
Chapter - III

Budgetary Management

Chapter 3

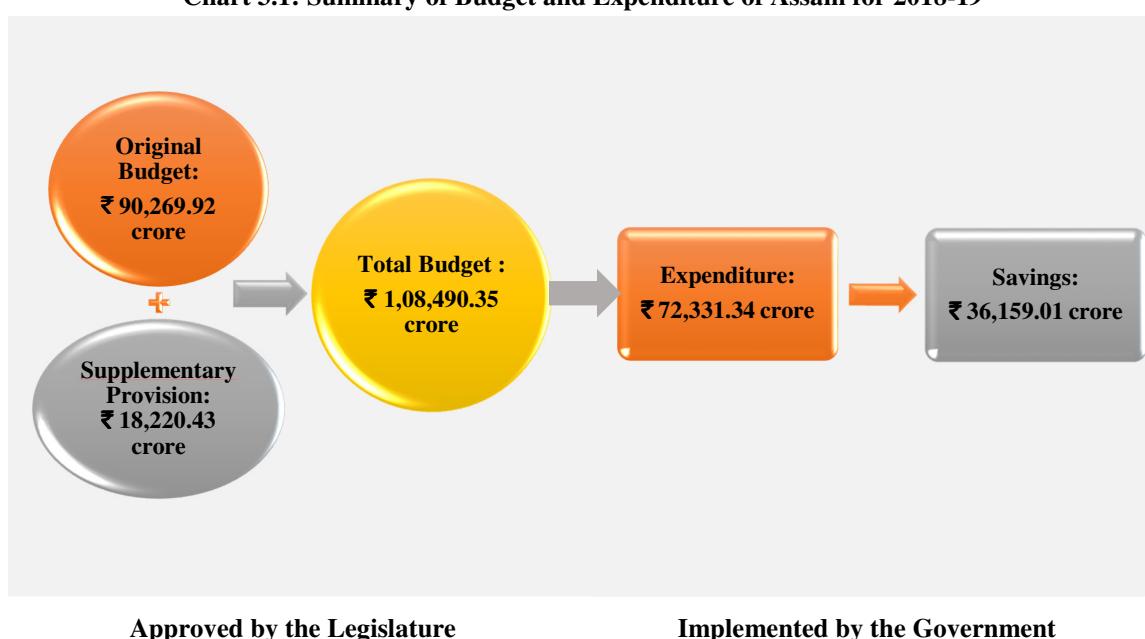
Budgetary Management

3.1 Introduction

Effective financial management ensures that decisions taken at the policy level are implemented successfully at the administrative level without wastage or diversion of funds. This Chapter reviews the allocative priorities of the State Government and comments on the transparency of budget formulation and effectiveness of its implementation.

The total amount approved by the State Legislature including the original and supplementary budgets, expenditure and savings during the year 2018-19 is depicted below.

Chart 3.1: Summary of Budget and Expenditure of Assam for 2018-19



3.2 Budget Preparation Process

Government of Assam follows a top-down approach to budgeting. The process followed by the State in budget preparation is broadly as follows:

- At the outset, Finance Department estimates the resources required for State priority development areas and projects allocation for these in consultation with the Transformation and Development (T&D) Department and Administrative Departments;
- Resources required for State share of centrally sponsored schemes, counter party funding for externally aided projects, NEC¹, NLCPR², etc. are estimated and provided for;

¹ North Eastern Council

² Non-Lapsable Central Pool of Resources

- Allocations for Hill Areas Autonomous District Councils (ADCs) are made based on the requirement projected by the Departments responsible for the activities of the ADCs;
- Anticipated receipts from central tax transfers and funding for CSS are assessed and the quantum of funds required for committed expenditure on salaries, pension, repayment of loan, *etc.* are also worked out by Finance Department.

Based on communication of the above assessment and projections of the Finance Department, the line Departments submit their budget proposals.

The State Government secures legislative approval for expenditure out of the Consolidated Fund of the State by presenting its annual Budget and 81 Demands for Grants/Appropriations. Normally, every Department has one Demand for Grant, to ensure that the Head of the Department takes responsibility for implementing the policy decisions and expending public funds for the intended purposes.

Supplementary or additional Grant/ Appropriation is provided during the course of the financial year for meeting expenditure in excess of the originally budgeted amount. Further, the State Government also re-appropriates/ re-allocates funds from various Units of Appropriation where savings are anticipated, to Units where additional expenditure is envisaged (within the Grant/ Appropriation) during the year.

3.3 Financial Accountability and Budget Review

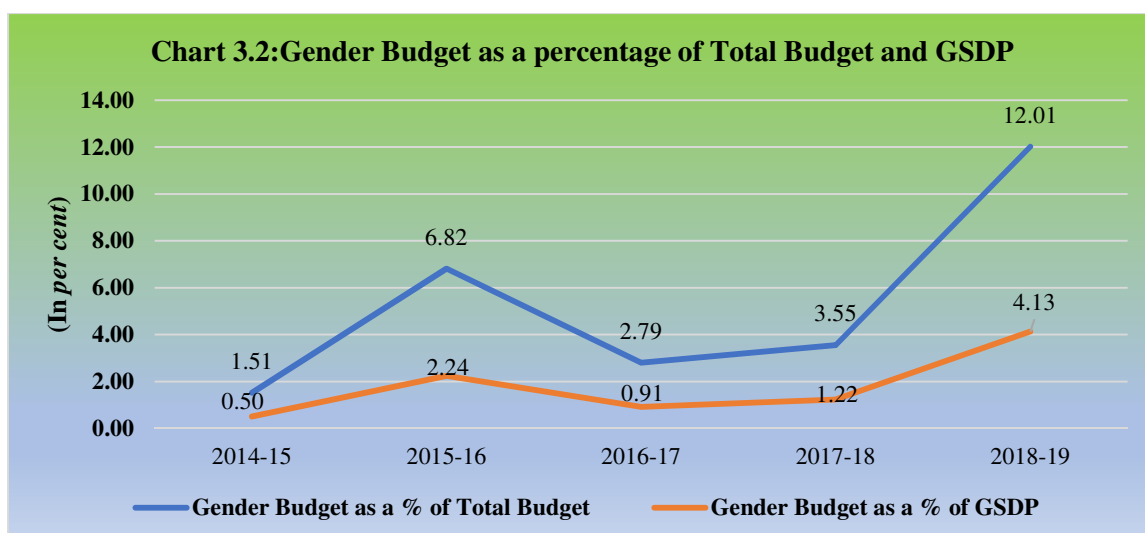
3.3.1 Gender Budget

Gender budget was incorporated in the State budget as a significant statement highlighting the need to segregate budgetary allocations on the basis of gender under the demands for grants.

Table 3.1 details the allocation under Gender Budget made by the State during the five-year period 2014-19 whereas **Chart 3.2** highlights the percentage of Gender Budget with respect to total Budget and GSDP during the period.

Table 3.1: Allocation under Gender Budget during 2014-19

	(₹ in crore)				
	2014-15	2015-16	2016-17	2017-18	2018-19
Gender Budget	988.21	5,103.38	2,321.67	3,532.00	13,031.27
Total Budget	65,350.89	74,818.50	83,069.15	99,453.08	1,08,490.35
GSDP	1,95,723.00	2,27,959.00	2,54,478.00	2,88,494.00	3,15,372.00



During 2018-19, there was a significant jump in allocation towards gender specific schemes, with the allocation increasing from ₹ 3,532 crore in 2017-18 to ₹ 13,031.27 crore in 2018-19. This allocation was spread across 18 departments on schemes designed specifically to benefit women under category ‘A’³ and category ‘B’⁴.

The State Government has not reported on the performance of Gender Budget of previous years in the Gender Budget of 2018-19 to gauge the effectiveness of the schemes targeted to benefit women. The Finance Department should insist that the respective Departments submit performance reports of previous year along with the proposal for Gender Budget of current year to bring about transparency in public spending for the socio-economic empowerment of women in the State through various schemes.

3.3.2 Child Budget

UNICEF (2007) defined a child friendly budget as one that reflects the realisation of children’s rights. Specifically, national (or sub-national) budgets that adequately address children’s issues, such as poverty, malnutrition, illiteracy or child protection can be considered to be equitable child friendly budgets. The goal of these children’s budgets is the prioritisation of children and other socially vulnerable groups in the public expenditure system.

