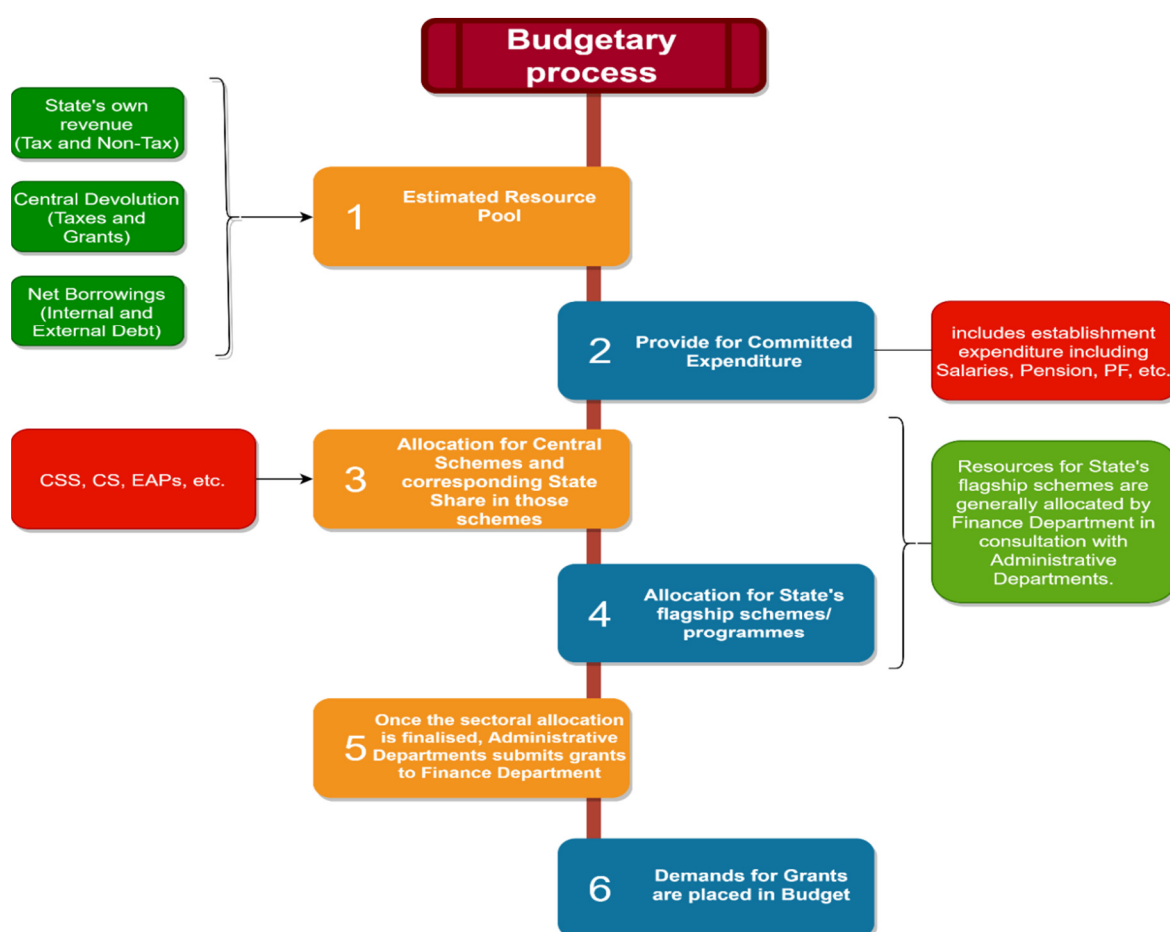


CHAPTER III
BUDGETARY MANAGEMENT

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 1.1 Part A*. The Budget process commences with the issue of the Budget Circular, normally in August each year, providing guidance to the Departments in framing their estimates, for the next financial year. A typical budget preparation process in a State is given in the figure below:



CSS: Centrally Sponsored Schemes; CS: Central Schemes, EAP: Externally Aided Projects.

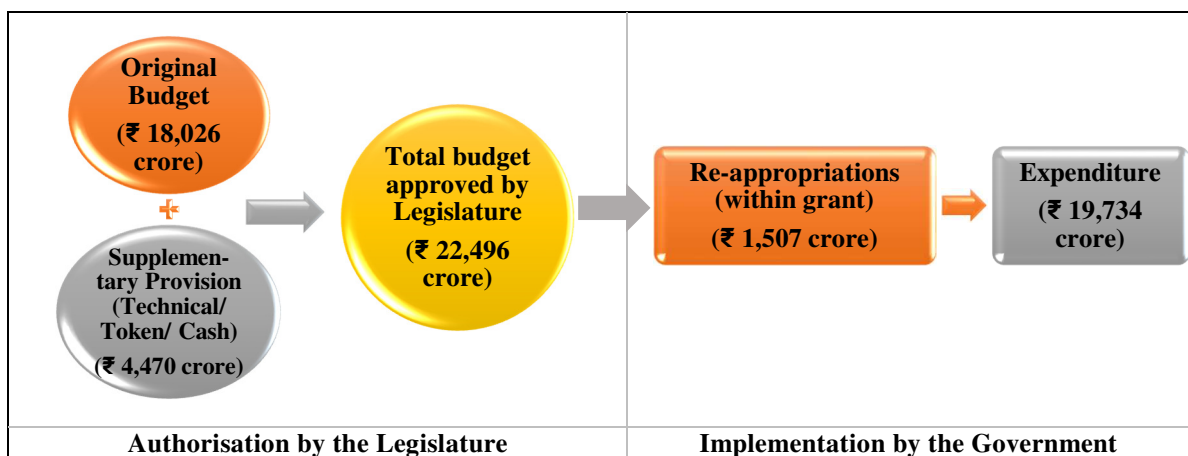
The Government of Nagaland has not yet prepared a Budget Manual, detailing the processes involved in budget formulation exercise, roles and responsibilities of the persons entrusted with the preparation and implementation of budget, timelines for preparation and submission of budgetary estimates, requirements of supplementary budget, mode of seeking re-appropriations within Grants, assessment of savings, surrenders *etc.* and monitoring and controls to be exercised by the Controlling Officers at all stages of budget preparation and implementation.

In the absence of a Budget Manual, the Government has been following the General Financial Rules, various provisions of the Constitution of India and guidelines issued by the Central and State Governments.

Legislative authorisation is the *sine quanon* for incurrence of all expenditure by the State Government. To guide individual Government Departments, the State Government framed financial rules and provided for delegation of financial powers. These delegations establish the limits for incurrence of expenditure and the levels authorised to sanction such expenditure together with restrictions on appropriation and re-appropriations.

The State Government secures legislative approval for expenditure out of the Consolidated Fund of the State by presenting its annual Budget and 82 Demands for Grants. 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.

Apart from supplementary grant, re-appropriation can also be used to re-allocate funds within a Grant. Re-appropriation is the transfer, by competent authority, of savings from one unit of appropriation to meet additional expenditure under another unit within the same section (Revenue-Voted, Revenue-Charged, Capital-Voted, Capital-Charged) of the Grant or Charged Appropriation. The various components of budget are depicted in the chart below:



Source: Appropriation Accounts, 2019-20

3.1.1 Summary of total provisions, actual disbursements and savings during 2019-20

A summarised position of total budget provision, disbursement and saving/excess with its further bifurcation into voted/charged may be included as under:

Table 3.1: Budget provision, disbursement and savings/excess during 2019-20

Total Budget provision		Disbursements		Saving (-)/ Excess (+)	
Voted	Charged	Voted	Charged	Voted	Charged
14,596.24	7,900.18	11,869.85	7,863.79	(-) 2,726.39	(-) 36.39

Source: Appropriation Accounts, 2019-20

3.1.2 Charged and voted disbursements

The break-up of total disbursement into charged and voted during the last five-year (2015-20) is given below.

