

Chapter-II

Budgetary Control and Financial Management

2.1 Introduction

Budget making is a massive annual exercise for detailing the roadmap for efficient use of public resources. It is also a crucial tool for the financial management. While formulating State Budget, if due diligence is not given for ensuring a high level of preparedness, this could reduce the effectiveness of the Government in achieving the intended developmental goals for the year.

An attempt was made this year to examine and evaluate the budget documents of the State Government covering the period 2009-12. Further, the audit of Appropriation Accounts for the current year was carried out in accordance with the provisions of the Act. The findings of the audit are summarized in the succeeding paragraphs in addition to the outcome of Review of Grant No. 43.

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 comprising of (a) Revenue-having sections for 'Receipts Heads (Revenue Account)' and 'Expenditure Heads (Revenue Account)' (b) Capital, Public Debt, Loans consisting of sections for 'Receipt Heads (Capital Account)', 'Expenditure Heads (Capital Account)' and 'Public Debt', 'Loans and Advances'. No Money can be withdrawn from the Consolidated Fund without the authority of the Legislature and for this purpose necessary Demands for Grants are placed before the Legislature at the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 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 are included therein. The form of presentation shows separately the sums required to meet expenditure 'Charged' upon the Consolidated Fund of the State and the sums required to meet other expenditure for which vote of Legislature is required under Article 202(2) of the Constitution.

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 shown separately under 'Voted', 'Charged' and "General" and "Sixth Schedule (Part A) Areas", 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 2009-12 was carried out in June-August 2012 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 estimates for receipts and expenditures were need based and realistic;
- The basis on which estimates of receipts and expenditure under Consolidated Fund, Contingency Fund and Public Account were framed;
- The timeliness and effectiveness of the procedures for receipt of budget estimate of receipts and expenditure were ensured; and
- There was a mechanism for effective financial control and monitoring.

2.2.3 *Audit Criteria*

Audit findings were benchmarked against the following sources of 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 Rules of Executive Business, the duty of preparing budget estimates (Receipts & Expenditure) and revised estimates for obtaining the approval of the Legislature vests with the Finance Department. As soon as the departmental estimates and revised estimates are received, the Finance Department examines 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 estimates should be based upon a comparison of last three years' receipts.

The position of receipts in Revenue and Capital Account during 2009-12 is presented in **Table 2.1** below:

Table 2.1

(₹ 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
2009-10	24,485.16	19,884.49	4,600.67	18.79	3,381.93	2,223.15	1,158.78	34.26
2010-11	27,989.41	23,004.94	4,984.47	17.81	3,420.57	2,073.41	1,347.16	39.38
2011-12	32,844.11	27,455.40	5,388.71	16.41	4,155.46	973.70	3,181.76	76.57

Source: Memorandum of Budget Estimates and Finance Accounts

It is evident from the above table that the shortfall of receipt in Revenue Account ranged from 16.41 per cent to 18.79 per cent, while the shortfall of receipts in Capital Account ranged from 34.26 per cent to 76.57 per cent during 2009-12. The basis on which the provision of receipts in both Revenue Account and Capital Account was 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. Thus, a reliable method of forecasting revenues should be adopted for better planning of expenditure and recourse for 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 budget provision for expenditure and actuals there against under Revenue and Capital Account during the years 2009-12 based on the Annual Financial Statements and Finance and Appropriation Accounts of the respective years are presented in **Table 2.2** below:

Table 2.2

(₹ 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
2009-10	29,815.95	21,232.20	8,583.75	28.79	5,832.65	3,736.15	2,096.50	35.94
2010-11	33,246.21	22,951.82	10,294.39	30.96	4,476.93	2,995.15	1,481.78	33.10
2011-12	32,554.62	26,528.55	6,026.07	18.51	6,008.27	3,740.37	2,267.90	37.75

Source: Memorandum of Budget Estimates and Finance Accounts

It was seen from the table above that in all the three years there were overestimation of funds (savings) ranging from 18.51 per cent to 30.96 per cent under Revenue Account and 33.10 per cent to 37.75 per cent under Capital Account. The reasons for such huge savings were neither on record nor stated.

This was indicative of the fact that contrary to the prescribed budgetary regulations, estimation was made without proper analysis of actual needs both by the Finance Department and the Administrative Departments.

2.2.7 Estimates of receipts and expenditure under Consolidated Fund

The estimates of receipts and expenditure under Consolidated Fund for the years 2009-12 are presented in **Table 2.3** below:

Table 2.3

(₹ 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
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
2010-11	29,833.86	31,409.98	25,078.35	15.94	20.16	36,810.03	37,723.14	25,946.97	29.51	31.22
2011-12	36,892.68	36,999.57	28,429.10	22.94	23.16	37,173.02	38,562.89	30,268.92	18.57	21.51

Source: Memorandum of Budget Estimates and Finance Accounts

From the table above, it would be seen that there were shortfall of receipts over budget estimates ranging from 15.72 per cent to 22.94 per cent, whereas

the variation between revised estimates and actual ranged from 20.16 per cent to 23.16 per cent. Similarly, the shortfall of expenditure over budget estimates ranged from 18.57 per cent to 29.51 per cent, while the variation between revised estimates and the actual ranged from 21.51 per cent to 31.22 per cent. This indicated that realistic approach in framing estimates of receipts and expenditure was absent during 2009-12.

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 2009-12 are presented in **Table 2.4** below:

Table 2.4

Particular of Accounts	2009-10		2010-11		2011-12		Percentage of increase (+)/ decrease (-) over previous year		
	Revised Estimate	Actual	Revised Estimate	Actual	Revised Estimate	Actual	Revised Estimate		
							2010-11	2011-12	
1	2	3	4	5	6	7	8	9	
A. Receipts									
(a) Revenue a/c	24,485.16	19,884.49	27,989.41	23,004.94	32,844.11	27,455.40	14.31	17.34	
(b) Capital a/c	3,381.93	2,223.15	3,420.57	2,073.41	4,155.46	973.70	1.14	21.48	
I. Total Consolidated Fund	27,867.09	22,107.64	31,409.98	25,078.35	36,999.57	28,429.10	12.71	17.80	
II. Contingency Fund a/c	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
III. Public a/c	91,447.05	2,39,945.55	96,347.93	2,21,001.75	2,32,257.07	2,11,049.99	5.36	141.06	
Total - A	1,19,314.14	2,62,053.19	1,27,757.91	2,46,080.10	2,69,256.64	2,39,479.09	7.08	110.76	
B. Expenditure									
(a) Revenue a/c	29,815.95	21,232.20	33,246.21	22,951.82	32,554.62	26,528.55	11.50	(-) 2.08	
(b) Capital a/c	5,832.65	3,736.15	4,476.93	2,995.15	6,008.27	3,740.37	(-) 23.24	34.21	
I. Total Consolidated Fund	35,648.60	24,968.35	37,723.14	25,946.97	38,562.89	30,268.92	5.82	2.23	
II. Contingency Fund a/c	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
III. Public a/c	91,017.79	2,37,658.46	93,135.63	2,19,701.97	2,30,805.61	2,09,226.05	2.33	147.82	
Total - B	1,26,666.39	2,62,626.81	1,30,858.77	2,45,648.94	2,69,368.50	2,39,494.97	3.31	105.85	
Transaction balance (Receipts - Expenditures) Surplus (+) Deficits (-)									
(i) Revenue a/c	-5,330.79	-1,347.71	-5,256.80	53.12	289.49	926.85			
(ii) Capital a/c	-2,450.72	-1,513.00	-1,056.36	-921.74	-1,852.81	-2,766.67			
Consolidated Fund	-7,781.51	-2,860.71	-6,313.16	-868.62	-1,563.32	-1,839.82			
Public a/c	429.26	2,287.09	3,212.30	1,299.78	1,451.46	1,823.94			
Total (A-B)	-7,352.25	-573.62	-3,100.86	431.16	-111.86	-15.88			
Opening balance	-830.79	-830.79	-1,404.41	-1,404.41	-973.25	-973.25			
Closing balance	-8,183.04	-1,404.41	-4,505.27	-973.25	-1,085.11	-989.13			

Source: Annual Financial Statement.

