CHAPTER - II

FINANCIAL MANAGEMENT AND BUDGETARY CONTROL

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 quantum 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. 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. 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 30 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 2015-16 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/ Appropriation	Supplementary Grant/ Appropriation	Total	Actual expenditure	Saving (-) / Excess (+)	Amount surrendered	Amount surrendered on 30 and 31 March 2016	Percentage of savings surrendered on 30 and 31 March (9/8)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Voted	I Revenue	175997.13	27386.85	203383.98	168620.71	(-)34763.27	35810.00	35222.71	98.7
	II Capital	31612.07	7510.21	39122.28	26375.28	(-)12747.00	12851.00	12831.00	99.8
	III Loans and Advances	969.84	373.71	1343.55	1114.63	(-)228.92	236.24	212.80	90.1
Total Voted		**208579.04**	**35270.77**	**243849.81**	**196110.62**	**(-)47739.19**	**48897.24**	**48266.51**	**98.7**
Charged	IV Revenue	31085.63	191.57	31277.20	28943.66	(-)2333.54	2118.30	2050.76	96.8
	V Capital	0.99	6.20	7.19	6.92	(-)0.27	0.27	0.27	100
	VI Public Debt - Repayment	12964.14	0.00	12964.14	10043.10	(-)2921.04	2920.62	2908.44	99.6
Total Charged		**44050.76**	**197.77**	**44248.53**	**38993.68**	**(-)5254.85**	**5039.19**	**4959.47**	**98.4**
Appropriation to Contingency fund		962.00	….	962.00	962.00	….			
Grand Total		**253591.80**	**35468.54**	**289060.34**	**236066.30**	**(-)52994.04**	**53936.43**	**53225.98**	**98.7**

Source: Appropriation Accounts 2015-16

Note: The expenditure excludes the recovery adjusted as reduction of expenditure under revenue expenditure ₹ 7,190.31 crore and capital expenditure ₹ 3,589.04 crore as detailed in Appendix II of Appropriation Accounts

Supplementary provisions of ₹ 35,468.54 crore obtained during the year constituted 14 *per cent* of the original provision as against 13.7 *per cent* in the previous year.

The overall savings of ₹ 52,994.04 crore were the result of savings of ₹ 53,558.86 crore in 133 Grants and 53 appropriations under the revenue section, 95 Grants and 10 appropriations under the capital section, set-off by an excess of ₹ 564.82 crore in 27 Grants and five appropriations. Of this savings (₹ 53,558.86 crore), ₹ 53,936.43 crore (100 *per cent*)[1] was surrendered. Of this surrendered amount, ₹ 53,225.98 crore (98.7 *per cent*) was surrendered on the last two days of the financial year.

As may be seen from **Table 2.1**, against the original provision of ₹ 2,53,591.80 crore, expenditure of ₹ 2,36,066.30 crore was incurred, thereby requiring no supplementary funds. This also indicated that seeking supplementary provisions was avoidable since the expenditure did not even reach the level of original provision. In view of the overall savings of ₹ 52,994.04 crore, the supplementary provision of ₹ 35,468.54 crore proved wholly unnecessary. Cases where supplementary provisions proved unnecessary as the expenditure did not come up to the level of the original provisions are discussed in **Paragraph 2.3.4.2**.

The savings and excesses were intimated by the offices of the Accountants General (Accounts and Entitlements)[2] 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 2016, requesting the Controlling Officers to explain the reasons for the significant variations, but no explanation was received (September 2016).

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

[1] The surrenders were more than the savings in 46 Grants

[2] Principal Accountant General (Accounts and Entitlements)-I, Maharashtra, Mumbai and Accountant General (Accounts and Entitlements)-II, Maharashtra, Nagpur

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.

The excess expenditure over budget provision decreased from ₹ 3,817.72 crore in 2014-15 to ₹ 564.82 crore in 2015-16. The excess over budget provision occurred in 32 Grants/appropriation during the year and requires regularization under Article 205 of the Constitution of India, indicating that budgetary estimates were not reviewed properly. The details of Grants/appropriations closed with an excess over budget provision is given in **Appendix 2.1**.

Though there was a significant decrease in excess expenditure during 2015-16 over 2014-15, measures need to be instituted to avoid excess expenditure completely.

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 by the Public Accounts Committee after they discuss Appropriation Accounts. However, excess expenditure amounting to ₹ 5,426.53 crore for the year 2012-13 to 2014-15 in respect of 98 Grants and 11 appropriations (**Appendix 2.2)** was yet to be regularised as of September 2016.

