

**CHAPTER - III**

**BUDGETARY MANAGEMENT**



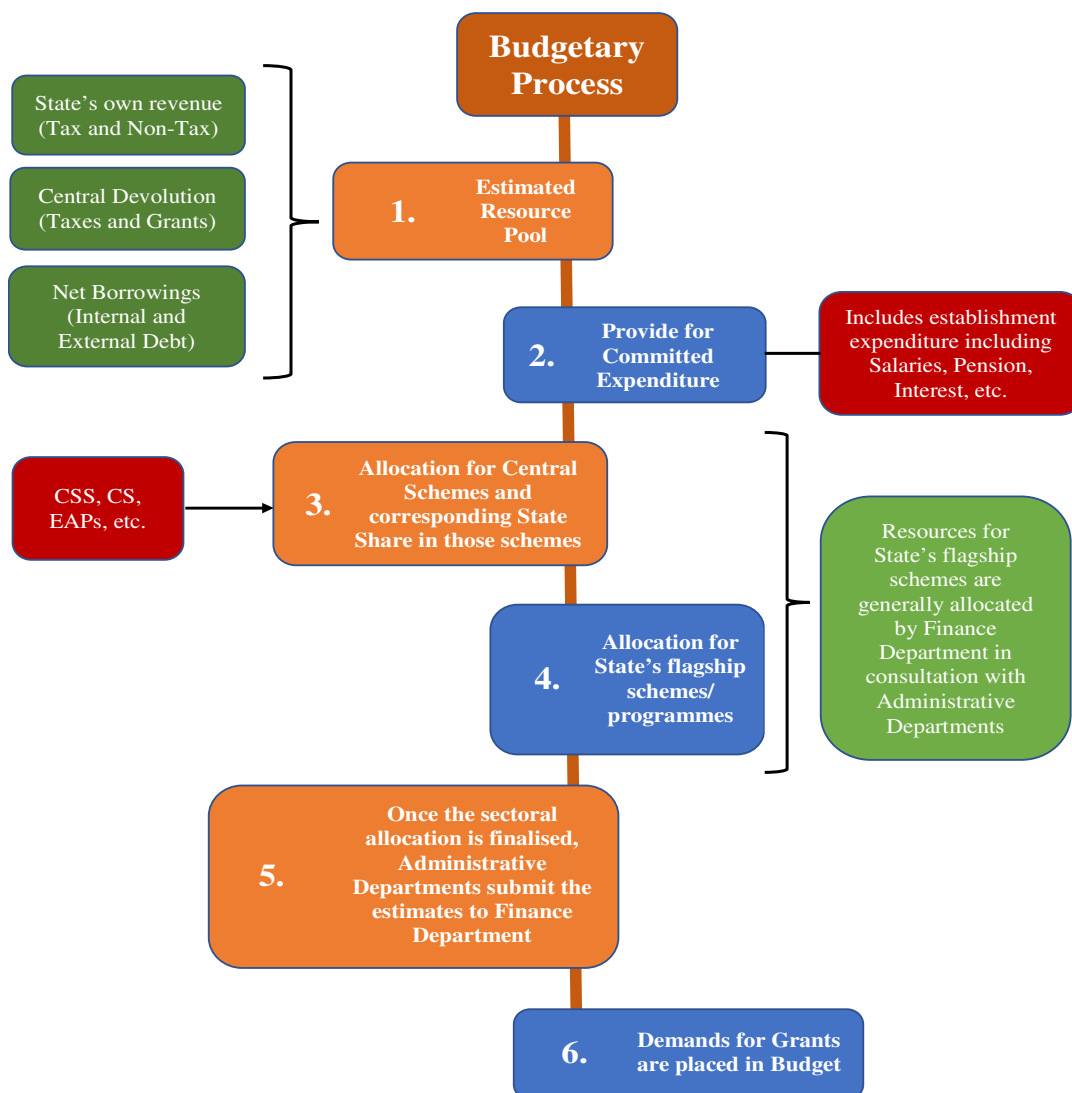
# Chapter III: Budgetary Management

This Chapter reviews the allocative priorities of the State Government and comments on the transparency of budget formulation and effectiveness of its implementation. It further reviews whether the decisions taken at the policy level are implemented at the administrative level without diversion of funds. This chapter is based on the audit of Appropriation Accounts of the State.

## 3.1 Budget Process

The annual budgeting exercise is a way of laying out a road map for the most efficient use of public funds. The glossary of Budget related terms is given in **Appendix 3.1**. The Budget process begins with the release of the Budget Circular, normally in August, which provides guidance to departments in structuring their estimates for the following fiscal year. A typical budget preparation process in a State is given in **Chart 3.1**.

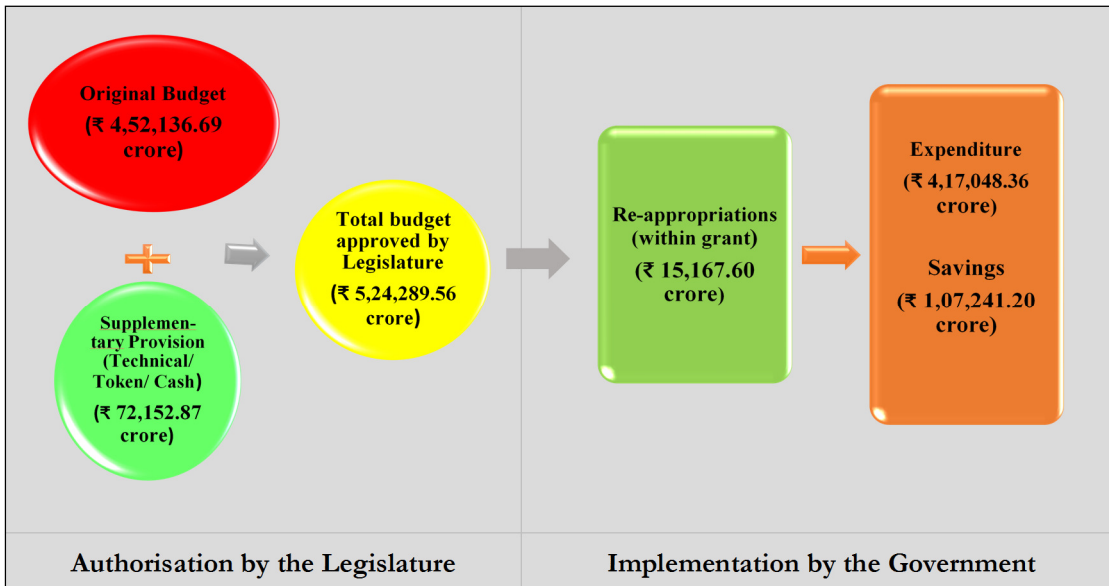
**Chart 3.1: Budget preparation process in a State**



The Finance Department (FD) is responsible for preparing the Annual Budget by obtaining estimates from all the ministries, according to the Maharashtra Budget Manual (Chapter IX). The Controlling Officers create departmental receipts and expenditure estimates on the advice of the Heads of Departments and present them to the FD as per prescribed timelines. The FD scrutinizes the estimates and prepares the Detailed Estimate 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 it should neither be large nor small. 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 total amount approved by the State Legislature including the original and supplementary budgets, expenditure and savings during the year 2020-21 is depicted in **Chart 3.2**.

