

**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 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. 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 the 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 2018-19 against 296 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)
Voted	I Revenue	269115.06	25169.13	294284.19	235447.95	(-)58836.24	58972.48	58323.60	98.90
	II Capital	38953.61	9884.76	48838.37	38176.12	(-)10662.25	10822.71	10155.38	93.83
	III Loans and Advances	1178.64	641.44	1820.08	1545.26	(-)274.82	312.92	241.91	77.31
<b>Total Voted</b>	<b>309247.31</b>	<b>35695.33</b>	<b>344942.64</b>	<b>275169.33</b>	<b>(-)69773.31</b>	<b>70108.11</b>	<b>68720.89</b>	<b>98.02</b>	
Charged	IV Revenue	39489.47	343.53	39833.00	39095.35	(-)737.65	513.26	400.45	78.02
	V Capital	8.15	18.08	26.23	25.85	(-)0.38	0.36	0.36	100
	VI Public Debt - Repayment	28461.51	0.00	28461.51	25116.50	(-)3345.01	3328.67	3303.76	99.25
<b>Total Charged</b>	<b>67959.13</b>	<b>361.61</b>	<b>68320.74</b>	<b>64237.70</b>	<b>(-)4083.04</b>	<b>3842.29</b>	<b>3704.57</b>	<b>96.42</b>	
Appropriation to Contingency fund	3528.00	-	3528.00	3528.00	-	-	-	-	-
<b>Grand Total</b>	<b>380734.44</b>	<b>36056.94</b>	<b>416791.38</b>	<b>342935.03</b>	<b>(-)73856.35</b>	<b>73950.40</b>	<b>72425.46</b>	<b>97.94</b>	

Source: Appropriation Accounts 2018-19 Note: The expenditure excludes the recovery adjusted as reduction of expenditure under revenue expenditure ₹ 7,521.63 crore and capital expenditure ₹ 3,152.99 crore as detailed in Appendix II of Appropriation Accounts

**2.2.1 Table 2.1** indicates that Administrative Departments obtained Supplementary provisions amounting to ₹ 36,056.94 crore during the year which constituted nine per cent of the original provision as against 21 per cent in the previous year (2017-18). As may be seen from **Appendix 2.1**, in 61 grants and two appropriations, against the original provision of ₹ 2,34,836.14 crore, expenditure of ₹ 1,87,285.49 crore only was incurred and hence supplementary funds of ₹ 13,047.19 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 ₹ 73,856.35 crore was the result of savings of ₹ 74,802.51 crore in 144 grants and 60 appropriations under the Revenue Section and 105 grants and nine appropriations under the Capital Section, offset by an excess of ₹ 946.16 crore in six grants and three appropriations. Though the Departments surrendered 99 per cent of the savings, ₹ 72,425.46 crore (98 per cent) of the savings was surrendered only on the last two days of the financial year.

**2.2.3** The savings and excesses were intimated by the offices of the Accountant General (Accounts & Entitlement) I and II 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 2019, requesting the Controlling Officers to explain the reasons for the significant variations, but no explanation was received (October 2019).

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

### **2.3.1 Excess expenditure during 2015-18 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 regularization of excess expenditure is done after completion of discussion of Appropriation Accounts by the Public Accounts Committee. Excess expenditure amounting to ₹ 779.66 crore for the year 2015-16 to 2017-18 in respect of 73 grants and 15 appropriations was pending for regularization as on March 2019 as detailed in **Appendix 2.2**.

#### **2.3.1.1 Excess over provision during 2018-19 requiring regularisation**

The excess expenditure over the budget provision during 2018-19 under six grants and three appropriations amounting to ₹ 946.16 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 increased from ₹ 47.15 crore in 2017-18 to ₹ 946.16 crore in 2018-19.