(1) Variations in transactions under Budgetary Provisions

(a) Receipts and Expenditure under Consolidated Fund

The budgeted receipt under Consolidated Fund increased from 12.71 *per cent* in 2010-11 to 17.80 *per cent* in 2011-12 due to increase in budgetary provision under revenue receipt (from 14.31 *per cent* in 2010-11 to 17.34 *per cent* in 2011-12) and capital receipts (from 1.14 *per cent* in 2010-11 to 21.48 *per cent* in 2011-12). At the same time the budgeted expenditure under Consolidated Fund decreased from 5.82 *per cent* in 2010-11 to 2.23 *per cent* in 2011-12 due to decrease in budgetary provisions under revenue expenditure (from 11.50 *per cent* in 2010-11 to (-) 2.08 *per cent* in 2011-12).

(b) Receipts and Expenditure under Public Account

The expected growth in receipt of Public Account increased from 5.36 *per cent* in 2010-11 to 141.06 *per cent* in 2011-12, while the expected expenditure under Public Account grew from 2.33 *per cent* in 2010-11 to 147.82 *per cent* in 2011-12.

(2) Transaction balances under budgetary provisions and actual transactions

(a) Consolidated Fund

The cash balance provisions under Consolidated Fund decreased from (-) ₹6,313.16 crore in 2010-11 to (-) ₹1,563.32 crore in 2011-12 due to huge provisions kept under revenue expenditure and capital expenditure compared to the expected receipts under Revenue Account and Capital Account in 2011-12.

(b) Public Account

Due to increased receipt over expenditure under Public Account during 2011-12 the cash balance under Public Account provisions depicted a surplus balance though decreased from ₹3,212.30 crore in 2010-11 to ₹1,451.46 crore in 2011-12.

2.2.9 Non-maintenance of budget calendar and delay in submission of budget estimates

As per paragraph 6 of the Budget Manual, it is essential that the time table prescribed in Appendix 'C' should be strictly adhered to in order to lay the estimates before the Legislature on the due date duly considered by the Administrative Department and the Finance Department. The Register of Budget Calendar, Issue Register of Blank Forms to Controlling Officers for distribution to the Estimating Officers and also Inward Register, showing entries of receipt of BE 2011-12 could not be produced to Audit for reasons not stated.

According to Budget Calendar, the budget estimates of receipts and expenditures for the coming (next) year and Revised estimates for the current year are to be furnished to the Finance Department by 15 October each year. The total number of Controlling Officers from whom the budget estimates (2011-12) were received could not be stated. Test-check of budget estimates of 96 Controlling Officers revealed that most of the budget estimates for the year 2011-12 were received belatedly against the stipulated date of 15 October 2010 as depicted in **Table 2.5** below:

Table 2.5

Sl No.	Period of receipt	Number of Budget Estimates received			Percentage of receipts	Delay (Number of days)
		Sixth Schedule areas	General Areas	Total		
1	Up to 15-10-2010	3	3	6	6.25	Nil
2	16-10-2010 to 30-11-2010	7	7	14	14.58	4 to 46
3	01-12-2010 to 31-12-2010	14	28	42	43.75	47 to 77
4	01-01-2011 to 31-03-11	15	-	15	15.63	78 to 167
5	After 01-04-2011	8	11	19	19.79	More then 167 days
Total		47	49	96		

Source: Records of Finance Department

It could be seen from the above table that only six out of 96 test-checked budget estimates, 2011-12 were received within the stipulated date of 15 October 2010. The delay in submission ranged from four to 46 days in respect of 14 budget estimates, 47 to 77 days in respect of 42 budget estimates and 78 to more than 167 days in respect of 34 budget estimates.

The reasons for non-maintenance of Budget Calendar and non-receipt of budget estimates within the scheduled date were stated to be due to delay in receipt of budget proposals despite repeated persuasions.

2.2.10 Preparation and submission of estimate of revenue and receipts

Test-check of consolidated estimate of revenue and receipts for 2011-12 submitted by different Controlling Officers to the Finance Department revealed that the estimates were not supported by the details of (i) expected amount to be realized within the year with arrear of previous years and (ii) advance collection for coming years etc., as required under provision of Para 28 of Assam Budget Manual.

Apart from above, no revised estimates of revenue and receipts for current year was found prepared and submitted by any of the Controlling Officers for reasons not on record.

The preparation of budget estimates of revenue and receipts for 2011-12 was not supported by required details and cannot be considered as realistic.

2.2.11 Non-submission of revised estimates

Under the provisions of Para 16, 50, 51 & 52 of Assam Budget Manual and as per the instructions of Finance Department for preparation of realistic budget, the Controlling Officers are required to submit the revised estimates for the current year in the prescribed forms of estimates after carefully assessing any likely increase or shortfall in realization of receipt and any savings or likely additional expenditure that may have to be incurred by resorting to Contingent Fund advance or Supplementary Demands.

Scrutiny of relevant records maintained by the Finance Department revealed that contrary to these provisions, no Revised Estimates for 2011-12 was received from any of the Controlling Officers for reasons not on record contributing to preparation and submission of unrealistic budget estimates.

2.2.12 Budgetary control/Monitoring

Under the provision of Para 152(I) of Budget Manual, a statement/return in the prescribed format should be submitted twice a year to reach the Finance Department, once by 25th November and again by 1st January at the latest for making assessment of the progress of expenditure. The first statement should be based on the previous seven months' actuals and the second on eight months' actuals, specifying the reasons for anticipated savings and excesses of expenditure over the sanctioned budget grant under each head. These returns would enable Finance Department to consider adjustment of budgetary provisions and additional financial implication, if any. No such statement/return was found to be received in the Finance Department during 2011-12 as the Controlling Officers/Heads of department did not furnish these returns.

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 step to contain the trend of shortcomings like excess expenditure, persistent savings etc.

2.2.13 Poor verification of departmental figures

According to the provisions of Para 143-145 of Budget Manual and executive instructions made there under departmental figures of expenditure are to be reconciled with the figures booked in the records of the Principal Accountant General (PAG), (A&E) quarterly for which procedure was clearly brought out.

It was, however, ascertained from the records of PAG (A&E), Assam that out of 44 Controlling Officers (COs), only 31 COs reconciled the departmental

expenditure figures during the year 2010-11 and 2011-12 with those booked by the PAG (A&E), Assam within the stipulated time frame.

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

The fact of non-reconciliation of figures by certain departments was admitted by the Government and it was assured that the matter would be taken up with the defaulting departments to avoid recurrence of such instances in future.

