

**CHAPTER III**  
**BUDGETARY MANAGEMENT**



## CHAPTER III BUDGETARY MANAGEMENT

### 3.1 Introduction

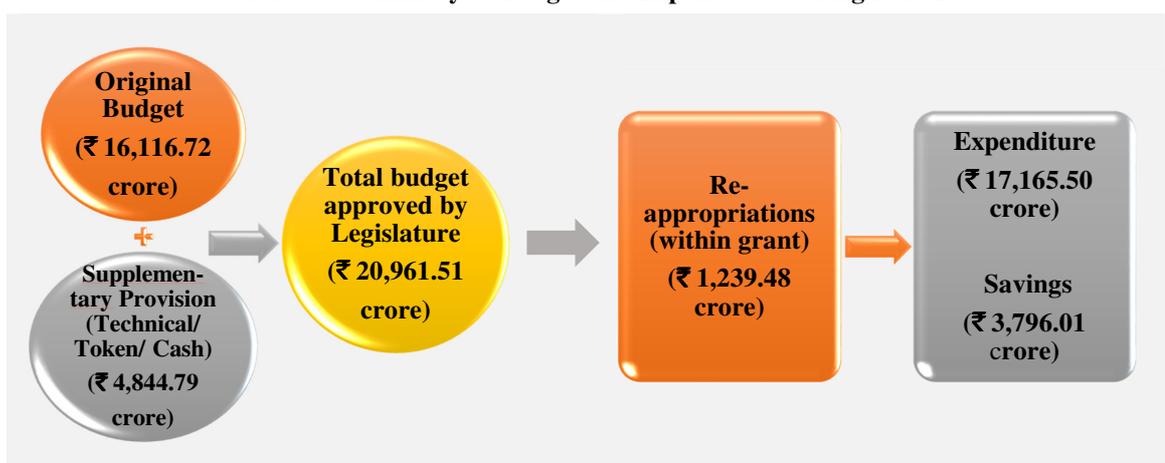
The annual Financial Statement also called general budget is placed prior to the commencement of the financial year in the State Legislature in accordance with Article 202 of the Constitution. Supplementary Grant is provided during the course of the financial year, in accordance with Article 205 of the Constitution to meet expenditure in excess of the budgeted amount. Apart from supplementary grant, Re-appropriation can also be used to re-allocate funds within a grant.

Appropriation Accounts are accounts of the expenditure, voted and charged, of the Government for each financial year compared with the amounts of the voted grants and appropriations charged for different purposes as specified in the schedules appended to the Appropriation Acts. These Accounts list the original budget estimates, supplementary grants, surrenders and re-appropriations distinctly and indicate actual capital and revenue expenditure on various specified services *vis-à-vis* those authorised by the Appropriation Act in respect of both charged and voted items of budget. Appropriation Accounts is thus a control document facilitating management of finances and monitoring of budgetary provisions and is complementary to Finance Accounts.

This Chapter analyses the appropriations and allocative priorities of the State Government and reports on deviations from Constitutional provisions relating to budgetary management.

The total amount approved by the State Legislature, including the original and supplementary budgets, expenditure and savings during the year 2019-20 is depicted below.

Chart 3.1: Summary of Budget and Expenditure during 2019-20



## 3.2 Budget Management and Financial Accountability

### 3.2.1 Summary of total provisions, disbursements and savings/ excess

A summarised position of total budget provision, disbursement and savings/excess during 2015-20 with its further bifurcation into voted/charged is given in **Table 3.1**:

**Table 3.1: Budget provision, disbursement and savings/excess during 2015-20**

(₹ in crore)

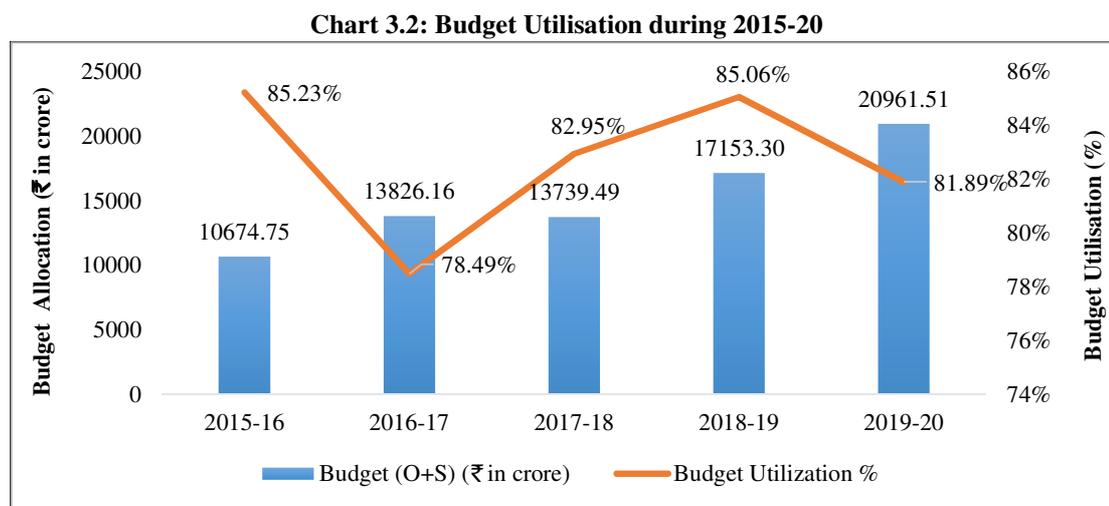
Year	Total Budget provision		Disbursements		Savings(-)/Excess(+)	
	Voted	Charged	Voted	Charged	Voted	Charged
2015-16	9779.81	894.94	8,114.20	983.96	(-)1,665.61	(+)89.02
2016-17	12070.64	1755.53	9,140.26	1,711.79	(-)2,930.38	(-)43.73
2017-18	12745.87	993.62	10,132.51	1,264.66	(-)2,613.36	(+)271.04
2018-19	15118.26	2035.05	10,888.59	3,701.63	(-)4,229.67	(+)1,666.58
2019-20	16610.65	4350.86	10,699.91	6,465.59	(-)5,910.74	(+)2,114.73