**Chart 3.2: Summary of Budget and Expenditure for 2020-21**



### 3.1.1 Summary of total provisions, actual disbursements and savings during the financial year

The summarized position of total budget provision, actual expenditure and savings during 2020-21 against 296 grants/ appropriations is given in **Table 3.1**.

**Table 3.1: Budget provision, disbursement and Savings during 2020-21**

(₹ in crore)

Total budget provision		Disbursement		Saving	
Voted	Charged	Voted	Charged	Voted	Charged
425124.06	99165.50	320694.58	96353.79	104429.48 (24.56)	2811.71 (2.83)

Source: Appropriation Accounts 2020-21

Figures in the parenthesis is the percentage of saving to the total budget provision

### 3.1.2 Charged and Voted Disbursement

Article 112(2) of the Constitution requires that the estimates of expenditure embodied in the annual financial statement shall show separately the sums required to meet expenditure described by the Legislature as expenditure charged upon the Consolidated Fund of State; and all other sums required to meet other expenditure proposed to be made from the Consolidated Fund of State, and shall distinguish expenditure on revenue account from other expenditure

Trend analysis of the total Charged and Voted disbursement and Savings during the last five years (2016-21) is shown in **Table 3.2**.

**Table 3.2: Disbursement and Savings during 2016-21**

(₹ in crore)

Year	Disbursement		Saving			
	Voted	Charged	Voted	Percentage	Charged	Percentage
2016-17	221967.14	43943.19	46719.78	21.04	2352.32	5.35
2017-18	240582.35	54606.42	76784.27	31.91	1060.84	1.94
2018-19	278697.33	64237.70	69773.31	25.03	4083.05	6.35
2019-20	328039.77	63443.42	101966.86	31.08	3726.33	5.87
2020-21	320694.58	96353.79	104429.48	32.56	2811.71	2.91

Source: Appropriation Accounts of respective years

Savings ranging from 20 *per cent* to 30 *per cent* has been a persistent feature and was commented upon in the previous State Finance Audit Reports. During 2020-21, the savings comprised 32.56 *per cent* of the Budget provision.

### 3.2 Appropriation Accounts

Appropriation Accounts compare the expenditure of the Government for each financial year with the amounts of voted grants and charged appropriations for different purposes as specified in the schedules appended to the Appropriation Act passed under Articles 204 and 205 of the Constitution of India. Appropriation Accounts are on Gross basis. These Accounts depict the original budget provision, supplementary grants, surrenders and re-appropriations distinctly and indicate actual capital and revenue expenditure on various specified services vis-à-vis those authorised by the Appropriation Act in respect of both Charged and Voted items of budget. Appropriation Accounts thus facilitate understanding of utilisation of funds, the management of finances and monitoring of budgetary provisions and are, therefore, complementary to the Finance Accounts.

The CAG of India conducts the audit of appropriations to ascertain whether the expenditure actually incurred under various grants is in accordance with the authorization given under the Appropriation Act for the year and that the expenditure required to be charged under the provisions of the Constitution (Article 202) is so charged. It also ascertains whether the expenditure incurred is in conformity with the laws, relevant rules, regulations and instructions.

### 3.3 Comments on integrity of budgetary and accounting process

#### 3.3.1 Unnecessary or Excessive Supplementary Grants

Article 205 of the Constitution of India read with Paras 169 and 170 of the Maharashtra Budget Manual, provides a legal basis for Supplementary Budget or Supplementary Estimates (SE). During 2020-21, the Supplementary provisions (₹ 72,152.87 crore) constituted 15.96 per cent of the original provisions (₹ 4,52,136.69 crore).

Supplementary provisions aggregating ₹ 13,225.91 crore obtained in 39 cases (₹ 10 crore or more in each case) during the year proved unnecessary as the actual expenditure ₹ 1,47,153.40 crore did not reach the levels of the original provision (₹ 2,03,835.93 crore) as detailed in **Appendix 3.2**. Grants having saving of more than ₹ 1,000 crore and where supplementary provision proved unnecessary are given in **Table 3.3**. This indicated injudicious budgetary exercise.

**Table 3.3: Grants having saving of more than ₹1,000 crore where Supplementary provision proved unnecessary**

(₹ in crore)				
Grant Number and Description	Original provision	Supplementary provision	Expenditure	Saving out of the original provisions (percentage)
<b>Revenue Section Voted</b>				
F-02 Urban Development and Other Advance Services	16292.24	609.93	7985.47	8306.77 (50.99)
E02 General Education	58987.65	227.77	51702.46	7285.19 (12.35)
B-01 Police Administration	20048.20	327.92	15568.56	4479.64 (22.34)
L-03 Rural Development Programmes	10949.99	1337.02	7089.24	3860.75 (35.26)
N-03 Welfare of Scheduled Caste, Scheduled Tribes and Other Backward Classes	11762.11	2705.32	7927.25	3834.86 (32.60)
T-05 Revenue Expenditure on Tribal Areas Development Sub-Plan	8604.29	699.49	6044.07	2560.23 (29.75)
O-03 Rural Employment	2667.54	50.00	648.14	2019.40 (75.69)
D-03 Agriculture Services	8608.87	1165.51	6657.87	1951.00 (22.66)
H-05 Roads and Bridges	5596.58	1251.00	3893.22	1703.36 (30.43)
C-07 Forest	3080.00	40.00	1984.91	1095.09 (35.55)
H-06 Public Works and Administrative and Functional Buildings.	3059.20	100.00	2052.84	1006.37 (32.90)
<b>Capital Section</b>				
O-10 Capital Outlay on Other Rural Development Programmes	5920.23	518.87	971.50	4948.73 (83.59)
I-05 Capital Expenditure on Irrigation	11715.27	1105.00	8312.24	3403.02 (29.05)
L-07 Capital Outlay on Other Rural Development Programmes	2532.15	306.01	1137.68	1394.47 (55.07)

Grant Number and Description	Original provision	Supplementary provision	Expenditure	Saving out of the original provisions (percentage)
H-08 Capital Expenditure on Public Works Administrative and Functional Buildings	2436.32	118.13	1146.54	1289.78 (52.94)
B-10 Capital Expenditure on Economic Services	1757.82	35.33	680.82	1077.00 (61.27)

Source: Appropriation Accounts of 2020-21

The above cases indicate that supplementary grants were obtained without proper assessment of the actual requirement, in contravention of the provision of the Constitution and the Maharashtra Budget Manual.

### 3.3.2 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.

As per the Maharashtra Contingency Fund Act, the corpus of the Contingency Fund of the State is ₹ 150 crore. In August 2020, the corpus of the Fund was temporarily increased to ₹ 1,500 crore through an ordinance which lapsed in October 2020. During the year 2020-21, the State Government drew ₹ 1,055.18 crore from the Contingency Fund and the whole amount was recouped by 31 March 2021.

During 2020-21, of the six sanctions issued by Finance Department for ₹ 1,156.84 crore, six withdrawals amounting to ₹ 1055.18 crore were made from the Fund. The details of withdrawals from the Contingency Fund during 2020-21 are given in **Table 3.4**.

