

Chapter - II
Financial Management and
Budgetary Control

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Financial Management and Budgetary Control

2.1 Introduction

Effective financial management ensures that policy decisions are implemented at the administrative level without wastage or diversion of funds and with reasonable assurance about successful implementation of policy at the ground level. This chapter reviews the appropriations and allocative priorities of the State Government and comments on its budgetary processes during 2016-17.

2.2 Audit of Appropriation Accounts for the current year

Appropriation Accounts reveal the expenditure 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 passed by the Legislature.

These Accounts depict the original budget provision, supplementary grants, surrenders and re-appropriations and indicate actual capital and revenue expenditure on various specified services *vis-à-vis* those authorised by the Appropriation Act. The Appropriation Accounts are therefore, complementary to Finance Accounts.

Audit of appropriation by the C&AG of India 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, savings/excesses and amount surrendered during 2016-17 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 (+)	Amount surrendered	Amount surrendered on 31 March 2017	Percentage of savings surrendered by 31 March (col. 8/col 7)
1	2	3	4	5	6	7	8	9	10
Voted	I Revenue	58,972.32	3,325.82	62,298.14	46,925.87	(-) 15,372.27	3,853.90	3,845.85	25.07
	II Capital	10,394.40	1,482.85	11,877.25	5,502.08	(-) 6,375.17	86.29	75.97	1.35
	III Loans & Advances	570.78	4.32	575.10	499.38	(-) 75.72	Nil	Nil	NA
Total Voted		69,937.50	4,812.99	74,750.49	52,927.33	(-) 21,823.16	3,940.19	3,921.82	18.06
Charged	IV Revenue	3,486.71	2.80	3,489.51	3,208.35	(-) 281.16	1.73	1.73	0.62
	V Capital	Nil	Nil	Nil	NA	NA	NA	NA	NA
	VI Public Debt Repayment	4,829.15	Nil	4,829.15	2,042.63	(-) 2,786.52	Nil	Nil	NA
Total Charged		8,315.86	2.80	8,318.66	5,250.98	(-) 3,067.68	1.73	1.73	0.06
Appropriation to Contingency Fund (if any)		Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Grand Total		78,253.36	4,815.79	83,069.15	58,178.31	(-) 24,890.84	3,941.92	3,923.55	15.84

NA: Not Applicable

During the year 2016-17, Government of Assam (GOA) incurred expenditure of ₹ 58,178.31 crore against the total grants and appropriations of ₹ 83,069.15 crore resulting in overall savings of ₹ 24,890.84 crore. The overall savings of ₹ 24,890.84 crore stood at 30 per cent of total grants and appropriations. This shows poor financial management by the State.

The overall savings of ₹ 24,890.84 crore was the net result of total saving of ₹ 26,239.50 crore in 78 grants and three appropriations under Revenue Section and 32 grants and one appropriation under Capital Section offset by excess of ₹ 1,348.66 crore in two grants under Revenue Section and five grants under Capital Section.

Further, against the overall savings of ₹ 24,890.84 crore, only an amount of ₹ 3,941.92 crore (15.84 per cent) was surrendered during 2016-17, of which ₹ 3,923.55 crore (99.53 per cent) was surrendered on the last day of the year i.e., 31 March 2017.

The Accountant General (A&E), Assam called for reasons for savings/excesses in respect of 1,654 sub-heads/sub sub-heads. Out of 1,654 sub-heads/sub sub-heads, A.G. (A&E), Assam received explanations for variations for 249 sub-heads/sub sub-heads only. Of these, explanations for variations in respect of 200 sub-heads/sub sub-heads were complete and they were incorporated in the Appropriation Accounts of 2016-17.

Thus, out of 1,654 sub-heads/sub sub-heads, explanation for variations in respect of 1,405 sub heads/sub sub-heads were not received and in respect

of 49 sub-heads/sub sub-heads incomplete information was received (December 2017). Furnishing of explanations by the departments in respect of savings/excesses would show true and fair view of Accounts.

2.2.2 Appropriation vis-à-vis Allocative Priorities

The audit of Appropriation Accounts revealed that in 68 cases relating to 56 grants and one appropriation, 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 ₹ 26,239.50 crore, savings of ₹ 25,275.85 crore (96.33 per cent) occurred in 50 cases relating to 40 grants and one appropriation where savings were ₹ 50 crore and above in each case as indicated in *Appendix 2.2*.