Table 3.2: Break-up of total disbursement into charged and voted during 2015-19

(₹ in crore)

Year	Disbursements		Saving (-)/Excess(+)	
	Voted	Charged	Voted	Charged
2015-16	7,873.49	3,512.23	(-) 2,181.68	(+) 102.65
2016-17	8,864.71	5,946.14	(-) 2,094.01	(-) 157.77
2017-18	10,563.94	5,378.33	(-) 1,742.90	(-) 764.74
2018-19	11,538.47	3,619.72	(-) 2,992.08	(-) 2,319.70
2019-20	11,869.85	7,863.79	(-) 2,726.39	(-) 36.39

Source: Appropriation Accounts of respective years

As can be seen from the above table, there were savings under voted head in all the years during the five-year period of 2015-20, whereas there was excess under charged head in 2015-16 during the five-year period of 2015-20.

3.2 Appropriation Accounts

Audit of appropriations by the CAG seeks to ascertain whether the expenditure actually incurred under various grants is in accordance with the authorisation given under the Appropriation Act and that the expenditure required to be charged under the provisions of the Constitution (Article 202) is so charged. It also ascertains whether the expenditure incurred is in conformity with the laws, relevant rules, regulations and instructions.

3.3 Comments on integrity of budgetary and accounting process

3.3.1 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. Expenditure on new scheme should not be incurred on a scheme/ service without provision of funds except after obtaining additional funds by re-appropriation, supplementary grant or appropriation or an advance from the Contingency Fund of the State.

As appearing in Article 115 (1) (a) and 205 (1) (a) of the Constitution, New Service means expenditure arising out of a new policy decision, not brought to the notice of Parliament/ State assembly earlier, including a new activity or a new form of investment.

‘New Instrument of Service’ means relatively large expenditure arising out of important expansion of an existing activity.

Audit scrutiny revealed that in seven Grants (nine cases), expenditure of ₹ 10 lakh and above was incurred (total expenditure was ₹ 37.26 crore), without budget provision as detailed in **Appendix 3.1**. Grant-wise summary of the cases where expenditure was incurred without budget provision is given in **Table 3.3**.

Table 3.3: Summary of Expenditure without Budget Provision

Grant No.	Description	Expenditure (₹ in crore)	Number of Schemes/ Sub-Heads
27	Planning Machinery	0.30	1
28	Civil Police	8.94	1
48	Agriculture	0.81	1
51	Fisheries	23.85	3
55	Power	0.10	1
59	Irrigation and Flood Control	0.40	1
72	Land Resources Development	2.86	2
Total		37.26	10

Source: Appropriation Accounts, 2019-20

The Finance Department, while accepting the fact, stated (March 2021) that all the cases have been scrutinised and found that issues were mainly due to mis-classification. Departments could not be directed for reconciliation due to the pandemic.

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. Immediate steps require to be taken for carrying out reconciliation to rectify the misclassification issues.

In case of Grant No. 51 (Fisheries), it was stated that there was no such excess as necessary supplementary provision was voted by the Legislature. However, the fact remained that there were no budgetary provision (original/supplementary) in two out of three sub-heads and in the third sub-head, there was supplementary provision of ₹ 0.22 crore which was re-appropriated resulting in 'Nil' provision as per the Detailed Appropriation Accounts.

3.3.2 Transfers not mandated by the Appropriation Act/Detailed Demands for Grants (into Public Account/ Bank Accounts)

The Appropriation Act authorises incurrence of expenditure under specified Grants, during the financial year. Hence transfer of amounts from the Consolidated Fund of the State into Public Account heads or into bank accounts is not authorised through the Appropriation Act.

During 2019-20, ₹ 152.55 crore was sanctioned in favour of 15 Departments/Agencies during the year 2019-20 for implementation of different schemes. Out of ₹ 152.55 crore, the Departments/Agencies incurred an expenditure of ₹ 17.72 crore. The balance funds of ₹ 134.83 crore was kept in Civil Deposits. Details of funds drawn and kept in Civil Deposits in respect of 15 Departments/Agencies are presented in the **Table 3.4**.

Table 3.4: Non-utilisation of Funds during the year 2019-20

Sl. No.	Name of the Department/Directorate	Amount drawn	Expenditure incurred	Amount kept in Civil Deposit	Percentage of amount kept in Civil Deposit over total sanction
1.	Higher Education Department	26.51	8.26	18.25	69
2.	Election Department	0.84	0.00	0.84	100

Sl. No.	Name of the Department/Directorate	Amount drawn	Expenditure incurred	Amount kept in Civil Deposit	Percentage of amount kept in Civil Deposit over total sanction
3.	Nagaland Lokayukta	0.88	0.00	0.88	100
4.	Directorate of Treasuries and Accounts	0.75	0.00	0.75	100
5.	Commissioner of State Taxes	1.77	0.50	1.27	72
6.	Nagaland State Transport	5.74	0.00	5.74	100
7.	Directorate of Horticulture	23.80	0.00	23.80	100
8.	Directorate of Fisheries and Aquatic Resources	10.90	0.00	10.90	100
9.	Water Resources Department	1.53	0.00	1.53	100
10.	Land Records and Survey	1.00	0.50	0.50	50
11.	Directorate of Printing and Stationery	2.57	1.28	1.29	50
12.	Directorate of Health and Family Welfare	6.00	0.00	6.00	100
13.	Directorate of Social Welfare	66.23	7.18	59.05	89
14.	Directorate of Youth Resources and Sports	2.00	0.00	2.00	100
15.	Directorate of Soil and Water Conservation	2.03	0.00	2.03	100
Grand Total		152.55	17.72	134.83	

Source: Departmental Figures

It can be seen from the Table 3.4 above that the implementing Departments/Agencies kept the funds in the Civil Deposits which ranged between 50 and 100 *per cent* over the total funds drawn. In 10 out of 15 Departments/ Directorates, 100 *per cent* amounts were kept in Civil Deposits.

Further, scrutiny of six bank accounts revealed that an amount of ₹ 50.32 crore was lying in the respective bank accounts of 17 Drawing and Disbursing Officers (DDOs) as on 31 March 2020 to avoid lapse of grant, which was not authorised as per the Appropriation Act.

The funds drawn and kept in Civil Deposits and in bank accounts were shown as utilised by the respective DDOs and thus, the expenditure was artificially inflated to that extent, without actual expenditure having been incurred under the programme/scheme, in contravention of the financial rules.

The Finance Department, in its reply stated (March 2021) that transfer of fund to Civil Deposit (8443) was made as per financial rules and the fund was not outside of Government account. However, the reply was silent on inflated expenditure without actual expenditure *etc.*, pointed out by Audit.

3.3.3 Misclassification of capital expenditure as revenue expenditure and *vice versa*

Misclassification of expenditure of revenue nature as capital expenditure or *vice-versa*, results in overstatement/understatement of revenue expenditure and revenue deficit/surplus.

Examination of the accounts and Voucher Level Computerisation (VLC) data revealed that -

1. During the year, an expenditure of ₹ 1.18 crore booked under 800 – other expenditure (Minor works/ Repairs) though revenue in nature was kept under Major Head 4216 (Capital Outlay on Housing), which was capital Head. This ultimately leads to overstatement of Capital Expenditure.
2. During the year, an expenditure of ₹ 2.11 crore booked under 202 – Secondary Education Repairs and Renovation though revenue in nature was kept under Major Head 4202 (Capital Outlay on Education, Sports, Art and Culture), which was capital Head. This ultimately also leads to overstatement of Capital expenditure.

3.3.4 Unnecessary or excessive supplementary grants

The existence of likely or actual savings in the budget should never be seized upon as an opportunity to introduce fresh items of expenditure which ought to wait till next year. Known savings in the budget should not be left un-surrendered for fear of the next year's budget allotment being reduced.

Considerable Re-Appropriation from one Sub Head to another must always be avoided. That fresh expenditure is unavoidable or imperatively necessary or that it will produce consequential economics or that it is essential for preserving the revenue or the public safety are reasonable justifications for introducing fresh expenditure during the course of the year, but in such circumstances, it must be shown that the requirements could not have been foreseen and provided for in the budget. The process of Re-Appropriation is not designed merely to rectify omissions and lack of foresight.

Supplementary Provision of ₹ 34.63 crore obtained by 11 Departments during the year proved unnecessary as the expenditure either did not come up to the level of Original Provision or the subsequent Supplementary Provision was not utilised by the Departments concerned as detailed in **Appendix 3.2**. Cases where supplementary provision (₹ 50 lakh or more in each case) proved unnecessary are given in **Table 3.5**.