Source: Appropriation Accounts

As can be seen from the above table, there were savings under voted expenditure during the last five years 2015-20 whereas, there were excess under charged expenditure during the same period, except in the year 2016-17.

### 3.2.2 Utilisation of Budgeted Funds

The extent of utilisation of budget during the five-year period from 2015-20 is given in the Chart below.



As can be seen from the above Chart, maximum utilisation of budget was 85.23 per cent during 2015-16. As compared to previous year, budget utilisation in 2019-20 reduced to 81.89 per cent from 85.06 per cent in 2018-19.

### 3.2.3 Budget projections and gap between expectations and actuals

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 that they could have utilised.

The summarised position of actual expenditure during 2019-20 against 53 Grants/Appropriations is given in **Table 3.2**:

Table 3.2: Summarised position of Actual Expenditure vis-à-vis Budget provisions

	Nature of Expenditure	Details of Grant/ Appropriation		Total	Actual Expenditure	Savings(-)/ Excess (+)	Surrender during March	
		Original	Supplementary				Amount	Per cent
Voted	I. Revenue	12160.06	1342.16	13502.22	9544.67	(-)3957.55	3957.55	55.85
	II. Capital	2267.06	838.77	3105.83	1155.24	(-)1950.59	1950.59	163.76
	III. Loans & Advances	2.60	0.00	2.60	0.00	(-)2.60	2.60	1.80
	<b>Total</b>	<b>14429.72</b>	<b>2180.93</b>	<b>16610.65</b>	<b>10699.91</b>	<b>(-)5910.74</b>	<b>221.42</b>	<b>3.75</b>
Charged	IV. Revenue	696.26	4.75	701.00	693.96	(-)7.04	116.79	1658.95
	V. Capital	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	VI. Public Debt- Repayment	990.74	2659.12	3649.86	5771.63	(+)2121.77	0.00	0.00
	<b>Total</b>	<b>1687.00</b>	<b>2663.86</b>	<b>4350.86</b>	<b>6465.59</b>	<b>(+)2114.73</b>	<b>116.79</b>	<b>5.52</b>
Appropriation to Contingency Fund (if any)		0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Grand Total</b>		<b>16116.72</b>	<b>4844.79</b>	<b>20961.51</b>	<b>17165.50</b>	<b>(-)3796.01</b>	<b>338.21</b>	<b>8.91</b>

Source: Appropriation Accounts.

As can be seen from the above table, expenditure of ₹ 17,165.50 crore was incurred during 2019-20, against a total budget provision of ₹ 20,961.51 crore resulting in overall savings of ₹ 3,796.01 crore. The overall savings of ₹ 3,796.01 crore was the net result of savings of ₹ 5,925.94 crore in 50 Grants and two Appropriations under Revenue section and 32 Grants under Capital section, offset by an excess of ₹ 2,129.93 crore in one Appropriation under Revenue section and Capital section.

The trends in percentage of savings/ excess against overall provision in the budget for the last five years from 2015-20 are shown in Table 3.3.

Table 3.3: Original Budget, Revised Estimate and Actual Expenditure during 2015-20

	2015-16	2016-17	2017-18	2018-19	2019-20
<b>Original Budget</b>	9728.61	10518.04	12420.65	13731.03	16116.72
<b>Supplementary Budget</b>	946.14	3308.12	1318.84	3422.27	4844.79
<b>Revised Estimate</b>	5857.33	7202.97	13173.74	16650.80	20222.09
<b>Actual Expenditure</b>	9098.16	10852.05	11397.17	14590.22	17165.50
<b>Savings (-) /Excess (+)</b>	(-)1576.59	(-)2974.11	(-)2342.32	(-)2563.08	(-)3796.01
<b>Savings as per cent of total provision</b>	14.77	21.51	17.05	14.94	18.11

It can be seen from the above table that there were overall savings during the period 2015-2020 ranging from 14.77 per cent to 21.51 per cent. The percentage of savings was on an increasing trend since 2015-16, except for a peak in 2016-17.

### 3.3 Integrity of budgetary and accounting process

#### 3.3.1 Expenditure without budget provision

As per Article 204 of the Constitution of India, 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 the article.

Audit observed that in eight cases, expenditure was incurred amounting to ₹ 42.32 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 3.4.