***This is in violation of Article 205 of the Constitution.***

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

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

### **2.3.2 Persistent Excess**

During the period from 2016-17 to 2018-19 persistent excess expenditure occurred under 21 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 Budget Manual stipulates that the orders sanctioning re-appropriation of funds 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 2,130 items of re-appropriations made by them during 2018-19, the specific reasons for 110 items (5.16 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 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 38 Grants as listed in **Appendix 2.5** it was noticed that expenditure in excess of ₹ 100 crore and consisting of 50 per cent or more of the total provision was incurred only in March 2019. Rush of expenditure at the end of the year shows poor expenditure control. Further, of the total expenditure of ₹ 57,398.74 crore, expenditure to the extent of ₹ 40,917.62 crore (71 per cent) was incurred during the last quarter.

### 2.3.5 Appropriation vis-à-vis allocative priorities

Audit of Appropriation Accounts revealed that out of total saving of ₹ 73,856.35 crore during 2018-19, in 68 cases amounting to ₹ 51,997.49 crore (70 per cent), savings exceeded ₹ 10 crore in each case and was 20 per cent or more of the total provision as shown in **Appendix 2.6**. The summarized position of savings is shown in **Table 2.2**.

**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	Upto ₹ 20 crore	12	497.99	160.70	32.27
2	More than ₹ 20 crore and up to ₹ 100 crore	21	3082.59	1057.39	34.29
3	More than ₹ 100 crore and above	35	119001.03	50779.40	42.67
<b>Total</b>		<b>68</b>	<b>122581.61</b>	<b>51997.49</b>	<b>42.42</b>
Source: Appropriation Accounts 2018-19					

Further, against the total savings of ₹ 73,856.35 crore, savings of ₹ 72,581.65 crore (98.27 per cent) occurred in 62 grants/appropriations involving ₹ 100 crore and above in each case as detailed in **Appendix 2.7**.

The Department which registered major savings were School Education, Urban Development, Rural Development, Social Justice and Special Assistance, Tribal Development, Co-operation, Marketing and Textile Department and Water Supply and Sanitation Department.

Reasons furnished by the Departments for the major savings, as reported in the Appropriation Accounts are given in the succeeding paras.

#### School Education Department

Under Grant E-02 General Education, Major Head 2202, as against the budget provision of ₹ 19,385.42 crore for assistance to Zilla Parishad, an amount of ₹ 2,370.13 crore was

surrendered in March 2019 due to vacant posts and non-payment of 'Other Salary Grant' to Zilla Parishad owing to Government orders to release the grants after assessment and refund of unspent balance by the concerned Zilla Parishads.

### **Urban Development Department**

Under Grant F-02 Urban Development and Other Advance Services, Major Head 2217 Urban Development, against a budget provision of ₹ 2,830 crore assigned as Grant-in-aid to Urban Local Bodies in accordance to the 14<sup>th</sup> Finance Commission (CSS) an amount of ₹ 625.63 crore was surrendered/re-appropriated due to non-receipt of functional grants from the Central Government.

### **Rural Development Department**

Under Grant L-03 Rural Development Programmes, Major Head 2515 Assistance to Gram Panchayats and Major Head 2501 Integrated Rural Development programme, the entire budget provision of ₹ 378.91 crore assigned as Grant in aid to Gram Panchayat for various Development Schemes as per the recommendation of 14<sup>th</sup> Finance Commission was surrendered due to non-release of funds by the Central Government.

Similarly, under Grant L-03 Rural Development Programmes, Major Head 2515 Other Rural Development Programme, against the budget provision of ₹ 180 crore allotted for National Urban Mission (State and Central share) for development of cluster of villages an amount of ₹ 168.20 crore was surrendered/re-appropriated due to non-receipt of installment from the Central Government and due to non-receipt of the Utilisation Certificate for National Urban Mission Stage I and II from Village Group.

### **Social Justice and Special Assistance Department**

Under Grant N-03 Welfare of Scheduled Caste, Scheduled Tribes and other Backward Classes and Minorities, Major Head 2235 Welfare of Aged, Infirm and Destitute and Special Component Plan for Scheduled Castes, as against a budget provision of ₹ 2,574.01 crore for Sanjay Gandhi Niradhar Anudan Yojana and Shravan Bal Seva Rajya Nivrutti Vetan Yojana, an amount of ₹ 378.50 crore was surrendered/re-appropriated without assigning any reason.