Out of 50 cases, savings of ₹ 200 crore or more occurred in 27 cases. Details of those 27 cases are also given in the **Table No. 2.2**.

Table 2.2: List of grants with savings of ₹ 200 crore and above

(₹ in crore)						
Sl No.	No. and Name of the Grant	Original	Supple- mentary	Total	Actual Expenditu re	Savings
1	2	3	4	5	6	7
Revenue-Voted						
1	11 - Secretariat & Attached Offices	2058.35	1085.46	3143.81	2592.13	551.68
2	14 - Police	3942.64	65.44	4008.08	2893.47	1114.61
3	19 - Vigilance Commission and Others	436.91	1.13	438.04	199.57	238.47
4	23 - Pension and Other Retirement Benefits	7644.88	0	7644.88	6554.13	1090.75
5	25 - Miscellaneous General Services	758.76	0	758.76	300.60	458.16
6	26 - Education (Higher Education)	2270.05	51.60	2321.65	1786.34	535.31
7	29 - Medical & Public Health	3646.87	169.95	3816.82	2943.91	872.91
8	34 - Urban Development (Municipal Administration Department)	262.39	11.26	273.65	50.31	223.34
9	37 - Food Storage, Warehousing and Civil Supplies	716.14	0.03	716.17	438.81	277.36
10	38 - Welfare of SC/STs & OBCs .	1158.92	34.61	1193.53	624.65	568.88
11	39 - Social Security, Welfare & Nutrition	1192.92	44.79	1237.71	957.33	280.38
12	41 - Natural Calamities	2062.16	0	2062.16	1731.10	331.06
13	48 - Agriculture	1375.60	26.59	1402.19	736.80	665.39
14	55 - Forestry & Wild Life	769.26	17.61	786.87	451.83	335.04
15	56 - Rural Development (Panchayat)	2000.74	9.50	2010.24	663.36	1346.88
16	57 - Rural Development	4046.67	141.56	4188.23	2263.11	1925.12
17	71 - Education (Elementary, Secondary etc.)	11773.32	238.35	12011.67	9313.46	2698.21
18	78 - Welfare of Plains Tribes & Backward Classes (BTC)	2629.79	9.25	2639.04	1816.76	822.28
Revenue-Charged						
19	Appropriation: Public Debt and Servicing of Debt	3384.53	0	3384.53	3138.96	245.57

Capital-Voted						
20	17 - Administrative & Functional Buildings	408.51	30.50	439.01	176.15	262.86
21	30 - Water Supply & Sanitation	1512.30	599.85	2112.15	1097.35	1014.80
22	44 - North Eastern Council Schemes	1092.49	17.00	1109.49	360.90	748.59
23	49 - Irrigation	1097.16	34.28	1131.44	211.06	920.38
24	63 - Water Resources	1761.37	241.42	2002.79	472.75	1530.04
25	64 - Roads & Bridges	2121.80	410.00	2531.80	1527.34	1004.46
26	73 - Urban Development (Guwahati) Development Department)	620.75	103.22	723.97	373.38	350.59
Capital Charged						
27	Appropriation: Public Debt and Servicing of Debt	4829.15	0	4829.15	2042.63	2786.52

The Government did not furnish the reasons for savings (December 2017).

2.2.3 Excess Expenditure

In five cases under five grants, expenditure of ₹ 3,826.93 crore exceeded the approved provision by ₹ 1,348.44 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.

Audit however, noticed that expenditure of ₹ 3,334.38 crore was incurred in 53 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. Six major cases of such expenditure are also given in **Table 2.3**.

Table 2.3: Expenditure incurred without Provision during 2016-17

Sl No.	Grant No./ Appropriation	Major Head of Accounts-Sub-Head-Detailed Head		(₹ in crore)
				Expenditure without provision
1	30	2215-01-799-0291	Miscellaneous Public Works Advances-General	782.24
2		4215-02-799-0291	Miscellaneous Public Works Advances-General	164.90
3	62	4801-01-800-5797	Ujjwal DISCOM Assurance Yojna (UDAY)-General	50.00
4		4801-06-800-4168	Externally Aided Project(ADB)-General	258.46
5	64	3054-80-799-0291	Miscellaneous Public Works Advances-General	1,815.55
6	78	4552-00-800-5348	Provision for State Share of NLCPR Project	62.86

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

2.2.5 Excess Expenditure 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. There is no time limit provided in the Article for regularisation of expenditure. The regularisation of excess expenditure is done after completion of discussion of the Appropriation Accounts by the State Public Accounts Committee (PAC).