Table 3.5: Details of cases where supplementary provision (₹ 50 lakh or more in each case) proved unnecessary

(₹ in crore)					
Sl. No.	Name of the Grant	Original	Supplementary	Actual Expenditure	Saving out of Original Provisions
(A) Revenue (Voted)					
1.	35- Medical, Public Health and Family Welfare	724.99	3.55	660.32	64.67
2.	37-Municipal Administration	44.26	1.83	12.72	31.54
3.	46-Statistics	37.68	0.95	36.99	0.69
4.	47-Legal Metrology and Consumers Protection	11.62	1.23	9.98	1.64
Sub-Total		818.55	7.56	720.01	98.54

(B) Revenue (Charged)					
5.	75- Servicing of Debt	1,106.15	4.95	963.74	142.41
Sub-Total		1,106.15	4.95	963.74	142.41
Total (Revenue)		1,924.70	12.51	1,683.75	240.95
Capital (Voted)					
6.	31-School Education	5.01	1.40	2.63	2.38
7.	36- Urban Development	106.63	9.28	88.06	18.57
8.	77- Development of Under Developed Areas	65.01	14.17	50.46	14.55
Total (Capital)		176.65	24.85	141.15	35.50
Grand Total (Revenue + Capital)		2,101.35	37.36	1,824.90	276.45

Source: Appropriation Accounts, 2019-20

The Finance Department, while accepting the fact, stated (March 2021) that maximum supplementary obtained was under GoI schemes. Estimates were made based on the PAB's (Project Approval Board) recommendation and the receipts were short of the PAB recommendation. However, the reply was silent on the reason for short receipts than PAB recommendation.

3.3.5 Unnecessary or excessive Re-appropriation

According to Financial Rules, reasons for additional expenditure and savings should be explained in the Re-appropriation statement and specific reasons should be given and expressions such as "based on actual requirements", "based on trend of expenditure", etc., should be avoided. However, scrutiny of Re-appropriation orders issued by the Finance Department revealed that out of a total of 82 grants, Re-appropriation was done in 80 grants (98 per cent) on the last day without stating specific reasons for withdrawal of provision or additional provision by way of Re-appropriation of funds. This Re-appropriation on last day of the financial year resulted in savings in 11 Grants, which was avoidable, as discussed in *Paragraph 3.3.4* above.

Injudicious re-appropriation of Funds made during the year 2019-20 proved either excessive or insufficient (by 10 lakh or more and less than or equal to savings/excess) resulting in savings of ₹ 26.72 crore in five Sub-heads and excess of ₹ 181.49 crore in six Sub-heads as detailed in **Table 3.6** below.

Table 3.6: Excess/unnecessary/insufficient re-appropriation

Sl. No.	Grant	Head of Account	Original	Supplementary	Re-appropriation	Final	
						Savings	Excess
1.	9	2041-00-800-01 Road Safety Scheme	0.00	0.00	100.00	100.00	-
2.	22	2408-01-001-01 Direction	1,465.39	2,273.40	36.44	2,516.93	-
3.	27	2225-04-001-01 Minority Affairs Cell	0.00	0.00	30.00	30.00	-
4.	51	2552-51-101-01 Fish Seed Multiplication Farm	0.00	0.00	15.46	15.46	-

(₹ in lakh)

Sl. No.	Grant	Head of Account	Original	Supplementary	Re-appropriation	Final	
						Savings	Excess
5.	55	2801-04-800-02 Machinery and Equipment	15.51	0.00	9.69	10.00	-
6.	25	2029-00-102-01 Subordinate Establishment	1,571.21	43.07	37.35	-	100.00
7.	27	3451-00-091-01 Nagaland Bamboo Development Agency	12.00	0.00	94.92	-	97.00
8.	28	2055-00-001-01 Police Headquarters	16,820.37	3,633.40	1,886.11	-	5,407.09
9.	28	2055-00-104-02 Indian Reserve Battalion	30,190.27	1,002.15	139.66	-	335.47
10.	72	2501-05-101-03 Integrated Watershed Management Programme	0.00	442.78	20.88	-	1,065.34
11.	75	6003-00-110-01 Normal Ways and Means Advance	0.00	2,76,738.19	4,234.36	-	11,144.19
Total						2,672.39	18,149.09

Source: Detailed Appropriation Accounts, 2019-20

The Finance Department, while accepting the fact stated (March 2021) that the Department was in the process of rectification of such issues.

3.3.6 Unspent amount and surrendered appropriations and/or Large Savings/Surrenders

Complete accuracy of estimates may not always be possible; but where the omission or inaccuracy is the result of lack of forethought, neglect of the obvious or slipshod estimating, it is not readily excusable. The golden rule for all Estimating Officers should be to provide in the budget for everything that can be foreseen and to provide only as much as is necessary. The Administrative and Finance Departments should, in checking the estimates, apply unrelentingly the proven and well-tried check of average of previous actuals with known or reasonably foreseeable facts which may modify that average.

No object is served by keeping back savings which should ideally be surrendered in time. For this reason, appropriations which are likely to remain unspent must be reported for surrender as early as possible. If this is not done, other spending Departments are deprived of the funds which they could have utilised and thus avoidable demands for Supplementary Grants are preferred. Surrenders are being made generally in the month of March, and a careful study of figures of expenditure incurred and watch over the progress of last month's expenditure should enable a

Controlling Officer to fix upon his final requirements with a reasonable degree of exactness.

When the need for surrender manifests itself, the Controlling Officers should carefully estimate the amounts that they can surrender. The aim should be to surrender as much as they can so as to keep the expenditure just within the modified Grant.

Budgetary allocations based on unrealistic proposals, poor expenditure monitoring mechanism, weak scheme implementation capacities/ weak internal controls promote release of funds towards the end of the financial year, and increase the propensity of the Departments to retain huge balances outside the Government account in Bank Accounts. Excessive savings also deprives other Departments of the funds which they could have utilised.

The audit of Grants revealed that there was a total Savings of ₹ 2,960.73 crore, out of which Savings of ₹ 2,952.30 crore occurred in 55 cases (*Appendix 3.3*) which exceeded rupees one crore in each case or by more than 20 *per cent*. Further, there were savings of ₹ 2,491.97 crore which occurred in 12 Grants of the total provisions (savings were ₹ 50 crore and above) are shown in **Table 3.7**.

Table 3.7: List of Grants having large savings (savings above ₹ 50 crore) during the year

(₹ in crore)

Sl. No.	Number and name of the Grant	Original	Supplementary	Total	Actual expenditure	Saving/ Excess	Surrender
Revenue (Voted)							
1.	18-Pensions and Other Retirement Benefits	2,007.83	0.00	2,007.83	1,810.91	196.93	196.93
2.	27-Planning Machinery	501.71	0.00	501.71	197.00	304.71	305.36
3.	31-School Education	1,685.24	0.00	1,685.24	1,383.50	301.74	305.13
4.	32-Higher Education	202.81	0.00	202.81	128.77	74.04	74.04
5.	35-Medical, Public Health and Family Welfare	724.99	3.55	728.4	660.32	68.22	68.22
6.	42-Rural Development	1,184.58	0.00	1,184.58	637.96	546.62	546.62
7.	48-Agriculture	296.41	0.13	296.54	223.60	72.94	72.94
8.	70-Horticulture	64.01	101.51	165.52	101.54	63.98	63.98
Capital (Voted)							
1.	26-Civil Secretariat	0.00	200.95	200.95	13.57	187.38	187.37
2.	27-Planning Machinery	377.82	0.00	377.82	131.65	246.17	246.17
3.	35-Medical, Public Health	90.70	0.00	90.70	8.62	82.08	81.91

Sl. No.	Number and name of the Grant	Original	Supplementary	Total	Actual expenditure	Saving/ Excess	Surrender
	and Family Welfare						
4.	58-Road and Bridges	233.30	158.43	391.73	262.78	128.95	128.95
5.	60-Water Supply	148.50	0.00	148.50	77.66	70.84	70.84
Revenue (Charged)							
1.	75-Servicing of Debt	1,106.15	4.95	1,111.10	963.74	147.36	147.36
Grand Total		8,624.05	469.52	9,093.57	6,601.62	2,491.95	2,495.80

Source: Appropriation Accounts. 2019-20

It was observed that out of the above 12 Grants, in three Grants, there was persistent low utilisation (less than 50 per cent) in the last five years from 2015-16 to 2019-20. Details of utilisation of budgetary allocation in these three Grants are shown in **Table 3.8**.

