

**CHAPTER - II**

**FINANCIAL MANAGEMENT AND  
BUDGETARY CONTROL**



## Chapter II

### Financial Management and Budgetary Control

#### 2.1 Introduction

**2.1.1** 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.

**2.1.2** 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 scrutinizes 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. 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.*

The findings in preparation of the Budget, management of expenditure noticed in audit have been discussed in the subsequent paragraphs.

#### 2.2 Summary of Appropriation Accounts

The summarized position of actual expenditure during 2017-18 against 290 grants/appropriations is given in **Table 2.1**.

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

(₹ in crore)

| (1)                               | (2)                        | (3)                           | (4)                                | (5)              | (6)                | (7)                    | (8)                | (9)  | (10)  |
|-----------------------------------|----------------------------|-------------------------------|------------------------------------|------------------|--------------------|------------------------|--------------------|--|---|
|                                   | Nature of expenditure      | Original grant/ appropriation | Supplementary grant/ appropriation | Total            | Actual expenditure | Saving(-) / Excess (+) | Amount surrendered | Amount surrendered on 30 and 31 March 2018 | Percentage of savings surrendered on 30 and 31 March 2018 (9/8) |
|                                   |                            |                               |                                    |                  |                    |                        |                    |  |   |
| Voted                             | I Revenue                  | 218831.31                     | 55638.75                           | 274470.06        | 211086.24          | (-)63383.82            | 59910.93           | 59149.36                                   | 98.72   |
|                                   | II Capital                 | 36850.03                      | 4068.99                            | 40919.02         | 28516.77           | (-)12402.25            | 7445.10            | 7380.42                                    | 99.13   |
|                                   | III Loans and Advances     | 1695.23                       | 282.31                             | 1977.54          | 979.34             | (-)998.20              | 984.19             | 979.50                                     | 99.52   |
| <b>Total Voted</b>                |                            | <b>257376.57</b>              | <b>59990.05</b>                    | <b>317366.62</b> | <b>240582.35</b>   | <b>(-)76784.27</b>     | <b>68340.22</b>    | <b>67509.28</b>                            | <b>98.78</b>  |
| Charged                           | IV Revenue                 | 35198.05                      | 2827.43                            | 38025.48         | 37223.85           | (-)801.63              | 399.16             | 343.86                                     | 86.15   |
|                                   | V Capital                  | 7.20                          | 24.00                              | 31.20            | 6.40               | (-)24.80               | 0.04               | 0.04                                       |   |
|                                   | VI Public Debt - Repayment | 16644.58                      | 966.00                             | 17610.58         | 17376.17           | (-)234.41              | 234.41             | 221.14                                     | 94.34   |
| <b>Total Charged</b>              |                            | <b>51849.83</b>               | <b>3817.43</b>                     | <b>55667.26</b>  | <b>54606.42</b>    | <b>(-)1060.84</b>      | <b>633.61</b>      | <b>565.04</b>                              | <b>89.18</b>  |
| Appropriation to Contingency fund |                            | ....                          | ....                               | ....             | ....               | ....                   |                    |  |   |
| <b>Grand Total</b>                |                            | <b>309226.40</b>              | <b>63807.48</b>                    | <b>373033.88</b> | <b>295188.77</b>   | <b>(-)77845.11</b>     | <b>68973.83</b>    | <b>68074.32</b>                            | <b>98.70</b>  |

Source: Appropriation Accounts 2017-18

Note: The expenditure excludes the recovery adjusted as reduction of expenditure under revenue expenditure ₹ 6,739.03 crore and capital expenditure ₹ 1,681.03 crore as detailed in Appendix II of Appropriation Accounts

**2.2.1 Table 2.1** indicates that the Administrative Departments obtained Supplementary provisions amounting to ₹ 63,807.48 crore during the year which constituted 21 per cent of the original provision as against 12 per cent in the previous year (2016-17). As may be seen from **Appendix 2.1** in 53 cases against the original provision of ₹ 1,71,176.88 crore, expenditure of ₹ 1,34,504.37 crore only was incurred and hence supplementary funds of ₹ 9,346.21 crore were not required. This also indicated that seeking supplementary provisions was avoidable since the expenditure had not reached the level of the original budgetary provision.

**2.2.2** The overall savings of ₹ 77,845.11 crore was the result of savings of ₹ 77,892.26 crore in 146 grants and 58 appropriations under the Revenue Section and 92 grants and eight appropriations under the Capital Section, offset by an excess of ₹ 47.15 crore in 15 grants and five appropriations. Though the Departments surrendered 89 per cent of the savings, ₹ 68,074.32 crore (99 per cent) was surrendered only on the last two days of the financial year as shown in **Table 2.1**.

**2.2.3** The savings and excesses were intimated by the offices of the Accountants General (Accounts and Entitlements)<sup>1</sup> 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 2018, requesting the Controlling Officers to explain the reasons for the significant variations, but explanation for a few cases was not received (November 2018).