2.2.14 Over estimation of grants

Scrutiny of Appropriation Accounts revealed that there were over estimation (savings exceeding 30 per cent of the budget provisions) in respect of 31 to 50 grants under Revenue Account and 19 to 25 grants under Capital Account during the years 2009-12 (detailed in *Appendix 2.1 and 2.2*). The percentage of savings during 2009-12 *vis-à-vis* budget provisions and actual expenditure is depicted in **Table 2.6** below:

Table 2.6

(₹ in crore)						
Name of Account	Year	No. of Grants	Total Budget provision	Total expenditure	Savings	Percentage of Savings
Revenue Account	2009-10	31	10,585.36	4,574.73	6,010.63	56.78
	2010-11	50	12,164.75	5,370.86	6,793.89	55.85
	2011-12	39	5,754.52	2,732.84	3,021.68	52.51
Capital Account	2009-10	19	4,827.27	1,963.25	2,864.02	59.33
	2010-11	25	4,031.60	1,556.10	2,475.50	61.40
	2011-12	22	5,026.43	2,136.46	2,889.97	57.50

Source: Appropriation Accounts

It is seen from the above table that there were huge savings against budget provisions approved for the years 2009-10 to 2011-12. The savings ranged from ₹3,021.68 crore to ₹6,793.89 crore in the Revenue Account, while the savings under Capital Account ranged from ₹2,475.50 crore to ₹2,889.97 crore. The poor verification of departmental figures with PAG (A&E) and furnishing such information to Finance Department by the Administrative Departments also contributed to a great extent in decision making related to control/sanction of expenditure.

The huge savings indicated over estimation of provisions which were made without assessing the actual requirement.

2.2.15 Non-surrender of anticipated savings

According to the provisions of Para 10 and 152 (iii) of Assam Budget Manual the spending departments are required to surrender the grants/appropriations

or portion thereof to the Finance Department as and when the savings are anticipated and latest by 15 March.

Test-check of surrender of savings statement 2011-12 submitted by different Controlling Officers revealed that contrary to this manualised provision, in most of the cases statement of savings were submitted to Finance Department after closure of the financial year. A few cases are highlighted in **Appendix 2.3** where savings of ₹213.48 crore against the budget provision of ₹841.07 crore was communicated to Finance Department after closure of the financial year 2011-12 by 16 Controlling Officers.

Thus, for non-submission of surrender of savings statement in time, the surrender of savings for ₹213.48 crore by 16 Controlling Officers became useless and lapsed. The fact was admitted by the Government and assured to take necessary action in this regard.

2.2.16 Non-utilisation of budget provisions

Scrutiny of Appropriation Accounts for 2009-12 revealed that the budget provisions made in respect of certain grants during those years were neither utilized nor surrendered (detailed in **Appendix 2.4**).

The provision of funds that could neither be utilized nor surrendered during the period 2009-12 (both under Revenue and Capital Account) is also depicted in **Table 2.7** below:

Table 2.7

(₹ in crore)

Name of account	2009-10		2010-11		2011-12	
	Nos. of Grant	Budget provision	Nos. of Grant	Budget provision	Nos. of Grant	Budget provision
Revenue account	4	7.97	7	2.08	7	6.41
Capital Account	3	0.92	8	38.98	3	0.50
Total	7	8.89	15	41.06	10	6.91

Source: Appropriation Accounts

It appears from the above table that the budgetary allocations under seven grants involving ₹8.89 crore in 2009-10, 15 grants involving ₹41.06 crore in 2010-11 and 10 grants involving ₹6.91 crore in 2011-12 were neither utilized nor surrendered. This is indicative of lack of financial controls *vis-à-vis* preparation of budget without actual requirement.

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

2.2.17 Excess expenditure over budget provisions

Para 7 of the Budget Manual envisages that no expenditure, which has not been provided for in the budget estimates 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 and that the expenditure is not a new expenditure.

Test-check of records, however, revealed that huge excess expenditure was incurred against two to five grants/appropriations under Revenue Account and one to three grants/appropriations under Capital Account during the years 2009-12 (detailed in *Appendix 2.5 and 2.6*). The percentage of excess expenditure over budget provision during 2009-12 (both under Revenue and Capital Account) is also depicted in **Table 2.8** below:

Table 2.8

(₹ in crore)						
Name of Account	Year	Number of Grants/ Appropriations	Total Budget provision	Total expenditure	Excess expenditure	Percentage of excess expenditure
Revenue Account	2009-10	3	96.25	117.08	20.83	21.64
	2010-11	2	12.13	16.40	4.27	35.20
	2011-12	5	2462.88	3241.10	778.22	31.60
Capital Account	2009-10	3	21.07	28.11	7.04	33.41
	2010-11	Nil	Nil	Nil	Nil	Nil
	2011-12	1	81.00	216.06	135.06	166.74
Total		14	2,673.33	3,618.75	945.42	

Source: Appropriation Accounts.

It is observed from the above table that there was huge excess expenditure over approved budget provisions, which ranged from ₹4.27 crore to ₹778.22 crore in Revenue Account, while the excess expenditure in Capital Account ranged from ₹7.04 crore to ₹135.06 crore during 2009-10 to 2011-12. 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 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 budget provisions, however, were not stated to audit.

2.2.18 Expenditure without provision

According to Para 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 ₹1.87 crore was incurred during 2011-12 as depicted in **Table 2.9** below without any budget provisions and re-appropriation orders.

Table 2.9

Year	Grant No.	Revenue/Capital Account	Voted/Charged	Budget provision		Actual expenditure
				BE	RE	
				2011-12	63	Capital

(₹ in crore)

Source: Appropriation Accounts

Expenditure without provision indicated defective budgeting due to non-estimation of requirements and non-provision of funds in the demand for grants, which was thus, irregular and unauthorised.

Reasons for incurring expenditure without provisions in the budget were not be found on records.

2.2.19 Persistent savings

Test-check of records revealed that during the last three years (2009-10 to 2011-12) in 21 cases (in 20 grants) there were persistent savings in excess of 30 per cent of the total provision. The details of savings in excess of 30 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 point towards lack of financial control and monitoring by the Finance Department.

2.2.20 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 2009-12 are presented in **Table 2.10** and **Table 2.11** below:

Table 2.10

(Social Services)

(₹ in crore)

Year	Revised Estimate			Percentage to total provision		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
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
2010-11	4805.72	7640.56	12446.28	38.61	61.39	3106.54	7052.44	10158.98	30.58	69.42	1699.18	35.36	588.12	7.70
2011-12	5513.99	7029.04	12543.03	43.96	56.04	4063.43	7402.35	11465.78	35.44	64.56	1450.56	26.31	-373.31	5.31
Total	13706.80	21143.63	34850.43	39.33	60.67	9388.49	20779.48	30167.97	31.12	68.88	4318.31	31.50	364.15	1.72

Source: Memorandum of Budget Estimates and Finance Accounts

It would be evident from the above table that during the years 2009-12 against Social Services the total target of Plan and Non-Plan provisions were set at ₹13,706.80 crore and ₹21,143.63 crore at the ratio of 39.33 per cent and 60.67 per cent of the total provisions respectively in the annual budget for the years. However, the actual expenditure made there against under Plan and Non-Plan was for ₹9,388.49 crore and ₹20,779.48 crore at the ratio of 31.12 per cent and 68.88 per cent of the total expenditure respectively during the period.

This revealed that achievement both in Plan and Non-Plan funds could not get closer to the target with respect to the provisions made in the budget. While the overall shortfall over the expectation (provisions) under Plan fund was ₹4,318.31 crore at 31.50 per cent, the shortfall over expectation under Non-Plan fund was ₹364.15 crore at only 1.72 per cent during the years.

