

## **CHAPTER-III**

# **BUDGETARY MANAGEMENT**



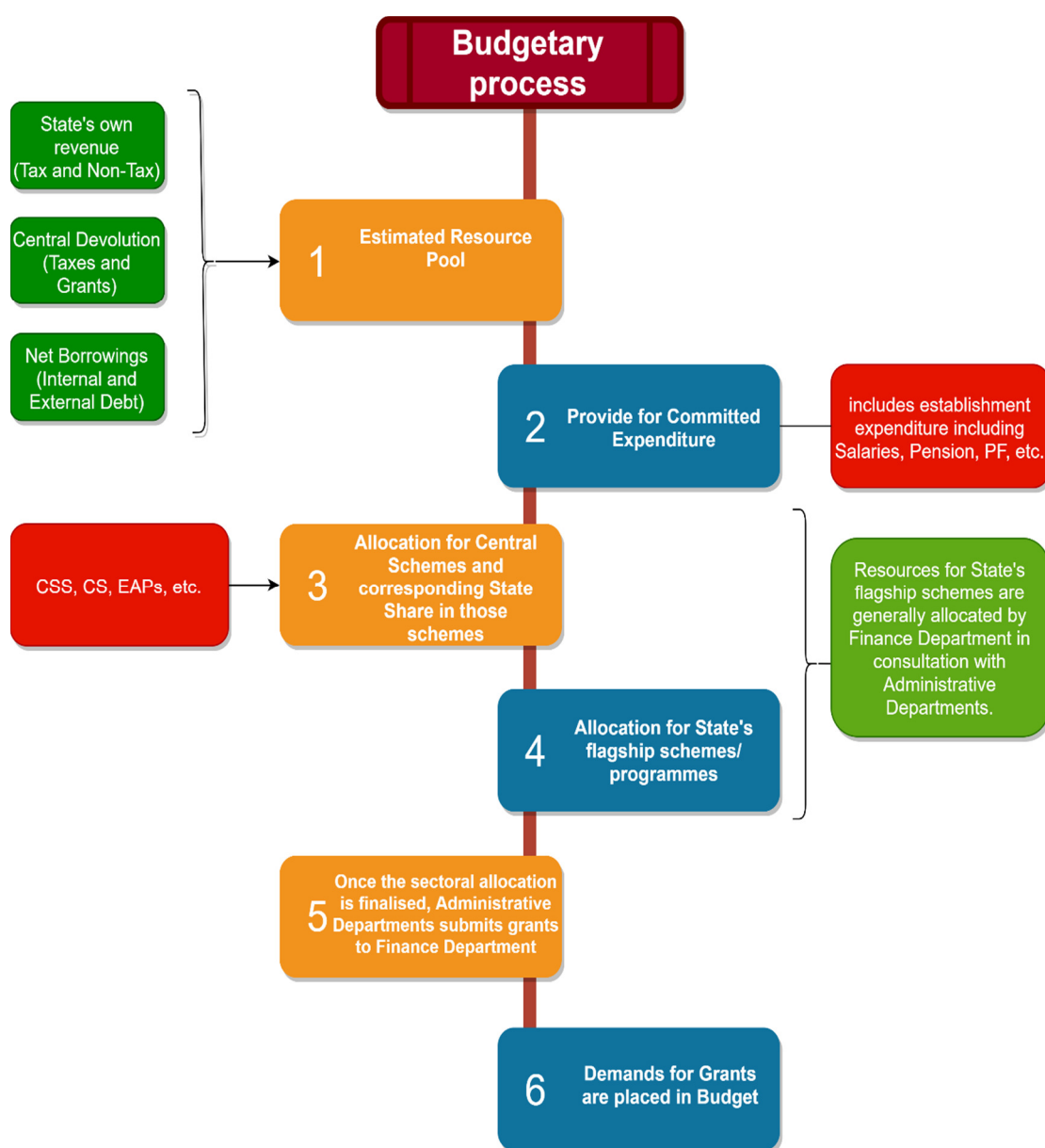
## Chapter III: Budgetary Management

### 3.1 Budget Process

The annual exercise of budgeting is a means for detailing the roadmap for efficient use of public resources. Budget glossary is given in *Appendix 3.1*. The budget process commences with the issue of the budget circular, providing guidance to the departments in framing their estimates, for the next financial year. Finance Department issued the budget circular on 08 October 2018 with the stipulation that the budget estimates (BE) for the year 2019-20 should be submitted by 18 January 2019. All the departments had submitted their BE within the specified time.

A typical budget preparation process in a State is given in **Chart 3.1** below:

**Chart 3.1: Budget preparation process**



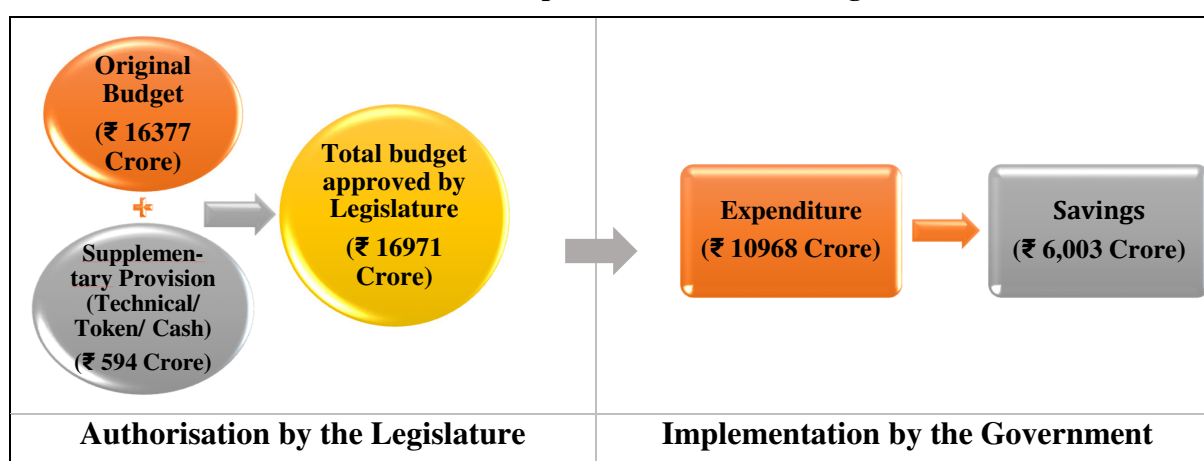
CSS: Centrally Sponsored Schemes; CS: Central Schemes.

The outlays on the various activities of Government are met from the Consolidated Fund which is made up of (a) Revenue-consisting of receipts heads (Revenue Account) and expenditure heads (Revenue Account), (b) Capital, Public Debt, Loans, *etc.* – consisting of receipt heads (Capital Account) and Expenditure Heads (Capital Account). No money (except expenditure charged upon the Consolidated Fund) can be withdrawn from the Consolidated Fund without the authority of the Legislature and for this purpose, necessary Demands for Grants are placed before the Legislature at the beginning of each financial year. The Grants, as and when passed by the Legislature, are incorporated in an Appropriation Act authorising necessary appropriation from the Consolidated Fund. Funds from the Contingency Fund are advanced for meeting unforeseen expenditure pending authorisation of such expenditure by the State Legislature. In Public Account, records are kept for all transactions relating to public moneys other than those of the Consolidated Fund and the Contingency Fund.