In keeping with the above spirit, the Government of Assam introduced Child Budget during the year 2018-19. The aim was to segregate specific expenditure targeted for the Child/ Girl Child from the overall expenditure of the Department for facilitating better monitoring of outcome of the expenditure. The Child Budget involved an outlay of ₹ 8,386.69 crore to be expended under 103 schemes covering 10 Departments.

Child Budget reveals that the allocations under these schemes targeted exclusively or partially towards children have been reflected in the budget documents. As in the case of Gender Budget, the Finance Department should seek a performance report from the

³ Budgetary allocations for schemes designed to benefit women to the extent of 100 *per cent* of allocation.

⁴ Budgetary allocations for schemes designed to benefit women to the extent of 30 *per cent* of allocation.

concerned Department on Child Budget also so that actual outcome on allocation made during the year can be assessed.

3.4 Audit of Appropriations

Details of the figures depicted in **Chart 3.1** are given in the Appropriation Accounts of the State for the year 2018-19. Appropriation Accounts provide details of expenditure of the Government for the financial year, compared with the amounts of the voted grants and charged appropriations for various purposes specified in the schedules appended to the Appropriation Act passed by the Legislature. These Accounts depict the original budget provision, supplementary grants, savings, surrenders and re-appropriations distinctly and indicate actual capital and revenue expenditure on various specified services *vis-à-vis* those authorised by the Appropriation Act. Appropriation Accounts are therefore, complementary to Finance Accounts.

Audit of appropriations by the CAG seeks to ascertain whether the expenditure actually incurred under various grants is within the authorisation 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.

3.4.1 Summary of Appropriation Accounts

The summarised position of budget including supplementary budget, actual expenditure, and excess/ savings during 2018-19 against 81 Grants/ Appropriations (78 Grants and three Appropriations) is given below.

Table 3.2: Summarised position of Expenditure *vis-à-vis* Budget provision

(₹ in crore)							
Voted / Charged	Nature of Expenditure	Budget (Original)	Budget (Supp)	Total Budget (O + S)	Expenditure	Excess/ Savings (-)	Excess/ Savings %
Voted	Revenue	66,818.09	10,663.68	77,481.77	53,224.16	-24,257.61	-31.31%
	Capital Outlay	14,571.57	5,033.08	19,604.65	11,034.08	-8,570.57	-43.72%
	Loans and Advances	538.67	11.91	550.58	328.07	-222.51	-40.41%
	Total Voted	81,928.33	15,708.67	97,637.00	64,586.31	-33,050.69	-33.85%
Charged	Revenue Expenditure	4,511.27	11.76	4,523.03	4,155.67	-367.36	-8.12%
	Public Debt	3,830.32	2,500.00	6,330.32	3,589.36	-2,740.96	-43.30%
	Total Charged	8,341.59	2,511.76	10,853.35	7,745.03	-3,108.32	-28.64%
Grand Total		90,269.92	18,220.43	1,08,490.35	72,331.34	-36,159.01	-33.33%

Source: Appropriation Accounts

As can be seen from the table above, the overall savings of 33.33 *per cent* of total grants and appropriations was almost twice the size of supplementary budget of ₹ 18,220.43 crore obtained during the year, which raises questions about the budget formulation process.

3.5 Impact of Non-surrender of Savings

As per the Assam Budget Manual (ABM) 2012 and the budget calendar of the State Government, the target dates for intimation of savings by the DDOs to their Controlling Officers is 15th January, and their subsequent surrender to the Finance Department is

15th February. However, audit scrutiny revealed that intimation of surrender of excess funds was sent to the Finance Department by the Controlling Officers in April and May 2019, *i.e.*, after the close of the financial year 2018-19.

In fact, against the final savings of ₹ 36,159.01 crore, the total amount stated to have been surrendered before the close of the financial year (although intimation about it was given only in April-May) was ₹ 3.60 crore.

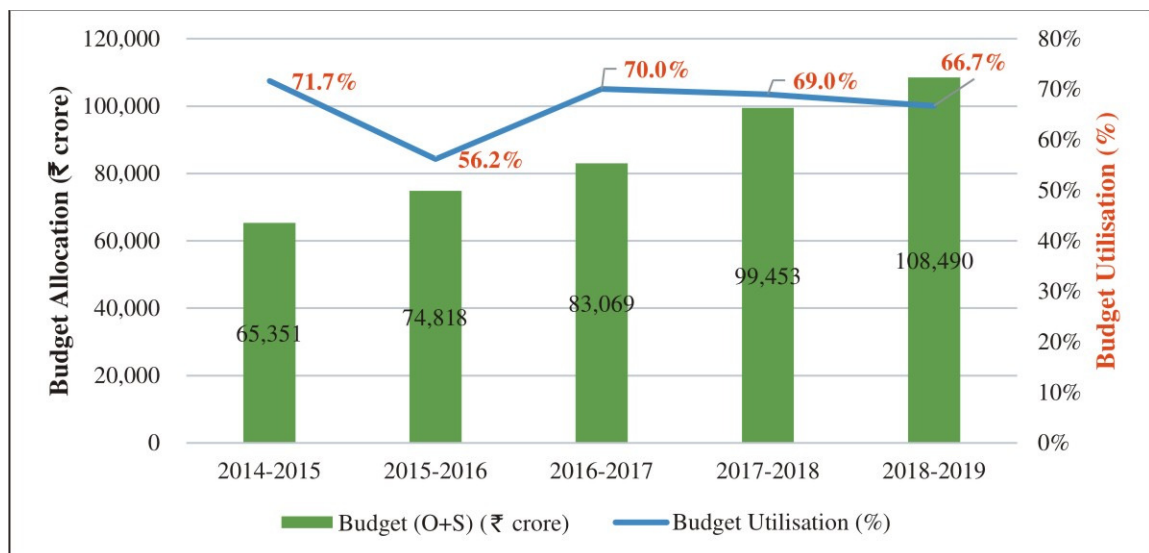
Non-compliance with the prescribed time schedule for intimation of savings and their surrender not only deprives the other needy Departments of resources, but also defeats the objective of achieving efficiency in budget management.

Clearly, the State Government prepared a budget which it did not have the ability to implement and/or its Departments have not done the ground work to be able to utilise the allocated funds within the envisaged timeframe. Some of the Controlling Officers have stated that they could not spend the allocated budgetary provision due to orders from the Government to that effect.

3.6 Sub-optimal Utilisation of Budgeted Funds

Utilisation of budgeted funds by the State has been sub-optimal every year during the past few years. The extent of utilisation of budget during the five-year period from 2014-15 to 2018-19 is given below.

Chart 3.3: Budget Utilisation during 2014-15 to 2018-19



As can be seen from the Chart above, utilisation of budget has rarely exceeded 70 per cent, and has shown further decrease during the last two years. This was despite the stated initiatives taken by the State Government while formulating its budget for the year 2018-19 as detailed in Paragraph 1.5 in Chapter 1 of this report.

Large amount of savings in allocated funds indicate both inaccurate assessment of requirement as well as inadequate capacity to utilise the funds for intended purposes.

3.7 Missing/ Incomplete Explanation for Variation from Budget

Apart from showing the expenditure against the approved budget, Appropriation Accounts also provide explanation for cases where the expenditure varies significantly from the budgeted provision (Original *plus* Supplementary). The limit beyond which, such variation at the Sub-Head/Sub-Sub-Head level (Unit of Appropriation) are to be explained in the Appropriation Accounts is set by the Public Accounts Committee (PAC).

