

Chapter-II

Budgetary Control and Financial Management

2.1 Introduction

The Appropriation Accounts are accounts of the expenditure, Voted and Charged, of the Government for each financial year compared with the amounts of the Voted grants and Charged Appropriations for different purposes as specified in the schedules appended to the Appropriation Acts passed by the Legislature. These Accounts list the original budget estimates, supplementary grants, 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 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.

2.2 Audit of Appropriation Accounts for the current year

Audit of appropriation by the Comptroller and Auditor General of India (C&AG) seeks to ascertain whether 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.

2.2.1 Summary of Appropriation Accounts

The summarised position of actual expenditure during 2012-13 against 81 Grants/ Appropriations (78 Grants and three Appropriations) is indicated in **Table 2.1**.

Table 2.1: Summarised position of Actual Expenditure *vis-à-vis* Original/Supplementary provision

(₹ in crore)						
Voted/ Charged	Nature of Expenditure	Original grant/ appropriation	Supplementary grant/ appropriation	Total	Actual expenditure	Saving (-)/ Excess (+)
Voted	I Revenue	34,272.95	2,178.89	36,451.84	26,831.90	(-) 9,619.94
	II Capital	4,709.35	1,744.38	6,453.73	2,617.28	(-) 3,836.45
	III Loans & Advances	571.12	87.83	658.95	460.65	(-) 198.30
Total Voted		39,553.42	4,011.10	43,564.52	29,909.83	(-) 13,654.69
Charged	IV Revenue	2,318.67	81.13	2,399.80	2,305.13	(-) 94.67
	V Capital	-	-	-	-	-
	VI Public Debt Repayment	1,571.48	21.21	1,592.69	1,532.79	(-) 59.90
Total Charged		3,890.15	102.34	3,992.49	3,837.92	(-) 154.57
Appropriation to Contingency Fund (if any)		-	-	-	-	-
Grand Total		43,443.57	4,113.44	47,557.01	33,747.75	(-) 13,809.26

The overall savings of ₹ 13,809.26 crore was the result of total saving of ₹ 15,004.87 crore in 73 grants and three appropriations under Revenue Section, and 26 grants and one appropriation under Capital Section offset by excess of ₹ 1,195.61 crore in three grants under Revenue Section and one grant under Capital Section.

The reasons for savings/excess were called for by the Principal Accountant General (Accounts and Entitlement) in respect of 1,835 sub-heads/sub sub-heads. Out of 1,835 sub-heads/sub sub-heads, explanations for variations were received for 18 sub-heads/sub sub-heads within the specified period, of which explanations for variations in respect of four sub-heads/sub sub-heads though received within the specified period were either incomplete or unspecific. Thus, out of 1,835 sub-heads/sub sub-heads, explanations for variations were not received (October 2013) in respect of 1,817 sub-heads/sub sub-heads.

2.2.2 Appropriation vis-à-vis Allocative Priorities

The audit of appropriation accounts revealed that in 47 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 ₹ 15,004.87 crore, savings of ₹ 14,394.71 crore (95.93 *per cent*) occurred 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 (November 2013).

2.2.3 Excess Expenditure

In two cases, expenditure of ₹ 4,047.84 crore exceeded the approved provision by ₹ 1,179.15 crore and also by more than 20 *per cent* of the total provision. Details are given in *Appendix 2.3*.

2.2.4 Expenditure without Provision

According to Chapter-8 (Paragraph-8.3) 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 ₹ 499.38 crore was incurred in 78 cases as depicted in *Appendix 2.4* without any provision in the original estimates/supplementary demand and without issue of any re-appropriation order(s) to that effect. Significant cases of such expenditure are also given in **Table 2.2**.

Table 2.2: Expenditure incurred without Provision during 2012-13

				(₹ in crore)
Sl No.	Grant No./ Appropriation	Major Head of Accounts-Sub-Head-Detailed Head		Expenditure without provision
1	11	3451-1421-718	Untied Fund	30.32
2	14	2055-0446	Armed Police Battalions	25.16
3	64	3054-0291	Miscellaneous Public Works Advances	60.20
4	73	2217-4078	Externally aided Project, (JICA) Guwahati Water Supply Scheme	94.37
5	78	2515-4689	Market & Fair	19.58
6	78	4552-3240	Various Project and Scheme for BTAC as per memorandum of settlement	45.79
7	78	5054-337	Road Works, Sixth Schedule (Pt. I) Areas	40.55
8	78	5054-800	Other Expenditure, Sixth Schedule (Pt. I) Areas	33.85