### **Tribal Development Department**

Under Grant T-05 Revenue Expenditure on Tribal Areas Development Sub-Plan, Major Head 2435 Other Agricultural Programmes, against a budget provision of ₹ 940 crore funds amounting to ₹ 922.23 crore was surrendered/reappropriated under Debt relief to farmers under Chhatrapati Shivaji Maharaj Shetkari Sanman Yojana 2017 due to non-receipt of proposal for funds from Administrative Department concerned.

### **Water Supply and Sanitation Department**

Under Grant Y-02 Water Supply and Sanitation, Major Head 2215 Sewerage Services and Special Component Plan for Scheduled Castes, the surrender/re-appropriation of ₹ 1,973.73 crore was due to non-release of grants by GoI for the Centrally Sponsored Scheme-Swachh Bharat Mission.

#### **2.3.6 Persistent savings**

The persistent savings indicated that 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 22 cases (**Appendix 2.8**) indicating that either the provisions were in excess or the executive was not successful in implementing the legislative aspirations.

Savings in each financial year 2014-19 ranged between 52 per cent and 97 per cent of the total provision under Grant G-02 Other Fiscal and Miscellaneous Services. Similarly, savings under Grant O-03 Rural Employment ranged between 17.56 per cent and 76.99 per cent, Grant Q-03 Housing ranged between 51.29 per cent and 90.76 per cent and under Grant Y-02 Water Supply and Sanitation the savings ranged between 42 and 52 per cent of the total provision. The department did not assign specific reasons for savings during any of the years.

#### **Grant A-09 Capital Outlay on Public works**

For construction of the iconic Chhatrapati Shivaji Maharaj statue in the Arabian Sea, budget provisions were made under Grant A-09 Capital Outlay on Public works Major Head 4059 from 2015-16 onwards. However, during 2016-17 to 2018-19 more than 80 per cent of the budget provision was re-appropriated for various reasons as detailed in **Table 2.3**. Faulty planning and inaccurate estimation resulted in surrender/re-appropriation of funds during 2016-19.

**Table 2.3: Persistent savings under Grant A-09**

(₹ in crore)

Year	Total Budget Provision	Actual Expenditure	Re-appropriation	Reasons for Re-appropriation
2016-17	100	12.06	87.94	Non-finalization of tender procedure and non-formation of temporary office owing to court case
2017-18	150	0	150	Non-finalization of tender process
2018-19	300	0.95	299.05	Surrender of provision of ₹ 299.05 crore in March, 2019 was mainly attributed to decision taken by the Government to incur the expenditure through Public Works Department (PWD) and accordingly the funds were transferred to that department. However, the expenditure could not be incurred by PWD due to stay order by Supreme Court on construction of monument of Chhatrapati Shivaji Maharaj

Source: Appropriation Accounts of respective years

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

#### **Recommendation:**

*The Finance Department needs to review the reasons for non-utilisation of provisions under various schemes and take steps to make realistic provision in future.*

#### **2.3.7 Unnecessary/excessive supplementary provisions**

Supplementary provisions aggregating ₹ 12,990.69 crore obtained in 38 cases (₹ 10 crore or more in each case) during the year proved unnecessary as the actual expenditure (₹ 1,34,453.22 crore) did not reach the level of the original provision

(₹ 1,62,720.96 crore) as detailed in **Appendix 2.9**. Some cases are briefly discussed below in **Table 2.4**.

**Table 2.4: Grants having savings of more than ₹ 1,000 crore where supplementary provision proved unnecessary**

(₹ in crore)

Grant Number and Description	Original provision	Expenditure	Savings out of original provision	Supplementary provision
<b>Revenue Section</b>				
B01 Police Administration	13652.73	12257.64	1395.09	31.50
D03 Agricultural Services	7211.19	5841.32	1369.87	420.32
F02 Urban Development and Other Advance Services	12434.10	8920.30	3513.80	502.76
O03 Rural Employment	5064.25	1183.73	3880.53	80.00
T05 Revenue Expenditure on Tribal Areas Development Sub-Plan	6627.47	3896.44	2731.03	417.43
V02 Co-operation	10149.30	6760.54	3388.75	2134.91
Y02 Water Supply and Sanitation	4650.26	2628.46	2021.80	414.80
<b>Capital Section</b>				
O10 Capital Outlay on Other Rural Development Programmes	4216.70	871.77	3344.93	310.25
Source: Appropriation Accounts of 2018-19				

*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:**

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

**2.3.8 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 2018-19, as shown in **Appendix 2.10** in 96 cases (in excess of ₹ 50 crore in each case), Departments surrendered ₹ 67,356.88 crore (19 per cent of total voted provision of ₹ 3,44,942.64 crore).