**Table 3.4: Contingency Fund Sanction orders and Utilisation against Sanctions**

(₹ in crore)

Sr. No.	Sanction No. and Date	Major head /Grant No.	Purpose for which drawn	Sanction	Expenditure	Recoupment
1	CNF-2020/C.R.4/ BUDGET-15/11.05.2020	2404/D-05	To provide subsidy for conversion of additional milk into milk powder	50.00	50.00	September 2020
2	CNF-2020/C.R.5/ BUDGET-15/24.07.2020	2404/D-05	To provide subsidy for conversion of additional milk into milk powder	50.00	50.00	September 2020
3	CNF-2020/C.R.6/ BUDGET-13/24.08.2020	2435/V-02	To implement the Mahatma Jyotiba Phule loan waiving scheme.	900.00	813.47	September 2020
4	CNF-2020/C.R.7/ BUDGET-14/25.09.2020	4070/A-09	Construction of new Warehouses at District Level and Repairing of existing Government	19.73	4.60	December 2020

Sr. No.	Sanction No. and Date	Major head /Grant No.	Purpose for which drawn	Sanction	Expenditure	Recoupment
5	CNF-2020/C.R.8/ BUDGET-11/10.11.2020	2041/B-03	Payment of salary to Maharashtra State Transport Corporation.	120.00	120.00	December 2020
6	CNF-2021/C.R.1/ BUDGET-9/15.02.2021	2210/R-01	Grant in aid to Nowrosjee Wadia Maternity Hospital.	17.11	17.11	March 2021
<b>Total</b>				<b>1156.84</b>	<b>1055.18</b>	
Source: Contingency fund sanction order from respective departments and information from Principal Accountant General (Accounts and Entitlement)-I, Maharashtra, Mumbai						

### 3.3.3 Excessive or Unnecessary Re-appropriation

Re-appropriation is transfer of funds within a grant from one unit of appropriation, where savings are anticipated, to another unit where need for additional funds is identified. As per Paragraphs 162 to 164 of the Maharashtra Budget Manual, the Finance Department and the Administrative Department of the Secretariat can sanction re-appropriation from one major, minor or sub head to another such head within the same Grant/Appropriation in the Appropriation Act.

In several cases, re-appropriation proved excessive and resulted in huge savings. As seen from **Appendix 3.3** re-appropriation proved unnecessary in 10 cases, as the re-appropriated amount ultimately resulted in savings of ₹ 10 crore and above in every case. The above instances are indicative of the fact that the budget controlling officers could not adequately assess the requirements and did not update information regarding expenditure before re-appropriations.

### 3.3.4 Unspent amount and surrendered Appropriation and/or huge Savings/ Surrenders

Budgetary allocations based on estimated proposals, poor expenditure monitoring mechanism, weak scheme implementation capacities/weak internal controls promote release of funds towards the end of the financial year and increase the propensity of the Departments to retain huge balances outside the Government account in Bank Accounts. Excessive savings also deprives other Departments of the funds which they could have utilized.

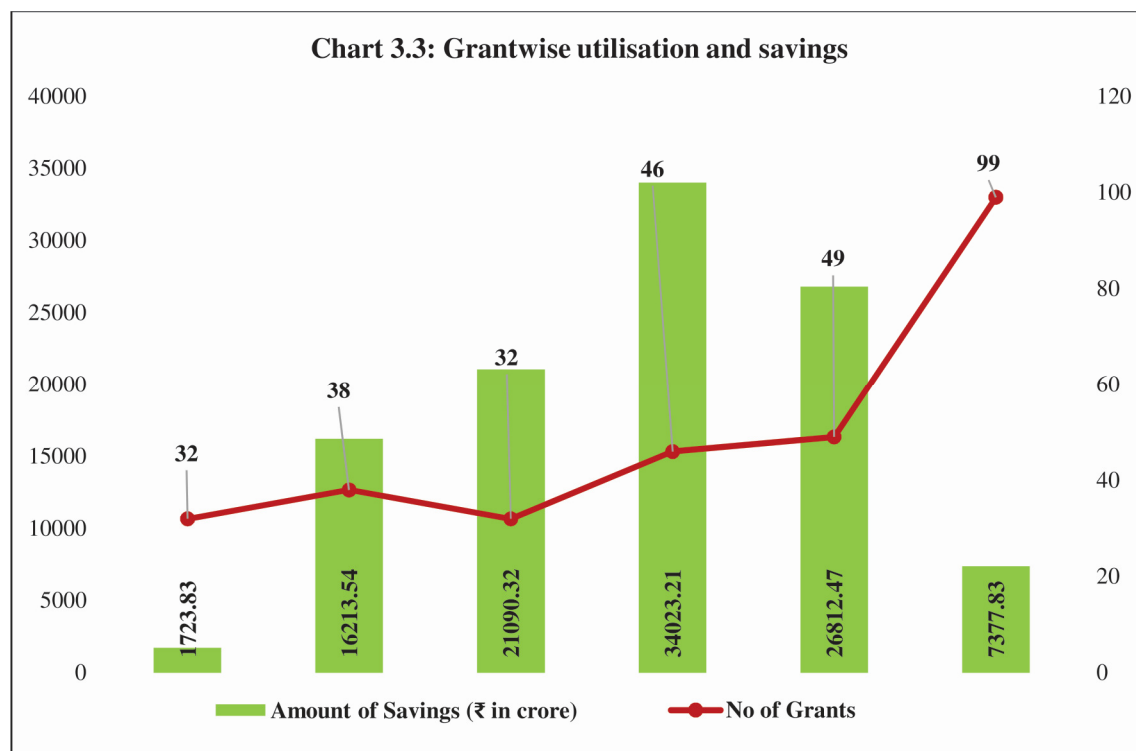
Audit of Appropriation Accounts revealed that out of the net saving of ₹ 1,04,429.48 crore during 2020-21, saving in 117 grants amounting to ₹ 88,209.38 crore (84 per cent), savings exceeded ₹ 10 crore and was 20 per cent or more of the total provision in each case as indicated in **Appendix 3.4**. Further, in 71 grants the savings exceeded ₹ 100 crore in each case as shown in **Appendix 3.5**.

Para 173 of the Maharashtra Budget Manual states that savings should not be kept in reserve by the Disbursing or Controlling Officers to meet possible unforeseen excess under other heads or to cover new expenditure which would normally be provided for in the next year's estimates. All savings should, when they come to notice, should immediately be surrendered. Provision that cannot be profitably utilized should be surrendered.



At the close of 2020-21, out of the total saving of ₹ 1,07,241.20 crore, only ₹ 94,146.45 crore was surrendered, of which, ₹ 91,786 crore was surrendered on 30<sup>th</sup> and 31<sup>st</sup> of March 2021 indicating inadequate financial control.

The distribution of the grants/appropriation grouped by the percentage of savings along with total savings in each group is shown in **Chart 3.3**.



(Source: Appropriation Accounts 2020-21)

From the above chart it is observed that out of the 296 Grants, only 99 Grants could utilize 90-100 *per cent* of their total budgeted provision, whereas 32 Grants could utilize only upto 10 *per cent* of the budgeted provision. The percent of utilization was up to 50 *per cent* in respect of 102 grants.