Table 3.8: Budget utilisation less than 50 per cent (in 2019-20)

Sl. No.	Grant	2015-16	2016-17	2017-18	2018-19	2019-20	Number of years*	Budget 2019-20	Total Budget for five years
		(In per cent)						(₹ in crore)	
1.	27-Planning Machinery	23.95	25.02	28.72	27.89	37.37	5	879.53	4143.11
2.	57-Housing Loans	0.00	0.00	0.00	99.95	0.00	4	0.22	1.08
3.	59-Irrigation and Flood Control	49.00	27.24	33.82	30.45	58.39	4	114.14	1015.74

* Number of years with utilisation below 50 per cent

Source: Appropriation Accounts of respective years

It can be seen from the table above, in two Grants, low utilisation was in four years, out of five years. While in one Grant low utilisation was in all the five years. This is indicative of systemic issues that warrant a close review by the Government to enable initiation of corrective measures.

Substantial surrenders (more than 50 per cent of Total Provision) were made in respect of 143 Sub Heads. Out of the Total Provision amounting to ₹ 4,435.70 crore in those Sub Heads, ₹ 3,390.24 crore (76.43 per cent) was surrendered, which included 100 per cent surrender under 69 Sub-Head (₹ 874.81 crore). The details of such cases are given in **Appendix 3.4**. In 14 cases, the surrender was more than ₹ 50 crore at the end of March 2020 as given in **Table 3.9**.

Table 3.9: Details of surrender of funds in excess (more than ₹ 50 crore)

Sl. No.	Grant Number	Original	Supplementary	Total provisions	Actual	Saving (-)/ Excess(+)	Amount Surrendered
Revenue (Charged)							
1.	75- Servicing of Debt	1,106.15	4.95	1,111.10	963.74	147.36	147.36

Sl. No.	Grant Number	Original	Supplementary	Total provisions	Actual	Saving (-)/ Excess(+)	Amount Surrendered
Revenue (Voted)							
2.	18-Pensions and other Retirement benefits	2,007.83	0.00	2,007.83	1,810.91	196.92	196.92
3.	27-Planning Machinery	501.71	0.00	501.71	197.00	304.71	305.36
4.	31- School Education	1,685.24	0.00	1,685.24	1,383.50	301.74	305.13
5.	32- Higher Education	202.81	0.00	202.81	128.77	74.04	74.04
6.	35-Medical, Public health and Family welfare	724.99	3.55	728.54	660.32	68.22	68.22
7.	42-Rural Development	1,184.58	0.00	1,184.58	637.96	546.62	546.62
8.	48-Agriculture	296.41	0.13	296.54	223.60	72.94	72.94
9.	70-Horticulture	64.01	101.51	165.52	101.55	63.97	63.98
Capital (Voted)							
10.	26-Civil Secretariat	0.00	200.95	200.95	13.57	187.38	187.37
11.	27-Planning Machinery	377.82	0.00	377.82	131.65	246.17	246.17
12.	35-Medical, Public health and Family welfare	90.70	0.00	90.70	8.62	82.08	81.91
13.	58-Road and Bridges	233.30	158.43	391.73	262.78	128.95	128.95
14.	60-Water supply	148.50	0.00	148.50	77.66	70.84	70.84
Total		8,624.05	469.52	9,093.57	6,601.63	2,491.94	2,495.81

Source: Appropriation Accounts, 2019-20

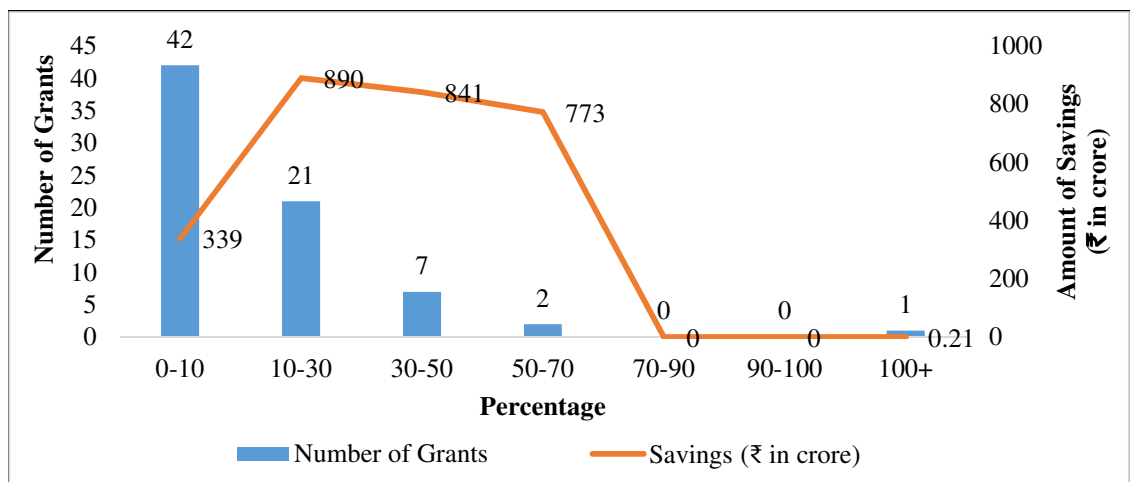
The reasons for surrender of funds in respect of the above 12 Grants are detailed below:

- **Grant no. 18:** proper estimation on account of Revision of Pension Rule 2017 could not be done due to non-availability of pensioners' data. Full backlog amount of Employers' contribution under NPS could not be uploaded due to technical reasons.
- **Other Grants:** non-receipt of funds from Ministry/ Sponsoring Agency, non-release of funds from GoI etc.

However, reasons for surrender in Grant No. 58 were not stated.

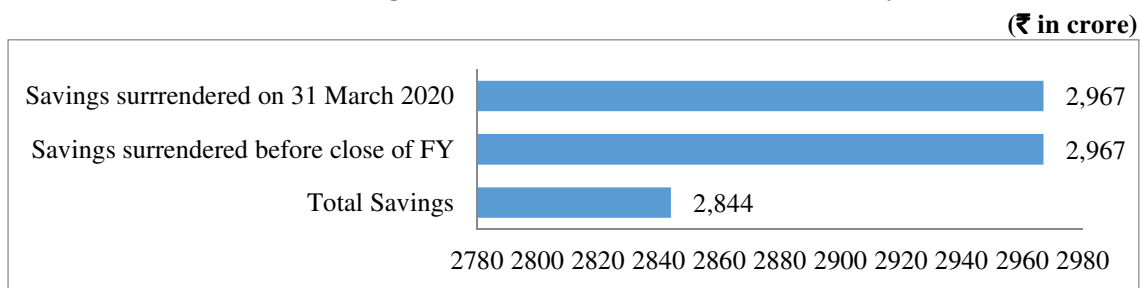
The distribution of number of Grants grouped by the percentage of savings for 2019-20 and the overall savings and surrenders before close of the financial year 2019-20, are depicted in **Chart 3.1** and **Chart 3.2**.