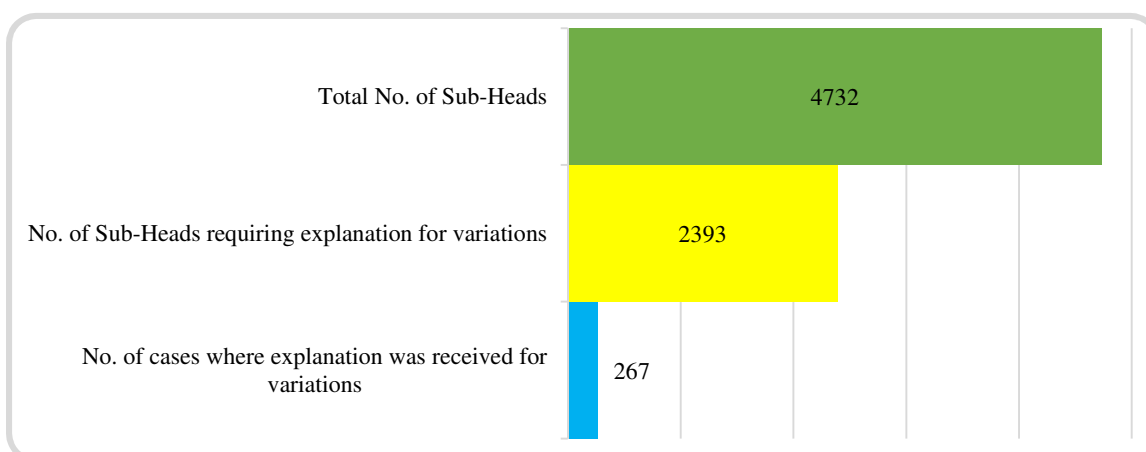
Accountant General (A&E) provides the draft Appropriation Accounts to the Controlling Officers of the Departments and seeks the reasons/ explanation for the variations in expenditure with reference to approved budgetary allocation in keeping with the limits set by the PAC.

The current limits, set by the State PAC in May 1989 are as follows:

Savings	<ul style="list-style-type: none"> Comments are to be made if variations (savings including non-utilisation) under Sub-Heads of Grants/ Appropriations are over ₹ 15 lakh or 20 per cent of the total provision (original plus supplementary), whichever is more
Excess	<ul style="list-style-type: none"> General comments are to be made for regularisation of excess over the provision in all cases where there is an overall excess (irrespective of the amount) Comments are to be made if variations (excesses) under Sub-Heads of Grants/ Appropriations are ₹ 15 lakh or 20 per cent of the total provision (original plus supplementary), whichever is more

Audit of Appropriation Accounts of 2018-19 and an analysis of the underlying accounting data revealed that the Controlling Officers have not provided explanation for the variations in the expenditure *vis-à-vis* budgeted allocation in about 89 per cent of cases. Of the 81 Grants/ Appropriations, reasons for variation were required in respect of 79 Grants/ Appropriations. However, in respect of 59 Grants/Appropriations reasons were not furnished by the Controlling Officers of Government Departments. Partial response was received in respect of the remaining 20 Grants/Appropriations. In terms of the Sub-Heads involved, the total number of Sub-Heads in the accounts, those requiring explanation for variation, and the Sub-Heads where explanation were received for variations from allocations, are given in **Chart 3.4**. Details in this regard are given in **Appendix 3.1**.

Chart 3.4: Summary of unexplained variations *vis-à-vis* budget



Absence of explanation for variation between the budgeted allocation and its utilisation limits legislative control over budget as a means of ensuring financial accountability of the Government.

3.8 Budgetary Deviations at Primary Unit of Appropriation

Sub-Head is the primary unit of appropriation, and the Appropriation Accounts accordingly bring out instances of deviations from approved expenditure from budgetary provision at this level, as per the criteria specified by the PAC. The Assam Budget Manual states that primary unit of appropriation is the lowest unit of classification denoting the objects of expenditure.

As detailed in **Chart 3.4** above, there are 4,732 such units of appropriation in the Appropriation Accounts of the State with over 20,000 line items in the State budget at the primary unit of appropriation, *i.e.*, at the lowest level of accounting classification. The distribution of Sub-Heads by size and total budgetary allocation is given in **Table 3.3**.

Table 3.3: Distribution of Sub-Heads (Unit of Appropriation) by Size

Budget Allocation	Number of Sub-Heads	Share of Sub-Heads (<i>per cent</i>)	Total Budget (₹ in crore)	Share of Sub-heads in Budget (<i>per cent</i>)
Less than 15 Lakhs	981	20.73	50.41	0.05
15 Lakhs - 50 Lakhs	742	15.68	213.35	0.20
50 Lakhs - 1 Crore	513	10.84	345.11	0.32
1 Crore - 10 Crore	1,604	33.90	5,146.46	4.74
10 Crore - 100 Crore	699	14.77	22,199.74	20.46
More than 100 Crore	193	4.08	80,535.29	74.23
TOTAL	4,732	100	1,08,490.35	100

As can be seen from the above Table, about 4.08 *per cent* of the Sub-Heads account for 74.23 *per cent* of the total budgetary allocation, while 20.73 *per cent* of the Sub-Heads account for merely 0.05 *per cent* of the total allocation. There is a need for rationalisation of the Unit of Appropriation, both in terms of the number of Heads, and the size of Heads to increase legislative control as well as make budget administration easier.

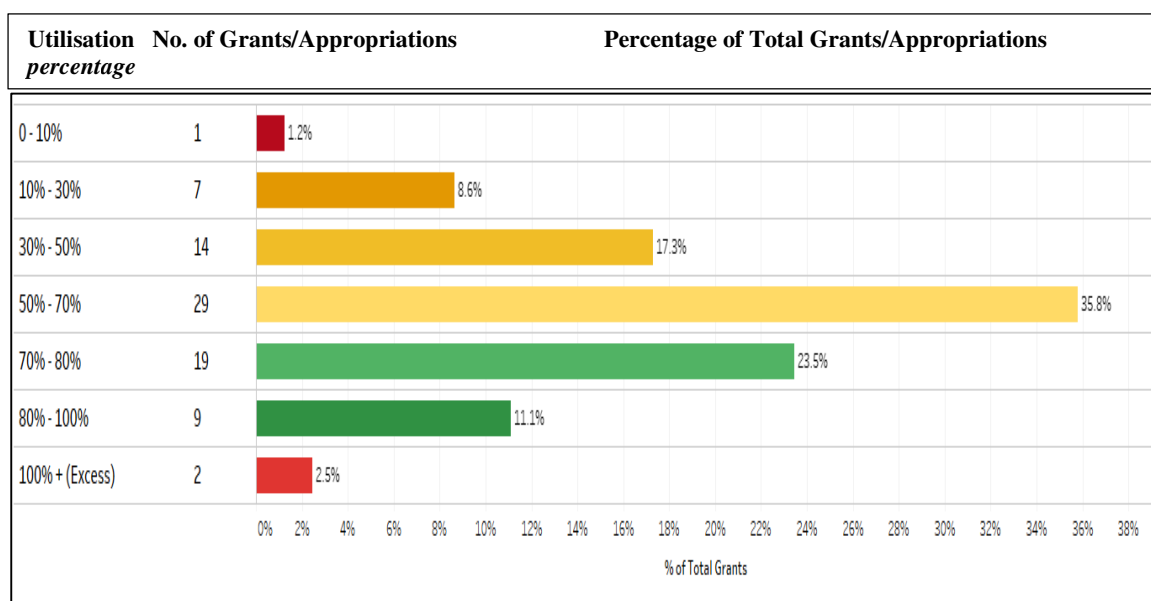
While a detailed budget with a large number of line items may *prima facie* appear to increase the control exercised by the legislature over executive spend, budget implementation and Appropriation Accounts show that too many instances of deviation lead to large scale non-compliance and reduced accountability for compliance with budget.

In keeping with its 2018-19 budgetary pronouncement, the State Government initiated rationalisation of Units of Appropriation in 2018-19. However, the impact was visible only in 2019-20, with around 10 *per cent* reduction in the number of budgeted heads (up to the lowest level).

3.9 Large and Persistent Savings in Grants/ Appropriations

There were huge savings during 2018-19, with 22 out of 81 Grants/ Appropriations showing utilisation of less than 50 *per cent* of the budget allocation. The distribution of the number of Grants/ Appropriations grouped by the extent of savings is as follows.

Chart 3.5: Grant-wise savings



Of the 22 Grants/ Appropriations with budget utilisation of less than 50 per cent, 10 had shown similar low utilisation in four of the last five years, which is indicative of systemic issues that warrants a close review by the Government to enable initiation of expeditious corrective measures. Utilisation of budgetary allocation in these 22 Grants/ Appropriations for the five-year period from 2014-15 to 2018-19 is shown in **Table 3.4**.