**Table 3.4: Summary of Expenditure without Budget Provision**

Grant No.	Name of the Grant	Expenditure (₹ in crore)	Number of Schemes/ Sub Heads
10	Education	0.46	1
19	Environment and Forest	32.93	6
22	Public Health Engineering	8.93	1
	Total	42.32	8

Expenditure without budget violated financial regulations as well as the will of the Legislature.

During the Exit Conference (March 2021), the Jt. Secretary (Finance) stated that the situation arose due to non-reflection of the expenditure in Revised Estimates 2019-20 whereas, the allocation was given in the Budget Estimates 2019-20, as passed by the State Legislature.

The reply is not acceptable as any expenditure without budget provision is irregular. Any funds requirement over the BEs should be assessed and provided for in the Revised Estimates. The State Government should regularise the expenditure incurred in excess of the budgetary provision.

### 3.3.2 Drawal of funds to avoid lapse of budgetary provision

As per Rule 290 of Central Treasury Rules (CTR), no money shall be drawn from the treasury unless it is required for immediate disbursement. It is not permissible to draw money from the treasury in anticipation of demands or to prevent the lapse of budget grants. Further, as per order of the Finance Department, Manipur, no part of the fund was to be deposited into Drawing and Disbursement Officer (DDO) account which is solely meant for transaction of salary payment.

Audit noticed that during the year 2019-20, Medical Department deposited (March 2020) ₹ 10.00 crore of 'Chief Ministergi Hekshelgi Tengbang' (under Manipur Health Protection Scheme) into Bank Account<sup>13</sup> to avoid lapse of grant in contravention of the CTR and order of the Finance Department, Manipur. Further, ₹ 25.04 crore was drawn and deposited at the end of the year into MH 8449–Other Deposits, Minor Head 120-Miscellaneous Deposits. Details are shown in **Appendix 3.2**. Out of these, an amount of ₹ 22.50 crore (89.82 per cent) being GIA for implementation of Manipur Start-Up Scheme was deposited by the Planning Department on 31 March 2020 in order to avoid lapse of budget grant. Thus, although ₹ 35.04 crore<sup>14</sup> was booked as expenditure in the accounts, the amount was actually parked under the Deposits Head and bank account resulting in inflation of the reported expenditure figure.

Drawal of funds without immediate requirement in order to avoid the lapse of budgetary grant is in violation of Rule 290 of the CTR. When funds are drawn and kept parked for expenditure to be incurred in succeeding financial year, such practice exceeds the authority granted to the Government by the Appropriation Act.

<sup>13</sup> State Bank of India, Paona Bazar Branch bearing Account No. 37002137350 opened in the name of Administrative Officer, Medical Directorate, Lamphel.

<sup>14</sup> Major Head 8449: ₹ 25.04 crore plus ₹ 10 crore deposited in Bank Account = ₹ 35.04 crore.

During the Exit Conference (March 2021), the Jt. Secretary (Finance) stated that the ‘Chief Ministergi Hakshelgi Tengbang’ is a health insurance scheme and claims from Hospitals where the beneficiaries are treated, are paid out from time to time as per scheme guidelines. Thus, drawal of funds to avoid lapse of budgetary provision did not arise.

Audit, however, observed that clause 6 of the Contract Agreement between the State Government and Medi Assist Insurance TPA Private Limited, provided that service charges were payable within 21 days from billing of such services by the Agency.

There was no evidence that ₹ 10 crore was paid to the Agency for the services provided to the State Government’s beneficiaries which would have necessitated the withdrawal of the amount from the Government Accounts in March 2020. Thus, documentary evidence in support of the expenditure incurred may be provided to Audit for verification.

### 3.3.3 Unnecessary or excessive supplementary grants

Supplementary provision aggregating to ₹ 1,573.55 crore in 34 cases, during the year 2019-20 proved unnecessary as the expenditure did not come up even to the level of original provision as detailed in *Appendix 3.3*. Out of these, in 16 cases, the supplementary provision was more than ₹ 10 crore in each case as given in table below:

**Table 3.5: Cases where supplementary provision of ₹ 10 crore or more proved unnecessary**  
(₹in crore)

Sl. No.	Name of the Grant	Original	Supplementary	Actual	Savings out of Provisions
<b>Revenue (Voted)</b>					
1	7. Police	1,851.96	36.02	1,563.72	288.24
2	10. Education	1,697.56	252.02	1,423.54	274.01
3	11. Medical, Health and Family Welfare Services	730.34	26.94	624.61	105.73
4	12. Municipal Administration, Housing and Urban Development	266.89	40.98	204.47	62.41
5	14. Department of Tribal Affairs, Hills and Scheduled Caste Development	673.27	165.18	598.97	74.30
6	18. Animal Husbandry and Veterinary including Dairy Farming	145.45	13.68	78.61	66.84
7	19. Environment and Forest	224.02	409.40	125.68	98.34
8	44. Social Welfare Department	395.74	101.57	265.50	130.23
	<b>Sub Total</b>	<b>5,985.22</b>	<b>1,045.79</b>	<b>4,885.11</b>	<b>1,100.11</b>
<b>Capital (Voted)</b>					
9	8. Public Works Department	654.12	69.24	290.94	363.18
10	10. Education	50.43	16.90	47.61	2.82
11	12. Municipal Administration, Housing and Urban Development	346.79	60.04	105.14	241.65
12	17. Agriculture	71.80	15.39	16.21	55.59
13	36. Minor Irrigation	136.11	107.46	46.57	89.54
14	40. Irrigation and Flood Control Department	379.44	37.75	103.12	276.32
15	44. Social Welfare Department	20.25	22.72	0.55	19.70

