragraphs.

2.7.1 Transfer of funds to personal deposit accounts

The PD accounts, also known as PLA, are in the nature of a banking account kept in the treasuries. The GoM is authorised to keep funds required for specific purposes in the PD accounts by transfer of funds from the Consolidated Fund. Generally, administrators[33] are required to close such accounts on the last working day of the year and transfer the unspent balances back to the Government accounts (Consolidated Fund). However, as on 31 March 2015, 2,659 PD accounts showing a total balance of ₹ 9,726.08 crore were not transferred back to the Consolidated Fund, as indicated in **Table 2.9.**

Table 2.9: Status of personal deposit accounts during 2014-15

Sr. No.	Particulars	Number	Particulars	Amount (₹ in crore)
1	Opening balance	4221	Opening balance	9254.78
2	Newly opened	63	Amount credited	16811.48
3	Closed accounts	1625	Amounts disbursed	16340.18
4	Closing Balance	2659	Closing balance	9726.08

Source: Finance Accounts 2014-15

Out of ₹ 16,811.48 crore credited to PD accounts (including receipts from other sources) during 2014-15, ₹ 2,115.23 crore (13 *per cent*) was credited in March 2015 alone.

The aggregate amount of the unspent balances in the accounts of the administrators was not readily ascertainable as such funds also included receipts from sources other than the Consolidated Fund of the State.

2.7.2 Non-reconciliation in personal deposit/personal ledger accounts balances

As per paragraph 589 of Maharashtra Treasury Manual, Treasury Officer is required to obtain a certificate of balance at the end of each year from the administrator of PLA. After obtaining such certificate, differences if any, is required to be reconciled with the treasury figures and the certificate of balance, after reconciliation with the treasury, should be forwarded to Accountant General (Accounts and Entitlements)-I, Maharashtra, Mumbai for confirmation. Inspection of treasuries revealed the following:

- In 152 cases, there was difference between the administrators' balance and the treasury/Pay and Accounts Office balance.
- In 338 cases, there was difference between the treasury balance and the sub-treasury balance**.**
- In 184 cases, there was difference between the sub-treasury balance and the administrators' balance**.**

Besides, 1,301 out of 4,221 administrators have not furnished the certificates of balances as on March 2014 to Treasury Officers/Pay and Accounts Office.

2.7.3 Personal Ledger Accounts inoperative for more than one year

As per rule 495 of MTR and Maharashtra Treasury Manual, PLA which are inoperative for more than three continuous accounting years should be closed and the balance at the credit of such accounts should either be paid to the PLA holder or credited to the consolidated fund of the State. This limit was revised to one year as per instructions issued by FD (January 2014).

It was noticed that in 1,211 cases PLAs were not operated by the administrators since last one year and more, resulting in unutilized balance of ₹ 45.82 crore lying idle in the PLAs. The district-wise details are given in **Appendix 2.14**. As per the established practice, the funds from the consolidated fund to PLA should be transferred through 'Nil bills' (non-cash transaction). However, all treasuries (except Pune Treasury) did not follow the above practice but withdrew large funds through cheques and credited it to PLAs subsequently. Since the purpose of

[33] Personal deposit/Personal ledger account holders

cash/cheque withdrawals are not always readily ascertainable from the vouchers, the unspent amount so transferred from the consolidated fund and not credited back from the inoperative PLAs could not be ascertained as the PD accounts include receipts from sources other than the Consolidated Fund also.

2.7.4 Overpayment of pension

Overpayment of pensionary benefits of ₹ 1.47 crore was made during 2014-15 on account of incorrect calculation of dearness relief, non-adjustment of provisional Death-cum-Retirement Gratuity, non-reduction of family pension from the specific dates mentioned in the pension payment orders *etc*. Of this, only ₹ 0.64 crore had been recovered up to September 2015. Thus, a balance of ₹ 0.83 crore was still outstanding.

2.8 Conclusion and recommendations

The overall savings of ₹ 39,447.90 crore were the net result of savings of ₹ 43,265.62 crore, set off by an excess of ₹ 3,817.72 crore. This excess expenditure requires regularization by the State Legislature. There was rush of expenditure (50 to 100 *per cent*) during the last month of the financial year under 41 grants.

All the departments should closely monitor the expenditure against the allocations and excess expenditure over allocations be avoided to the extent possible. Funds may be surrendered well before the close of the year so as to enable their utilization for other developmental schemes.

During 2014-15, grants-in-aid of ₹ 297.39 crore (three cases) and subsidies of ₹ 4.69 crore (one case) released by the GoM was classified and booked under capital expenditure heads instead of revenue expenditure heads of accounts, resulting in understatement of revenue deficit by ₹ 302.08 crore.

The Government may ensure compliance to IGAS in budget formulation so that the expenditure is correctly accounted for in the Government accounts.