

**CHAPTER-II**  
**BUDGETARY MANAGEMENT**

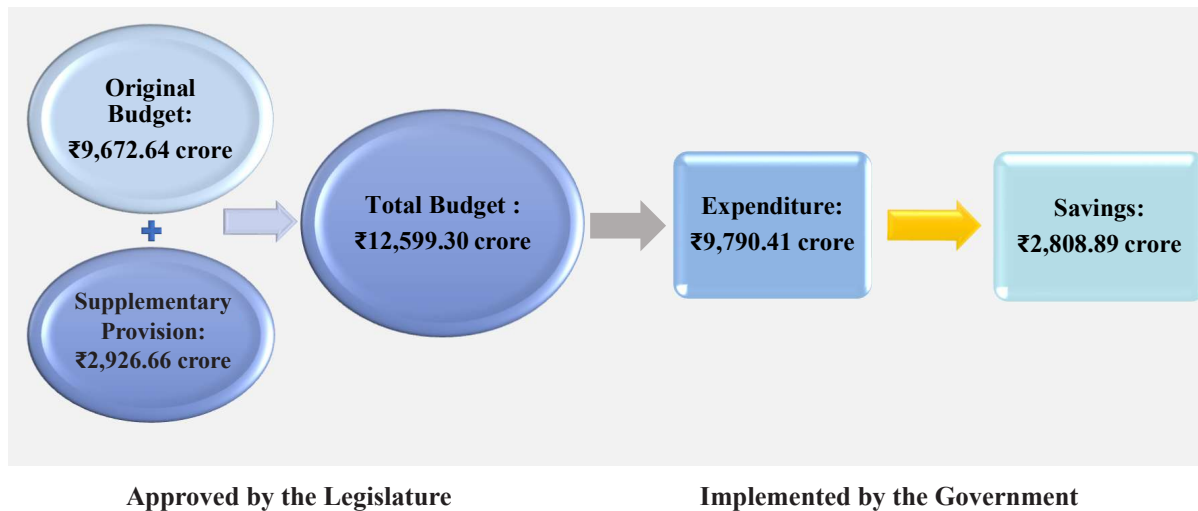
## Chapter 2 Budgetary Management

### 2.1 Introduction

Effective financial management ensures that decisions taken at the policy level are implemented successfully at the administrative level without wastage or diversion of funds. This Chapter reviews the allocative priorities of the State Government and comments on the transparency of budget formulation and effectiveness of its implementation.

The total amount approved by the State Legislature including the original and supplementary budgets, expenditure and savings during the year 2018-19 is depicted below.

Chart-2.1: Summary of Budget and Expenditure of Mizoram for 2018-19



### 2.2 Budget preparation process

The State Government secured legislative approval for expenditure out of the Consolidated Fund of the State by presenting its annual Budget and 48 Demands for Grants (47 Grants and one Appropriation). Normally, every Department has one Demand for Grant, to ensure that the Head of the Department takes responsibility for implementing the policy decisions and expending public funds for the intended purposes.

Supplementary or additional Grant/Appropriation was provided during the course of the financial year for meeting expenditure in excess of the originally budgeted amount. Further, the State Government also re-appropriated/re-allocated funds from various Units of Appropriation where savings are anticipated, to Units where additional expenditure was envisaged (within the Grant/Appropriation) during the year.

### 2.3 Financial Accountability and Budget Review

Details of the figures depicted in the above chart are given in the Appropriation Accounts of the State for the year 2018-19. Appropriation Accounts provide details of expenditure

of the Government for the financial year, compared with the amounts of the voted grants and charged appropriations for various purposes specified in the schedules appended to the Appropriation Act passed by the Legislature. These Accounts depict the original budget provision, supplementary grants, savings, surrenders and re-appropriations distinctly and indicate actual capital and revenue expenditure on various specified services *vis-à-vis* those authorised by the Appropriation Act. Appropriation Accounts are therefore, complementary to Finance Accounts.

Audit of appropriations by the CAG seeks to ascertain whether the 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.

### 2.3.1 Summary of Appropriation Accounts

The summarised position of budget including supplementary budget, actual expenditure, and excess/savings during 2018-19 against 48 Grants/Appropriation (47 Grants and one Appropriation) is given below:

**Table-2.1: Summarised position of Expenditure *vis-à-vis* Budget provision**

		(₹ in crore)					
Nature of Expenditure		Original Budget	Supplementary Budget	Total Budget	Expenditure	Savings (-)/ Excess (+)	Excess/ Savings ( <i>per cent</i> )
Voted	I Revenue	6,722.15	1,706.06	8,428.21	7,115.90	(-)1,312.31	15.57
	II Capital	2,161.64	1,169.49	3,331.13	1,946.86	(-)1,384.27	41.55
	III Loans and Advances	45.40	40.42	85.82	40.72	(-)45.10	52.55
	<b>Total Voted</b>	<b>8,929.19</b>	<b>2,915.97</b>	<b>11,845.16</b>	<b>9,103.48</b>	<b>(-)2,741.68</b>	<b>23.15</b>
Charged	IV Revenue	459.47	10.69	470.16	442.70	(-)27.46	5.84
	V Capital*	--	--	--	--	--	--
	VI Public Debt Repayment	283.98	0.00	283.98	244.23	(-)39.75	14.00
	<b>Total Charged</b>	<b>743.45</b>	<b>10.69</b>	<b>754.14</b>	<b>686.93</b>	<b>(-)67.21</b>	<b>8.91</b>
<b>Grand Total</b>	<b>9,672.64</b>	<b>2,926.66</b>	<b>12,599.30</b>	<b>9,790.41</b>	<b>(-)2,808.89</b>	<b>22.29</b>	