As contemplated in Paragraphs 1 and 78 of Budget Manual<sup>1</sup>, the duty of preparing Budget Estimates (BE) (Receipts and Expenditure) and Revised Estimates (RE) for laying before the Legislature vests with the Finance Department. The BE are prepared on departmental basis. The budget making process moves from the bottom to the top. As soon as the departmental estimates and RE are received, the Finance Department scrutinises these and after consultation with the administrative departments, enters the figures, which it accepts for the BE and RE. The estimates of receipts should show the amount expected to be actually realised within the year and in case of fluctuating revenue, the estimate should be based upon a comparison of last three years' receipts.

The total amount approved by the State legislature, including the original and supplementary budgets, expenditure and savings during the year are depicted below:

**Chart 3.2: Components of the State Budget**



Source: Based on the procedure prescribed in Budget Manual and Appropriation Accounts.

<sup>1</sup> Budget Manual of the Government of Assam (Volume I) as adopted by the Government of Meghalaya.

### 3.1.1 Budget projection and gap between expectation and actual

Efficient management of tax administration/other receipts and public expenditure holds the balance for achievement of various fiscal indicators. Budgetary allocations based on unrealistic proposals, poor expenditure monitoring mechanism, weak scheme implementation capacities/ weak internal controls lead to sub-optimal allocation among various developmental needs. Excessive savings in some departments deprives other departments of the funds which they could have utilised.

**Table 3.1: Summarised position of Actual Expenditure vis-à-vis Budget (Original/Supplementary) provisions during the financial year**

(₹ in crore)

Nature of expenditure		Original Grant/ App.	Supplementary Grant/ App.	Total	Actual expenditure	Net of Savings	Surrender during March	
							Amount	per cent
Voted	I. Revenue	12866.81	189.51	13056.32	8720.04	4336.28	3987.33	92
	II. Capital	1728.97	402.12	2131.09	939.71	1191.38	1069.81	71
	III. Loans & Advances	351.68	-	351.68	43.78	307.90		
	<b>Total</b>	<b>14947.46</b>	<b>591.63</b>	<b>15539.09</b>	<b>9703.53</b>	<b>5835.56</b>	<b>5057.14</b>	<b>87</b>
Charged	V. Revenue	838.28	2.14	840.42	845.08	-4.66	7.24	258
	VII. Capital	-	-	-	-	-	-	-
	VIII. Public Debt- Repayment	591.20	-	591.20	418.71	172.49	177.92	103
	<b>Total</b>	<b>1429.48</b>	<b>2.14</b>	<b>1431.62</b>	<b>1263.79</b>	<b>167.83</b>	<b>185.16</b>	<b>110</b>
Appropriation to Contingency Fund (if any)		-	-	-	-	-	-	-
<b>Grand Total</b>		<b>16376.94</b>	<b>593.77</b>	<b>16970.71</b>	<b>10967.32</b>	<b>6003.39</b>	<b>5242.30</b>	

Source: Appropriation Accounts.

As against total Budget provision of ₹ 16970.71 crore, the Department could spend ₹ 10967.32 crore. The net savings of ₹ 6003.39 crore was the result of overall savings of ₹ 6313.19 crore in 63 Grants and one Appropriation under Revenue Section and 26 Grants under Capital Section offset by excess of ₹ 309.80 crore in two Grants under Revenue Section and one Grant and one Appropriation under Capital Section. Out of the net savings of ₹ 6003.39 crore, ₹ 761.09 crore (12.68 per cent) was not surrendered which indicated inadequate budgetary control. Major defaulting departments were Finance (₹ 269 crore) and Transport (₹ 173 crore).

Out of net savings of ₹ 6003.39 crore, savings of ₹ 5242.30 crore (87.32 per cent) were surrendered on the last working day of March 2020. Surrender of funds on the last working day of March denied funds for other developmental purposes. The Finance Department needs to take stringent measures to curb this violation of Budgetary Rules.

### 3.1.2 Charged and Voted disbursements during the year

Table 3.2 presents the summarised position of total budget provision, disbursement and saving/excess with its further bifurcation into voted/charged.

**Table 3.2: Budget provision, disbursement and savings/excess during the financial year**  
(₹ in crore)

Total Budget provision		Disbursements		Savings	
Voted	Charged	Voted	Charged	Voted	Charged
15539.09	1431.62	9703.53	1263.79	5835.56	167.83

Source: Appropriation Accounts.

Out of the total budget provision of ₹ 16970.71 crore, the expenditure incurred was ₹ 10967.32 crore (64.62 per cent) resulting in savings of ₹ 6003.39 crore. Further, out of the expenditure of ₹ 10967.32 crore, ₹ 9703.53 crore (88.48 per cent) was voted expenditure while ₹ 1263.79 crore (11.52 per cent) was charged on the Consolidated Fund of the State.

### 3.1.3 Sub-optimal utilisation of budgeted funds

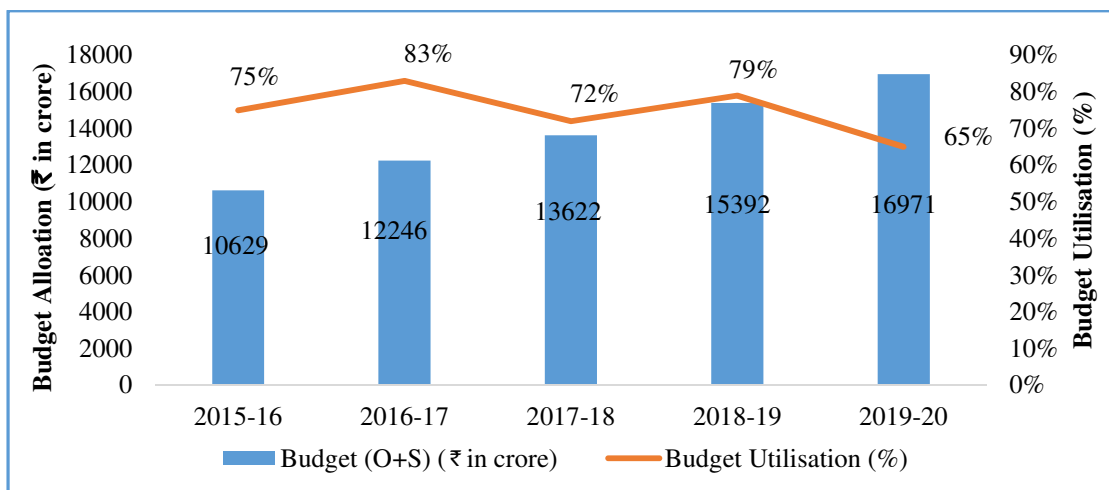
Utilisation of budgeted funds by the State has been sub-optimal every year during the past few years. The extent of utilisation of budget during the five-year period from 2015-16 to 2019-20 is shown below:

**Table 3.3: Original Budget, Revised Estimate and Actual Expenditure during 2015-20**  
(₹ in crore)

	2015-16	2016-17	2017-18	2018-19	2019-20
Original Budget	9733.25	10682.09	13048.23	14276.89	16376.94
Supplementary Budget	896.11	1564.21	573.50	1114.99	593.77
Revised Estimate	10629.36	12246.30	13621.73	15391.88	16970.71
Actual Expenditure	7958.75	10172.86	9856.37	12159.25	10967.32
Saving	2670.61	2073.44	3763.36	3232.63	6003.39
Percentage of Saving	25.12	16.93	27.63	21.00	35.38

Source: Appropriation Accounts.

