

## Chapter-II

### Financial Management and Budgetary Control

#### 2.1 Introduction

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

**2.1.2** Audit of appropriation by the Comptroller and Auditor General of India seeks to ascertain whether expenditure actually incurred under various grants is within the authorization given under the Appropriation Act and that the expenditure required to be charged under the provisions of the Constitution is so charged. It also ascertains whether the expenditure so incurred is in conformity with the law, relevant rules, regulations and instructions.

#### 2.2 Summary of Appropriation Accounts

The summarized position of actual expenditure during 2010-11 against 81 Grants/Appropriations (78 Grants and three Appropriations) is indicated in **Table 2.1**.

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

(₹ in crore)						
	Nature of Expenditure	Original grant/ appropriation	Supplementary grant/ appropriation	Total	Actual expenditure	Saving (-)/ Excess (+)
<b>Voted</b>	I Revenue	29,784.68	1,880.84	31,665.52	20,873.93	(-) 10,791.59
	II Capital	3,307.12	1,173.36	4,480.48	2,000.89	(-) 2,479.59
	III Loans & Advances	86.59	21.22	107.81	70.88	(-) 36.93
<b>Total Voted</b>		<b>33,178.39</b>	<b>3,075.42</b>	<b>36,253.81</b>	<b>22,945.70</b>	<b>(-) 13,308.11</b>
<b>Charged</b>	IV Revenue	2,592.32	7.95	2,600.27	2,078.31	(-) 521.96
	V Capital	-	-	-	-	-
	VI Public Debt Repayment	1,047.30	-	1,047.30	923.38	(-) 123.92
<b>Total Charged</b>		<b>3,639.62</b>	<b>7.95</b>	<b>3,647.57</b>	<b>3,001.69</b>	<b>(-) 645.88</b>
<b>Appropriation to Contingency Fund (if any)</b>		-	-	-	-	-
<b>Grand Total</b>		<b>36,818.01</b>	<b>3,083.37</b>	<b>39,901.38</b>	<b>25,947.39</b>	<b>(-) 13,953.99</b>

The overall savings of ₹13,953.99 crore was the result of saving of ₹13,958.26 crore in 75 grants and 17 appropriations under Revenue Section, 30 grants and one appropriations under Capital Section, offset by excess of ₹4.27 crore in one grant under Revenue Section and one appropriation under Revenue Section.

Appropriation Accounts 2010-11 included 78 Grants and three Appropriations. The reasons for savings/excess were called for by the Principal Accountant General (A&E) in respect of 1,955 sub-heads/sub sub-heads. Out of 1,955 sub-heads/sub sub-heads explanations for variations were received for 117 sub-heads/sub sub-heads within the specified period and explanations for variations for 211 sub-heads/sub sub-heads though received within the specified period were incomplete or unspecific. Thus, out of 1,955 sub-heads/sub sub-heads explanation for variations were not received (August 2011) in respect of 1,627 sub-heads/sub sub-heads.

## **2.3 Financial Accountability and Budget Management**

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

The outcome of the appropriation audit reveals that in 54 cases, savings exceeded ₹10 crore in each case and also by more than 20 *per cent* of total provision (*Appendix 2.1*). Against the total savings of ₹13,953.99 crore, savings of ₹12,988.69 crore (93.08 *per cent*) were in 42 cases relating to 36 grants and one appropriation where savings were ₹50 crore and above in each case as indicated in *Appendix 2.2*. Reasons for savings were awaited (August 2011).

### **2.3.2 Excess Expenditure**

In one case, expenditure of ₹16.35 crore exceeded the approved provisions by ₹4.26 crore and also by more than 20 *per cent* of the total provisions. Details are given in *Appendix 2.3*.

### **2.3.3 Expenditure without Provision**

According to Chapter-I (Paragraph-7) of the Assam Budget Manual, expenditure should not be incurred on a scheme/service without provision of funds. It was, however, noticed that expenditure of ₹328.01 crore was incurred in 75 cases as depicted in *Appendix 2.4* without any provision in the original estimates/supplementary demand and without any re-appropriation orders to this effect. Significant cases of such expenditure are given in **Table 2.2**.