The Departments which registered major savings were Food, Civil Supplies and Consumer Protection (23 *per cent*), Social Justice and Special Assistance (37 *per cent*), Housing (83 *per cent*) and Water Supply and Sanitation Department (65 *per cent*). Reasons furnished by the departments for the major savings, as reported in the Appropriation Accounts are given in the succeeding paragraph.

- **Grant No E-2 General Education:** An amount of ₹ 5,030.49 crore was budgeted for Assistance to Local Bodies for Primary Education under Major Head 2202-103 02- Grants to other local bodies. Out of the budgeted provision an amount of ₹ 647.72 crore was surrendered in March 2021 due to savings in salaries of vacant posts and dearness allowance not raised due to effect of COVID-19 pandemic.
- **Grant No M-2 Food Storage and Warehousing:** The budgeted provision for the Subsidy for covering deficit under National Food Security Scheme under Major Head 2408-101 Procurement and Supply was ₹ 1,228.62 crore, of which, the department surrendered ₹ 368.58 crore in March 2021 due to 30 *per cent* cut

imposed by Finance Department and further saving of ₹ 2.78 crore, reasons for which has not been furnished.

- **Grant No N-3 Welfare of Scheduled Castes, Scheduled Tribes, Other Backward Castes and minorities:** The budgeted provision for the Government of India Post Matric Scholarship scheme was ₹ 1,000 crore, of which, the department surrendered ₹ 627.92 crore (63 *per cent*) in March 2021 due to restriction imposed on expenditure by the Finance department due to COVID-19 pandemic
- **Grant No Q-3 Housing:** The entire budgeted provision of ₹ 699.50 crore for the Pradhan Mantri Awas Yojana- “Housing for all” under Major Head 2216-103 Assistance to Housing Board, Corporation etc., was surrendered in March 2021 due to non-receipt of Central Share for the scheme.
- **Grant No Y-2 Water supply and Sanitation:** For implementing the Mukhya Mantri Rural Drinking Water Programme under Major Head 2215-102 Rural Water Supply Programme, out of the budgeted provision of ₹ 200 crore, the department surrendered ₹ 140 crore in March 2021 due to less release of funds by the Finance Department as well as no further demand from the Regional offices.

#### 3.3.4.1 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 Grants, audit observed that there were savings of more than ₹ 100 crore consistently for the last five years in 34 cases (**Appendix 3.6**) indicating that either the provisions were excessive, or the executive was not successful in implementing the legislative aspirations.

Savings in each financial year 2016-21 ranged between 85 *per cent* and 97 *per cent* of the total provision under Grant G-02 ‘Other Fiscal and Miscellaneous Services’. Similarly, savings under Grant N-04 ‘Capital expenditure on Social Services’ ranged between 62 *per cent* and 89 *per cent*, Grant Q-03 ‘Housing’ ranged between 51 *per cent* and 99 *per cent* and under Grant O-10 ‘- Capital Outlay on Other Rural Development Programs the savings ranged between 75 *per cent* and 89 *per cent* of the total provision. The department did not assign specific reasons for savings during any of the years.

#### 3.3.4.2 Grants with ‘Nil’ expenditure

During 2020-21, budget provision of more than ₹ 10 crore amounting to ₹ 970.20 crore made under the following four Grants remained un-utilised at the end of the year. Details are given in **Table 3.5**.

Table 3.5: Grants with 'Nil' expenditure

(₹ in crore)

Sr. No.	Grant	V/C	Total Provision	Actual Expdr.	Remarks
1	A-08 Census Survey and Statistics	V	900.00	0	Surrender of entire provision of ₹ 900 crore in March 2021. This was attributed to receipt of funds of ₹ 98.25 crore from Central Government through online PFMS portal which resulted into non-utilisation of the original provision. The reasons for surrender of the remaining amount were not furnished by the department.
2	B-03 Transport Administration	C	50.00	0	The department did not furnish specific reasons for surrender of entire provision of ₹ 50 crore in March 2021.
3	W-08 Capital Outlay on Other Social Services	V	10.20	0	Surrender of entire provision of ₹ 10.20 crore in March 2021 under the above-mentioned sub-heads were attributed to the non-release of the Central Share
4	ZF-04 Capital Outlay on Public Works	V	10.00		Finance Department order dated 04 May 2020 regarding preventive measures to be adopted for dealing with the COVID-19 Pandemic and non-approval for additional expenditure for the construction of Bhasha Bhavan, revised layouts and change of construction Agency by the Secretaries Committee during the year resulted in surrender of the entire provision of ₹ 10 crore in March 2021.
<b>Total</b>			<b>970.20</b>		
Source: Appropriation Accounts 2020-21					

### 3.3.5 Excess expenditure and its regularization

Article 205(1) (b) of the Constitution provides that if any money has been spent on any service during a financial year in excess of the amount granted for that service and for that year, the Governor shall cause to be presented to the Legislative Assembly of the State, a demand for such excess. This implies that, it is mandatory for a State Government to get excesses over grants/appropriations regularised by the State Legislature for the Financial Year. Although, no time limit for regularisation of excess expenditure has been prescribed under the Article, the regularisation of excess expenditure is done after the completion of discussion of the Appropriation Accounts by the Public Accounts Committee. Failure to do so is in contravention of constitutional provisions and defeats the objective of ensuring accountability by the Legislature of the Executive over utilisation of public money.

#### 3.3.5.1 Excess expenditure relating to 2020-21

Excess expenditure over the provision for the year is not only in contravention of the provisions requiring Legislative sanction but also indicative of bad planning, which could be avoided by keeping track of expenditure progression with budget made for the purpose.

However, during the year 2020-21, against the Budget Estimates of ₹ 5,24,289.56 crore, expenditure of ₹ 4,17,048.36 crore has been done in 296 Grants/ Appropriations. There were overall savings of ₹ 1,07,241.20 crore, there was excess expenditure in eight voted grants and one charged appropriation amounting to ₹ 460.57 crore which requires regularization as per Article 205 of the Constitution of India.

The Grants/appropriations with excess expenditure over provisions during 2020-21 requiring regularisation are shown in **Table 3.6**.

**Table 3.6: Grants/appropriations closed with excess over provisions during 2020-21 requiring regularisation**

(₹ in crore)

Sr. No.	Name and the title of the Voted grant/Charged appropriation	Total grant	Expenditure	Excess
<b>Voted Grant</b>				
1	G-06 Pensions and Other Retirement Benefits.	31789.154	32209.164	420.01
2	O-18 District Plan Thane	267.850	267.878	0.028
3	O26 District Plan, Pune	518.742	518.753	0.011
4	O-31 District Plan, Sangli	50.966	50.969	0.003
5	O-47 District Plan Aurangabd	71.916	71.921	0.005
6	O-77 District Plan Akola	47.537	47.538	0.001
7	O-78 District Plan Yavatmal	238.910	239.080	0.17
8	O-85 District Plan Palghar	45.8927	45.8931	0.0004
<b>Charged Appropriation</b>				
9	T-01 Interest Payments	48.102	88.439	40.337
<b>TOTAL</b>		<b>33079.07</b>	<b>33539.64</b>	<b>460.565</b>

Source: Appropriation Accounts 2020-21

The excess under Grant G 06 was mainly due to increase in number of the pension cases than anticipated and for payment towards the Seventh Pay Commission arrears.

