

CHAPTER-III

BUDGETARY MANAGEMENT

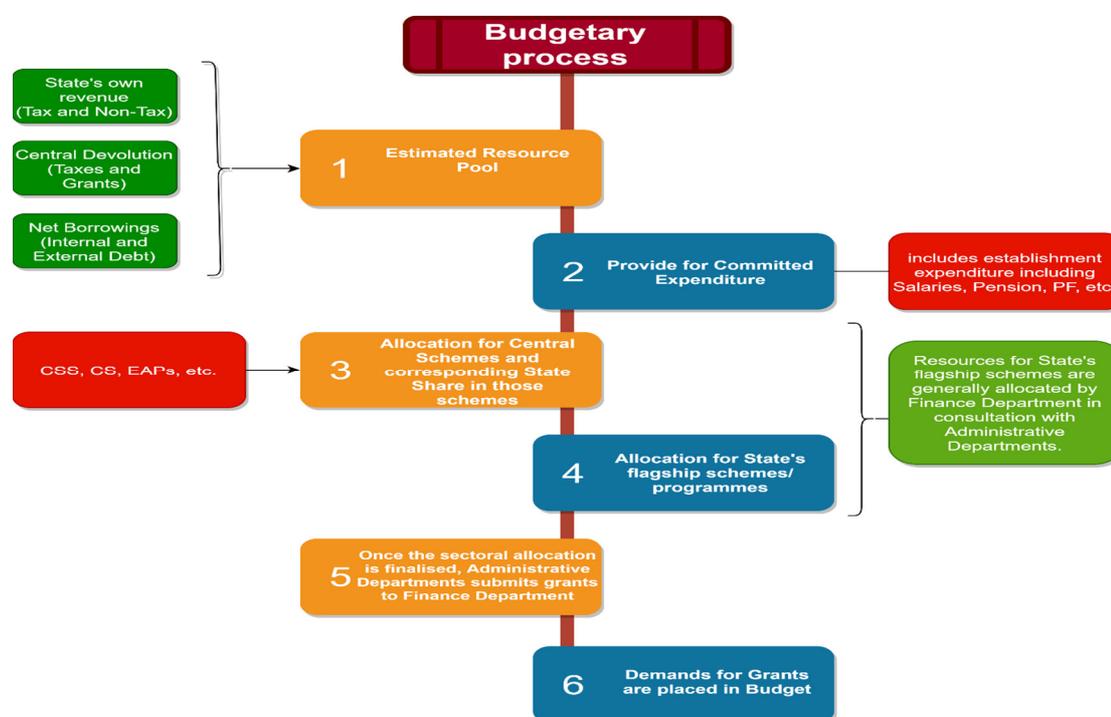
Chapter III: Budgetary Management

3.1 Budget Process

The annual exercise of budgeting is a means for detailing the roadmap of use of public resources as per the development priorities of the Government. 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 27 August 2019 with the stipulation that the budget estimates (BE) for the year 2020-21 should be submitted by 31 October 2019. All the departments had submitted their BEs 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.

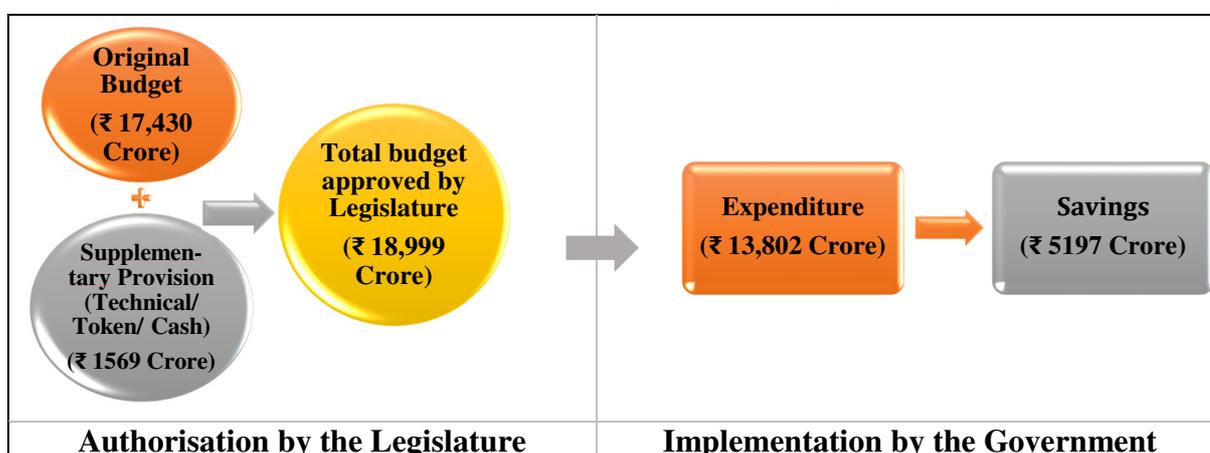
The outlays on the various activities of Government are met from the Consolidated Fund which is made up of (a) Revenue—consisting of receipts heads (Revenue Account) and expenditure heads (Revenue Account), (b) Capital, Public Debt, Loans, *etc.* – consisting of receipt heads (Capital Account) and Expenditure 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 No money (except expenditure charged upon the Consolidated Fund) can be withdrawn from the Consolidated Fund without the authority of the Legislature and for this purpose, necessary Demands for Grants are placed before the Legislature at the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 Manual²², the duty of preparing Budget Estimates (BEs) (Receipts and Expenditure) and Revised Estimates (REs) for laying before the Legislature vests with the Finance Department. The BEs are prepared on departmental basis. The budget making process moves from the bottom to the top. As soon as the departmental estimates and REs are received, the Finance Department scrutinises these and after consultation with the administrative departments, enters the figures, which it accepts for the BEs and REs. 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.

