

Chapter-II Financial Management and Budgetary Control

2.1 Introduction

2.1.1 The Appropriation Accounts are accounts of the expenditure, voted and charged, of the Government for each financial year compared with the amounts of the voted grants and appropriations charged for different purposes as specified in the schedules appended to the Appropriation Acts. These Accounts list the original budget estimate, supplementary grants, surrenders and re-appropriations distinctly and indicate actual capital and revenue expenditure on various specified services *vis-à-vis* those authorized by the Appropriation Act in respect of both charged and voted items of budget. The Appropriation Accounts is thus a control document facilitating management of finances and monitoring of budgetary provisions and are, therefore, complementary to Finance Accounts.

2.1.2 Audit of appropriation by the Comptroller and Auditor General of India seeks to ascertain whether expenditure actually incurred under various grants is within the authorization 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.

2.2 Summary of Appropriation Accounts

The summarized position of actual expenditure during 2008-2009 against 81 Grants/Appropriations (78 Grants and three Appropriations) is indicated in Table 2.1.

**Table 2.1: Summarized Position of Actual Expenditure vis-à-vis
Original/Supplementary provisions**

(Rupees in crore)						
	Nature of Expenditure	Original grant/ appropriation	Supplementary grant/ appropriation	Total	Actual expenditure	Saving (-) /Excess(+)
Voted	I Revenue	18,000.33	1,776.59	19,776.92	12,514.60	(-) 7,262.32
	II Capital	3,733.64	561.89	4,295.53	2,373.01	(-) 1,922.52
	III Loans and Advances	137.96	27.61	165.57	88.74	(-) 76.83
Total Voted		21,871.93	2,366.09	24,238.02	14,976.35	(-) 9,261.67
Charged	IV Revenue	2,049.20	6.62	2,055.82	1,729.62	(-) 326.20
	V Capital	--	--	-	-	-
	VI Public Debt- Repayment	910.27	--	910.27	780.80	(-) 129.47
	Total Charged	2,959.47	6.62	2,966.09	2,510.42	(-) 455.67
Appropriation to Contingency Fund (if any)		-	-	-	-	-
Grand Total		24831.40	2372.71	27,204.11	17,486.77	(-) 9,717.34

The overall saving of Rs.9,717.34 crore was the result of saving of Rs.9,825.74 crore in 74 grants and 14 appropriations under Revenue Section, 29 grants and one appropriation under Capital Section, offset by excess of Rs.108.40 crore in three grants and two appropriations under Revenue Section and three grants under Capital Section.

Appropriation Accounts 2008-09 included 78 Grants and three Appropriations. The reasons for savings/excess were called for by the Accountant General (A&E) in respect of 1,738 sub-heads. Out of 1,738 sub-heads explanations for variations were received for two sub-heads within the specified period and explanations for variations for six sub-heads though received within the specified period were incomplete or unspecific. Thus, out of 1,738 sub-heads explanation for variations were not satisfactory/received (August 2009) in respect of 1,736 sub-heads.

2.3 Financial Accountability and Budget Management

2.3.1 Appropriation vis-à-vis Allocative Priorities

The outcome of the appropriation audit reveals that in 43 cases, savings exceeded Rs.10 crore in each case and also by more than 20 *per cent* of total provision (Appendix 2.1). Against the total savings of Rs.9,717.34 crore, savings of Rs.8,232.90 crore (84.72 *per cent*)¹ were in 29 cases relating to 27 grants, where savings were Rs.50 crore and above as indicated in Table 2.2.

¹ Exceeding Rs.50 crore in each case

Table 2.2: List of Grants with savings of Rs.50 crore and above

(Rupees in crore)