## **2.3 Financial Accountability and Budget Management**

### **2.3.1 Excess expenditure during 2014-17 pending regularisation**

As per Article 205 of the Constitution of India, it is mandatory for the 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, the regularisation of excess expenditure is done after completion of discussion of Appropriation Account by the Public Accounts Committee. However, excess expenditure amounting to ₹ 4,550.23 crore for the year 2014-15 to 2016-17 in respect of 87 grants and 13 appropriations (**Appendix 2.2**) was pending for regularisation as of October 2018.

*This is in violation of Article 204 of the constitution, will of the legislature and the basic principle of democracy that not a rupee can be spent without the approval of the legislative assembly and therefore, need to be viewed seriously.*

#### **2.3.1.1 Excess over provision during 2017-18 requiring regularisation**

The excess expenditure over the budget provision during 2017-18 under 20 grants/appropriations amounting to ₹ 47.15 crore is required to be regularised under Article 205 of the Constitution. The details are given in **Appendix 2.3**.

The excess expenditure over Budget provision decreased from ₹ 167.69 crore in 2016-17 to ₹ 47.15 crore in 2017-18.

#### **Recommendation: 9**

*All the existing cases of excess expenditure need to be got regularised at the earliest and in future such un voted expenditure may be completely stopped, except in case(s) of dire and extreme emergency, the cost of which cannot be met from contingency fund.*

<sup>1</sup> Accountant General (Accounts and Entitlements)-I, Maharashtra, Mumbai and Accountant General (Accounts and Entitlements)-II, Maharashtra, Nagpur

### 2.3.2 Persistent Excess

During the period from 2015-16 to 2017-18 persistent excess expenditure occurred under the 14 sub-heads shown in **Appendix 2.4**. Though all of these may not have resulted in excess at Grant level and hence, may not require regularization, special emphasis needs to be given while monitoring the expenditure under these sub-heads.

***Excess expenditure incurred over budgetary allocation indicates deficient budgetary and expenditure controls.***

### 2.3.3 Unexplained re-appropriations

Paragraph 165 of the Maharashtra 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, scrutiny of re-appropriation orders issued by the Administrative Departments revealed that out of 2,257 items of re-appropriations made by them during 2017-18, the specific reasons for 151 items (6.69 per cent) were not furnished. This goes against the principle of transparency envisaged in Section 6 of the Maharashtra Fiscal Responsibility and Budgetary Management Act.

### 2.3.4 Appropriation vis-à-vis allocative priorities

Audit of Appropriation Accounts revealed that out of total saving of ₹ 77,845.11 crore during 2017-18, in 73 cases amounting to ₹ 57,635.88 crore (74 per cent), savings exceeded

₹ 10 crore in each case and 20 per cent or more of the total provision as shown in **Appendix 2.5**. The summarized position of savings is shown in **Table 2.2**.

**Table 2.2: Summarised position of savings**

| Sr. No.                                   | Range of savings                          | Number of cases | Total grant (₹ in crore) | Savings (₹ in crore) | Percentage   |
|---|---|-----------------|--------------------------|----------------------|--------------|
| 1   | Up to ₹ 20 crore                          | 13              | 597.16                   | 192.27               | 32.20        |
| 2   | More than ₹ 20 crore and up to ₹100 crore | 23              | 3744.68                  | 1244.06              | 33.22        |
| 3   | More than ₹ 100 crore and above           | 37              | 127728.90                | 56199.55             | 44.00        |
| <b>Total</b>                              |   | <b>73</b>       | <b>132070.74</b>         | <b>57635.88</b>      | <b>43.64</b> |
| Source: Appropriation Accounts of 2017-18 |   |                 |                          |                      |              |

Further, against the total savings of ₹ 77,845.11 crore, savings of ₹ 75,275.17 crore (96.43 per cent) occurred in 55 grants with savings being ₹ 100 crore and above in each case as detailed in **Appendix 2.6**.

The Departments which registered major savings were Home, Agriculture, Animal Husbandry, Fisheries and Dairy Development, School Education and Sports, Higher and Technical Education, Urban Development, Housing, Social Justice and Special Assistance, Tribal Development, Rural Development, Public Works and Water Resources Department. Reasons furnished by the departments for the major savings, as reported in the Appropriation Accounts are given in the succeeding paras.

#### **Public Works Department**

Under the Grant No. H-07 Capital Expenditure on Social Services and Economic Services, Major Heads 4216-Capital Outlay on Housing, 4711-Capital outlay on Flood Control Projects and 5054- Capital outlay on Roads and Bridges, saving of ₹ 2,226.11 crore occurred due to reduction of Provision in revised estimate by Finance Department and non-assigning of specific reasons by the Department.

### ***Agriculture Animal Husbandry and Fisheries Department***

Unspent provision of ₹ 184.44 crore under Grant No. D03-Agricultural Services, Major Head 2401 Crop Husbandry-Weather Based Fruit Crop Insurance Scheme was due to less demand under the scheme. Further, as the Central Share was released directly to Mahabij Corporation, the provision of ₹ 77.95 crore had to be surrendered. The Department did not assign any specific reasons for the surrender of ₹ 49.79 crore under the 'Micro Irrigation Scheme'.