Table 2.2: Expenditure incurred without Provision during 2010-11

		(₹ in crore)
Sl No.	Grant/Appropriation No.-Major Head of Accounts-Sub-Head-Detailed Head	Expenditure without provision
1	14 - 2055-0145 District Police Proper Sixth Schedule (Pt.-I) Areas	24.15
2	25 - 2075-3889 Deduct Recoveries of overpayments	37.29
3	44 - 4552-5348 Non-lapsable Central Pool of Resources (NLCPR)	41.28
4	78 - 4711-0107 Assistance to the Bodoland Autonomous Council Sixth Schedule (Pt.-I) Areas	14.97
5	78 - 4702-0160 Flow Irrigation Sixth Schedule (Pt.-I) Areas	31.72
6	78 - 5054 (337) Road Works Sixth Schedule (Pt.-I) Areas	42.69

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

#### 2.3.4 Drawal of funds to avoid lapse of budget grant

According to Assam Treasury Rules & Subsidiary Orders (Rule 16, SO 50) read with Rules 62 and 63 of Assam Financial Rules, no money shall be drawn from the treasury unless it is required for immediate disbursement. In respect of the cases mentioned in **Appendix-2.5** the amount of ₹177.61 crore drawn at the fag end of the year were deposited into the head of account 8443-Civil Deposit to avoid lapse of budget grant.

#### 2.3.5 Excess over provisions relating to previous years requiring regularization

As per Article 205 of the Constitution of India, it is mandatory for State Government to get the excess over a grant/appropriation regularized by the State Legislature. Although no time limit for regularization of expenditure has been prescribed under the Article, but the regularization of excess expenditure is done after the completion of discussion of the Appropriation Accounts by the Public Accounts Committee (PAC). Although the excess expenditure amounting to ₹2,029.10 crore for the years 2002-03 to 2004-05 had been regularized by the PAC vide its 117<sup>th</sup> PAC Reports and placed before the State Legislature on 3 April 2008 but the Act showing regularization of the aforesaid excess expenditure is still awaited. Thus, the total excess expenditure amounting to ₹2,361.67 crore for the years 2002-03 to 2009-10 was yet to be regularized (March 2011) as detailed in **Appendix 2.6**. The year-wise amount of excess expenditure pending regularization for grants/appropriations is summarized in **Table 2.3**.

**Table 2.3: Excess over provisions relating to previous years requiring regularization**

(₹ in crore)

Year	Number of		Amount of excess over provision	Status of Regularization
	Grants	Appropriations		
2002-03	5	6	1,618.86	Regularized vide 117 <sup>th</sup> PAC Report. Act awaited.
2003-04	4	3	404.36	Regularized vide 117 <sup>th</sup> PAC Report. Act awaited.
2004-05	5	6	5.88	Regularized vide 117 <sup>th</sup> PAC Report. Act awaited.
2005-06	2	2	2.45	Not yet discussed by PAC.
2006-07	4	2	80.61	Not yet discussed by PAC.
2007-08	9	2	113.24	Not yet discussed by PAC.
2008-09	6	2	108.40	Not yet discussed by PAC.
2009-10	6	-	27.87	Not yet discussed by PAC.
<b>Total</b>	<b>41</b>	<b>23</b>	<b>2,361.67</b>	

### 2.3.6 Excess over provisions during 2010-11 requiring regularization

**Table 2.4** contains the summary of total excess expenditure in one grant and one appropriation amounting to ₹4.27 crore incurred over authorization from the Consolidated Fund of State (CFS) during 2010-11.

**Table 2.4: Excess over provisions requiring regularization during 2010-11**

(₹ in crore)

Sl No.	Number and title of Grants/ Appropriations	Total Grants/ Appropriation	Expenditure	Excess
1	15 - Jails (Revenue Charged)	0.05	0.06	0.01
2	40 - Sainik Welfare and Other Relief Programmes etc. (Revenue Voted)	12.09	16.35	4.26
<b>Total</b>		<b>12.14</b>	<b>16.41</b>	<b>4.27</b>

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

### 2.3.7 Unnecessary/Excessive/Inadequate supplementary provision

Supplementary provision aggregating ₹1,999.69 crore obtained in 68 cases, amounting ₹10 lakh or more in each case, during the year proved unnecessary as the expenditure did not come up to the level of original provision as detailed in *Appendix 2.7*.

### 2.3.8 Excessive/unnecessary re-appropriation of funds

Re-appropriation is transfer of funds within a grant from one unit of appropriation, where savings are anticipated, to another unit where additional funds are needed. Injudicious re-appropriation proved excessive or insufficient and resulted in

savings/excess of over ₹10 lakh in nine sub-heads. The excess/saving was more than ₹ two crore in six sub-heads as detailed in **Appendix 2.8**.