2.3.1.2 Persistent excess

Scrutiny of the appropriation accounts for the period from 2013-14 to 2015-16 revealed that there were eight instances of persistent excess at Grant level as shown in **Appendix 2.3**. Further persistent excess expenditure occurred under the 22 sub-heads as shown in **Appendix 2.4.** Though all of these may not have resulted in excess at Grant level and hence, may not require regularisation, special emphasis needs to be given while monitoring the expenditure under these sub-heads.

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. Paragraph 170 of the Budget Manual specifies that great care should be taken in submitting proposals for supplementary appropriations, as the procedure for obtaining them is rigorous.

Supplementary provisions amounting to ₹ 5,848.11 crore proved insufficient in 24 cases, as the actual expenditure incurred exceeded (by ₹ one crore or more in each case) the original plus supplementary provisions by ₹ 560.93 crore **(Appendix 2.5)**.

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, on scrutiny of Re-appropriations orders issued by the Administrative Departments revealed that of 2,644 items of Re-appropriations made during 2015-16, no specific reasons were given in respect of 215 cases (eight *per cent*). This 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 280 sub-heads, expenditure exceeding ₹ 10 crore each amounting to ₹ 20,940.56 crore, constituting more than 50 *per cent* of the total expenditure, was incurred in March 2016. **Appendix 2.6** shows details of 35 Grants amounting to ₹ 7,941.59 crore where expenditure exceeded by ₹ 50 crore and also constituted 51 to 100 *per cent* of total expenditure during the last quarter of 2015-16. Further, of ₹ 7,941.59 crore, an expenditure to the extent of ₹ 7,040.03 crore (89 *per cent*) was incurred in March 2016.

2.3.4 Appropriation *vis-à-vis* allocative priorities

Appropriation Accounts 2015-16 revealed that in 58 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 2.7**.

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	13	577.61	182.56	32
2	More than ₹ 20 crore and up to ₹ 50 crore	12	1112.83	341.27	31
3	More than ₹ 50 crore	33	63890.41	31804.08	50
Total		**58**	**65580.85**	**32327.91**	**49**

Source: Appropriation Accounts of 2015-16

Further, against the total savings of ₹ 53,558.86 crore during 2015-16, savings of ₹ 50,889.04 crore (95 *per cent*) occurred in 48 Grants involving ₹ 100 crore and above in each case, as detailed in **Appendix 2.8**.

The Departments that had major savings were Planning, Finance, School Education, Social Justice and Home under Revenue section and Planning, Rural Development, Social Justice, Water Resources and Tribal Development under Capital section.

The FD, GoM in its funds release order for 2015-16 (February 2016) restricted the expenditure to 90 *per cent* of the budget allocation under non-plan scheme and 70 *per cent* for the plan scheme. This order of FD resulted in increasing the savings under the Grants. Further, there was revenue deficit of ₹ 5,338 crore and fiscal deficit of ₹ 28,364 crore during 2015-16 and therefore, depiction of overall saving of ₹ 53,558.86 crore implied that Government had made excess budget provisions without realistic estimation of receipts/revenues.

2.3.4.1 Persistent savings

During 2011-16 (last five years), there was persistent savings of more than ₹ 100 crore in 21 Grants as shown in **Appendix 2.9**, pointing to ineffective budgetary controls by the Departments.

2.3.4.2 Unnecessary/Excessive Supplementary Provisions

Supplementary provisions aggregating ₹ 6,879.68 crore obtained in 34 Grants (₹ 10 crore or more in each case) during the year proved unnecessary as the actual expenditure (₹ 93,844.75 crore) did not come up to the level of the original provision (₹ 1,13,642.76 crore) as detailed in **Appendix 2.10**. Details of 11 Grants having savings of more than ₹ 500 crore and where supplementary provision proved unnecessary are shown in **Table 2.3**.