Sl.No	No. and Name of the Grant	Original	Supple- mentary	Total	Actual Expenditure	Savings
Revenue-Voted						
1.	6-Land Revenue and Land Ceiling	161.33	17.13	178.46	93.50	84.96
2.	11-Secretariat and Attached Offices	1022.16	250.22	1272.38	746.28	526.10
3.	13-Treasury and Accounts Administration	91.54	-	91.54	27.29	64.25
4.	17-Administrative and Functional Buildings	195.59	-	195.59	128.45	67.14
5.	25-Miscellaneous General Services	500.48	4.00	504.48	0.54	503.94
6.	26-Education (Higher Education)	524.20	18.39	542.59	388.19	154.40
7.	29-Medical and Public Health	1383.55	72.28	1455.83	872.95	582.88
8.	36-Labour and Employment	102.70	4.20	106.90	50.75	56.15
9.	38-Welfare of Scheduled Castes/Scheduled Tribes and Other Backward Classes etc.	450.33	27.97	478.30	336.45	141.85
10.	39-Social Security, Welfare and Nutrition	1013.68	1.72	1015.40	373.50	641.90
11.	41-Natural Calamities	210.63	300.00	510.63	207.50	303.13
12.	42-Social Services	29.31	261.54	290.85	67.08	223.77
13.	48-Agriculture	509.00	42.15	551.15	403.84	147.31
14.	49-Irrigation	258.60	3.36	261.96	187.21	74.75
15.	52-Animal Husbandry	149.78	2.31	152.09	93.72	58.37
16.	56-Rural Development (Panchayat)	448.55	64.26	512.81	269.79	243.02
17.	57-Rural Development	472.97	17.23	490.20	382.20	108.00
18.	62-Power (Electricity)	124.60	-	124.60	1.75	122.85
19.	64-Roads and Bridges	545.83	30.98	576.81	341.81	235.00
20.	66-Compensation and Assignment to Local Bodies and Panchayati Raj Institutions	573.02	-	573.02	147.51	425.51
21.	71-Education (Elementary, Secondary etc.)	3399.27	292.71	3691.98	2857.78	834.20
22.	76-Hill Areas Department (Karbi Anglong Autonomous Council)	357.11	48.36	405.47	312.68	92.79
23.	77- Hill Areas Department (North Cachar Hills Autonomous Council)	180.23	36.73	216.96	145.94	71.02
24.	78-Welfare of Plain Tribes & Backward Classes (Bodoland Territorial Council)	632.57	39.42	671.99	-	671.99
Capital-Voted						
25.	44-North Eastern Council Schemes	1204.46	28.07	1232.53	284.69	947.84
26.	49-Irrigation	192.74	150.49	343.23	249.46	93.77
27.	58-Industries	108.17	4.00	112.17	21.37	90.80
28.	63-Water Resources	261.51	226.58	488.09	182.15	305.94
29.	64-Roads and Bridges	834.29	29.46	863.75	504.48	359.27
Total		15938.20	1973.56	17911.76	9678.86	8232.90

2.3.2 Persistent Savings

In five cases, during the last five years there were persistent savings of more than Rs.10 crore in each case and also by 20 per cent or more of the total grant (Table 2.3).

Table 2.3: List of Grants indicating Persistent Savings during 2004-09

(Rupees in crore)

Sl. No.	No. and Name of the Grant	Amount of savings				
		2004-05	2005-06	2006-07	2007-08	2008-09
Revenue Voted						
1.	6-Land Revenue and Land Ceiling	58.12 (49)	67.14 (51)	67.38 (48)	88.22 (50)	84.96 (48)
2.	38-Welfare of Scheduled Castes/Scheduled Tribes and Other Backward Classes etc.	74.76 (30)	124.92 (33)	96.44 (21)	821.75 (78)	141.85 (30)
3.	41-Natural Calamities	694.61 (62)	192.48 (100)	101.95 (35)	102.22 (25)	303.13 (59)
4.	53-Dairy Development	11.77 (56)	11.13 (40)	17.01 (63)	16.37 (66)	24.82 (75)
Capital Voted						
5.	44-North Eastern Council Schemes	726.78 (69)	747.97 (73)	783.65 (66)	691.86 (76)	947.84 (77)

2.3.3 Excess Expenditure

In four cases, expenditure aggregating Rs.263.91 crore exceeded the approved provisions by Rs.103.94 crore and also by more than 20 per cent of the total provisions. Details are given in Appendix 2.2.

2.3.4 Expenditure without Provision

According to Chapter-I (Paragraph-7) of the Assam Budget Manual, expenditure should not be incurred on a scheme/service without provision of funds. It was, however, noticed that expenditure of Rs.0.01 crore was incurred in one case as detailed in Table 2.4 without any provision in the original estimates/supplementary demand and without any re-appropriation orders to this effect.