**Chart 3.3: Budget utilisation during 2015-16 to 2019-20**



As can be seen from the Chart and table above, utilisation of budget has rarely exceeded 80 per cent, except in the year 2016-17, and has shown further decrease during the current year. The percentage of savings in 2019-20 has been the highest in 2019-20 during the last five years. The amount of saving in 2019-20 was almost double in absolute monetary terms, as compared to the previous year. The expenditure was even less than the original budget and 37 per cent of the original provision. Large amount of

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

Persistent savings noticed during the five-year period also raises question about the budget formulation process.

### 3.1.4 Expenditure incurred without authority of law

No money shall be withdrawn from the Consolidated Fund of the State except under appropriation made by law passed in accordance with the provisions of this Article 204 of the constitution.

It was however, noticed that expenditure of ₹ 26.59 crore was incurred in two cases without any budget provision in the original budget/ supplementary and without any re-appropriation orders to this effect as detailed below;

**Table 3.4: Case of expenditure without budget provision during 2019-20**

Grant/ Appropriation	Head of Accounts	Expenditure (₹ in crore)	Number of Schemes/ Sub Heads
32 – Civil Supplies, Capital Outlay on Food Storage and Warehousing	4408	26.39	01 – Food – 101 Procurement and Supply (01) Expenditure on Procurement and Supply of Rice General
56 – Public Works, Roads and Bridges, Capital Outlay on North Eastern Areas, Capital Outlay on Roads and Bridges	5054	0.20	04 – District and Other Roads – 800 – Other Expenditure (45) North East Special Infrastructure Development Scheme (NESID)Sixth Schedule (Part II) Areas
<b>Total</b>		<b>26.59</b>	

Source: Appropriation Accounts.

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

### 3.1.5 Expenditure on New Services

Expenditure on new scheme should not be incurred without provision of funds. Paragraph 113 (vii) of the Budget Manual states that ‘the re-appropriation is not made for a new service not contemplated in the budget for the year nor for an object not specifically included in that estimates and for which no provision has been made’. It was however noticed that an expenditure of ₹ 0.96 crore was incurred in three cases without bringing it to the notice of the State Legislature as detailed below:

**Table 3.5: Expenditure on new service without provision**

(₹ in crore)

Sl.No	Grant No.	Major Head	Minor head	Re-appropriation	Expenditure
1	11	2801	80-101-(76) Dam Rehabilitation and Improvement Project (DRIP) under Externally Aided Project (General)	0.40	0.40
2	38	3451	091-(11) Planning Board (General)	0.26	0.14
3	51	2505	01-702-(13) Pradhan Mantri Adarsh Gram Yojana (PMAGY) (Sixth Schedule Part II Areas)	0.42	0.42
<b>Total</b>				<b>1.08</b>	<b>0.96</b>

Source: Appropriation Accounts.

**3.1.6 Transfers to Minor Head 8443- Civil Deposit**

As per Rule 211 of the Meghalaya Treasury Rules, 1986, no money shall be drawn from the Treasury unless it is required for immediate disbursement. Contrary to the prescribed procedure, during the year 2019-20, in three cases the State Government transferred an amount of ₹ 1.74 crore during March 2020 (constituting 0.02 per cent of total expenditure) to Public Accounts under 'Major Head 8443-Civil Deposits', primarily to exhaust the unspent budgetary provision as shown below:

**Table 3.6: Transferred to Minor Head 8443-Civil Deposit**

(₹ in crore)

Sl. No.	Major/Minor Head from where amount debited	Amount credited to 8443-Civil Deposits, 108-Public Works Deposit
1.	5054-800	1.67
2.	2059-001	0.03
3.	3054-105	0.04
<b>Total</b>		<b>1.74</b>

Source: Finance Accounts.

It was however seen that the amount transferred to '8443-Civil Deposits' during the present year has considerably improved over the previous year, where an amount of ₹ 615.50 crore was transferred to '8443-Civil Deposits' in March 2019.

**3.1.7 Unnecessary or excessive supplementary grants**

Supplementary provision aggregating ₹ 449.57 crore obtained in 12 cases (₹ 50 lakh or more in each case) during the year proved unnecessary as the expenditure did not reach to the level of original provision as detailed in *Appendix 3.2*. Out of the 12, significant cases where supplementary provision was more than ₹ 30.00 crore (in each case) are highlighted in the table below:



**Table 3.7: Details of cases where supplementary provision (₹ 30 crore or more in each case) proved unnecessary**

(₹ in crore)					
Sl. No.	Name of the Grant	Original	Supplementary	Actual	Saving out of Original Provisions
<b>Revenue (Voted)</b>					
1	47 – Housing, Animal Husbandry, Agricultural Research and Education, Capital Outlay on Animal Husbandry, Capital Outlay on North Eastern Areas	151.30	30.37	107.70	43.60
<b>Capital (Voted)</b>					
2.	19 – Secretariat General Services, Public Works, Housing, Capital Outlay on Public Works, etc.	111.79	35.00	47.01	64.78
3.	29 – Urban Development, Capital Outlay on Housing, Capital Outlay on Urban Development	124.82	50.00	52.55	72.27
4.	56 – Public Works, Roads and Bridges, Capital Outlay on North Eastern Areas, Capital Outlay on Roads and Bridges	587.31	307.00	518.38	68.93
<b>Total</b>		<b>975.22</b>	<b>422.37</b>	<b>725.64</b>	<b>249.58</b>

Source: Appropriation Accounts.

Unnecessary excessive budget provision deprives allocation of resources to those projects which require funds, as detailed in **paragraph 3.1.12**.

### 3.1.8 Unnecessary or excessive re-appropriation

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. As per the Appropriation Accounts, re-appropriation made under 26 Grants and two Appropriations proved excessive or insufficient and resulted in savings/excess of Rupees one crore or above in each case as detailed in **Appendix 3.3**. This indicates that re-appropriation was not done on the basis of actual requirement. Cases where the savings/excess exceeded ₹ 20 crore is highlighted in the Table below.

**Table 3.8: Cases of excess/unnecessary/insufficient re-appropriation**

(₹ in crore)							
Sl. No.	Grant No. and Head of Accounts	Provisions				Actual Expenditure	Final Excess(+)/ Savings(-)
		Original	Supplementary	Re-appropriation	Total		
1.	10 – Taxes on Vehicles, Other Administrative Services, etc., Capital Outlay on North Eastern Areas, etc. – CSS - 5053 – Capital Outlay on Civil Aviation 02 Air Ports – 102 Aerodromes (03) Up-gradation of Umroi Airport	170.00	---	(-)1.09	168.91	---	(-)168.91
2..	21 – General Education, Technical Education, Sports and Youth Services, North Eastern Areas, Capital Outlay on Education, etc. – 2202 – General Education – 01 Elementary Education – 101 Government Primary School (01) Expenditure on Primary Schools	59.34	---	(-)0.62	58.72	14.81	(-)43.91

