

कार्यालय प्रधान महालेखाकार (लेखापरीक्षा-प्रथम) मध्यप्रदेश, ग्वालियर

Tour Programme

दल के सदस्यों के नाम-

1. श्री दीपक शर्मा, वरि.ले.प.अ. (01/10131)
2. श्री भरत कुमार चौधरी, स.ले.प.अ. (02/6564)

S.No.	Alloted Work	Days	Period
	Transit to Bhopal	01	17.07.222
1	Review of Grant No. 48 Narmada Valley Development for Budgetary Review under State Finance Audit Report 2021-22	10	18.07.2022 to 29.07.2022
	Transit to Gwalior	01	30.07.2022

Holiday in July- 2, 3, 9, 10, 16, 17, 23, 24, 30.

संलग्न-उपरोक्तानुसार

(प्राधिकार- उप महालेखाकार महोदय / ए.एम.जी.-IV के आदेश दिनांक- 15.07.2022)

वरि.ले.प.अ./

ए.एम.जी.-IV

No.AMG-IV(HQ)/G-03/F-01Tour Programme/

Date:-15/07/2022

Copy to-

- 1 Secretary to the Pr. Accountant General
- 2 Secretary to the Dy. Accountant General/AMG-IV
- 3 Shri Deepak Sharma, Sr. AO
- 4 Shri Bharat kumar Chaudhary, AAO
- 5 Sr. AO/IS WING for uploading Tour Programme

वरि.ले.प.अ./

ए.एम.जी.-IV

Sent

R-401994

Office of the Accountant General (Audit-II) Madhya Pradesh,
Branch Office-Gwalior

Letter No./Admn./Report (SF)/Budgetary Review/2021-22/STR-99 Dated: 27/06/2022

Subject: Review of Budgetary Procedure and Expenditure control in respect of selected grants for inclusion in Chapter-III of State Finance Audit Report 2021-22 Government of Madhya Pradesh.

Comprehensive review of Budgetary Procedure and Expenditure control in respect of selected grant is required to be conducted each year in accordance with the instructions received from Headquarters' office from time to time. As per the instructions contained in the headquarters' office General Circular No. 3/85, letter no. 262/CR/Civil/MP. G&SSA/18-2013, findings of the said review is to be included in the paragraph "outcome of Review of selected grant" in Chapter-III of State Finance Audit Report 2021-22. Moreover, issues on receipt and expenditure may also be discussed under the said review.

The Accountant General (Audit-II) Madhya Pradesh, Bhopal vide her order dated 24.06.2022 has selected the Grant No.10-Forest and Grant No.48-Narmada Valley Development for budgetary review by the concerned wing to include in State Finance Audit Report 2021-22.

The concerned wing is therefore, requested to arrange to conduct field work of the Budgetary review of above grants for the year 2021-22 and final results of Budgetary Review may be sent with key document in the form of Factual Statement/Draft Para after issue to concerned department to Report State Finances section, Gwalior latest by 2nd week of September 2022 for inclusion of comments in Chapter-III of State Finance Audit Report 2021-22.

To facilitate the review work of grant, a set of general guidelines for the preparation of review of the Budgetary Procedure and Expenditure control is also enclosed herewith.

Encl: As above

DEPUTY ACCOUNTANT GENERAL
(AMG-III)

1. Dy. Accountant General (AMG-IV)
Office of the Principal Accountant General (Audit-I)
M.P., Gwalior

2. Sr. Dy. Accountant General (AMG-I)
Office of the Accountant General (Audit-II)
M.P., Bhopal



DAE/AMG-IV
Sr AO/HQ
28/6/22

AAO/HQ

30/6/22

Urgent

Sh. Lalit

30/6/22

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**OFFICE OF THE PRINCIPAL ACCOUNTANT GENERAL
(AUDIT-D MP, GWALIOR)**

Subject: Guidelines for conducting Budgetary Review, Audit of Budget and checking of Surrender/Re-appropriation Sanctions.