Sl. No.	Name of the Grant	Original	Supplementary	Actual	Savings out of Provisions
16	47. Minorities and Other Backward Classes Department	79.40	143.49	70.16	9.24
	<b>Sub Total</b>	<b>1,738.34</b>	<b>472.99</b>	<b>680.30</b>	<b>1,058.04</b>
	<b>Grand Total</b>	<b>7,723.56</b>	<b>1,518.78</b>	<b>5,565.41</b>	<b>2,158.15</b>

Provision of supplementary grants despite savings against original grants had deprived the other departments that could have utilised the fund.

### 3.3.4 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. Injudicious re-appropriation proved excessive, unnecessary or insufficient in 70 sub-heads and resulted in savings and excess (₹ 10 crore or more in each case) of ₹ 2684.31 crore and ₹ 829.81 crore respectively as detailed in *Appendix 3.4*. This indicates that the availability or requirement of funds was not properly assessed before re-appropriation and proved injudicious.

### 3.3.5 Savings/Surrenders in Grants/ Appropriations

#### 3.3.5.1 Substantial Savings

As per Rule 62(1) of GFR, 2017 Grants/Appropriations, which are anticipated to remain unspent must be surrendered as early as possible before the close of the financial year.

Audit noticed that in 83 cases, savings exceeded ₹ one crore in each case or by more than 25 per cent of total provision as detailed in *Appendix 3.5*. Further, there were 28 cases<sup>15</sup> where savings were 50 per cent and above of the total provision in each case. Out of these, 100 per cent savings occurred in two Grants (1-State Legislature and 2-Council of Ministers) under Capital voted.

There were savings amounting to ₹ 4,644.08 crore in 16 cases, where savings were more than ₹ 100 crore in each case as shown in table below:

Table 3.6: List of grants having huge savings above ₹ 100 crore during the year

(₹ in crore)									
Sl. No.	Number and Name of the Grant	Original	Supplementary	Total	Actuals	Savings	Surrender	Savings excluding surrender	Savings (per cent)
<b>Revenue (Voted)</b>									
1	7. Police	1,851.96	36.02	1,887.98	1,563.72	324.25	0.00	324.25	17.17
2	10. Education	1,697.56	252.02	1,949.58	1,423.54	526.04	0.00	526.04	26.98
3	11. Medical, Health and Family Welfare Services	730.34	26.94	757.28	624.61	132.68	0.00	132.68	17.52
4	12. Municipal Administration, Housing and Urban Development	266.89	40.98	307.87	204.47	103.40	0.00	103.40	33.59
5	14. Department of Tribal Affairs, Hills and Scheduled Caste Development	673.27	165.18	838.45	598.97	239.48	0.00	239.48	28.56

<sup>15</sup> Grant Nos. 6,18, 19, 21, 30, and 34 (Revenue Voted), and Grant Nos.1, 2, 6, 7,8, 11, 12, 14, 16, 17, 18, 19, 25, 26, 30, 36, 37, 40, 41, 44, 45 and 47 (Capital Voted).

Sl. No.	Number and Name of the Grant	Original	Supplementary	Total	Actuals	Savings	Surrender	Savings excluding surrender	Savings (per cent)
6	19. Environment and Forest	224.02	409.40	633.42	125.68	507.74	0.00	507.74	80.16
7	20. Community and Rural Development	1,869.80	0.00	1,869.80	1,017.35	852.45	0.77	851.68	45.59
8	21. Commerce and Industries	163.92	0.15	164.07	47.18	116.88	0.00	116.88	71.24
9	30. Planning	143.64	0.00	143.64	40.95	102.68	12.60	90.08	71.48
10	44. Social Welfare Department	395.74	101.57	497.31	265.50	231.80	0.00	231.80	46.61
	<b>Sub Total</b>	<b>8,017.12</b>	<b>1,032.26</b>	<b>9,049.39</b>	<b>5,911.99</b>	<b>3,137.39</b>	<b>13.38</b>	<b>3,124.02</b>	<b>34.67</b>
<b>Capital (Voted)</b>									
11	8. Public Works Department	654.12	69.24	723.36	290.94	432.42	15.21	417.21	59.78
12	12. Municipal Administration, Housing and Urban Development	346.79	60.04	406.83	105.14	301.69	0.00	301.69	74.16
13	30. Planning	130.97	0.00	130.97	22.18	108.78	91.33	17.45	83.06
14	36. Minor Irrigation	136.11	107.46	243.56	46.57	196.99	0.00	196.99	80.88
15	40. Irrigation and Flood Control Department	379.44	37.75	417.19	103.12	314.07	10.96	303.11	75.28
16	47. Minorities and Other Backward Classes Department	79.40	143.49	222.89	70.16	152.73	0.00	152.73	68.52
	<b>Sub Total</b>	<b>1,726.82</b>	<b>417.98</b>	<b>2,144.80</b>	<b>638.11</b>	<b>1,506.69</b>	<b>117.50</b>	<b>1,389.19</b>	<b>70.25</b>
	<b>Grand Total</b>	<b>9,743.95</b>	<b>1,450.24</b>	<b>11,194.18</b>	<b>6,550.10</b>	<b>4,644.08</b>	<b>130.87</b>	<b>4,513.21</b>	<b>41.49</b>