Source: Appropriation Accounts, 2018-19

\* There was no transactions under these heads of accounts during 2018-19

As can be seen from the table above, the overall savings of 22.29 *per cent* of total grants and appropriations was almost the size of supplementary budget of ₹2,926.66 crore obtained during the year, which raises questions about the budget formulation process.

Audit of Appropriation Accounts revealed the following:

- Total savings of ₹2,808.89 crore had occurred in 47 grants and one appropriation under Revenue Section and 25 grants and one appropriation under Capital Section.
- Out of the total savings of ₹2,808.89 crore, ₹2,737.61 crore (97.46 *per cent*) was surrendered by 31 March 2019.
- Savings included an amount of ₹596.61 crore, which was expected to be received from the GoI, but was not received. While this amount was shown as savings due to its projection in the Budget, there was no real savings, since the amount was not received by the State Government.

- Out of the savings of ₹1,312.31 crore under the Revenue expenditure head (voted), 3.58 per cent was surrendered in excess of the savings.
- 92.53 per cent of the unspent provision of ₹27.46 crore under the Revenue expenditure head (charged) was not surrendered.
- There was savings of ₹25.40 crore under Public Debt, Revenue (charged) and ₹39.75 crore under Capital (charged). However, the amount was not surrendered.

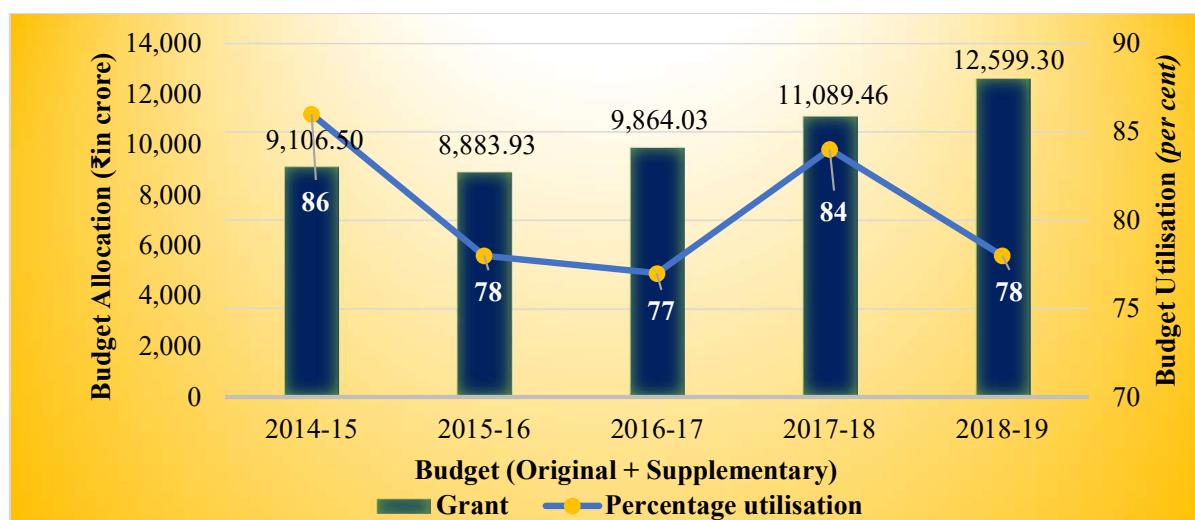
Non-surrender of funds on time not only deprives the other needy Departments of resources, but also defeats the objective of achieving efficiency in budget management.

Clearly, the State Government prepared a budget which it did not have the ability to implement and/or its Departments had not done the ground work to be able to utilise the allocated funds within the envisaged timeframe.

## 2.4 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 savings during the last five years is given below.

Chart-2.2: Budget Utilisation during 2014-15 to 2018-19



Source: Appropriation Accounts of the respective years

As can be seen from the chart above, utilisation of budget ranged between 77 per cent (2016-17) and 86 per cent (2014-15) during the last five years, with 78 per cent utilisation during 2018-19. 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.

## 2.5 Missing/Incomplete Explanation for Variation from Budget

Apart from showing the expenditure against the approved budget, Appropriation Accounts also provide explanation for cases where the expenditure varies significantly from the budgeted provision (Original + Supplementary). The limit beyond which, such variation at the Sub-Head level (Unit of Appropriation) are to be explained in the Appropriation Accounts is set by the Public Accounts Committee (PAC).