Table 2.11
(Economic Services)

(₹ in crore)

Year	Revised Estimate			Percentage to total provision		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
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
2010-11	3509.20	3584.06	7093.26	49.47	50.53	1914.33	2754.53	4668.86	41.00	59.00	1594.87	45.45	829.53	23.14
2011-12	3245.08	3116.47	6361.55	51.01	48.99	1920.12	2743.15	4663.27	41.18	58.82	1324.96	40.83	373.32	11.98
Total	9299.27	8883.32	18182.59	51.14	48.86	5739.96	7351.69	13091.65	43.84	56.16	3559.31	38.28	1531.63	17.24

Source: Memorandum of Budget Estimates and Finance Accounts

In Economic Services it is seen that while the achievement in Plan fund during the years from 2009-10 to 2011-12 was much lower (43.84 per cent) than the target (51.14 per cent), the achievement in the Non-Plan fund (56.16 per cent) exceeded the target (48.86 per cent). Similarly, while the overall shortfall over the expectation (provisions) under the Plan fund was 38.28 per cent, the shortfall over expectation under Non-Plan fund was 17.24 per cent during these years.

The above positions indicated that adequate attention was not given by the State Government towards implementation of Plan schemes of Social Services and Economic Services in comparison to the achievement made under Non-Plan schemes basically meant for payment of salary and office expenses.

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

2.2.21 Budget commitment

Some of the commitments made by the Minister of Finance, Government of Assam, while delivering the Budget speech for the year 2011-12 and their

achievement as was seen on test-check of records and from information furnished by the concerned departments are presented in **Table 2.12** below:

Table 2.12

(₹ in crore)

Grant No.	Department	Purpose	Commitment given for providing the amount	Total Grant	Expenditure	Excess (+) Saving (-)	Percentage of financial progress
1	2	3	4	5	6	7	8
14	Home	Construction of one Regional Forensic Laboratory	Not specified	0.00	0.00	0.00	-
		Construction of the Counter Insurgency and Jungle Warfare School	Not specified	1.65	1.17	(-) 0.48	71
		Construction of one Kendriya Vidyalaya at PTC Dergaon	Not specified	0.00	0.00	0.00	-
16	Stationery and Printing	Establishment of three mini Government Presses at Lakhimpur, Kokrajhar and Dhubri	Not specified	0.00	0.00	0.00	-
18	Home	Opening of 15 new Fire Service Stations	Not specified	21.40	12.05	(-) 9.35	56
26	Education (Higher)	Set up of 12 New Model Degree Colleges in the 12 Districts under the state of Assam (for next three years)	96.00	6.21	6.00	(-) 0.21	97
26	Education (Technical)	Establishment of 21 New Polytechnic (for next three years)	252.00	0.21	0.21	0.00	100
27	Art and Culture	Set up a State Central Library at Guwahati	Not specified	0.00	0.00	0.00	-
		Preservation of Satras in Majuli	5.00	0.00	0.00	0.00	-
42	Welfare of Minority Development	For removing the educational and socio economic disadvantages of the minority community of the Char Areas	40.00	40.00	3.23	(-) 36.77	8
52	Animal Husbandry and Veterinary	Construction of 80 veterinary hospitals and sub-centers	Not specified	27.67	16.34	(-) 11.33	59
58	Industries and Commerce	Development and Welfare of Small Tea Growers (Cess Utilisation Policy)	15.00	15.00	15.00	0.00	100
		Industry oriented training centers covering all the blocks for imparting training in various employable trades	Not specified	10.00	10.00	0.00	100
76 & 77	Hill Areas	Establishment of Assam Hills Engineering College	Not specified	0.00	0.00	0.00	-
		Establishment of Assam Hills University	Not specified	0.00	0.00	0.00	-
Total:				122.14	64.00	(-) 58.14	52

It would be seen from the table above that no fund was provided against the following component of the respective grant as committed in the budget speech:

- i) Construction of one Regional Forensic Laboratory,
- ii) Construction of one Kendriya Vidyalaya at PTC Dergaon,
- iii) Establishment of three mini Government Presses at Lakhimpur, Kokrajhar and Dhubri,

- iv) Setting up a State Central Library at Guwahati,
- v) Preservation of Sattras in Majuli,
- vi) Establishment of Assam Hills Engineering College,
- vii) Establishment of Assam Hill University.

The progress of financial achievement on other components ranged from eight *per cent* to 100 *per cent*.

It was, thus, observed that the commitments were partially materialized during the year 2011-12. Comments of the Finance Department as per commitments made in budget speech on the above proposals were not furnished.

2.2.22 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 Development (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 lives. Access to education, employment, health care, sanitation and drinking water are considered to be the five pillars of women empowerment. All these activities need outlays specifically earmarked for women in the budget to be utilized for women specific programmes/schemes.

Test-check of records revealed that during the financial year 2010-11 Government of Assam prepared Gender Budget against eight Departments¹ involving an amount of ₹225.88 crore and during the financial year 2011-12 against seven Departments² involving an amount of ₹254.01 crore. However, no plan and estimates of the departments on the basis of which Gender budget was prepared and the performance report, if any, prepared there against could be produced to Audit. Moreover, the performance report of the schemes for

¹ (i) Education (Elementary, Secondary and Higher), (ii) Food, Civil Supplies and Consumer Affairs, (iii) Handloom & Textile, (iv) Health and Family Welfare, (v) Labour and Employment, (vi) Home (Police), (vii) Sericulture and (viii) Social Welfare.

² (i) Education (Elementary and Secondary), (ii) Excise, (iii) Handloom & Textile, (iv) Health & Family Welfare, (v) Home (Police), (vi) Sericulture and (vii) Social Welfare.

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 2010-11 was not incorporated in the Gender Budget of 2011-12 as no performance report was submitted by the concerned departments.

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

2.2.23 Outcome budget

The Government of Assam has 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 records revealed that during the financial year 2011-12 the State Government prepared Outcome budget of ₹13.75 crore involving only three departments³. However, no plan and estimates of the departments on the basis of which Outcome budget was prepared could be made available to Audit (June 2012). Thus, it could not be ascertained whether the prescribed provisions of the guidelines were followed during preparation of the Outcome budget.

Besides, the performance of Outcome budget for the year 2010-11 should have been reflected in the Outcome budget of 2011-12 for its presentation before the Legislature, but the same was neither incorporated in the Outcome budget of 2011-12 nor any performance report/return for the year 2010-11 could be made available to Audit as performance reports of outcome budget were not received from the concerned departments. Thus, it is apparent that the very purpose of Outcome budget has not been achieved.

2.2.24 Conclusion and Recommendations

The estimates of receipts and expenditure under Consolidated Fund and Public Account were prepared without adequate diligence in observing prescribed budgetary processes and regulations.

Non-maintenance of budget calendar, non-reconciliation of departmental figures etc., indicate inadequate financial control. Besides, failure to exercise control mechanism resulted in non-utilisation of budget provisions, huge excess expenditure over budgetary allocation, expenditure without provisions and persistent savings etc.

(Paras-2.2.9, 2.2.13, 2.2.16, 2.2.17, 2.2.18 and 2.2.19)

³ (i) Education (Elementary, Secondary and SCERT), (ii) Power and (iii) Urban Development

The excess of expenditure over grant/appropriation for ₹32.14 crore for the years 2009-10 (₹27.87 crore) and 2010-11 (₹4.27 crore) is yet to be regularized by the Legislature.

(Para-2.2.17)

Out of 44 Controlling Officers (COs), only 31 COs reconciled the departmental expenditure figures during the year 2010-11 and 2011-12 with those booked by the PAG (A&E), Assam within the stipulated time frame.