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

### 2.3.9 Substantial surrenders

Substantial surrenders (sum exceeding ₹25 lakh in each case) were made in respect of four sub-heads on account of either non-implementation or slow implementation of schemes/programmes. Out of the total provision amounting to ₹53.24 crore in these four schemes, ₹30.41 crore (57 per cent) were surrendered. The details of these four schemes are given in **Appendix 2.9**.

There were also cases of surrender of more than ₹10 crore on 30<sup>th</sup> and 31<sup>st</sup> March 2011. The details of such cases are given in **Table 2.5** below.

**Table 2.5: Cases of surrender in excess of ₹10 crore on 30<sup>th</sup> and 31<sup>st</sup> March 2011**

(₹ in crore)					
Sl No.	Number and Name of Grant	Major Head	Budget Provision	Surr-ender	Percentage of total provision
1	11-Secretariat and Attached Offices	2052	864.72	13.38	1.55
2	13-Treasury and Accounts Administration	2054	80.34	18.01	22.41
3	15-Jails	2056	58.73	20.27	34.51
4	16-Stationery and Printing	2058	30.20	13.54	44.84
5	18-Fire Services	2070	78.74	13.92	17.68
6	31-Urban Development (Town and Country Planning)	2217	218.33	188.26	86.23
7	34-Urban Development (Municipal Administration Department)	2217	117.81	56.07	47.59
8	37-Food Storage, Warehousing and Civil Supplies	2408	162.51	18.30	11.26
9	43-Co-operation	2425	66.55	14.58	21.91
10	50-Other Special Areas Programmes	2575	66.91	10.29	15.38
11	53-Dairy Development	2404	42.06	18.64	44.31
12	54-Fisheries	2405	70.98	15.27	21.52
13	55-Forestry and Wild Life	2406	451.12	77.56	17.19
14	56-Rural Development (Panchayat)	2515	594.45	227.30	38.24
15	57-Rural Development	2501	696.80	118.22	16.97
16	59-Sericulture and Weaving	2851	288.57	58.63	20.32
17	65-Tourism	5452	36.13	24.71	68.39
18	72-Relief and Rehabilitation	2235	42.02	27.33	65.04
19	75-Information Technology	4859	54.45	33.78	62.03

Thus, surrender of funds at the fag end of March 2011 indicates inadequate financial control by the respective department and leading to non-utilisation of funds, for other development purposes in the needy areas for want of timely surrender of these funds.

### **2.3.10 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 ₹17.85 crore, the amount surrendered was ₹20.41 crore resulting in excess surrender of ₹2.56 crore. Details are given in *Appendix 2.10*. Reasons for surrender in excess of savings were awaited (August 2011).

### **2.3.11 Anticipated savings not surrendered**

According to Assam Budget Manual (Paragraph-10 of Chapter-I), the spending departments are required to surrender the grants/appropriations or portion thereof to the Finance Department as and when the savings are anticipated. At the close of the year 2010-11, there were, however, 41 grants/appropriations in which savings occurred but no surrenders were made by the concerned departments. The amount involved in these cases was ₹8,495.02 crore (60.88 per cent of the total savings) (*Appendix 2.11*).

Similarly, out of total savings of ₹4,996.94 crore under 33 other grants/appropriations, (savings of ₹one crore and above were indicated in each grant/appropriation) ₹3,841.45 crore (76.88 per cent of total savings) were not surrendered, details of which are given in *Appendix 2.12*.

### **2.3.12 Rush of expenditure**

According to the Subsidiary Order 50 of Assam Treasury Rules, rush of expenditure in the closing month of the financial year should be avoided. Contrary to this, in respect of 13 Major heads listed in *Appendix 2.13*, expenditure exceeding ₹10 crore and also more than 50 per cent of the total expenditure for the year was incurred in March 2011. **Table 2.6** also presents the major heads where more than 80 per cent expenditure was incurred during the last month of the financial year.

**Table 2.6: Cases of rush of expenditure towards the end of the financial year 2010-11**

Sl No.	Major Head	Total expenditure during the year	Expenditure during March 2011 (₹ in crore)	
			Amount	Percentage of total expenditure
1	4217-State Legislature	20.47	16.60	81.09
2	2575-Other Special Areas Programme	56.56	55.71	98.50
3	5452-Tourism	11.42	11.19	97.99
4	4859-Information and Technology	20.68	17.84	86.27

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 fag end of the year is indicative of poor financial control over the expenditure.