There were huge savings during 2019-20, with 21 out of 53 Grants/ Appropriations showing utilisation of less than 50 *per cent* of the budget allocation as shown in *Appendix 3.6*. In four out of the 21 Grants/ Appropriations, there was a pattern of low utilisation in four out of the last five years 2015-20. This is indicative of systemic issues that necessitate closer review and corrective action by the Government.

The above low utilisation against grants mostly relate to developmental schemes such as Housing, Irrigation, Medical & Health and Welfare sectors. Similarly, Audit also noticed low utilisation in Grant 12-Municipal Administration, Housing and Urban Development, 14-Department of Tribal Affairs, Hills and Scheduled Caste Development, and 47-Minorities and Other Backward Classes Department.

The matter needs special attention of the Government to review the reason for such repeated low utilisation of grants for corrective action.

During Exit Conference (March 2021), the Jt. Secretary (Finance) stated that savings occurred mainly due to non-receipt/ late receipt of central share of Centrally Sponsored Schemes. Budgetary provisions were made in anticipation of receipts but could not be spent due to non-receipt or late receipt, thus resulting in savings.

### **3.3.5.2 Persistent Savings**

There were 12 cases where persistent savings were found during the last five years from 2015-20. Of these, five cases pertained to Revenue Voted accounts, one case pertained to Revenue Charged accounts and the remaining six cases under Capital Voted accounts. The details are given in *Appendix 3.7*. Grants with persistent savings of ₹ 15 lakh and above during last five years is as under:

Table 3.7: Grants with Significant Persistent Savings during 2015-20

(₹ in lakh)

Sl. No.	Grant No. and Name of the Grant	Amount of savings				
		2015-16	2016-17	2017-18	2018-19	2019-20
<b>Revenue Voted</b>						
1	2. Council of Ministers, Salaries of Ministers & Dy. Ministers	19.26	23.65	33.50	32.67	31.67
2	2. Council of Ministers, Tour Expenses	85.02	49.80	15.54	63.23	32.88
3	8. Public Works	3,52.80	3,42.13	63.92	94.93	90.79
4	42. Other Administrative Services, Training, State Academy of Training	47.50	46.20	125.81	73.63	149.93
<b>Capital Voted</b>						
5	2. Loans to Government Servants, House Building Advances, Loans to Ministers	40.00	40.00	40.00	40.00	40.00
6	2. Loans to Government Servants, Advances for Purchase of Motor Conveyances	40.00	40.00	25.00	40.00	40.00
7	36. Capital Outlay on Minor Irrigation	2,08.20	1,03.60	3,41.15	4,50.02	1,43.15

There were persistent savings of more than ₹ 50 lakh in Public Works (Revenue Voted) and Capital Outlay on Minor Irrigation (Capital Voted), during the last five-year period 2015-2020. Persistent savings occurring year after year is indicative of the fact that proper analysis was not done while framing the budget estimates.

Trends of persistent savings are being highlighted in the Report of the C&AG on State Finances every year but corrective measures have not been taken by the departments concerned to correct the situation. It is recommended that the Finance Department may issue specific directions to these Departments to improve their projection of budget requirements to avoid such persistent savings.

### 3.3.5.3 Anticipated savings not surrendered

Departments are required to surrender Grants/Appropriations or portion thereof to the Finance Department as and when savings are anticipated. At the close of the year 2019-20, no part of savings in 58 cases was surrendered by the Departments concerned. The amount involved in these cases was ₹ 3773.02 crore (63.67 per cent of the overall savings of ₹ 5925.94 crore) (*Appendix 3.8*). It was observed that in 11 cases, savings exceeded ₹ 100 crore but were not surrendered.

Besides, in 28 Grants/Appropriations (32 cases), ₹ 353.72 crore was surrendered on 31 March 2020 (*Appendix 3.9*) indicating inadequate financial control. Moreover, these funds could not be utilised for the purpose it was sanctioned or for any other purpose.

### 3.3.5.4 Substantial surrenders

Substantial surrenders exceeding ₹ 10 crore were made at the end of March 2020 in seven cases as given in **Table 3.8**. Substantial surrender of funds indicated improper budget estimation and poor expenditure planning and monitoring by the departments concerned.