Sl. No.	Grant No. and Head of Accounts	Provisions				Actual Expenditure	Final Excess(+)/ Savings(-)
		Original	Supplementary	Re-appropriation	Total		
3..	21 – General Education, Technical Education, Sports and Youth Services, North Eastern Areas, Capital Outlay on Education, etc. – 2202 – General Education – 01 Elementary Education – 102 Assistance to Non-Government Primary School (13) Expenditure on U.P. Schools under Non-Deficit System	93.89	---	(-)2.94	90.95	68.42	(-)22.53
4..	21 – General Education, Technical Education, Sports and Youth Services, North Eastern Areas, Capital Outlay on Education, etc. - 2202 – General Education – 01 Elementary Education – 102 Assistance to Non-Government Primary Schools (25) Sarva Shiksha Abhiyan	22.45	---	(+)8.99	31.44	59.11	(+)27.67
5.	21 – General Education, Technical Education, Sports and Youth Services, North Eastern Areas, Capital Outlay on Education, etc. – CSS - 2202 – General Education – 01 Elementary Education – 102 Assistance to Non-Government Primary Schools (25) Sarva Shiksha Abhiyan	50.00	---	(+)68.70	118.70	80.93	(-)37.77
6.	24 – Pensions and Other Retirement Benefits, Social Security and Welfare – 2071 – Pensions and Other Retirement Benefits – 01 Civil – 101 Superannuation and Retirement Allowance (01) Superannuation and Retirement Allowances	506.19	---	(-)0.20	505.99	554.22	(+)48.23
7.	35 – Welfare of SC/ST and Other Backward Classes, Social Security and Welfare – 2225 – Welfare of SC/ST and Other Backward Classes – 02 – Welfare of Scheduled Tribes – 800 - Other Expenditure (08) Special Problems Recommended by the 12 <sup>th</sup> /13 <sup>th</sup> Finance Commission in Tribal Administration	78.04	50.18	(-)48.18	80.04	100.11	(+)20.07
8.	49 – Housing, Fisheries, Agricultural Research and Education, Capital Outlay on Housing, Capital Outlay on Fisheries – CSS 2405 – Fisheries – 101 – Inland Fisheries (38) Blue Revolution Integrated Development and Management of Fisheries	30.00	---	(-)3.89	26.11	---	(-)26.11
9.	56 – Public Works, Roads and Bridges, Capital Outlay on North Eastern Areas, Capital Outlay on Roads and Bridges – 2059 – Public Works -80 – General – 001 – Direction and Administration (07) Divisional and Subordinate Offices (Roads)	157.66	---	(-)12.38	145.28	121.31	(-)23.97

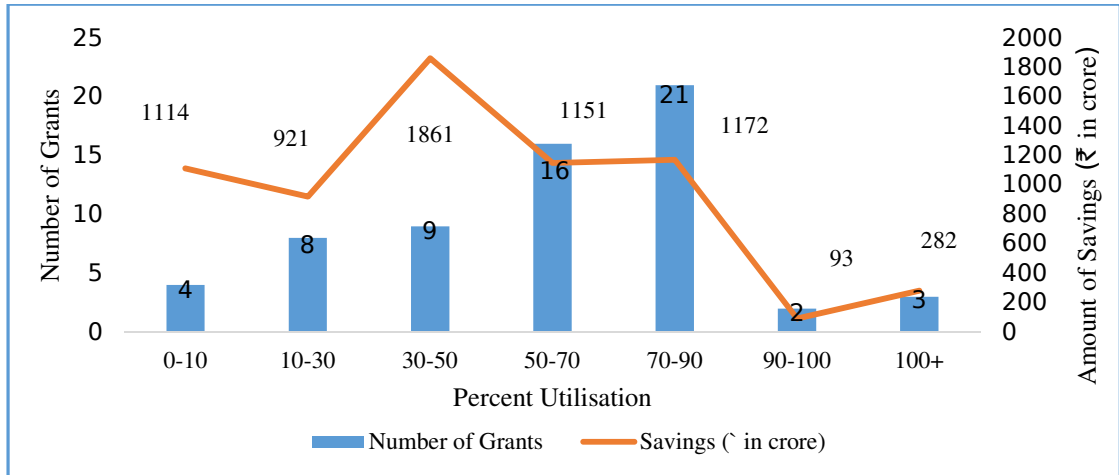
### 3.1.9 Large savings

In the year 2019-20 the total savings was ₹ 6003.39 crore as mentioned in **paragraph 3.1.1** above. Of these, ₹ 4947.84 crore (82.42 per cent) pertain to 17 grants and one

appropriation (Internal debt of the State Government) with savings of more than ₹ 100 crore each of the total provision (*Appendix 3.4*).

The distribution of grants/ appropriations grouped by percentage of savings are given below:

**Chart 3.4: Grants/Appropriations grouped by the percentage of Savings along with total savings in ₹ crore in each group**



The above chart indicates that the utilisation was below 30 per cent in 12 grants, utilisation ranged between 30 and 90 per cent in 46 grants, while the utilisation was above 90 per cent in the remaining five grants. Details are given in *Appendix 3.5*.

In five cases, during the last five-years, there were persistent savings of more than ₹ 0.50 crore in each case and also by 12 per cent or more of the total provision as shown in the table below:

**Table 3.9: Grants/Appropriations with Budget Utilisation less than 50 per cent in 2015-20**  
(₹ in crore)

Sl. No.	Grant	2015-16	2016-17	2017-18	2018-19	2019-20	No. of years*	Budget 2019-20	Total Budget (5 Years)
<b>Revenue – Voted</b>									
1	11 – Other Taxes and Duties on Commodities and Services, Power, etc.	52%	61%	60%	44%	13%	2	221.95	1161.50
2	40 – North Eastern Areas, Secretariat Economic Services, etc.	16%	12%	37%	85%	80%	3	3.91	245.07
<b>Capital – Voted</b>									
1	19 – Secretariat General Services, Public Works, etc.	73%	54%	29%	64%	32%	2	146.79	720.15
2	29 – Urban Development, Housing, etc.	14%	83%	17%	36%	30%	4	174.82	749.54
3	39 – Co-operation, Agriculture Programmes, etc.	46%	31%	47%	88%	1%	4	4.36	71.34

\* Number of years with utilisation below 50 per cent.

Source: Appropriation Accounts.

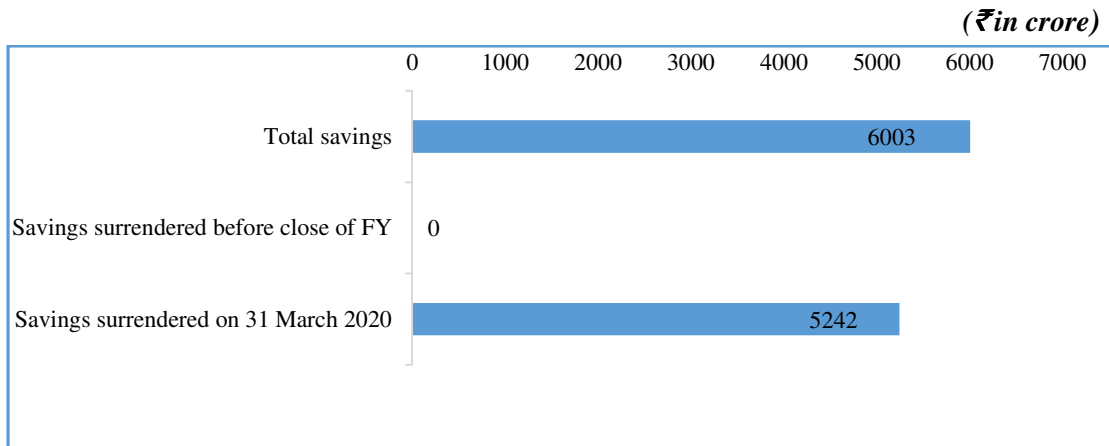
Improving urban infrastructure is a challenge faced by the State, and the low utilisation of grants under Grant No. 29 is a cause for concern. Similarly, low utilisation in Grant No. 39 relating to Agriculture Programmes need an in depth analysis by the State Government.