Table: 3.4: Grants/ Appropriations where utilisation of budget was less than 50 per cent*(₹ in crore)*

Sl. No.	Grant	2014-15	2015-16	2016-17	2017-18	2018-19	No. of Years*	Budget 2018-19	Total Budget (5 Years)
1	24 Aid Materials	0%	0%	0%	0%	0%	5	0.01	0.05
2	34 Urban Development (Municipal Administration)	17%	9%	29%	21%	37%	5	1,114.12	2,656.02
3	44 North Eastern Council Schemes	18%	22%	32%	24%	25%	5	1,272.96	6,201.89
4	50 Other Special Areas Programmes	19%	-12%	27%	18%	24%	5	161.39	900.50
5	31 Urban Development (Town and Country Planning)	27%	9%	54%	46%	18%	4	692.47	1,913.94
6	38 Welfare of Scheduled Caste, Scheduled Tribes and Other Backward Classes etc.	34%	6%	52%	33%	45%	4	1,656.19	7,134.37
7	49 Irrigation	55%	34%	37%	49%	31%	4	1,710.77	7,219.50
8	70 Hill Areas	3%	83%	23%	36%	18%	4	10.74	253.04
9	73 Urban Development (Guwahati Development Department)	22%	23%	67%	29%	21%	4	1,524.84	5,755.21
10	67 Horticulture	49%	39%	40%	53%	49%	4	113.47	404.62
11	33 Residential Buildings	58%	29%	46%	56%	46%	3	6.25	164.52
12	42 Other Social Services	20%	43%	90%	84%	35%	3	340.85	2,207.11
13	45 Census, Surveys and Statistics	52%	43%	54%	40%	48%	3	86.70	377.74
14	56 Rural Development (Panchayat)	50%	29%	33%	51%	39%	3	2,169.51	10,056.15
15	58 Industries	79%	23%	61%	28%	50%	3	771.80	2,411.29

Sl. No.	Grant	2014-15	2015-16	2016-17	2017-18	2018-19	No. of Years*	Budget 2018-19	Total Budget (5 Years)
16	25 Miscellaneous General Services	97%	-104%	40%	96%	45%	3	4,338.91	9,558.16
17	75 Information and Technology	59%	4%	98%	47%	22%	3	73.99	367.04
18	48 Agriculture	66%	33%	51%	58%	45%	2	1,926.18	8,330.54
19	62 Power (Electricity)	71%	26%	94%	65%	43%	2	4,952.19	12,798.16
20	21 Guest Houses, Government Hostels	71%	68%	52%	54%	39%	1	61.26	185.13
21	40 Social Security and Welfare (Freedom Fighter)	88%	71%	81%	55%	35%	1	84.76	382.06
22	57 Rural Development	60%	75%	54%	75%	30%	1	3,700.95	18,171.30

* Number of years where utilisation of budgeted funds was below 50 per cent

Improving urban infrastructure is a challenge faced by the State, and the low utilisation of the three Grants directly related to urban infrastructure, viz., 34 Urban Development (Municipal Administration), 31 Urban Development (Town and Country Planning), and 73 Urban Development (Guwahati Development Department) is a cause for concern. State Government needs to examine the reasons for poor utilisation of allocated funds in these Grants and take appropriate corrective action expeditiously.

Similarly, low utilisation in Grant 38 Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes, etc., despite drawing large allocation of over ₹ 1,500 crore annually needs an in-depth analysis by the State Government and initiation of prompt remedial action.

Of the overall savings of ₹ 36,159.01 crore, savings of ₹ 35,819.24 crore (99.06 per cent) occurred in 64 cases (₹ 50 crore and above in each case) at Segment level and within 45 Grants/ Appropriations as indicated in **Appendix 3.2**.

Budget provision sought and obtained by some Departments far in excess of actual requirement and inability to utilise, deprives allocation of resources to priority sectors and also leads to poor legislative control over public finances.

3.10 Expenditure Without Budget Provision

As per ABM, 2012, no expenditure can be incurred under any Head (Major/ Minor or Sub-Head) without budget provision or in anticipation of a Supplementary Grant/ Appropriation or prior to provision of funds by Re-appropriation.

Audit scrutiny revealed that in 61 cases, expenditure in excess of ₹ 50 lakh was incurred (total amount of expenditure was ₹ 1628.89 crore) without budget provision as detailed in **Appendix 3.3**. Grant-wise summary of the cases where expenditure was incurred without budget provision is given in **Table 3.5**.

Table 3.5: Summary of Expenditure without Budget Provision during 2018-19

(₹ in crore)

Grant/ Appropriation	Description	Expenditure (₹ in crore)	Number of Schemes/ Sub-Heads
26	Education (Higher)	1.00	1
48	Agriculture	22.05	1
52	Animal Husbandry	4.87	1

Grant/ Appropriation	Description	Expenditure (₹ in crore)	Number of Schemes/ Sub-Heads
62	Power (Electricity)	117.97	1
64	Roads and Bridges	473.58	2
76	Karbi Anglong Autonomous Council	101.04	12
77	North Cachar Hills Autonomous Council	46.92	10
78	Bodoland Territorial Council	386.93	19
Appropriation	PD Public Debt and Servicing of Debt	474.53	14
Total		1,628.89	61

Head of Account-wise details of significant items of expenditure without budget provision are given below. Unbudgeted expenditure of ₹ 269.36 crore was incurred on interest payments during the year 2018-19.

Table 3.6: Expenditure incurred without budget provision during 2018-19

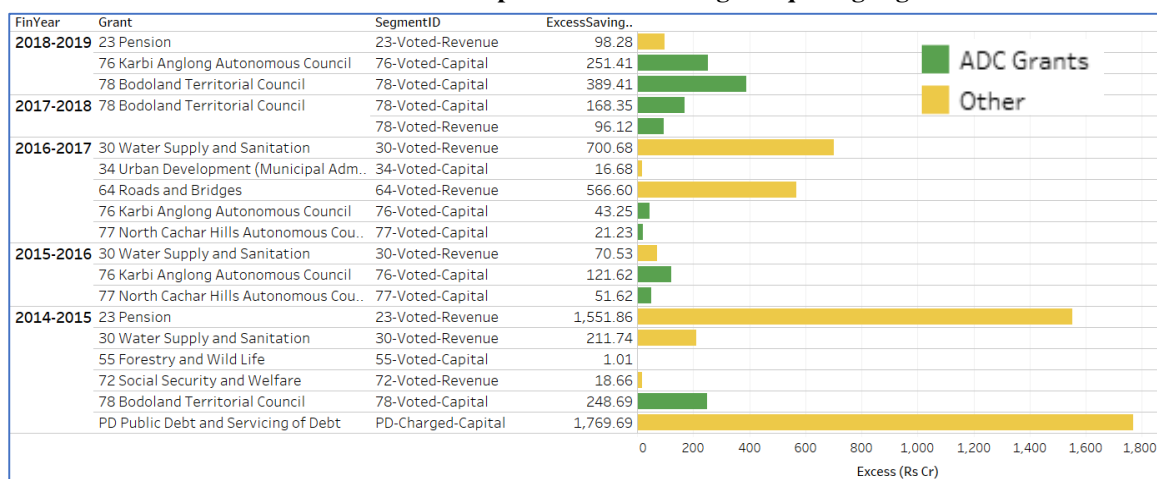
(₹ in crore)

Sl. No.	Heads of Account where expenditure was incurred without budget provision		Expenditure without Provision
1	3054-80-799-0291	Miscellaneous Public Works Advances-General	150.00
2	5054-03-799-0291	Miscellaneous Public Works Advances-General	323.58
3	2049-01-101-6881	8.20% Assam State Dev. Loan, 2028 Rs.50000 L General (Charge)	41.00
4	2049-01-101-6884	8.36% Assam State Dev. Loan, 2028 Rs.50000 L General (Charge)	41.80
5	2049-01-101-6885	8.29% Assam State Dev. Loan, 2028 Rs.51275 L General (Charge)	41.98
6	2049-01-101-6886	7.97% Assam State Dev. Loan, 2028 Rs.100000 L General (Charge)	59.78
7	2049-01-101-6888	8.54% Assam State Dev. Loan, 2028 Rs.50000 L (i) General (Charge)	42.70
8	2049-01-101-6889	8.42% Assam State Dev. Loan, 2028 Rs.50000 L (i) General (Charge)	42.10
9	4552-244-4504	Projects & Scheme for Karbi Anglong Autonomous Territorial Council as per MOS (KAATS Package)- Sixth Schedule (Pt. I) Areas	45.84
10	78-2225-02-800-5946	One Time Special Grant Sixth Schedule (Pt. I) Areas	293.64

Expenditure without budget is violative of financial regulations as well as the will of the Legislature. This is also indicative of lack of financial discipline in Government Departments.