Chart 3.1: The distribution of the number of Grants grouped by the percentage of savings along with total savings in ₹ one crore in each group



Source: Appropriation Accounts, 2019-20

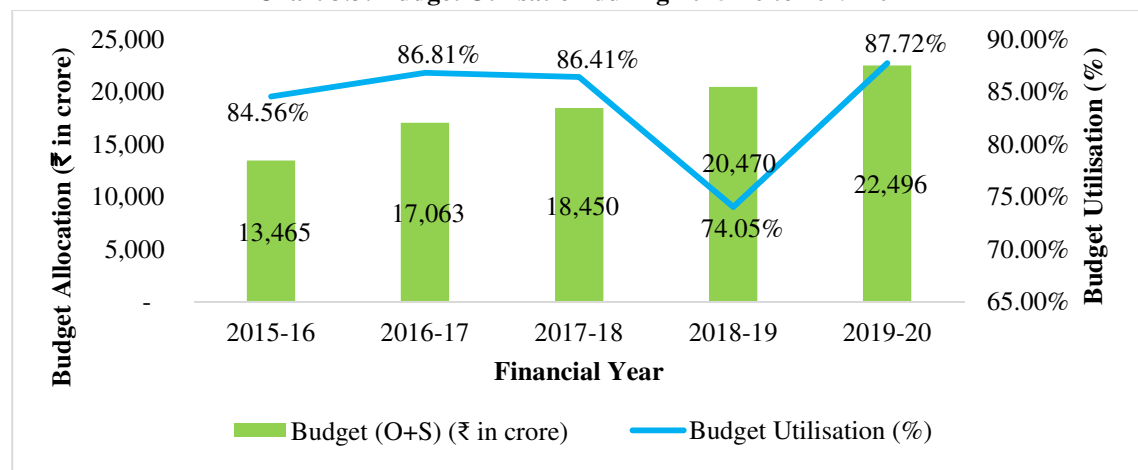
Chart 3.2: Chart: Savings and surrenders before close of financial year 2019-20



Source: Appropriation Accounts, 2019-20 and Surrender/Re-appropriation orders for 2019-20

Utilisation of budgeted funds by the State has been 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 given below.

Chart 3.3: Budget Utilisation during 2015-16 to 2019-20



Source: Appropriation Accounts of the respective years

As can be seen from the Chart above, utilisation of budget has been around 85 per cent during four of the last five years and has shown further increase, though it was minimum at around 74 per cent in 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.

Budget provision sought and obtained by some Departments far in excess of actual requirement and inability to utilise, deprives allocation of resources to priority sectors and also leads to poor legislative control over public finances.

3.3.7 Excess expenditure and its regularisation

Article 205(1) (b) of the Constitution provides that if any money has been spent on any service during a financial year in excess of the amount granted for that service and for that year, the Governor shall cause to be presented to the Legislative Assembly of the State, a demand for such excess. This implies that, it is mandatory for a State Government to get excesses over grants/appropriations regularised by the State Legislature for the Financial Year.

Although no time limit for regularisation of excess expenditure has been prescribed under the Article, the regularisation of excess expenditure is done after the completion of discussion of the Appropriation Accounts by the Public Accounts Committee. Failure to do so is in contravention of Constitutional provisions and defeats the objective of ensuring accountability by the Legislature over the executive, over utilisation of public money.

3.3.7.1 Excess expenditure relating to 2019-20

Excess expenditure over the provision for the year is not only in contravention of the provisions requiring Legislative sanction but is also indicative of bad planning, which could be avoided by keeping track of expenditure progression with budget made for the purpose.

It was observed that during 2019-20, there was an excess disbursement over grants of ₹ 197.95 crore under 10 Departments. The summary of excess disbursements over grants during the financial year 2019-20 is given below:

Table 3.10: Summary of excess disbursements over grants during the financial year

(₹ in crore)

	Name of Department		Number of Grants
	Public Work/ Irrigation/ Forest	Other	
Revenue (Voted)	0.00	56.76	07
Revenue (Charged)	0.00	0.00	00
(A) Total Excess (Revenue)	0.00	56.76	07
Capital (Voted)	0.00	29.75	02
Capital (Charged)	0.00	111.44	01
(B) Total Excess (Capital)	0.00	141.19	03
Grand Total (A + B)	0.00	197.95	10

Source: Appropriation Accounts, 2019-20

The details of the Major Head wise excess disbursement over the budget during the year 2019-20 requiring regularisation is shown in **Table 3.11**.

Table 3.11: Major Head wise excess disbursement over the authorisation from the Consolidated Fund of State during 2019-20

(₹ in crore)									
Sl. No.	Grant No.	Major Head	Major Head Description	Total Provision	Re-appropriation	Total	Expenditure	Excess	Reason for excess stated by the Department
Revenue (Voted)									
1.	20	2235	Social Security and Welfare	1.11	0.20	1.31	1.41	0.10	Excess was due to shortfall in assessment for demand for grants
2.	25	2029	Land Revenue	22.86	0.80	23.66	24.59	0.93	Reasons for excess have not been intimated (March 2021)
3.	28	2055	Police	1,395.39	146.25	1,541.64	1,605.79	64.15	
4.	39	3452	Tourism	17.73	11.47	29.20	34.08	4.88	
5.	51	2405	Fisheries	1.75	(-) 0.67	1.08	1.16	0.08	
		2552	North Eastern Areas	0.22	(-) 0.22	0.00	1.15	1.15	
6.	72	2501	Special programmes for Rural Development	141.98	0.21	142.19	152.59	10.40	
		2552	North Eastern Areas	0.36	(-) 0.36	0.00	2.86	2.86	
7.	77	2575	Others Special Areas Programmes	6.02	0.52	6.54	8.20	1.66	
Capital (Charged)									
8.	75	6003	Internal Debt of the State Government	5,967.38	42.35	6,009.73	6,121.17	111.44	Reasons for excess have not been intimated (March 2021)
Capital (Voted)									
9.	44	4059	Capital Outlay on public Works	1.33	0.00	1.33	1.41	0.08	Reasons for excess have not been intimated (March 2021)
10.	66	4851	Capital Outlay on Village and Small industries	1.00	0.00	1.00	1.22	0.22	
Total								197.95	

Source: Appropriation Accounts, 2019-20

This excess disbursement is in violation of Article 204 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 Finance Department, while accepting the fact requested (March 2021) for all vouchers relating especially to repairs and maintenance pertaining to (MH 2055) under Grant No. 28 (Civil Police).

3.3.7.2 Persistent excesses in certain Grants

A number of grants witness excess expenditure year after year. Despite Public Accounts Committee's recommendations to minimise the cases of excesses, persistent excesses are noticed in the grants. The persistent excess expenditure indicates that the budgetary control in the department was ineffective and budget estimates were not prepared on realistic basis. Such repeated excess expenditure is in violation of the will of the State Legislature. Persistent excesses may be due to improper estimation at the time of preparation of budget.

Examination of records revealed that there was no grant having persistent excesses during four out of five years during the five-year period of 2015-20, though excess during three years (2016-17, 2017-18 and 2019-20) was noticed in Grant no. 28 (Civil Police).

3.3.7.3 Regularisation of excess expenditure of previous financial years

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.

Excess expenditure remaining un-regularised for extended periods dilutes legislative control over the executive. The details of the grant-wise excess expenditure relating to previous years requiring regularisation are given below:

Table 3.12: Excess expenditure relating to previous years (2012-19) requiring regularisation
(₹ in crore)

Year	Total Number of Grants	Amount of excess required to be regularised
2012-13	23	166.13
2013-14	21	38.51
2014-15	09	38.78
2015-16	16	373.60
2016-17	09	92.16
2017-18	09	14.51
2018-19	01	0.01
Total		723.70

Source: Appropriation Accounts of respective years

During the period 2012-19, there was an excess expenditure of ₹ 723.70 crore under five Grants. Further, there was an excess expenditure of ₹ 197.95 crore during 2019-20. 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 March 2021 that an amount of ₹ 204.64 crore was regularised for the period 2012-14. However, ₹ 519.06 crore pertaining to the period 2014-19 was yet to be regularised in accordance with Article 205 of the Constitution.

3.4 Comments on effectiveness of budgetary and accounting process

3.4.1 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.

The summarised position of actual expenditure during 2019-20 against 82 Grants is given in **Table 3.13**.