### 3.1.10 Surrender of funds

As per Paragraph 152 (iii) of Budget Manual, Controlling Officers are to surrender to the Finance Department all savings anticipated in the budget under their control as soon as the certainty of non-requirement is known and in any case latest by the 15<sup>th</sup> of March. Scrutiny of the appropriation accounts however revealed the following:

- Out of total savings of ₹ 6003.39 crore, an amount of ₹ 5242.30 crore was surrendered on the last working day of March 2020. Surrender of funds on the last working day of March denied utilisation of savings for other developmental purposes.

**Chart 3.5: Savings and surrenders before close of financial year 2019-20**



- Substantial surrenders (the cases where more than ₹ 100 crore of total provision was surrendered) were made in respect of 15 Grants and one Appropriation<sup>2</sup> on various grounds like non-receipt of sanctions, less expenditure than anticipated, less requirement of funds, *etc.* In these 16 cases, out of the total provision of ₹ 10063.14 crore of above Grants/Appropriations, ₹ 4079.63 crore were surrendered, details of which are given in **Appendix 3.6**. Cases where surrender of funds was in excess of ₹ 300 crore during the year 2019-20 are given in the table below:

<sup>2</sup> 10 Grants in Revenue Section, five Grants in respect of Capital Section and one Appropriation in respect of Capital Section.

Table 3.10: Cases of surrender of funds in excess of ₹ 300 crore

(₹ in crore)

Sl. No.	Grant number/ Department	Original	Supplementary	Total Provision	Actual	Saving	Amount Surrendered
<b>Revenue (Voted)</b>							
1.	21- Education, Sports, Arts & Culture	2552.37	-	2552.37	1996.77	555.60	505.10
2.	38- Secretariat Economic Services	428.15	-	428.15	20.64	407.51	407.68
3.	51- Housing & Rural Departments	1735.11	-	1735.11	845.20	889.91	872.30
	<b>Total</b>	<b>4715.63</b>	<b>-</b>	<b>4715.63</b>	<b>2862.61</b>	<b>1853.02</b>	<b>1785.08</b>
<b>Capital (Voted)</b>							
1.	11-Power	322.49	10.03	332.52	26.76	305.76	305.39
	<b>Total</b>	<b>322.49</b>	<b>10.03</b>	<b>332.52</b>	<b>26.76</b>	<b>305.76</b>	<b>305.39</b>

Source: Appropriation Accounts.

The Secretary, Finance Department stated (April 2021) that some of the amounts surrendered could be from major heads under which supplementary demands may have been raised at the beginning of the fiscal year to make budget provision for new schemes/expenditure. The amounts so raised are not re-appropriated from the original/existing budget provision (BE) as the Departments anticipate to utilise the budget provision for implementation of schemes originally voted. At the end of the year, however, the amount originally provided in the budget (BE) had to be surrendered due to less expenditure, mainly due to less release of funds by GoI (especially for Centrally Sponsored Schemes, Central Sector Schemes other Central schemes) adversely affecting the ability of the Departments to implement the schemes and to fully utilise the amount provided in the budget. Moreover, the Finance Department prepares a notional budget estimates for Centrally Sponsored Schemes, Central Sector Schemes and other central schemes at the beginning of the year, however, the funds finally released by GoI for such schemes are less than the budgeted amount, resulting in less expenditure and savings which are deemed to be surrendered at the end of March.

The reply is not tenable in light of the fact that the budget estimates have been consistently off the mark over the previous five years, indicating that the state government needs to overhaul and streamline the preparation of budget estimates on realistic basis. Moreover, as pointed out in **paragraph 3.1.3**, the utilisation of budgeted funds by the State has been sub-optimal every year during the last five years, which indicates that the spending departments have not been able to efficiently utilise the allocated funds. Failure to carry out re-appropriation in time not only deprives the availability of resources for developmental schemes which are languishing for want of funds, it is also reflective of inadequate control over the execution and monitoring of budget.

### 3.1.11 Excess expenditure and its regularisation

As per Article 205 of the Constitution of India, it is mandatory for a State Government to get the excess over a grant/appropriation regularised by the State Legislature. Although no time limit for regularisation of excess expenditure has been prescribed under the Article, the regularisation of excess expenditure is done after discussion of the Appropriation Accounts by the Public Accounts Committee (PAC).

#### 3.1.11.1 Excess expenditure relating to current year

During the current year, expenditure under one Grant and one Appropriation under Revenue Section and one Grant and one Appropriation under Capital Section, amounting to ₹ 309.80 crore, are in excess of authorisation and require regularisation under Article 205 of the Constitution as detailed in the table below.

**Table 3.11: Table indicating Major Head wise excess disbursement over the authorisation from the Consolidated Fund of State during the financial year**

(₹ in crore)

Sl. No.	Grant No.	Major Head	Major Head Description	Total provision	Expenditure	Excess
1	2	3	4	5	6	7=6-5
<b>Revenue</b>						
1	24	2071 & 2235	Pension and Other Retirement Benefits, Social Security and Welfare	864.72	1131.56	266.84
2	-	2049	Appropriation: Interest Payment	746.16	758.51	12.35
<b>Capital</b>						
3	32	4408	Civil Supplies, Capital Outlay on Food Storage and Warehousing	-	26.39	26.39
4	-	6004	Loans and Advances from the Central Government	21.27	25.49	4.22
<b>Total</b>				<b>1632.15</b>	<b>1941.95</b>	<b>309.80</b>

Source: Appropriation Accounts.

Under Grant No.24 - Pension & Other Retirement Benefits, expenditure in excess of the budget provision has been observed consistently for the last five years which is reflective of poor budgeting. Details are shown below:

**Table 3.12: Detail showing persistent excess**

(₹ in crore)

Sl. No	Description of Grant/Appropriation	2015-16	2016-17	2017-18	2018-19	2019-20
1.	24 –Pensions and Other Retirement Benefits, Social Security and Welfare					
	Budget provision	446.52	493.48	730.24	784.15	864.72
	Expenditure	589.44	647.85	750.90	1004.94	1131.56
	Excess	142.92	154.37	20.66	220.79	266.84

Source: Appropriation Accounts.

This is a liability where the outgo can be assessed with certain degree of accuracy, yet the excess expenditure ranged between three to 32 per cent during the five years. The excess expenditure requires regularisation for all the five years.

While agreeing to the audit observation, the Secretary, Finance Department during the exit conference stated (April 2021) that the reason for excess expenditure under '2071 - Pension & other retirement benefits' was because there was no single authority to monitor/control the head, whereas, all Departments operate the head for disbursement

of retirement benefits of their employees. However, at present, Finance (Pension Cell) Department was given the responsibility to monitor the head to ensure that excess expenditure under this head is minimised.