So far as Audit of appropriation accounts is concerned the printed copies of the demands for grants (Budget) after approval of the State Legislature are received in Book Section of Accountant General (A&E) Office. These copies of Budget books (grants) are sent to this office by Book Section. On the basis of these printed budget copies and Appropriation Acts, the grant statements of each grant is checked at various stages i.e. column no. (1),(2),(3),(4) and Recast Accounts by Report (State Finances) section.

While conducting the audit of Budget and sanctions, the following points are required to be looked into as per MSO (Audit) chapter 15 of section-III.

- (i) Whether the number and nomenclature of the grant/appropriation has been given correctly.
- (ii) Whether the heads of accounts mentioned in the accounts are authorized ones.
- (iii) Whether the sub heads have been grouped separately for Revenue and Capital sections and whether charged and voted figures have been shown distinctly.
- (iv) Whether the original provisions, supplementary provisions and amount of re-appropriations/surrenders have been shown correctly under the concerned sub heads etc.

To conduct a complete audit of budgetary procedure and expenditure control, comprehensive review of selected grants are required to be conducted as per Financial Attest Audi Guidelines (FAA) and (Chapter-15) of M.S.O. (Audit), the guidelines for which are as under:-

The main purpose of conducting the audit of budget and preparing the review of Budgetary Procedure is to scrutinise in detail the procedure adopted by Government for inclusion of the budget provision for various schemes in a grant as a whole and also to examine system for control of expenditure and how this system is effective. The Scrutiny of records may be taken up on the following lines :-

A. *Examination of proposals for budget estimates*

According to the instructions issued by the Finance Department each Budgeting Officer will prepare Budget estimates in a prescribed Proforma and submit the same to the controlling officer or the Heads of departments. Such estimates are supported by explanatory notes containing information regarding the provisions made in the Budget estimates. The correctness of the estimates submitted by the Budgeting Officer shall be scrutinized by the controlling officer/head of the department.

We should first examine the relevant papers to find out how provisions for each scheme was arrived at and included in the Budget estimate which ultimately turned out to be substantially on much higher or lower side. Whether sufficient details were given in explanatory note or the provisions were made on adhoc basis? What checks were exercised by the controlling officers. Whether proposals received from the implementing agencies for the scheme and whether at any stage such agencies were consulted? If not,

how the proposals for estimates were routed. Similarly all proposals for supplementary provisions should also be probed in depth.

B. Preparation of budget estimates-compliance with the prescribed procedures

Financial audit should cover compliance with the procedures laid down in the State Budget Manual, compliance with the existing rules and orders for abandonment of existing revenues and for new items of expenditure, conformity with the Annual Plan proposals in the Five-Year Plan document (Auditor should visit State Planning department/Board) and adherence to any specific orders of Finance Department and recommendations of the Estimates Committee. Preparation of revised estimates, integrity of figures, methods of forecasting and general control on re-appropriation should be reviewed in audit. Effectiveness of budget monitoring system may be examined. Besides, the assumptions made in Budget Speech etc. regarding mobilization of resources, expected realization of quantitative and qualitative targets, modification of tax rates etc. and the degree of translation of these assurances to achievements may also be assessed in audit.

C. Amounts objected in utilisation certificates

The amount objected in utilisation certificates (in respect of Central funds) can result in contingent liability for the State for refund of Plan assistance received from the Central Government.

D. Funds transferred to and from PDAs/PLAs

Funds transferred to PDAs/PLAs in earlier years and refunded to the Consolidated Fund during current year with its implication on expenditure reported for previous year in various sectors. This may be examined in audit and commented upon in the Report.

E. Diversion of Central Plan assistance to meet non-plan expenditure

All States including the Special Category States are to provide for the cost of maintenance of the schemes (under CSS) upon their completion in their Non-Plan Revenue Expenditure. Diversion of Central Plan assistance to meet the cost of maintenance, now being practiced in the Special Category States, should be discontinued.

F. Expenditure on subsidies

In some cases expenditure in the nature of subsidy is classified as 'other expenditure' or 'grants in aid'. Sometimes the recipient of assistance shows the amount as 'subsidy' in their accounts. Audit Report should bring out the expenditure in the nature of subsidies, but not classified as subsidy.