Appropriation Accounts are accounts of the expenditure of the Government for each financial year, compared with the amounts of grants voted and appropriations charged for different purposes, as specified in the Schedules appended to the Appropriation Accounts. Appropriation Accounts facilitates understanding of utilisation of funds, management of finances and monitoring of budgetary provisions. Audit of Appropriation Accounts by the Accountant General (Audit) seeks to ascertain whether the expenditure actually incurred is in accordance with the authorisation under the Appropriation Act. It also ascertains whether expenditure incurred is in conformity with the laws, relevant rules, regulations and instructions.

Audit comments on the budgetary process and budget management are discussed in the following paragraphs.

3.1.1 Budget projection and gap between expectation and actual

Complete accuracy of budget estimates may not always be possible. However, the Administrative and Finance Department should diligently apply the well-tried check of

²² Budget Manual of the Government of Assam (Volume I) as adopted by Government of Meghalaya.

average of previous actuals with known or reasonably foreseeable facts and modify the average, while arriving at the estimates. Further appropriation which are likely to remain unspent must be reported for surrender as early as possible. 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

Nature of expenditure		Original Grant/ App.	Supplementary Grant/ App.	Total	Actual expenditure	Net of Savings	Surrender during March	
							Amount	per cent
Voted	I. Revenue	13474.82	1108.80	14583.62	10542.44	4041.18	3475.47	86
	II. Capital	2445.02	432.49	2877.51	1733.62	1143.89	1019.74	93
	III. Loans & Advances	40.20	-	40.20	81.90	-41.70		
	Total	15960.04	1541.29	17501.33	12357.96	5143.37	4495.21	87
Charged	IV. Revenue	950.70	27.30	978.00	956.17	21.83	23.75	109
	V. Capital	-	-	-	-	-	-	-
	VI. Public Debt- Repayment	519.49	0.42	519.91	487.95	31.96	31.97	100
	Total	1470.19	27.72	1497.91	1444.12	53.79	55.72	104
Appropriation to Contingency Fund (if any)								
Grand Total		17430.23	1569.01	18999.24	13802.08	5197.16	4550.93	88

Source: Appropriation Accounts.

The State Legislature approved the total Budget provision of ₹ 18,999.24 crore of which the actual booking of expenditure was ₹ 13,802.08 crore i.e. 72.65 per cent. The unspent appropriation of ₹ 5197.16 crore was the result of overall savings of ₹ 5197.90 crore in **60 Grants and three Appropriation under Revenue Section and 26 Grants and two Appropriation under Capital Section** offset by excess of ₹ 0.74 crore in one Grant under Revenue Section. Out of the unspent appropriation of ₹ 5197.16 crore, ₹ 646.23 crore (12.43 per cent) was not surrendered which indicated inadequate budgetary control. Major defaulting departments were Secretariat Economic Services Department (₹ 79.53 crore), Food and Civil Supplies Department (₹ 26.39 crore) and Social Welfare Department (₹ 0.85 crore).

Further, savings of ₹ 4550.93 crore (87.57 per cent) on account of unutilised appropriation were surrendered on the last working day of March 2021. The Finance Department needs to take stringent measures to curb this violation of Budgetary Rules.

The Supplementary Grant of ₹ 1569 crore was not required as the total expenditure was ₹ 3628 crore less than the Original Budget Provision. The unutilised allocation of the supplementary provision of ₹ 1569 crore could have been re-appropriated for better

utilisation and is indicative of lack of rationalisation at RE stage and poor budget management.

The savings of ₹ 5197.16 crore may be seen in the context to over estimation of Receipts of ₹ 17,374.56 crore by the State Government and estimation on the expenditure side being ₹ 18,999 crore during the year 2020-21. As against the estimated Receipts, the actual Receipts were ₹ 13,152.90 crore only thereby restricting the total expenditure to ₹ 13,802 crore. This implied that the savings were notional, as the funds were not actually available for expenditure.

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
17501.33	1497.91	12357.96	1444.12	5143.37	53.79

Source: Appropriation Accounts.