3.11 Excess expenditure Requiring Regularisation

Apart from large savings in certain grants/ Appropriations, there were several instances of excess expenditure over budgeted provision. Details of excess expenditure over the approved allocation during the five-year period from 2014-15 to 2018-19, which require regularisation by the State Legislature, are given in **Chart 3.6**.

Chart 3.6: Grants with excess expenditure over budget requiring regularisation

As can be seen from the above chart, while there have been cases of excess expenditure over budgeted provision in certain Grants over the five-year period 2014-19, there is a clear preponderance of ADC Grants with excess expenditure, especially during the current year, despite there being only three Grants for ADCs out of the total 78 Grants/Appropriations. Of the total 19 instances of excess requiring regularisation during the five-year period from 2014-15 to 2018-19, nine pertained to the three ADC related Grants.

The reasons for recurrent excess/ large savings in ADC Grants have been analysed in detail in respect of one of the ADC Grants (Grant 78 for Bodoland Territorial Council). As per Article 205 of the Constitution of India, it is mandatory for State Government to get the excess over a grant/ appropriation regularised by the State Legislature. While no time limit has been provided in the Article for regularisation of expenditure, normally, as a convention, the excess expenditure over budgeted allocation is regularised after completion of discussion of the Appropriation Accounts by the State PAC.

Table 3.7: Excess expenditure relating to previous years requiring regularisation

Year	Number of		Amount of excess over provision (₹ in crore)
	Grants	Appropriations	
2005-06	2	2	2.45
2006-07	4	2	80.61
2007-08	9	2	113.24
2008-09	6	2	108.40
2009-10	3	Nil	10.18
2010-11	1	1	4.27
2011-12	5	2	915.14
2012-13	4	Nil	1,195.61
2013-14	5	Nil	1,499.89
2014-15	5	1	3,801.63
2015-16	3	Nil	243.77
2016-17	5	Nil	1,348.44
2017-18	2	Nil	264.47
Total	54	12	9,588.10

The PAC had discussed (February 2020) the excess expenditure for the years 2005-06 to 2017-18 partially and is yet to recommend regularisation of the total excess expenditure amounting to ₹ 9,588 crore under Article 205 of the Constitution. Year-wise summarised position of excess expenditure over budgeted provision partly discussed by the PAC and pending regularisation is given alongside. Grant-wise details of excess expenditure are given in *Appendix 3.4*.

Table below contains the summary of total excess expenditure amounting to ₹ 739.11 crore incurred over authorisation from the Consolidated Fund of State during 2018-19 in respect of three Grants.

Table 3.8: Excess expenditure over provision during 2018-19 requiring regularisation

(₹ in crore)

Grant No.	Name of the Grant	Nature	Total Grant	Actual Expenditure	Excess Expenditure
23	Pension	Revenue Voted	8,005.79	8,104.08	98.29
76	Karbi Anglong Autonomous District Council	Capital Voted	335.33	586.74	251.41
78	Bodoland Territorial Council	Capital Voted	414.76	804.17	389.41
Total			8,755.88	9,494.99	739.11

This is in violation of Article 204 of the Constitution which provides that no money shall be withdrawn from the Consolidated Fund except under appropriation made by Law by the State Legislature. This vitiates the system of budgetary and financial control and encourages financial indiscipline in management of public resources.

3.12 Unnecessary Supplementary Provision

The Assam Budget Manual (ABM), 2012 permits obtaining a Supplementary Grant/Appropriation if the budgetary provision falls short and a commitment for expenditure has already been made under the orders of the competent authority.

The State Legislature approved two supplementaries of ₹ 18,220.43 crore⁵ in 72 Grants/Appropriations for the year 2018-19. Audit analysis of utilisation of these supplementary allocations showed that a provision of only ₹ 2,980.92 crore was required in nine Grants/Appropriations where the final expenditure exceeded the original budget provision. Details relating to the actual expenditure incurred against the original budget allocation and supplementary provision are given in *Appendix 3.5*. Both the supplementaries were Cash Supplementaries⁶ leading to large savings at the end of the year.

3.13 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 need for additional funds is identified. As per Paragraph 9.2 of ABM, 2012, Finance Department has the power to sanction/ authorise any re-appropriation within a Grant, which does not involve the undertaking of a recurring liability.

In several cases, re-appropriation proved excessive and resulted in huge savings. In 12 Sub-Heads, the savings were ₹ 10 lakh and above, with four of these having savings more than ₹10 crore each, as detailed in **Table 3.9**.

⁵ ₹ 10,590.25 crore (Dated 10th October 2018) and ₹ 7,630.18 crore (Dated 11th February 2019)

⁶ Cash Supplementary is over and above the original budget provision and results in enhancement of the allocation for the Demand/ Grant

Table 3.9: Excessive re-appropriation

(₹ in lakh)

Sl. No.	Grant No.	Major Head	Minor Head	Sub-Head	Sub Sub-Head	Nomenclature	Re-appropriation	Final Savings
1	4	2015	105	--	--	Charges for Conduct of Elections to Parliament	277.50	35.60
2	14	2055	101	0442	--	Criminal Investigation Department	58.75	25.09
3	35	2220	001	0172	236	Social Media	25.00	16.78
4	43	4425	800	2327	107	Co-operation Warehouse/ Cold Storage	993.52	519.36
5	44	4552	212	3761	927	Central Share	160.00	102.35
6	64	5054	337	0337	793	State Priority Scheme	23,000.00	9,453.00
7	64	5054	796	1536	--	Works	1,000.00	262.29
8	64	5054	800	0789	548	Works	2,500.00	2,308.27
9	65	3452	104	1440	--	Tourist Information and Publicity	1,000.00	546.20
10	63	4711	103	0120	976	EMP 90% Grant (Central)	11,027.00	10,425.87
11	25	2052	090	0406	313	Incentive to Tea Garden	10,000.00	1,456.40
12	74	2204	800	0800	549	State Level Advisory Committee	50.00	31.31
Total							50,091.77	25,182.52

Further, re-appropriation proved unnecessary in 65 cases, as the re-appropriated amount ultimately resulted in savings of ₹ 10 lakh and above in every case. Of these, in 21 Sub-Heads, the savings were more than ₹ 10 crore in each case as shown below. The complete list of Heads of Account where funds were re-appropriated, where the final savings was more than ₹ 10 lakh, is given in *Appendix 3.6*.

Table 3.10: Unnecessary re-appropriation of funds

(₹ in lakh)

Grant No.	Major Head	Minor Head	Sub-Head	Nomenclature	Re-appropriation	Final Savings
14	2055	101	0443	Special Branch	72.00	11,266.21
14	2055	104	0446	Armed police Battalions	78.87	16,327.15
14	2055	109	0145	District Police Proper	2,471.65	30,113.77
14	2055	109	0454	River Police	10.60	1,228.93
14	2055	109	0457	Reimbursable from GoI	13.00	4,035.16
14	2055	109	1015	Reimbursable from GoI	12.34	3,565.70
14	2055	109	1015	Checking of Bangladeshi Infiltration	79.35	3,909.64
14	2055	114	0480	Wireless and Computer	34.46	1,731.32
14	2055	800	0482	Raising of New Battalion	43.43	3,471.74
14	2055	800	0483	New Indian Reserve Battalion	40.00	9,737.03
26	2202	103	4556	Infrastructure Devl. of Govt and Provincialised College	1,028.34	1,912.37
29	2210	001	0172	Headquarters Establishment	5.35	1,104.79
29	2210	103	0726	Primary Health Units	9,200.00	21,676.22
30	4215	102	0778	Rural Water Supply	1,700.00	3,184.53
48	2401	001	0240	Subordinate Establishment	1.53	2,172.50
64	3054	337	1857	Centre Share	10,000.00	15,858.83
64	3054	001	0138	Direction	70.00	1,659.74
64	5054	337	0337	CM's Spl Package for Spl Focus on Construction of Border Area Roads & Bridges	500.00	1,556.14