## 2.4 Reconciliation of Departmental figures

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

The Contingency Manual of the Government Assam stipulates that detailed bills for the charges drawn in Abstract Contingent (AC) bills in a month should be submitted to the Controlling Officer by the 2<sup>nd</sup> of the following month. The Controlling Officer shall dispatch all Detailed Countersigned Contingent (DCC) bills to the Principal Accountant General (A&E) by 25<sup>th</sup> of the following month. The Treasury Officers should ensure that no payment is made after the 10<sup>th</sup> of a month on any AC bill unless it is certified by the drawing officer that all DCC bills for sums drawn on AC bills in the previous month have been forwarded to the Controlling Officer. The total amount of DCC bills received was only ₹239.13 crore against the amount of AC bills of ₹1,775.37 crore leading to an outstanding balance of DCC bills of ₹1,536.24 crore as on 31 March 2011. Year wise details are given in **Table 2.7** below:

**Table 2.7: Pendency in submission of DCC bills against AC bills**

(₹ in crore)				
Year	Amount of AC bills	Amount of DCC bills	DCC bills as percentage to AC bills	Outstanding DCC bills
Upto 2006-07	642.17	64.31	10.01	577.86
2007-08	167.78	5.76	3.43	162.02
2008-09	90.20	16.74	18.56	73.46
2009-10	648.06	83.01	12.81	565.05
2010-11	227.16	69.31	30.51	157.85
<b>Total</b>	<b>1,775.37</b>	<b>239.13</b>		<b>1,536.24</b>

Department-wise pending DCC bills for the years up to 2010-11 is detailed in **Appendix 2.14**.

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

### 2.4.2 Un-reconciled Expenditure

To enable Controlling Officers of Departments to exercise effective control over expenditure to keep it within the budget grants and to ensure accuracy of their accounts, Financial Rules stipulate that expenditure recorded in their books be reconciled by them every month during the financial year with that recorded in the books of the Accountant General. Even though non-reconciliation of Departmental figures is being pointed out regularly in Audit Reports, lapses on the part of Controlling Officers in this regard continued to persist during 2010-11 also. During 2010-11, out of 68 Controlling Officers (COs), 13 COs carried out full reconciliation

of their expenditure, up to March 2011. Of the remaining, 55 COs, 27 COs did not reconcile the figures at all and 28 COs carried out partial reconciliation.

## **2.5 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 are required to be closed at the end of the financial year and if needed PDA may be opened next year by observing the usual procedure.

Information obtained from Principal Accountant General (A&E), Assam regarding operation/closure of PDA during 2010-11 revealed that there were 75 PD Accounts involving ₹25.46 crore were operative at the start of the year *i.e.*, 1 April 2010. During 2010-11, no PD Accounts were opened debiting functional Major Heads however, 23 PD Accounts involving ₹0.26 crore were closed during the year. There was also a net addition of ₹1.35 crore in respect of PD Accounts opened prior to 1 April 2010. Thus, 52 PD Accounts involving ₹26.55 crore remained operative as on 31 March 2011.

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.

## **2.6 Outcome of review of selected Grant**

A review of budgetary procedure and control over expenditure was conducted (August-September 2011) in respect of Major Heads 2210-Medical and Public Health, 2211-Family Welfare and 2215-Water Supply and Sanitation under Grant Nos. 29, 70, 76, 77 and 78. Review of the Major Heads under the aforesaid Grants 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.

### **2.6.1 Introduction**

No expenditure can be incurred by Government from Consolidated Fund unless Parliament/State Legislature approves the amount to be spent under a Major Head (or



a Group of Major Heads) during the year beginning from 1<sup>st</sup> April to 31<sup>st</sup> March. This approval takes the form of Budget Grant.

The Budget Grant of the State Government is proposed/sanctioned General and Tribal Areas wise. Tribal Areas involve autonomous councils of Karbi Anglong, North Cachar Hills and Bodoland. Prior to 2007-08 the Budget Grant comprising three Major heads viz. 2210-Medical and Public Health, 2211-Family Welfare and 2215-Water Supply and Sanitation under Health and Family Welfare Department were assigned Grant No. 29-Medical and Public Health and contained the budget of both General and Tribal Areas. In the year 2007-08 the Budget Grant of the aforesaid three Major Heads for General and Tribal Areas was diverged into two separate grants viz. Grant Nos. 29-Medical and Public Health and 70-Hill Areas respectively. From the year 2008-09 the Budget Grant for Tribal Areas was further diverged into three separate Grants viz, Grant Nos. 76-Karbi Anglong Autonomous Council, 77-North Cachar Hills Autonomous Council and 78-Bodoland Territorial Autonomous Council.

