

## **Chapter-II**

### **Financial Management and Budgetary Control**

#### **2.1 Introduction**

A major concern is that budgetary process are being undertaken in a mechanical and routine fashion and adequate due diligence is not being given to ensure a high level of preparedness before the budget is finalized. This could reduce the effectiveness of the Government to ensure that developmental goals are achieved as intended by the Government.

This year an attempt has been made to examine and evaluate the budget documents of the State Government covering the period from 2007-10. Further, the audit of Appropriation Accounts for the current year is also carried out in accordance with the provisions of the Act. The findings of the audit are summarized in the succeeding paragraphs.

#### **Components of Government Accounts**

The Government accounts are kept in three parts, namely Part-I Consolidated Fund, Part-II Contingency Fund and Part-III Public Account. The details of transactions under the three parts are classified according to various Major Heads, Sub-Major Heads, Minor Heads, Sub-Heads and Detailed Heads of accounts prescribed by the Comptroller and Auditor General of India.

The outlays on the various activities of Government are met from the Consolidated Fund which is made up of (a) Revenue-consisting of sections for Receipts Heads (Revenue Account) and Expenditure Heads (Revenue Account), (b) Capital Public Debt Loans etc. - consisting of Receipt Heads (Capital Account) and Expenditure Heads (Capital Account). No Money can be withdrawn from the Consolidated Fund without the authority of the Legislature and for this purpose necessary Demands for Grants are placed before the Legislature at the beginning of each financial year. The grants as and when passed by the Legislature are incorporated in an Appropriation Act authorizing necessary appropriation from the Consolidated Fund. In Public Account, records are kept of all transactions relating to public moneys other than those of the Consolidated Fund and the Contingency Fund.

#### **2.2 Examination and evaluation of the budgeting system of the Government of Assam**

The Annual Financial Statement of the estimated receipt and expenditure of the State for a financial year is laid before the House or Houses of the Legislature in accordance with the provisions of Article, 202 of the Constitution of India and the proposals for the grants and the appropriations included therein. The form of presentation show separately the sums required to meet expenditure 'Charged' on the Consolidated Fund of the State under article 112 (3) of the constitution and the sums required to meet other expenditure for which vote of Legislature is required.

The Annual Financial Statement of receipts and expenditure, which are to be credited to, or made out of the Consolidated Fund, may be laid before the Legislature in three parts, namely-

Part-I- Statements of receipts and expenditure arranged by major heads of account, the net expenditure being shown separately under voted, charged and “General” and “Sixth Schedule (Part A) Areas” and followed by a schedule of demands for gross expenditure in respect of the voted grants.

Part-II- The Detailed Estimates together with an Appendix indicating Budget provisions made for the various districts in the Sixth Schedule (Part A) Areas in respect of the State Plan Schemes and Schemes sponsored by the Central Government.

Part-III - Explanatory Memoranda.

### **2.2.1 Scope of Audit**

In depth examination of budget documents of the State Government covering the period 2007-10 was carried out in April-June 2010 through a test-check of the records made available by Finance (Budget) Department and Finance and Appropriation Accounts, of the Government of Assam.

### **2.2.2 Audit Objectives**

**The main objectives of the audit were to ascertain whether:**

- The preparation of budget estimate for receipts and expenditures were need based and realistic;
- The system on which estimate of receipts and expenditure under Consolidated Fund, Contingency Fund and Public Account are framed;
- The timeliness and effectiveness of the procedures for receipt of budget estimate of receipts and expenditure were ensured; and
- There is a mechanism for effective financial control and monitoring.

### **2.2.3 Audit Criteria**

Audit findings were benchmarked against the following criteria:

- Provisions and instructions contained in the Budget Manual of the Government of Assam;
- Prescribed monitoring system;
- Budget documents maintained by the Government;
- Finance Accounts and Appropriation Accounts of the Government of Assam.

### 2.2.4 Financial Management/Audit Findings

Financial management with regard to budgetary practices, expenditure controls and mobilization of resources was deficient as discussed in the succeeding paragraphs.

### Budgetary process

#### 2.2.5 Actual receipts in Consolidated Fund vis-à-vis budget provisions

As contemplated in Para-1 and 78 of Budget Manual of the Government of Assam read with Assam Rule of Executive Business, the duty of preparing budget estimates (Receipts & Expenditure) and revised estimates for laying before the Legislature vests with the Finance Department. The budget estimates are prepared on a departmental basis. The budget making process moves from the bottom to the top. As soon as the departmental estimates and revised estimates are received, the Finance Department scrutinises them and after consultation with the administrative departments, enters the figures, which it accepts for the revised and budget estimates. The estimates of receipts should show the amount expected to be actually realized within the year and in case of fluctuating revenue, the estimate should be based upon a comparison of last three years receipts.

The position of receipts in Revenue and Capital Account during 2007-10 is presented in **Table 1** below:

**Table 1**

(₹ in crore)

Year	Revenue Account (Receipt)				Capital Account (Receipt)			
	Budget provision (RE)	Actual receipt	Shortfall in receipt	Percentage of shortfall	Budget provision (RE)	Actual receipt	Shortfall in receipt	Percentage of shortfall
2007-08	17,443.27	15,324.92	2,118.35	12.14	2,296.95	1,178.63	1,118.32	48.69
2008-09	23,307.21	18,077.04	5,230.17	22.44	3,008.00	2,912.33	95.67	3.18
2009-10	24,485.16	19,884.49	4,600.67	18.79	3,381.93	2,223.15	1,158.78	34.26

Source: Annual Financial Statement

It is evident from the above table that the shortfall (decline) of receipt in Revenue Account ranged from 12.14 per cent to 22.44 per cent, while the shortfall (decline) of receipts in Capital Account ranged from 3.18 per cent to 48.69 per cent during 2007-10. The basis on which the provision of receipts in both Revenue Account and Capital Account is worked out/estimated was not available on record but the above table indicated that there was deficiency in estimation of receipts, particularly in Capital Account. A more reliable and scientific method of forecasting revenues should be adopted so that there is better planning of expenditure and recourse to need based borrowings.