Out of the expenditure of ₹ 13,802.08 crore, ₹ 12,357.96 crore (89.54 per cent) was voted expenditure while ₹ 1444.12 crore (10.46 per cent) was charged on the Consolidated Fund of the State.

3.1.3 Sub-optimal utilisation of budgeted funds

Trend analysis of utilisation of budgeted funds by the State over previous five years shows that it has been sub-optimal every year during the past five years. The extent of utilisation of budget during the five-year period from 2016-17 to 2020-21 is shown below:

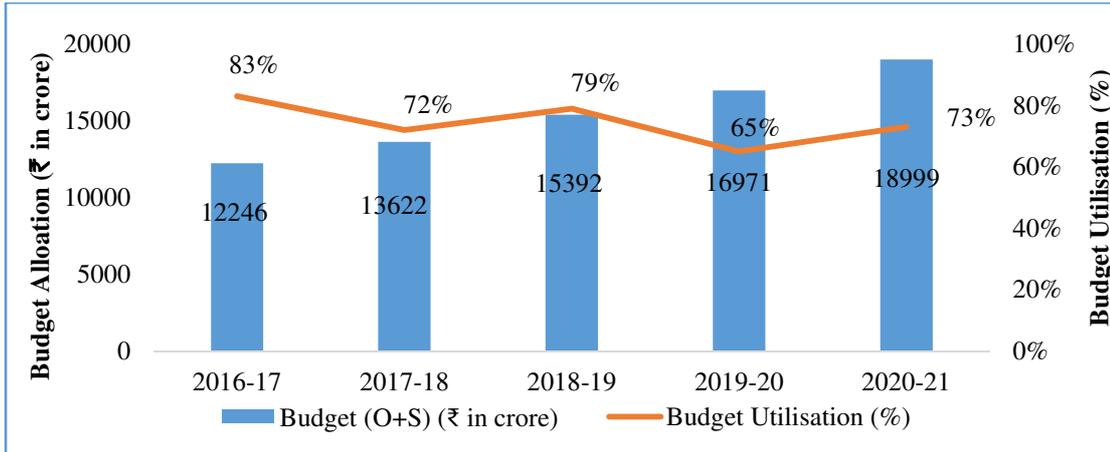
Table 3.3: Original Budget, Revised Estimate and Actual Expenditure during 2016-21

(₹ in crore)

	2016-17	2017-18	2018-19	2019-20	2020-21
Original Budget	10682.09	13048.23	14276.89	16376.94	17430.23
Supplementary Budget	1564.21	573.50	1114.99	593.77	1569.01
Revised Estimate	12246.30	13621.73	15391.88	16970.71	18999.24
Actual Expenditure	10172.86	9856.37	12159.25	10967.32	13802.08
Saving	2073.44	3763.36	3232.63	6003.39	5197.16
Percentage of Saving	16.93	27.63	21.00	35.38	27.35

Source: Appropriation Accounts.

The actual expenditure in all the five years has consistently been lower than the original budget. This reflects the avoidable demand for supplementary grants on one hand, and on the other, the lack of fiscal monitoring to enable surrenders of unspent balances which could have been utilised instead of resorting to supplementary grants.

Chart 3.3: Budget utilisation during 2016-17 to 2020-21

As can be seen from the **Chart 3.3** above, utilisation of budget has rarely exceeded 80 per cent, except in the year 2016-17. The amount of saving in 2020-21 declined by ₹ 806.23 crore (13.43 per cent) in absolute monetary terms, as compared to the previous year.

Savings of allocated funds indicate inaccurate assessment of Receipts.

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 ₹ 104.44 crore was incurred in two Grants 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 2020-21

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	3054	76.93	01 – National Highways – 797 Transfers to/from Reserve Fund/ Deposit Account (01) Road Finance from Central Road Fund-8449-Other Deposit – 103 Subventions from Central Road Fund - General
	5054	1.12	03 – State Highways – 800 – Other Expenditure (01) Construction -Sixth Schedule (Part II) Areas
Total		104.44	

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 Service/ New Instrument of Service

New Service implies expenditure arising out of new policy decision, not brought to the notice of the State Legislature 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.

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 ₹ 169.28 crore was incurred in nine 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.	1	2011	02-103 (07) Legislative Assembly Building (General)	1.21	1.21
2.	6	2245	80-102 (05) Implementation of the Sendai Frame Work for Disaster Risk Reduction (Sixth Scheduled (Part II) Areas)	0.17	0.17
3.	16	2055	003 (06) Meghalaya Police Academy (General)	0.56	0.34
4.	21	4202	01-203 (08) Construction of Directorate Buildings (General)	2.00	2.00
5.	29	2217	80-192 (09) Up-gradation of the Standard of Administration Awarded by the Fifteenth Finance Commission (General)	22.00	22.00
6.		4217	60-051 (32) Lumpsum Fund for Development of North Eastern States (General)	0.70	0.70
7.	34	2235	02-101 (21) Grant-in-aid to NGO's Running Special Schools for Children with Special Needs (General)	1.34	1.34
8.	49	2405	101 (41) Pradhan Mantri Matsya Sampada Yojana (General)	0.64	0.64
9.	--	6003	112 (01) Special Drawing Facility on 91 days Deposit (General)	140.88	140.88
Total				169.50	169.28

Source: Appropriation Accounts.