### 3.1.11.2 Regularisation of excess expenditure of previous financial years

As indicated in the Report of the Comptroller and Auditor General of India for the previous years, excess expenditure of ₹ 2400.89 crore for the years from 1971-72 to 2018-19 had not been regularised. Out of the total of ₹ 2400.89 crore an amount of ₹ 949.05 crore has been recommended for regularisation by the Public Accounts Committee<sup>3</sup>. During the PAC meeting held in the month of February 2021, the Finance Department assured that an amount of ₹ 949.05 crore as recommended by the PAC will be presented for the legislative approval in the upcoming budget session which was accordingly regularised by the State Legislature (March 2021) leaving a balance of ₹ 1451.84 crore yet to be regularised as detailed in *Appendix 3.7*. The excess expenditure over grants is a serious matter as it is a violation of the will of the Legislature which calls for fixing of responsibility to discourage this practice.

### 3.1.12 Supplementary provision and opportunity cost

It was noticed that while unnecessary supplementary provision was made in certain grants, there were major projects which remained incomplete due to less availability of fund. Cases where unnecessary supplementary provision were made are shown below:

**Table 3.13: Unnecessary excessive budget/ supplementary provision**

(₹ in crore)						
Sl. No.	Name of the Grant	Original allocation	Supplementary	Total	Actual expenditure	Unutilised funds
<b>Capital (Voted)</b>						
1	11-Capital Outlay on Power Projects	322.49	10.03	332.52	26.76	305.76
2	19-Capital Outlay on Housing	111.79	35.00	146.79	47.01	99.78
3	29-Capital Outlay on North Eastern Areas	124.82	50.00	174.82	52.55	122.27
<b>Total</b>		<b>559.20</b>	<b>95.03</b>	<b>654.13</b>	<b>126.32</b>	<b>527.81</b>

Source: Appropriation Accounts.

From the table above it is seen that an amount of ₹ 126.32 crore (19.31 per cent) only was utilised out of the total allocation of ₹ 654.13 crore. It was further seen that the actual expenditure was lesser than the original allocation and hence the supplementary provision of ₹ 95.03 crore proved unnecessary. At the same time, there were large projects in the State which were stalled due to shortage of funds as detailed in the table below.

<sup>3</sup> 23<sup>rd</sup>, 28<sup>th</sup>, 34<sup>th</sup> and 40<sup>th</sup> Report of the PAC presented to the Assembly on 08 April 1997, 16 December 2004, 19 March 2010 and 16 June 2014 respectively.



**Table 3.14: Project/ schemes remaining incomplete****(₹ in crore)**

Sl. No	Name of Scheme/ Project (having estimated cost of ₹ 100 crore or more)	Estimated cost of scheme/ Project	Year wise funds allocated during 2015-20	Scheduled date of completion	Expenditure as of 31 March 2020	Physical progress of the work	Funds required for completion of remaining work (as per revised estimate)
<b>Public Health Engineering Department</b>							
1	Implementation of New Shillong Township Water Supply Project under SPA	321.28	20.88	-	20.88	6%	-
2	Implementation of Laitryngew 12 Shnong Sohra & Neighbouring Villages	244.15	18.44	-	30.15 <sup>4</sup>	12%	-
3.	Implementation of Greater Ampati WSS	139.73	87.00	2020	87.00	62%	52.73
	<b>Total</b>	<b>705.16</b>	<b>126.32</b>		<b>138.03</b>		
<b>Public Works Department</b>							
4.	Construction including metalling and black topping of Intermediate Lane on Rongjeng-MangsangA'dokgre Road (0.00 km to 32.00 km and 39.00km to 43.00 km including 90 m Bridge over Ildek River at 44th km) under NLCPR						
		210.00	52.64	2019	52.64	41%	157.36
	<b>Total</b>	<b>210.00</b>	<b>52.64</b>		<b>52.64</b>		
	<b>Grand Total</b>	<b>915.16</b>	<b>178.96</b>		<b>190.67</b>		

Source: Information furnished by Chief Engineers, Public Works and Public Health Engineering Departments.

As a result, the unnecessary excessive budget provision deprived allocation of resources to those projects which requires funds leading to inordinate delay. The details of projects where no expenditure was incurred during the year is given in **Appendix 3.8**.

### **3.1.13 Major policy pronouncements in budget and their actual funding for ensuring implementation**

While presenting the Budget for the year 2019-20 in the State Legislature, the Finance Minister under Grant No. 56 – Public Works (Roads and Bridges) announced two road projects<sup>5</sup> under North East Special Infrastructure Development Scheme (NESIDS). The budget allotment and actual expenditure in this regard are given below.

<sup>4</sup> Includes ₹ 11.71 crore of fund released prior to 2015-16.

<sup>5</sup> Pynursla-Latangriwan road towards Mawlynnong and Upgradation of Mawsmal- Shella road upto Kynrem falls.



**Table 3.15: Details of the schemes for which provision was made but no expenditure was incurred**

(₹ in crore)					
Sl. No.	Department Name	Scheme Name	Approved outlay	Revised outlay	Actual expenditure
1	Public Works	North East Special Infrastructure Development Scheme (NESIDS)	19.00	-	0.20

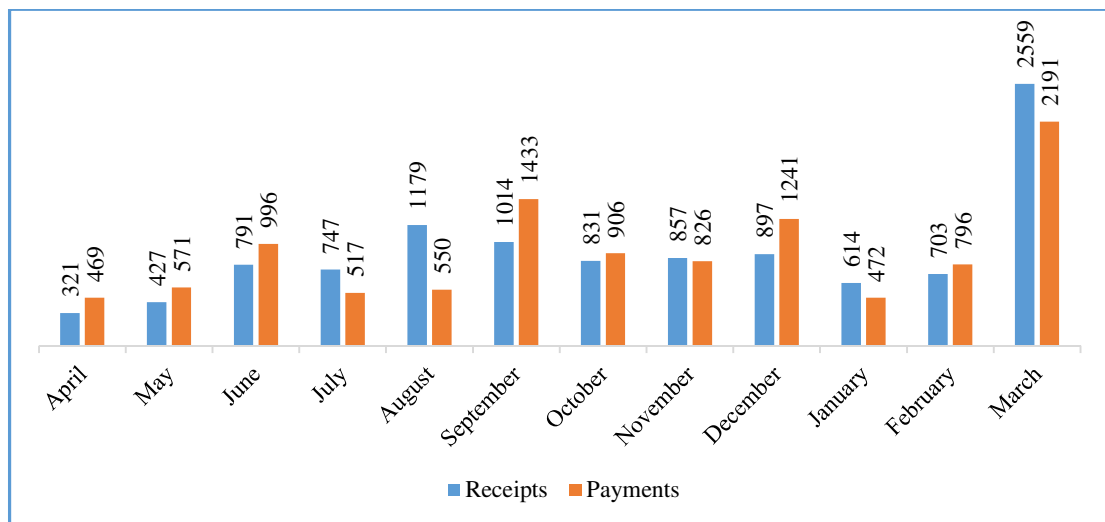
Source: Budget Speech and Appropriation Accounts (2019-20).

Audit observed that though provision of ₹ 19.00 crore was made, only an expenditure of ₹ 0.20 crore (one *per cent*) was incurred during the year.