#### 2.2.6 Actual expenditure in Consolidated Fund vis-à-vis budget provisions

The estimates of expenditure should be prepared for the charges that will be needed for actual payment during the year. It is of a great importance that the expenditure

estimates should be accurately framed. The Finance Department could not furnish to audit the departmental estimates and revised estimates, if any, received from the various departments. Thus, it could not be verified whether proposals of the departments were duly considered in framing the budget. However, the budget provision for expenditure and actual there against under Revenue and Capital Account during the year 2007-10 based on the Annual Financial Statements and Finance and Appropriation Accounts of the respective years are presented in *Appendix 2.1* and also depicted in **Table 2** below:

**Table 2**

(₹ in crore)

Year	Revenue Account (Expenditure)				Capital Account (Expenditure)			
	Budget provision (RE)	Actual expenditure	Savings	Percentage of savings	Budget provision (RE)	Actual expenditure	Savings	Percentage of savings
2007-08	17,352.81	12,744.16	4,608.65	26.56	4,575.79	2,406.14	2,169.65	47.42
2008-09	21,421.09	14,243.33	7,177.76	33.51	5,017.81	3,242.55	1,775.26	35.38
2009-10	29,815.95	21,232.20	8,583.75	28.79	5,832.65	3,736.15	2,096.49	35.94

*Source: Annual Financial Statement*

It was seen from the table above that in all the three years there were overestimation of funds (savings) ranging from 26.56 per cent to 33.51 per cent and 35.38 per cent to 47.42 per cent under Revenue Account and Capital Account respectively during the years 2007-10.

This was indicative of the fact that contrary to the prescribed budgetary regulations estimation was made without proper analysis of actual needs, and raises a question mark on the working efficiency of the Administrative and Finance Department. The reasons for such huge savings, was neither on record nor stated.

### 2.2.7 Estimates of receipts and expenditure under Consolidated Fund

The estimates of receipts and expenditure under Consolidated Fund for the years from 2007-10 are presented in *Appendix 2.2* and also depicted in **Table 3** below:

**Table 3**

(₹ in crore)

Year	Receipt (Capital & Revenue)					Expenditure (Capital & Revenue)				
	Budget estimate (BE)	Revised estimate (RE)	Actual	Percentage of shortfall		Budget estimate (BE)	Revised estimate (RE)	Actual	Percentage of shortfall	
				Over BE	Over RE				Over BE	Over RE
2007-08	19,579.77	19,740.22	16,503.55	15.71	16.40	20,391.54	21,928.60	15,150.30	25.70	30.91
2008-09	23,939.89	26,315.21	20,989.38	12.32	20.24	24,821.18	26,438.90	17,485.89	29.55	33.86
2009-10	26,232.47	27,867.09	22,107.64	15.72	20.67	34,985.95	35,648.60	24,968.35	28.63	29.96

*Source: Annual Financial Statement*

From the table above, it would be seen that there were shortfall of receipts over budget estimates ranging from 12.32 per cent to 15.72 per cent, whereas the variation between revised estimates and actual ranged from 16.40 per cent to 20.67 per cent. Similarly, the shortfall of expenditure over budget estimate ranged from 25.70 per cent to 29.55 per cent, while the variation between revised estimate and

actual ranged from 30.91 per cent to 33.86 per cent. This indicated that realistic approach in framing estimates of receipts and expenditure was absent during 2007-10.

### 2.2.8 Growth in budgetary provisions and transaction balances

The summary of budgetary provisions (Revised Estimate) as per Annual Financial Statement consisting of State Government Resources (Receipts) and its Applications (Disbursements) for the years 2007-10 are presented in **Table 4** below:

**Table 4**

(₹ in crore)

Particular of Accounts	2007-08		2008-09		2009-10		Percentage of increase (+)/ decrease (-) over previous year	
	Revised Estimate	Actual	Revised Estimate	Actual	Revised Estimate	Actual	Revised Estimate	
							2008-09	2009-10
1	2	3	4	5	6	7	8	9
<b>A. Receipts</b>								
(a) Revenue a/c	17,443.27	15,324.92	23,307.21	18,077.04	24,485.16	19,884.49	(+) 33.62	(+) 5.05
(b) Capital a/c	2,296.95	1,178.63	3,008.00	2,912.34	3,381.93	2,223.15	(+) 30.96	(+) 12.43
Total Consolidated Fund	19,740.22	16,503.55	26,315.21	20,989.38	27,867.09	22,107.64	(+) 33.31	(+) 5.90
II. Contingency Fund a/c								
III. Public a/c	72,723.82	99,223.50	79,939.70	1,62,444.69	91,447.05	2,39,945.55	9.92	14.40
<b>Total - A</b>	<b>92,464.04</b>	<b>1,15,727.05</b>	<b>1,06,254.91</b>	<b>1,83,434.07</b>	<b>1,19,314.14</b>	<b>2,62,053.19</b>	<b>14.91</b>	<b>12.29</b>
<b>B. Expenditure</b>								
(a) Revenue a/c	17,352.81	12,744.16	21,421.09	14,243.33	29,815.95	21,232.20	23.44	39.19
(b) Capital a/c	4,575.79	2,406.14	50,17.81	3,242.56	5,832.65	3,736.15	9.66	16.24
Total Consolidated Fund	21,928.60	15,150.30	26,438.90	17,485.89	35,648.60	24,968.35	20.57	34.83
II. Contingency Fund a/c								
III. Public a/c	72,339.49	1,01,215.10	79,589.96	1,65,583.97	91,017.79	2,37,658.46	10.02	14.36
<b>Total - B</b>	<b>94,268.09</b>	<b>1,16,365.40</b>	<b>1,06,028.86</b>	<b>1,83,069.86</b>	<b>1,26,666.39</b>	<b>2,62,626.81</b>	<b>12.48</b>	<b>19.46</b>
Transaction balance (Receipts - Expenditures) Surplus (+) Deficits (-)								
(i) Revenue a/c	90.46	2,580.76	1,886.12	3,833.71	-5,330.79	-1,347.71		
(ii) Capital a/c	-2,278.84	-1,227.51	-2,009.81	-330.21	-2,450.72	-1513		
Consolidated Fund	-2,188.38	1,353.25	-123.69	3,503.50	-7,781.51	-2,860.71		
Public a/c	384.33	-1,991.60	349.74	-3,139.29	429.26	2,287.09		
<b>Total (A-B)</b>	<b>-1,804.05</b>	<b>-638.35</b>	<b>226.05</b>	<b>364.21</b>	<b>-7,352.25</b>	<b>-573.62</b>		
Opening balance	-556.65	-556.65	-1,195.00	-1,195.00	-830.79	-830.79		
Closing balance	-2,360.70	-1,195.00	-968.95	-830.79	-8,183.04	-1,404.41		

Source: Annual Financial Statement

**(1) Variations in transactions under Budgetary Provisions**

**(a) Receipts and Expenditure under Consolidated Fund**

The budgeted receipt under Consolidated Fund declined from 33.31 *per cent* in 2008-09 to 5.90 *per cent* in 2009-10 due to decline in budgetary provision under revenue receipt (from 33.62 *per cent* in 2008-09 to 5.05 *per cent* in 2009-10) and capital receipts (from 30.96 *per cent* in 2008-09 to 12.43 *per cent* in 2009-10). At the same time the budgeted expenditure under Consolidated Fund increased from 20.57 *per cent* in 2008-09 to 34.83 *per cent* in 2009-10 due to increased budgetary provisions under revenue expenditure (from 23.44 *per cent* in 2008-09 to 39.19 *per cent* in 2009-10) and capital expenditure (from 9.66 *per cent* in 2008-09 to 16.24 *per cent* in 2009-10).