The Committee recommended for regularisation of excess expenditure amounting to ₹ 2,029.10 crore for the years 2002-03 to 2004-05 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.

Thus, the State Government had not regularized (December 2017) total excess expenditure amounting to ₹ 10,004.29 crore for the years 2002-03 to 2015-16 as detailed in *Appendix 2.5*. The year-wise position of excess expenditure pending regularisation for grants/appropriations is summarised in **Table 2.4**.

Table 2.4: Excess expenditure 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	Nil	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.
2012-13	4	Nil	1,195.61	Not yet discussed by PAC.
2013-14	5	Nil	1,499.89	Not yet discussed by PAC.
2014-15	5	1	3,801.63	Not yet discussed by PAC.
2015-16	3	Nil	243.77	Not yet discussed by PAC.
Total	61	27	10,004.29	

Thus, the excess expenditure of ₹ 10,004.29 crore requires regularisation under Article 205 of the Constitution of India.

2.2.6 Excess Expenditure during 2016-17 requiring regularisation

Table 2.5 contains the summary of total excess expenditure amounting to ₹ 1,348.66 crore incurred in five grants over authorisation from the Consolidated Fund of State (CFS) during 2016-17.

Table 2.5: Excess expenditure over provision during 2016-17 requiring regularisation

(₹ in crore)				
Sl No.	Number and title of Grants/ Appropriations	Total Grants/ Appropriation	Expenditure	Excess
1	2	3	4	5
1	30-Water Supply and Sanitation (Revenue Voted)	465.25	1,165.93	700.68
2	34-Urban Development (Capital Voted)	18.00	34.68	16.68
3	64-Roads and Bridges (Revenue Voted)	1,869.09	2,435.69	566.60
4	76-Hill Areas Department (Karbi Anglong Autonomous Council (Capital Voted)	95.10	138.35	43.25
5	77-Hill Areas Department (North Cachar Autonomous Council (Capital Voted)	31.05	52.28	21.23
Total		2,478.49	3,826.93	1,348.44

Thus, the excess expenditure requires regularisation under Article 205 of the Constitution. The cases of excess expenditure over grants are serious matter and are in violation of the wishes of the Legislature. It is important that responsibility is fixed in this regard to discourage this practice.

2.2.7 Unnecessary Supplementary provision

Supplementary provision aggregating ₹ 2,632.86 crore was obtained in 63 cases amounting to ₹ 10 lakh or more in each case during the year. This proved unnecessary as the expenditure under the respective heads was even less than the original budget provision as detailed in *Appendix 2.6*.

2.2.8 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 and resulted in savings of ₹ 10 lakh and above in four sub-heads/sub sub-heads. Out of this the saving in two sub-heads was more than ₹ one crore as detailed in *Appendix 2.7*.

Moreover, in 42 cases the re-appropriation also proved unnecessary as the re-appropriated amount ultimately resulted in savings of ₹ 10 lakh and above in each case. Of these, the savings were even more than ₹ one crore in 31 sub-heads as detailed in *Appendix 2.8*.

Thus, substantial savings of more than ₹ one crore registered in 33 cases, where the re-appropriation was made, indicated that the funds could not be spent as estimated and planned under the respective heads.

2.2.9 Substantial surrenders

Table 2.1 showed total surrenders of ₹ 3,923.55 crore as of 31st March 2017. In overall cases, surrenders exceeded ₹ 10 crore and above in respect of seven cases on account of either non-implementation or slow implementation of schemes/programmes. Out of the total provision amounting to ₹ 4,876.65 crore made in those seven cases, ₹ 1,764.18 crore (36.18 per cent) was surrendered at the close of the financial year. The details of such cases are given in **Table 2.6**.

Table 2.6: Cases of substantial surrenders (amount exceeding ₹ 10 crore) made on 31st March 2017

(₹ in crore)					
Sl. No.	Number and title of Grant/ Appropriation	Major Head	Total provision	Amount of surrender	Percentage of surrender
1	2	3	4	5	6
1	2-Administration of Justice	2014	293.17	10.50	3.58
2	11-Secretariat and Attached Offices	3451	452.39	25.31	5.60
3	31-Urban Development (Town and Country Planning)	2217	244.70	113.48	46.38
4	37-Food Storage, Warehousing & Civil Supplies	2408	715.11	264.14	36.94
5	44-North Eastern Council Schemes	4552	1,109.49	56.15	5.06
6	45-Census, Surveys and Statistics	3454	52.95	24.33	45.95
7	56-Rural Development (Panchayat)	2515	2,008.84	1,270.27	63.23
Total			4,876.65	1,764.18	36.18

Thus, surrender of funds at the end of March 2017 indicated inadequate financial control by the respective departments. Delay in surrender denied the utilisation of savings fund for other developmental purposes.