As such, re-appropriation for expenditure of ₹ 169.28 crore incurred without provision in the budget needs regularisation by the State Legislature.

3.1.6 Unnecessary or excessive supplementary grants

Supplementary provision aggregating ₹ 1062.55 crore obtained in 22 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 22, significant cases where supplementary provision was more than ₹ 30 crore (in each case) are highlighted in the table below:

Table 3.6: 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 Expenditure	Saving out of Original Provisions
Revenue (Voted)					
1	6 – Land Revenue, Relief on Account of Natural Calamities	97.40	38.03	74.74	22.66
2.	11 – Other Taxes and Duties on Commodities and Services, Special Programmes for Rural Development, Power, New and Renewal Energy, etc.	217.90	40.00	125.83	92.07
3.	16 – Police, Other Administrative Services, etc., Housing, Capital Outlay on Police	1037.99	30.49	987.13	50.86
4.	31 – Labour, Employment and Skilled Development	114.03	40.07	86.02	28.01
5.	50 – Forestry and Wild Life, Agricultural Research and Education, Capital Outlay on Forestry and Wild Life	230.82	33.97	204.19	26.63
6.	51 – Housing, Special Programmes for Rural Development, Rural Employment, Other Rural Development Programmes, etc.	1138.44	442.48	1033.36	105.08
7.	58 – Sports and Youth Services, North Eastern Areas	296.86	53.17	75.64	221.22
	Total	3133.44	678.21	2586.91	546.53
Capital (Voted)					
1.	19 – Secretariat General Services, Public Works, Housing, Capital Outlay on Public Works, etc.	159.06	31.50	121.88	37.18
2.	56 – Public Works, Roads and Bridges, Capital Outlay on North Eastern Areas, Capital Outlay on Roads and Bridges	1080.68	300.00	937.86	142.82
	Total	1239.74	331.50	1059.74	180.00

Source: Appropriation Accounts.

Unnecessary excessive budget provision deprives allocation of resources to those projects which require funds, as detailed in **paragraph 3.1.11**.

3.1.7 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 21 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 ₹ 40 crore are highlighted in the Table below.

Table 3.7: Cases of excess/unnecessary/insufficient re-appropriation**(₹ in crore)**

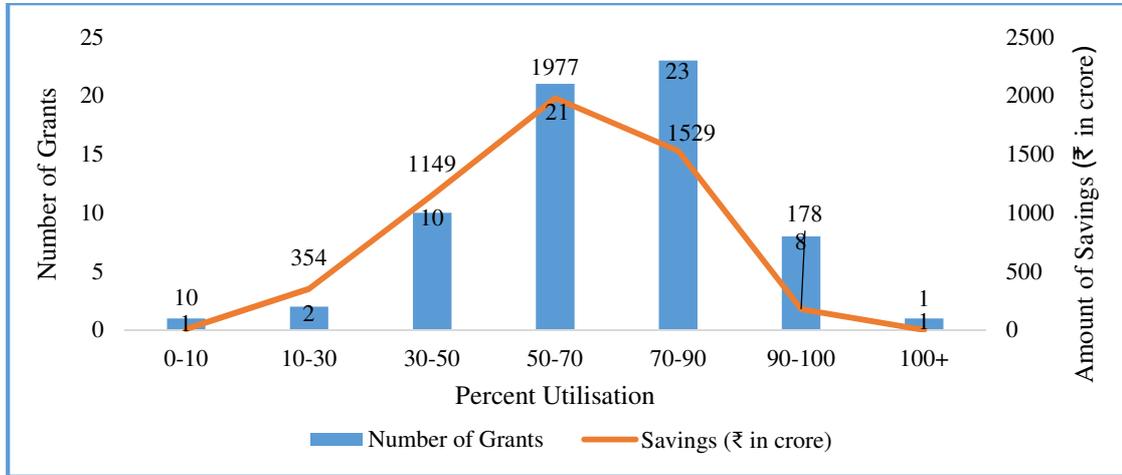
Sl. No.	Grant No. and Head of Accounts	Provisions				Actual Expenditure	Final Excess(+)/ Savings(-)
		Original	Supplementary	Re-appropriation	Total		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1.	6 – Land Revenue, Relief on Account of Natural Calamities - 2245 - Relief on Account of Natural Calamities – 05 State Disaster Response Fund – 101 Transfer to Reserve Funds and Deposit Accounts-State Disaster Response Fund (03) Transfer to 8121-General and Other Reserve Fund-122-SDRF	...	38.02	(+53.18)	91.21	3.66	(-)87.55
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	60.90	...	(-)0.40	60.50	14.09	(-)46.41
3.	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 Schools (01) Expenditure on Primary Schools	261.15	...	(-)0.17	260.98	325.12	(+)64.14
4.	38 – North Eastern Areas, Secretariat-Economic Services – 3451 - Secretariat-Economic Services – 800 Other Expenditure (53) Corpus Fund for CSS	...	...	(+)50.00	50.00	1.00	(-)49.00
5.	65 – Medium Irrigation, Minor Irrigation, Flood Control and Drainage, Capital Outlay on North Eastern Areas, Capital Outlay on Medium Irrigation, etc., - 4702 – Minor Irrigation – 101 – Surface Water (08) Pradhan Mantri Krishi Sinchai Yojana (PMKSY)	140.80	...	(-)75.82	64.98	5.50	(-)59.48
6.	Appropriation – 6004 - Loans and Advances from Central Government – 09 – Other Loans for States/Union Territories with Legislature Schemes – 101 – Block Loans (02) Block Loan-20 years Consolidated Loan in terms of Recommendation of the 12 th F.C.	14.90	...	(-)14.90	...	(-)49.07	(-)49.07
7.	Appropriation – 6004 - Loans and Advances from Central Government – 02 – Loans for State/Union Territory Plan Schemes – 101 - Block Loans (03) Block Loans - 20 years Consolidated Loan in terms of Recommendation of the 12 th F.C.	...	...	(+)14.90	14.90	63.97	(+)49.07