Grant No.	Major Head	Minor Head	Sub-Head	Nomenclature	Re-appropriation	Final Savings
64	5054	337	0337	Construction of Roads in Tea Garden Labour Lines	1,000.00	2,799.39
64	5054	337	0337	Conversion of Conventional PMGSY Roads to ICBP Roads	10,000.00	25,000.00
20	2070	107	0525	Assam Special Reserve Force	201.85	1,035.25
Total					36,562.77	1,63,346.41

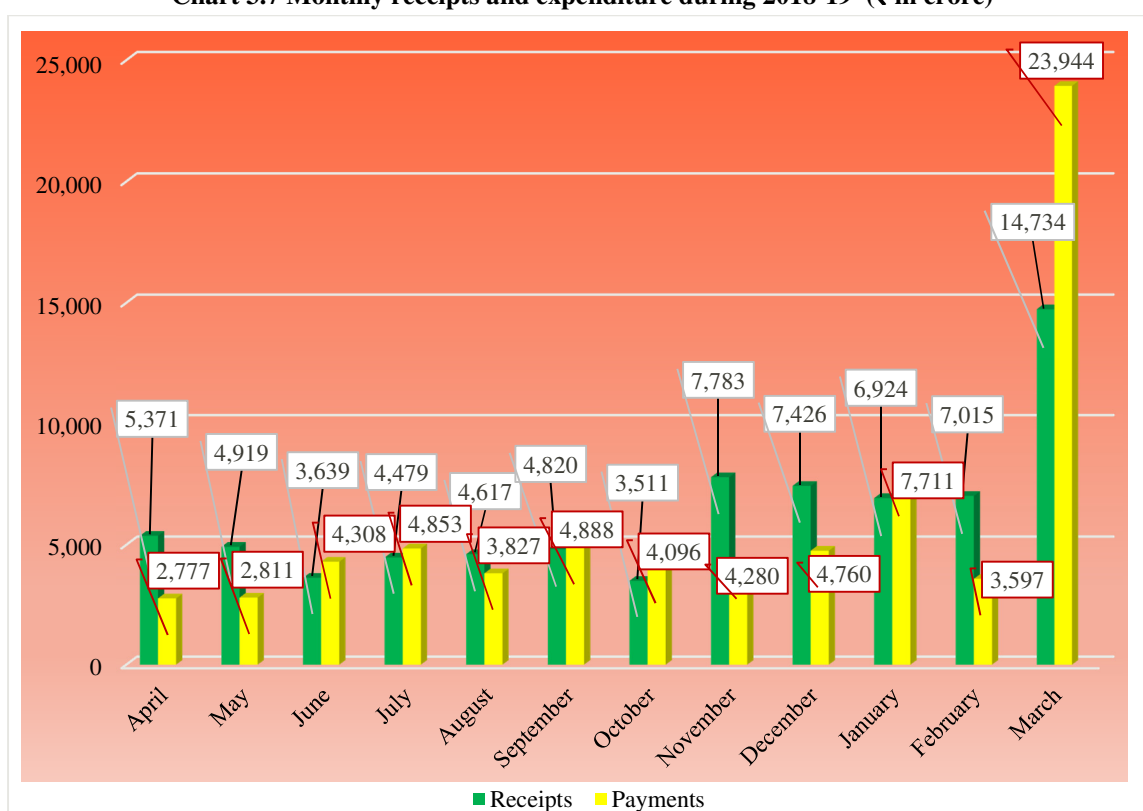
Substantial savings of more than ₹ 10 crore in respect of Heads of Account where re-appropriation was resorted to, reflects poorly on planning and monitoring of budget allocation and its utilisation by the State Government.

3.14 Rush of Expenditure

As per Para 11.17 of Assam Budget Manual, a rush of expenditure particularly in the closing months of the financial year, is regarded as breach of financial regularity. Further, as per the standing orders of Finance Department, the Administrative Departments should target their annual expenditure during four quarters in the pattern of 20, 30, 30 and 20 per cent of the total expenditure for effective budget execution.

The monthly flow of receipts in to the State exchequer and disbursements during 2018-19 is given in the following Chart.

Chart 3.7 Monthly receipts and expenditure during 2018-19 (₹ in crore)



As can be seen from the Chart above, the receipts were paced more or less evenly across all the months during the financial year 2018-19. However, Audit scrutiny of the pattern of expenditure during 2018-19 revealed that the State Government incurred an expenditure

of ₹ 23,944 crore, constituting about 33 *per cent* of the total expenditure of ₹ 71,851 crore⁷, in March 2019 alone. Of this, ₹ 3,170.89 crore (13.24 *per cent* of amount drawn in March), was drawn on the last day of March.

Eight major cases where more than 50 *per cent* of the total expenditure was incurred in March 2019 alone are detailed in **Table 3.11**.

Table 3.11: Quantum of Expenditure in March

(₹ in crore)

Major Head	Description	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total	Expenditure in March	Expenditure in March as % age of TE
2216	Housing	1.55	2.97	3.19	90.85	98.56	84.69	85.93
2217	Urban Development	6.86	140.64	122.47	385.65	655.62	349.15	53.25
2515	Other Rural Devl Programmes	58.65	148.74	75.25	650.27	932.91	612.19	65.62
2575	Other Special Areas Programmes	0.86	10.28	6.57	80.71	98.42	72.59	73.76
3451	Secretariat- Economic Services	12.78	29.45	29.24	496.67	568.14	394.84	69.50
4217	Capital Outlay on Urban Dev	11.59	5.52	29.35	212.85	259.31	190.32	73.39
4401	Capital Outlay on Crop Husbandry	0	0	0	24.02	24.02	24.02	100.00
6801	Loans for Power Projects	0	0	0	129.45	129.45	129.45	100.00
	Total	92.29	337.60	266.07	2070.47	2766.43	1857.25	

Thus, contrary to the spirit of financial regulation, a substantial quantum of expenditure was incurred by the Government at the fag end of the year, indicating inadequate control over the expenditure and poor budgetary management.

3.15 Review of Selected Grants

During the year 2018-19, two Grants - Grant No. 37-Food Storage and Warehousing, and Grant No. 78-Bodoland Territorial Council were selected for detailed scrutiny in audit to review compliance with prescribed budgetary procedures, monitoring of funds, control mechanisms and implementation of schemes within these grants. Outcome of the audit is discussed in the succeeding paragraphs.

3.15.1 Grant No. 37-Food Storage and Warehousing

The Food, Civil Supplies & Consumer Affairs (FCS & CA) Department is responsible for maintaining overall stability of general price level and to ensure adequate supply of commodities in adequate quantities to the people of the State. The policies of the Department are mainly implemented by the Office of the Directorate of Food, Civil Supplies and Consumer Affairs. Four Major Heads *viz.*, 2408-Food Storage and Warehousing, 3456-Civil Supplies, 4408-Capital Outlay on Food Storage and Warehousing and 6408-Loans for Food Storage and Warehousing are operated under this Grant.

⁷ Including expenditure on public debt

3.15.1.1 Budget and Expenditure

The overall position of budget provision, actual expenditure and savings/ excesses under this Grant during the five-year period 2014-19 is given below.

Table-3.12: Budget and Expenditure

(₹ in crore)					
Grant No. 37	2014-15	2015-16	2016-17	2017-18	2018-19
Total Budget Provision	358.29	316.52	716.39	891.79	883.12
Expenditure	74.88	83.78	438.81	497.62	683.35
Savings	283.41	232.74	277.58	394.17	199.77
Savings (%)	79.10	73.53	38.75	44.20	22.62
i) Revenue Provision	358.29	316.52	716.17	741.57	823.33
Expenditure	74.88	83.78	438.81	497.62	682.88
Savings	283.41	232.74	277.36	243.95	140.45
Savings (%)	79.10	73.53	38.73	32.90	17.06
ii) Capital Provision	0.00	0.00	0.22	150.22	59.79
Expenditure	0.00	0.00	0.00	0.00	0.47
Savings	0.00	0.00	0.22	150.22	59.32
Savings (%)	0.00	0.00	100.00	100.00	99.21

Source: Appropriation Accounts

As can be seen from the above table, savings as a percentage of total budget provision ranged between 22.62 per cent and 79.10 per cent during the period 2014-19. Persistently large savings is indicative of incorrect assessment of actual needs and calls for a critical review of budget preparation exercise of the Department.

3.15.1.2 Surrender of Savings

According to Paragraph 11.17 of ABM, 2012, a Controlling Officer should anticipate savings under a Grant and communicate them to the Finance Department not later than 15th February of each year.