Accountant General (Accounts) provides the draft Appropriation Accounts to the Controlling Officers of the Departments and seeks the reasons/explanation for the variations

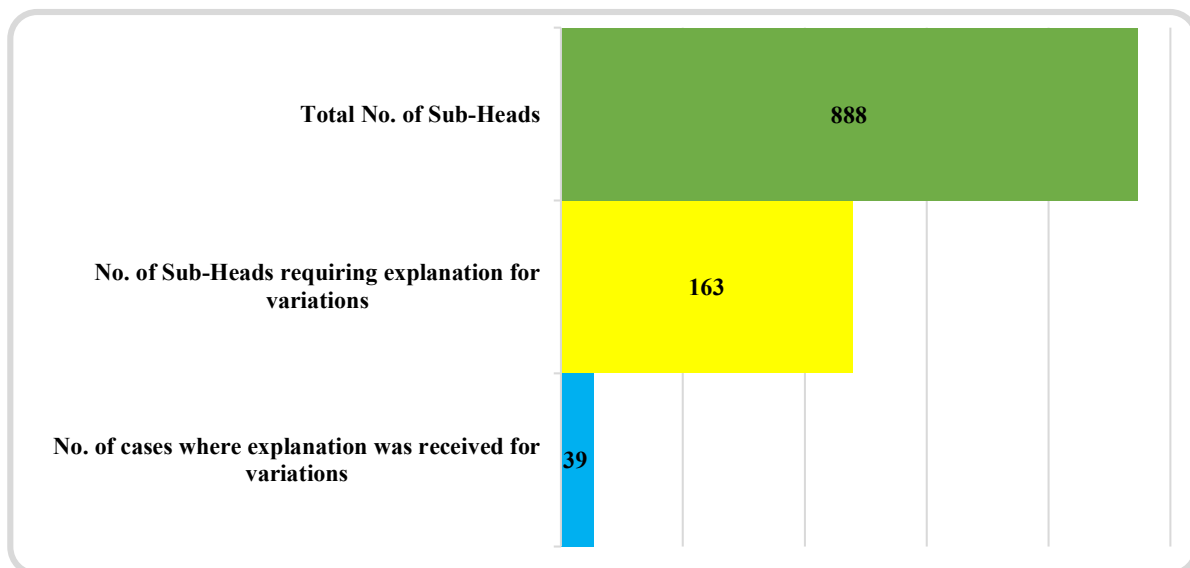
in expenditure with reference to approved budgetary allocation in keeping with the limits set by the PAC.

The current limits, set by the State PAC in October 2011 are as follows:

<b>Savings</b>	<ul style="list-style-type: none"> <li>Comments are to be made for overall savings exceeding 5 per cent of the total provision; if individual sub-heads, where savings exceed ₹5 lakh and the Grant is less than ₹20 crore; if savings exceed ₹10 lakh and the Grant is over ₹20 crore</li> <li>Comments are to be made in all sub-heads under Charged Appropriations where the variation is more than ₹5 lakh</li> </ul>
<b>Excess</b>	<ul style="list-style-type: none"> <li>General comments are to be made for regularisation of excess over the provision in all cases where there is an overall excess (irrespective of the amount)</li> <li>Comments are to be made if variations (excesses) under sub-heads of Grants/Appropriation are ₹5 lakh and the Grant is less than ₹20 crore; if excess exceeds ₹10 lakh and the Grant is over ₹20 crore</li> <li>Comments are to be made in all sub-heads under Charged Appropriations where the variation is more than ₹5 lakh</li> </ul>

Audit of Appropriation Accounts of 2018-19 and an analysis of the underlying accounting data revealed that the Controlling Officers have not provided explanation for the variations in the expenditure *vis-à-vis* budgeted allocation in 163 cases. Of the 48 Grants/Appropriation, reasons for variation were not received in respect of 27 Grants/Appropriation from the Controlling Officers of Government Departments. Partial response was received in respect of 16 Grants/Appropriation. In terms of the sub-heads involved, the total number of sub-heads in the accounts, those requiring explanation for variation, and the sub-heads where explanation were received for variations from allocations, are given below in **Chart-2.3**. Details in this regard are given in **Appendix-2.1**.

**Chart-2.3: Summary of unexplained variations *vis-à-vis* budget**



Source: Appropriation Accounts, 2018-19 and VLC data

Absence of explanation for variation between the budgeted allocation and its utilisation, limits legislative control over budget as a means of ensuring financial accountability of the Government.