3.1.8 Large savings

In the year 2020-21 the total savings was ₹ 5197.16 crore as mentioned in **paragraph 3.1.1** above. Of these, ₹ 3343.92 crore (64.34 per cent) pertain to 11 grants 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 3 grants, utilisation ranged between 30 and 90 per cent in 54 grants, while the utilisation was above 90 per cent in the remaining nine 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 3.8: Grants/Appropriations with Budget Utilisation less than 50 per cent in 2016-21

(₹ in crore)									
Sl. No.	Grant	2016-17	2017-18	2018-19	2019-20	2020-21	No. of years*	Budget 2020-21	Total Budget (5 Years)
Revenue – Voted									
1	11 – Other Taxes and Duties on Commodities and Services, Power, etc.	61%	60%	44%	13%	49%	2	257.90	1282.25
2	40 – North Eastern Areas, Secretariat Economic Services, etc.	12%	37%	85%	80%	67%	2	4.56	140.11
Capital – Voted									
1	19 – Secretariat General Services, Public Works, etc.	54%	29%	64%	32%	64%	2	190.56	763.72
2	29 – Urban Development, Housing, etc.	83%	17%	36%	30%	19%	4	147.12	738.24
3	39 – Co-operation, Agriculture Programmes, etc.	31%	47%	88%	1%	5%	4	24.18	86.24

* Number of years with utilisation below 50 per cent.

Source: Appropriation Accounts.

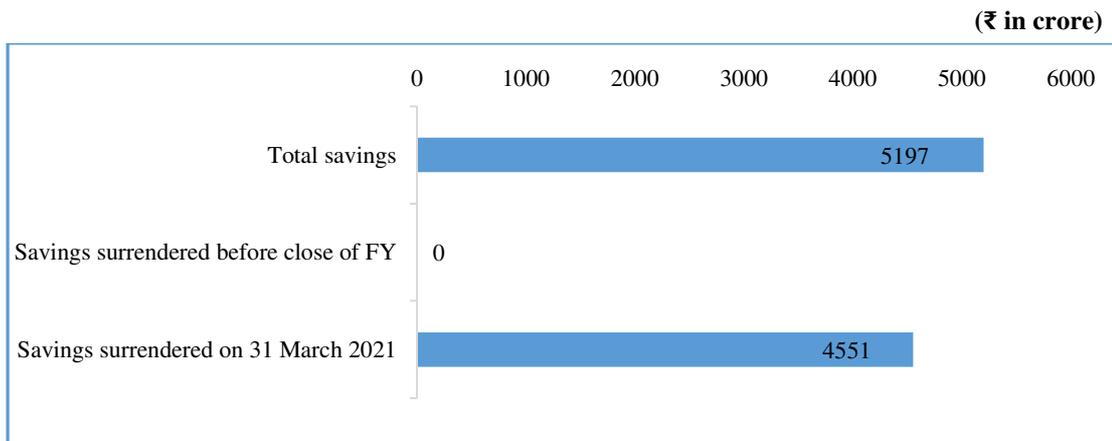
Improving urban infrastructure is a challenge faced by the State, and persistent low utilisation of grants under Grant No. 29 is a cause for concern. Low utilisation of Grant No. 39 relating to Agriculture Programmes especially during 2019-20 and 2020-21 need an in depth analysis by the State Government.