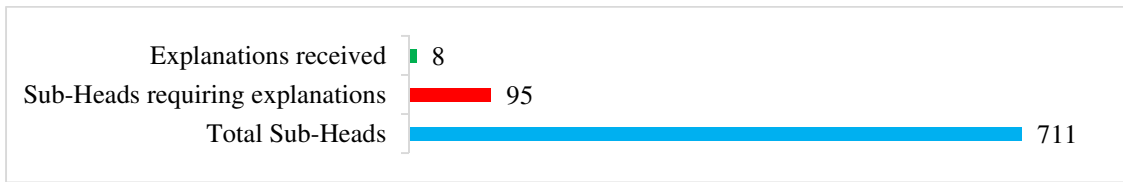
Table 3.13: Summarised position of Actual Expenditure vis-à-vis Budget (Original/Supplementary) provisions during the financial year

	Nature of expenditure	Original Grant	Supplementary Grant	Total	Actual expenditure	Net of Savings (-)	Surrender during March	
							Amount	per cent
Voted	I. Revenue	11,549.33	877.96	12,427.29	10,654.27	(-) 1,773.02	1,865.80	105
	II. Capital	1,357.91	794.52	2,152.43	1,199.30	(-) 953.13	953.35	100
	III. Loans and Advances	0.60	15.92	16.52	16.28	(-) 0.24	0.22	92
	Total	12,907.84	1,688.40	14,596.24	11,869.85	(-) 2,726.39	2,819.37	103
Charged	IV. Revenue	1,131.28	13.09	1,144.37	996.54	(-) 147.83	147.83	100
	V. Capital	0.00	0.00	0.00	0.00	0.00	0.00	0
	VI. Public Debt- Repayment	3,986.99	2,768.82	6,755.81	6,867.25	(+) 111.44	0.00	0
	Total	5,118.27	2,781.91	7,900.18	7,863.79	(-) 36.39	147.83	406
Appropriation to Contingency Fund (if any)		--	--	--	--	--	--	--
Grand Total		18,026.11	4,470.31	22,496.42	19,733.64	(-) 2,762.78	2,967.20	107

Source: Appropriation Accounts, 2019-20

Overall Saving of ₹ 2,762.78 crore (12.28 per cent of Total Allocation) was the result of Savings in 70 Grants Revenue Section and 36 Grants under Capital Section offset by Excess of ₹ 197.95 crore in seven Grants under Revenue Section and three Grants under Capital Section. During the year, the amount surrendered was 107 per cent of overall Savings.

The Savings/ Excess (Detailed Appropriation Accounts for the year 2019-20) were intimated to all the 82 Controlling Officers requesting them to explain the significant variations. The Controlling Officers of eight Departments of the State furnished their replies before finalisation of the Appropriation Accounts 2019-20. However, no valid reasons for the Savings were explained or explicitly stated by any of the Departments. The status is given in **Chart 3.5**.

Chart 3.5: Summary of Explanation for Variation in Appropriation Accounts

Source: VLC data of AG (A&E)

The trend in percentage of overall saving/excess against overall provision in the budget for the last five years from 2015-16 to 2019-20 is detailed in **Table 3.14** below:

Table 3.14: Original Budget, Revised Estimates and Actual Expenditure during 2015-20

	(₹ in crore)				
	2015-16	2016-17	2017-18	2018-19	2019-20
Original Budget	12,592.70	13,658.74	16,375.43	18,315.76	18,026.11
Supplementary Budget	872.05	3,403.89	2,074.48	2,154.21	4,470.31
Revised Estimates	13,464.75	17,062.63	18,849.91	20,469.97	22,496.42
Actual Expenditure	11,385.72	14,810.85	15,942.27	15,158.19	19,733.64
Saving /excess	(-)2,079.03	(-)2,251.78	(-)2,507.64	(-)5,311.78	(-)2,762.78
Percentage of Savings	15.44	13.20	13.30	25.95	12.28

Source: Appropriation Accounts of respective years

It could be seen from the table above that there was overall savings in all the years during the five-year period of 2015-20. The percentage of savings with respect to the revised estimates ranged between 12.28 and 25.95 during the period. The percentage of savings has come down drastically from 2018-19 and it was the lowest in 2019-20 during the last five years.

3.4.2 Supplementary budget and opportunity cost

At times, while obtaining supplementary provision, the Departments report to legislature large additional requirement for different purposes under various schemes/activities; but finally they are unable to spend not only the entire supplementary provision or parts thereof but also the original budget provision. As a result, the un-utilised funds could not be made use of. At the same time, some of the schemes remained incomplete due to want of funds. Thus, the intended benefit of the unfinished schemes could not be extended to the public at a large in such cases. Further, this leads to escalation of project cost.

The Government also announces several new policies/schemes for implementation through the Finance Minister (FM) Budget Speech and other budget documents which is either for that Financial Year *i.e.* one-time activity or is of recurring nature. Broadly, all the schemes, budget allocation thereon, timeframe of their completion and intended benefit announced by Government can be gathered from the Budget Speech of the FM. Actual figures related to expenditure with funding pattern *i.e.* from the State's own resources or from Central Government assistance or through debt may be gathered from the Finance Accounts of the State. Of these, several schemes/programmes declared by the Government do not typically get operationalised due to lack of preparatory work and/or lack of adequate allocation of budget.

During the year, it was noticed that in 25 major grants (savings of more than one crore or more than 20 per cent of the total provisions), the total budget provisions of ₹ 1,952.69 crore (Capital/voted) proved unnecessary/excessive as the actual expenditure of ₹ 1,002.43 crore did not come up to the total budget provisions resulting in ₹ 950.26 crore un-utilised funds under these grants as detailed below:

Table 3.15: List of grants with un-utilised fund during 2019-20

(₹ in crore)						
Sl. No.	Name of the Grant	Original allocation	Supplementary	Total	Actual expenditure	Un-utilised funds
Capital (Voted)						
1.	4-Administration of Justice	25.00	0.00	25.00	22.75	2.25
2.	8-Sales Tax	3.09	0.00	3.09	1.86	1.23
3.	22-Civil Supplies	9.00	0.00	9.00	1.00	8.00
4.	26-Civil Secretariat	0.00	200.95	200.95	13.58	187.37
5.	27-Planning Machinery	377.82	0.00	377.82	131.65	246.17
6.	31-School Education	5.01	1.40	6.41	2.63	3.78
7.	32-Higher Education	43.05	0.00	43.05	29.00	14.05
8.	33-Youth Resources and Sports	1.00	51.36	52.36	45.14	7.22
9.	34-Art and Culture and Gazetteers	2.00	7.58	9.58	4.98	4.60
10.	35-Medical, Public Health and Family Welfare	90.70	0.00	90.70	8.62	82.08
11.	36-Urban Development	106.63	9.28	115.91	88.05	27.86
12.	37-Municipal Administration	44.35	86.23	130.58	108.77	21.81
13.	39-Tourism	0.00	6.35	6.35	3.28	3.07
14.	50-Animal Husbandry and Dairy Development	4.00	0.00	4.00	0.00	4.00
15.	55-Power	19.58	85.10	104.68	61.65	43.03
16.	58-Road and Bridges	233.30	158.43	391.73	262.78	128.95
17.	59-Irrigation and Flood Control	26.00	48.33	74.33	35.49	38.84
18.	60-Water Supply	148.50	0.00	148.50	77.66	70.84
19.	64-Housing	20.62	36.35	56.97	50.28	6.69
20.	65-State Council of Educational Research and Training	6.00	0.00	6.00	1.00	5.00
21.	67-Home Guards	2.56	0.00	2.56	0.89	1.67
22.	73-State Institute of Rural Development	2.29	0.00	2.29	0.00	2.29
23.	76-Women Welfare	0.65	0.00	0.65	0.00	0.65
24.	77-Development of Under Developed Areas	65.01	14.17	79.18	50.45	28.73
25.	78-Technical Education	11.00	0.00	11.00	0.92	10.08
Total		1,247.16	705.53	1,952.69	1,002.43	950.26

Source: Appropriation Accounts, 2019-20

Further, as per Finance Accounts, there were 11 incomplete scheme/ projects which require further allocation of funds for their completion. The details of such schemes/projects having estimated cost more than ₹ 50 crore are shown in **Table 3.16**.