### 3.3.5.2 Regularisation of excess expenditure of previous financial years

Excess expenditure remaining un-regularised for extended periods dilutes legislative control over the executive. As per Article 205 of the Constitution of India, it is mandatory for a State Government to get the excess over a grant/appropriation regularised by the State Legislature. Although, no time limit for regularisation of expenditure has been prescribed, the regularization of excess expenditure is done after completion of discussion on Appropriation Accounts by the Public Accounts Committee. Excess expenditure amounting to ₹ 1971.60 crore for the year 2017-18, 2018-19 and 2019-20 in respect of 24 grants and 12 appropriations was pending regularization as on March 2021 as detailed in **Appendix 3.7**.

### 3.3.6 Grants-in-Aid for creation of capital assets

Grants-in-Aid are payments in the nature of assistance, or contributions made by one government to another government, body, institution or individual.

As per IGAS-2, Grants-in-Aid disbursed by a grantor to a grantee shall be classified and accounted for as revenue expenditure. The misclassification of Grants-in-Aid as capital expenditure for 2016-21 is shown in **Table 3.7**.

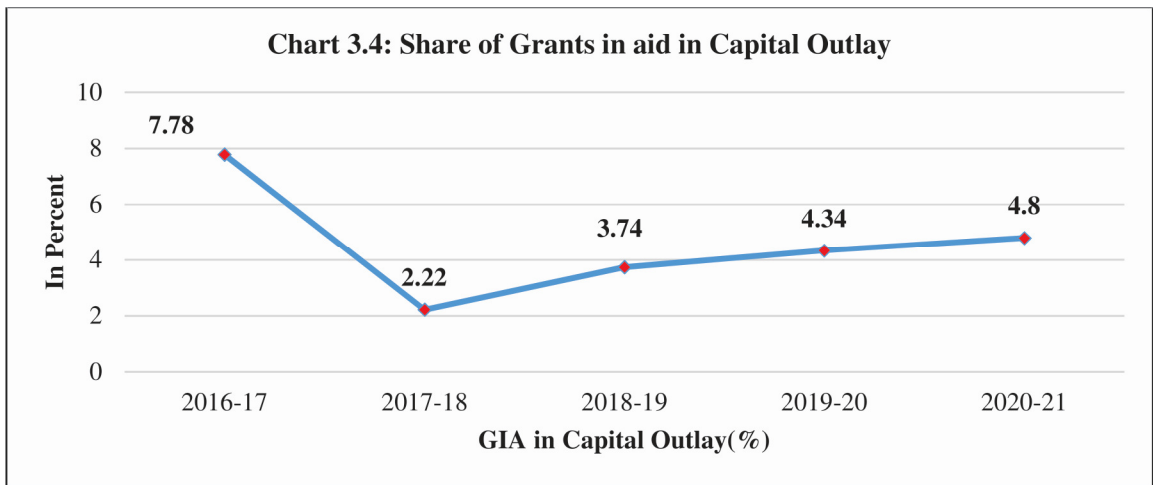
Table 3.7: Misclassification of Grants-in-Aid as Capital expenditure

(₹ in crore)

	2016-17	2017-18	2018-19	2019-20	2020-21
GIA booked as Capital Expenditure	1988.33	595.01	1311.26	1580.59	1423.66
Total Expenditure	245055.21	269392.54	303615.89	338690.64	342638.31
Capital Outlay	25549.27	26842.18	35049.05	36415.57	29686.70
Share of GIA in Capital Outlay in per cent	7.78	2.22	3.74	4.34	4.80
Impact on Revenue Deficit (-) /revenue Surplus (+) if expenditure from GIA is treated as Revenue Expenditure	1988.33	595.01	1311.26	1580.59	1423.66

Source: Finance Accounts of respective years

The share of Grants-in-Aid in Capital Outlay is shown in Chart 3.4.



Source: Finance Accounts of respective years

### 3.4 Comments on transparency of Budgetary and Accounting Process

#### 3.4.1 Lumpsum Budgetary Provisions

Para 53 and Para 12(e) of Appendix X of Maharashtra Budget Manual stipulates that budget provision should be examined *w.r.t.* the difference between the estimates and actuals in the past three years and the proposed amount should be reduced on that basis. Lumpsum should not as a rule, be proposed to be made in the budget estimates. The lumpsum budgetary provisions for 2020-21 are shown in Table 3.8.

Table 3.8: Lumpsum Budgetary Provisions

(₹ in crore)

S. No.	Grant No and Head of Account	Provision	Expenditure	Remarks
1	O10-(4515-800-01-01)-Lumpsum Provision for unbudgeted capital outlay (State Plan)	4506.61	0.00	The entire amount was withdrawn and re-appropriated within the grant
2	N03-(2225-800-01-08)-Lumpsum Provision for Unbudgeted Revenue Outlay	1052.17	0.00	
3	O04-(2515-800-01-01)-Lumpsum Provision for Unbudgeted Revenue Outlay (State Plan)	100.00	0.00	
4	G02-(2070-800-02-01)-Lumpsum Provision for Salaries and Allowances, etc.	1500.00	0.00	

S. No.	Grant No and Head of Account	Provision	Expenditure	Remarks
5	T05-(2225-796-01-51)-Lumpsum Provision for Unbudgeted Revenue Outlay	6.73	0.00	

Source: Appropriation Accounts 2020-21

### 3.5 Comments on effectiveness of Budgetary and Accounting Process

#### 3.5.1 Budget projection and gap between expectation and actual

Efficient management of tax administration/other receipts and public expenditure holds the balance for achievement of various fiscal indicators. Budgetary allocations based on unrealistic proposals, poor expenditure monitoring mechanism, weak scheme implementation capacities/ weak internal controls lead to sub-optimal allocation among various developmental needs. Excessive savings in some departments deprives other departments of the funds which they could have utilized.

The summarised position of actual Expenditure *vis-à-vis* Budget (original/supplementary) provisions during 2020-21 is given in **Table 3.9**.

**Table 3.9: Summarised position of actual Expenditure *vis-à-vis* Budget (Original/Supplementary) provisions during 2020-21**

(₹ in crore)

(1)	Nature of expenditure	Original grant/ appropriation	Supplementary grant/ appropriation	Total	Actual expenditure	Net savings (-)	Amount Surrendered	
							Amount	percentage
		(3)	(4)	(5)	(6)	(7)	(8)	(9)
<b>Voted</b>	I Revenue	325980.79	34055.65	360036.44	278843.09	(-)81193.35	74997.68	92.37
	II Capital	51531.11	8872.26	60403.37	38009.64	(-)22393.73	15497.83	69.21
	III Loans and Advances	2292.96	891.29	3184.25	2341.85	(-)842.40	968.63	114.98
<b>Total Voted</b>		<b>379804.86</b>	<b>43819.20</b>	<b>423624.06</b>	<b>319194.58</b>	<b>(-)104429.48</b>	<b>91464.14</b>	<b>87.58</b>
<b>Charged</b>	IV Revenue	41083.14	99.53	41182.67	38685.56	(-)2497.11	2368.86	94.86
	V Capital	48.40	34.14	82.54	81.68	(-)0.86	0.03	3.49
	VI Public Debt	29700.29	28200.00	57900.29	57586.54	(-)313.75	313.42	99.89
<b>Total Charged</b>		<b>70831.83</b>	<b>28333.67</b>	<b>99165.50</b>	<b>96353.78</b>	<b>(-)2811.72</b>	<b>2682.31</b>	<b>95.40</b>
Appropriation to Contingency fund		1500.00	...	1500.00	1500.00	...		
<b>Grand Total</b>		<b>452136.69</b>	<b>72152.87</b>	<b>524289.56</b>	<b>417048.36</b>	<b>(-)107241.20</b>	<b>94146.45</b>	<b>87.79</b>

Source: Appropriation Accounts 2020-21

The supplementary provision of ₹ 72,152.87 crore during the year constituted 15.96 per cent of the original provision as against 15 per cent in the previous year (2019-20).