## 2.6 Large and Persistent Savings in Grants/Appropriation

### 2.6.1 Persistent Savings

During the last five years, there were persistent savings of more than ₹10 crore in two grants, as shown below:

**Table-2.2: Grants indicating Persistent Savings during 2014-19**

Sl. No.	Grant Number and name	Amount of savings				
		2014-15	2015-16	2016-17	2017-18	2018-19
1.	16-Home	93.78	66.33	73.76	57.20	19.03
		(15.54)	(10.71)	(11.27)	(9.10)	(2.65)
2.	47-Irrigation and Water Resources	66.01	81.04	39.03	35.26	33.68
		(85.24)	(82.54)	(70.03)	(53.42)	(56.47)

Source: Appropriation Accounts of respective years

Figures in parentheses indicate percentage to total provision of that grant

The main reason for persistent savings under Grant No.16-Home was due to non-filling of vacant posts. As regards Grant 47-Irrigation and Water Resources, the savings was due to non-release of funds by GoI and non-filling of vacant posts.

The details and trend of persistent savings are being highlighted in the Report of the CAG on State Finances every year but corrective measures were yet to be taken by the State Government. Budget provision sought and obtained by Departments far in excess of actual requirement and inability to utilise, deprives allocation of resources to other priority sectors and also leads to poor legislative control over public finances.

### 2.6.2 Savings not surrendered

As per extant Financial Rules, the spending departments are required to surrender the grants/appropriation or portion thereof as and when the savings are anticipated. At the close of the financial year 2018-19, under three grants and one appropriation, there were savings (₹10 lakh and above in each case) of ₹66.33 crore (2.36 per cent of the total savings) but no part of the savings was surrendered by the departments concerned as shown below.

**Table-2.3: Details of grants/appropriation where no part of the savings was surrendered (₹10 lakh and above)**

Sl. No.	Number and Name of Grant/Appropriation	Total grant/appropriation	Expenditure	Savings	Surrender
<b>Revenue (Charged)</b>					
1.	49-Public Debt	43,708.42	41,167.85	2,540.57	Nil
<b>Capital (Voted)</b>					
2.	3-Council of Ministers	10.00	0.00	10.00	Nil
3.	33-Land Resources, Soil and Water Conservation	894.44	872.85	21.59	Nil
4.	34-Animal Husbandry and Veterinary	1,621.86	1,536.50	85.36	Nil
<b>Capital (Charged)</b>					
5.	49-Public Debt	28,398.23	24,422.69	3,975.54	Nil
<b>Total</b>		<b>74,632.95</b>	<b>67,999.89</b>	<b>6,633.06</b>	<b>Nil</b>

Source: Appropriation Accounts, 2018-19

### 2.6.3 Partial Surrender of Savings

Out of the total savings of ₹819.69 crore (₹10 lakh and above in each case) in 21 cases, savings of ₹148.69 crore were not surrendered as shown in **Appendix-2.2**. Besides, out of the total savings of ₹379.41 crore under six grants and one appropriation, an amount of ₹142.14 crore (37.46 *per cent*) was not surrendered (₹one crore and above in each case) as shown below.

**Table-2.4: Details of savings partially surrendered (₹one crore and above)**

(₹in lakh)				
Sl. No.	Number and Name of Grant/Appropriation	Savings	Surrendered	Savings not surrendered
<b>Revenue (Voted)</b>				
1.	6-Land Revenue and Settlement	595.65	382.58	213.07
2.	20-School Education	12,638.60	12,028.29	610.31
3.	21-Higher and Technical Education	4,521.22	4,104.56	416.66
4.	34-Animal Husbandry and Veterinary	844.32	341.02	503.30
<b>Revenue (Charged)</b>				
5.	49-Public Debt	2,540.57	0.00	2,540.57
<b>Capital (Voted)</b>				
6.	15-General Administration Department	5,741.70	5,561.70	180.00
7.	17-Food, Civil Supplies and Consumer Affairs	4,899.46	165.01	4,734.45
8.	20-School Education	2,184.27	1,144.25	1,040.02
<b>Capital (Charged)</b>				
9.	49-Public Debt	3,975.53	0.00	3,975.53
<b>Total</b>		<b>37,941.32</b>	<b>23,727.41</b>	<b>14,213.91</b>

Source: Appropriation Accounts, 2018-19

### 2.7 Appropriation vis-à-vis Allocative Priorities

The outcome of appropriation audit showed that savings aggregating ₹1,337.23 crore in 33 cases (Revenue) and ₹1,467.66 crore in 19 cases (Capital) exceeded ₹one crore in each case or more than 20 *per cent* of the total provision (**Appendix-2.3**). Against the overall savings of ₹2,808.89 crore during 2018-19, savings of ₹2,111.98 crore (75.19 *per cent*) occurred in seven cases relating to five grants where savings were more than ₹100 crore and above as indicated in **Table-2.5**.