### 3.1.14 Rush of expenditure

Government funds should be evenly spent throughout the year. The rush of expenditure towards the end of the financial year is regarded as a breach of financial propriety and can lead to infructuous, nugatory or ill-planned expenditure. As such, Government expenditure is required to be evenly phased out throughout the year as far as possible. The monthly flow of receipts into the State Exchequer and disbursements during 2019-20 is given in the following chart.

**Chart 3.6: Monthly receipts and expenditure during the FY for the State**



It can be seen from the above that out of the total receipts<sup>6</sup> of ₹ 10940.86 crore, an amount of ₹ 2558.74 crore constituting 23.39 *per cent* was received in March alone. Similarly, out of the total expenditure<sup>7</sup> of ₹ 10967.32 crore, ₹ 2191.00 crore constituting 19.98 *per cent* was spent during March 2020.

It was also noticed that in three cases, 100 *per cent* of the expenditure while in another six case, 50 *per cent* or more of the total expenditure was incurred in March 2020 as detailed in the table below:

<sup>6</sup> Includes revenue receipts, non-debt capital receipts and public debt receipts.

<sup>7</sup> Includes revenue & capital expenditure, disbursement of loans & advances and repayment of public debt.

**Table 3.16: Sub-Head (Schemes), where entire expenditure (or above particular percentage) was incurred in March 2020 (Descending amount of expenditure)**

Sl. No.	Grant No.	Head of Account (up to Sub-Head)	100 % expenditure during March only (₹ in crore)
1	32	4408-Capital Outlay on Food Storage and Warehousing-01 Food-101 Procurement and Supply-(01) Expenditure on Procurement and Supply of Rice	26.39
2	11	2810-New and Renewable Energy-101 Grid Interactive and Distributed Renewable Power-(01) Administrative Expenses	3.77
3	10	5055-Capital Outlay on Road Transport-800 Other Expenditure-(01) Capital Contribution to Meghalaya Transport Corporation and 800 Other Expenditure-(23) Construction of Bus/ Tracks Terminus	1.11

Source: Appropriation Accounts.

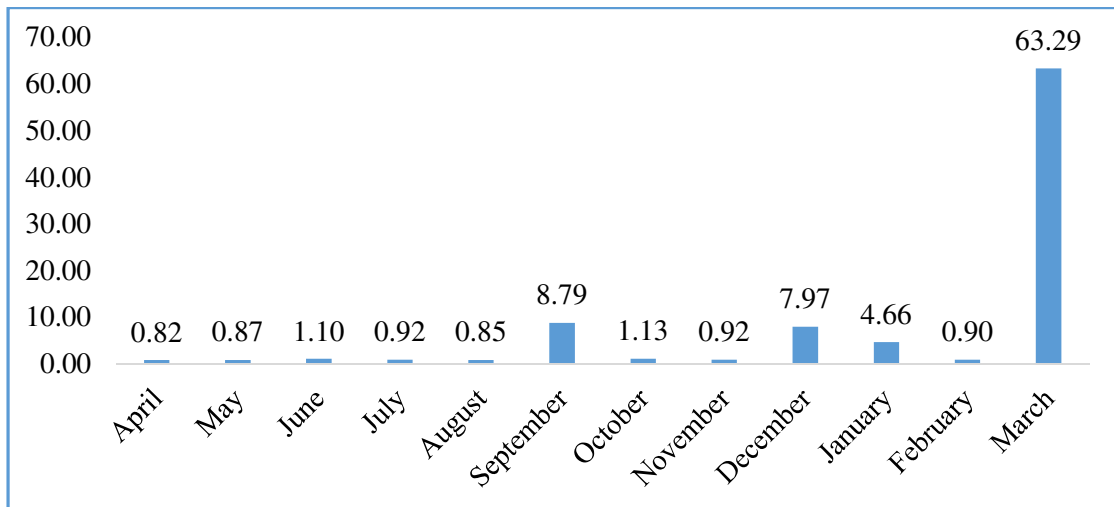
**Table 3.17: Grants with more than 50 per cent of expenditure in March alone (Descending order of percentage)**

(₹ in crore)									
Sl. No	Grant No.	Description	1 <sup>st</sup> Qtr	2 <sup>nd</sup> Qtr	3 <sup>rd</sup> Qtr	4 <sup>th</sup> Qtr	Total	Expenditure in March	Expenditure in March as percentage of total expenditure
1	29	4217-Capital Outlay on Urban Development	-	1.09	-	51.45	52.54	51.45	98
2	25	2075-Miscellaneous General Services	0.28	0.28	0.37	3.11	4.04	2.99	74
3	19	4216-Capital Outlay on Housing	-	0.37	-	1.74	2.11	1.74	83
4	11	2801-Power	-	4.27	0.11	15.54	19.92	14.71	74
5	6	2245-Relief on Account of Natural Calamities	0.27	14.39	0.60	29.44	44.71	29.30	66
6	49	2405-Fisheries	4.05	4.22	5.71	32.59	46.57	30.74	66

Source: Information furnished by AG (A&E).

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

Apart from the above, the expenditure pattern of Urban Affairs Department was scrutinised and it was seen that the Department had incurred maximum expenditure (63.29 per cent) during March as detailed in the chart below:

**Chart 3.7: Month wise expenditure of Urban Affairs Department with very high percentage of expenditure in March**

### 3.2 Review of selected Grants

A review of budgetary procedure and control over expenditure was conducted (October 2020) in respect of ‘Grant Number–21–Miscellaneous General Services General Education, Technical Education, Sports and Youth Services, Art and Culture, Other Scientific Research, Census Surveys and Statistics, Capital Outlay on Education, Sports, Art and Culture, Loan for Education, Sports, Art and Culture’. The observations noticed during the review are discussed below.

#### 3.2.1 Excessive supplementary provision/non surrender of savings

The overall position of budget provision, actual expenditure and savings/excess under this Grant during the five-year period 2015-20 is given below:

**Table 3.18: Budget and Expenditure of Grant No. 21**

(₹ in crore)

Grant No. 21	2015-16	2016-17	2017-18	2018-19	2019-20
<b>Total Budget Provision</b>	1521.49	1674.95	2046.81	2212.49	2562.88
Expenditure	1284.06	1613.65	1736.34	2045.28	1997.33
Savings	237.43	61.30	310.47	167.21	565.55
<b>Savings (percentage)</b>	15.60	3.66	15.17	7.56	22.07
<b>Revenue Provision</b>					
Expenditure	1284.06	1609.29	1736.34	2043.18	1996.77
Savings	206.67	62.95	306.47	164.09	555.60
<b>Savings (percentage)</b>	13.86	3.76	17.65	7.43	21.77
<b>Capital Provision</b>					
Expenditure	-	4.36	-	2.10	0.56
Savings/ Excess (+)	30.75	(+) 1.66	4.00	3.12	9.95
<b>Savings (percentage)</b>	100	61.48	100	59.77	94.67

Source: Appropriation Accounts.

As can be seen from the table above, savings as a percentage of total budget provision ranged between 3.66 to 22.07 per cent during the period 2015-20. Savings under both Revenue & Capital section increased during the year increased substantially as compared to previous year. Persistent large savings is indicative of incorrect assessment

of actual needs and calls for a critical review of budget preparation exercise of the department.