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

2.2.5 Drawal of funds to avoid lapse of budget grant

According to Assam Treasury Rules & Subsidiary Orders (Rule 16, SO 50) read with Rules 62 and 63 of Assam Financial Rules, no money shall be drawn from the treasury unless it is required for immediate disbursement. In respect of the cases mentioned in *Appendix 2.5* the amount of ₹ 411.06 crore drawn at the end of the year was deposited into the head of account 8443-Civil Deposit to avoid lapse of budget grant.

2.2.6 Excess over provision relating to previous years requiring regularisation

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. Although no time limit for regularisation of expenditure had been prescribed under the Article, the regularisation of excess expenditure is done after completion of discussion of the Appropriation Accounts by the Public Accounts Committee (PAC). Although the excess expenditure amounting to ₹ 2,029.10 crore for the years 2002-03 to 2004-05 had been recommended for regularisation by the PAC vide its 117th Report placed before the State Legislature on 3 April 2008 the regularisation of the aforesaid excess expenditure by the State Legislature was awaited. The total excess expenditure amounting to ₹ 3,263.39 crore for the years 2002-03 to 2011-12 had not been regularised (November 2013) as detailed in *Appendix 2.6*. The year-wise position of excess expenditure pending regularisation for grants/appropriations is summarised in **Table 2.3**.

Table 2.3: Excess over provision relating to previous years requiring regularisation

(₹ in crore)

Year	Number of		Amount of excess over provision	Status of Regularization
	Grants	Appropriations		
2002-03	5	6	1,618.86	Recommended for regularisation vide 117 th PAC Report. Legislative approval awaited.
2003-04	4	3	404.36	
2004-05	5	6	5.88	
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	3	-	10.18	Not yet discussed by PAC.
2010-11	1	1	4.27	Not yet discussed by PAC.
2011-12	5	2	915.14	Not yet discussed by PAC.
Total	44	26	3,263.39	

The excess expenditure of ₹ 3,263.39 crore requires regularisation under Article 205 of the Constitution of India.

2.2.7 Excess over provision during 2012-13 requiring regularisation

Table 2.4 contains the summary of total excess expenditure in four grants amounting to ₹ 1,195.61 crore incurred over authorisation from the Consolidated Fund of State (CFS) during 2012-13.

Table 2.4: Excess over provision during 2012-13 requiring regularisation

(₹ in crore)

Sl No.	Number and title of Grants/ Appropriations	Total Grants/ Appropriation	Expenditure	Excess
1	13-Treasury and Accounts Administration (Revenue Voted)	101.15	117.60	16.45
2	23-Pension and Other Retirement Benefits (Revenue Voted)	2,703.99	3,769.87	1,065.88
3	47-Trade Adviser (Revenue Voted)	1.05	1.06	0.01
4	78-Welfare of Plain Tribes & Backward Classes (B.T.C.) (Capital Voted)	164.70	277.97	113.27
Total		2,970.89	4,166.50	1,195.61

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

2.2.8 Unnecessary supplementary provision

Supplementary provision aggregating ₹ 3,296.10 crore obtained in 62 cases amounting to ₹ 10 lakh or more in each case during the year proved unnecessary as the expenditure under the respective heads was even less than the original budget provision as detailed in *Appendix 2.7*.

2.2.9 Excessive/unnecessary re-appropriation of funds

Re-appropriation is transfer of funds within a grant from one unit of appropriation, where savings are anticipated, to another unit where additional funds are needed. Injudicious re-appropriation proved excessive and resulted in savings of over ₹ 10 lakh in 11 sub-heads/sub sub-heads out of which the savings in four sub-heads were more than ₹ two crore as detailed in *Appendix 2.8*. Moreover, the re-appropriation also proved unnecessary as the savings was more than the re-appropriation and resulted in savings of over ₹ 10 lakh in 50 minor heads/sub heads /sub sub-heads of which the savings were more than ₹ two crore in 20 sub-heads as detailed in *Appendix 2.9*.

Thus, substantial savings of more than ₹ two crore registered in 24 cases, where the re-appropriation was made, indicate that the funds could not be spent as estimated and planned under the respective heads.