Table: 2.3: Grants having savings of more than ₹ 500 crore and where Supplementary Provision proved unnecessary

(₹ in crore)

Sr. No.	Grant Number and Description	Original Provision	Supplementary Provision	Expenditure	Savings
1	B-1 Police Administration	11604.77	157.33	10046.21	1558.56
2	E-2 General Education	38314.29	807.36	35804.08	2510.21
3	K-7 Industries	3594.48	122.67	3076.47	518.01
4	N-3 Welfare of Scheduled Caste, Scheduled Tribes and Other Backward Classes	9277.47	980.63	8061.67	1215.80
5	T05 Revenue Expenditure on Tribal Areas Development Sub-Plan	4812.10	535.27	3973.33	838.77
6	Y-2 Water Supply and Sanitation	2835.89	119.16	1509.74	1326.15
7	L-7 Capital Expenditure on Rural Development	2635.30	366.30	1336.77	1298.53
8	M-4 Capital Expenditure on Food	5220.55	26.83	4092.81	1127.74
9	N-4 Capital Expenditure on Social Services	1349.90	79.61	227.10	1122.80
10	O-10 Capital Outlay on Other Rural Development Programmes	6387.18	175.20	693.43	5693.75
11	T-6 Capital Expenditure on Tribal Areas Development Sub-Plan	1639.85	65.77	1123.59	516.26

Source: Appropriation Accounts 2015-16

2.3.4.3 Anticipated savings not surrendered

As per Paragraph 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 in other deprived Schemes.

At the close of 2015-16, in one case, savings of ₹ 1,139.03 crore occurred under the Grant G06-Pensions and Other Retirement Benefits (Revenue Voted) but, no part of it was surrendered by the Departments concerned.

Besides, in 62 cases, ₹ 48,114.32 crore was surrendered (in excess of ₹ 50 crore in each case) on the last two working days of the financial year (**Appendix 2.11**), indicating inadequate financial controls and non-availability of these funds for other developmental purposes.

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 ascertaining how far the authorities were adhering to these instructions, a review of the budgetary procedure and control over expenditure was conducted in respect of two Grants namely, (i) Grant No. H-6 Public Works and Administrative and Functional Buildings, and (ii) Grant T-5 Revenue Expenditure on Tribal Areas Development Sub-Plan for the period 2013-14 to 2015-16.

Under Grant No. H-6, provision is made for office establishment, repair and maintenance and minor works, and the Grant covers nine Major Heads namely, Public Works (2059), General Education (2202), Technical Education (2203), Art and Culture (2205), Medical and Public Health (2210), Urban Development (2217), Labour and Employment (2230), Animal Husbandry (2403) and Fisheries (2405).

Grant No. T-5 is a composite Grant consisting of 25 Major Heads of which four Major Heads are operated by Animal Husbandry, Dairy Development and Fisheries Department (2401, 2403, 2405, 2406) and three Major Heads each are operated by School Education and Sports Department (2202, 2204, 2230) and Industries Energy and Labour Department (2801, 2810, 2851). Two Major Heads each are operated by Public Health Department (2210, 2211), Social Justice and Special Assistance Department (2235, 2236), Rural Development Department (2501, 2505) and Public Works Department (3054, 3055). One Major Head each is operated by General Administration Department (2220), Higher and Technical Education Department (2203), Water Supply and Sanitation Department (2215), Tribal Development Department (2225), Urban Development Department (2217), Co-operation, Marketing and Textiles Department (2425) and Water Resources Department (2702).

2.4.1 Allocation of Expenditure

Paragraph 158 of Budget Manual envisaged that for better control over expenditure and to prevent over budgeting, budget estimates should be prepared with great care so that they do not appear to be inflated or under-pitched.

Summary of actual expenditure *vis-a-vis* Original/Supplementary provisions made during the year 2013-16 are given in **Table 2.4.**

Table 2.4: Detail of budgetary provisions and actual expenditure under Grant No. H-6 and T-5

(₹ in crore)

Year	Original provision	Supplementary provision	Total Grant or Appropriation	Actual Expenditure	Saving	Percentage of saving
Grant H-6 Public Works and Administrative and Functional Buildings						
2013-14	2239.20	221.11	2460.31	2083.16	377.15	15.3
2014-15	2448.75	69.95	2518.70	2038.87	479.83	19.0
2015-16	2500.54	122.08	2622.62	2097.01	525.62	20.0
Grant T-5 Revenue Expenditure on Tribal Areas Development Sub-Plan						
2013-14	3317.38	213.54	3530.92	3019.83	511.09	14.5
2014-15	4116.87	558.68	4675.55	3561.39	1114.16	23.8
2015-16	4812.10	535.27	5347.37	3973.33	1374.04	25.7
Source: Appropriation Accounts of respective years						

Table 2.4 shows persistent savings of 15 to 20 *per cent* under Grant No. H-6 and 14 to 26 *per cent* under Grant No. T-5 during the period 2013-16.