Table 2.4: Expenditure incurred without Provision during 2008-09

(Rupees in crore)

No. and Name of		Amount of Expenditure without provision	Reasons/Remarks
Grants	Appropriation		
39-Social Security, Welfare and Nutrition (Revenue Charged)	-	0.01	Reasons for incurring expenditure without provision had not been intimated.

2.3.5 Drawal of funds to avoid lapse of budget grant

According to Assam Treasury Rules & Subsidiary Orders (Rule 16, SO 50) read with Rules 62 and 63 of Assam Financial Rules, no money shall be drawn from the treasury unless it is required for immediate disbursement. In respect of the cases mentioned in Appendix-2.3 of Rs.655.61 crore, the amount drawn at the fag end of the year were deposited into the head of account 8443-Civil Deposit to avoid lapse of budget grant.

2.3.6 Excess over provisions relating to previous years requiring regularization

As per Article 205 of the Constitution of India, it is mandatory for State Government to get the excess over a grant/appropriation regularized by the State Legislature. Although no time limit for regularization of expenditure has been prescribed under the Article, but the regularization of excess expenditure is done after the completion of discussion of the Appropriation Accounts by the Public Accounts Committee (PAC). However, the excess expenditure amounting to Rs.2,225.40 crore for the years 2002-03 to 2007-08 was yet to be regularized as detailed in Appendix 2.4. The year-wise amount of excess expenditure pending regularization for grants/appropriations is summarized in Table 2.5.

Table 2.5: Excess over provisions relating to previous years requiring regularization

(Rupees in crore)

Year	Number of		Amount of excess over provision	Status of Regularization
	Grants	Appropriations		
2002-03	5	6	1618.86	Regularized vide 117 th PAC Report. Act awaited.
2003-04	4	3	404.36	Regularized vide 117 th PAC Report. Act awaited.
2004-05	5	6	5.88	Regularized vide 117 th PAC Report. Act awaited.
2005-06	2	2	2.45	Not yet discussed by PAC.
2006-07	4	2	80.61	Not yet discussed by PAC.
2007-08	9	2	113.24	Not yet discussed by PAC.
Total	29	21	2225.40	

2.3.7 Excess over provisions during 2008-09 requiring regularization

Table 2.6 contains the summary of total excess in six grants and two appropriations amounting to Rs.108.40 crore over authorization from the Consolidated Fund of State (CFS) during 2008-09 and requires regularization under Article 205 of the Constitution.

Table 2.6: Excess over provisions requiring regularization during 2008-09

(Rupees in crore)

Sl.No.	Number and title of Grants/Appropriations	Total Grants/Appropriations	Expenditure	Excess
Voted Grants				
1.	4- Elections (Revenue Voted)	21.99	78.76	56.77
2.	40-Sainik Welfare and Other Relief Programmes etc. (Revenue Voted)	7.02	13.45	6.43
3.	60-Cottage Industries (Capital Voted)	0.97	1.18	0.21
4.	72-Relief and Rehabilitation (Revenue Voted)	35.02	39.05	4.03
5.	76-Hill Areas Department (Karbi Anglong Autonomous Council) (Capital Voted)	108.50	133.67	25.17
6.	77-Hill Areas Department (North Cachar Hills Autonomous Council) (Capital Voted)	22.46	38.03	15.57
Total Voted		195.96	304.14	108.18
Charged Appropriations				
7.	Head of State (Revenue Charged)	3.15	3.36	0.21
8.	39-Social Security, Welfare and Nutrition (Revenue Charged)	-	0.01	0.01
Total Charged		3.15	3.37	0.22

2.3.8 Unnecessary/Excessive/Inadequate supplementary provision

Supplementary provision aggregating Rs.1,775.54 crore obtained in 50 cases, Rs 10 lakh or more in each case, during the year proved unnecessary as the expenditure did not come up to the level of original provision as detailed in Appendix 2.5. In three cases, supplementary provision of Rs.90.72 crore proved insufficient by more than Rupees one crore each leaving an aggregate uncovered excess expenditure of Rs.97.52 crore (Appendix 2.6).