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

**Recommendation:**

*The departments should ensure that anticipated savings are surrendered on time so that the funds can be utilized for other development purpose.*

**2.3.9 Non-surrender of unspent provision**

The Maharashtra Budget Manual provides that, all saving should, when they come to notice, be reported immediately with full details and reasons to the Administrative



Departments and be surrendered to the department concerned. Government of Maharashtra (GoM), Medical Education and Drugs Department (MEDD) sanctioned (March 2016) ₹ 20.16 crore for purchase of medical equipments and furniture to Indira Gandhi Medical College and Hospital (IGMCH), Nagpur with the condition that the purchase of these items would be done by the Nagpur Improvement Trust<sup>1</sup> (NIT) on behalf of the IGMCH. Hence, the entire amount of ₹ 20.16 crore was to be deposited (June 2016) with NIT by the IGMCH.

The NIT expressed (November 2016) its inability to procure medical equipments for want of medical expert.

Hence, the Directorate of Medical Education and Research (DMER), Mumbai purchased (March 2017) 30 medical equipment costing ₹ 11.11 crore for which payment was made by NIT. The NIT also purchased (March 2017) 43 furniture items for ₹ 5.59 crore. All the medical equipments and furniture items required by the IGMCH were purchased by March 2017. NIT informed (November 2017) the IGMCH about the unspent amount of ₹ 3.46 crore with it. The IGMCH did not take any measures to get back the amount from NIT for onward credit into the Government account leading to blocking of ₹ 3.46 crore for more than two years.

The IGMCH stated that the letter had been issued (August 2019) to the NIT to refund the unspent balance/savings and after receipt of the unspent balance, it would be credited to the Government account.

**Recommendation:**

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

## 2.4 Outcome of review of selected 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 2016-19 of the following Grants.

- (i) **Grant No. A09-Capital Outlay on Public Works:** Under this Grant, provision was made for Construction of Chhatrapati Shivaji Maharaj Monument in Arabian Sea and Construction of Rajarshi Shahu Maharaj Monument in Shahu Mill at Kolhapur. This Grant includes two Major Heads namely 4059- Capital Outlay on Public Works, 4070-Capital Outlay on other Administrative services.
- (ii) **Grant No. I05- Capital Expenditure on Irrigation :** Under this Grant, provision is made for Soil and Water Conservation, Major, Medium and Minor Irrigation Project, Flood Control Projects, Power Project and Space Research which covers six Major Heads namely Capital Outlay on Soil and Water Conservation (4402), Capital Outlay on Major and Medium Irrigation (4701), Capital Outlay on Minor

<sup>1</sup> Nagpur Improvement Trust (NIT) is a development authority of the Nagpur city

Irrigation (4702), Capital Outlay on Flood Control Projects (4711), Capital Outlay on Power Projects (4801) and Capital Outlay on Space Research (5402).

- (iii) **Grant No. Y02-Water Supply and Sanitation:** Under this Grant, provision was made for Swachh Bharat Mission, World Bank Assisted-Jalswarajya Project, Construction of Latrine under Nirmal Bharat Abhiyan and Mukhyamantri Rural Drinking Water Programme. This Grant consists of one Major Head namely, 2215- Water Supply and Sanitation.