The savings and excesses were intimated by the offices of the Pr. Accountant General (Accounts and Entitlement) regularly to the Controlling Officers through Monthly Reports on expenditure. They also took up the matter with Departments concerned after closure of the preliminary and final accounts in March 2021, requesting the Controlling Officers to explain the reasons for the significant variations, but no explanation was received (June 2021).

The trend in overall savings against the overall provision in the budget during 2016-21 is shown in **Table 3.10**.

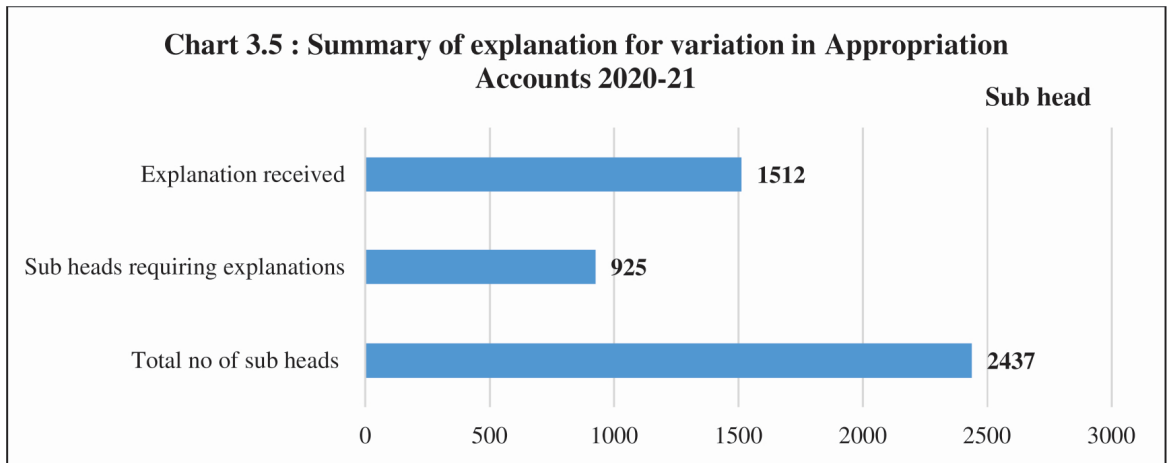
**Table 3.10: Trends in overall savings against overall provision**

(₹ in crore)

	2016-17	2017-18	2018-19	2019-20	2020-21
Original Budget	281356.13	309226.41	380734.44	431554.81	452136.69
Supplementary Budget	33626.30	63807.47	36056.94	65621.57	72152.87
<b>Total Budget</b>	<b>314982.43</b>	<b>373033.88</b>	<b>416791.38</b>	<b>497176.38</b>	<b>524289.56</b>
Actual Expenditure	265910.32	295188.77	342935.03	391483.19	417048.36
Saving	49072.11	77845.11	70856.35	105693.19	107241.20
Percentage of Saving	15.58	20.86	17.00	21.26	20.45

Source: Appropriation Accounts of respective years.

The summary of explanation of Variation in Appropriation Accounts is shown in **Chart 3.5**.



(Source: Information obtained from VLC Section of Principal Accountant General (A&E)-I Maharashtra)

### 3.5.2 Financial power being flouted in relation to re-appropriation

#### 3.5.2.1 Flow of Expenditure

Government Funds should be spent evenly throughout the year. The flow of expenditure towards the end of the financial year is regarded as a breach of financial propriety.

According to the Bombay Financial Rules 1959, rush of expenditure in the closing month of the financial year should be avoided. Contrary to the provisions of the rule, in 30 Grants as listed in **Appendix 3.8**, it was noticed that expenditure in excess of ₹ 100 crore and consisting of 50 *per cent* or more of the total provision was incurred during the last quarter of the year 2020-21. Flow of expenditure at the end of the year shows poor expenditure control. In these 30 cases, of the total expenditure of ₹ 39,858.85 crore, expenditure to the extent of ₹ 25,969.14 crore (65.15 *per cent*) was incurred during the last quarter.

The two Major Heads under Grant N03 and one major head under Grant O 26 in which 100 *per cent* expenditure was incurred in March 2021 is given in **Table 3.11**.

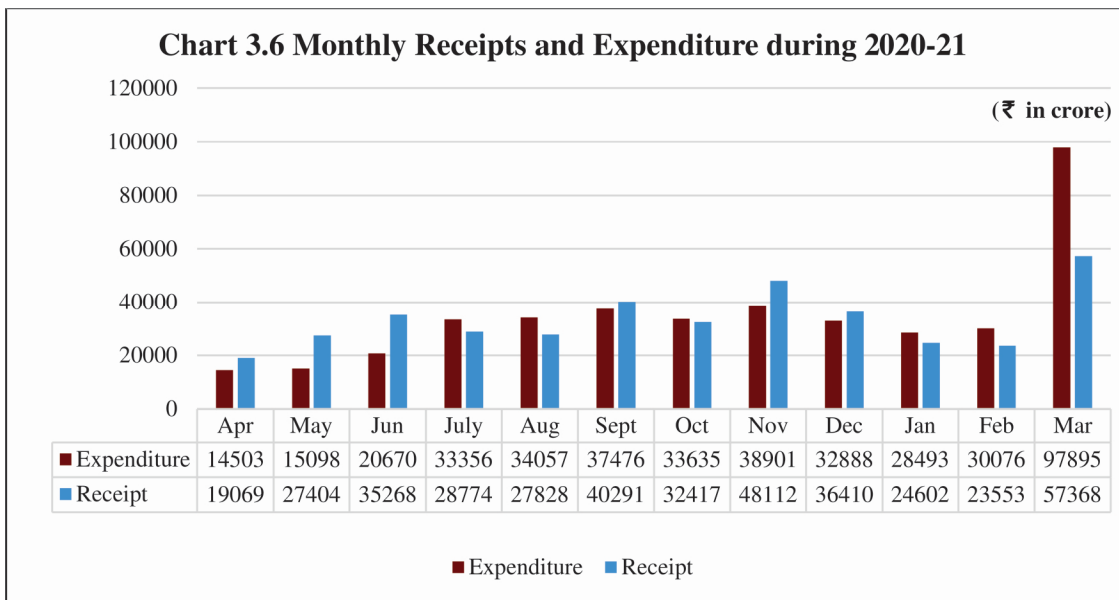
Table 3.11: Flow of expenditure in March 2021

(₹ in crore)

Sr. No.	Grant No.	Major Head	Grant Description	Total Expenditure during the year	Expenditure during March 2021
1	N03	2505	Welfare of Scheduled Caste, Scheduled Tribes and Other Backward Classes	318.08	318.08
2	N03	2202	Welfare of Scheduled Caste, Scheduled Tribes and Other Backward Classes	170.11	170.11
3	O26	2515	District Plan-Pune	141.36	141.36

Source: information obtained from VLC Section of Principal Accountant General (A&E)-I Maharashtra

The monthly flow of receipts into the state exchequer and disbursement during 2020-21 is shown in **Chart 3.6**.