**(b) Receipts and Expenditure under Public Account**

The expected growth in receipt of Public Account increased from 9.92 *per cent* in 2008-09 to 14.40 *per cent* in 2009-10, while the expected expenditure under Public Account grew from 10.02 *per cent* in 2008-09 to 14.36 *per cent* in 2009-10.

**(2) Transaction balances under budgetary provisions and actual transactions**

**(a) Consolidated Fund**

The cash balance provisions under Consolidated Fund increased from ₹(-)123.69 crore in 2008-09 to ₹(-)7781.51 crore in 2009-10 due to huge provisions kept under revenue expenditure and capital expenditure compared to the expected receipts under Revenue Account and Capital Account in 2009-10.

**(b) Public Account**

The cash balance under Public Account provisions depicted a surplus balance and grew from ₹349.74 crore in 2008-09 to ₹429.26 crore in 2009-10, due to increased receipt over expenditure under Public Account during 2009-10.

**2.2.9 Non-maintenance of budget calendar and delayed submission of budget estimates**

Under paragraph 6 of the Budget Manual, it is essential that the time table prescribed in Appendix 'C' should be strictly adhered to in order that the estimates may be laid before the Legislature on the due date duly considered by the Administrative Department and the Finance Department. The Register of Budget Calendar, could not be furnished to audit due to its non-maintenance of the same. However, the letters received register (Inward Register, showing entries of receipt of BE) maintained from 1 June 2008 onwards was furnished to audit.

According to Budget Calendar, the budget estimates of receipts and expenditures for the coming (next) year and Revised estimates for the current year is to be furnished to the Finance Department by 15 October each year. But the entries of the inward register showed that most of the budget estimates for the year 2009-10 were received belatedly against the stipulated date of 15 October 2008 as detailed in **Table 5** below:

**Table 5**

Sl No.	Period of receipt	Number of Budget Estimates received	Percentage of receipt	Delay
1	Upto 15-10-08	12	8.22	--
2	16-10-08 to 16-11-08	25	17.12	1 to 32 days
3	17-11-08 to 31-12-08	66	45.21	33 to 76 days
4	01-01-09 to 30-03-09	43	29.45	77 to 165 days
<b>Total</b>		<b>146</b>		

*Source: Records of Finance Department*

It could be seen from the above table that only 12 budget estimates out of 146 budget estimates for 2009-10 were received within the stipulated period of 15 October 2008. The delay in submission ranged from 1-32 days in respect of 25 budget estimates, 33-76 days in respect of 66 budget estimates and 77-165 days in respect of 43 budget estimates.

The reasons for non-maintenance of Budget Calendar and non-receipt of budget estimates within the scheduled date could not be stated to audit.

#### **2.2.10 Poor verification of departmental figures**

According to Budget Manual and executive instructions made thereunder departmental figures of expenditure are to be reconciled with the figures booked in the records of the Accountant General (A&E) quarterly for which procedure was clearly brought out.

It was, however, ascertained from the records of AG (A&E), Assam that out of 68 Controlling Officers (CO's), only eight, five and eight CO's in 2007-08, 2008-09 and 2009-10 reconciled the departmental expenditure figures respectively within the stipulated time frame with those booked by the Accountant General (A&E), Assam.

**Reconciliation and verification of figures is an important tool. Failure to exercise/adhere to the manualised provisions and executive instructions not only facilitates misclassifications/misbookings of the figures but also frustrates the very objectives of budgetary process.**

The reason for putting off the exercise of reconciliation was not available on record. Action, if any, taken by the Finance Department in this regard against the defaulting CO's was also not available on records.

### **2.2.11 Budgetary control/Monitoring**

Under the provision of budget manual as amended (June 1978), a statement /return in the prescribed format showing actual expenditure upto November and anticipated expenditure for the remaining months of the year should be submitted (by Controlling Officers) to Finance Department in the month of December every year for making assessment of the progress of expenditure. These returns would enable Finance Department to consider adjustment of budgetary provisions and additional financial implication, if any. Statements/returns received, if any, from the different Controlling Officers/Heads of Departments were not furnished to audit. However, shortcomings in the budget formulation as noticed and discussed in the succeeding paragraphs indicated that the prescribed budgetary control/monitoring system to watch over the progress of expenditure remained ineffective and the Finance Department could not take any steps to contain the trend of shortcomings like excess expenditure, persistent savings etc.

### **2.2.12 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 latest by 15 March as an when the savings are anticipated.

Test-check of the records, however, revealed that there were over estimation (savings exceeding 30 *per cent* of the budget provisions) in respect of 31 to 45 grants under Revenue Account and 19 to 22 grants under Capital Account during the years 2007-10 (detailed in *Appendix 2.2 and 2.3*). The percentage of savings during the period from 2007-10 vis-à-vis budget provisions and actual expenditure is depicted in **Table 6**.

**Table 6**

(₹ in crore)

Name of Account	Year	No. of Grants	Total Budget provision	Total expenditure	Savings	Percentage of Savings
Revenue Account	2007-08	33	7,186.60	3,242.91	3,943.69	54.88
	2008-09	45	8,766.95	3,665.34	5,101.61	58.19
	2009-10	31	10,585.36	4,574.73	6,010.63	56.78
Capital Account	2007-08	19	2,710.73	1,146.88	1,563.85	57.69
	2008-09	22	2,910.63	1,054.01	1,856.62	63.79
	2009-10	20	4,827.27	1,963.25	2,864.02	59.33

*Source: Appropriation Accounts*

It was seen from the above table that there were huge savings against budget provisions approved for the years 2007-08 to 2009-10. The savings ranged from ₹3,943.69 crore (54.88 *per cent* of the total budgeted provision) to ₹6,010.63 crore (56.78 *per cent* of the total budgeted provision) in the Revenue Account, while the savings under Capital Account ranged from ₹1,563.85 crore (57.69 *per cent* of the total provision) to ₹2,864.02 crore (59.33 *per cent* of the total provision).