Table 3.16: List of incomplete scheme/projects at the end of 2019-20

(₹ in crore)							
Sl. No.	Name of Scheme/ Project (having estimated cost of ₹50 crore or more)	Estimated cost of scheme/ project	Year wise funds allocated up to 2020	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 estimates)
1.	Integrated Roads and Multilevel Parking Project in Kohima	50.42	10.20	2011-12	10.20	NA	40.22
2.	Housing for Urban Poor in Dimapur under IHSDP	87.74	36.63	2011-12	36.63	NA	51.11
3.	DDUGJY-XII Plan	92.31	52.38	2017-18	52.38	65	39.93
4.	Construction of permanent Headquarters for 9 th NAP (IR) Bn at Saijang under HUDCO	72.99	68.43	NA	68.43	NA	4.56
5.	Construction of permanent Headquarters for 10 th NAP (IR) Bn at Zhadima under HUDCO	68.63	38.76	2009-10	38.76	98	29.87
6.	Construction of permanent Headquarters for 11 th NAP (IR) Bn at Aboi under HUDCO	93.88	8.00	2014-15	8.00	26	85.88
7.	Construction of permanent Headquarters for 12 th NAP (IR) Bn at Chingtok under HUDCO	97.88	8.00	2014-15	8.00	85	89.88
8.	Construction of permanent Headquarters for 13 th NAP (IR) Bn at Yachang under HUDCO	98.43	14.00	2014-15	14.00	70	84.43
9.	Construction of permanent Headquarters for 14 th NAP (IR) Bn at Okhezong under HUDCO	121.19	8.00	2014-15	8.00	85	113.19
10.	Construction of permanent Headquarters for 15 th NAP (IR) MahilaBn at Mpetsa	109.31	21.51	NA	21.51	22	87.80
11.	Construction of Multi-Disciplinary Sports Complex, Dimapur	134.99	53.00	2011-12	53.00	60	81.99
Total		1,027.77	318.91	--	318.91	--	708.86

Source: Appendix IX, Finance Accounts – Vol. II, 2019-20

As can be seen from the above table, out of the total estimated cost of ₹ 1,027.77 crore in respect 11 projects/schemes, an amount of ₹ 708.86 crore (69 per cent) was required for completion of these projects/schemes. The State Government may devise a mechanism to avoid savings in certain grants which could be utilised for completion of these incomplete projects/schemes on time.

3.4.3 Re-appropriation of Grants

The various provisions related to the re-appropriation are given in *Paragraph 3.3.5*. Scrutiny of re-appropriation orders revealed that:

- i. Out of 82 grants, re-appropriation was done in 57 grants during 2019-20. The re-appropriation orders were issued (March 2020) by the Finance Department, GoN, without specifying the reasons for re-appropriations.
- ii. In 22 Grants, no budget provision (both original grant and supplementary) was there in 48 Sub Heads and the final provision/grant was due to re-appropriations within the respective grants only. However, out of 48 Sub Heads, expenditure was incurred in 47 Sub Heads.
- iii. All the re-appropriation orders were issued on the last working day of the year (31 March 2020).
- iv. In six Grants, re-appropriations were made from Supplementary Grants in one Sub-Head each in grant as there was no original provisions in these Sub-Heads. In five cases, the entire fund under supplementary grants was re-appropriated. This ultimately resulted in defeating the objective of supplementary grant which was voted for a definite purpose.
- v. Out of 79 Grants where savings/excesses have occurred during 2019-20, reasons of savings/excesses have been intimated by four Departments only.

3.4.4 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. Instructions regarding this are available in Budget Manual, Finance Department OMs, *etc.* Maintaining a steady pace of expenditure is a crucial component of sound public financial management, as it obviates fiscal imbalance and temporary cash crunches due to mismatch of revenue expenditure during a particular month arising out of unanticipated heavy expenditure in that particular month.

During the year, it was noticed that entire expenditure was booked in March in case of 11 sub-heads as detailed below.

Table 3.17: Sub-Head (Schemes), where entire expenditure (or above particular percentage) was incurred in March 2020

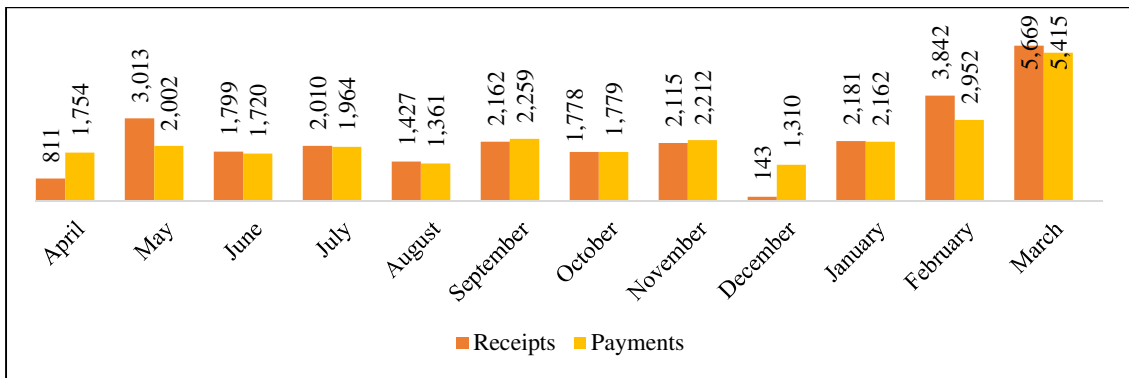
Sl. No.	Grant No.	Head of Account (up to Sub-Head)	100 per cent expenditure during March only (₹ in crore)
1.	13	4055-00-211-01 Works under Village Guards	1.77
2.	14	4059-60-051-01 Works under Jails	1.77
3.	70	4401-00-800-02 Horticulture Link Road	1.35
4.	65	4202-01-201-01 Works under SCERT	1.00
5.	42	4515-00-103-01 Buildings	1.00
6.	60	4059-60-051-01 Works under Water Supply	0.96
7.	38	4552-00-800-01 NEC Schemes	0.57
8.	12	4059-01-051-01 Works under Treasuries	0.54
9.	45	2552-45-190-01 NSCB	0.39
10.	45	4216-80-800-01 Works under Co-operation	0.18
11.	52	2415-06-004-01 Silvi-culture Research	0.05
Total			9.58

Further, it was noticed that there were 26 Grants under which more than 50 per cent expenditure of the total expenditure was incurred in March alone during the financial

year, as detailed in **Appendix 3.5**. Out of these 26 Grants, eight Departments (Grants) had reported parking of funds in Civil Deposits as on 31 March 2020 (**Paragraph 3.3.2**). Thus, it could be concluded that these Departments reported expenditure in March and parked the funds outside the Consolidated Fund to avoid lapse

Chart 3.6 presents month-wise trend of expenditure and receipts for the State during the financial year.

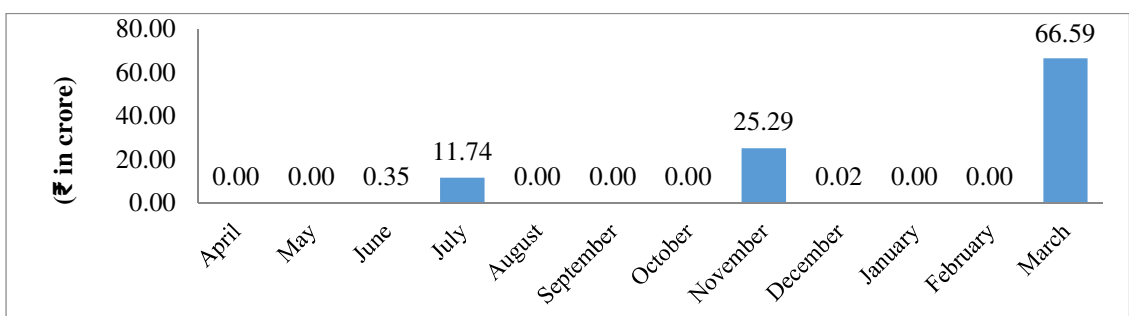
Chart 3.6: Monthly receipts and expenditure (₹ in crore) for the State during 2019-20



During 2019-20, out of the total receipt of ₹ 26,951 crore for the State, ₹ 5,669 crore (21 per cent) was received on the last month of the financial year. Further, out of the total expenditure of ₹ 26,890 crore, ₹ 5,415 crore (20 per cent) was incurred in the last month of the financial year.

Out of the 26 Departments/Grants having more than 50 per cent of expenditure in March, the Social Security & Welfare Department (having expenditure more than ₹ 100 crore) had 64 per cent of expenditure in March. The month-wise expenditure (Major Head 2236) of this Department during the financial year 2019-20 is shown in **Chart 3.7**.