#### 2.4.1 Budget Analysis of Grant Y-02 (Water Supply and Sanitation)

- 1) **Swachh Bharat Mission (CSS):** Under this Scheme for the year 2018-19, original provision was ₹ 2,816.61 crore and the expenditure incurred was ₹ 933.89 crore thus surrendering ₹ 1,882.72 crore due to less release of funds by the Central Government.
- 2) **Assistance from Loan from NABARD for Liquid Waste Management Project under RIDF Scheme:** Under this Scheme for the year 2018-19, the entire provision of ₹ 15.14 crore was surrendered as demands were not received from Maharashtra Jeevan Pradhikaran.
- 3) **Project Planning and Monitoring Unit (Jalswarajya Project):** Under this scheme for the year 2018-19, original provision was ₹ 180 crore and the expenditure incurred was ₹ 144 crore, and the amount of ₹ 36 crore had to be surrendered due to less release of funds by the Finance Department.
- 4) **Mukhyamantri Rural Drinking Water Programme (MRDWP) for providing pure drinking water supply for rural areas:** Under this scheme for the year 2018-19, original provision was ₹ 325 crore and the expenditure incurred was ₹ 123.89 crore. An amount of ₹ 62.71 crore was surrendered/re-appropriated due to less demand from implementing agencies, reason for surrender/re-appropriation of ₹ 138.37 crore was not furnished by the department.

The overall position of budget provision, actual disbursement and savings under the functional Heads of the Grant for the years 2016-17 to 2018-19 is given in **Table 2.5**.

**Table 2.5: Detail of budgetary provisions and actual expenditure under Grant No. I-05, A-09 and Y-02**

(₹ in crore)

Year	Original provision	Supplementary provision	Total Grant or Appropriation	Actual Expenditure	Savings	Percentage of savings
<b>Grant I-05 (Voted) Irrigation</b>						
2016-17	8971.69	00	8971.69	8619.67	352.02	4
2017-18	9519.61	1700.00	11219.61	9488.57	1731.04	15
2018-19	9505.01	3117.96	12622.97	11763.57	859.40	7
<b>Grant A-09 (Voted) Capital Outlay on Public Works</b>						
2016-17	120.10	0.83	120.93	16.89	104.04	86
2017-18	170.10	0.00	170.10	3.01	167.09	98
2018-19	302.00	0.00	302.00	0.95	301.05	99.7
<b>Grant Y-02 (Voted) Water Supply and Sanitation</b>						
2016-17	3377.60	544.69	3922.29	1900.88	2021.41	51.5
2017-18	3989.90	125.00	4114.90	2055.47	2059.43	50.0
2018-19	4650.26	414.80	5065.06	2628.46	2436.60	48.10
Source: Appropriation Accounts of respective years						

**Table 2.5** shows persistent savings between four *per cent* and 15 *per cent* under Grant I-05, between 86 *per cent* and 99.7 *per cent* under Grant A-09 and between 48 *per cent* and 51.5 *per cent* under Grant Y-02, during the period 2016-17 to 2018-19.

Further, it can be seen from **Table 2.5** that the actual expenditure under Grant A-09 & Y-02 did not come up to the original provisions even then supplementary provisions were made during the years 2016-17 to 2018-19 indicating over estimation and defective budgeting.

#### 2.4.2 Substantial Savings under sub-heads

During 2018-19, in one sub-head under Grant A-09 and seven sub-heads under Grant Y-02 savings of ₹ 10 crore and above and also between 60 *per cent* and 100 *per cent* of the total provision was noticed details of which are given in **Appendix 2.11**.

#### 2.4.3 Surrender of entire provision

Scrutiny of Appropriation Accounts for the year 2018-19 revealed that the entire provision under one sub-head amounting to ₹ two crore under Grant No A-09, nine sub-heads under Grant Y-02 amounting to ₹ 110.62 crore and five sub-heads amounting to ₹ 41.41 crore under Grant I-05 were withdrawn/surrendered in the month of March 2019 through re-appropriation as detailed in **Appendix 2.12**

#### 2.4.4 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 12 sub-heads under Grant Y-02 and eight sub-heads under Grant I-05 more than 75 *per cent* and 90 *per cent* respectively of the total expenditure was incurred in March 2019. Details are given in **Appendix 2.13**.

#### 2.4.5 Unnecessary re-appropriation

Scrutiny of Appropriation Accounts for the year 2018-19 revealed that in four sub-heads under Grant I-05, re-appropriation orders issued resulted in the sub-head closing with an excess expenditure as shown in **Table 2.6**.