The huge savings indicated that the provisions were made without assessing the actual requirement. In spite of repeated requisitions, the reasons for such huge savings and non-surrendering of the same to the Finance Department could not be stated to audit.

### 2.2.13 Non-utilisation of budget provisions

Scrutiny of Appropriation Accounts for 2007-10 revealed that the budget provisions made in respect of certain grants during the aforesaid years were neither utilized nor surrendered (detailed in *Appendix 2.4*).

The provision of funds that could not be either utilized or surrendered during the period from 2007-10 (both under Revenue and Capital Account) is depicted in **Table 7**.

**Table 7**

(₹ in crore)

Name of account	2007-08		2008-09		2009-10	
	Nos. of Grant	Budget provision	Nos. of Grant	Budget provision	Nos. of Grant	Budget provision
Revenue account	1	2.26	7	676.22	4	7.97
Capital Account	3	2.55	7	18.87	3	0.92
<b>Total</b>	<b>4</b>	<b>4.81</b>	<b>14</b>	<b>695.09</b>	<b>7</b>	<b>8.89</b>

*Source: Appropriation Accounts*

It appeared from the above table that the budget provision for four grants involving ₹4.81 crore in 2007-08, 14 grants involving ₹695.09 crore in 2008-09 and seven grants involving ₹8.89 crore in 2009-10 were neither utilized nor surrendered. This is indicative of lax controls *vis-à-vis* preparation of budget without actual requirement.

The reason for non-surrendering of the entire provisions also could not be stated to audit.

### 2.2.14 Excess expenditure over budget provisions

Para 7 of the Budget Manual envisages that no expenditure which has not been provided for in budget estimate as passed by the Legislature, can be incurred without prior consultation and approval of the Finance Department provided that such expenditure does not lead to an excess over the appropriation authorized for the particular grant under which the charge will fall and that the expenditure is not a new expenditure.

Test-check of the records, however, revealed that huge excess expenditure was incurred against three to six grants/appropriations under Revenue Account and three to five grants/appropriations under Capital Account during the years 2007-08 to 2009-10 (detailed in *Appendix 2.5 and 2.6*). The percentage of excess expenditure over budget provision during the period from 2007-10 (both under Revenue and Capital Account) is depicted in **Table 8**.

Table 8

(₹ in lakh)

Name of Account	Year	Number of Grants/ Appropriations	Total Budget provision	Total expenditure	Excess expenditure	Percentage of excess expenditure
Revenue Account	2007-08	6	31.55	36.21	4.66	14.77
	2008-09	5	67.17	134.62	67.45	100.42
	2009-10	3	96.25	117.08	20.83	21.64
Capital Account	2007-08	5	24.64	133.21	108.57	440.62
	2008-09	3	131.93	172.88	40.95	31.04
	2009-10	3	21.07	28.11	7.04	33.41
<b>Total</b>		<b>25</b>	<b>372.61</b>	<b>622.11</b>	<b>249.50</b>	

Source: Appropriation Accounts

It was observed from the above table that there was huge excess expenditure over approved budget provisions, which ranged from ₹4.66 crore (14.77 per cent) to ₹67.45 crore (100.42 per cent) in Revenue Account, while the excess expenditure in Capital Account ranged from ₹40.95 crore (31.04 per cent) to ₹108.57 crore (440.61 per cent) during 2007-08 to 2009-10. The excess expenditure over budget provisions indicated that the provisions were made in lump without assessing the actual requirement leading to defective budgeting.

It is, thus, evident that due to failure/non-implementation of the existing control mechanism not only led to huge excess expenditure over budget provisions but also violated the codal provisions.

The reasons for incurring the excess expenditure over the budget provisions however, were not provided to audit.

#### 2.2.15 Excess requiring regularisation

According to 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 completion of discussion of Appropriation Accounts by the Public Accounts Committee (PAC). However, the excess expenditure of ₹249.51 crore for the years 2007-08 to 2009-10 remains to be regularized (detailed in *Appendix 2.5 and 2.6*). The reasons for non-regularisation of excess expenditure were neither stated nor found on record. However, non-regularisation of excess expenditure led to uncontrolled financial expenditure and breach of Constitutional provisions.

#### 2.2.16 Expenditure without provision

According to Chapter-I (Paragraph-7) of Assam Budget Manual, expenditure should not be incurred on a scheme/service without provision of funds.

Test-check of the records however, revealed that expenditure of ₹105.82 crore was incurred in three cases as depicted in **Table 9** below without any budget provisions and re-appropriation orders during the years from 2007-08 to 2009-10.

**Table 9**

(₹ in crore)

Year	Grant No.	Revenue/Capital Account	Voted	Budget provision		Actual expenditure
				BE	RE	
2007-08	70-Hill Areas	Capital	Voted	Nil	Nil	105.69
2007-08	31-Urban Development	Capital	Voted	Nil	Nil	0.12
2008-09	39-Social Security, Welfare and Nutrition	Revenue	Charged	Nil	Nil	0.01
2009-10	Nil	Nil	Nil	Nil	Nil	Nil
<b>Total</b>						<b>105.82</b>

*Source: Appropriation Accounts*

Expenditure without provision indicated defective budgeting due to non-estimation of requirements and non-provision in the demand for grants.

Reasons for incurring expenditure without provisions in the budget and its subsequent regularization could not be found on records.

### **2.2.17 Persistent savings**

Test-check of the records revealed that in 23 cases (under 21 grants) during the last three years (2007-08 to 2009-10) there were persistent savings in excess of 40 *per cent* or more of the total provision. The details of savings in excess of 40 *per cent* are detailed in **Appendix 2.7**. Huge persistent savings in all the three years indicated that the process of preparation of budget estimates were unscientific and unrealistic.

Reasons for non-utilisation and non-surrendering of the amounts were also not available on records. The huge persistent savings also depicted lack of financial control and monitoring by the Finance Department.

### **2.2.18 Technical and qualitative application of resources**

*Actual expenditure in Plan and Non-Plan Heads in Social and Economic Services vis-à-vis budget provisions under Revenue Account*

The Budget Provisions, actual expenditure and shortfall (savings) under Plan and Non-Plan Heads in respect of Social Services and Economic Services under Revenue Section for the years 2007-10 are presented in **Table 10** and **Table 11**.