### ***School Education and Sports Department***

Under Grant No.E02- General Education Major Head 2202 General Education, a provision of ₹ 697.09 crore was surrendered/re-appropriated under the scheme Sarva Shiksha Abhiyan (Central share) & Schedule Caste Sub-Plan and School Nutrition program (CSS) (Central Share) due to less release of funds by the Central Government (₹ 655.09 crore). The reason for surrender/re-appropriation of ₹ 42 crore was not specified by the Department (September 2018).

#### **2.3.5 Persistent savings**

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.

On test check of Grant files, audit observed that there were savings of more than ₹ 100 crore consistently for the last five years in 25 cases (**Appendix 2.7**) indicating that either the provisions were excessive or the executive was not successful in implementing the legislative aspirations.

Savings in each financial year during 2013-18 ranged between 46 *per cent* and 91 *per cent* of the total provision under Grant Q03- Housing. Similarly, savings under Grant O10-Capital outlay on other Rural Development Programmes ranged between 75 *per cent* and 89 *per cent* and N04- Capital Expenditure on Social services ranged between 56 *per cent* and 89 *per cent* of the total provision. The department did not assign specific reasons for savings during any of the years.

***Persistent savings indicated that the budget allocation was made without considering the previous year's expenditure.***

#### ***Recommendation: 10***

*All the departments should submit realistic budget in order to avoid large savings.*

#### **2.3.6 Unnecessary/excessive supplementary provisions**

Supplementary provisions aggregating ₹ 9,257.69 crore obtained in 32 cases (₹ 10 crore or more in each case) during the year proved unnecessary as the actual expenditure (₹ 1,23,339.31 crore) did not come up to the level of the original provision (₹ 1,56,571.87 crore) as detailed in **Appendix 2.8**. Some cases are briefly discussed below:

- Under Grant D-03-Agricultural Services, a provision of ₹ 6,228.42 crore was made. However, at the end of the year the expenditure fell short of the original provision by ₹ 865.92 crore resulting in unnecessary supplementary provision of ₹ 696.09 crore.

- Under Grant T05- Revenue Expenditure on Tribal Areas Development Sub-plan, a supplementary provision of ₹ 2,203.54 crore was made. However, at the end of the year there was saving of ₹ 3,258.16 crore.

Details of grants having saving of more than ₹ 1,000 crore where supplementary provision proved unnecessary are shown in **Table 2.3**.

**Table 2.3: Grants having saving of more than ₹ 1000 crore where supplementary provision proved unnecessary**

(₹ in crore)

| Grant Number and Description  | Original provision | Supplementary provision | Expenditure | Savings |
|---|--------------------|-------------------------|-------------|---------|
| <b>REVENUE SECTION</b>  |                    |                         |             |         |
| C06 Relief on account of Natural Calamities                                 | 7187.59            | 31.54                   | 3527.09     | 3692.04 |
| D03 Agricultural Services   | 6228.42            | 696.09                  | 5362.50     | 1562.01 |
| E02 General Education   | 46661.38           | 23.58                   | 40004.59    | 6680.37 |
| F02 Urban Development and Other Advance Services                            | 12149.56           | 72.59                   | 7993.84     | 4228.31 |
| L03 Rural Development Programmes  | 6460.65            | 447.22                  | 5223.11     | 1684.76 |
| N03 Welfare of Scheduled Caste, Scheduled Tribes and Other Backward Classes | 8737.19            | 447.81                  | 7415.61     | 1769.42 |
| O03 Rural Employment  | 4688.96            | 450.00                  | 1670.06     | 3468.90 |
| T05 Revenue Expenditure on Tribal Areas Development Sub-Plan                | 4306.49            | 2203.54                 | 3251.87     | 3258.16 |
| Y02 Water Supply and Sanitation   | 3989.90            | 125.00                  | 2055.47     | 2059.43 |
| <b>CAPITAL SECTION</b>  |                    |                         |             |         |
| H07 Capital Expenditure on Social Services and Economic Services            | 5620.24            | 136.56                  | 3530.69     | 2226.11 |
| L07 Capital Expenditure on Rural Development                                | 5044.98            | 1000.00                 | 3963.37     | 2081.61 |
| O10 Capital Outlay on Other Rural Development Programmes                    | 2991.39            | 165.65                  | 783.12      | 2373.92 |

Source: Appropriation Accounts of 2017-18

*It can be seen that the supplementary provision proved unnecessary since the expenditure did not even come up to the original provision which clearly indicates inaccurate estimation of funds.*

**Recommendation: 11**

*The Departments need to strengthen the estimation of requirement of funds and review the basis of supplementary provisions.*

**2.3.7 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 2017-18, as shown in **Appendix 2.9** in 86 cases (in excess of ₹ 50 crore in each case), departments surrendered ₹ 66,752.02 crore (21 per cent of total voted provision of ₹ 3,17,366.62 crore).

*Surrender of savings in the last two working days of the financial year indicated inadequate financial discipline.*

**Recommendation: 12**

*Funds may be surrendered well before the close of the year so as to enable their utilisation for other developmental schemes.*

## 2.4 Outcome of review of select Grants

The Maharashtra 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, audit test checked records of the Administrative Department for the period 2015-18 of the following Grants.