**Table 2.6: Unnecessary Re-appropriation leading to Excess Expenditure under Grant I-05**

(₹ in crore)

Sr. No	Description of the Head of Account/ Cross Reference Code	Original Grant	Supplementary Grant	Amount re-appropriated	Total Grant ((3+4)-5)	Actual expenditure	Excess expenditure (6-7)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1	4701 (190) (07) (02) Share Capital Contribution to Vidarbha Irrigation Development Corporation	77.12	0.00	9.15	67.97	77.12	9.15
2	4701 (190)(12)(01) Share Capital Contribution to Maharashtra Krishna Valley Development Corporation	14.00	0.00	4.44	9.56	14	4.44
3	4702 (190)(00)(01) Share Capital Contribution to	80.29	10.00	64.00	26.29	90.29	64.00

Sr. No	Description of the Head of Account/ Cross Reference Code	Original Grant	Supplementary Grant	Amount re-appropriated	Total Grant ((3+4)-5)	Actual expenditure	Excess expenditure (6-7)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Maharashtra Krishna Valley Development Corporation(Minor Irrigation(ROM) (Scheme)						
4	4702 (190)(00)(01) Share Capital Contribution to Konkan Irrigation Development Corporation (Minor Irrigation)	153.95	22.20	35.78	140.37	176.15	35.78

Source: Appropriation Accounts 2018-19

### Control/Monitoring of Expenditure under Grant No. I-5

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 Office in Form No. 9 and all Controlling Offices should maintain a register of expenditure in Budget Manual Form No. 10 for effective control of expenditure.

On test-check of records of four Controlling Offices<sup>2</sup> it was noticed that the disbursing officers were not submitting statements of expenditure in Form No. 9 and similarly, the Controlling Offices were not maintaining registers of expenditure in Form No. 10.

The Mechanical/Quality Control Circle, Nagpur stated (August 2019) that since monthly statements of expenditure in Form No. 9 was not submitted by the disbursing officers, Form No. 10 at Controlling Offices level was not maintained.

Thus non-submission of monthly expenditure in the prescribed formats defeated the purpose of monitoring the budget and the progress of actual expenditure by Controlling Offices.

Further, Quality Control Circle, Aurangabad and Mechanical Circle, Nanded have not submitted the required information till date.

### 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.

In April 2018, the corpus of the Fund was temporarily increased to ₹ 1,678 crore through an ordinance which lapsed in August 2018. Further, in February 2019, the corpus was again raised to ₹ 2,150 crore which was not restored till 31 March 2019.

<sup>2</sup> 1-Mechanical Circle, Nagpur; 2-Quality Control Circle, Nagpur; 3-Quality Control Circle, Aurangabad and 4-Mechanical Circle, Nanded

During 2018-19, of the eleven sanctions issued by FD for ₹ 3,874.99 crore, seven withdrawals amounting to ₹ 2,362.12 crore were made from the Fund which was recouped to the fund account subsequently through supplementary provision as shown in **Appendix 2.14**. In four out of 11 sanctions, advances amounting to ₹ 82.67 crore were not drawn by the department concerned which indicated that the funds were not required to meet expenses of emergent nature.

In four cases, as listed in **Table 2.7**, the nature of expenditure for which the department concerned had obtained advances from the fund was foreseeable. Therefore, drawal from the Contingency fund was irregular.

**Table 2.7: Withdrawal from Contingency fund where expenditure was foreseeable**

Sr. No	Sanction No. and date	Department/ Grant No./ Major Head	Purpose for which drawn	Amount sanctioned (₹ in crore)
1	CNF-2018/3 Budget-11 dt. 21.05.2018	Administration of Justice/ J-01/2014	Commencement of Civil Court Junior Level or Judicial officer First Class Court and creation of post for court	0.25
2	CNF-2018/6/ Budget-13 dt 08.06.2018	Co-operation/ V-02/2425	Financial subsidy to farmers who were registered under NEML portal and who have not been able to purchase tur and gram under the minimum support price scheme	70.00
3	CNF-2018/7 Budget-7 dt 3.10.2018	Welfare of SC,ST,OBC and Minorities/2225	Chhatrapati Shahu Maharaj Research Training and Human Development Institute (Sarathi) established for Maratha Community	5.00
4	CNF-2018/8 Budget-15/ dt. 20.10.2018	Dairy Development/ D-05/2404	To encourage export of Milk and Milk Powder	80.00

Source: Sanction order for withdrawal from Contingency Fund as received by AG(A&E)-I

## 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 2018-19, Grants-in-aid of ₹ 1,311.26 crore (three 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 ₹ 1,311.26 crore as shown in **Table 2.8**.