Persistent savings indicated that budgetary controls in both the Departments (Public Works and Tribal Development) was not effective and also, trends of previous years were not taken into account while allocating the funds for the current financial year.

2.4.1.1 Surrender of entire provisions

Scrutiny of Appropriation Accounts for the year 2015-16 revealed that the entire provisions under the sub-heads amounting to ₹ 376.73 lakh under Grant No. H-6 and ₹ 32,588.61 lakh under Grant No. T-5 were withdrawn in the month of March 2016 through re-appropriation **(Appendix 2.12)**.

2.4.1.2 Substantial savings under the sub-heads

During 2015-16, in 11 sub-heads under Grant No. T-5, savings exceeded by ₹ 10 crore and above and also by 50 *per cent* to 100 *per cent* of the total Grant as shown in **Table 2.5**.

Table 2.5: Sub-head wise substantial savings

(₹ in crore)

Sr. No	Cross Reference Code	Description	Total Grant	Actual Expenditure	Savings	Percentage of savings
Grant T-5 Revenue Expenditure on Tribal Areas Development Sub-Plan						
1	240601796 865	Development of Tourism in Forest Areas (State Level Scheme)	10	0	10	100
2	220201796 I16	Training to the Teachers (Central Share 75 *per cent*)	16.93	0	16.93	100
3	222502796 300	Central Sector Scheme for Development of Primitive Tribes Centrally Sponsored Scheme (Central Scheme)	40	0	40	100
4	222502796 C96	Lumpsum Provision for unbudgeted Revenue Outlay	202.85	0	202.85	100
5	223003796 158	Procurement of deficient equipment in existing Industrial Training Institute	10.38	0.38	10.00	96
6	221001796 F74	National Urban Health Mission (Central Share)	62.22	7.13	55.09	89
7	250101796 296	Financial Assistance for Maharashtra State Rural Livelihood Mission (Central Share)	23.63	5.97	17.66	75
8	221003796 F73	National Rural Health Mission (Central Share)	263.29	72.74	190.55	72
9	221502796 986	Construction of Latrine under Nirmal Bharat Abhiyan (CSS)	197.60	64.96	132.64	67
10	222502796 D26	Skill Development Programme for Tribal Youths	35	14.07	20.93	60
11	250560796 299	Indira Awas Yojana (Central Assistance)	293.40	146.70	146.70	50
Source: Appropriation Accounts 2015-16						

2.4.1.3 Injudicious Re-Appropriation

Paragraph 177 of Budget Manual stipulates that savings remaining unsurrendered or unutilized and excesses remaining uncovered by re-appropriation of savings or supplementary Grants at the end of the year should not as a rule, occur and cannot be justified unless they are due to circumstances beyond the control of the departmental officers concerned.

Scrutiny of Appropriation Accounts for the year 2015-16 revealed that in one sub-head under Grant No. H-6 and two sub-heads under Grant No. T-5, re-appropriation orders issued resulted in the sub-head closing with an excess expenditure as shown in **Table 2.6**.

Table 2.6: Sub-head wise unnecessary Re-Appropriations

(₹ in lakh)

Sr. No.	Description of the Head of Account/ Cross Reference Code	Original Grant	Amount re-appropriated	Total Grant (3-4)	Actual expenditure	Excess expenditure (5-6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Grant H-6 Public Works and Administrative and Functional Buildings						
1	2059.80.001.(15) (01) Public Works, General, Direction and Administration, Superintending Engineer, Public Works Circle, Pune Execution	191.45	34.74	156.71	168.13	11.42
Grant T-5 Revenue Expenditure on Tribal Areas Development Sub-Plan						
1	2210 06 796 (01)(02) National Malaria Eradication Programme	885.82	187.09	698.73	714.63	15.90
2	2225 02 796 (01)(05) Supply of PVC pipes (Dist. Level Scheme)	775.31	54.14	721.17	738.12	16.95

Source: Appropriation Accounts 2015-16

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. In two sub-heads under Grant No. H-6 and 21 sub-heads under Grant No. T-5, more than 50 *per cent* of expenditure (representing ₹ 10 crore and above) totaling ₹ 1,107.57 crore was incurred during March 2016 **(Appendix 2.13).**

2.4.2.1 Expenditure without provision of funds

As per Paragraph 159 of Budget Manual, no expenditure is to be incurred on Scheme/services without provision of funds.