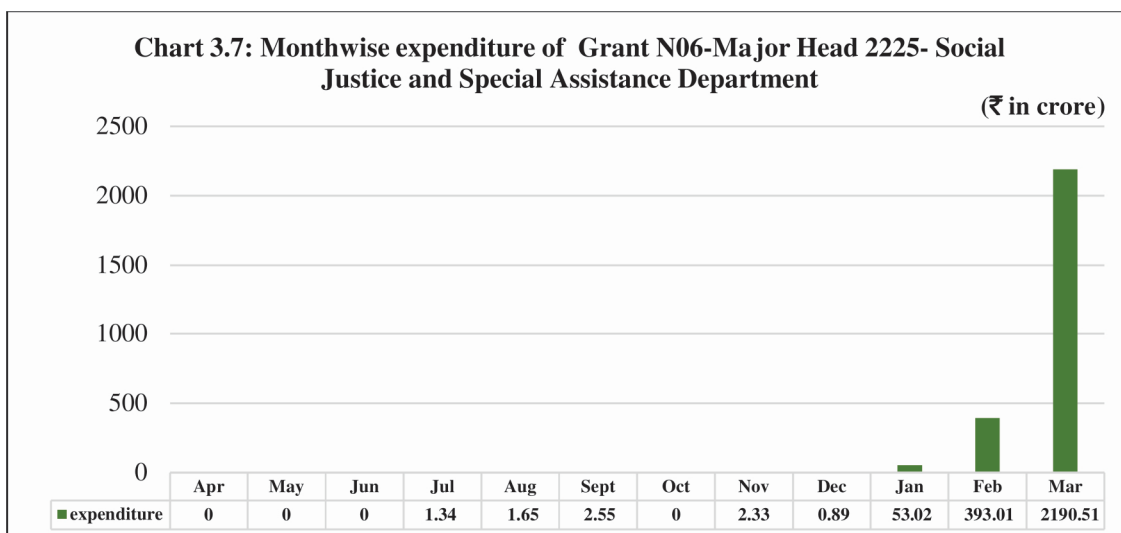


Source: Information obtained from VLC Section of Principal Accountant General (A&E)-I Maharashtra

The chart shows that receipts was comparatively higher than expenditure in April, May, June, September, November and December. However, receipt and expenditure increased substantially in the month of March 2021 in comparison to the remaining months of the year. Further, scrutiny of the pattern of expenditure during 2020-21 revealed that the State Government incurred an expenditure of ₹ 97,895 crore constituting about 23 per cent of the total expenditure of ₹ 4,17,048 crore in the month of March 2021 alone.

Month-wise expenditure of Major Head 2225 under Grant N06 having high percentage of expenditure in March is given below in **Chart 3.7**.





(Source: Information obtained from VLC Section of Principal Accountant General (A&E)-I Maharashtra)

Huge expenditure in the last month of the financial year is inconsistent with prudent financial management and indicates weak internal control system and lack of budgetary control/management.

### 3.5.3 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 2018-21 of the following Grants.

- **Grant C-05 - Other Social Services:** consists of Major Heads Urban Development (2217), Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes and Minorities (2225), Social Security and Welfare (2235), and Other Social Services (2250).
- **Grant D08 – Capital Outlay on Animal Husbandry** consists of Major Head 4401-Capital Outlay on Crop Husbandry and 4403-Capital Outlay on Animal Husbandry. Under this Grant provision is made for Strengthening of State Level Veterinary Dispensaries (4403).
- **Grant O-03 – Rural Employment:** consists of Major Head 2505- Rural Employment. Under this Grant provision is made for wages under Centrally Sponsored MGNREGS up to 100 days per family (100 *per cent*) and for skilled work and material (75 *per cent*), administrative expenditure for implementation of Centrally Sponsored MGNREGS, Jawahar Well Programmes, Employment Guarantee Scheme, Farm Ponds on Demand under Drought Mitigation Measures and Horticulture Programme (Special component Programme).

Audit observations after test check are discussed below:-

### 3.5.3.1 Budget and Expenditure

The overall position of budget provision, actual disbursement and savings under the Grant for the years 2018-19 to 2020-21 is given in **Table 3.12**.

**Table 3.12: Details of budgetary provisions and actual expenditure under Grant No: C-05, Grant D-08 and Grant O-03**

(₹ in crore)						
Year	Original provision	Supplementary provision	Total Grant /Appropriation	Actual Expenditure	Saving	Percentage of saving
<b>Grant C-05 Other Social Services (Voted)</b>						
2018-19	3991.23	1885.62	5876.85	5561.81	315.04	5.36
2019-20	4606.66	1684.60	6291.26	4484.79	1806.47	28.71
2020-21	48.05	2.59	50.64	42.69	7.95	15.70
<b>Grant D-08 – Capital Outlay on Animal Husbandry (Voted)</b>						
2018-19	4.08	0.00	4.08	0.25	3.83	93.87
2019-20	2.04	0.00	2.04	0.21	1.83	89.71
2020-21	6.31	0.00	6.31	0.60	5.71	90.49
<b>Grant O-03 – Rural Employment (Voted)</b>						
2018-19	5114.25	165.00	5279.25	1318.68	3960.52	75.02
2019-20	5189.25	0.0003	5189.25	1077.37	4111.87	79.24
2020-21	2667.54	50.00	2717.54	648.14	2069.40	75.15
Source: Appropriation Accounts of respective years						

From the above table it was evident that there was persistent savings ranging between 5.36 per cent and 28.71 per cent in Grant No. C-05, between 89.71 per cent and 93.87 per cent in Grant No. D-08 and between 75.02 per cent and 79.24 per cent in Grant No. O-03 during 2018-19 to 2020-21. Under Grant O-03, surrender was mainly due to non-receipt/short receipt of proposals under Jawahar well Programme, Employment guarantee scheme, Farm Ponds on demand under Drought Mitigation measures. Under Grant D-08, surrender was due to non-availability of funds from GoI for strengthening of State Level Veterinary Dispensaries and due to pending bills.

Para 170 of the Budget Manual specifies that great care should be taken in submitting proposals for supplementary appropriation. In respect of Grant C-05 and O-03, improper estimation of available funds under the grant before proposing for supplementary demand led to saving in the years 2018-21.

### 3.5.3.2 Substantial Savings under sub-heads

During 2020-21, in nine sub-heads under Grant No. O-03 savings of ₹ 10 crore and above and also between 68 per cent and 100 per cent of the total provision were noticed as shown in **Table 3.13**.