2.2.10 Substantial surrenders

Substantial surrenders (sum exceeding ₹ 25 lakh in each case) were made in respect of two sub-heads on account of either non-implementation or slow implementation of schemes/programmes. Out of the total provision amounting to ₹ 394.81 crore in those two schemes, ₹ 187.65 crore (48 per cent) was surrendered. The details of those two schemes are given in *Appendix 2.10*.

In three cases surrender exceeding ₹ 10 crore was made on 30 and 31 March 2013. The details of such cases are given in **Table 2.5**.

Table 2.5: Cases of surrender in excess of ₹ 10 crore on 30 and 31 March 2013

(₹ in crore)					
Sl No.	Number and Name of Grant	Major Head	Budget Provision	Surrender	Percentage of surrender to total provision
1	48 Agriculture	2401	857.43	48.23	5.62
2	59 Sericulture and Weaving	2851	282.71	23.25	8.22
3	75 Information Technology	4859	53.56	23.05	43.04

Thus, surrender of funds at the end of March 2013 indicates inadequate financial control by the respective departments. Had those been surrendered in time, the funds could have been utilised for other development purposes.

2.2.11 Anticipated savings not surrendered

According to Para 11.17 of Assam Budget Manual, the spending departments were required to surrender the grants/appropriations or portion thereof to the Finance Department as and when the savings were anticipated. At the close of the year 2012-13 there were however, 75 grants/appropriations in which savings occurred but surrenders were not made by the concerned departments. The amount involved in those cases was ₹ 14,116.45 crore (94.08 per cent of the overall savings) (*Appendix 2.11*).

The above includes total savings of ₹ 865.33 crore under six grants (saving of ₹ one crore and above was registered in each grant) out of which only ₹ 78.70 crore (nine *per cent*) was surrendered and ₹ 786.63 crore (91 *per cent*) were not surrendered, details of which are given in *Appendix 2.12*.

2.2.12 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 25 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 2013. **Table 2.6** 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 2012-13

Sl No.	Major Head	Total expenditure during the year	Expenditure during March 2013	
			Amount	Percentage of total expenditure
1	2052- Secretariat and Attached Offices	54.79	45.25	82.59
2	2052- Secretariat and Attached Offices	655.78	542.36	82.70
3	4047- Secretariat and Attached Offices	10.00	10.00	100
4	4216- Police	10.00	10.00	100
5	2575- Social Services	43.54	61.32	140.84
6	4701- Irrigation	48.00	47.67	99.31
7	2801- Power (Electricity)	21.02	20.24	96.29
8	4859- Information Technology	30.51	30.21	99.02
Total		873.64	767.05	87.80

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

2.3 Reconciliation of Departmental figures

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

The Contingency Manual of the Government of Assam stipulates that detailed bills for the charges drawn in Abstract Contingent (AC) bills in a month should be submitted to the Controlling Officer by the 2nd of the following month. The Controlling Officer shall dispatch all Detailed Countersigned Contingent (DCC) bills to the Principal Accountant General (Accounts and Entitlement) by 25th of the following month. The Treasury Officers should ensure that no payment is made after the 10th of a month on any AC bill unless it is certified by the drawing officer that all DCC bills for sums drawn on AC bills in the previous month have

been forwarded to the Controlling Officer. The total amount of DCC bills received was only ₹ 1,216.53 crore against the amount of AC bills of ₹ 2,393.75 crore leading to an outstanding balance of DCC bills of ₹ 1,177.22 crore as on 31 March 2013. Year-wise details are given in **Table 2.7** below.

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

Year	Amount of AC bills	Amount of DCC bills	(₹ in crore)	
			DCC bills received as percentage to AC bills	Outstanding DCC bills
Upto 2010-11	1,775.38	988.74	55.69	786.64
2011-12	297.40	226.86	76.28	70.54
2012-13	320.97	0.93	0.29	320.04
Total	2,393.75	1,216.53	50.82	1,177.22

Department-wise pending DCC bills for the years up to 2012-13 are detailed in **Appendix 2.14**.

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

2.3.2 Un-reconciled Expenditure

To enable Controlling Officers (COs) of departments to exercise effective control over expenditure to keep it within the budget grants and to ensure accuracy of their accounts, Financial Rules stipulate that expenditure recorded in their books be reconciled by them every month during the financial year with that recorded in the books of the Principal Accountant General (Accounts and Entitlement). Even though non-reconciliation of departmental figures is being pointed out regularly in Audit Reports, lapses on the part of COs in this regard continued to persist during 2012-13 also. During 2012-13, out of total 47 COs, 17 COs carried out full reconciliation and the remaining 30 COs carried out partial reconciliation of their expenditure.