2.2.10 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 2016-17 there were however, 58 grants/appropriations in which substantial savings of ₹ five crore and above occurred. But the concerned departments did not surrender the amount. The amount involved in those cases was ₹ 20,290.41 crore (77 per cent of the total savings) (Appendix 2.9).

In addition to above, of the total savings of ₹ 3,447.02 crore occurred under 10 grants (saving of ₹ five crore and above registered in each grant), the concerned departments surrendered only ₹ 1,663.10 crore (48 per cent) and did not surrender ₹ 1,783.92 crore (52 per cent). Details of which are given in Appendix 2.10.

2.2.11 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.

Audit observed that in case of 21 Major Heads under 20 grants, the concerned departments incurred total expenditure of ₹ 5,999.14 crore (expenditure exceeding ₹ 10 crore and also more than 50 per cent of the total expenditure in each case). Out of this, ₹ 3,904.94 crore (65.09 per cent) was incurred in March 2017 alone. Details are given in Appendix 2.11.

Major five cases in which more than 80 per cent of the expenditure was incurred only during the last month of the financial year are detailed in Table 2.7.

Table 2.7: Cases of rush of expenditure (more than 80 per cent) towards the end of the financial year 2016-17

(₹ in crore)

Sl No.	Grant No and Name	Head of Account	Total expenditure during the year	Expenditure during March 2017	
				Amount	Percentage of total expenditure
1	4 - Elections	2015	99.29	80.24	80.81
2	34 – Urban Development (Municipal Development Department)	6217	34.68	34.68	100.00
3	43 – Cooperation	4425	10.10	10.10	100.00
4	52 – Animal Husbandry	4403	32.24	25.84	80.15
5	58 – Industries	2852	98.46	95.18	96.67

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 was 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 (CO) by the 2nd of the following month.

The CO shall dispatch all Detailed Countersigned Contingent (DCC) bills to the Accountant General (Accounts and Entitlements) 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 CO.

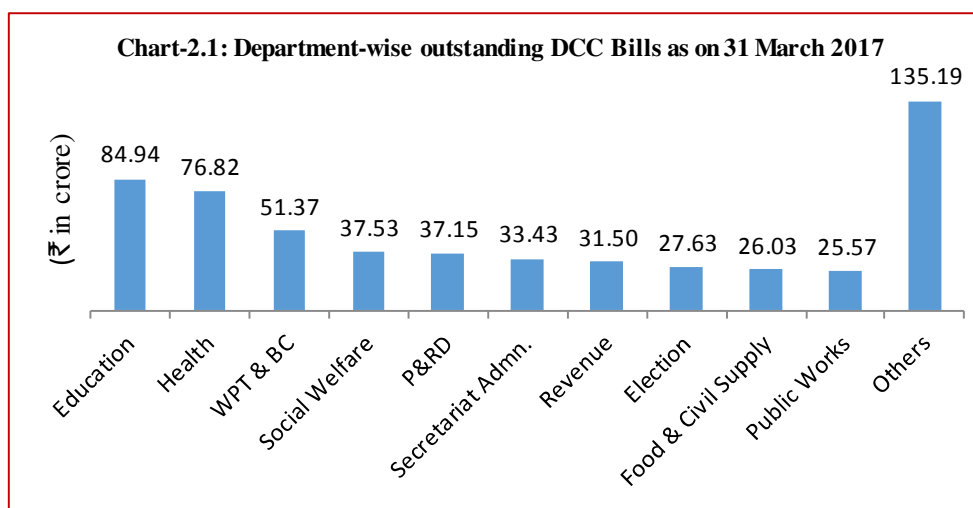
The total amount of DCC bills received was only ₹ 105.88 crore against the amount of AC bills of ₹ 673.01 crore resulting in an outstanding balance of DCC bills of ₹ 567.13 crore as on 31 March 2017. Year-wise details are given in Table 2.8.

