

CHAPTER II

APPROPRIATION AUDIT AND CONTROL OVER EXPENDITURE

2.1 Summary of appropriation accounts 2000-2001

Appropriation Accounts : Government of Maharashtra

Total Number of grants and appropriations (333+90) : 423

Total provisions and actual expenditure

(Rupees in crore)

Provision	Amount	Expenditure	Amount
Original	48203.10		57850.88
Supplementary	19162.92		
Appropriation to Contingency Fund	350.00		350.00
Total Gross Provision	67716.02	Total Gross Expenditure	58200.88
Deduct-Estimated recoveries in reduction of expenditure	9116.21	Deduct-Actual recoveries in reduction of expenditure	9691.02
Total net provision	58599.81	Total net expenditure	48509.86

Voted and Charged provision and expenditure

(Rupees in crore)

	Provision		Expenditure	
	Voted	Charged	Voted	Charged
Revenue	33422.02	9419.53	31406.47*	8514.08
Capital	7469.15	1.82	5420.22	2.12
Public debt and Loans and Advances	5970.42	11083.08	5486.05	7021.94
Appropriation to Contingency Fund	350.00	--	350.00	--
Total Gross	47211.59	20504.43	42662.74	15538.14
Deduct-Recoveries in reduction of expenditure	9078.74	37.47 [#]	9687.32	3.70
Total : Net	38132.85	20466.96	32975.42	15534.44

2.2 Introduction

In accordance with the provisions of Article 204 of the Constitution of India, soon after the grants under Article 203 are made by the State Legislature, an Appropriation Bill is introduced to provide for appropriation out of the

* Lower rounding

[#] Higher rounding

Consolidated Fund of the State. The Appropriation Act of the State Legislature contains authority to appropriate certain sums from the Consolidated Fund of the State for the specified services. Subsequently, supplementary or additional grants can also be sanctioned by subsequent Appropriation Acts in terms of Article 205 of the Constitution of India.

The Appropriation Acts include the expenditure which has been voted by the Legislature on various grants in terms of Articles 204 and 205 of the Constitution of India and also the expenditure which is required to be charged on the Consolidated Fund of the State. The Appropriation Accounts are prepared every year indicating the details of amounts on various specified services actually spent by Government *vis-à-vis* those authorised by the Appropriation Acts.

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

2.3 Summary of Expenditure

The summarised position of actual expenditure during 2000-2001 against 423 grants/appropriations was as follows :

	Nature of expenditure	Original grant/ appropriation	Supplementary grant appropriation	Total	Actual expenditure	Saving(-) Excess(+)
		(Rupees in crore)				
Voted	I. Revenue	26212.78	7209.24	33422.02	31406.47 [#]	(-)2015.55
	II. Capital	4613.51	2855.64	7469.15	5420.22	(-)2048.93
	III. Loans and Advances	4789.25	1181.17	5970.42	5486.05	(-)484.37
Total (Voted)		35615.54	11246.05	46861.59	42312.74	(-)4548.85
Charged	IV. Revenue	9105.89	313.64	9419.53	8514.08	(-)905.45
	V. Capital	0.76	1.07 [*]	1.83	2.12	0.29
	VI. Public debt	3480.91	7602.16	11083.07	7021.94	(-)4061.13
	VII. Loans and Advances	--	--	--	--	--
Total (charged)		12587.56	7916.87	20504.43	15538.14	(-)4966.29
Appropriation to Contingency Fund		350.00	--	350.00	350.00 [@]	--
Grand Total		48553.10	19162.92	67716.02	58200.88	(-)9515.14[*]

[#] Lower rounding

^{*} Higher rounding

[@] Represents the amount appropriated from Consolidated Fund to the Contingency fund. The corpus was temporarily increased during 2000-2001 from Rs 150 crore to Rs 500 crore with effect from 31 January 2001 under the Maharashtra Contingency Fund (Amendment) Ordinance No.4 of 2001. Rs 55.45 crore drawn from the Maharashtra Contingency Fund during 2000-2001 remained unrecouped at the close of the year.