The Budget Grant for General Areas is operated<sup>1</sup> by the Directorates of Health Services (DHS), Directorate of Health Services, Family Welfare, (FW) and Directorate of Medical Education (DME) under the administrative control of Principal Secretary, Health and Family Welfare Department, Government of Assam, while the Budget Grant for Tribal Areas is operated by the Councils of Karbi Anglong and North Cachar Hills under the administrative control of Principal Secretary, Hill Areas Department, Government of Assam and Council of Bodoland under the administrative control of Principal Secretary, Welfare of Plain Tribes and Backward Classes Department, Government of Assam.

### ***2.6.2 Delayed submission of budget estimates***

As envisaged in the Assam Budget Manual, the Controlling Officers (COs) are required to submit the budget estimates 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 the 15th October each year at the latest along with the views of the Administrative Department in the estimate and the estimates of the Sixth Schedule Areas needs to be submitted to Finance Department after taking into account the views of Autonomous Councils.

Test-check of records of the DHS, DHS (FW) & DME revealed that the budget estimate for the year 2010-11 were sent belatedly by the COs to the Administrative

<sup>1</sup>

Sl No.	Controlling Officer	Major Head Operated
1	Director of Health Services, Assam	2210 (Medical and Public Health) and 2215 (Water Supply and Sanitation)
2	Director of Health Services, (Family Welfare) Assam	2211 (Family Welfare)
3	Director of Medical Education, Assam	2210 (Medical and Public Health)

Departments against the stipulated month of August-September 2009 as detailed in **Table 2.8** below.

**Table 2.8**

Sl No.	Name of the Directorate	Date on which Budget estimates were sent to Administrative Department		Delay (in days)	
		Non plan expenditure	Plan expenditure	Non plan	Plan
1.	Director of Health Services	1.1.2010	25.2.2010	92	147
2	Director of Health Services (FW)	23.11.2009	15.2.2010	54	137
3	Director Medical Education	7.11.2009	Not furnished to audit	38	-

*Source: Departmental records*

The Directors did not send any revised estimates to Administrative Department for General Areas during 2010-11 and the Administrative Departments of Hill Areas and Welfare of Plain Tribes and Backward Classes could not furnish budget estimates and revised estimates for the year 2010-11 if any, received from the Councils of Karbi Anglong and North Cachar Hills and Bodoland respectively. Thus, the actual date of submission of budget estimates and revised estimates by the said Councils also could not be ascertained in audit.

In reply to audit queries, DHS stated (August 2011) that the delay in submission of budget estimates was due to non-receipt of budget estimates from concerned Drawing and Disbursing Officers (DDOs) in time and the other two CO's did not furnish any reply regarding non-receipt of budget estimates in spite of repeated reminders.

### **2.6.3 Unrealistic budget estimation**

Assam Budget Manual (Para 20) provides that on receipt of the estimates from the subordinate estimating officers, the CO's will scrutinize and consolidated 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 estimate received from the estimating officer. It was, however, seen from the records of DHS, DHS (FW) and DME that the proposed budget estimates for non-plan expenditure for the year 2010-11 were forwarded to the Administrative Department without considering the estimates of subordinate estimating officer, which were also not considered by Finance Department as revealed from the sanctioned budget. Besides, the budget estimates for plan expenditure were prepared/proposed by DHS and DHS (FW) on the basis of the total outlay fixed by Government without collecting/incorporating field office demand for Grant. The DME also could not furnish the budget estimates for plan expenditure submitted, if any, to Government/Finance Department. Therefore, it shows that the CO's and Administrative Departments virtually infringed the codal provisions in preparation of budget estimates during 2010-11. However, the summarized position of budget

provision and actual expenditure there against during 2010-11 in respect of three Major Heads viz; 2210-Medical and public Health, 2211-Family Welfare and 2215-Water Supply and Sanitation under Grant Nos. 29, 76, 77 and 78 are presented in **Table 2.9** below.