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

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

2.4 Personal Deposit Accounts

The operation of Personal Deposit Accounts (PDA) are allowed/authorised on the basis of proposal(s) received from concerned department(s) along with sanction(s) of the Finance Department of the Government of Assam. As per specific instructions, the PDA remains operative for a financial

year *i.e.*, 1 April to 31 March and is required to be closed at the end of the financial year and if needed, PDA may be re-opened next year by observing the usual procedure.

Information obtained from Principal Accountant General (Accounts and Entitlement), Assam regarding operation/closure of PDA during 2012-13 revealed that 52 PD Accounts involving ₹ 24.55 crore were operative as on 31 March 2013 violating provisions in this regard by the concerned departments.

The Departmental officers also had not conducted verification/reconciliation of the balances with those maintained by the office of the Principal Accountant General (Accounts and Entitlement).

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.

2.5 Outcome of review of selected Grant

A review of budgetary procedure and control over expenditure was conducted (September–November 2013) in respect of Major Heads 2058-Printing and Stationery under Grant No. 16. Review of the Major Head under the aforesaid Grant revealed that mandatory provision of Budget Manual, Financial Rules etc., regarding drawal and utilisation of funds from the Consolidated 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.

2.5.1 Excess expenditure over budget provision

According to Para 11.15 of Budget Manual, the Disbursing Officer is primarily responsible for the expenditure incurred against grants allotted to him under the sub-head or detailed head of appropriations and he should not allow the expenditure to exceed appropriation for a sub-head of appropriation or any sub-division thereof or for a detailed head.

Scrutiny of records of the Director of Printing and Stationery Department however, revealed that the Department had incurred an excess amount of ₹ 554.74 lakh over the budget provision during 2012-13 as detailed in **Table 2.8** below.

Table 2.8

Sub Major Head/ Minor Head	Plan/ Non Plan	Budget provision			Actual expenditure	Excess (+)/ (Percentage)
		Original	Supplementary	Total		
101 Purchase and Supply of Stationery Stores {0493} Headquarters staff	Non Plan	470.86	21.00	491.86	723.68	231.82 (47)
103 Government Presses	Non Plan	1,114.45	182.00	1,296.45	1,619.37	322.92 (25)
Total		1,585.31	203.00	1,788.31	2,343.05	554.74

Source: Detailed Appropriation Accounts

The excess expenditure over budget provision indicated that the provision was made in lump without assessing the actual requirement leading to defective budgeting. The reasons for incurring excess expenditure over budget provision were not stated to Audit, though called for.

2.5.2 Savings

Review of the Grant also disclosed persistent savings in excess of six *per cent* or more of the total provision during the last three years under the major head 2058 in Grant No. 16. The details of savings are depicted in **Table 2.9**.

Table 2.9

(₹ in lakh)

Year	Revenue/ Capital	Total Grant	Total Expenditure	Savings (percentage)
2010-11	Revenue	3,020.45	1,857.66	1,162.79 (39)
2011-12	Revenue	2,832.33	2,430.49	401.84 (14)
2012-13	Revenue	3,473.55	3,273.33	200.22 (6)

Source: Appropriation Accounts

The overall savings of the Department was gradually coming down and was six *per cent* during 2012-13.

2.5.3 Deficiencies in expenditure control

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

Scrutiny of total expenditure reflected in the Budget Control Register and surrender of saving statement revealed discrepancies amounting to ₹ 214.04 lakh between the expenditure figures recorded in Budget Control Register and surrender of saving statement. This indicated the expenditure control mechanism was deficient in the DDO's office.

On this being pointed out, the Director accepted (November 2013) the lapse and stated that steps would be taken to avoid such lapse.

2.5.4 Delay in surrender of savings

Para 11.17 of Assam Budget Manual provides that the savings anticipated by the DDO should be reported in 'Form P' not later than the 15th January to the CO who should proceed to deal with the Finance Department for surrender of the grant/appropriation or portion thereof latest by 15th February of each year.