2.4 Results of Appropriation Audit

2.4.1 Excess expenditure requiring regularisation

The excess of Rs 2290.30 crore under 53 grants and Rs 8.50 crore under 14 appropriations required regularisation under Article 205 of the Constitution. Details of these are given in Appendix II. Besides, the excess expenditure amounting to Rs 4404.75 crore for the years 1995-96 to 1999-2000 was also to be regularised, as shown below :

Year	Number of grants/ appropriations	Amount of excess (Rupees in crore)
1995-96	83	297.12
1996-97	68	256.16
1997-98	69	895.47
1998-99	72	1118.10
1999-2000	83	1837.90
Total	375	4404.75

2.4.2 The overall saving of Rs 9515.14 crore was the result of saving of Rs 11813.93 crore in 339 grants and appropriations, offset by excess of Rs 2298.79[^] crore in 67 grants/appropriations.

2.4.3 Supplementary provisions made during the year constituted 39.75 per cent of the original provision as against 23.68 per cent in the previous year.

2.4.4 Unnecessary/insufficient/excessive supplementary provisions

2.4.4.1 Supplementary provision of Rs 556 crore made in 60 grants/appropriations during the year proved entirely unnecessary in view of aggregate saving of Rs 3766.58 crore as detailed in Appendix III. Of Rs 556 crore obtained as supplementary grants, Rs 100.34 crore were obtained in the month of March 2001.

2.4.4.2 In 62 other grants/appropriations, against additional requirement of Rs 7812.51 crore, supplementary grants of Rs 14373.18 crore were obtained resulting in savings aggregating to Rs 6560.67 crore and also savings in each grant/appropriation exceeding Rs 10 lakh. Details of these grants/appropriations are given in Appendix IV.

2.4.4.3 In 25 grants/appropriations, supplementary provision of Rs 1889.07 crore proved insufficient by more than Rs 10 lakh each, leaving an aggregate uncovered excess expenditure of Rs 2253.41 crore as per details in Appendix V.

[^] Lower rounding

2.5 Savings

2.5.1 In 103 grants/appropriations, expenditure fell short by Rs 1 crore or more in each grant/appropriation and also by 10 *per cent* or more of the total provision as indicated in Appendix VI. In 3 such grants/appropriations (Sr.No. 23,51 and 89) the entire provision totalling Rs 8.03 crore was not utilised.

2.5.2 In 33 grants/appropriations there were persistent savings in excess of Rs 10 lakh in each grant/appropriation and 20 *per cent* or more of the provision during last three years. Details are given in Appendix VII.

2.6 Excess expenditure

2.6.1 Persistent excess occurred in 11 grants/appropriations as detailed in Appendix VIII. In five of these cases the excess was significant varying between 0.46 *per cent* and 582.60 *per cent* of the provision during last three years. Persistent excess in these cases required investigation by the Government for remedial action.

2.6.2 In 21 grants/appropriations, expenditure exceeded the approved provisions by Rs 25 lakh or more and also by more than 10 *per cent* of the total provision. Details of these are given in Appendix IX.

2.7 Excessive/unnecessary reappropriation of funds

Reappropriation is transfer of funds within a grant from one unit of appropriation, where savings are anticipated, to another unit where additional funds are needed. Grants/appropriations where reappropriation of funds proved excessive or insufficient by over Rs 10 lakh are as given in Appendix X.

2.8 Expenditure without provision

As envisaged in the Budget Manual, expenditure should not be incurred on any item without provision of funds. However, expenditure of Rs 11.07 crore was incurred in 44 grants/appropriations, as detailed in Appendix XI, without any provision in the original estimates/supplementary demands and no reappropriation orders were issued for such cases either.