**Table 2.9**

Nature of expenditure	Major Head Grant No.	Budget Provision			Actual expenditure	Excess (+) /Saving (-) (Per cent)
		Original	Supplementary	Total		
Revenue	2210, 2211 and 2215	1,744.96	136.79	1,881.75	1,337.79	(-) 543.96 (29)
	29					
Revenue	2210, 2211 and 2215 (Minor Head-105)	49.60	--	49.60	45.20	(-) 4.40 (9)
	76					
Revenue	2210, 2211 and 2215 (Minor Head-105)	21.67	--	21.67	21.04	(-) 0.63 (3)
	77					
Revenue	2210 and 2215 (Minor Head-105)	61.75	1.50	63.25	69.67	(+) 6.42 (10.15)
	78					
<b>Total</b>		<b>1,877.98</b>	<b>138.29</b>	<b>2,016.27</b>	<b>1,473.70</b>	<b>(-) 542.57</b>

Source: Detailed Appropriation Accounts

The above table shows that there were overestimation of funds (Saving) in Grant No. 29, 76 and 77 ranging from three per cent to 29 per cent of the total available funds while there was an excess expenditure over approved budget provision by ₹6.42 crore (10 per cent) in Grant No. 78. In view of saving of ₹543.96 crore in Grant no. 29 and excess of ₹6.42 crore in Grant no. 78, the supplementary provisions of ₹136.79 crore and ₹1.50 crore respectively obtained against these Grants during the year were either unnecessary or inadequate.

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

#### 2.6.4 Unnecessary supplementary Grant

Supplementary grant as defined in the Budget Manual (Para 12(xviii)) 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.

Test-check of 21 schemes under Major Head 2210 however, revealed that against the original provision of ₹694.02 crore and supplementary provision of ₹62.43 crore, an expenditure of ₹309.63 crore was incurred. As the expenditure did not come up to the level of original provision, supplementary provision of ₹62.43 crore proved to be unnecessary. The scheme-wise details of unnecessary supplementary Grant are given in **Appendix 2.15**.

### **2.6.5 Inadequate supplementary provision**

Supplementary provision aggregating ₹six crore obtained in four schemes/services under Grant Nos. 29 and 78 during 2010-11 proved insufficient as the expenditure was incurred in excess of total provision leaving an aggregate uncovered excess expenditure ₹126.49 crore as detailed in **Appendix 2.16**.

### **2.6.6 Faulty re-appropriation**

Re-appropriation means transfer of fund within a grant from one unit of appropriation, where savings are anticipated, to another unit where additional funds are needed subject to the condition that proposals for re-appropriation should be from a voted head to another voted head within a Grant.

The Contingency Fund is established in the nature of an imprest to be placed at the disposal of Governor to enable advances to be made by him out of this fund to the extent required for actual and immediate disbursement for the purpose of meeting unforeseen expenditure pending authorization of such expenditure by the Legislature in the next session of the Assembly.

Test-check of records of the DME revealed that the Director submitted (21 December 2010) a re-appropriation proposal to the Government, Health and Family Welfare Department for re-appropriation of ₹236.80 lakh from the Major Head 2210-Medical and Public Health-05 Education, Training and Research-001 Direction and Administration-0172 Headquarter establishment-997 up gradation of standard of Administration Award of Twelfth Finance Commission (IV) Eye Care (Sankardeva Netralaya, Guwahati) under plan (General) head during 2010-11 for incurring expenditure on six schemes/objects under plan for which no provision existed in the budget estimate under Grant No. 29 (Major Head 2210). Finance Department, however, infringing the provision of Budget Manual sanctioned (9 March 2011) ₹0.06 lakh (₹0.01 lakh for each scheme/object) being advance from Contingency Fund (CF) for making token provision and the balance fund of ₹236.74 lakh (₹236.80 lakh minus ₹0.06 lakh) to be met by re-appropriation from the provision (₹247.50 lakh) made to the aforesaid head of account. As the advance from the Contingency Fund needs to be taken to meet the unforeseen expenditure and the re-appropriation of fund to any scheme/object for which provision exists in the budget is permissible, the drawal of advance from the Contingency Fund and subsequent issuance of re-appropriation order by the Finance Department was highly irregular.