**Table 2.8: Details of Grants-in-aid classified/booked under Capital Outlay**

Sr. No	Classification	GIA (₹ in crore)
1	4217-Capital Outlay on Urban Development	1296.47
2	4405-Capital Outlay on Fisheries	10.58
3	4515-Capital Outlay on other Rural Development Programmes	4.21
<b>Total</b>		<b>1311.26</b>

Source: Finance Accounts for the year 2018-19

#### **Recommendation:**

*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 ₹ 264.57 crore lying in the account over the years as on 31 March 2019, which was not credited to the Consolidated Fund of the State.

## 2.7 Outcome of Inspection of Treasuries

The major irregularities noticed by the Accountant General (Accounts and Entitlement)-I, Maharashtra, Mumbai and the Accountant General (Accounts and Entitlement)-II, Maharashtra, Nagpur during inspection of 34 District Treasuries (including 323 sub-Treasuries) and the Pay and Accounts Office, Mumbai during 2018-19 are brought out in the succeeding paragraphs.

### 2.7.1 Transfer of funds to Personal Deposit Accounts

According to Rule 494 of Maharashtra Treasury Rules, 1968 and Rule 12 of Bombay Financial Rules 1959, Personal Deposit (PD) 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.

The PD accounts, also known as PLA, are in the nature of a banking account kept in the Treasuries. 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. Generally, Administrators<sup>3</sup> are required to close such accounts on the last working day<sup>4</sup> of the year and transfer the unspent balances back to the Government Accounts (Consolidated Fund).

As on 31 March 2019, 2,135 PD Accounts showed a total closing balance of ₹ 10,953.53 crore, which is an improvement over the previous year's closing balance of ₹ 12,229.30 crore. The status of PD accounts as on 31 March 2019 is as indicated in Table 2.9.

Table 2.9: Status of Personal Deposit Accounts during 2018-19

Opening balance		Newly opened		Closed accounts		Closing Balance	
Number	Amount (₹ in crore)	Number	Amount (₹ in crore)	Number	Amount (₹ in crore)	Number	Amount (₹ in crore)
2182 <sup>§</sup>	12229.30	10	22108.58	57	23384.35	2135	10953.53

<sup>§</sup> Differs from previous year due to rectification

Source: Finance Accounts 2018-19

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.***

<sup>3</sup> Personal deposit/Personal ledger account holders

<sup>4</sup> vide Finance Department's Government Resolution संकीर्ण 1014/प्र क्र 5/कोषा प्रशा/5 dated 24 January 2014

**Recommendation:**

*The Finance Department needs to review all PD/PLA accounts and ensure that amounts transferred from Consolidated Fund lying in the PD accounts at the end of year are immediately remitted to the Consolidated Fund. Non-reconciliation of balances in PD accounts periodically and not transferring the unspent balance lying in the PD accounts to Consolidated Fund before the closure of financial year may entail the risk of misuse of public fund, 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 Entitlement)-I, Maharashtra, Mumbai and Accountant General (Accounts and Entitlement)-II, Maharashtra, Nagpur for confirmation of the balances.

Inspection of Treasuries revealed that in 234 Administrators holding PD accounts, there were differences between the Administrators' balances and the Treasury/Pay and Accounts Office balances. In 380 cases, there were differences between the Treasury balances and the Sub-Treasury balances. In 175 cases, there were differences between the Sub-Treasury balances and the Administrators' balances. Besides, 213 Administrators did not furnish certificates of balances as on March 2018 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 Inoperative Personal Ledger Accounts for more than one year not closed**

As per Rule 495 of Maharashtra Treasury Rules (MTR), 1968 and 585(2) of Maharashtra Treasury Manual (MTM), Personal Deposits/Personal Ledger Account which are inoperative for more than three consecutive accounting years should be closed and the balances in such accounts are to be credited to the Government Account as Miscellaneous revenue under Major Head 0075. The time limit was revised<sup>5</sup> (January 2014) by Finance Department, Government of Maharashtra to one year.