Table 2.8: Pendency in submission of DCC bills against the AC bills

(₹ in crore)

Year	Amount of AC bills	Amount of DCC bills received	DCC bills received as percentage to AC bills	Outstanding DCC bills	
				No.	Amount
Upto 2014-15	526.32	10.08	1.92	1,067	516.24
2015-16	134.04	95.55	71.28	18	38.49
2016-17	12.65	0.25	1.98	51	12.40
Total	673.01	105.88	15.73	1,136	567.13

Department-wise pending DCC bills for the years up to 2016-17 are detailed in **Appendix 2.12**. Status of outstanding DCC bills in respect of 10 major departments is also given in **Chart 2.1**.



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 Receipt and Expenditure

Financial Rules stipulate that receipt and expenditure recorded in their books be reconciled by them every month during the financial year with those recorded in the books of the Accountant General (Accounts and Entitlements). This was 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.

2.3.2.1 Non-reconciliation of Receipt and Expenditure figures by the State Government

Status of reconciliation of receipt and expenditure figures by the Controlling Officers (COs) in the State was as shown in the **Table 2.9**.

Table 2.9: Status of Reconciliation of Receipt and Expenditure figures

Sl No.	Particulars	Total No. of COs	Fully Reconciled	Partially Reconciled	Not reconciled at all
1	Receipts	54	8	4	42
2	Expenditure	54	24	17	13

It would be evident from the above table that during 2016-17, out of 54 COs, only eight carried out full reconciliation of departmental receipts figures. 24 COs carried out full reconciliation of departmental expenditure figures with those reflected in the books of Office of the Accountant General (Accounts and Entitlements), Assam.

Audit pointed out non-reconciliation of figures regularly in earlier Audit Reports, but lapses on the part of COs in this regard continued to persist during 2016-17.

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 defeats the very objectives of budgetary process.

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

2.3.2.2 Non-reconciliation of expenditure figures by the Bodoland Territorial Council (BTC)

During 2012-13 to 2016-17, against the allocation of ₹ 10,251.80 crore, the Bodoland Territorial Council (BTC) authorities incurred an expenditure of ₹ 9,376.69 crore under Grant No. 78 – Welfare of Plain Tribes and Backward Classes (BTC).

Further, the information collected from the Office of the Accountant General (A&E), Assam revealed that BTC authorities had not done reconciliation for the above expenditure incurred during the years under the Grant No. 78. Details of year-wise expenditure have been given in **Table 2.10**.

Table-2.10: Non-reconciliation of expenditure figures by BTC

(₹ in crore)					
Grant No.	Name of the Grant	Financial Year	Nature of Expenditure	Amount of Grant/ Appropriation	Amount of Expenditure
78	Welfare of Plain Tribes and Backward Classes (Bodoland Territorial Council)	2012-13	Revenue Voted	1,231.95	1,160.88
			Capital Voted	164.70	277.97
		2013-14	Revenue Voted	1,431.51	1,422.89
			Capital Voted	109.76	422.41
		2014-15	Revenue Voted	1,820.14	1,663.64
			Capital Voted	223.20	471.89
		2015-16	Revenue Voted	1,926.95	1,700.34
			Capital Voted	370.07	246.92
		2016-17	Revenue Voted	2,639.04	1,816.76
			Capital Voted	334.48	192.99
Total				10,251.80	9,376.69

Source: Appropriation Accounts

Non-reconciliation of expenditure resulted into difference between figures of expenditure booked in the Grant No. 78 (BTC) of the Appropriation Accounts and Annual Accounts of BTC against the same Major Head. This issue was

reported in the latest Audit Report on the accounts of BTC (2008-09 to 2013-14) placed before the Council on 29 August 2017.