Scrutiny of relevant records maintained by Director, Printing and Stationery revealed that the Director had submitted statement of savings to the Controlling Officer on 03-04-2013 instead of on 15-01-2013 as required under Para 11.17 of the Budget Manual.

As such, in violation of the provision of Budget Manual the Director had delayed the surrender of savings by 77 days. Had these savings been surrendered in time, the Department could have utilised the whole or portion of the savings for other purposes.

2.5.5 Anticipated savings not surrendered

Under provision of Para 11.17 of Assam Budget Manual, Controlling Officers are required to surrender to the Finance Department all savings anticipated in the budget under their control on or before 15 February. It is important that Controlling Officer surrenders to the Government all anticipated savings immediately when they are foreseen without waiting till the end of the year and that he should not hold any savings in reserve for possible future excess.

Detailed scrutiny of Surrender of savings statement disclosed that huge savings under Revenue Accounts occurred in 2012-13 but the surrender of savings were not made as of March 2013. Out of total savings of ₹ 754.97 lakh under the head of account 2058, ₹ 557.71 lakh (74 *per cent*) was not surrendered as depicted in **Table 2.10** below.

Table 2.10

Sub-Major Head/Minor Head	Total Budget provision	Total expenditure	Savings	₹ in lakh	
				Amount surrendered	Amount not surrendered (percentage)
001- Director & Administration	271.94	253.70	18.24	17.84	0.40 (2)
101- Purchase and Supply of Stationery Stores	237.80	3.78	234.02	2.19	231.83 (99)
103- Government Presses	1,175.50	672.79	502.71	177.23	325.48 (65)
104- Cost of Printing by other sources					
105- Government Publications					
Total	1,685.24	930.27	754.97	197.26	557.71 (74)

Source: Detailed Appropriation Accounts

2.6 Conclusion and Recommendations

During 2012-13, expenditure of ₹ 33,747.75 crore was incurred against the total grants and appropriations of ₹ 47,557.01 crore resulting in a savings of ₹ 13,809.26 crore. The overall saving was the net result of saving of ₹ 15,004.87 crore offset by excess of ₹ 1,195.61 crore. The excess expenditure requires regularisation under Article 205 of the Constitution of India. At the close of the year 2012-13, there were 75 grants/ appropriations in which savings of ₹ 14,116.45 crore (94.08 *per cent* of the overall savings) occurred but no surrenders were made by the concerned departments.

(Paras-2.2.1, 2.2.7 and 2.2.11)

Out of the total provision amounting to ₹ 394.81 crore in two schemes, ₹ 187.65 crore (48 *per cent*) was surrendered.

(Para-2.2.10)

Injudicious re-appropriation proved excessive or unnecessary and resulted in saving/excess of over ₹ 10 lakh in 11 sub-heads/sub sub-heads. Rush of expenditure was noticed in respect of 25 Major heads where expenditure exceeding ₹ 10 crore and also more than 50 *per cent* of the total expenditure for the year was incurred in the month of March 2013.

(Paras-2.2.9 and 2.2.12)

Funds amounting to ₹ 411.06 crore drawn at the end of the year were deposited into the head of account '8443-Civil Deposit' to avoid lapse of budget grant, which indicates bypassing of legislative control. Besides, funds amounting to ₹ 24.55 crore meant for developmental works were parked in Personal Deposit Accounts without undertaking the work for which those were sanctioned and released.

(Paras-2.2.5 and 2.4)

The total amount of DCC bills received was only ₹ 1,216.53 crore against the amount of AC bills of ₹ 2,393.75 crore leading to an outstanding balance of DCC bills of ₹ 1,177.22 crore as on 31 March 2013.

(Para-2.3.1)

Delayed in surrender of savings, non-surrender of anticipated savings etc., indicate that prescribed budgetary regulations were not observed diligently leading to absence of financial control. Besides, failure to exercise control mechanism to watch over the progress of expenditure resulted in shortcoming like excess expenditure.

(Paras-2.5.1, 2.5.4 and 2.5.5)

- *Savings are to be worked out before hand and surrendered before the close of the financial year for its effective utilisation in other areas/schemes requiring funds.*
- *Expenditure should be planned in advance and incurred uniformly throughout the year to avoid rush of expenditure at the end of the financial year.*
- *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.*
- *A close and rigorous monitoring mechanism should be put in place by the DDOs for timely submission of Detailed Countersigned Contingent (DCC) Bills.*