It was however, observed that an expenditure of ₹ 118.82 lakh was incurred in sub-head "2059 80 799 (00) (02)" without any provision in the original estimates/ supplementary demand and without any re-appropriation order to this effect.

Reasons for excess expenditure without provision of funds under the above sub-heads were awaited (October 2016).

2.4.2.2 Control/Monitoring of Expenditure under Grant No. H-6

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 upto date to the Controlling Officer in Form No. 9 and all Controlling Officers should maintain a register of expenditure in Form No. 10 for effective control of expenditure.

Test-check of records of four Controlling Officers[3] revealed that the disbursing officers were not submitting statements of expenditure in Form No. 9 and similarly, the Controlling Officers were not maintaining registers of expenditure in Form No. 10.

[3] Superintending Engineer, Public Works Circle, Nagpur; Superintending Engineer, Public Works (Electrical) Region Nagpur; Superintending Engineer, Public Works Circle, Akola; and Superintending Engineer, Public Works Circle, Osmanabad

The Superintending Engineers stated (August 2016) that since monthly statements of expenditure in Form No. 9 was not submitted by the disbursing officers, Form No. 10 at Controlling Officers level was not maintained.

The reply is not acceptable, as non-submission of monthly expenditure in the prescribed formats defeated the very purpose of monitoring the budget and the progress of actual expenditure by Controlling Officer.

2.5 Advances from Contingency Fund

In terms of provisions of Article 267 (2) and 283 (2) of the Constitution of India, the Contingency Fund of the State has been established under the Bombay Contingency Fund Act, 1956. Advances from the Fund are to be made only for meeting expenditure of an unforeseen and emergent character, postponement of which, till its 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 (2015-16) was ₹ 2,150 crore. During the year, ₹ 2,000 crore was recouped to the fund and the closing balance of the Fund as on 31 March 2016 was ₹ 150 crore.

During 2015-16, of the 19 sanctions issued by FD for ₹ 1,111.69 crore, eight withdrawals amounting to ₹ 267.91 crore were made from the Fund. In five cases, as listed in **Appendix 2.14,** the nature of expenditure (₹ 77.20 crore) for which the Departments concerned had obtained advances from the Fund was foreseeable and therefore, the drawals from the Contingency Fund were unwarranted and irregular.

2.6 Misclassification of Expenditure

2.6.1 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 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.* This was contrary to Rule 495 of Maharashtra Treasury Rules. Even the hospitals which do not have a PLA, kept their receipts in the PLAs of the neighbouring hospitals. The quantum of all such transactions outside the Consolidated Fund is given in **Table 2.7.**

Table 2.7: Transactions outside the Consolidated Fund

(₹ in crore)

Opening balance as on 01 April 2015	Amount credited to personal ledger accounts during the year	Amount withdrawn from personal ledger accounts during the year	Closing balance as on 31 March 2016
198.07	94.43	68.13	224.37

Source: Finance Accounts 2015-16

The above procedure is not only a violation of Constitutional provisions but also circumvents intended Legislative and budgetary control over expenditure. Thus, crediting of Government receipts in PLA resulted in overstatement of revenue deficit by ₹ 26.30 crore.

2.6.2 Incorrect booking of Revenue Expenditure under Capital

During 2015-16, grants-in-aid of ₹ 548.25 crore (six cases) and subsidies of ₹ 5.98 crore (one case) released by GoM were classified and booked under capital expenditure heads instead of revenue expenditure heads of accounts, resulting in understatement of the revenue deficit by ₹ 554.23 crore.

2.6.3 Non-transfer of balances to Consolidated Fund

As per Government Resolution (October 2001) of Revenue and Forest Department, the balances in the Personal Deposit (PD) account of Inspector General of Registration was to be credited to Consolidated Fund at the end of every quarter. It was seen that an accumulated balance of ₹ 825.04 crore was lying in the account as on 31 March 2016, which was not credited to the Consolidated Fund of the State. Inspector General of Registration and Controller of Stamps stated (June 2016) that of the total balance, only ₹ 500 crore could possibly be deposited into Government Account, as Arbitrator claims of about ₹ 300 crore were to be met. However, the accumulated balance needs to be credited to the Consolidated Fund of the State as per the Government Resolution.

Similarly, as per the Government Resolution (July 2011) of Home Department, the unspent balance at the end of the year in the PD accounts operated by the Regional Transport Offices/Deputy Transport Officers was to be brought to 'Nil' by crediting the same into Consolidated Fund. There were unspent balances of ₹ 0.70 crore in seven PD accounts as on 31 March 2016 not credited to Consolidated Fund.