Table 3.8: Details of surrender of funds in excess of ₹ 10 crore at the end of March 2020

(₹ in crore)

Grant/ Appropriation	Original	Supplemen- -tary	Total provisions	Actual	Savings (-) / Excess(+)	Amount Surrendered
<b>Revenue Voted</b>						
23. Power	440.43	0.00	440.43	408.89	(-)31.54	10.77
30. Planning	143.64	0.00	143.64	40.95	(-)102.68	12.60
<b>Sub Total</b>	<b>584.07</b>	<b>0.00</b>	<b>584.07</b>	<b>449.84</b>	<b>(-)134.23</b>	<b>23.37</b>
<b>Revenue Charged</b>						
Appropriation 2 - Interest Payment and Debt services	655.38	0.00	655.38	663.54	(+)8.16	116.79
<b>Sub total</b>	<b>655.38</b>	<b>0.00</b>	<b>655.38</b>	<b>663.54</b>	<b>(+)8.16</b>	<b>116.79</b>
<b>Capital Voted</b>						
8. Public Works Department	654.12	69.24	723.36	290.94	(-)432.42	15.21
26. Administration of Justice	44.00	0.00	44.00	4.10	(-)39.90	32.33
30. Planning	130.97	0.00	130.97	22.18	(-)108.78	91.33
40. Irrigation and Flood Control Department	379.44	37.75	417.19	103.12	(-)314.07	10.96
<b>Sub Total</b>	<b>1,208.53</b>	<b>106.99</b>	<b>1,315.51</b>	<b>420.34</b>	<b>(-)895.18</b>	<b>149.82</b>
<b>Grand Total</b>	<b>2,447.97</b>	<b>106.99</b>	<b>2,554.96</b>	<b>1,533.72</b>	<b>(-)1,021.25</b>	<b>181.36</b>

It may be seen from the above table that in one case (Appropriation 2 - Interest Payment and Debt Services), huge amount of ₹ 116.79 crore was surrendered even though there was excess of ₹ 8.16 crore over the original provision.

Out of the total savings of ₹ 5925.94 crore during the year 2019-20, only 5.97 per cent (₹ 353.72 crore) was surrendered before the close of the financial year and the amount was surrendered on the last day of the year *i.e.* 31 March 2020. This indicates that the savings were allowed to lapse without expenditure depriving other departments, which had incurred excess expenditure to augment their grants.

### 3.3.6 Excess expenditure and its regularisation

#### 3.3.6.1 Excess expenditure during 2019-20

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 expenditure has been prescribed under the Article, regularisation of excess expenditure is done after the completion of discussion of the Appropriation Accounts by the Public Accounts Committee (PAC). During 2019-20, there was excess over provisions in two cases under one Appropriation, amounting to ₹ 2129.93 crore which required regularisation by the State Legislature. Details are shown in the table below:

Table 3.9: Excess over provision during 2019-20 requiring regularisation

(₹ in crore)

Sl. No.	Number and title of Grant/Appropriation	Total provision	Expenditure	Excess
<b>Revenue Charged</b>				
1	Appropriation No. 2 – Interest Payment and Debt Services	655.38	663.54	8.16
<b>Capital Charged</b>				
2	Appropriation No. 2 – Interest Payment and Debt Services	3649.86	5771.63	2121.77
<b>TOTAL</b>		<b>4305.24</b>	<b>6435.17</b>	<b>2129.93</b>

In one case, viz. Appropriation No. 2 – Interest Payment and Debt Services under Capital Charged, expenditure in excess of the budget provision has been observed consistently for the last five years from 2015-20 which is reflective of poor budgeting. Details are given in **Table 3.10**:

**Table 3.10: Persistent excess expenditure during 2014-19**

(₹ in crore)						
Sl. No.	Description of Grant/ Appropriation	2015-16	2016-17	2017-18	2018-19	2019-20
1	Appropriation No. 2 – Interest Payment and Debt Services (Capital Charged)	40.13	50.73	280.12	1729.50	2121.77

This 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.

During Exit Conference (March 2021), the Jt. Secretary (Finance) stated that the excess is mainly incurred in Appropriation No. 2 due to availing of Ways and Means Advances (WMA) from the RBI which was repaid whenever the cash balance was positive. This is a difficult exercise as the cash balance of the State Government can vary depending upon receipts and expenditure and the receipts and timing of GoI's transfers are difficult to estimate accurately.

### **3.3.6.2 Non-Regularisation of excess expenditure of previous financial years**

Excess expenditure remaining unregularised for extended periods dilutes legislative control over the executive. Excess expenditure amounting to ₹ 467.21 crore and ₹ 1729.49 crore for the year 2017-18 and 2018-19 respectively were yet to be examined (February 2020) by PAC. The details of excess expenditure during the period 2017-19 are shown in **Appendix 3.10**.

All such cases of excess expenditure over Grants/ Appropriations need to be regularised at the earliest. The responsibility of the executive on account of persistent excess expenditure over Grants/ Appropriations needs to be fixed as this is contrary to the legislative intent and defeats the objective of ensuring accountability of the executive over utilisation of public funds.

## **3.4 Effectiveness of budgetary and accounting process**

### **3.4.1 Supplementary budget and opportunity cost**

During the year 2019-20, in 27 grants, (savings exceeding ₹ one crore or more in each grant), the departments could not use either the original budget provision or the entire supplementary provision resulting in un-utilised funds of ₹ 1,951.74 crore per details given in **Table 3.11**.