- (i) **Grant No. B10-Capital Expenditure on Economic Services:** Under this Grant, provision was made for Closed Circuit Television (CCTV), Police Housing and Anti Naxal Programme. This Grant includes three Major Heads namely 4055-Capital Outlay on Police, 4070-Capital Outlay on other Administrative services, 5002- Capital outlay on Indian Railways- commercial line and 5055-Capital Outlay on Road Transport operated by Home Department
- (ii) **Grant No.C07-Forest:** Under this Grant, provision was made for Wild Life Preservation, Forest Conservation, Development and Regeneration *etc.*, which covers three Major Heads namely, 2406- Forestry and Wild Life, 2415- Agricultural Research and Education and 2551- Hill Areas.
- (iii) **Grant No. F02-Urban Development and other Advance Services:** Under this, Grant provision was made for Smart Cities, Swacch Bharat Mission, Amrut Abhiyan and Maharashtra Nagarothan Maha Abhiyan. This Grant consists of four Major Head namely, 2053- District Administration, 2070- Other Administrative services, 2217- Urban Development and 3054- Roads and Bridges operated by Urban Development Department.

### 2.4.1 Budget and Expenditure

The overall position of budget provision, actual disbursement and savings under the functional Heads of the Grant for the years 2015-16 to 2017-18 is given in **Table 2.4**.

**Table 2.4: Detail of budgetary provisions and actual expenditure under Grant No. B10, C07 and F02**

(₹ in crore)

| Year  | Original provision | Supplementary provision | Total Grant or Appropriation | Actual Expenditure | Saving  | Percentage of saving |
|---|--------------------|-------------------------|------------------------------|--------------------|---------|----------------------|
| <b>Grant B10 (Voted) Capital Expenditure on Economic Services</b>     |                    |                         |                              |                    |         |                      |
| 2015-16   | 1047.31            | 378.54                  | 1425.86                      | 937.40             | 488.45  | 34                   |
| 2016-17   | 1495.64            | 133.18                  | 1628.83                      | 1386.36            | 242.46  | 15                   |
| 2017-18   | 1637.42            | 0.01                    | 1637.43                      | 1099.90            | 537.53  | 33                   |
| <b>Grant C07 (Voted) Forest</b>                                       |                    |                         |                              |                    |         |                      |
| 2015-16   | 1620.01            | 425.43                  | 2045.44                      | 1763.58            | 281.86  | 14                   |
| 2016-17   | 1891.85            | 300.89                  | 2192.74                      | 1861.65            | 331.09  | 15                   |
| 2017-18   | 2253.33            | 391.34                  | 2644.67                      | 2078.54            | 566.13  | 21                   |
| <b>Grant F02 (Voted) Urban Development and other Advance Services</b> |                    |                         |                              |                    |         |                      |
| 2015-16   | 5764.75            | 1737.73                 | 7502.48                      | 6350.53            | 1151.95 | 15                   |
| 2016-17   | 10256.19           | 1316.53                 | 11572.72                     | 10018.07           | 1554.64 | 13                   |
| 2017-18   | 12149.56           | 72.59                   | 12222.15                     | 7993.84            | 4228.31 | 35                   |

Source: Appropriation Accounts of respective years



**Table 2.4:** shows persistent savings between 14 *per cent* and 21 *per cent* under Grant C07-Forest, between 15 *per cent* and 34 *per cent* under Grant B10- Capital Expenditure on Economic Services and between 13 *per cent* and 35 *per cent* under Grant F02- Urban Development and other Advance Services during the period 2015-16 to 2017-18.

Further, it can be seen from **Table 2.4** that the actual expenditure under Grant B10-Capital Expenditure on Economic services during 2015-18 and the actual expenditure under Grant F02- Urban Development and other Advance Services and C07- Forest during 2016-18 did not come up even to the original provisions. Even then supplementary provisions were made indicating over estimation and defective budgeting.

#### 2.4.2 Substantial Savings under sub-heads

During 2017-18, in six sub-heads under Grant B10-Capital expenditure on Economic services, one sub-head under Grant C02- Forest and nine sub-heads under Grant F02-Urban Development and other Advance Services, savings of ₹ 10 crore and above and also between 50 *per cent* to 100 *per cent* of the total provision were noticed as shown in **Appendix 2.10**.

### 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 authorization by the Legislature, would be undesirable. The Fund is in the nature of an imprest and its corpus is ₹ 150 crore, the closing balance of the Fund as on 31 March 2018 was ₹ 150 crore.

During 2017-18, of the five sanctions issued by FD for ₹ 190.16 crore, four withdrawals amounting to ₹ 188.89 crore were made from the Fund which were recouped to the fund account subsequently through supplementary provision as shown in **Appendix 2.11**.

### 2.6 Misclassification of Expenditure

#### 2.6.1 Incorrect booking of Revenue Expenditure under Capital

In terms of the Indian Government Accounting Standards (IGAS) 2, notified by the Government of India, Grants-in-aid are to be classified as revenue expenditure in the books of the grantor and as revenue receipts in the books of the recipient.