**Table-2.5: List of Grants with savings of ₹100 crore and above**

(₹in crore)					
Sl. No.	Grant: Number and Name	Total Grant	Expenditure	Savings	Percentage of savings
<b>Revenue-Voted</b>					
1.	9-Finance	1,409.42	1,015.03	394.38	27.98
2.	20-School Education	1,220.36	1,093.97	126.39	10.36
3.	24-Medical and Public Health Services	621.32	490.22	131.11	21.10
4.	38-Rural Development	389.04	172.34	216.70	55.70
5.	45-Public Works	494.52	337.19	157.32	31.81
<b>Capital-Voted</b>					
6.	9-Finance	938.50	1.20	937.30	99.87
7.	45-Public Works	889.83	741.05	148.78	16.72
<b>Total</b>		<b>5,962.99</b>	<b>3,851.00</b>	<b>2,111.98</b>	<b>35.42</b>

Source: Appropriation Accounts, 2018-19

The reasons for savings in three grants (9, 24 and 38) have not been intimated by the respective Departments (September 2019). However, the main reasons for savings under two grants (20 and 45) have been stated to be as follows:

- **Grant No. 20-School Education:** Due to non-receipt of actual expenditure figure at the time of preparation of surrender/re-appropriation statement.
- **Grant No. 45-Public Works (Revenue Voted):** Due to miscalculation of expenditure under salary, travelling expenses, office expenses by the concerned DDOs.
- **Grant No. 45-Public Works (Capital Voted):** Due to short receipt of funds sanctioned by the Government.

### 2.7.1 Unutilised budgetary provision

Appropriation of funds for a work/scheme during a financial year is approved by the State Legislature through the budget. During 2018-19, for implementing Centrally Sponsored Schemes (CSS), a provision of ₹6.69 crore (Original *plus* Supplementary) under three grants and one appropriation was approved. The departments concerned, however, could not utilise the funds which resulted in savings of the entire provision of ₹6.69 crore as detailed in **Table-2.6**.

**Table-2.6: Grants where entire budgetary provision remained unutilised**

(₹in lakh)

Grant No. and Name	Head of Account/ Description	Budget Provision			Savings	Reasons/ Remarks
		Original	Supplementary	Total		
6-Land and Revenue and Settlement	2506-101-02 National Land Record Modernisation Programme-NLRMP (CSS)	135.88	0.00	135.88	135.88	Reason not Stated
29-Social Welfare	2235-02-101-05 Persons with Disability Act 1995 (CSS)	86.00	0.00	86.00	86.00	Reason not stated
34-Animal Husbandry and Veterinary	2404-102-01 Dairy Development (CSS)	347.00	0.00	347.00	347.00	Reason not Stated
49-Public Debt	2049-01-101-11 Interest on Power Bonds	100.00	0.00	100.00	100.00	Reason not Stated
<b>Total</b>		<b>668.88</b>	<b>--</b>	<b>668.88</b>	<b>668.88</b>	<b>--</b>

Source: Appropriation Accounts, 2018-19

### 2.7.2 Substantial surrenders

Substantial surrenders<sup>23</sup> were made in respect of 76 sub-heads on account of either non-filling of vacant posts, fewer official tours/non-availing of foreign tours by Ministers, non-receipt of Government sanction, non-release of funds from GoI and re-appropriation of fund to other head of account, *etc.* Out of the total provision amounting to ₹2,452.00 crore in these 76 sub-heads, ₹2,188.61 crore (**Appendix-2.4**) was surrendered (more than 50 *per cent* of total provision), which included 100 *per cent* surrender in 34 sub-heads (₹1,416.41 crore). Significant items in this regard are given in **Table-2.7**.

<sup>23</sup> Cases where more than 50 *per cent* of total provision was surrendered



**Table-2.7: Grants with substantial surrenders (more than ₹one crore and 100 per cent of total provision)**

Grant No.	Details of Department/Scheme	Total Provision	Details of Surrender	
			Amount	per cent
9	<b>Finance</b>	440.00	440.00	100.00
	Finance Department			
	New Economic Development Policy (NEDP)	188.00	188.00	100.00
	NABARD	150.00	150.00	100.00
	SMS for Various Scheme under NLCPR/NEA (CSS)	150.00	150.00	100.00
	State Priority Programmes	150.00	150.00	100.00
	North Eastern Areas	122.64	122.64	100.00
	Non-Lapsable Central Pool of Resources (NLCPR)	98.77	98.77	100.00
	Recapitalisation of R.R.B	32.89	32.89	100.00
	Advances for Purchase of Motor Conveyances	5.00	5.00	100.00
14	<b>Planning and Programme Implementation</b>	35.00	35.00	100.00
	Plan Assistance			
	Mizoram Polytechnic, Kolasib (CSS)	3.01	3.01	100.00
	Mizoram Polytechnic, Champhai (CSS)	3.00	3.00	100.00
	Mizoram Polytechnic, Mamit (CSS)	3.00	3.00	100.00
	GNM, Champhai (CSS)	2.51	2.51	100.00
28	<b>Labour, Employment and Skill Development</b>	1.68	1.68	100.00
	SMS of Strengthening of Infrastructure			
	Pradhan Mantri Awas Yojana (Gramin) (CSS)	9.08	9.08	100.00
	General Performance Grants to ULB (FC)	6.06	6.06	100.00
	Flood Management Programme (AIBP) (CSS)	5.00	5.00	100.00
48	<b>Information and Communication Technology</b>	3.00	3.00	100.00
	New Economic Development Policy (NEDP)			
	<b>Total</b>	<b>1,408.64</b>	<b>1,408.64</b>	<b>100.00</b>

Source: Appropriation Accounts, 2018-19

### 2.7.3 Ineffective budgetary controls

In case of nine grants, as against the total savings of ₹584.65 crore, ₹662.09 crore was surrendered, resulting in an excess surrender of ₹77.44 crore (₹10 lakh and above in each case) as detailed below. The reasons for surrender in excess of savings were incorrect estimation of requirement during the year.