Table 3.11: List of grants with unutilised fund during 2019-20

(₹ in crore)

Sl. No.	Name of the Grant	Original Allocation	Supplementary	Total	Expenditure	Unutilised Funds
<b>Capital (Voted)</b>						
1	1. State Legislature	1.80	0.00	1.80	0.00	1.80
2	3. Secretariat	11.50	24.33	35.83	25.93	9.90
3	5. Finance Department	1.70	0.57	2.27	1.17	1.10
4	6. Transport	0.50	15.02	15.52	0.79	14.73
5	7. Police	19.90	7.06	26.96	13.47	13.48
6	8. Public Works Department	654.12	69.24	723.36	290.94	432.42
7	10. Education	50.43	16.90	67.33	47.61	19.72
8	11. Medical, Health and Family Welfare Services	14.92	71.83	86.75	41.09	45.66
9	12. Municipal Administration, Housing and Urban Development	346.79	60.04	406.83	105.14	301.69
10	14. Department of Tribal Affairs, Hills and Scheduled Caste Development	3.13	43.45	46.58	3.60	42.98
11	16. Co-operation	5.10	0.00	5.10	0.28	4.83
12	17. Agriculture	71.80	15.39	87.19	16.21	70.98
13	18. Animal Husbandry and Veterinary including Dairy Farming	1.31	9.29	10.60	0.54	10.06
14	19. Environment and Forest	7.84	22.66	30.50	11.08	19.42
15	21. Commerce and Industries	12.75	2.55	15.30	13.62	1.68
16	22. Public Health Engineering	195.08	146.48	341.55	281.31	60.24
17	25. Youth Affairs and Sports Department	15.10	2.59	17.69	6.70	10.99
18	26. Administration of Justice	44.00	0.00	44.00	4.10	39.90
19	27. Election	15.61	0.00	15.61	7.80	7.80
20	30. Planning	130.97	0.00	130.97	22.18	108.78
21	36. Minor Irrigation	136.11	107.46	243.56	46.57	196.99
22	40. Irrigation and Flood Control Department	379.44	37.75	417.19	103.12	314.07
23	41. Art and Culture	4.25	0.00	4.25	0.82	3.44
24	43. Horticulture and Soil Conservation	6.70	1.04	7.74	5.65	2.10
25	44. Social Welfare Department	20.25	22.72	42.97	0.55	42.42
26	45. Tourism	33.98	0.00	33.98	12.15	21.83
27	47. Minorities and Other Backward Classes Department	79.40	143.49	222.89	70.16	152.73
<b>Total</b>		<b>2264.47</b>	<b>819.84</b>	<b>3084.31</b>	<b>1132.57</b>	<b>1951.74</b>

Though there was such huge unutilised funds, 50 projects/schemes (as shown in *Appendix 2.1*) remained incomplete for lack of fund allocation.

### 3.4.2 Rush of expenditure

As per Rule 62 (3) of the GFR, 2017, rush of expenditure in the closing month of the financial year is regarded as a breach of financial propriety. In contravention of this rule, in 20 cases as shown in *Appendix 3.11*, expenditure of more than ₹ 10 crore and 25 per cent of the total expenditure for the year was incurred in March, 2020. Of these,

there were two cases<sup>16</sup> where 100 per cent of the expenditure was incurred in March 2020, indicating poor expenditure management.

The details of Major Heads under which expenditure of above ₹ 50 crore was incurred during March 2020 are shown in the following table:

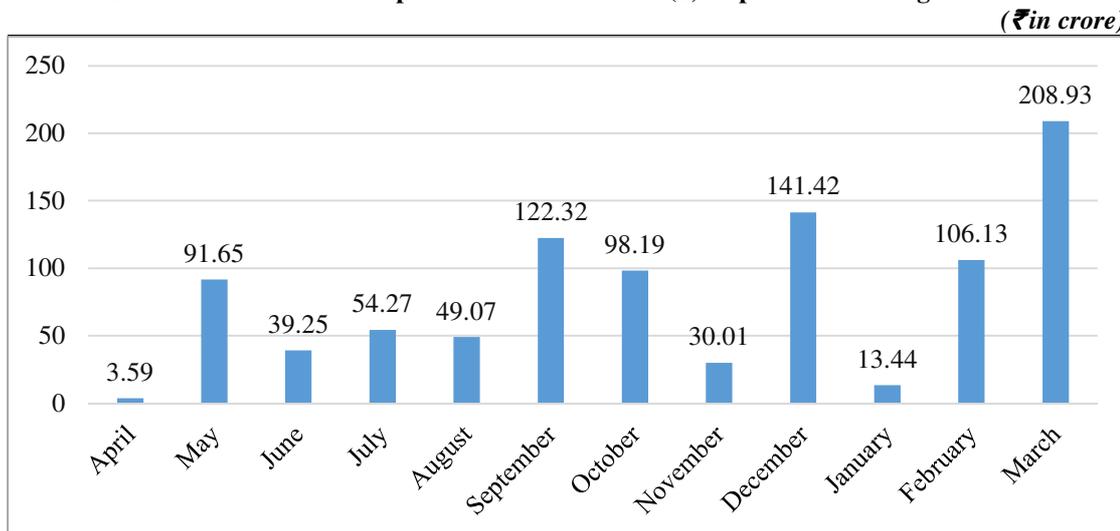
**Table 3.12: Major Heads where expenditure was above ₹ 50 crore in March 2020**

(₹ in crore)					
Sl. No.	Description/ Major Head	Expenditure during March	Total Expenditure	Percentage of total expenditure during March	
1	Power/2801	126.83	402.86	31.48	
2	Relief on account of Natural Calamities/2245	50.04	87.66	57.08	

Source: VLC data, O/o the PAG (A&E), Manipur

Further, analysis of department wise expenditure incurred during March, 2020 revealed that in Education (S) department ₹ 208.93 crore out of the total expenditure of ₹ 958.27 crore (21.80 per cent) was incurred in March alone as shown below.