It was noticed that during 2017-18, Grants-in-aid of ₹ 595.01 crore (four cases) released by the State Government had been classified and booked under Capital Outlay heads instead of the Revenue expenditure of Account resulting in overstatement of revenue surplus by ₹ 595.01 crore as shown in **Table 2.5**.

**Table 2.5: Details of Grants-in-aid classified/booked under Capital Outlay**

(₹ in crore)

| Sr. No.                          | Classification                                       | GIA           |
|----------------------------------|--|---------------|
| 1                                | 4070-Capital Outlay on Other Administrative Services | 0.48          |
| 2                                | 4217-Capital Outlay on Urban Development             | 588.27        |
| 3                                | 4250-Capital Outlay on Other Social Services         | 0.57          |
| 4                                | 4405-Capital Outlay on Fisheries                     | 5.69          |
| <b>Total</b>                     |  | <b>595.01</b> |
| Source: Finance Accounts 2017-18 |  |               |

**Recommendation: 13**

*The Government may ensure compliance to IGAS in Budget formulation so that the expenditure is correctly accounted for in the Government Account.*

**2.6.2 Non-transfer of balances to Consolidated Fund**

As per Government Resolution (October 2001) of Revenue and Forest Department of Maharashtra, the 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. It was seen that an accumulated balance of ₹ 434.95 crore lying in the account over the years as on 31 March 2018, which was not credited to the Consolidated Fund of the State.

Thus, non-transfer of unspent balances from PD accounts back to Consolidated Fund at the end of the financial year resulted in understatement of revenue surplus by ₹ 434.95 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 323 sub-Treasuries) and the Pay and Accounts Office, Mumbai during 2017-18 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. According to Rule 494 of Maharashtra Treasury Rules, 1968 and Rule 12 of Bombay Financial Rules 1959, Personal Deposit Account/Personal Ledger Account (PLA) can be opened with Treasury Officer for specified purpose on the basis of approval of Government in consultation with the Accountant General of the State.

Further, as per rule 495 of Maharashtra Treasury Rules, the Government of Maharashtra (GoM) is authorised to keep funds required for specific purposes in the PD accounts by transfer of funds from the Consolidated Fund. PD Accounts 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 PD Account holder or credited to the Consolidated Fund of the State. The time limit was revised<sup>2</sup> (January 2014) by FD. GoM to one year. In cases, however, in which the PD are credited by debit to the Consolidated Funds, the same should be closed at the end of the financial year by minus debit of the balance to the relevant service heads in the Consolidated Fund.

As on 31 March 2018, 1,363 PD accounts showed a total closing balance of ₹ 12,229.30 crore, as indicated in **Table 2.6**.

**Table 2.6: Status of Personal Deposit Accounts during 2017-18**

| Opening balance |                     | Newly opened |                     | Closed accounts |                     | Closing Balance |                     |
|-----------------|---------------------|--------------|---------------------|-----------------|---------------------|-----------------|---------------------|
| Number          | Amount (₹ in crore) | Number       | Amount (₹ in crore) | Number          | Amount (₹ in crore) | Number          | Amount (₹ in crore) |
| 1627            | 13334.51            | 13           | 19742.66            | 277             | 20847.87            | 1363            | 12229.30            |

Source: Finance Accounts 2017-18

The Administrators having maximum closing balance in their PLA accounts during 2017-18 is shown in **Table 2.7**.

<sup>2</sup> vide Finance Department's Government Resolution संकीर्ण 1014/प्र क्र 5/कोषा प्रशा/5 dated 24 January 2014

Table 2.7: Details of PLA Administrator and their closing balance during 2017-18

| Sr. No. | TREASURY   | PLA No.    | NAME OF THE ADMINISTRATOR  | ₹ in crore |
|---------|------------|------------|--|------------|
| 1       | NAGPUR     | 8753       | Vidarbha Irrigation Development Corporation, Nagpur                            | 1234.32    |
| 2       | PUNE       | 2201008541 | Sr. A.O. Maharashtra Krishna Valley Development Corporation, Pune              | 628.65     |
| 3       | PUNE       | 2201001070 | A.O. Assistant Inspector General of Registration Maharashtra State, Pune       | 434.11     |
| 4       | JALGAON    | 5301008631 | Tapi Irrigation Development Corporation, Jalgaon                               | 377.86     |
| 5       | AURANGABAD | 9190       | Ex Director Godavari Marathwada Irrigation Development Corporation, Aurangabad | 365.51     |
| 6       | THANE      | 1201008367 | Konkan Irrigation Development Corporation, Thane                               | 357.44     |
| 7       | PUNE       | 2201008543 | Commissioner, Commissionerate of Agriculture, Pune                             | 304.91     |
| 8       | RAIGAD     | 1310008721 | Sub Divisional Officer, Pen, Raigad  | 255.87     |
| 9       | BULDHANA   | 8097       | Spl Land Acquisition Officer, M P Buldhana                                     | 253.09     |
| 10      | AMRAVATI   | 4229       | Spl Land Acquisition Officer, No. 4 VWP Amravati                               | 198.09     |

Source: Information obtained from AG (A&E) I, Maharashtra, Mumbai and AG (A&E) II, Maharashtra, Nagpur

It was observed that in the case of 205 accounts, PLAs were not operated by the Administrators of fund for a period of one year and more, resulting in unutilized balance of ₹ 24.15 crore lying idle in the PLAs as of March 2018. District-wise details are given in **Appendix 2.12**.