3.1.9 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 15th of March. Scrutiny of the appropriation accounts however revealed the following:

Out of total savings of ₹ 5197.16 crore, an amount of ₹ 4550.93 crore was surrendered on the last working day of March 2021. Surrender of funds on the last working day of March denied the opportunity of reciprocating the allocation for other developmental purposes where resources were needed.

Chart 3.5: Savings and surrenders before close of financial year 2020-21



Substantial surrenders (the cases where more than ₹ 100 crore of total provision was surrendered) were made in respect of 10 Grants on various grounds like non-receipt of sanctions, less expenditure than anticipated, less requirement of funds, *etc.* In these 10 cases, out of the total provision of ₹ 8333.61 crore of above Grants/Appropriations, ₹ 2947.38 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 2020-21 are given in the table below:

Table 3.9: 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
Revenue (Voted)							
1.	21- Education, Sports, Arts & Culture	2506.87	-	2506.87	1908.81	598.06	470.28
2.	34 – Social Security and Welfare, Nutrition	728.03	-	728.03	427.02	301.01	301.07
3.	38- Secretariat Economic Services	804.37	-	804.37	284.79	519.57	471.72

Sl. No.	Grant number/ Department	Original	Supplementary	Total Provision	Actual	Saving	Amount Surrendered
4.	51- Housing & Rural Departments	1138.44	442.48	1580.92	1033.36	547.56	538.50
	Total	5177.71	442.48	5620.19	3653.98	1966.20	1781.57
Capital (Voted)							
1.	56 – Public Works, Roads and Bridges	1080.68	300.00	1380.68	937.86	442.82	440.68
	Total	1080.68	300.00	1380.68	937.86	442.82	440.68

Source: Appropriation Accounts.

3.1.10 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).

Excess expenditure relating to current year

During the current year, expenditure under one Grant under Revenue Section, amounting to ₹ 0.74 crore, is in excess of authorisation and require regularisation under Article 205 of the Constitution as detailed in the table below.

Table 3.10: 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
Revenue						
1	2	2012	President, Vice-President/Governor/Administrator of Union Territories	13.59	14.32	0.74
Total				13.59	14.32	0.74

Source: Appropriation Accounts.

3.1.10.1 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, out of the total of ₹ 2400.89 crore excess expenditure from 1971-72 to 2018-19, ₹ 949.05 crore as recommended by the PAC was regularised by the State Legislature (March 2021). As on 31 March 2021, an amount of ₹ 1761.64 crore was 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 and calls for fixing of responsibility to discourage this practice.

3.1.11 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 3.11: Unnecessary excessive budget/ supplementary provision

(₹ in crore)						
Sl. No.	Name of the Grant	Original allocation	Supplementary	Total	Actual expenditure	Unutilised funds
Capital (Voted)						
1	56-Capital Outlay on Roads and Bridges	1080.68	300.00	1380.68	937.86	442.82
2	19-Capital Outlay on Housing	159.06	31.50	190.56	121.88	68.68
3	16-Capital Outlay on Police	29.81	5.89	35.70	15.15	20.55
Total		1269.55	337.39	1606.94	1074.89	532.05

Source: Appropriation Accounts.

From the table above it is seen that an amount of ₹ 1074.89 crore (66.89 per cent) only was utilised out of the total allocation of ₹ 1606.94 crore. It was further seen that the actual expenditure was lesser than the original allocation and hence the supplementary provision of ₹ 337.39 crore proved unnecessary. At the same time, there were large projects in the State which were stalled due to shortage of funds.

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**.

3.1.12 Major policy pronouncements in budget and their actual funding for ensuring implementation

While presenting the Budget for the year 2020-21 in the State Legislature, the Finance Minister under Grant No. 10 – Capital Outlay on Road Projects announced setting up of Institute of Driving and Traffic Research. The budget allotment and actual expenditure in this regard are given below.

Table 3.12: 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	Road Transport	Motor Driving Institute	20.00	-	0.00

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

Audit observed that though provision of ₹ 20 crore was made, no expenditure was incurred during the year.

3.2 Review of selected Grants

A review of budgetary procedure and control over expenditure was conducted (October 2021) in respect of ‘Grant Number-56- Public Works, Roads and Bridges, Capital Outlay on North Eastern Areas, Capital Outlay on Roads and Bridges and Grant Number-11-Other Taxes and Duties on Commodities and Services, Special Programmes for Rural Development, Power, New and Renewal of Energy, Capital Outlay on North Eastern Areas, Loans for Power Projects. The observations noticed during the review are discussed below:

3.2.1 Review of Grant Number-56- Public Works, Roads and Bridges, Capital Outlay on North Eastern Areas, Capital Outlay on Roads and Bridges

3.2.1.1 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 2016-21 is given below:

Table 3.13: Budget and Expenditure of Grant No. 56

	(₹ in crore)				
Grant No. 56	2016-17	2017-18	2018-19	2019-20	2020-21
Total Budget Provision	788.80	853.84	1197.79	1362.81	1889.70
Expenditure	745.14	619.70	1108.43	947.49	1410.58
Savings (-)/ Excess (+)	(-) 43.66	(-) 234.14	(-) 89.36	(-) 415.32	(-) 479.12
Savings (percentage)	5.53	27.42	7.46	30.48	25.35
Revenue Provision	177.19	162.21	392.49	468.50	509.02
Expenditure	186.16	173.08	357.73	429.11	472.72
Savings (-)/ Excess (+)	+8.98	+10.86	(-)34.76	(-)39.39	(-)36.30
Savings/Excess (percentage)	+5.07	+6.69	(-)8.86	(-)8.41	(-)7.13
Capital Provision	611.61	691.63	805.30	894.31	1380.68
Expenditure	558.97	446.63	750.70	518.38	937.86
Savings (-)/ Excess (+)	(-)52.64	(-)245.00	(-) 54.60	(-)375.93	(-)442.82
Savings (percentage)	(-)8.6	(-)35.42	(-) 6.78	(-)42.04	(-)32.07

Source: Appropriation Accounts.

As can be seen from the table above, savings as a percentage of total budget provision was 5.53 per cent in 2016-17, which rose to 30.48 per cent in 2019-20. During 2020-21 it was 25.35 per cent. Persistent large savings is indicative of incorrect assessment of actual needs and calls for a critical review of not only the budget preparation exercise of the department.

3.2.1.2 Excess over provision

There was an excess expenditure of ₹ 118.68 crore over the budget provision under 9 sub-heads during 2020-21, 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.

3.2.2 Review of Grant Number-11- Other Taxes and Duties on Commodities and Services, Special Programmes for Rural Development, Power, New and Renewal of Energy, Capital Outlay on North Eastern Areas, Loans for Power Projects

3.2.2.1 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 2016-21 is given below:

Table 3.14: Budget and Expenditure of Grant No. 11

(₹ in crore)					
Grant No. 11	2016-17	2017-18	2018-19	2019-20	2020-21
Total Budget Provision	225.47	260.57	471.40	554.47	334.17
Expenditure	139.56	150.98	213.43	55.55	191.01
Savings (-)/ Excess (+)	(-)85.91	(-)109.59	(-)257.97	(-)498.92	(-)143.16
Savings (percentage)	(-)38.10	(-)42.06	(-)54.72	(-)89.98	(-)42.84
Revenue Provision	213.52	197.09	391.79	221.95	257.90
Expenditure	131.14	118.02	172.95	28.79	125.83
Savings (-)/ Excess (+)	(-)82.38	(-)79.07	(-)218.84	(-)193.16	(-)132.07
Savings/Excess (percentage)	(-)38.58	(-)40.12	(-) 55.86	(-) 87.02	(-) 51.21
Capital Provision	11.95	63.48	79.61	332.52	76.27
Expenditure	8.42	32.96	40.48	26.76	65.18
Savings (-)/ Excess (+)	(-)3.53	(-)30.52	(-)39.13	(-)305.76	(-)11.09
Savings (percentage)	(-)29.54	(-)48.08	(-)49.15	(-)91.95	(-)14.54

Source: Appropriation Accounts.

As can be seen from the table above, savings as a percentage of total budget provision was 38.10 per cent in 2016-17 which rose to 89.98 per cent in 2019-20. During 2020-21 it was 42.84 per cent. Persistent large savings is indicative of incorrect assessment of actual needs and calls for a critical review of not only the budget preparation exercise of the department.

3.2.2.2 Budget Provision Not Utilised

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.

Contrary to the above provisions, it was noticed that 100 per cent of the budget provision was not utilised in 14 cases under the Grant No. 11 during the year 2020-21 as detailed below:

Table 3.15: Cases where no part of budget provisions was utilised

(₹ in crore)			
Major Head and Group Head	Original Grant	Expenditure	Savings
2501 Special Programmes for Rural Development			
(04) Field Project General	2.00	-	2.00
2801-Power			
80- General-101-Assistance to Electricity Boards (13)-Green City Project, (SPA/One Time ACA)	10.00	-	10.00
80- General-101-Assistance to Electricity Boards	27.69	-	27.69