Supplementary provisions obtained in Grant Nos. 41 (Rs.300 crore) and 71 (Rs.293 crore) respectively for Relief on account of Natural Calamities and for General Education were unnecessary as the actual expenditure was less than the original budget estimates and supplementary provisions.

2.3.9 Excessive/unnecessary re-appropriation of funds

Re-appropriation is transfer of funds within a grant from one unit of appropriation, where savings are anticipated, to another unit where additional funds are needed. Injudicious re-appropriation proved excessive or insufficient and resulted in savings/excess of over Rs.10 lakh in 52 sub-heads. The excess/saving was more than Rupees two crore in 21 sub-heads as detailed in Appendix 2.7. Out of 21, in four cases (Grant No. 4, 63, 59 & 71) excesses exceeded Rs.25 crore and above. Of these, in two cases (Grant Nos. 4 and 63) funds were reappropriated by reducing the

allocations due to non-receipt of sanctions in time from the Government while in the remaining two cases (Grant Nos. 59 & 71), funds were reappropriated by augmentation from other heads of accounts. However, in all these cases, in spite of re-appropriations, there was final excess expenditure. Reasons for the final excess have, however, not been intimated.

2.3.10 Substantial surrenders

Substantial surrenders (sum exceeding Rs.25 lakh in each case) were made in respect of 40 sub-heads on account of either non-implementation or slow implementation of schemes/programmes. Out of the total provision amounting to Rs.807.62 crore in these 40 schemes, Rs.491.72 crore (61 *per cent*) were surrendered, which included *per cent* surrender in 8 schemes (Rs.94.15 crore). The details of some of such cases are given in Appendix 2.8.

2.3.11 Surrender in excess of actual saving

In one case, the amount surrendered (Rs.50 lakh or more) was in excess of actual savings indicating lack of or inadequate budgetary control in Industries Department. As against savings of Rs.90.80 crore, the amount surrendered was Rs.93.03 crore resulting in excess surrender of Rs.2.23 crore. Details are given in Appendix 2.9.

2.3.12 Anticipated savings not surrendered

According to Assam Budget Manual (Paragraph-10 of Chapter-I), the spending departments are required to surrender the grants/appropriations or portion thereof to the Finance Department as and when the savings are anticipated. At the close of the year 2008-09, there were, however, 70 grants/appropriations in which savings occurred but no surrenders were made by the concerned departments. The amount involved in these cases was Rs.8,914.56 crore (91.74 *per cent* of the total savings) (Appendix 2.10).

Similarly, out of total savings of Rs.789.93 crore under six other grants/appropriations, (savings of Rupees one crore and above were indicated in each grant/appropriation) Rs.415.16 crore (4.27 *per cent* of total savings) were not surrendered, details of which are given in Appendix 2.11. Besides, in one case, (Grant No. 4- Election), Rs.3.80 crore was surrendered at the end of March 2009 indicating inadequate financial control leading to non-likelihood of these funds being utilised for other development purposes.

2.3.13 Rush of expenditure

According to the Subsidiary Order 50 of Assam Treasury Rules, rush of expenditure in the closing month of the financial year should be avoided. Contrary to this, in respect of 19 Major heads listed in Appendix 2.12, expenditure exceeding Rs.10 crore and also more than 50 *per cent* of the total expenditure for the year was incurred in March 2009. Table 2.7 also presents the major heads where 100 *per cent* expenditure was incurred during the last month of the financial year.

Table 2.7: Cases of rush of expenditure towards the end of the financial year 2008-09

(Rupees in crore)

Sl. No.	Major Head	Total expenditure during the year	Expenditure during March 2009	
			Amount	Percentage of total expenditure
1	7465-Secretariat & attached offices	10.00	10.00	100
2	6801-Power	58.17	58.17	100
3	4059-Hill Areas Department (NCHAC)	27.20	27.20	100
4	4210-Hill Areas Department (NCHAC)	31.94	31.94	100