**Table 10**  
**(Social Services)**

(₹ in crore)

Year	Revised Estimate			Percentage to total expenditure		Actual			Percentage to total expenditure		Shortfall (Savings)			
	Plan	Non-plan	Total	Plan	Non-plan	Plan	Non-plan	Total	Plan	Non-plan	Plan		Non-plan	
											Amount	Percentage	Amount	Percentage
2007-08	2239.83	5447.28	7687.11	29.14	70.86	895.18	4061.57	4956.75	18.06	81.94	1344.65	60.03	1385.71	25.44
2008-09	2883.23	5452.47	8335.70	34.59	65.41	1384.15	4198.41	5582.56	24.79	75.21	1499.08	51.99	1254.06	23.00
2009-10	3387.09	6474.03	9861.12	34.35	65.65	2218.52	6324.69	8543.21	25.97	74.03	1168.57	34.50	149.34	2.31
<b>Total</b>	<b>8510.15</b>	<b>17373.78</b>	<b>25883.93</b>	<b>32.88</b>	<b>67.12</b>	<b>4497.85</b>	<b>14584.67</b>	<b>19082.52</b>	<b>23.57</b>	<b>76.43</b>	<b>4012.30</b>	<b>47.15</b>	<b>2789.11</b>	<b>16.05</b>

Source: Memorandum of Budget Estimates

It was seen from the above table that during the years from 2007-10 against Social Services the total target of Plan and Non-Plan provisions were set at ₹8,510.15 crore and ₹17,373.78 crore at the ratio of 32.88 per cent and 67.12 per cent of the total provisions respectively in the annual budget provided for the years. However, the actual expenditure made thereagainst under the Plan and Non-Plan was for ₹4,497.85 crore and ₹14,584.67 crore at the ratio of 23.57 per cent and 76.43 per cent of the total expenditure respectively during the period.

This revealed that while the achievement in Plan fund declined significantly over target (provisions) from 32.88 per cent to 23.57 per cent, the achievement in Non-Plan fund grew correspondingly with reference to provision from 67.12 per cent to 76.43 per cent. Further, while the overall shortfall over the expectation (provisions) under Plan fund was ₹4,012.30 crore at 47.15 per cent, the shortfall over expectation under Non-Plan fund was ₹2,789.11 crore at 16.05 per cent during the years.

**Table 11**  
**(Economic Services)**

(₹ in crore)

Year	Revised Estimate			Percentage to Total expenditure		Actual			Percentage to Total expenditure		Shortfall			
	Plan	Non-plan	Total	Plan	Non-plan	Plan	Non-plan	Total	Plan	Non-plan	Plan		Non-plan	
											Amount	Percentage	Amount	Percentage
2007-08	1455.71	1935.97	3391.68	42.92	57.08	1083.06	1770.99	2854.05	37.95	62.05	372.65	25.60	164.98	8.52
2008-09	2282.19	1859.22	4141.41	55.11	44.89	1352.32	1340.98	2693.30	50.21	49.79	929.87	40.74	518.24	27.87
2009-10	2544.99	2182.79	4727.78	53.83	46.17	1905.51	1854.01	3759.52	50.68	49.32	639.48	25.13	328.78	15.06
<b>Total</b>	<b>6282.89</b>	<b>5977.98</b>	<b>12260.87</b>	<b>51.24</b>	<b>40.76</b>	<b>4340.89</b>	<b>4965.98</b>	<b>9306.87</b>	<b>46.64</b>	<b>53.36</b>	<b>1942.00</b>	<b>30.91</b>	<b>1012.00</b>	<b>16.93</b>

Source: Memorandum of Budget Estimates

In Economic Services also it was seen that while the achievement in Plan fund during the years from 2007-08 to 2009-10 declined over target (provisions) from 51.24 per cent to 46.64 per cent, the Non-Plan fund grew from 40.76 per cent to 53.36 per cent and while the overall shortfall over the expectation (provisions) under the Plan fund was 30.91 per cent, the shortfall over expectation under Non-Plan fund was 16.93 per cent during the years.

The above positions indicated that the expenditure in Revenue Account undertaken by the State Government under Plan schemes of Social Services and Economic Services was inadequate in comparison to the achievement made under Non-Plan schemes basically meant for payment of salary and office expenses.

The reasons for such huge shortfall in achievement of plan schemes over target under Social Services and Economic Services was not available on records.

### **2.2.19 Budget commitment**

The Minister of Finance, Government of Assam, while delivering the Budget speech for the year 2008-09 stressed the need for growth in Agriculture and allied sectors and for which a sum of ₹102.89 crore was allocated in Rastriya Krisi Vikash Yojana (RKVY) in the year 2008-2009. The allocated amount was further augmented to ₹142.62 crore by way of supplementary provision of ₹39.73 crore. The expenditure incurred under the scheme was ₹71.31 crore and as such 50 per cent financial progress was achieved till March 2009. Similarly, during 2009-10, a sum of ₹102.89 crore was allocated to RKVY. The expenditure incurred under the scheme was ₹79.86 crore resulting in savings of ₹23.03 crore (22 per cent). The commitments such as upgradation of standard of three medical colleges in the State and setting up of three new institutes of paramedics in those medical colleges were made under Health and Family Welfare Department. Test-check of the records however, revealed that against estimated provision of ₹287.53 crore for the work upgradation of standard of three medical colleges, ₹68.12 crore only was incurred till March 2009. During 2009-10, out of estimated provision of ₹365.88 crore for the aforesaid work, ₹187.37 crore (51 per cent) only was incurred till March 2010. It was also noticed that the work relating to increase the quality of paramedics (budget provision: ₹45 lakh) had not been started and no expenditure was incurred during 2008-09.

It was, thus, observed that the commitments were partially materialized during the year 2008-09 and 2009-10.

### **2.2.20 Gender budget**

Gender Budgeting is a part and parcel of the Government of India's Policies and approach towards women. The Government of India, Ministry of Human Resource Department (HRD) issued (October 2004) instructions and guidelines along with checklist to watch the modalities and performance of the Gender Budgeting, which

seeks to establish accountability and transparency in policy formulation and decision-making. The National Commission for women took up (February 2006) the matter with the Chief Minister, Government of Assam for necessary policy formulation in this regard. Thus, Gender budgeting was incorporated as a significant statement highlighting the need to segregate budgetary allocations on the basis of gender under the demands for grants.

The process of budgetary allocation on the basis of Gender needs to be reviewed continuously from year to year for giving priorities on specific sectors, which impinge on women's lives. Access to education, employment, health care, sanitation and drinking water are considered to be the five pillars of women empowerment. All these activities needs outlays specifically earmarked for women in the budget to be utilized for women specific programmes/schemes.