### 3.2.2 Savings

During the year 2019-20, under the Grant No. 21, 100 per cent savings was noticed in 12 cases as detailed below:

**Table 3.19: Cases where no part of budget provisions was utilised**

(₹ in lakh)			
Sl. No.	Name of Scheme	Provision	Saving
<b>2202 - General Education</b>			
<b>01 Elementary Education</b>			
1.	<b>103 Assistance to Local Bodies for Primary Schools</b> 0001 (01) Expenditure on maintenance of District Councils	21.10	21.10
2.	<b>109 Scholarships and Incentives</b> 0001 (11) Middle English Schools Scholarship	25.37	25.37
<b>80 General</b>			
3.	<b>003 Training</b> 0033 (31) DERT-Central Assistance for CSS	0.34	0.34
4.	0034 (32) Other Programme-Central Assistance for CSS	213.99	213.99
5.	0038 (34) NEC Sate share	6.40	6.40
6.	0003 (03) NEC Sate share	1.00	1.00
<b>04 Adult Education- Other Adult Programme</b>			
<b>80 General</b>			
7.	<b>003 Training</b> 0033 (31) DERT-Central Assistance for CSS	30.60	30.60
8.	0034 (32) Other Programme-Central Assistance for CSS	2220.80	2220.80
<b>2552 – North Eastern Areas</b>			
<b>80 General</b>			
9.	0009 (01) Mbose E-Governance & Online Connectivity	2.00	2.00
10.	0010 (05) Training of Elementary Schools Teachers of Meghalaya in Science & Mathematics	8.00	8.00
11.	0011 (07) District Institute of Education & Training, Cherrapunjee, East Khasi Hills, Meghalaya	16.60	16.60
<b>4552 –Capital Outlay on North Eastern Areas</b>			
<b>04 NEC Scheme</b>			
12.	0010 (10) Construction of Nongkharai Christian Secondary Schools, building a Umsohpieng village, West Khasi Hills	90.00	90.00

Source: Appropriation Accounts.

Thus, the department could not utilise the grants as per the budget allocation. Further, as per Paragraph 152 (iii) of the Budget Manual, the Controlling Officer should surrender to the Finance Department, all savings anticipated in the Budget under their control as soon as the certainty of non-requirement of fund is known by 15 March at

the latest so that the same could be utilised for other purposes. In the above cases, none of the allocations were surrendered during the year.

### 3.2.3 Excess over provision

There was an excess expenditure of ₹ 210.18 crore over the budget provision under 22 schemes during 2019-20, details of which are given **Appendix 3.9**. Expenditure without budget is violative of financial regulations as well as the will of the Legislature. This is also indicative of lack of financial discipline in the Department.

### 3.2.4 Unnecessary re-appropriation of funds

Re-appropriation is transfer of fund within a Grant from one unit of appropriation, where savings are anticipated, to another unit where additional funds are needed. Re-appropriation made under three sub-heads were injudicious and unnecessary as no expenditure was incurred. The details are given below:

**Table 3.20: Unnecessary re-appropriation of fund**

(₹ in crore)

Sl. No.	Name of Scheme	Original Provision	Re-appropriation	Total provision	Savings
<b>2202 General Education</b>					
1.	<b>109 Scholarship and Incentives</b> 0011(11) Scholarship from Primary Schools Teachers	0.12	(+) 0.13	0.25	0.25
2.	<b>80 General</b> <b>003 Training</b> 0037 (29) Block Institute of Teacher Education	0.28	(+) 0.61	0.89	0.89
3.	<b>109 Government Secondary School</b> 0020 (20) Implementation of Programme of Vocationalisation of Secondary Education	0.50	(-) 0.33	0.17	0.17
<b>Total</b>		<b>0.90</b>	<b>0.41</b>	<b>1.31</b>	<b>1.31</b>

Source: Appropriation Accounts.

### 3.3 Conclusions

Against original budget allocation ₹ 16376.94 crore, the expenditure was only ₹ 10967.32 crore (66.97 per cent) of the original allocation. Therefore, the supplementary provision of ₹ 593.77 crore totally proved unnecessary. Out of the savings of ₹ 6003.39 crore, ₹ 5242.30 crore (87.32 per cent) was surrendered on the last working day of March 2020, in violation of Budget Rules and depriving valuable resources which could have been utilised by other departments. The percentage savings against budget was the highest in 2019-20, during the last five years, being almost double the amount of unutilised funds during 2018-19. This is indicative of over estimation as well as incapacity of Departments to spend. The Finance Department as overall custodian of Budget had also not done a critical review in time, to prevent these violations and reallocate the funds to needy Departments.

There were two instances where expenditure (₹ 26.59 crore) was incurred without authority of law, transfer of money (₹ 1.74 crore) to Public Accounts to escape lapse of funds, unnecessary supplementary provision of ₹ 449.57 crore in 12 cases and unnecessary re-appropriation of (₹ 0.41 crore) in three cases.

During the year, expenditure of ₹ 309.80 crore was incurred in excess of authorisation under one Grant and one Appropriation under Revenue Section and one Grant and one Appropriation under Capital Section, which requires regularisation as per Constitutional provisions. It is observed that under Grant No. 24 – Pension & Other Retirement Benefits, excess expenditure has been incurred consistently during the last five years. Accuracy in estimation under this Grant is not insurmountable, as the pensionary liabilities can be estimated realistically. Excess expenditure of ₹ 2400.89 crore incurred (from 1971-72 to 2018-19) was pending for regularisation, despite repeated observations in the previous Reports of C&AG. The State Legislature regularised ₹ 949 crore (March 2021) and a balance of ₹ 1451.84 crore was yet to be regularised.

### **3.4 Recommendations**

- *The budgetary exercise requires urgent streamlining by the Finance Department in the State, on account of huge unutilised funds over the years. The Government should consider over hauling the preparation of estimates, which largely remained ambitious and also augment the capacity of the spending departments to utilise earmarked funds on time. Surrenders should be so timed that they can be gainfully utilised by other needy departments where projects continue to languish due to insufficient funds.*
- *The grants showing persistent savings may be reviewed by concerned Departments to ascertain and address the cause for such savings. During 2019-20, persistent saving was noticed in Grant No. 11 – Other Taxes and Duties on Commodities and Services, Power, etc., Grant No.40 – North Eastern Areas, Secretariat Economic Services, etc., Grant No. 19 – Secretariat General Services, Public Works, etc., Grant No. 29 – Urban Development, Housing, etc. and Grant No. 39 – Co-operation, Agriculture Programmes, etc.*
- *Expenditure of ₹ 26.59 crore was incurred under Grant No. 32 – Civil Supplies, Capital Outlay on Food Storage and Warehousing and Grant No. 56 – Public Works, Roads and Bridges, Capital Outlay on North Eastern Areas, Capital Outlay on Roads and Bridges without any budget provision in the original budget/ supplementary and without any re-appropriation orders to this effect. The Finance Department may ensure that such cases are covered by providing adequate supplementary provision to avoid expenditure without provision in future as it undermines Legislative authority.*

- *The persistent excess expenditure under Grant No. 24 – Pension and other Retirement benefits, needs to be reviewed for accurate budgetary estimation.*
  
- *Excess expenditure remaining un-regularised for prolong period needs to be viewed seriously as this dilutes parliamentary control over the exchequer. The State Government should also ensure that the remaining amount of ₹ 1452 crore is regularised at the earliest.*