Chart 3.7: Month-wise expenditure of Social Security and Welfare Department



3.4.5 Review of selected Grant

Review of a selected Grant (Grant No. 27 - Planning Machinery) was done to ascertain compliance with budgeting processes, monitoring of funds, control mechanisms and implementation of the schemes within the grant, persistent diversion of funds for other purposes *etc.*

The summarised position of Budget Provision and Actual Expenditure during 2019-20 in respect of the Grants given in **Table 3.18**.

Table 3.18: Summarised position of Budget Provision and Actual Expenditure

Nature of Expenditure	Budget Provision			Actual Expenditure	Saving(-) / Excess(+)
	Original	Supplementary	Total		
Revenue	501.71	0.00	501.71	197.00	(-) 304.71
Capital	377.82	0.00	377.82	131.65	(-) 246.17
Total	879.53	0.00	879.53	328.65	(-) 550.88

Source: Appropriation Accounts of respective years

The above table shows that during the year 2019-20, there was overall savings of ₹ 550.88 crore representing 62.63 per cent of the total Budget Provision as a result of savings under both Revenue (₹ 304.71 crore) and Capital (₹ 246.17 crore) heads.

3.4.5.1 Persistent Savings

Persistent savings over a period of five years or more indicated that the basic assumptions behind the overall budget formulation process were not realistic and there was lack of proper assessment as well as prudent utilisation of the allocated budgetary provision.

There was persistent Savings of more than ₹ 50 lakh and also 50 per cent or more of the total Grant during the last five years (Table 3.19):

Table 3.19: Details of Savings during 2015-20

No. and Name of the Grant	Amount of Savings					
	2015-16	2016-17	2017-18	2018-19	2019-20	
27-Planning Machinery						
Revenue-Voted	Amount	206.90	275.55	391.85	283.81	304.72
	Percentage	69.00	74.29	75.85	63.53	60.74
Capital-Voted	Amount	318.68	300.65	156.21	462.59	246.17
	Percentage	81.45	75.64	61.91	78.62	65.16

Source: Appropriation Accounts of respective years

During the five-year period 2015-20, there were persistent Savings in the reviewed Grant, which indicates poor budgeting, shortfall in performance or both, as funds could not be utilised as estimated on activities planned by the Department concerned.

Reason for persistent Savings had not been intimated (March 2021) by the Department.

3.4.5.2 Excessive/Insufficient Re-Appropriation of Funds

Re-appropriation is transfer of funds within a Grant from one unit of Appropriation, where savings are anticipated to another unit where additional funds are needed. Injudicious re-appropriation of Funds made during the year 2019-20 proved either excessive or insufficient (by ₹ 10 lakh or more) resulting in Savings of ₹ 0.94 crore in two Sub-heads and Excess of ₹ 1.59 crore in four Sub-Heads as detailed in Table 3.20.

Table 3.20: List of Sub Heads with excess/savings during 2019-20

Sl. No.	Head of Account	Re-appropriation	Final	
			Excess	Savings
1.	2552-27-101-01 (Pool for Scheme under North Eastern council)	(-) 200.00	0.30	--
2.	2225-04-001-01 (Minority Affairs cell)	(+) 0.30	--	0.30

Sl. No.	Head of Account	Re-appropriation	Final	
			Excess	Savings
3.	3451-00-091-01 (Nagaland Bamboo Development Agency)	(+) 0.95	0.97	--
4.	3451-00-101-01 (Direction)	(+) 1.84	--	0.64
5.	3451-00-102-01 (Subordinate Establishment)	(-) 1.76	0.05	--
6.	3451-00-101-01 (Direction)	(+) 1.00	0.27	--
Total		--	1.59	0.94

Source: Appropriation Accounts, 2019-20

3.4.5.3 Unexplained Re-Appropriations

According to Financial Rules, reasons for additional expenditure and savings should be explained in the re-appropriation statement and specific reasons should be given and expressions such as “based on actual requirements”, “based on trend of expenditure”, etc., should be avoided.

However, scrutiny of re-appropriation order issued by the Finance Department revealed that re-appropriation of ₹ 44.16 crore under Revenue head and ₹ 41.87 crore under Capital head was done on the last day of the financial year without stating specific reasons for withdrawal of provision or additional provision by way of re-appropriation of funds. This re-appropriation on last day of the financial year resulted in unnecessary Savings in two Sub Heads on the one hand and excess in one Sub-Head on the other hand which was avoidable, as discussed in *Paragraph 3.5.6.2*.

3.4.5.4 Substantial Surrenders

Substantial surrenders (more than 50 per cent of total provision was surrendered) were made in respect of five Sub-Heads. Out of the total provision amounting to ₹ 767.87 crore in those Sub-Heads, ₹ 551.52 crore (71.82 per cent) was surrendered, which included 100 per cent surrender under three Sub Heads (₹ 425 crore) as detailed in **Table 3.21**.

Table 3.21: Details of Sub Heads with substantial surrenders during 2019-20

(₹ in crore)

Sl. No.	Head of Account	Total Grant/ Appropriation	Amount Surrendered	Percentage of surrender
1.	2225-27-101-01 (Pool for schemes under North Eastern council)	200.00	200.00	100
2.	3451-00-101-02 (Pool for state share)	207.87	105.36	50.69
3.	4059-80-800-01 (Externally Aided project)	85.00	85.00	100
4.	4059-80-800-02 (NLCPR)	140.00	140.00	100
5.	4575-03-800-01 (Provision to Article 275(1))	135.00	21.16	15.67
Total		767.87	551.52	71.82

Source: Detailed Appropriation Accounts, 2019-20

The circumstances prompting the Department to surrender the funds were neither stated nor on record.

3.4.5.5 Rush of Expenditure

According to Rule 62 (3) of GFR 2017, rush of expenditure, particularly in the closing months of the financial year shall be regarded as breach of financial propriety and should be avoided. However, more than 50 per cent of the total expenditure was

incurred in the last month of the financial year in respect of the Major Head (3451) under the Grant. The details of quarter-wise expenditure of the Major Head during the year are given below:

Table 3.22: Expenditure pattern of Grant No. 27 during 2019-20

Expenditure incurred in each quarter					Expenditure in March 2020	Expenditure in March as percentage of TE
1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter	Total Expenditure		
4.00	11.07	64.80	116.83	196.70	109.77	55.81

Source: Summary of Appropriation Accounts and VLC data

As can be seen from above, out of the Total Expenditure of ₹ 196.70 crore during the year, Departments incurred an expenditure of ₹ 109.77 crore (55.81 per cent) in the last month of the year, which indicated lack of effective financial control and violation of Financial Rules, besides poor budgeting on part of the State Government.

3.5 Conclusion

During 2019-20, against the total budget approved by the State Legislature of ₹ 22,496.42 crore (Original: ₹ 18,026.11 crore plus Supplementary: ₹ 4,470.31 crore), Departments incurred an expenditure of ₹ 19,733.64 crore, leaving a savings of ₹ 2,762.78 crore (12.28 per cent of the total budget). Moreover, Planning and Machinery Department (Grant No. 27) was not cautioned against persistent savings; nor were their budgets varied in accordance with their ability to absorb the allocations.

At the beginning of the year 2019-20, there was an outstanding excess expenditure of ₹ 723.70 crore under five Grants (pertaining to the year 2014-15 to 2018-19) which requires regularisation as per the Article 205 of the Constitution of India. Out of excess expenditure of ₹ 723.70 crore to be regularised, ₹ 204.64 crore was regularised, leaving a balance of ₹ 519.06 crore during 2019-20. Further, there was an excess expenditure of ₹ 197.95 crore during 2019-20 which also requires regularisation. During the year 2019-20, an expenditure of ₹ 37.26 crore was incurred without budget provision.

Supplementary Grants/Appropriations were obtained without adequate justification, and funds were expended without budgetary provision. Despite flagging this issue every year over the last several years, the State Government had not only failed to take corrective measures in this regard.

3.6 Recommendations

- The State Government may identify Departments with persistent savings and closely monitor them, so that funds are reallocated based on priorities.
- Departments, which had incurred excess expenditure persistently should be identified to closely monitor their progressive expenditure and advised to seek supplementary grants/re-appropriations in time.
- The Finance Department may provide supplementary grants only after proper scrutiny and realistic assessment of requirements of the concerned Departments, to avoid under or over spending by them.
- Excess expenditure pending regularisation, may be regularised by obtaining legislative approval.