(Para-2.2.13)

- *Government should put in place an effective mechanism to ensure financial discipline and to prepare realistic budget estimates.*
- *Finance Department should ensure strict compliance of codal provisions as well as its own instructions to honour Public Finance Accountability norms.*
- *Excess expenditure should be brought to the notice of the Finance Department for its timely regularization.*

2.3 Audit of Appropriation Accounts for the current year

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 'Charged Appropriations' 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.

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.

2.3.1 Summary of Appropriation Accounts

The summarized position of actual expenditure during 2011-12 against 81 Grants/Appropriations (78 Grants and three Appropriations) is indicated in **Table 2.13**.

Table 2.13: Summarized position of Actual Expenditure vis-à-vis Original/Supplementary provisions

(₹ in crore)						
Voted/ Charged	Nature of Expenditure	Original grant/ appro- priation	Supplemen- tary grant/ appropriation	Total	Actual expenditure	Saving (-)/ Excess (+)
Voted	I Revenue	29,332.86	1,312.98	30,645.84	24,275.41	(-) 6,370.43
	II Capital	4,500.60	747.16	5,247.76	2,504.14	(-) 2,743.62
	III Loans & Advances	121.56	3.05	124.61	88.28	(-) 36.33
Total Voted		33,955.02	2,063.19	36,018.21	26,867.83	(-) 9,150.38
Charged	IV Revenue	2,291.61	7.79	2,299.40	2,253.37	(-) 46.03
	V Capital	-	-	-	1.86	(+) 1.86
	VI Public Debt Repayment	934.22	230.86	1,165.08	1,146.09	(-) 18.99
Total Charged		3,225.83	238.65	3,464.48	3,401.32	(-) 63.16
Appropriation to Contingency Fund (if any)		-	-	-	-	-
Grand Total		37,180.85	2,301.84	39,482.69	30,269.15	(-) 9,213.54

The overall savings of ₹9,213.54 crore was the result of total saving of ₹10,128.68 crore in 73 grants and 15 appropriations under Revenue Section, and 30 grants and one appropriation under Capital Section, offset by excess of ₹915.14 crore in five grants under Revenue Section and two grants under Capital Section.

Appropriation Accounts 2011-12 included 78 Grants and three Appropriations. The reasons for savings/excess were called for by the Principal Accountant General (A&E) in respect of 1,781 sub-heads/sub sub-heads. Out of 1,781 sub-heads/sub sub-heads, explanations for variations were received for 14 sub-heads/sub sub-heads within the specified period, of which explanations for variations for four sub-heads/sub sub-heads though received within the specified period were either incomplete or unspecific. Thus, out of 1,781 sub-heads/sub sub-heads, explanations for variations were not received (October 2012) in respect of 1,767 sub-heads/sub sub-heads.

2.3.2 Appropriation vis-à-vis Allocative Priorities

The outcome of the appropriation audit reveals that in 41 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 ₹10,128.68 crore, savings of ₹9,143.50 crore, (90.27 per cent) were in 37 cases relating to 34 grants where savings were ₹50 crore and above in each case as indicated in *Appendix 2.9*. Reasons for savings were awaited (October 2012).

2.3.3 Excess Expenditure

In five cases, expenditure of ₹3,456.14 crore exceeded the approved provisions by ₹913.22 crore and also by more than 20 per cent of the total provisions. Details are given in *Appendix 2.10*.

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 ₹596.38 crore was incurred in 88 cases as depicted in *Appendix 2.11* without any provision in the original estimates/supplementary demand and without issue of any re-appropriation order(s) to this effect. Significant cases of such expenditure are also given in **Table 2.14**.

Table 2.14: Expenditure incurred without Provision during 2011-12

				(₹ in crore)
Sl No.	Grant No./ Appropriation	Major Head of Accounts-Sub-Head-Detailed Head		Expenditure without provision
1	11	3451-1421-718	Untied Fund	73.80
2	14	2055-0446	Armed Police Battalion, Sixth Schedule (Pt. I) Areas	21.18
3	44	4552-5348	Non-Lapsable Central Pool of Resource (NLCPR), General	25.98
4	63	4711-4078-221	AIFRERMA, General	50.00
4	73	2217-800	Other Expenditure, General	57.37
5	78	4702-0160	Flow Irrigation, Sixth Schedule (Pl. I) Areas	90.00
6	78	5054-337	Road Works, Sixth Schedule (Pt. I) Areas	65.86

Thus, the expenditure so incurred by the respective departments was unauthorized, irregular and against the spirit of financial regulations.

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 2.12* the amount of ₹666.07 crore drawn at the end of the year was 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 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 117th 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 total excess expenditure amounting to ₹2,365.94 crore for the years 2002-03 to 2010-11 was yet to be regularized (March 2012) as detailed in **Appendix 2.13**. The year-wise amount of excess expenditure pending regularization for grants/appropriations is summarized in **Table 2.15**.

Table 2.15: 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 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.
2008-09	6	2	108.40	Not yet discussed by PAC.
2009-10	6	-	27.87	Not yet discussed by PAC.
2010-11	2	-	4.27	Not yet discussed by PAC.
Total	43	23	2,365.94	

2.3.7 Excess over provisions during 2011-12 requiring regularization

Table 2.16 contains the summary of total excess expenditure in seven grants amounting to ₹915.14 crore incurred over authorization from the Consolidated Fund of State (CFS) during 2011-12.

Table 2.16: Excess over provisions during 2011-12 requiring regularization

(₹ in crore)

Sl No.	Number and title of Grants/ Appropriations	Total Grants/ Appropriation	Expenditure	Excess
1	12-District Administration (Revenue Charged)	0.31	2.89	2.58
2	22-Administrative Training (Revenue Voted)	6.77	8.67	1.90
3	23-Pension and Other Retirement Benefits (Revenue Voted)	2410.76	3123.73	712.97
4	47-Trade Adviser (Revenue Voted)	0.96	1.01	0.05
5	62-Power (Electricity) (Revenue Voted)	44.08	104.79	60.71
6	63-Water Resources (Capital Charged)	-	1.87	1.87
7	78-Welfare of Plain Tribes & Backward Classes (B.T.C.) (Capital Voted)	81.00	216.06	135.06
Total		2543.88	3459.02	915.14

The excess expenditure requires regularization under Article 205 of the Constitution.

2.3.8 Unnecessary supplementary provision

Supplementary provision aggregating ₹1,702.94 crore obtained in 56 cases, amounting ₹10 lakh or more in each case, during the year proved unnecessary as the expenditure under the respective heads was even less than the original budget provisions as detailed in *Appendix 2.14*.

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 and resulted in savings of over ₹10 lakh in four sub-heads. Out of four sub-heads the savings in two sub-heads were more than ₹ two crore as detailed in *Appendix 2.15 (A)*. Moreover, the re-appropriation also proved unnecessary and resulted in savings of over ₹10 lakh in 15 sub heads of which the savings were more than ₹ two crore in eight sub-heads as detailed in *Appendix 2.15 (B)*.

Thus, substantial savings of more than ₹ two crore registered in 10 cases, where the re-appropriation was made, indicate that the funds could not be spent as estimated and planned under the respective heads.

2.3.10 Substantial surrenders

Substantial surrenders (sum exceeding ₹25 lakh in each case) were made in respect of 13 sub-heads on account of either non-implementation or slow implementation of schemes/programmes. Out of the total provision amounting to ₹192.93 crore in these 13 schemes, ₹36.44 crore (19 per cent) was surrendered. The details of these 13 schemes are given in *Appendix 2.16*.