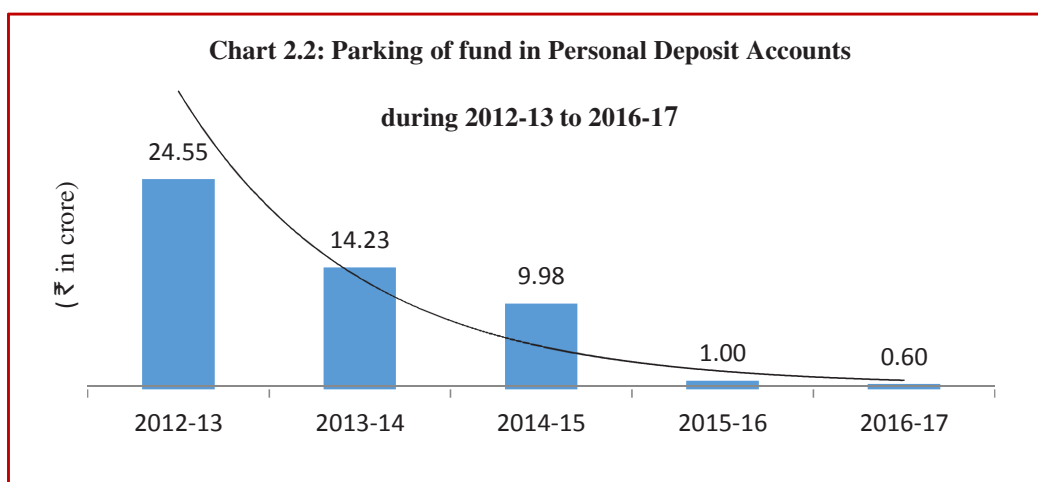
Thus, BTC must reconcile the expenditure figures booked into the Appropriation Accounts as per the reconciliation programme drawn by the Office of the Accountant General (A&E), Assam from time to time. This would help in bringing conformity between the figures booked in the Appropriation Accounts and Annual Accounts.

2.4 Personal Deposit Accounts

The operations 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.

Chart 2.2 showed the status of funds lying in PDA on the last day of the financial year during 2012-17.



It is evident from above Chart that the State has shown significant improvement towards closing PDA during 2012-17 as funds in PDA had reduced from ₹ 24.55 crore in 2012-13 to ₹ 0.60 crore during 2016-17.

During 2016-17, there were 26 PDA involving ₹ 60.12 lakh existing as on 31 March 2017. Other details *i.e.*, name of the treasury, name of PDA holder, closing balance etc., are given in **Appendix 2.13**. Thus, concerned departments had violated the provision by not closing the PDA at the end of financial year. Further, the Departmental officers had not conducted verification/reconciliation

of the balances also with those maintained by the Office of the Accountant General (Accounts and Entitlement), Assam.

This practice of retaining funds in the PDA 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

2.5.1 Introduction

The outlays on the various activities of Government are met from the Consolidated Fund which is made up of revenue receipts, loan raised by Government and recoveries of loans and advances made by the State Government.

No money can be withdrawn from the Consolidated Fund of a State for expenditure by Government unless the State Legislature approves the amount to be spent under a Major Head (or a Group of Major Heads) during the year beginning from 1 April to 31 March. This approval takes the form of Budget Grant. Demands for Grants are placed before the Legislature at the beginning of each financial year.

Audit conducted (July-September 2017) a review titled “Prescribed Budgetary Procedure and Compliance thereof under Grant No. 31” in respect of Major Heads of Accounts 2215-Water Supplies and Sanitation {Town and Country Planning (T & CP)} and 2217-Urban Development (T&CP).

Review showed that concerned authorities bypassed the mandatory provisions of Budget Manual, financial Rules etc., regarding preparation and submission of Budget Estimates (BEs), withdrawal and utilization of fund from the Consolidated Fund of the State. The accountability obligations were also not always fulfilled as brought out in the succeeding paragraphs.

2.5.2 Delayed submission of Budget Estimates

As envisaged in Para 6.1 of the Assam Budget Manual 2012, the Administrative Heads are required to submit the Budget Estimates of receipts and expenditures for the succeeding year along with revised estimates for the current year to the Finance Department by 15 October each year both for General and Sixth Schedule Areas.

Audit observed on test-check of records of Urban Development Department, that there were delays in submission of the Budget Estimates in respect of receipts and expenditures for the years 2012-13, 2014-15 and 2015-16 to the Finance Department as indicated in **Table-2.11**.

Table-2.11: Delay in submission of Budget Estimates

Grant No.	Financial Year	Due date of submission of BEs to the Finance Department	Actual date of sending the BEs to the Finance Department	Delay in submission (in days)
31	2012-13	15.10.2011	29.10.2011	14 days
	2013-14	15.10.2012	NA	NA
	2014-15	15.10.2013	21.10.2013	6 days
	2015-16	15.10.2014	14.11.2014	30 days
	2016-17	15.10.2015	12.10.2015	No delay

Source: Departmental Records

Delay in submission of Budget Estimates to the Finance Department ranged between 6 and 30 days.

2.5.3 Unrealistic budget estimation

Assam Budget Manual provides that on receipt of the estimates from the subordinate estimating officers, the Controlling Officers (COs) will scrutinize and consolidate them for each major head or for the several minor heads of account for which the CO is responsible. The CO will then forward the estimates to the Administrative Department and the Finance Department along with copy of each of the estimates received from the estimating officers.