Test-check of the records revealed that during the financial year 2008-09 Government of Assam prepared Gender Budget against 13 Departments involving an amount of ₹57.22 crore and during the financial year 2009-10 against 15 departments involving an amount of ₹101.15 crore, but no plan and estimates of the department on the basis of which Gender budget was prepared and the performance report, if any, prepared thereagainst could be produced to audit. Moreover, the performance report of the schemes for a year is required to be incorporated in the Gender budget of the following year for its presentation before the Legislature under the schematic norms, but the performance report of 2008-09 was not found to have incorporated in the Gender Budget of 2009-10.

In the absence of any performance reports/records the implementation of the schemes under Gender budgeting could not be verified in audit.

#### **2.2.21 Outcome budget**

The Government of Assam have taken steps to prepare Outcome budget and formulated guidelines accordingly. According to the policy decision, the Outcome budget broadly indicates the fiscal dimension of the financial budget and actual fiscal performance achieved during the previous financial year.

Test-check of the records revealed that during the financial year 2008-09 the State Government prepared Outcome budget of ₹204.15 crore involving only 10 Departments and during the financial year 2009-10 Outcome budget of ₹86.80 crore was prepared against 12 Departments, but no plan and estimates of the Department on the basis of which Outcome budget was prepared could be made available to audit (June 2010). Thus, it could not be ascertained whether the prescribed provisions of guidelines were followed during preparation of the Outcome budget.

Besides, the performance of Outcome budget for the year 2008-09 should have been reflected in the Outcome budget of 2009-10 for its presentation before the Legislature,

but the same was neither incorporated in the Outcome budget of 2009-10 nor any performance report/return for the year 2008-09 could be made available to audit. Thus, it is apparent that the very purpose of Outcome budget has not been achieved.

### 2.3 Audit of Appropriation Accounts for the current year

**2.3.1** 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.

**2.3.2** 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.

### 2.4 Summary of Appropriation Accounts

The summarized position of actual expenditure during 2009-10 against 81 Grants/Appropriations (78 Grants and three Appropriations) is indicated in **Table 12**.

**Table 12: Summarized position of Actual Expenditure *vis-à-vis* Original/Supplementary provisions**

(₹ in crore)						
	Nature of Expenditure	Original grant/ appropriation	Supplementary grant/ appropriation	Total	Actual expenditure	Savings (-)/ Excess (+)
<b>Voted</b>	I Revenue	27,020.46	1,561.22	28,581.68	19,261.43	(-) 9,320.25
	II Capital	4,625.09	964.74	5,589.83	2,629.35	(-) 2,960.48
	III Loans & Advances	81.45	36.78	118.23	99.23	(-) 19.00
<b>Total Voted</b>		<b>31,727.00</b>	<b>2,562.74</b>	<b>34,289.74</b>	<b>21,990.01</b>	<b>(-)12,299.73</b>
<b>Charged</b>	IV Revenue	2,259.55	29.16	2,288.71	1,971.19	(-) 317.52
	V Capital	-	0.12	0.12	-	(-) 0.12
	VI Public Debt Repayment	1,009.55	25.17	1,034.72	1,007.56	(-) 27.16
<b>Total Charged</b>		<b>3,269.10</b>	<b>54.45</b>	<b>3,323.55</b>	<b>2,978.75</b>	<b>(-) 344.80</b>
<b>Appropriation to Contingency Fund (if any)</b>		-	-	-	-	-
<b>Grand Total</b>		<b>34,996.10</b>	<b>2,617.19</b>	<b>37,613.29</b>	<b>24,968.76</b>	<b>(-)12,644.53</b>

The overall savings of ₹12,644.53 crore was the result of saving of ₹12,667.75 crore in 74 grants and 13 appropriations under Revenue Section, 27 grants and two appropriations under Capital Section, offset by excess of ₹23.22 crore in three grants under Revenue Section and three grants under Capital Section.

Appropriation Accounts 2009-10 included 78 Grants and three Appropriations. The reasons for savings/excess were called for by the Accountant General (A&E) in respect of 1,608 sub-heads/sub sub-heads. Out of 1,608 sub-heads/sub sub-heads explanations for variations were received for 131 sub-heads/sub sub-heads within the specified period and explanations for variations for 93 sub-heads/sub sub-heads though received within the specified period were incomplete or unspecific. Thus, out of 1,608 sub-heads/sub sub-heads explanation for variations were not received (September 2010) in respect of 1,384 sub-heads/sub sub-heads.

## **2.5 Financial Accountability and Budget Management**

### **2.5.1 Appropriation vis-à-vis Allocative Priorities**

The outcome of the appropriation audit reveals that in 36 cases, savings exceeded ₹10 crore in each case and also by more than 20 *per cent* of total provision (**Appendix 2.8**). Against the total savings of ₹12,644.53 crore, savings of ₹12,054.55 crore (95.33 *per cent*)<sup>1</sup> were in 37 cases relating to 32 grants and one appropriation where savings were ₹50 crore and above as indicated in **Appendix 2.9**.

### **2.5.2 Excess Expenditure**

In two cases, expenditure aggregating ₹22.51 crore exceeded the approved provisions by ₹10.99 crore and also by more than 20 *per cent* of the total provisions. Details are given in **Appendix 2.10**.

### **2.5.3 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 ₹263.48 crore was incurred in 68 cases as depicted in **Appendix 2.11** without any provision in the original estimates/supplementary demand and without any re-appropriation orders to this effect. Significant cases of such expenditure are given in **Table 13**.

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<sup>1</sup> Exceeding ₹50 crore in each case

**Table 13: Expenditure incurred without Provision during 2009-10**

(₹ in crore)

Sl No.	Grant/Appropriation No.-Major Head of Accounts-Sub-Head-Detailed Head	Expenditure without provision
1	25- 2075-3888 Expenditure in connection with the revision of Pay and Pension-Sixth Schedule (Pt.-I) Areas	46.62
2	66- 3604-3674-(708) Karbi Anglong Autonomous Council – Sixth Schedule (Pt.-1) Areas	22.32
3	72- 2235-0933 Relief Grants for Relief Rehabilitation for disturbance – Grants (ACA) Sixth Schedule (Pt.-1) Areas	10.87
4	76- 4552-1597 Amreng Minor Irrigation- Sixth Schedule Areas	5.20
5	78- 4711-0120 Brahmaputra Flood Control Project - Sixth Schedule Areas	10.81
6	78- 5054 Road Works - Sixth Schedule Areas	42.66

#### **2.5.4 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-2.12** of ₹127.80 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.