**Table-2.8: Surrenders in excess of actual savings (₹10 lakh and above)**

Sl. No.	Number and Name of the grant/appropriation	Total Grant/ appropriation	Savings	Surrender	Surrender in excess
<b>Revenue (Voted)</b>					
1.	1-Legislative Assembly	29.34	2.36	2.50	0.14
2.	4-Law and Judicial	30.01	0.30	0.69	0.39
3.	9-Finance	1,409.42	394.38	461.35	66.97
4.	16-Home	704.24	19.03	20.02	0.99
5.	17-Food, Civil Supplies and Consumer Affairs	88.26	8.67	8.94	0.28
6.	24-Medical and Public Health Services	621.32	131.11	131.55	0.45
7.	41-Sericulture	20.14	3.12	3.53	0.41
8.	46-Urban Development and Poverty Alleviation	223.84	18.69	18.89	0.19
	<b>Total of Revenue</b>	<b>3,126.57</b>	<b>577.65</b>	<b>647.46</b>	<b>69.82</b>
<b>Capital (Voted)</b>					
9.	25-Water Supply and Sanitation	164.49	7.00	14.63	7.62
	<b>Total of Capital</b>	<b>164.49</b>	<b>7.00</b>	<b>14.63</b>	<b>7.62</b>
	<b>Grand Total</b>	<b>3,291.07</b>	<b>584.65</b>	<b>662.09</b>	<b>77.44</b>

Source: Appropriation Accounts, 2018-19

Further, in 74 cases, ₹333.01 crore was surrendered (more than ₹10 lakh in each case) without furnishing any reasons as detailed in **Appendix-2.5**.

## 2.8 Financial Accountability

### 2.8.1 Excess expenditure requiring regularisation

As per Article 204 (3) of the Constitution, no money shall be withdrawn from Consolidated Fund of the State except under appropriations made by law passed in accordance with the provisions of this article. Further, Article 205 of the Constitution of India mandates the State Government to get the excess expenditure over a grant/appropriation regularised by the State Legislature. Although no time limit for regularisation was prescribed under this Article, excess expenditure was to be regularised after discussion of the Appropriation Accounts by the PAC. Administrative departments concerned are required to submit Explanatory Notes for excess expenditure to PAC through Finance Department.

During the period 2012-18, there was an excess expenditure of ₹887.73 crore under 19 Grants, covering 12 departments. This is in violation of Article 204 (3) of the Constitution, which provides that no money shall be withdrawn from the Consolidated Fund except under appropriation made by Law by the State Legislature. This vitiates the system of budgetary and financial control and encourages financial indiscipline in management of public resources.

The PAC intimated in July 2019 that an amount of ₹813.76 crore was regularised for the period 2012-16. However, ₹73.97 crore pertaining to the period 2016-18 was yet to be regularised in accordance with Article 205 of the Constitution.

During 2018-19, while there was no excess expenditure over a Grant/Appropriation, within the Grants/Appropriation, revenue and capital expenditure in eight cases (₹906.60 crore) exceeded (₹117.78 crore) the approved provisions (₹788.81 crore) by one crore in each case or more than 33 per cent of the total provision in violation of Article 204 (3) of the Constitution as detailed below.

**Table-2.9: Expenditure in excess of provisions within a Grant**

(₹in crore)

Sl. No.	Grant No.	Name of the Grant/ Appropriation with Heads of Account	Total Grant/ Appropriation	Expenditure		Percentage
				Total	Excess	
<b>Revenue (Voted)</b>						
1.	9	<b>Finance</b> 2071-01-101-01 Pension	372.61	455.25	82.64	22.18
2.	20	<b>School Education</b> 2202-02-109-01 Government High School	143.52	144.77	1.25	0.87
3.	21	<b>Higher and Technical Education</b> 2203-105-01 Mizoram Polytechnic, Lunglei	3.91	4.95	1.04	26.49
<b>Revenue (Charged)</b>						
4.	49	<b>Public Debt</b> 2049-01-101-09 Interest on Market Borrowing	200.00	213.31	13.31	6.66
<b>Total of Revenue</b>			<b>720.03</b>	<b>818.27</b>	<b>98.24</b>	<b>13.64</b>