In 14 cases surrender exceeding ₹10 crore was made on 30th and 31st March 2012. The details of such cases are given in **Table 2.17** below.

Table 2.17: Cases of surrender in excess of ₹10 crore on 30th and 31st March 2012

(₹ in crore)					
Sl No.	Number and Name of Grant	Major Head	Budget Provision	Surrender	Percentage of surrender to total provision
1	2	3	4	5	6
1	1- State Legislature	4217	37.81	17.40	46.02
2	4- Elections	2015	83.17	14.95	17.98
3	11- Secretariat and Attached Offices	2052	1391.52	119.25	8.57
4	13- Treasury and Accounts Administration	2054	96.48	17.40	18.03
5	30- Water Supply and Sanitation	2215	294.63	12.15	4.12

1	2	3	4	5	6
6	31- Urban Development (Town & Country Planning)	2217	169.78	107.11	63.09
7	37- Food Storage, Warehousing & Civil Supplies	2408	132.33	104.73	79.14
8	49- Irrigation	4702	387.46	14.94	3.86
9	50- Other Special Areas Programmes	2575	113.40	78.25	69.00
10	56- Rural Development (Panchayat)	2515	550.77	51.77	9.40
11	57- Rural Development	2501	512.41	194.85	38.03
12	60- Cottage Industries	4851	16.60	16.43	98.98
13	72- Relief & Rehabilitation	2235	42.45	28.04	66.05
14	75- Information Technology	4859	29.30	14.34	48.94

Thus, surrender of funds at the end of March 2012 indicates inadequate financial control by the respective department. Had these been surrendered in time, the funds could have been utilised for other development purposes in the needy areas.

2.3.11 Surrender in excess of actual saving

In two cases, the amount surrendered (₹50 lakh or more) was in excess of actual savings indicating lack of budgetary control. As against savings of ₹66.06 crore, the amount surrendered was ₹68.10 crore resulting in excess surrender of ₹2.04 crore. Details are given in **Appendix 2.17**. Reasons for surrender in excess of savings were awaited (October 2012).

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 2011-12, there were, however, 48 grants/appropriations in which savings registered but surrenders were not made by the concerned departments. The amount involved in these cases was ₹5,657.87 crore (61.41 per cent of the overall savings) (**Appendix 2.18**).

Similarly, out of total savings of ₹3,795.71 crore under 27 other grants (saving of ₹ one crore and above was registered in each grant) ₹3,203.96 crore (84.41 per cent) were not surrendered, details of which are given in **Appendix 2.19**.

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 27 major heads listed in **Appendix 2.20**, expenditure exceeding ₹10 crore and also more than 50 per cent of the total expenditure for the year was incurred in March 2012. **Table 2.18** also presents the major heads where more than 80 per cent expenditure was incurred during the last month of the financial year.

Table 2.18: Cases of rush of expenditure towards the end of the financial year 2011-12

(₹ in crore)

Sl No.	Major Head	Total expenditure during the year	Expenditure during March 2012	
			Amount	Percentage of total expenditure
1	2052- Secretariat and Attached Offices	1023.55	968.99	94.67
2	2070- Social Services	32.48	32.18	99.08
3	4408- Co-operation	15.50	15.50	100
4	2852- Industries	72.33	67.74	93.65
5	4801- Power (Electricity)	117.17	112.17	95.73
6	5452- Tourism	30.11	30.11	100
7	3425- Scientific Services and Research	13.02	12.31	94.55
8	4859- Information Technology	14.96	14.76	98.66
9	6217- Urban Development (Municipal Administration Department)	10.13	10.13	100

For a sound financial management, uniform pace of expenditure should be maintained. Thus, contrary to the spirit of financial regulation, a substantial amount incurred by the department at the end of the year is indicative of poor financial control over the expenditure.

2.3.14 Pendency in submission of Detailed Countersigned Contingent Bills against Abstract Contingent Bills

The Contingency Manual of the Government of 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 2nd of the following month. The Controlling Officer shall dispatch all Detailed Countersigned Contingent (DCC) bills to the Principal Accountant General (A&E) by 25th of the following month. The Treasury Officers should ensure that no payment is made after the 10th 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 was only ₹316.93 crore against the amount of AC bills of ₹2,072.78 crore leading to an outstanding balance of DCC bills of ₹1,755.85 crore as on 31 March 2012. Year-wise details are given in **Table 2.19** below:

Table 2.19: Pendency in submission of DCC bills against AC bills

(₹ in crore)

Year	Amount of AC bills	Amount of DCC bills	DCC bills received as percentage to AC bills	Outstanding DCC bills
Upto 2007-08	809.97	204.87	25.29	605.10
2008-09 to 2009-10	738.26	43.86	5.94	694.40
2010-11	227.15	67.63	29.77	159.52
2011-12	297.40	0.57	0.19	296.83
Total	2,072.78	316.93	15.29	1,755.85

Department-wise pending DCC bills for the years up to 2011-12 are detailed in **Appendix 2.21**.

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

2.3.15 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 Principal Accountant General (A&E). 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 2011-12 also. During 2011-12, out of 44 Controlling Officers (COs), 31 COs carried out full reconciliation of their expenditure up to March 2012. Of the remaining 13 COs, 12 COs did not reconcile the figures at all and one CO carried out partial reconciliation.

Reconciliation and verification of figures is an important tool of financial management. Failure to exercise/adhere to the codal provisions and executive instructions not only facilitates misclassifications of the expenditure but also defeat the very objectives of budgetary process.

Thus, there is a need to impress upon the COs to reconcile their expenditure regularly to ensure correctness of the accounts.

2.3.16 Personal Deposit Accounts

The operations of Personal Deposit Accounts (PDA) 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 PDA remains operative for a financial year *i.e.*, 1 April to 31 March and is required to be closed at the end of the financial year and if needed, PDA may be re-opened next year by observing the usual procedure.

Information obtained from Principal Accountant General (A&E), Assam regarding operation/closure of PDA during 2011-12 revealed that 52 PD Accounts involving ₹26.55 crore were operative at the start of the year *i.e.*, 1 April 2011. During 2011-12, PD Accounts were neither opened nor closed. However, an amount of ₹9.72 crore was transferred to Government account during the year. Thus, 52 PD Accounts involving ₹16.83 crore remained operative as on 31 March 2012, violating provisions in this regard by the concerned departments.

Also, the Departmental officers had not conducted verification/reconciliation of the balances with those maintained by the office of the Principal Accountant General (A&E).

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

2.3.17 Conclusion and Recommendations

During 2011-12, expenditure of ₹30,269.15 crore was incurred against the total grants and appropriations of ₹39,482.69 crore, resulting in a savings of ₹9,213.54 crore. The overall saving was the net result of saving of ₹10,128.68 crore offset by excess of ₹915.14 crore. The excess requires regularization under Article 205 of the Constitution of India. At the close of the year 2011-12, there were 48 grants/ appropriations in which savings of ₹5,657.87 crore (61.41 per cent of the overall savings) occurred but no surrenders were made by the concerned departments.

(Paras-2.3.1, 2.3.7 and 2.3.12)

Out of the total provisions amounting to ₹192.93 crore in 13 schemes, ₹36.44 crore (19 per cent) was surrendered (sum exceeding ₹25 lakh in each case).