G. Public expenditure through creation of funds outside Consolidated Fund

Which are operated outside the authority/oversight of the Legislature also audited by CAG. Hence, operation of such Funds should be discouraged. Further, budgetary allocations are transferred to Civil Deposit (Public Account) to avoid lapse, inflating the State's total liabilities. This should be discouraged.

H. Study of the system of monitoring of control expenditure

Department of the State Government on whose behalf a grant or Appropriation is authorised by the Legislature is primarily responsible for control of expenditure against the sanctioned grants/appropriations placed at its disposal and exercise control through Heads of Departments/Controlling Officers.

- (i) For the purpose of effective control and monitoring of expenditure a regular flow of reliable information regarding expenditure figures, requirement of funds to the Controlling Officers/ Heads of Department is a pre-requisite. It is to be seen whether (a) this information is received by the controlling officers etc. regularly, (b) A register has been maintained by the controlling officer/Head of the Department to watch the receipt of expenditure statements and (c) the information so obtained is posted in the register and progressive totals of expenditure worked out month by month to enable at a glance the position of provision and expenditure, incurred there against. If there is delay in receipt of the information, the period of delay and action taken thereof may be investigated.
- (ii) Whether re-appropriation/surrender orders are routed through Controlling Officer for the grant or the same are directly sent by the implementing agencies to Government? If the proposals are not routed through Controlling Officer what checks are exercised by Controlling Officer to ensure correct requirements of funds?

The sanctions for re-appropriation/surrender of funds should be scrutinised to see that :

- (a) All sanctions have been issued before 31st March every year.
- (b) Sanctions are arithmetically correct and complete in all respects. In the sanctions for re-appropriation, the total of two sides i.e. 're-appropriation from' and 're-appropriation to' should agree.
- (c) Clear and specific reasons for the saving/excess are given. Vague reasons such as "based on actual expenditure, post remaining vacant, sanctions not issued" should be probed in depth.
- (d) Apart from above mentioned points, the Audit Party should look into the various aspects and reasons for persistent excess as per checks described in Annexure "A".

I. For Audit of sanctions the following points are also required to be looked into:

- (i) The orders have been issued by the competent authority i.e. the authority sanctions the re-appropriations and surrenders of funds is competent to do so.
- (ii) The allotments made are not in excess of the amount available under the grant or appropriation.
- (iii) The amount of re-appropriation is available under the unit from which it is allotted.
- (iv) The amount of re-appropriation is not for meeting expenditure on a 'New Service' or a New Instruments of service.
- (v) No amount is re-appropriated from one grant or appropriation to another grant or re-appropriation.
- (vi) Re-appropriation and surrender of funds should have been sanctioned before the close of financial year (up to 31st March every year).
- (vii) It should be ensured that the amount re-appropriated or surrendered under a particular group head/sub-head does not exceed the funds provided in the budget estimates and the nomenclature of the heads of accounts mentioned in the

- sanctions strictly confirm to the concerned list of Major and Minor heads of accounts and the budget estimates.
- (viii) In the sanctions for re-appropriation the total of the two sides i.e. re-appropriation from and re-appropriation to should invariably be checked and it should be always agree before admitting the sanctions.
 - (ix) No re-appropriation can be made from 'charged to 'voted' and vice versa. Similarly no re-appropriation is permissible from Revenue to Capital and vice versa.
 - (x) No funds provided under 'Plan heads' are re-appropriated to 'Non plan heads' without the previous consent of the Finance Ministry/Department.
 - (xi) Sanctions for re-appropriation of funds should confirm to the instructions issued by the Finance Department, Government of Madhya Pradesh time to time.
 - (xii) Reasons for final savings/excesses may be examined. Vague explanations given for savings/re-appropriations or proximate reasons such as savings due to non-operation of posts etc. need not be accepted. The circumstances in which the posts were not filled in may be scrutinised.
 - (xiii) Whether there was delay in the release of funds to the executing agencies and whether this delay affected implementation of schemes or abandonment thereof. Some interesting cases can be commented.
 - (xiv) Diversion of Plan funds to meet expenditure on Non-plan items may be scrutinised and commented.
 - (xv) In case of excess expenditure it may be examined that it was not incurred on new items of service not provided in the budget estimates.