Major Head and Group Head	Original Grant	Expenditure	Savings
(77) Meghalaya Power Sector Improvement Project Under Asian Development Bank(ADB)			
800- Other Expenditure -(04)-,System Improvement for very Important Public Events General	0.50	-	0.50
Externally Aided Project			
80- General-101-Assistance to Electricity Boards (05) Grants to SE (EAP)	60.00	-	60.00
80- General-101-Assistance to Electricity Boards (76) Dam Rehabilitation and Improvement Project (DRIP) under EAP	40.00	-	40.00
2801-Power NLCPR			
80- General-101-Assistance to Electricity Boards (08) - Non-Lapsable Central Pool of Resources General	0.60	-	0.60
2810- New and Renewable Energy			
(101) - Grid Interactive and Distributed Renewable Power, (02) Cooking, Lighting Purposes General	0.30	-	0.30
102 - Renewable Energy for Rural Applications (03)Street lighting system General	0.10	-	0.10
(04) SPV Power Plant General-	0.10	-	0.10
102-Renewable Energy for Rural Applications (10) KUSUM Solar Water Pumping System General	0.69	-	0.69
800 - Other Expenditure-(03)-,Village electrification State Share (Mines Special sponsored Scheme)	1.25	-	1.25
6801 Loans for Power Projects			
201 - Hydel Generation Construction of Riangdo Small Hydel Project (3x1000KW)	5.56	-	5.56
800 - Other Loans to Electricity Boards-(23) Loans (RIDF, Fisetc)	9.44	-	9.44
Total	158.23		158.23

Source: Appropriation Accounts.

As is evident from above, the department could not utilise the grants to the tune of ₹ 158.23 crore as per the budget allocation. This indicates poor budget formulation and lack of financial control on part of the departments.

3.2.2.3 Unnecessary Supplementary Provision

Supplementary provision of ₹ 40 crore obtained in one case during the year proved unnecessary as the expenditure did not reach to the level of original provision as detailed below:

Table 3.16: Unnecessary supplementary provision

Major Head and Group Head	Original Grant	Supplementary	Re-appropriation	Final Grant	(₹ in crore)	
					Actual expenditure	Excess(+) Savings(-)
Revenue						
2810 New and Renewable Energy	217.90	40.00	---	257.90	125.83	(-)132.07

Source: Appropriation Account.

Unnecessary excessive budget provision deprives allocation of resources to those projects which require funds during the year.

3.2.2.4 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 ₹ 65.48 crore was incurred in seven cases without any budget provision in the original budget/ supplementary and without any re-appropriation orders to this effect as detailed below:

Table 3.17: Cases where expenditure was incurred without either any budget/supplementary provisions or re-appropriation orders

Major Head and Group Head	Final Grant	Re-appropriation	Excess
(₹ in crore)			
2801-Power			
80-General 101-Assistance to Electricity Board (01)- Subsidy to M.S.E.B for Rural Electrification	-	17.77	17.77
80- General 101-Assistance to Electricity Boards (75)- Selection of consultant for Reviewing/Amendment of State Policy	-	0.06	0.06
80- General 101-Assistance to Electricity Boards (78)- Re-imburement of Local Taxes and SGST for Saubhagya	-	33.02	33.02
800- Other Expenditure (03)-,Re-Payment of Loan Component and Interest thereto on Account of RGGVY	-	11.91	11.91
NEC Scheme			
4552-Capital Outlay on North Eastern Areas			
111-Power (01)-Transmission General	-	0.92	0.92
6801-Loans for Power Projects			
800-Other Loans to Electricity Boards (04)-Non-Lapsable Central Pool of Resources	-	0.60	0.60
800-Other Loans to Electricity Boards (08)- Survey and Investigation	-	1.20	1.20
Total	-	65.48	65.48

Source-Appropriation Accounts 2020-21.

Expenditure without budget is indicative of lack of financial discipline in the Departments. This undermined the sanctity of budgeting process and legislative control and leads to breach of the constitutional provision.

3.3 Conclusion

Against original budget allocation ₹ 18,999.24 crore, the expenditure was only ₹ 13,802.08 crore (72.65 per cent) of the original allocation. Therefore, the supplementary provision of ₹ 1569.01 crore totally proved unnecessary. Out of the savings of ₹ 5197.16 crore, ₹ 4550.93 crore (85.57 per cent) was surrendered on the last working day of March 2021, in violation of Budget Rules.

The savings of ₹ 5197.16 crore may be seen in the context to over estimation of Receipts of ₹ 17,374.56 crore by the State Government and the estimation on the

expenditure side being ₹ 18,999 crore during the year 2020-21. As against the estimated Receipts, the actual Receipts were ₹ 13,152.90 crore only thereby restricting the total expenditure to ₹ 13,802 crore. This implied that the savings were notional, as the funds were not actually available for expenditure.

There were three instances where expenditure of ₹ 104.44 crore was incurred without authority of law, unnecessary supplementary provision of ₹ 1062.55 crore in 22 cases and unnecessary re-appropriations.

During the year, expenditure of ₹ 0.74 crore was incurred in excess of authorisation under one Grant under Revenue Section which requires regularisation as per Constitutional provisions. Excess expenditure of ₹ 1761.64 crore (from 1971-72 to 2019-20) was yet to be regularised as on 31 March 2021.

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.

The grants showing persistent savings may be reviewed by concerned Departments to ascertain and address the cause for such savings.

An Expenditure of ₹ 104.44 crore was incurred 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.

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 excess expenditure of ₹ 1762 crore is regularised at the earliest.

Re-appropriation for expenditure of ₹ 169.28 crore incurred without provision in the budget needs regularisation by the State Legislature.