(Para-2.3.10)

In two cases, as against savings of ₹66.06 crore, the amount surrendered was ₹68.10 crore (₹50 lakh or more in each case) resulting in excess surrender of ₹2.04 crore. Injudicious re-appropriation proved excessive or unnecessary and resulted in saving/excess of over ₹10 lakh in 19 sub-heads. Rush of expenditure was noticed in respect of 27 Major heads, where expenditure exceeding ₹10 crore and also more than 50 per cent of the total expenditure for the year was incurred in the month of March 2012.

(Paras-2.3.11, 2.3.9 and 2.3.13)

Funds amounting to ₹666.07 crore drawn at the end of the year were deposited into the head of account '8443-Civil Deposit' to avoid lapse of budget grant, which indicates lack of legislative control. Besides, funds amounting to ₹16.83 crore meant for developmental works were parked in Personal Deposit Accounts without undertaking the work for which these were sanctioned and released.

(Paras-2.3.5 and 2.3.16)

- *Parking of funds in the Personal Deposit Accounts to avoid lapse of budget, is fraught with the risk of misuse of funds and therefore, needs to be avoided.*
- *Expenditure should be planned in advance and incurred uniformly throughout the year to avoid rush of expenditure at the end of the financial year.*

- *Reconciliation and verification of figures is an important tool. Failure to exercise/adhere to the manualised provisions and executive instructions not only facilitates misclassifications of the expenditure but also leads to defeat the very objectives of budgetary process. Thus, steps are needed to be taken up to ensure reconciliation of accounts by the departments regularly.*
- *Savings are to be worked out before hand and surrendered before the close of the financial year for its effective utilisation in other areas/schemes requiring funds.*
- *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.*

2.4 Outcome of review of selected Grant

A review of budgetary procedure and control over expenditure was conducted (June–August 2012) in respect of Major Heads 2401-Crop Husbandry, 2404-Dairy Development, 2425-Co-operation, 2852-Industries, 3456-Civil Supplies, 4216-Capital Outlay on Housing, 4404-Capital Outlay on Dairy Development, 4425-Capital Outlay on Co-operation, 4851-Capital Outlay on Village and Small Industries and 5475-Capital Outlay on other General Economic Services under Grant No. 43. Review of the Major Heads under the aforesaid Grant revealed that mandatory provisions of Budget Manual, Financial Rules etc., regarding drawal and utilisation of funds from the Consolidated Fund and Contingency Fund of the State were being bypassed by the concerned authorities and the accountability obligations were not always fulfilled as brought out in the succeeding paragraphs.

2.4.1 Delayed submission of budget estimates and non-submission of revised estimates for 2011-12

As envisaged in the Assam Budget Manual, the Controlling Officer (CO) is required to submit the budget estimates (BEs) of receipt and expenditure for the coming (next) year and revised estimates for the current year to the respective Administrative Department by August-September of every year so as to reach the same to the Finance Department by 15th October each year at the latest along with the views of the Administrative Department and the estimates of the Sixth Schedule Areas need to be submitted to Finance Department after taking into account the views of the Autonomous Councils.

Test-check of records of the Registrar of Co-operative Societies (RCS) revealed that the BEs for the year 2011-12 were sent belatedly by the COs to the Administrative Department against the stipulated month of August-September 2010 as detailed in **Table 2.20**.

Table 2.20

Sl. No.	Name of the Controlling Officer	Date on which BEs were sent to Administrative Department	Date on which BEs were sent to Finance Department by the Administrative Department	Delay in submission of BEs to Finance Department (in days)
1	Registrar of Co-operative Societies	28.10.2010	03.11.2010	19

Source: Departmental records

During 2011-12, the RCS did not prepare/send any revised estimates to the Administrative Department for General Areas as required under the provisions of Para 52 of Budget Manual. The fact of delay in submission of BEs was due to non-preparation of Revised Estimates as stated by RCS (August 2012).

2.4.2 Non-submission of Budget estimates of receipt and expenditure of Autonomous Councils for 2011-12

As per the provisions of Para 21 of Assam Budget Manual the budget estimates (BEs) of receipt and expenditure of the Autonomous Councils specified in Part-A of the table under Paragraph 20 of the Sixth Schedule of the Constitution, the Controlling Officer, instead of incorporating the estimates of these Councils in the consolidated estimates, will after necessary scrutiny, forward each of the estimates under each major head of account concerned, to the Finance Department and the Administrative Department in the prescribed form for preparation of consolidated estimates together with explanatory memorandum.

During scrutiny of Consolidated BEs (receipt and expenditure) 2011-12 of Registrar of Co-operative Societies, Assam along with estimates of different Estimating Officers (EOs), it was seen that contrary to this provision, no estimates of receipt and expenditure from the EOs under Sixth Schedule areas was obtained and forwarded to the Administrative Department and Finance Department.

2.4.3 Submission of incomplete Budget Proposal

Scrutiny of budget proposal submitted by the RCS revealed that budget proposal for 2011-12 was submitted without furnishing the information on (i) actuals of previous years, (ii) actuals of last seven months of the previous year, (iii) actuals of first five months of current year as required under the provisions of Para 24 of Budget Manual for reasons not on record. Further scrutiny of Compilation Register of monthly expenditure revealed that the expenditure of all the DDOs were not incorporated in the Register. The reason for such omission was stated to be non-receipt of monthly expenditure statements regularly from some of the DDOs. Besides, the Compilation Register was not authenticated by the Officer responsible for the purpose.

Thus, process of preparation and submission of budget proposal for 2011-12 without furnishing the above information as required under the provisions of the Constitution was incomplete and leading to unrealistic budgeting.

2.4.4 Unrealistic budget estimation

Assam Budget Manual (Para 20) provides that on receipt of the estimates from the subordinate estimating officers, the CO will scrutinize and consolidate them, together with his own estimates for items with which he is concerned, into a self-contained budget for each Major Head or for the several minor heads for which the CO is responsible. The CO will then forward the estimates to the Administrative Department with a copy to the Finance Department along with copy of each of the estimates received from the estimating officers. It was, however, seen from the records maintained by RCS that the Budget estimates of detailed head *1-Salaries* of the sub-head of accounts 1312-Regional Organisation under major head 2425-Co-operation (Non-Plan) for 2011-12 was prepared and forwarded to the Administrative Department by the RCS without receipt of budget estimates from four⁴ out of 49 estimating officers. Further, non-plan estimates of ₹215.70 lakh on non-salary component was prepared and submitted without the receipt of budget estimates from the concerned Estimating Officers, of which only an amount of ₹103.23 lakh was approved by the State Legislature. Therefore, it shows that the CO and Administrative Department virtually did not follow the codal provisions in preparation of budget estimates for 2011-12. The budget provision and actual expenditure there against during 2011-12 under Grant No. 43 are depicted in **Table 2.21** (detailed in **Appendix 2.22**).