It was observed that in the case of 175 accounts, PLAs were not operated by the Administrators for a period of one year and more, resulting in unutilized balance of ₹ 75.02 crore lying idle in the PLAs. 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.

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

#### 2.7.4 Diversion of funds from PD/PLA

The operation of PD/PLA was authorized exclusively for receipts and expenditure pertaining to the concerned project for which the PLA was opened. Incurring expenditure for other purpose was irregular and against the codal provisions of Maharashtra Treasury Rules, 1968 and authorization given by Accountant General (Accounts & Entitlement)-I, Maharashtra.

(i) Audit scrutiny of the PLA<sup>6</sup> records of Public Health Department for the year 2017-18 revealed that ₹ 57.54 crore were released from 110 Government hospitals' PLA under Mahatma Jyotiba Phule Jana Aarogya Yojana<sup>7</sup> (MJPJAY).

The payment of insurance premium (₹ 1,653.09 crore) during July and August 2017 to State Health Assurance Society was against the inadequate budgeted provision (₹ 1,595.55 crore). The Department's request (January 2018) for authorisation of payment of ₹ 66.08 crore<sup>8</sup> from PLA was not approved by Accountant General (Accounts & Entitlement)-I, Maharashtra, Mumbai stating the payment is to be made through regular budget allocation.

The failure of the Department in making adequate budgetary allocation as well as non-recoupment of ₹ 57.54 crore resulted in unnecessary burden on PLA of 110 Government hospitals.

(ii) The Revenue and Forest Department permitted (October 2001) the Inspector General of Registration (IGR), Pune to open a Personal Ledger account (PLA) in its name to credit the document charges<sup>9</sup> collected and incur expenditure for maintenance of computer, consumables (toner, paper *etc.*), and utility expenses like water supply charges, electricity charges, telephone, internet charges were to be met from this PLA and the balance amount was to be credited to the Consolidated Fund of the State at the end of each quarter. Thus by this arrangement, utilization of PLA fund was permitted to be utilized only to meet the essential office expenses and balance would be part of the Consolidated Fund of the State.

The Revenue and Forest department (March 2017) introduced E-Property Card Information System (E-PCIS)<sup>10</sup> project for computerization/digitization of land records in State. As per this GR the expenditure was to be met from the PLA of IGR, Pune. This sanction permitted the utilization of PLA funds for regular budgeted schemes which was in contravention to the provisions of Maharashtra Treasury Rules 1968.

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<sup>6</sup> For retaining fees and other hospital charges received from patients and utilise the same for meeting various expenses as per the conditions approved by the Government and endorsed by the Accountant General through authorisation

<sup>7</sup> To provide free medical treatment of critical and expensive diseases to the below poverty line and above poverty line families having orange ration card and income up to ₹ one lakh per year (excluding Government, semi Government employees and Income Tax payers) introduced on 04/08/2016 (Implemented 02/10/2016), insurance premium to be paid on quarterly basis

<sup>8</sup> Finance Department's approval *vide* Resolution dated 05/07/2017

<sup>9</sup> An amount of ₹ 20 per page with respect to the documents presented for registration by all District Registrars and sub-registrars Office in Maharashtra State

<sup>10</sup> *vide* GR राभुअ-2016/प्र. क्र. 350/ल-1



The said project was to be executed by the Office of Settlement Commissioner and Land Records, Pune. The total estimated expenditure to be incurred on this project was ₹ 18.87 crore. As on date (March 2019) a total expenditure of ₹ 9.79 crore was incurred from the PLA of IGR.

Thus, the irregular sanction of March 2017 resulted in the expenditure on E-PCIS project escaping legislative scrutiny and was also against the provisions of Maharashtra Treasury Rules 1968.

#### **2.7.5 Overpayment of Pension**

Overpayment of pensionary benefits of ₹ 1.24 crore was made by Treasuries during 2018-19 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.*