Table 3.13: Sub-head wise substantial saving under Grant D-08 and O-03

(₹ in crore)

Sr. No.	Cross Reference Code	Description	Total Grant	Actual	Savings	Per-centage
<b>O-03 – Rural Employment</b>						
1	2505-101(01)(01)	25 per cent Grants for skilled works and materials and 100 per cent Grant for increased difference in wage rate	385.00	70.00	315.00	81.82
Surrender of provision of ₹ 315 crore in March 2021 was due to non-receipt of matching contribution from GoI						
2	2505-101(02)(01)	Grant for wages under Centrally sponsored MGNREGS up to 100 days per family (100 per cent) and grants for skilled work and material (75 per cent)	1310.99	210.00	1100.99	83.98
3	2505-101(02)(02)	Administrative Expenditure for implementation of Centrally Sponsored MGNREGS on total grant received from Central Government (Six per cent)	261.51	38.63	222.88	85.23
Surrender of provision of ₹ 1323.88 crore in March 2021 was attributed to less release of funds from Central Government owing to less creation of man days than anticipated and direct credit of funds from the Central Government to the beneficiaries account under the scheme						
4	2505-101(01)(02)	Jawahar Well Programme	15.00	0.00	15.00	100.00
Surrender of entire provision of ₹ 15 crore in March 2021 was due to non-distribution of funds owing to restrictions on expenditure due to COVID-19 Pandemic						
5	2505-101(01)(03)	Horticulture Programme	70.00	14.00	56.00	80.00
Surrender of provision of ₹ six crore in March 2021 was attributed to no demand from the Districts in view of grant reimbursable to beneficiaries based on percentage of live trees planted under the scheme Reasons for further saving of ₹ 50 crore was not furnished by the department						
6	2505-101(01)(08)	Farm Ponds on Demand under Drought Mitigation Measures	125.00	20.00	105.00	84.00
Withdrawal of ₹ 105 crore in March 2021 through surrender/ re-appropriation was based on disbursement of funds as per demand from the beneficiaries under the scheme						
7	2505-101(01)(09)	Construction of Wells under Drought Mitigation Measures	20.00	10.00	10.00	50.00
The funds were disbursed to the beneficiaries who had completed the construction of wells during the year Surrender of provision of ₹ 10 crore in March 2021 was due to lesser number of such beneficiaries						
8	2505-101(01)(01)	Employee Guarantee Scheme	185.00	103.96	81.04	43.81
Surrender of provision of ₹ 103.96 crore in March 2021 was due to less demand from the Districts on contingent expenditure than anticipated due to restrictions owing to COVID19 Pandemic. Reasons for further saving of ₹ 11.37 crore was not furnished by the department (July 2021)						
9	2505-198(01)(01)	Grant for Shet Panand Raste Scheme	245.00	24.47	220.53	90.01
The department did not furnish any reasons for surrender of provision of ₹ 220.53 crore (July 2021)						
Source: Appropriation Accounts 2020-21						

### 3.5.3.3 Surrender of entire provision

Scrutiny of Appropriation Accounts for the year 2020-21 revealed that the entire provision under two sub-heads amounting to ₹ 15.16 crore under Grant C-05, two sub-head amounting to ₹ four crore under Grant No. D-08 and one sub-head under Grant No. O-03 amounting to ₹ 15.00 crore were withdrawn/surrendered in the month of March 2021 through re-appropriation as detailed in **Table 3.14**.

**Table 3.14: Details showing surrender of entire provision under Grant no. C-05, D-08 and O-03**

(₹ in crore)

Sr. No.	Description	Original and Supplementary Grant	Amount Re-appropriated	Total Grant	Actual Expenditure
<b>C-05 Other Social Services</b>					
1	2235 Social Security and Welfare 104(00)(05) Measures to be Preventing Farmers suicide	15.00	15.00	0.00	0.00
2	2235 Social Security and Welfare 200(01)(01) Relief to sufferers in riots affected areas (Central Grant)	0.16	0.16	0.00	0.00
<b>D-08 – Secretariat Economic Service</b>					
3	4403 Capital Outlay on animal Husbandry 101(00)(04) Strengthening of State Level Veterinary Dispensaries - (Central Share 60 per cent)	2.40	2.40	0.00	0.00
4	4403 Capital Outlay on animal Husbandry 101(00)(05) Strengthening of State Level Veterinary Dispensaries - (Central Share 40 per cent)	1.60	1.60	0.00	0.00
<b>O-03 – Rural Employment</b>					
5	2505 Rural Employment 101(01)(02) Jawahar well Programme	15.00	15.00	0.00	0.00

Source: Appropriation Accounts 2020-21

Re-appropriation of Grants in the sub head under C-05 and O-03 was due to restriction/reduction of expenditure due to COVID-19 pandemic. The entire amount of ₹ 15.16 crore in the sub head under Grant C-05 was re-appropriated due to non-release of funds by the Central Government.

### 3.5.3.4 Drawal of huge amount (above ₹ 50 lakh) during February and March 2021 to avoid lapse of Grant No. C-05

Scrutiny of data from VLC (Accounts) of Appropriation Accounts 2020-21 of Grant C05 revealed that in case of one DDO (Major Head-2235), there is an instance of huge drawal of amount of ₹ 2.68 crore during February and March 2021 to avoid lapse of grants as detailed in **Table 3.15**.

**Table 3.15: Drawal of huge amount (above ₹ 50 lakh) during February and March 2021 to avoid lapse of Grant No. C-05**

Sub Head	DDO Name	Treasury	Voucher No.	Voucher Dt	Amount (₹ in lakh)
223560200 B3731	Resident Deputy Collector Gadchiroli	Gadchiroli	20	10-Mar-21	268.00
<b>Total</b>					<b>268.00</b>

Source: Data from VLC (Accounts) Accountant General (A&E)-II, Maharashtra.

### 3.6 Conclusion

- The overall savings of ₹ 1,07,241.20 crore were the net result of savings of ₹ 1,07,701.76 crore, set off by excess of ₹ 460.57 crore of which, savings of ₹ 91,786.91 crore were surrendered on the last two days of the financial year.
- The budgeting exercise carried out by the State Government needs to be more realistic as 20 *per cent* of the total provision remained unutilised. The total expenditure incurred during the year was eight *per cent* less than the original budget and the supplementary budget constituted 16 *per cent* of the original budget.
- There were cases of misclassification between revenue and capital sections, which affect fiscal indicators.
- Excess expenditure amounting to ₹ 1,971.60 crore in respect of 24 Gants and 12 appropriations relating to the period 2017-18 to 2019-20 required to be regularized under Article 205 of the Constitution.
- Supplementary grants/appropriations as well as re-appropriation were obtained without adequate justification as large amount remained unutilized.

### 3.7 Recommendations

- (i) Implementation and monitoring of budget should be enforced to ensure that savings are curtailed, large savings within the Grant/ Appropriation are controlled, and anticipated savings are identified and surrendered within the specified timeframe.
- (ii) To the extent possible, the State Government should assess and formulate a realistic budget based on reliable assumptions considering the needs and capacity of the Departments and their capacity to utilize the allocated resources.
- (iii) Priority should be accorded to all cases of pending regularization of excess expenditure over the budget provision.