Table 2.21

(₹ in crore)

Nature of expenditure	Major Head	Plan/ Non Plan	Budget provision			Actual expenditure	Excess (+)/ Savings (-) (Percentage)
			Original	Supplementary	Total		
Revenue	2425	Non-Plan	47.94	0.79	48.73	45.52	(-) 3.21 (7)
Revenue	2401	Plan	0.10	0.00	0.10	0.00	(-) 0.10 (100)
	2404	Plan	0.40	0.00	0.40	0.10	(-) 0.30 (75)
	2405	Plan	0.25	0.00	0.25	0.00	(-) 0.25 (100)
	2425	Plan	5.75	0.00	5.75	1.38	(-) 4.37 (76)
		Plan	1.68	0.00	1.68	2.59	(+) 0.91 (54)
	2851	Plan	1.50	0.00	1.50	0.00	(-) 1.50 (100)
	2852	Plan	0.60	0.00	0.60	0.00	(-) 0.60 (100)
	3456	Plan	0.20	0.00	0.20	0.03	(-) 0.17 (85)
Capital	4216	Plan	0.10	0.00	0.10	0.09	(-) 0.01 (10)
	4404	Plan	1.00	0.00	1.00	0.00	(-) 1.00 (100)
	4408	Plan	15.75	0.00	15.75	15.50	(-) 0.25 (2)
	4425	Plan	0.16	0.00	0.16	0.00	(-) 0.16 (100)
		Plan	0.65	0.00	0.65	1.01	(+) 0.36 (55)
	4851	Plan	0.20	0.00	0.20	0.00	(-) 0.20 (100)
	5475	Plan	0.08	0.00	0.08	0.00	(-) 0.08 (100)
Total			76.36	0.79	77.15	66.22	(-) 10.93

Source: Detailed Appropriation Accounts

⁴ ARCS/ Dhemaji, Hailakandi, Mongoldoi and Sadia.

The above table shows that there were overestimation (savings) ranging from two to 100 *per cent* and under estimation (excess) ranging from 54 to 55 *per cent* of the requirement of funds.

This was indicative of the fact that the estimation was made by the spending departments without proper analysis of actual needs contrary to the prescribed budgetary regulations.

2.4.5 Unnecessary Supplementary Grant

Supplementary grant as defined in the Para 13 (xviii) of Budget Manual means a provision included in an Appropriation Act during the course of a financial year, to meet expenditure in excess of the amount previously included in an Appropriation Act for that year.

Scrutiny of Surrender of Savings statement under Grant No. 43 revealed that during 2011-12 under Major Head 2425-Co-operation, II-State Non-Plan Schemes, 001-Direction and Administration, 1312-Regional Organisation, against the total provision of ₹15.81 crore (Original: ₹15.49 crore and Supplementary: ₹0.32 crore) an expenditure of ₹14.05 crore was incurred. As the expenditure did not come up to the level of original provision, supplementary provision of ₹0.32 crore proved to be unnecessary.

2.4.6 Budgetary control /Monitoring

Under the provision of Para 152(I) of Budget Manual, a statement/return in the prescribed format should be submitted twice a year to reach the Finance Department, once by the 25th November and again by the 1st January at the latest for making assessment of the progress of expenditure. The first statement should be based on the previous seven months' actuals and the second on eight months' actuals, specifying the reasons for anticipated savings and excesses of expenditure over the sanctioned budget grant under each head. These returns would enable Finance Department to consider adjustment of budgetary provisions and additional financial implication, if any. Information furnished to audit regarding submission of returns to the Finance Department, however, revealed that RCS, Assam did not furnish the said statement/return to the Finance Department. This indicated that the Finance Department never insisted upon the COs for submission of statement/return within the prescribed schedule. Thus, the prescribed budgetary control/monitoring system to watch over the progress of expenditure remained ineffective resulting in various shortcomings like unutilised budget provision, persistent saving etc. A few of such shortcomings noticed during audit are discussed in the succeeding paragraphs.

2.4.7 Unutilised budget provision

Cent *per cent* savings were occurred under 23 schemes/services during 2011-12 which are shown in *Appendix 2.23*. The Controlling Officer could

not utilise any part of the provision for ₹5.24 crore made in the budget for non-receipt of sanction from Government.

Failure to utilize any part of the provision made in the budget indicates that the provisions made in the budget were unrealistic.

2.4.8 Persistent Savings

Review of the Grant also disclosed persistent savings in excess of 12 *per cent* or more of the total provision during the last three years under the major heads 2401, 2404, 2425, 2852 and 3456 in Grant No. 43. The details of savings are depicted in **Table 2.22**.

Table 2.22

(₹ in crore)

Year	Major Head	Revenue/ Capital	Total Grant	Total Expenditure	Savings (percentage)
1	2	3	4	5	6
2009-10	2425, 2401, 2852, 3456	Revenue	53.71	42.80	10.91 (20.31)
2010-11	2425, 2401, 2404, 2852, 3456	Revenue	67.79	51.86	15.93 (23.50)
2011-12	2425, 2401, 2404, 2852, 3456	Revenue	62.95	55.35	7.60 (12.07)

Source: Appropriation Accounts

Persistent Savings indicated that the process of preparation of budget estimates was unscientific and unrealistic, and thus, needs to be strengthened.

2.4.9 Deficiencies in expenditure control

As stipulated in Assam Budget Manual, expenditure control is the responsibility of the COs. The expenditure incurred by DDOs is watched through the monthly expenditure statements compiled in appropriation/expenditure control register.

Test-check of records of RCS, Assam revealed that the DDOs were irregular in sending monthly expenditure statements to the CO and consequently, compilation in the appropriation/expenditure control register by the RCS was not comprehensive. Besides, no broad sheet to watch the accounts of monthly expenditure received from different DDOs, as specified in Para 140 of Assam Budget Manual was maintained and no Compilation sheet in Form-D for compilation of monthly expenditure as required under provision of Para 143 of budget manual was maintained. Thus, expenditure control mechanism was deficient in the RCS.

2.4.10 Anticipated savings not surrendered

Under provision of Para 152(iii) of Assam Budget Manual, Controlling Officers are required to surrender to the Finance Department all savings anticipated in the budget under their control on or before 15 March. Known

savings in the budget should not be left un-surrendered. These would enable the Finance Department to utilise the whole or portion of the savings thus, surrendered, if required for other purpose.

Scrutiny of relevant records maintained by RCS revealed that out of total 48 DDOs (excluding Head quarter), 40 DDOs belatedly submitted the Surrender of saving statement (under Grant No. 43) between 16 March 2012 and 30 March 2012 and the remaining nine DDOs⁵ did not submit the same for reasons not on record.

Detailed scrutiny of Surrender of savings statement disclosed that huge savings both under Revenue and Capital Accounts were occurred in 2011-12 but the surrender of savings were yet to be made as of March 2012 (detailed in *Appendix 2.24*). Out of total savings of ₹7.65 crore under Grant No. 43, ₹ two crore (26 per cent) was not surrendered as is depicted in **Table 2.23**.

Table 2.23

(₹ in lakh)

Revenue/ Capital	Total Budget provision	Total expenditure	Savings	Amount surrendered	Amount not surrendered (percentage)
Revenue Account	3,826.43	3,230.84	595.59	459.00	136.59 (23)
Capital Account	1,729.00	1,559.90	169.10	106.10	63.00 (37)
Total	5,555.43	4,790.74	764.69	565.10	199.59

Source : Detailed Appropriation Accounts

2.4.11 Conclusion and Recommendations

Delayed submission of budget estimates, unrealistic budget estimation, non-surrender of anticipated savings etc., indicate that prescribed budgetary regulations were not observed diligently leading to absence of financial control. Besides, failure to exercise control mechanism to watch over the progress of expenditure resulted in various shortcomings, like unutilized budget provisions and persistent savings etc.

(Paras-2.4.1, 2.4.4, 2.4.7 and 2.4.8)

- *Savings are to be worked out before hand and surrendered before the close of the financial year for its effective utilisation in other areas/schemes.*
- *Finance Department should ensure strict compliance of codal provisions as well as its own instructions to honour Public Finance Accountability norms.*

⁵ ARCS, Dhemaaji; Golaghat; Hatsingimari; Hojai; Jonai; Majuli; R.K. Nagar; Sibsagar and Silchar.