Veracity of the explanations furnished by the Department regarding excesses or savings in expenditure should be analysed with reference to the records of the Department and analyses the system of watching expenditure against each unit of appropriation against each grant or appropriation. This analysis will be conducted with reference to the excesses or savings under various detailed (scheme) heads of the Department and will be necessarily confined to only significant and material variations. In respect of expenditure, it should be analysed whether the excess expenditure took place under State Plan or the Centrally Sponsored Schemes. Exact reasons thereof should be clued out from the files and records. At macro level what arrangements exists for scheme wise monitoring of expenditure by the department in respect of State Plan and CSS schemes, should be examined and failure or deficiency in such monitoring should also be commented upon. It is to be specifically noted that in both these cases, the DDOs, who incurred excess expenditure should be identified and it should *inter-alia* be seen whether there was large unadjusted amounts drawn through AC Bills to avoid lapse of Budget Provision even while showing excess expenditure in accounts. Apart from this, it should also be checked whether any amount drawn by DDOs are kept in the Deposit head (8443-Civil Deposit 800-Other Deposit 106-Personal Deposit Account) or Bank Account by showing them as final expenditure in accounts with a view to avoid lapse of budget grant.

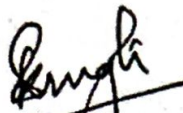
J. Expenditure from contingency fund

If expenditure has been incurred out of advance from the contingency fund following points should be examined:

- (i) Advance has been obtained for unforeseen expenditure only.

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- (ii) Advance has been obtained after proper appropriation of the savings available within the grant.
 - (iii) The advance has been fully utilised within the year and has not been credited to any Deposit Accounts.
 - (iv) If a sanction for advance from the contingency fund has not been acted upon or has been acted upon partially, reasons therefore along with the details of such sanctions may be obtained.

Encl: As above.


Sr. Audit Officer
Report (State Finances)

Annexure- A

Following additional points are also proposed to be looked into by the Audit Party

1. Whether proposals for supplementary grants were submitted after assessing or ascertaining the actual expenditure incurred.
2. The cases in which the amount of surrender exceeds the overall savings in the grant. Reasons therefore should be ascertained from the departments.
3. The cases where the expenditure exceeded the amount of deposits received for execution of Work, reasons for such excesses and the source from which such excesses were met out by the departments need to be ascertained.
4. The cases where decretal amount was paid out of the voted provisions instead of charged expenditure. Detailed justification for these irregularities needs to be obtained from the department.
5. The cases where the excess was caused due to repayment of the overdrafts and shortfall obtained from the Reserve Bank of India. The circumstances leading to such excesses need to be studied in detail and reasons for the same need to be obtained from the departments.
6. The cases where the loans given to Public undertakings/Bodies were subsequently converted into grant/investment without suitable budget provision. It needs to be examined as to why such necessity arose? Detailed reasons for doing so also needs to be ascertained from the departments.
7. Whether the demands received from the drawing and disbursing officers include the provision for meeting liabilities incurred in the previous year. If not, reasons thereof need to be ascertained and examined.
8. Whether the limit of Annual plan ceiling was observed by the departments while incurring expenditure. If not why?
9. Whether the Finance Department intimated the cuts in the estimated demand of the concerned departments while intimating the budget estimate and whether the department intimated the field units about the cut in expenditure. If not, detailed reasons for the same need to be obtained.
10. Whether the Finance Department intimated the revised estimates to the Departments well in time, if not reasons for the delay need to be ascertained.
11. Whether the Department has sent details of monthly expenditure to the Finance Department. If not, why?

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12. Whether budget provision was made by the department for the vacant posts which were held in abeyance due to ban on filling up the posts. If not, reasons thereof need to be looked into.
 13. Whether the re-appropriation were prepared by the Department and sent to the Finance Department through Administrative Department. If not, why?
 14. Reasons for issue of financial sanctions by the Government at the fag end of the year without (i) monitoring the expenditure (ii) ensuring its necessity for drawl.
 15. Check whether FD has released full amount approved by legislature to the concerned Department.


Sr. Audit Officer
Report (State Finances)