Further, during 2015-16, Public Works and Water Resources Divisions transferred ₹ 19.38 crore[4] from the Consolidated Fund to the Public Account (Major Head-8443) to avoid lapse of budget provision.

Thus, non-transfer of unspent balances from PD accounts back to Consolidated Fund and transfer to Public Account at the end of the financial year resulted in overstatement of revenue deficit by ₹ 845.12 crore.

2.7 Outcome of Inspection of Treasuries

The major irregularities noticed by the Principal 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 2015-16 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[5] 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 2016, 1,903 PD accounts showing a total closing balance of ₹ 11,160.06 crore were not transferred back to the Consolidated Fund, as indicated in **Table 2.8.**

[4] Major Head–2515–Other Rural Development Programmes ₹ 5.39 crore; Major Head–2053–District Administration ₹ 0.40 crore; and Major Head–4402–Capital Outlay on Soil and Water Conservation ₹ 13.59 crore

[5] Personal deposit/Personal ledger account holders

Table 2.8: Status of Personal Deposit Accounts during 2015-16

(₹ in crore)

Opening balance		Newly opened		Closed accounts		Closing Balance	
Number	Amount	Number	Amount	Number	Amount	Number	Amount
2659	9726.09	39	19914.93	795	18480.96	1903	11160.06

Source: Finance Accounts 2015-16

Out of ₹ 19,914.93 crore credited to PD accounts (including receipts from other sources) during 2015-16, ₹ 2,106.58 crore (11 *per cent*) was credited in March 2016 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, are required to be reconciled with the Treasury figures and the certificate of balance, after reconciliation with the Treasury, should be forwarded to Principal Accountant General (Accounts and Entitlements)-I, Maharashtra, Mumbai and Accountant General (Accounts and Entitlements)-II, Maharashtra, Nagpur for confirmation. Inspection of Treasuries revealed the following:

- In 222 of 2,659 Administrators holding PD accounts, there were differences between the Administrators' balances and the Treasury/Pay and Accounts Office balances.
- In 405 cases, there were differences between the Treasury balances and the Sub-Treasury balances.
- In 184 cases, there were differences between the Sub-Treasury balances and the Administrators' balances.

Besides, 1,301 out of 2,659 Administrators did not furnish certificates of balances as on March 2015 to Treasury Officers/ Pay and Accounts Office.

2.7.3 Inoperative Personal Ledger Accounts for more than one year not closed

As per Rule 495 of Maharashtra Treasury Rules and Maharashtra Treasury Manual, PLAs which are inoperative for more than three consecutive accounting years should be closed and the balances at the credit of such accounts should either be paid to the PLA holder or credited to the Consolidated Fund of the State. The time limit was revised (January 2014) by FD, GoM to one year.

It was observed that in 582 of 1,903 Administrators holding PD accounts (**Table 2.8**), PLAs were not operated by the Administrators for a period of one year and more, resulting in unutilized balance of ₹ 40.21 crore lying idle in the PLAs as of March 2016. District-wise details are given in **Appendix 2.15**. As per established practice, funds from the Consolidated Fund of the State to PLA should be transferred through 'Nil bills' (non-cash transaction). It was seen that all Treasuries (except Pune Treasury) did not follow the above practice and instead withdrew large funds through cheques and credited them to PLA subsequently. The unspent amount so transferred from the Consolidated Fund and not credited back from the inoperative PLAs could not be ascertained since the PD accounts included receipts from sources other than the Consolidated Fund also.

2.7.4 Overpayment of Pension

Overpayment of pensionary benefits of ₹ 1.22 crore was made by Treasuries during 2015-16 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 2016 and the balance of ₹ 0.58 crore was outstanding.

2.8 Conclusion and Recommendations

(i) The overall savings of ₹ 52,994.04 crore were the net result of savings of ₹ 53,558.86 crore, set off by an excess of ₹ 564.82 crore. This excess expenditure requires regularization by the State Legislature. There was rush of expenditure (51 to 100 *per cent*) during the last quarter of 2015-16 and substantial portion of it was spent during the last month of the financial year.

All the Departments should closely monitor expenditure against 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.

(ii) During 2015-16, grants-in-aid of ₹ 548.25 crore (six cases) and subsidies of ₹ 5.98 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 ₹ 554.23 crore.

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