2.9 Anticipated savings not surrendered or surrendered in excess

2.9.1 According to rules framed by Government, the spending departments are required to surrender the savings in any grant/appropriation to the Finance Department as and when anticipated. However, at the close of the year 2000-2001 there were 32 grants/appropriations in which large savings occurred but no part of which had been surrendered by the concerned departments. The amount involved in these cases was Rs 293.87 crore (2.49 *per cent* of the total savings). In 39 other grants/appropriations, the amount of available savings of Rs 1 crore and above in each grant/appropriation not surrendered aggregated Rs 4258.03 crore (36.04 *per cent* of total savings). Details are given in Appendices XII and XIII respectively. Thus in these cases, Government could not utilise the unspent funds for other activities when more funds could be utilised.

2.9.2 Besides the above, in 146 grants/appropriations, Rs 2410.56 crore were surrendered on the last two days of March 2001 indicating inadequate financial control over expenditure. Details are given in Appendix XIV.

2.9.3 In 60 grants/appropriations, the amount surrendered was in excess of actual savings, indicating inadequate budgetary control. As against the actual savings of Rs 3204.16 crore, the amount surrendered was Rs 3565.83 crore resulting in excess surrender of Rs 361.67 crore. Details are given in Appendix XV. These excess savings indicated that the Controlling Officers did not have adequate control over the expenditure flow and the instances of budgetary irregularities as above are reported from year to year in Chapter II of the Audit Report. These would be minimised if the precautions envisaged in Appendix 10 (Para 179) of the Maharashtra Budget Manual are taken by all the departments.

2.10 Advances from Contingency Fund

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

The Fund is in the nature of an imprest and its corpus is Rs 150 crore. The corpus of the Fund was temporarily raised to Rs 500 crore with effect from 31 January 2001. The ordinance ceased to operate after six weeks from the reassembly of the Legislature.

As on 1 April 2000, the balance in the Fund was Rs 832.71 crore. During 2000-2001, advance drawn but not recouped totalled Rs 55.45 crore. The balance of Rs 17.29 crore on account of advances drawn during 1999-2000, but not recouped till 31 March 2000 were recouped during 2000-2001. However, the closing balance of the Fund as on 31 March 2001, after taking into account the increase in its corpus in March 2001, was Rs 444.55 crore.

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

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

During the year 2000-2001, 130 sanctions were issued for withdrawal of Rs 501.48 crore. A review of the operation of Contingency Fund disclosed that (i) sanctions for advances were issued when the money was not needed (No. of sanctions 14, amount Rs 35.50 crore) and (ii) more advance than necessary was sanctioned (No. of sanctions 3, amount Rs 0.16 crore).

A few illustrative grants/appropriations detailed in Appendix XVI show that advances from Contingency Fund were obtained (for Rs 401.15 crore in 58 cases) though the expenditure was not unforeseeable.

2.11 Trend of recoveries and credits

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

In 29 grants/appropriations the actual recoveries adjusted in reduction of expenditure (Rs 6973.47 crore) exceeded the estimated recoveries (Rs 4763.61

crore) by Rs 2209.86 crore and in 42 grants/appropriations the actual recoveries (Rs 2717.54 crore) were less than the estimated recoveries (Rs 4352.58 crore) by Rs 1635.04 crore. More details are given in Appendix III of Appropriation Accounts.

2.12 Non-receipt of explanations for savings/excesses

For the year 2000-2001, explanations for savings/excesses were not received in respect of 679 heads of Account which form 53 *per cent* of the number of heads. The percentage was 63 for the year 1999-2000.

2.13 Unreconciled expenditure

Financial rules require that the Controlling Officers should reconcile periodically the departmental figures of expenditure with those booked by the Accountant General. In respect of 25 departments, expenditure of Rs 2486.33 crore pertaining to 2000-2001 remained unreconciled till April 2001. Details are given in Appendix XVII.

2.14 Irregular sanctions

Planning Department issued instructions in its order in March 2001 that purchase of certain articles mentioned therein like furnitures, stationery, new vehicles, xerox machine etc should not be made. Sanction issued in contravention of these orders are listed in Appendix XVIII.