However, the closing balance as per Finance Accounts has not been reconciled by the Administrators of PD/PLA and therefore, the correct closing balance which should have been remitted to the Consolidated Fund of the State cannot be ascertained. Retention of funds in PLAs not only led to expenditure booked under the service heads being inflated without actual outgo, but also resulted in dilution of treasury control over actual expenditure. 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.

**Recommendation: 14**

*The Finance Department should review all PD accounts and ensure that amounts transferred from consolidated fund lying in PD accounts at the end of the year are immediately remitted to the Consolidated Fund. Non-reconciliation of balances in PD Accounts periodically and not transferring the unspent balance lying in PD Account to Consolidated Fund before the closure of financial year entails the risk of misuse of public funds, fraud and misappropriation.*

**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 Accountant General (Accounts and Entitlements)-I, Maharashtra, Mumbai and Accountant General (Accounts and Entitlements)-II, Maharashtra, Nagpur for confirmation.

Inspection of Treasuries revealed that in 204 of 1,627 Administrators holding PD accounts, there were differences between the Administrators' balances and the Treasury/Pay and Accounts Office balances. In 309 cases, there were differences between

the Treasury balances and the Sub-Treasury balances. In 202 cases, there were differences between the Sub-Treasury balances and the Administrators' balances. Besides, 394 out of 1,627 Administrators did not furnish certificates of balances as on March 2017 to Treasury Officers/ Pay and Accounts Office indicating absence of regular reconciliation. Periodical reconciliation with the Treasury would have cleared the differences.

### **2.7.3 Focused study on Personal Deposit/Personal Ledger Account in Higher and Technical Education Department**

#### **Overview**

As on 31 March 2018, out of 1,363 PLAs amounting to ₹ 12,229.30 crore, 284 PLAs amounting to ₹ 213.69 crore pertain to Higher and Technical Education Department (HTED). As per GR dated 28 February 1996 receipts from caution money, fees, student aid fund, scholarship to SC-ST students, service charges, process fees *etc.* can be credited into PLA and expenditure there from can be incurred on purchase of stationary items, expenditure on postage stamps, hire charges, maintenance of computers *etc.*

#### **Audit coverage**

Audit examined the process of maintaining PD/PLA account under the HTED during the period 2015-16 to 2017-18. In this regard, test check of records of eight Administrators<sup>3</sup> in the HTED was conducted.

#### **Audit criteria**

Maharashtra Treasury Rules (MTR) 1968, annual circulars/instructions of Finance Department, Government of Maharashtra and instructions/directives by GoM from time to time through Government Resolutions.

#### **Audit Findings**

The Audit findings are discussed in succeeding paragraphs.

#### **2.7.3.1 Non-transfer of Personal Ledger Account balance to State Common Entrance Test Cell**

As per Para 10 of the Maharashtra Unaided Private Professional Educational Institutions (Regulation of Admissions and Fees) Act, 2015. State Common Entrance Test Cell (State CET Cell) has been established under the control of the Admissions Regulating Authority for conducting the Common Entrance Test (CET). The State CET cell initiated the admission activity for the courses related to Directorate of Technical Education (DTE), from the academic year 2016-17 onwards. Prior to the establishment of the State CET Cell, the CET exams for medical, technical, agricultural and higher education was conducted by the respective Directorates. The Directors had a separate CET-PLA for incurring income and expenditure related to CET examination

On scrutiny of records of DTE, it was noticed that the Government of Maharashtra in HTED (May 2016) on the recommendation of Commissioner, State CET Cell, Maharashtra State had directed the DTE to furnish the details of income and expenditure proposal and the extent of balances in the PLA as on 31 March 2016, so as to consider transfer of appropriate amount to the State CET-Cell. However, it was observed in audit (July 2018) that the PLA balances have not been transferred to the State CET-Cell. The Director did not provide any reason for not acting upon the Government's directives.

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<sup>3</sup> The Director, Director of Technical Education, Mumbai; The Principal, Government Polytechnic, Thane; The Principal, Industrial Training Institute, Ambernath; The District Planning Officer/Member Secretary, District Tourism Committee District Planning Office, Raigad-Alibaug; The Principal, Government Engineering College Avasari Khurd, Ambegaon, Pune; The Principal, Maharashtra State Institute of Hotel Management and Catering, Shivaji Nagar, Pune; The Principal, Government Polytechnic for Distance Learning, Shivaji Nagar, Pune; and The Principal, Industrial Training Institute, Mulund

DTE has not conducted any CET exams since 2016-17 and an amount of ₹ 93.88 crore was lying in the PLA as on 31 March 2018. Reasons for retaining such huge balance in PLA was called for from the Director, for which reply is awaited (December 2018).