2.4 Reconciliation of Departmental figures

2.4.1 Pendency in submission of Detailed Contingent Bills against Abstract Contingent Bills

The Contingency Manual of the Government Assam stipulates that every drawing officer has to certify in each abstract contingent bill that detailed bills for all contingent charges drawn by him prior to the first of the current month have been forwarded to the respective controlling officers for countersignature and transmission to the Accountant General. The total amount of DCC bills received during the period 2004-09 was only Rs.46.61 crore against the amount of AC bills of Rs.642.83 crore leading to an outstanding balance of DCC bills of Rs.772.56 crore as on 31 March 2009. Year wise details are given in the table below:

Table 2.8: Pendency in submission of DCC bills against AC bills

(Rupees in crore)

Year	Amount of AC bills	Amount of DCC bills	DCC bills as percentage to AC bills	Outstanding DCC bills
Up to 2003--04	--	--	--	176.44
2004-05	141.22	23.49	16.63	117.73
2005-06	103.98	9.87	9.49	94.11
2006-07	139.65	9.86	7.06	129.79
2007-08	167.78	3.16	1.88	164.52
2008-09	90.20	0.23	0.25	89.97
Total	642.83	46.61		772.56

Department-wise pending DCC bills for the years up to 2008-09 is detailed in Appendix 2.13.

Non-adjustment of advances for long periods is fraught with the risk of mis-appropriation and therefore, requires close monitoring by the respective DDOs.

2.4.2 Un-reconciled Expenditure

To enable Controlling Officers of Departments to exercise effective control over expenditure to keep it within the budget grants and to ensure accuracy of their accounts, Financial Rules stipulate that expenditure recorded in their books be

reconciled by them every month during the financial year with that recorded in the books of the Accountant General. Even though non-reconciliation of Departmental figures is being pointed out regularly in Audit Reports, lapses on the part of Controlling Officers in this regard continued to persist during 2008-09 also. During 2008-09, out of 68 Controlling Officers (COs), five COs carried out full reconciliation of their expenditure, up to March 2009. Of the remaining, 63 COs, 45 COs did not reconcile the figures at all and 18 COs carried out partial reconciliation. Major Head-wise unreconciled amounts in respect of 45 COs (amounts exceeding Rs.10 crore in each case) is given in Table 2.8.

Table 2.8: List of controlling officers: amounts exceeding Rs 10 crore in each case remained un-reconciled during 2008-2009

(Rupees in crore)

Sl. No.	Major Head	Controlling Officers	Amount not reconciled
1.	2011	Secretary, Assembly Secretariat Department	20.09
2.	2014	Secretary, Judicial Department; Secretary, Assembly Secretariat Department	71.17
3.	2015	Secretary, Election Department	79.21
4.	2029	Secretary, Revenue and Disaster Management Department	89.30
5.	2030	Secretary, Revenue Department; Secretary, Revenue (Registration) Department	10.27
6.	2048	Secretary, Finance (Budget) Department	108.00
7.	2049	Secretary, Finance (Budget) Department	1,590.06
8.	2052	Secretary, Personal Department; Secretary, Secretariat Administration (A) Department; Secretary Chief Minister Secretariat Department; Finance Department; Secretary, Personal Department	529.05
9.	2053	Secretary, Personal (A) Department; Secretary, General Administration Department; Secretary, Personal (B) Department	59.19
10.	2054	Secretary, Finance Department	27.29
11.	2055	Secretary, Home (B) Department; Secretary, Political Department	975.79
12.	2056	Secretary, Home (B) Department	43.12
13.	2058	Secretary, General Administration (Printing & Stationary) Department	10.24
14.	2059	Secretary, Home (B) Department; Secretary, Political Department	53.56
15.	2202	Secretary, Education Department	3,281.80
16.	2204	Secretary, Sport & Youth Welfare Department	19.72
17.	2210	Secretary, Labour Employment Department; Secretary, Health and Family Welfare Department	799.85
18.	2211	Secretary, Health & Family Welfare Department	109.85
19.	2215	Secretary, Public Health Engineering Department	164.51
20.	2220	Secretary, Information and Public Relation Department; Secretary, Excise Department	20.11