#### **2.5.5 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). Although the excess expenditure amounting to ₹2,029.10 crore for the years 2002-03 to 2004-05 had been regularized by the PAC vide its 117<sup>th</sup> PAC Reports and placed before the State Legislature on 3 April 2008 but the Act showing regularization of the aforesaid excess expenditure is still awaited. Thus, the excess expenditure amounting to ₹2,333.80 crore for the years 2002-03 to 2008-09 was yet to be regularized (March 2010) as detailed in **Appendix 2.13**. The year-wise amount of excess expenditure pending regularization for grants/appropriations is summarized in **Table 14**.

**Table 14: Excess over provisions relating to previous years requiring regularization**

(₹ in crore)

Year	Number of		Amount of excess over provision	Status of Regularization
	Grants	Appropriations		
2002-03	5	6	1,618.86	Regularized vide 117 <sup>th</sup> PAC Report. Act awaited.
2003-04	4	3	404.36	Regularized vide 117 <sup>th</sup> PAC Report. Act awaited.
2004-05	5	6	5.88	Regularized vide 117 <sup>th</sup> 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.
2008-09	6	2	108.40	Not yet discussed by PAC.
<b>Total</b>	<b>35</b>	<b>23</b>	<b>2,333.80</b>	

**2.5.6 Excess over provisions during 2009-10 requiring regularization**

**Table 15** contains the summary of total excess in five grants amounting to ₹23.22 crore over authorization from the Consolidated Fund of State (CFS) during 2009-10 and requires regularization under Article 205 of the Constitution.

**Table 15: Excess over provisions requiring regularization during 2009-10**

(₹ in crore)

Sl No.	Number and title of Grants/Appropriations	Total Grants/ Appropriations	Expenditure	Excess
<b>Voted Grants</b>				
1	11 – Secretariat and Attached Offices (Capital Voted)	4.50	6.14	1.64
2	27 – Art and Culture (Revenue Voted)	88.61	100.01	11.40
3	40 – Sainik Welfare and Other Relief Programmes etc. (Revenue Voted)	7.02	16.36	9.34
4	47 – Trade Adviser (Revenue Voted)	0.62	0.71	0.09
5	60 – Cottage Industries (Capital Voted)	0.78	1.53	0.75
<b>Total Voted</b>		<b>101.53</b>	<b>124.75</b>	<b>23.22</b>

**2.5.7 Unnecessary/Excessive/Inadequate supplementary provision**

Supplementary provision aggregating ₹1,436.28 crore obtained in 55 cases, ₹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 2.14**. In three cases, supplementary provision of ₹35 crore proved insufficient by more than ₹ one crore each leaving an aggregate uncovered excess expenditure of ₹17.69 crore (**Appendix 2.15**).

### 2.5.8 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 ₹10 lakh in 14 sub-heads. The excess/saving was more than ₹ two crore in nine sub-heads as detailed in *Appendix 2.16*.

### 2.5.9 Substantial surrenders

Substantial surrenders (sum exceeding ₹25 lakh in each case) were made in respect of six sub-heads on account of either non-implementation or slow implementation of schemes/programmes. Out of the total provision amounting to ₹163.35 crore in these six schemes, ₹41.03 crore (25 per cent) were surrendered. The details of these six schemes are given in *Appendix 2.17*.

There were also cases of surrender of more than ₹10 crore on 30<sup>th</sup> and 31<sup>st</sup> March 2010. The details of such cases are given in **Table 16** below.

**Table 16: Cases of surrender in excess of ₹10 crore on 30<sup>th</sup> and 31<sup>st</sup> March 2010**

(₹ in crore)					
Sl No.	Number and Name of Grant	Major Head	Budget Provision	Surr-ender	Percentage of total provision
1	11-Secretariat and Attached Offices	2052	1,368.72	165.46	12
2	13-Treasury and Accounts Administration	2054	60.58	11.05	18
3	20-Civil Defence and Home Guards	2070	93.74	14.73	16
4	30-Water Supply and Sanitation	4215	636.37	223.54	35
5	43-Co-operation	2425	51.99	10.69	21
6	59-Sericulture and Weaving	2851	143.02	19.75	14
7	75-Information Technology	4859	58.82	36.23	62

### 2.5.10 Surrender in excess of actual saving

In seven cases, the amount surrendered (₹50 lakh or more) was in excess of actual savings indicating lack of budgetary control. As against savings of ₹158.79 crore, the amount surrendered was ₹180.50 crore resulting in excess surrender of ₹21.71 crore. Details are given in *Appendix 2.18*.

### 2.5.11 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 2009-10, there were, however, 52 grants/appropriations in which savings occurred but no surrenders were made by the concerned departments. The amount

involved in these cases was ₹8,743.07 crore (69.14 per cent of the total savings) (*Appendix 2.19*).

Similarly, out of total savings of ₹1,219.98 crore under 10 other grants/appropriations, (savings of ₹ one crore and above were indicated in each grant/appropriation) ₹776.22 crore (6.14 per cent of total savings) of ₹12,644.53 crore were not surrendered, details of which are given in *Appendix 2.20*.

### **2.5.12 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 28 Major heads listed in *Appendix 2.21*, expenditure exceeding ₹10 crore and also more than 50 per cent of the total expenditure for the year was incurred in March 2010. **Table 17** also presents the major heads where more than 80 per cent expenditure was incurred during the last month of the financial year.