### 2.7.3.2 Non-closure of Personal Ledger Account

Scrutiny of records of Principal, Industrial Training Institute (ITI), Ambernath and Principal ITI, Mulund revealed that fees collected by these institutes on short term courses, which were discontinued, remained idle in PLA as shown in **Table 2.8**.

**Table 2.8: Details of balance amount of discontinued courses**

| (₹ in crore)          |            |               |
|-----------------------|------------|---------------|
| Name of the institute | Year       | Amount in PLA |
| ITI Mulund            | March 2016 | 1.35          |
|                       | March 2017 | 1.34          |
|                       | March 2018 | 1.31          |
| ITI Ambernath         | March 2018 | 1.05          |

As these amounts pertained to courses which are non-operational, institutes need to act either to utilize these balances or to credit to the Government.

### 2.7.3.3 Violation of Codal provision/Government directives

(a) As per Rule 8(1) of Maharashtra Treasury Rules, 1968, all moneys received by or tendered to Government officer on account of the revenue of Maharashtra State shall without undue delay and at any rate within two days of the receipt of money be paid in full into a treasury or into the bank and shall be included in the treasury account.

In six out of eight test checked PLAs, there were delays ranging from one to 736 days in crediting the daily receipts into PLA as detailed in **Appendix 2.13**.

(b) In four out of eight PLAs test checked, there were differences between the balances in PLA Cash Book and the corresponding Treasury Pass Book due to non-reconciliation as detailed in **Appendix 2.14**.

### 2.7.3.4 Irregularities in Annual Balance Certificate

The Annual Balance Certificate is to be submitted to Treasury office by 31 May<sup>4</sup> every year. On scrutiny of records, it was observed that in respect of three units, there had been delay in the submission of Annual Balance Certificate. Further, it was also observed that the balance shown in balance certificate submitted by The Principal, Government Polytechnic, Thane were not agreeing with PLA Cash book balance during the year 2015-16 and 2016-17 and the balance certificate for the year 2017-18 had not been submitted as shown in **Table 2.9**.

**Table 2.9: Delay in submission/wrong submission of Annual Balance Certificate**

| Sr. No. | Name of Unit  | Year    | Due date of Submission of Annual Balance Certificate | Actual Date of Submission of Annual Balance Certificate | Delay                 | Difference in balances as per PLA Cash book balance and balance certificate |
|---------|---|---------|--|---|-----------------------|---|
| 1.      | The Principal, Government Polytechnic, Thane                                    | 2015-16 | 31/05/2016   | June 16   | 01 month              | 69940   |
|         |   | 2016-17 | 31/05/2017   | April 2017  | nil                   | 1882924   |
|         |   | 2017-18 | 31/05/2018   | Not submitted   | Not submitted         | Not submitted   |
| 2.      | The Principal Government Polytechnic for Distance Learning, Shivaji Nagar, Pune | 2016-17 | 31/05/2017   | 24/08/2018  | 14 months and 24 days | -   |
|         |   | 2017-18 | 31/05/2018   | 24/08/2018  | 02 months and 24 days | -   |

<sup>4</sup> GR dated 20/05/1994

| Sr. No. | Name of Unit  | Year    | Due date of Submission of Annual Balance Certificate | Actual Date of Submission of Annual Balance Certificate | Delay                 | Difference in balances as per PLA Cash book balance and balance certificate |
|---------|---|---------|--|---|-----------------------|---|
| 3.      | The Principal Industrial Training Institute, Mulund | 2015-16 | 31/05/2016   | 18/02/2017  | 08 months and 17 days | -   |
|         |   | 2016-17 | 31/05/2017   | 07/03/2018  | 09 months and 06 days | -   |
|         |   | 2017-18 | 31/05/2018   | 20/08/2018  | 02 months and 19 days | -   |

During 2017-18, the Principal, Government Polytechnic, Thane, did not submit the Annual Balance Certificate to the Treasury.

### 2.7.3.5 Deposit of Government receipts into Personal Ledger Account

During audit scrutiny, it was observed that out of eight audit units, two units had credited following receipts into PLA instead of the Consolidated Fund of State as shown in **Table 2.10**.

**Table 2.10: Receipts credited into Personal Ledger Account instead of Consolidated Fund**

| Sr. No.      | Name of Auditee unit                                  | Nature of Receipt | Amount (₹ in lakh) |
|--------------|---|-------------------|--------------------|
| 1            | The Director, Director of Technical Education, Mumbai | Penalty Charges   | 88.89              |
| 2            | The Principal, Industrial Training Institute, Mulund  | Canteen Rent      | 0.35               |
| <b>Total</b> |   |                   | <b>89.24</b>       |

On being asked in Audit, Director of Technical Education, Mumbai stated that since penalty charges were collected from those institutes, which delay the admission process and the GR of 29 March 2008 was silent about it, therefore it was credited to PLA.

The reply was not tenable as per GR dated 22 January 2007, the amount should have been credited to Government account.