The summarized position of budget provision and actual expenditure there against for the year 2016-17 in respect of Major Heads 2215 and 2217 under the Grant No. 31 is presented in **Table-2.12**.

Table-2.12: Summarized position of Budget Provision and Actual Expenditure

Nature of expenditure	Major Head	Budget Provision			Actual expenditure	Excess(+) saving(-)	Percent age of Savings
		Original	Supplementary	Total			
Revenue	2215	2.00	-	2.00	1.76	(-) 0.24	12.00
	2217	163.52	81.18	244.70	132.49	(-) 112.21	45.86
Total		165.52	81.18	246.70	134.25	(-) 112.45	45.58

Source: Detailed Appropriation Accounts (2016-17)

It would be evident from the **Table 2.12** that there was overestimation of funds in the budget which was 45.58 per cent of the total available funds under the Grant No. 31. This was indicative of the fact that the estimation was made without proper analysis of actual requirement.

2.5.4 Unnecessary Supplementary Grant

Supplementary Grant as defined in the Para-8 of Budget Manual means an additional provision included in an Appropriation Act during the course of a financial year, to meet expenditure in excess of the amount previously included in the Appropriation Act for that year.

Audit observed on the test check of records for the year 2016-17 that supplementary provision of ₹ 81.18 crore proved unnecessary as the expenditure of ₹ 132.49 crore did not even reach the level of original provision as detailed in **Table-2.13**.

Table-2.13: Unnecessary supplementary Provision

(₹ in crore)

Grant No.	Head of Account	Original Provision	Actual expenditure	Savings out of original provision	Supplementary Grants
31	2217	163.52	132.49	31.03	81.18

Source: Detailed Appropriation Accounts 2016-17

This indicated the poor financial management on the part of Urban Development (Town and Country Planning) Department as the supplementary provision was made without assessing actual requirement.

2.5.5 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.

Audit observed that during 2016-17, the Director of Town and Country Planning, Assam incurred ₹ 111.78 crore (96.37 per cent) out of total Plan expenditure of ₹ 115.99 crore in the last quarter i.e., January to March 2017 under the Major Head 2217.

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

2.5.6 Persistent Savings

Audit observed that substantial portion of the budget grants remained unutilized due to non-achievement of projected financial outlays in the respective years. The Finance/Administrative Department made budget allocation without considering the previous year's expenditure which resulted in persistent savings during 2012-17 under the Grant No. 31 as shown in **Table-2.14**.

Table 2.14: Persistent Savings

Grant No.	Year	Head of Account	Total grant	Total expenditure	₹ in crore)	
					Savings	Savings per cent
31	2012-13	2215 and 2217	190.38	44.60	145.78	76.57
	2013-14	2215 and 2217	237.90	67.46	170.44	71.64
	2014-15	2215 and 2217	140.53	38.24	102.29	72.79
	2015-16	2215 and 2217	283.05	24.18	258.87	91.46
	2016-17	2215 and 2217	246.70	134.25	112.45	45.58
Total			1,098.56	308.73	789.83	71.90

Source: Appropriation Accounts

Persistent savings ranged between 45.58 per cent and 91.46 per cent during 2012-17 under the Grant No. 31. This indicated that the process of preparation of Budget Estimates by the department was unrealistic and needs to be revisited.

2.5.7 Lack of Budgetary control and monitoring

Under the provision of Para 11.16 of the Budget Manual, for monitoring the progress of expenditure and provisions of additional funds when required, a statement in Form-O in duplicate should be submitted by the CO twice a year to reach the Finance Department, once by 25 November and again by the 1 January at the latest.

The first statement should be based on the previous seven months actual and the second on eight months actual, specifying the reasons for anticipated savings and excesses of expenditure over the sanctioned budget grants under each head. These returns would enable Finance Department to consider adjustment of budgetary provisions and additional financial implication, if any.

Audit observed that the Director of Town and Country Planning, Assam had not prepared and submitted such statement/return to the Finance Department.

On this being pointed out, the Director, Town and Country Planning stated (August 2017) that it did neither prepare Form-O nor submit to the Finance Department. Thus, non-compliance of the instruction of the Budget Manual by the COs resulted in shortcoming like unutilized budget provision, rush of expenditure etc., as mentioned in preceding paragraphs.