**Table 17: Cases of rush of expenditure towards the end of the financial year 2009-10**

(₹ in crore)

Sl No.	Major Head	Total expenditure during the year	Expenditure during March 2010	
			Amount	Percentage of total expenditure
1	2236-Social Security, Welfare and Nutrition	314.94	254.07	81
2	2245-Natural Calamities	622.39	217.07	83
3	2070-Social Services	20.23	17.88	88
4	2801-Power (Electricity)	11.78	10.79	92
5	2075-Miscellaneous General Services	1,412.11	1,412.11	100
6	4859-Information Technology	24.09	22.23	92
7	2515-Hill Areas Department (KAAC)	37.09	32.83	89

## **2.6 Reconciliation of Departmental figures**

### **2.6.1 Pendency in submission of Detailed Contingent Bills against Abstract Contingent Bills**

The Contingency Manual of the Government Assam stipulates that detailed bills for the charges drawn in Abstract Contingent (AC) bills in a month should be submitted to the Controlling Officer by the 2<sup>nd</sup> of the following month. The Controlling Officer shall dispatch all Detailed Countersigned Contingent (DCC) bills to the Accountant General (A&E) by 25<sup>th</sup> of the following month. The Treasury Officers should ensure that no payment is made after the 10<sup>th</sup> of a month on any AC bill unless it is certified by the drawing officer that all DCC bills for sums drawn on AC bills in the previous month have been forwarded to the Controlling Officer. The total amount of DCC bills received during the period 2005-10 was only ₹169.15 crore against the amount of AC

bills of ₹1,547.55 crore leading to an outstanding balance of DCC bills of ₹1,378.40 crore as on 31 March 2010. Year wise details are given in the table below:

**Table 18: Pendency in submission of DCC bills against AC bills**

(₹ in crore)				
Year	Amount of AC bills	Amount of DCC bills	DCC bills as percentage to AC bills	Outstanding DCC bills
Upto 2005-06	501.86	114.37	22.79	387.49
2006-07	139.65	29.56	21.17	110.09
2007-08	167.78	18.04	10.75	149.74
2008-09	90.20	6.06	6.72	84.14
2009-10	648.06	1.12	0.17	646.94
<b>Total</b>	<b>1,547.55</b>	<b>169.15</b>	<b>10.93</b>	<b>1,378.40</b>

Department-wise pending DCC bills for the years up to 2009-10 is detailed in *Appendix 2.22*.

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

### **2.6.2 Issues relating to utilization-cum-adjustment of funds drawn on AC Bills during the period from 2001-02 to 2009-10 in respect of Central Schemes**

Drawal of AC bills by the five<sup>2</sup> Directorates/Departments of the Government of Assam for the period from 2001-02 to 2009-10 in respect of Central Schemes were test-checked in audit during April 2010. The details of drawals of AC bills, their utilization and submission of DCC bills is shown in *Appendix 2.23* which *inter-alia* presents an alarming picture of gross violation of financial discipline.

Out of ₹508.48 crore drawn in 140 AC bills by the five departments during the period from 2001-02 to 2009-10, only 14 DCC bills involving ₹44.13 crore were submitted to the Controlling Officer, of which DCC bills for ₹6.74 crore (15 *per cent*) were sent to Accountant General (A&E) as of March 2010 (detailed in *Appendix 2.24*). The pendency in submission of 126 DCC bills (140 bills – 14 bills) amounting to ₹464.35 crore were due to non-submission of DCC bills by the field/district offices against drawal of funds and non-utilisation of entire sanctioned amount due to non-implementation of the schemes.

Test-check also revealed that against drawal of ₹508.48 crore, ₹344.96 crore was spent after retention ranging from 11 days to 32 months and balance ₹163.52 crore remained unutilized in respect of 80 AC bills as of March 2010 (detailed in *Appendices 2.23 and 2.25*). The unutilized funds were lying in hand for one to 96 months in the form of DCR's: ₹11.33 crore; DDO's Account: ₹100.71 crore and

<sup>2</sup> Director General of Police, (ii) Director of Health Services, (iii) Director of Social Welfare, (iv) Director of Agriculture and (v) Director of Elementary Education.

Revenue Deposit Account: ₹51.48 crore). This indicated that funds were drawn without immediate requirement and only to avoid lapse of budget grants. This was corroborated from the fact that funds totaling ₹165.51 crore (*Appendix 2.26*) were drawn in the month of March of the respective years.

### **2.6.3 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 2009-10 also. During 2009-10, out of 68 Controlling Officers (COs), eight COs carried out full reconciliation of their expenditure, up to March 2010. Of the remaining, 60 COs, 34 COs did not reconcile the figures at all and 26 COs carried out partial reconciliation.

## **2.7 Personal Ledger Accounts**

The operations 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.

Information obtained from AG (A&E), Assam regarding operation/closure of PLA during 2009-10 revealed that there were 17 PLA, which were not closed as of March 2010 and balance of ₹47.52 lakh in these accounts were not transferred to respective heads.

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.

## 2.8 Conclusion and Recommendations

The estimates of receipts and expenditure under Consolidated Fund, Contingency Fund and Public Account are prepared without adequate due diligence in observing prescribed budgetary regulations.

Non-maintenance of budget calendar, poor verification of departmental figures etc., indicates absence of financial control. Besides, failure to exercise control mechanism there were huge excess expenditure over budget provisions, non-utilisation of budget provisions, persistent savings and expenditure without provisions etc. were noticed.

**(Para-2.2)**

During 2009-10, expenditure of ₹24,968.76 crore was incurred against the total grants and appropriations of ₹37,613.29 crore, resulting in a savings of ₹12,644.53 crore. The overall savings was the net result of saving of ₹12,672.40 crore offset by excess of ₹27.87 crore. The excess requires regularization under Article 205 of the Constitution of India. At the close of the year 2009-10, there were 52 grants/appropriations in which savings of ₹8,751.32 crore (69.21 per cent of the total savings) occurred but no surrenders were made by the concerned departments.

**(Paras-2.4 and 2.5.11)**

Out of the total provisions amounting to ₹163.35 crore in six schemes, ₹41.03 crore (25 per cent) were surrendered (sum exceeding ₹25 lakh in each case).

**(Para-2.5.9)**

In seven cases, as against savings of ₹158.79 crore, the amount surrendered was ₹180.50 crore (₹50 lakh or more in each case) resulting in excess surrender of ₹21.71 crore. Injudicious re-appropriation proved excessive or insufficient and resulted in saving/excess of over ₹10 lakh in 14 sub-heads. Rush of expenditure were noticed in respect of 32 major heads, where expenditure exceeding ₹10 crore and also more than 50 per cent of the total expenditure for the year was incurred in March 2010.

**(Paras-2.5.8, 2.5.10 and 2.5.12)**

- *Budgetary Controls should be strengthened in all the Government Departments where savings/excesses persisted for last three 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.*

- *Reconciliation and verification of figures is an important tool. Failure to exercise/adhere to the manualised provisions and executive instructions not only facilitates misclassifications/misbookings of the figures but also frustrates the very objectives of budgetary process.*
- *Government should put in place an effective mechanism to ensure financial discipline and prepare realistic budget.*
- *Finance Department should ensure strict compliance of codal provisions as well as its own instructions to honour Public Finance Accountability norms.*
- *Savings are to be worked out before hand and surrendered before close of the financial year.*
- *Excess expenditure should be brought to the notice of the Finance Department in time for its timely regularization.*