### **2.6.7 Budgetary control/Monitoring**

Under the provision of Budget Manual, a statement/return in the prescribed format showing actual expenditure up to November and anticipated expenditure for the remaining months of the year should be submitted (by controlling officer) to the Finance Department in the month of December every year for making assessment of the progress of expenditure. These returns would enable Finance Department to

consider adjustment of budgetary provision and additional financial implication, if any. Information furnished to audit regarding submission of returns to the Finance Department however, revealed that the Directors as well as Councils did not furnish statement/return to the Finance Department within the stipulated month.

This indicated that the Finance Department never insisted upon the CO's 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 and consequential shortcoming like unutilised budget provision, excess expenditure, persistent saving etc; noticed during audit are discussed in the succeeding paragraphs.

#### **2.6.8 Unutilised budget provision**

Cent *per cent* savings were occurred under 46 scheme/services including 19 Centrally Sponsored Schemes during 2010-11. The major cases of which are shown in **Appendix 2.17**. The Controlling Officers could not utilise any part of the provision made in the budget, indicating that the provisions made in the budget were unrealistic.

In reply to audit query, DHS (FW) stated (July 2011) that the savings were due to non-filling up of vacant posts, non-release of funds for arrear salary and non-receipt of ceiling from Government. While DHS stated (August 2011) that savings under salary and non-salary component were due to non-requirement of medical reimbursement, leave travel concession etc; and non-receipt of sanction/approval/fixation of ceiling etc; from the concerned authority. The DME however, could not furnish any reply regarding savings in the aforesaid cases.

#### **2.6.9 Excess expenditure over budget provision**

Para 7 of the Budget Manual envisages that no expenditure, which has not been provided for in 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 under which the charge will fall and that the expenditure is not a new expenditure.

Under 33 schemes/services, expenditure of ₹557.48 crore exceeded the budget provisions (₹331.63) by ₹225.85 crore. Some significant cases of excess expenditure over budget provisions are given in **Appendix 2.18**.

#### **2.6.10 Persistent savings**

Review of Grant No. 29 disclosed persistent savings in excess of 20 *per cent* or more of the total provision during the last five years. The details of savings are detailed in **Table 2.10** below.

**Table 2.10**

(₹ in crore)

Grant No	Name of Grant	Year	Total Grant	Total Expenditure	Savings (percentage)
29	Medical and Public Health (Revenue)	2006-07	1,031.04	574.72	(-) 456.32 (44)
		2007-08	1,257.15	617.95	(-) 639.20 (51)
		2008-09	1,455.83	872.95	(-)582.88 (40)
		2009-10	1,799.46	1,418.81	(-) 380.65 (21)
		2010-11	1,881.75	1,337.79	(-)543.96 (29)

*Source: Appropriation Accounts*

Persistent Savings indicated that the process of preparation of budget estimates by the department were unscientific and unrealistic and needs to be revisited.

### **2.6.11 Deficiencies in expenditure control**

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

Test-check of records of the DHS and DHS (FW) revealed that the DDOs were irregular in sending monthly expenditure statements to COs and consequently, compilation in the appropriation/expenditure control register in the Directorates were not comprehensive. Besides, the DME could neither furnish the Monthly Expenditure statement nor the appropriation register if any, received from the DDO's during 2010-11. Thus, internal control mechanism over expenditure control was deficient in the Directorates.

### **2.6.12 Non-reconciliation of departmental figures**

According to 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 (A&E), Assam monthly for which procedure was clearly brought out.

It was however, ascertained from the records of the Principal Accountant General (A&E), Assam that DHS, DHS (FW), DME and Autonomous Councils of Karbi Anglong, North Cachar and Bodoland had not reconciled the Departmental figures for the year 2010-11 pertaining to the Major Head 2210-Medical and Public Health, 2211-Family Welfare and 2215-Water Supply and Sanitation under Grant Nos.29, 76, 77 and 78 with those booked by the Principal Accountant General (A&E), Assam.

Thus, failures to exercise/adhere to the provision and executive instructions not only facilitate misclassification of expenditure but also lead to defeat the very objective of budgetary process.

### **2.6.13 Drawal of funds to avoid lapse of budget grant**

According to Assam Treasury Rules and Subsidiary Orders (Rule 16, SO 50) read with Rule 62 and 63 of Assam Financial Rules, no money shall be drawn from the treasury unless it is required for immediate disbursement.

Test-check of records of the Hill Areas Department revealed that Karbi Anglong Autonomous Council drawn and deposited (31 March 2011) ₹25.50 lakh at the fag end of the year 2010-11 into the head of account 8443-Civil Deposit to avoid lapse of budget grant. The amount was debited to the head of account “2210-Medical and Public Health (₹25 lakh)” and “2215-Water Supply and Sanitation (₹0.50 lakh)”.