Sl. No.	Grant No.	Name of the Grant/ Appropriation with Heads of Account	Total Grant/ Appropriation	Expenditure		Percentage
				Total	Excess	
<b>Capital (Charged)</b>						
5.	49	<b>Public Debt</b>				
		6003-105-01 Loans from NABARD	35.68	44.45	8.77	24.58
		6003-111-01 National Small Savings Fund	10.92	16.27	5.35	48.94
		6003-103-01 Loans from LIC (Housing)	19.62	23.82	4.20	21.42
		6003-103-02 Loans from LIC (Water Supply)	2.55	3.78	1.22	47.92
<b>Total of Capital</b>			<b>68.78</b>	<b>88.32</b>	<b>19.54</b>	<b>28.42</b>
<b>Grand Total</b>			<b>788.81</b>	<b>906.60</b>	<b>117.78</b>	<b>14.93</b>

Source: Appropriation Accounts, 2018-19

### 2.8.2 Unnecessary Supplementary provision

Supplementary provision aggregating ₹246.36 crore (₹10 lakh or more in each case) obtained in 18 cases, under 16 Grants out of 47 Grants and one appropriation, during 2018-19 proved unnecessary, as even the original provision was not fully utilised, as detailed in **Appendix-2.6**. Out of these 18 cases, there was un-necessary supplementary provision (₹one crore and above in each case) aggregating ₹244.34 crore (99.18 per cent) in 14 cases as detailed in **Table-2.10**. The remaining four cases accounted for 0.82 per cent of the supplementary provision.

**Table-2.10: Unnecessary Supplementary Provision of ₹one crore and above**

(₹in lakh)

Sl. No.	Number and Name of the Grant	Original Provision	Actual Expenditure	Savings out of Original Provision	Supplementary Provision
<b>A. Revenue (Voted)</b>					
1.	9-Finance	1,39,844.79	1,01,503.39	38,341.40	1,096.93
2.	11-Secretariat Administration	11,654.15	10,941.22	712.93	667.02
3.	34-Animal Husbandry and Veterinary	6,276.29	5,882.31	393.98	450.34
4.	38-Rural Development	31,523.87	17,234.47	14,289.40	7,380.40
5.	40-Commerce and Industries	7,445.99	6,409.63	1,036.36	701.25
6.	45-Public Works	41,542.21	33,719.32	7,822.89	7,909.41
7.	48-Information and Communication Technology	539.68	409.56	130.12	171.19
<b>Total for Revenue (Voted)</b>		<b>2,38,826.98</b>	<b>1,76,099.90</b>	<b>62,727.08</b>	<b>18,376.54</b>
<b>B. Capital (Voted)</b>					
8.	9-Finance	93,730.44	120.00	93,610.44	120.00
9.	14-Planning and Programme Implementation	3,500.00	105.00	3,395.00	105.00
10.	15-General Administration	5,920.00	748.30	5,171.70	570.00
11.	17-Food,Civil Supplies and Consumer Affairs	17,826.60	16,912.14	914.46	3,985.00
12.	19-Local Administration	5,100.00	5,067.50	32.50	640.00
13.	31-Agriculture	3,300.00	711.55	2,588.45	223.00
14.	47-Irrigation and Water Resources	4,000.00	1,046.00	2,954.00	414.63
<b>Total for Capital (Voted)</b>		<b>1,33,377.04</b>	<b>24,710.49</b>	<b>1,08,666.55</b>	<b>6,057.63</b>
<b>Grand Total (A + B)</b>		<b>3,72,204.02</b>	<b>2,00,810.39</b>	<b>1,71,393.63</b>	<b>24,434.17</b>

Source: Appropriation Accounts, 2018-19

## 2.9 Excessive/unnecessary Re-appropriation of funds

Re-appropriation is transfer of funds within a grant from one unit of appropriation, where savings are anticipated, to another unit where need for additional funds is identified. State Government has the power to sanction/authorise any re-appropriation within a Grant, which does not involve the undertaking of a recurring liability.

Injudicious re-appropriation proved excessive/inadequate or insufficient in 19 sub-heads and resulted in savings/excess of over ₹10 lakh and above in each case as detailed in Appendix-2.7.

## 2.10 Review of selected Grant

During the year 2018-19, **Grant No. 38–Rural Development** was selected for detailed scrutiny in audit to review compliance with prescribed budgetary procedures, monitoring of funds, control mechanisms and implementation of schemes within the grant. Outcome of the audit is discussed in the succeeding paragraphs.

### 2.10.1 Budget and Expenditure

The summarised position of budgetary allocation and actual expenditure there-against during the year 2018-19 in respect of this Grant is given below:

**Table-2.11: Budget and expenditure during 2018-19**

(₹in crore)

Nature of expenditure	Budget Provision			Actual expenditure	Savings (-)
	Original	Supplementary	Total		
Revenue	315.24	73.80	389.04	172.34	(-)216.70
Capital	46.31	14.49	60.80	51.95	(-)8.85
<b>Total</b>	<b>361.55</b>	<b>88.29</b>	<b>449.84</b>	<b>224.29</b>	<b>(-)225.55</b>

Source: Appropriation Accounts, 2018-19

There was significant unspent provision/savings of 55.70 per cent under Revenue head while savings of 14.56 per cent of the total provision occurred in the Capital Section. The savings were intimated by the Accountant General (Accounts) to the Chief Controlling Officer of the Department requesting to explain the reasons for significant variations. However, the reasons for savings were not intimated by the Department concerned (September 2019).