Table 3.12 reveals that out of a total budget provision of ₹ 883.12 crore for the Grant during 2018-19, there were savings of ₹ 199.77 crore. But no portion of savings was surrendered by the Food, Civil Supplies and Consumer Affairs Department even at the end of the financial year. Had the savings been surrendered on time as per the provisions of the Assam Budget Manual, the funds could have been utilised for other developmental purposes.

3.15.1.3 Unnecessary Supplementary Grant

It was noted in Audit that during the year 2018-19, supplementary provision of ₹ 25.89 crore under Major Head 2408 proved unnecessary, as the expenditure of ₹ 682.30 crore did not even reach the threshold of original provision as detailed in **Table 3.13**.

Table-3.13: Unnecessary supplementary Provision

(₹ in crore)

Grant No.	Head of Account	Original Provision	Actual expenditure	Savings out of original provision	Supplementary Grant
37	2408	796.58	682.30	114.28	25.89

Source: Appropriation Accounts (2018-19)

Clearly, the supplementary provision was made without assessing the actual requirement. There is thus, a need for strengthening the monitoring controls for ensuring financial discipline.

3.15.1.4 Persistent Savings under Sub-Head

Under one Sub-Head, there were persistent savings during 2014-19 ranging between 14.52 per cent and 100 per cent of the total provision as detailed below.

Table 3.14: Persistent Savings under Sub-Head

(₹ in crore)

Head of Account	Year	Total Grant (O + S)	Expenditure	Total Savings	Percentage of Savings
2408-01-102-4732-National Food Security Scheme	2014-15	227.09	0.00	227.09	100.00
	2015-16	233.29	64.35	168.94	72.42
	2016-17	664.51	399.93	264.58	39.82
	2017-18	554.92	353.79	201.13	36.24
	2018-19	592.04	506.08	85.96	14.52

Source: Appropriation Accounts

Persistent savings ranged between 14.52 per cent and 100.00 per cent under one Sub-Head during the last five years i.e., 2014-19 indicating that the budgeting process in the Department was unrealistic as funds to the extent of savings were not required during the years.

Director of the Department stated (February 2020) that the savings in 2018-19 was on account of non-receipt of bills from the respective Deputy Commissioners and Principal Secretary of the Autonomous Councils.

3.15.1.5 Savings of Entire Budget Provision

Budget provision of ₹ 75.87 crore made under the following five schemes/ projects for the year 2018-19 under Grant No. 37 remained unutilised at the end of the year. Details are given below.

Table 3.15: Non-utilisation of budget provision

(₹ in crore)

Sl. No.	Name of the Scheme/ Projects	Budget provision	Savings	Percentage
1	Price Stabilisation Fund	50.00	50.00	100
2	Fair Price Shop Automation	25.00	25.00	100
3	State Consumer Help Line	0.41	0.41	100
4	Consumer Awareness Activities	0.30	0.30	100
5	Construction/Upgradation of Toilet in District Consumer Fora	0.16	0.16	100
Total		75.87	75.87	100

Source: Appropriation Accounts (2018-19)

The Director, FCS&CA stated that the budget provisions could not be utilised due to various reasons i.e., non-receipt of proposals, non-receipt of sanction from Government,

cancellation of sanction by the Government, non-completion of process of selection of vendor, etc.

3.15.1.6 Non-Materialisation of Budget Commitment

While presenting the Budget for the year 2018-19 in the State Legislature, the Finance Minister announced various schemes/ projects under Grant No. 37. Details of funds committed for these schemes over ₹ 10 crore, budget allotment and actual expenditure in this regard are given below.

Table 3.16: Budget Commitment

(₹ in crore)

Scheme/ project	Budget allotment	Expenditure	Savings	Reply of the Department
Price Stabilisation Fund	50.00	0.00	50.00	Director, FCS&CA stated that the scheme did not take off, as the sanctioned amount was cancelled by the Government and was surrendered as per direction of Government.
Financial assistance of Rs.1000 per BPL family under PMUY	153.70	141.13	12.57	Savings were due to non-receipt of bills from Bharat Petroleum Corporation Limited, Indian Oil Corporation Limited and Hindustan Petroleum Corporation Limited.
National Food Security Act, 2013	591.87	506.08	85.79	Director, FCS&CA stated that the main reason for shortfall was due to deletion of beneficiaries and non-completion of selection of beneficiaries in different districts.
Fair Price Shop Automation	25.00	0.00	25.00	Director, FCS&CA stated that the scheme could not be launched in 2018-19 due to non-completion of process of selection of vendor.

Source: Budget Speech (2018-19), Appropriation Accounts (2018-19)

Audit observed that out of the four schemes, two schemes 'Price Stabilisation Fund' and 'Fair Price Shop Automation' did not take off during the financial year.

3.15.2 Grant No. 78 – Welfare of Plain Tribes and Backward Classes (Bodoland Territorial Council)

The Sixth Schedule to the Constitution of India provides for administration of specified tribal areas through the constitution of a District/ Regional Council for each autonomous district/ region. The Bodoland Territorial Council (BTC) was created in Assam under the Sixth Schedule of the Constitution and was made operational with effect from 07 December 2003.

In order to facilitate smooth functioning of the BTC (Council) and enable it to achieve its objectives, the State Government entrusted powers for administering 39 out of 40 subjects (except Relief and Rehabilitation) listed in paragraph 3B of the Sixth Schedule to the Constitution to the BTC.

3.15.2.1 Release and Accounting of Funds

BTC Fund is constituted under sub paragraph (1) of paragraph 7 of the Sixth Schedule to the Constitution of India, into which, all moneys including the taxes levied and collected by the Council or other revenues (grants-in-aid, advances, loans or any other receipts of

any nature from any source) received from the Government in accordance with the provisions of the Constitution, are deposited.

In terms of the administrative procedures/ modalities framed in October 2004 in consultation with the BTC, Government of Assam makes the plan funds available to it as advances (Major Head 8550-Civil Advances) from Grant No. 78, for implementation of various developmental schemes/ activities. Expenditure in this regard is accounted for under Grant No. 78.

The State Government also provides funds from other Grants through Major Head 8550-Civil Advances and through Major Head 8443- Civil Deposits, which are maintained in the Personal Ledger (PL) Account of BTC with the Kokrajhar Treasury and operated by the Principal Secretary to the Council. As per the current arrangement, BTC is responsible to the State Legislature in respect of all matters relating to such funds.

As per Paragraph 3 (3) of the BTC Fund Rule, 2012, unspent balance at credit of the BTC fund at the end of the financial year shall be carried over to the next financial year and shall be spent.

3.15.2.2 BTC Budgetary Process

BTC prepares two budgets as detailed below.

- i) **Entrustment Budget** in respect of Grant No. 78, which is submitted to the State Government for release of funds. Funds from this Grant are released to 'BTC Fund' in two instalments as advances;
- ii) **Council Budget** in respect of the estimated own revenue receipts, estimated CSS receipts relating to other grants to be received from the State Government, etc.

3.15.2.3 Maintenance of Accounts

Monthly Accounts for the expenditure out of Grant No. 78 are furnished to the AG (A&E) Assam for clearance of the 'advance' booked under Major Head 8550. Further, monthly accounts of expenditure out of other grants are also furnished to the AG (A&E), Assam for booking under the respective Grants. However, savings under Grant No. 78 and other Grants at the end of the financial year neither lapse automatically nor are surrendered by the BTC. These savings accumulate in PL Account of BTC and are utilised in subsequent years.