2.15 Operation of Personal Ledger Accounts

In all 3437 Personal Ledger Accounts (PLAs) were in operation in 2000-2001. The flow of funds in respect of these PLAs during 2000-2001 was as shown below :

Opening Balance (as on 1 April 2000)	:	Rs 273.05 crore
Amount transferred to PLAs during the year	:	Rs 2018.59 crore
Amount disbursed from PLAs during the year	:	Rs 1894.79 crore
Closing balance as on 31 March 2001	:	Rs 396.85 crore

Records relating to 235 PLAs maintained by selected educational institutions, courts, Special Land Acquisition Officers, District Collectors, District Forums, District Deputy Registrar of Co-operative Society, Hospitals, Sports Officers, Jails and Motor Accident Claims Tribunals were reviewed in Audit between March 2001 and August 2001. The important points noticed are given in the table below :

	Nature of irregularit	Amoun (Rupees)	Objection in brief
1)	Diversion of funds	69.26 lakh	Dean, Government Medical College, Nagpur authorised to operate the PLA for the purpose of caution money deposits and scholarship amounts, irregularly drew and utilised Rs 69.26 lakh during March 2000 to March 2001 for the payment of electricity and water charges. Of the above amount Rs 31.33 lakh was yet to be recouped (June 2001).
2)	Credit of sales proceeds in PLA	5.08 crore	In contravention of instructions from Home Department (September 1995/January 2000), the Superintendent, Central Prison (CP), Nagpur irregularly credited the amount of Rs 5.08 crore realised as sale proceeds of jail manufactures (major portions from Government department) during 1997-98 to 1999-2000 into PLA instead of Government Account.
3)	Non-surrender of unspent balance of PLA to MRD and DD	2.94 crore	The Special Land Acquisition Officer (SLAO), Raigad (2), Alibag, received an amount of Rs 6 crore from Mumbai Road Development and Design, Division I, Mumbai (MRD and DD) which was credited to PLA in October 1999 for payment of land compensation to the claimants in respect of land to be acquired for Mumbai Pune Highway Project and for Mega City Scheme. Though the Mega City Scheme was dropped as per cabinet decision (September 2000), the SLAO, Raigad (2) had not surrendered the unspent balance of Rs 2.94 crore to MRD and DD (July 2001).

	Nature of irregularit	Amoun (Rupees)	Objection in brief
4)	Retention of Government money in PLA	0.35 crore	Four* officers received Rs 15.73 crore between June 1996 and August 2000 from various organisations. Out of this, the amount of Rs 10.17 crore was spent and balance was retained in the PLA. Test-check revealed that the amount of Rs 5.21 crore was credited into Government account after retaining in PLA for 8 to 15 months and amount of Rs 0.35 crore was still lying in PLA since 1996-97. This is not permissible as per Maharashtra Treasury Rules, 1968.
5)	Payment of penalty due to delay in remitting the recognition fees	5.70 lakh	The Sydenham Institute of Management Studies and Research and Entrepreneurship Education (SIMSREE) has to pay Rs 25000 each year for recognition of the Management courses run by them to the University of Mumbai. However, recognition fee was not paid for the period 1991-2000. In January 2001, an amount of Rs 8.20 lakh was paid to the University, Mumbai from PLA which included penalty of Rs 5.70 lakh for non-payment of recognition fee annually though there was sufficient balance in PLA in respective years. Thus, delay in payment of recognition fee resulted in extra expenditure to the tune of Rs 5.70 lakh out of PLA (July 2001).
6)	Reconciliation with treasury records	4.67 crore	In respect of 38 PLAs there was an unreconciled difference of Rs 4.67 crore between cash book and treasury balance as on 31 March 2001. Out of the above 38 PLAs, 6 offices had not maintained/ properly maintained cash books for PLAs since the date of opening as required under Treasury Rules.

* SLAO – (i) Aurangabad, (ii) Manjra Project, Osmanabad, (iii) Jalna and (iv) Education Officer (Middle), Z.P., Osmanabad