### 2.7.3.6 Internal Control

#### (a) Improper maintenance of Personal Ledger Account Cash Book

As per the provisions of Bombay Financial Rules, 1959 and MTR, 1968, the Cash Book should be closed and balanced each day. The balances of each column at the end of each month should be verified with the balance of cash in hand and a certificate to that effect be recorded in cash book under the signature of Government servant responsible for handling the money.

Audit scrutiny of Administrator, Industrial Training Institute (ITI), Ambarnath revealed the following: -

- Administrator did not sign the PLA Cash book from 10 September 2015 onwards;
- Opening balances and closing balances have not been recorded from 11 April 2017 onwards. Receipts and payment entries were only recorded;
- No records were entered in PLA Cash Book from 29 December 2017 onwards;
- Balance Certificate (PLA Cash Book with Sub Treasury Pass Book) has been certified for the year 2015-16 to 2017-18 stating that the closing balance as per PLA Cash Book and as per Pass Book is "Same".

Audit scrutiny of the Principal Government Polytechnic for Distance Learning, Shivaji Nagar, Pune revealed that the PLA Cash book has not been recorded from July 2017 onwards.

**(b) Unadjusted Advances and improper/Non-Maintenance of Separate Advance Register for PLA**

Scrutiny revealed that huge amount of advances were pending for adjustment for such a long period as shown in **Table 2.11**.

**Table 2.11: Details of unadjusted advances**

| Sr. No.            | Administrator                                       | Particulars  | Amount (₹ in lakh) | Unsettled since |
|--------------------|---|--|--------------------|-----------------|
| 1                  | Director of Technical Education, Mumbai             | Advance to Desks for Miscellaneous expenses on Meeting, Stationary, Data card <i>etc.</i>  | 10.55              | 2011-12         |
|                    |   | Advance to Regional Offices (RO) and Institutes to Conduct of exam   | 5.02               |                 |
|                    |   | Advances to Universities & institutes to Conduct Group Discussion  | 67.28              |                 |
|                    |   | Advance to Counselling Centers for MBA/MCA counselling related expenses  | 4.12               |                 |
|                    |   | Advance to Divisional Offices to conduct NEET 2013   | 6.91               |                 |
|                    |   | Advance for petrol   | 8.06               |                 |
| <b>Total</b>       |   |  | <b>101.94</b>      |                 |
| 2                  | The Principal Industrial Training Institute, Mulund | Advance for purchase of stationery, receipt books, diesel, postal stamps, dongle, recharge of dongle, travel expenses, <i>etc.</i> | 2.27               | 2008-13         |
| <b>Total</b>       |   |  | <b>2.27</b>        |                 |
| <b>Grand Total</b> |   |  | <b>104.21</b>      |                 |

Government Polytechnic, Thane deals with various types of funds such as PLA Fund, Maharashtra State Board of Technical Education (MSBTE), Diploma in Computer Application (DCA), Community Development through Polytechnics (CDTP), Application form Receipt Centre (ARC) *etc.* However, the institute has maintained only one advance register for advances related to MSBTE, CDTP, ARC and PLA Fund. Advances amounting to ₹ 3.84 lakh were unsettled (July 2018) which were pending for settlement since 2008-09. In absence of separate advance register the actual advance given from PLA could not be ascertained. In reply, it was stated that separate advance register would be maintained.

In ITI, Mulund advance register was not maintained. In the absence of advance register, the year-wise details of advances given from PLA, advances settled and unadjusted/unsettled advances could not be ascertained.

**2.7.3.7 Non-transfer of Personal Ledger Account balance to Consolidated Fund**

As per Rule 495 (b) of Maharashtra Treasury Rules, 1968 the Personal Deposit Accounts which are credited by debit to the Consolidated Fund should be closed at the end of the financial year by minus debit of the balance to the relevant service heads in the Consolidated Funds. The Personal Deposit Account can be opened next year again, if necessary, in the usual manner.

Scrutiny of the records of the District Planning Officer, District Tourism Committee, Alibag, Raigad revealed that the Administrator had not transferred the credit balance to the Consolidated fund of the State at the end of the financial year. As a result, there was huge unutilized balance at the end of the financial year as shown in **Table 2.12**.

**Table 2.12: Closing Balance in Personal Ledger Account**

| Closing Balances as on | Amount (₹ in lakh) |
|------------------------|--------------------|
| 31/03/2016             | 274.95             |
| 31/03/2017             | 100.27             |
| 31/03/2018             | 4672.00            |

The District Planning officer stated that the permission to keep the balance in PLA would be obtained from the Tourism Department and Finance Department.

The reply was not acceptable as it was in contravention to the GR<sup>5</sup> and also to AG (A&E)'s letter dated 08/02/2005 stating balances in PLA account should be transferred to Consolidated Fund of State by 31 March every year. Such permission, if any, should have been sought much earlier as the retention of the budgeted fund beyond a reasonable period in Public Account is indicative of deficient budgetary control.

#### **2.7.4 Overpayment of Pension**

Overpayment of pensionary benefits of ₹ 1.17 crore was made by Treasuries during 2017-18 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.*

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<sup>5</sup> MTC 2004/8/Pra.Kra.381/Paryatan dated 25/01/2005