21	2225	Secretary, Hills Area Department	33.75
22	2235	Secretary, Social Welfare Department; Secretary, General Administration Department.	361.86
23	2236	Secretary, Social Welfare Department; Secretary, Panchayat & Rural Development Department	103.72
24	2245	Secretary, Relief & Rehabilitation	207.50
25	2251	Secretary, Personal Department	13.93
26	2401	Secretary, Agriculture. Department	354.91
27	2402	Secretary, Soil Conservation Department	18.11
28	2406	Secretary, Forest Department	107.48
29	2408	Secretary, Food & Civil Supplies Department	21.57
30	2501	Secretary, Science Technology & Environment Department	383.51
31	2515	Secretary, Panchayat & Rural Dev. Department	289.68
32	2701	Secretary, Irrigation Department	27.04
33	2702	Secretary, Irrigation Department	139.03
34	2711	Secretary, Water Resources Department	89.00
35	2851	Secretary, Sericulture Department; Secretary, Industries & Commerce Department	152.95
36	2852	Secretary, Information & Technology Department	25.18
37	3054	Secretary, Municipal Administration Department	202.95
38	3451	Secretary, Science Technology & Environment Department	203.92
39	3452	Secretary, Tourism Department	13.26
40	3454	Secretary, Planning and Development Department	157.87
41	3604	Secretary, Municipal Administration & Panchayat Department	147.51
42	4217	Secretary, Guwahati Dev. Department.	14.55
43	4801	Secretary, Power (Electrical) Mines & Minerals Department	404.40
44	4885	Secretary, Industries & Commerce Department	14.68
45	5055	Secretary, General Administration. Department	24.24
Total			11,574.78

2.5 Personal Ledger Accounts

The operation of Personal Ledger Accounts (PLA) are allowed/authorized on the basis of proposal(s) received from concerned Department(s) along with sanction(s) of the Finance Department of the Government of Assam. As per specific instructions, the PLA remains operative for a financial year i.e. 1 April to 31 March and are invariably closed at the close of the Financial year and if need by PLA may be opened next year by observing the usual procedure.

It is, however, observed that the Administrators of the PLA, in violation of the Codal Provisions, are operating the PLA without renewal and a number of PLA have

been opened without prior cancellation/approval of the office of the Accountant General (A&E), thereby violating authenticity of maintenance of PLA.

The details of all the PLA, currently under operation, have been sought for from the Government; reply is awaited (September 2009). However, scrutiny of records of Kamrup treasury revealed that there were 24 PLA, which were not closed as of March 2009, and the balance of Rs.4.37 crore in these accounts were not transferred to respective service heads. The 24 PLA remained inoperative for long.

This practice of retaining funds in the Personal Ledger Account after the close of the financial year is fraught with the risk of misuse of funds and therefore, needs to be avoided.

2.6 Conclusion and Recommendations

During 2008-09, expenditure of Rs.17,486.77 crore was incurred against the total grants and appropriations of Rs.27,204.11 crore, resulting in a savings of Rs.9,717.34 crore. The overall savings was the net result of saving of Rs.9,825.74 crore offset by excess of Rs.108.40 crore. The excess requires regularization under Article 205 of the Constitution of India. At the close of the year 2008-09, there were 70 grants/appropriations in which savings of Rs.8,914.56 crore (91.74 *per cent* of the total savings) occurred but no surrenders were made by the concerned departments. In five cases, during the last five years there were persistent savings of more than Rs.10 crore.

Out of the total provisions amounting to Rs.807.62 crore in 40 schemes, Rs.491.72 crore (61 *per cent*) were surrendered, which included *cent per cent* surrender in eight schemes.

In one case, as against savings of Rs.90.80 crore, the amount surrendered was Rs.93.03 crore resulting in excess surrender of Rs.2.23 crore. Injudicious reappropriation proved excessive or insufficient and resulted in saving/excess of over Rs.10 lakh in 52 sub-heads. Rush of expenditure were noticed in respect of 19 major heads, where expenditure exceeding Rs.10 crore and also more than 50 *per cent* of the total expenditure for the year was incurred in March 2009.

Budgetary Controls should be strengthened in all the Government departments where savings/excesses persisted for last five years. Issuance of Re-appropriation/surrender orders at the end of the year should be avoided.

A close and rigorous monitoring mechanism should be put in place by the DDOs to adjust the Abstract Contingent Bills within thirty days from the date of drawal of the amount.