### 2.10.2 Unnecessary Supplementary Provision

Scrutiny of the Grant revealed that supplementary provision of ₹73.80 crore under revenue sector was obtained even when the original provision (₹315.24 crore) was not fully utilised, resulting in savings of ₹216.70 crore.

Considering that the Chief Controlling Officer (CCO) had not offered any explanation for significant variation in expenditure from the budget allotment, it is inferred that the CCO has not monitored the expenditure pattern closely and has been unable to assess properly the requirement of funds having regard to the fund absorption capacity of the Department.

### 2.10.3 Persistent Savings

During the period from 2014-15 to 2018-19, there were persistent savings within the grant as shown in **Table-2.12** below. The percentage of savings to total grant ranged between 17.64 and 50.14 *per cent*.

**Table-2.12: Persistent savings**

(₹in crore)

38-Rural Development	Amount of savings				
	2014-15	2015-16	2016-17	2017-18	2018-19
Revenue	125.08	66.75	117.86	73.84	216.70
Capital	20.31	3.76	0.16	16.59	8.85
<b>Total</b>	<b>145.39</b>	<b>70.51</b>	<b>118.02</b>	<b>90.43</b>	<b>225.55</b>
<b>Total Grant</b>	<b>431.47</b>	<b>399.68</b>	<b>488.77</b>	<b>468.15</b>	<b>449.84</b>
<i>Percentage of savings to Total Grant</i>	<i>33.70</i>	<i>17.64</i>	<i>24.15</i>	<i>19.32</i>	<i>50.14</i>

Source: Appropriation Accounts of respective years

Persistent savings to the extent of around 18 to 50 *per cent* of the total grant in the past five years indicated that the budgeting process in the Department was unrealistic and did not reflect the actual requirements of the Department. Thus, it is imperative that budgeting is done in a planned and realistic manner to ensure prudent financial management and utilise funds for the envisaged developmental programmes.

### 2.10.4 Substantial surrenders

There were substantial surrenders of more than 50 *per cent* of total provision within this grant in respect of three sub-heads on account of non-receipt of funds from the GoI. Out of the total provision of ₹272.42 crore in these three sub-heads for implementation of Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS), Integrated Watershed Management Programme (IWMP) and Pradhan Mantri Awas Yojana (PMAY), ₹215.33 crore was surrendered, which included 100 *per cent* surrender under PMAY as shown in **Table-2.13**:

**Table-2.13: Details of substantial surrenders (more than 50 *per cent* of total provision)**

(₹in crore)

Head and details of scheme	Total Provision	Details of surrender		Reasons
		Amount	Per cent	
2505-02-101-02 MG-NREGS (CSS)	224.99	182.31	81.03	Due to non-release of funds by GoI
2501-05-101-02 Integrated Watershed Management Programme (CSS)	38.35	23.94	62.43	
2216-03-101-01 Pradhan Mantri Awas Yojana (Gramin) (CSS)	9.08	9.08	100.00	
<b>Total</b>	<b>272.42</b>	<b>215.33</b>	<b>79.04</b>	--

Source: Appropriation Accounts, 2018-19

## 2.11 Conclusion

*Budgetary assumptions of the State Government were not realistic during 2018-19 and despite carrying out an elaborate pre-budget exercise to bring about efficiency and transparency in budget formulation and execution, budgetary estimates were off the mark by a considerable margin, and control over the execution and monitoring of budget was inadequate.*

*Supplementary Grants/Appropriation were obtained without adequate justification, and large amounts were expended without budgetary provision. Despite flagging this issue every year over the last several years, the State Government was yet to take corrective measures in this regard.*

*Savings during the year accounted for more than four times of the budget; however, the Controlling Officers have not provided explanations to the Accountant General (Accounts) for variations in expenditure vis-à-vis allocations. Departments were not cautioned against persistent savings; nor were their budgets varied in accordance with their ability to absorb the allocations.*

## 2.12 Recommendations

- i) State Government needs to formulate a realistic budget based on reliable assumptions of the needs of the Departments and their capacity to utilise the allocated resources;
- ii) An appropriate control mechanism needs to be instituted by the Government to enforce proper implementation and monitoring of budget to ensure that savings are curtailed, large savings within the Grant/Appropriation are controlled and anticipated savings are identified and surrendered within the specified timeframe;
- iii) Controlling Officers need to be made aware of their responsibility to explain the variation in expenditure from the allocation to facilitate proper analysis of budget and preparation of meaningful Appropriation Accounts; and
- iv) State Government should operationalise its ‘outcome budget’ initiative in true spirit to enforce accountability of the Departments for public funds placed at their disposal.