### **2.6.14 Poor financial management**

Test-check of records of the DHS (FW) relating to implementation of a Centrally Sponsored Scheme revealed that the Director submitted (22 July 2010) a proposal to the Government for issue of ceiling of ₹1.43 crore in connection with implementation of Family Welfare scheme. However, no ceiling was received by the Director till October 2010 and the fact of non-receipt of ceiling for the scheme was reminded to the Government by the Director in November 2010. Although the Government released the ceiling of ₹1.43 crore on 31 March 2011, but the Director could not utilise the ceiling amount as it required minimum of five working days to complete the formalities like budget allotment, issuance of fixation of ceilings to 44 DDOs and treasury officers in all districts, preparation of bills for submission to the treasuries etc. As a result the programme remained un-implemented till date.

In another case, the DME could not draw the ceiling amount of ₹0.75 crore during 2010-11 for implementation of the scheme “Expansion of Assam Medical College Hospital, Dibrugarh with Disaster Management Preparedness” due to erroneous recording of head of account in the body of the fixation of ceiling (ceiling issued by the Government on 30 March 2011). As a result the scheme remained un-implemented till date. Thus, the issue of fixation of ceilings at the very fag end of the year coupled with erroneous classification of expenditure head, resulted in lapse of budget indicating deficient financial management.

### **2.6.15 Budget commitment**

The Minister of Finance, Government of Assam in his Budget Speech for the year 2010-11 made commitment to set up 50 new hospitals in the riverine areas of the state and three new district hospitals at Nahorkotiya, Majuli and Sonapur. Apart from these, commitments for immediate setting up of 50 new model hospitals in 50 Legislative Assembly Constituencies (LACs) were also made in the Budget Speech. The budget commitment however, could not be fulfilled due to non-allocation of funds for setting up of model hospitals in LACs and three new district hospitals. Further, setting up of 50 new hospitals in the riverine areas of the state had not yet been taken up by the DHS.

It was, thus, observed that the commitments were not at all materialized during 2010-11.

## **2.7 Conclusion and Recommendations**

During 2010-11, expenditure of ₹25,947.39 crore was incurred against the total grants and appropriations of ₹39,901.38 crore, resulting in a savings of ₹13,953.99 crore. The overall savings was the net result of saving of ₹13,958.26 crore offset by excess of ₹4.27 crore. The excess requires regularization under Article 205 of the Constitution of India. At the close of the year 2010-11, there were 41 grants/appropriations in which savings of ₹8,494.67 crore (60.88 *per cent* of the total savings) occurred but no surrenders were made by the concerned departments.

**(Paras-2.2 and 2.3.11)**

Out of the total provisions amounting to ₹53.24 crore in four schemes, ₹30.41 crore (57 *per cent*) were surrendered (sum exceeding ₹25 lakh in each case).

**(Para-2.3.9)**

In two cases, as against savings of ₹17.85 crore, the amount surrendered was ₹20.41 crore (₹50 lakh or more in each case) resulting in excess surrender of ₹2.56 crore. Injudicious re-appropriation proved excessive or insufficient and resulted in saving/excess of over ₹10 lakh in nine sub-heads. Rush of expenditure were noticed in respect of 13 Major heads, where expenditure exceeding ₹10 crore and also more than 50 *per cent* of the total expenditure for the year was incurred in March 2011.

**(Paras-2.3.10, 2.3.8 and 2.3.12)**

Funds amounting to ₹177.61 crore drawn at the fag end of the year were deposited to the head of account 8443-Civil Deposit to avoid lapse of budget grant, indicates lack of legislative control. Besides, funds amounting to ₹26.55 crore meant for developmental works were parked in Personal Deposit Accounts without undertaking the work for which these were sanctioned and released.

**(Paras-2.3.4 and 2.5)**

Delayed submission of budget estimates, unrealistic budget estimation, faulty re-appropriation of funds etc; indicates prescribed budgetary regulations were not observed diligently and leading to absence of financial control. Besides, failure to exercise control mechanism there were instances of huge excess expenditure over budget provisions, unutilized budget provisions, persistent savings and drawal of funds to avoid lapse of budget grant etc; were noticed.

**(Paras-2.6.2 and 2.6.13)**



- *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 fag 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.*
- *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.*
- *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.*