2.5.8 Budget Commitment

The Finance Minister, Government of Assam in his budget Speech for the year 2016-17 made commitment to implement the Scheme Housing for all (Urban)

under Pradhan Mantri Awas Yojana (PMAY) in nine towns¹ and Atal Mission for Rejuvenation and Urban Transformation (AMRUT) to improve basic amenities in four towns².

Audit observed on the scrutiny of records of the Director, T&CP and Mission Director, PMAY that the Budget Commitment could not be fulfilled due to drawal of fund of ₹ 90 crore at the fag end of the financial year and transfer of the same to the respective bank account of Mission Director. The amounts were lying unutilized (September 2017) as detailed in **Table 2.15**.

Table: 2.15 - Non-fulfillment of Budget Commitment (2016-17)

(₹ in crore)

Scheme	Budget Allotment	Amount Drawn	Expenditure	Bank Account No
Prime Minister Awas Yojana (PMAY)	73.88	8.63	Nil	IDBI SB Account No.0136104000200981
Atal Mission for Rejuvenation and Urban Transformation (AMRUT)	77.88	81.37	Nil	IDBI SB Account No. 0136104000167703
Total	151.76	90.00	Nil	

2.6 Significant Findings

- Sound financial management requires advance planning and accurate estimation of revenue and expenditure. There were instances of excess expenditure or substantial savings with reference to provision made during the year, exhibiting weakness in expenditure monitoring and control.
- During the year 2016-17, Government of Assam (GOA) incurred expenditure of ₹ 58,178.31 crore against the total grants and appropriations of ₹ 83,069.15 crore resulting in overall savings of ₹ 24,890.84 crore. The overall savings of ₹ 24,890.84 crore stood at 30 per cent of total grants and appropriations. This shows poor financial management by the State.
- The overall savings of ₹ 24,890.84 crore was the net result of total saving of ₹ 26,239.50 crore in 78 grants and three appropriations under Revenue Section and 32 grants and one appropriation under Capital Section offset by excess of ₹ 1,348.66 crore in two grants under Revenue Section and five grants under Capital Section.
- Against the overall savings of ₹ 24,890.84 crore, only an amount of ₹ 3,941.92 crore (15.84 per cent) were surrendered during 2016-17, of

¹ Guwahati, Nagaon, Silchar, Dibrugarh, Tinsukia, Tezpur, Jorhat, Kokrajhar and Dhubri;

² Guwahati, Silchar, Nagaon and Dibrugarh.

which ₹ 3,923.55 crore (99.53 per cent) were surrendered on the last day of the year i.e., 31 March 2017.

- Excess expenditure over allocation amounting to ₹ 10,004.29 crore pertaining to years from 2002-03 to 2015-16 was yet to be regularized as of December 2017. The cases of excess expenditure over grants are serious matter and are in violation of the wishes of the Legislature. It is important that responsibility is fixed in this regard to discourage this practice.
- Supplementary provision aggregating ₹ 2,632.86 crore obtained in 63 cases (₹ 10 lakh or more in each case) proved unnecessary as the expenditure under the respective heads was even less than the original budget provision.
- At the close of the year 2016-17, there were 58 grants/ appropriations in which savings (₹ five crore and above in each grant) of ₹ 20,290.41 crore (77 per cent of the total savings) occurred but the concerned departments did not surrender the amount.
- The total amount of Detailed Countersigned Contingent (DCC) bills received was only ₹ 105.88 crore against the amount of Abstract Contingent (AC) bills of ₹ 673.01 crore. This led to the outstanding balance on account of non-submission of DCC bills of ₹ 567.13 crore as on 31 March 2017.
- Out of 54 COs, only eight carried out full reconciliation of departmental receipts figures and 24 carried out full reconciliation of departmental expenditure figures with those reflected in the books of Office of the Accountant General (Accounts & Entitlement), Assam.
- The Accountant General (A&E), Assam called for reasons for savings/excesses in respect of 1,654 sub-heads/sub sub-heads. Out of 1,654 sub-heads/sub sub-heads, explanations for variations in respect of 200 sub-heads/sub sub-heads were complete and they were incorporated in the Appropriation Accounts of 2016-17.
- Thus, out of 1,654 sub-heads/sub sub-heads, explanation for variations in respect of 1,405 sub heads/sub sub-heads were not received and in respect of 49 sub-heads/sub sub-heads incomplete information was received.
- Excessive/unnecessary of re-appropriation of funds was also observed. Unrealistic budgetary allocations resulting in substantial savings, unnecessary supplementary grants and expenditure without provisions pointed to poor budget management.