3.15.2.4 Outstanding Balances Under Personal Ledger Account

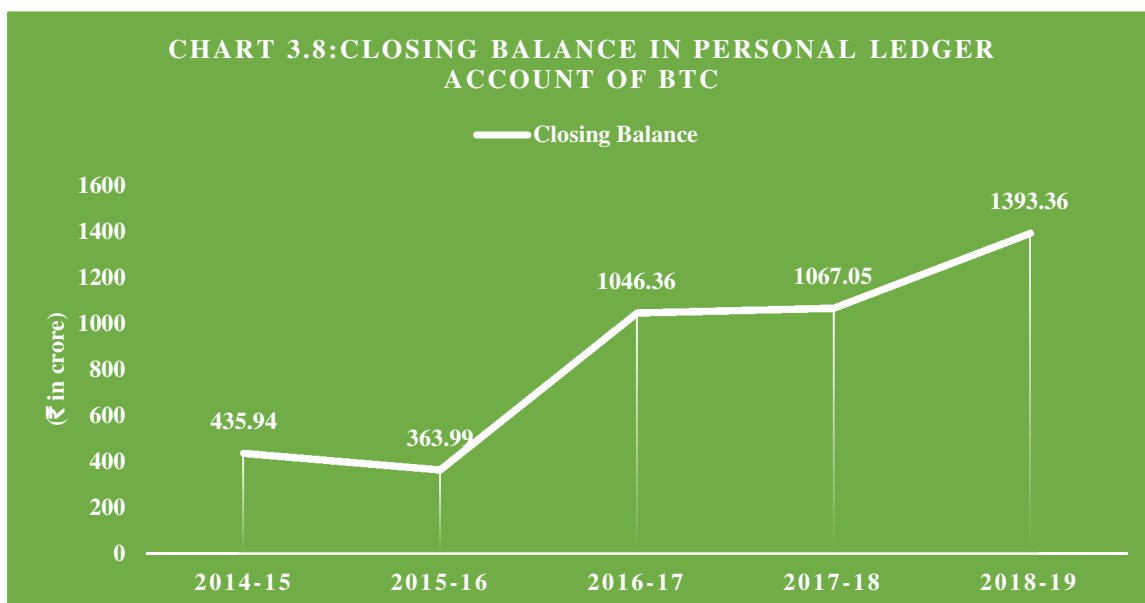
Summarised position of outstanding balances in the PL Account as of end of March 2019 is given below.

Table 3.17: Outstanding balances under PLA

(₹ in crore)				
Year	Opening Balance	Receipts	Disbursements	Closing Balance
2014-15	779.41	2,314.44	2,657.91	435.94
2015-16	435.94	2,318.07	2,390.02	363.99
2016-17	363.99	3,012.17	2,329.80	1,046.36
2017-18	1,046.36	3,336.32	3,315.63	1,067.05
2018-19	1,067.05	3,954.24	3,627.93	1,393.36

Source: Records of Kokrajhar Treasury

Chart 3.8: Closing Balance in Personal Ledger Account of BTC



As can be seen from the Chart above, there was a spurt in the closing balances in the PL Account of the Council since 2015-16. However, audit could not ascertain the year-wise savings of funds under Grant No. 78 due to non-availability of the figures with the Council. Principal Secretary, BTC confirmed that grant-wise, head-wise details of balances were not maintained since inception of BTC *i.e.*, from 2003-04.

Non-maintenance of consolidated opening and closing balances with head/ grant wise details in the PLA defeats the very purpose of control over the public purse and is fraught with the risk of the funds released for various schemes/ programmes being locked up or diverted. Further, there was no assurance that the expenditure incurred out of the unspent balance of previous years was actually incurred for the purpose for which it was sanctioned.

3.15.2.5 Budget vs. Expenditure

The overall status of expenditure *vis-à-vis* budget provision, and savings/ excesses under Grant No. 78 during the five-year period 2014-15 to 2018-19 is given below.

Table-3.18: Year-wise details of Expenditure *vis-à-vis* Budget

		(₹ in crore)				
Grant No. 78		2014-15	2015-16	2016-17	2017-18	2018-19
Total Budget Provision		2,043.34	2,297.02	2,973.52	2,474.58	3,391.36
Expenditure		2,135.53	1,947.26	2,009.75	2,739.05	3,713.48
Savings (-)/Excess (+)		+92.19	-349.76	-963.77	+264.47	+322.12
<i>Percentage of Savings/Excess</i>		4.51	-15.23	-32.41	10.69	9.50
Revenue Provision		1,820.14	1,926.95	2,639.04	2,210.46	2,976.60
Expenditure		1,663.64	1,700.34	1,816.76	2,306.57	2,909.31
Savings (-)/Excess (+)		-156.50	-226.61	-822.28	+96.11	-67.29
<i>Percentage of Savings/ Excess</i>		-8.60	-11.76	-31.16	4.35	-2.26
Capital Provision		223.20	370.07	334.48	264.12	414.76
Expenditure		471.89	246.92	192.99	432.48	804.17
Savings (-)/Excess (+)		+248.69	-123.15	-141.49	+168.36	+389.41
<i>Percentage of Savings/ Excess</i>		111.42	-33.28	-42.30	63.74	93.89

Source: Appropriation Accounts

As can be seen from the table above, there have been savings in four out of the last five financial years in revenue expenditure, while there was excess expenditure on capital account with the savings ranging between ₹ 67.29 crore and ₹ 822.28 crore and excess expenditure ranging between ₹ 96.11 crore and ₹ 389.41 crore under Grant No. 78 during the period. The excess expenditure requires regularisation by the State Legislature under Article 205 of the Constitution.

Principal Secretary, BTC attributed the savings to receipt of funds, especially construction works related funds, at the fag end of the financial year which could not be utilised during that financial year and were carried over to the next financial year as per Paragraph 3 (3) of the BTC Fund Rules, 2012. Further, it was stated that expenditure incurred out of unspent balance of previous years was also the reason for excess expenditure under Grant No. 78.

However, as per Paragraph 7.2 of Assam Budget Manual, an appropriation is intended to cover all the charges, including the liabilities of past years, to be paid during the year or to be adjusted in the accounts of the year. All unutilised funds provided in the Budget lapse at the end of the financial year. Therefore, it is an anomalous situation with regard to carrying forward of the unspent balances of the funds released by the State Government to the Council to the following year.

Parking of unspent balances in the Public Account and funding the schemes/ projects in subsequent years had resulted in persistent instances of large variation from Budget provision, including excess expenditure in three years under Capital Account and one year in Revenue Account during the five-year period from 2014-15 to 2018-19. Legislative intervention is required to regularise the excess expenditure.

3.16 Discussion of Audit Report by PAC

During its meeting held on 25 February 2020, the Public Accounts Committee (PAC) discussed the SFAR of Assam for the year ended 31 March 2018, and enquired from the Finance Department the reasons for excess expenditure reported in the Report.

Accountant General (Audit) expressed concern during the meeting about the issue of excess expenditure being recorded in all three Council Grants (Grant No. 76 - Karbi Anglong Autonomous District Council, Grant No. 77 - North Cachar Hills/ Dima Hasao Autonomous District Council and Grant No. 78 - Bodoland Territorial Council) year after year, primarily due to non-lapsing of the funds of the Councils at the end of the financial year, and emphasised the need for streamlining the present accounting system of the ADCs.

The Chairman agreed with this concern and directed (February 2020) the Finance Department to constitute a high level Committee to study the present accounting system of the three Councils and suggest ways for avoiding excess expenditure in future.

3.17 Conclusion

Budgetary assumptions of the State Government were not realistic during 2018-19 and despite carrying out an elaborate pre-budget exercise to bring about efficiency and transparency in budget formulation and execution, budgetary estimates were off the mark

to a considerable extent, and control over the execution and monitoring of budget was inadequate.

Significant policy initiatives of the Government were not fulfilled during the year due to non-completion of the preparatory activities relating to these initiatives.

Supplementary Grants/ Appropriations were obtained without adequate justification, and large amounts were expended without budgetary provision. Despite flagging this issue every year over the last several years, the State Government had failed to take corrective measures in this regard.

Savings during the year accounted for about a third of the budget; however, the Controlling Officers did not surrender the funds on time. Nor were explanations provided to the Accountant General (A&E) for variations in expenditure vis-à-vis allocations. Departments were not cautioned against persistent savings; nor were their budgets varied in accordance with their ability to absorb the allocations.

3.18 Recommendations

- i) State Government needs to formulate a realistic budget based on reliable assumptions of the needs of the Departments and their capacity to utilise the allocated resources;
- ii) An appropriate control mechanism needs to be instituted by the Government to enforce proper implementation and monitoring of budget to ensure that savings are curtailed, large savings within the Grant/ Appropriation are controlled, and anticipated savings are identified and surrendered within the specified timeframe;
- iii) Controlling Officers need to be made aware of their responsibility to explain the variation in expenditure from the allocation to facilitate proper analysis of budget and preparation of meaningful Appropriation Accounts;
- iv) State Government should operationalise its ‘outcome budget’ initiative in true spirit to enforce accountability of the Departments for public funds placed at their disposal.