**Chart 3.3: Month wise expenditure of Education (S) Department during 2019-20**



Source: VLC data of O/o the PAG (A&E), Manipur

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

During Exit Conference (March 2021), the Jt. Secretary (Finance) while accepting the Audit observations, stated that the expenditure for construction works was mainly incurred in the month of March as the working season for construction works in the State was mainly between October and April and subsequent instalments of central share/ assistance are received by the State in the months of February and March, after which the departments could incur expenditure.

### 3.4.3 Review of selected grant

A review of budgetary procedure and control over expenditure was conducted in respect of ‘Grant No. 17- Agriculture’ to review compliance with prescribed budgetary

<sup>16</sup> Sl. No. 4 and 20 of Appendix 3.11

procedures, monitoring of funds, control mechanisms and implementation of schemes within the grant. The following were noticed in Audit:

### 3.4.3.1 Budget and Expenditure

The summarised position of Budget Provision and Actual Expenditure during 2015-20 of the Grant is given in **Table 3.13**.

**Table 3.13: Summarised position of Budget Provision and Actual Expenditure**

(₹ in crore)					
Grant No. 17	2015-16	2016-17	2017-18	2018-19	2019-20
<b>Total Budget Provision</b>	<b>177.24</b>	<b>226.01</b>	<b>223.22</b>	<b>314.99</b>	<b>331.86</b>
Expenditure	104.27	114.58	134.98	134.48	170.78
Savings	72.97	111.43	88.24	180.51	161.08
<b>Savings (in per cent)</b>	<b>41.17</b>	<b>49.30</b>	<b>39.53</b>	<b>57.31</b>	<b>48.54</b>
<b>i) Revenue Provision</b>	<b>129.17</b>	<b>144.21</b>	<b>170.42</b>	<b>242.38</b>	<b>244.67</b>
Expenditure	104.27	104.24	114.64	131.97	154.57
Savings	24.90	39.97	55.78	110.41	90.10
<b>Savings (in per cent)</b>	<b>19.28</b>	<b>27.72</b>	<b>32.73</b>	<b>45.55</b>	<b>36.83</b>
<b>ii) Capital Provision</b>	<b>48.07</b>	<b>81.8</b>	<b>52.8</b>	<b>72.61</b>	<b>87.19</b>
Expenditure	0.00	10.34	20.34	2.51	16.21
Savings	48.07	71.46	32.46	70.10	70.98
<b>Savings (in per cent)</b>	<b>100</b>	<b>87.36</b>	<b>61.48</b>	<b>96.54</b>	<b>81.41</b>

Source: Appropriation Accounts of respective year.

As can be seen from the above table, there were persistent savings during the period 2015-20 under the Grant ranging from 39.53 to 57.31 per cent of the total budget provision during the same period. This was both under Revenue and Capital provisions. The savings under Capital provisions ranged between 61.48 to 100 per cent. Persistently large savings is indicative of incorrect assessment of actual needs and calls for a critical review of budget preparation exercise of the Department.

### 3.4.3.2 Surrender of Savings

As per Rule 62(1) of GFR, 2017 Grants/Appropriations, which are anticipated to remain unspent must be surrendered as early as possible before the close of the financial year. The position of savings and surrenders under the grants was as per details shown in **Table 3.14**.

**Table 3.14: Details of Savings during 2015-20**

(₹ in crore)					
Grant No. 17	2015-16	2016-17	2017-18	2018-19	2019-20
Total Budget Provision	177.24	226.01	223.22	314.99	331.86
Expenditure	104.27	114.58	134.98	134.48	170.78
Savings	72.97	111.43	88.24	180.51	161.08
Total Surrender	0.00	14.00	0.00	0.00	2.55
Surrender as a percentage of Savings	0.00	12.56	0.00	0.00	1.58

Source: Appropriation Accounts of respective years.

Out of total budget provision of ₹ 1273.32 crore for the Grant during 2015-20, there were savings of ₹ 614.23 crore (48.24 per cent). However, only ₹ 16.55 crore constituting 2.69 per cent of the total savings was surrendered.

### 3.4.3.3 Savings of Entire Budget Provision

Budget provision of ₹ 3.70 crore against the grant for two schemes/ projects for the year 2019-20 was unutilised at the end of the year. Details are given below.

Table 3.15: Non-utilisation of budget provision

(₹ in crore)

Sl. No.	Name of the Scheme/Projects	Budget Provision	Savings	Percentage
1	National Food Security Mission (NFSM) (Central Share)	3.20	3.20	100
2	Pradhan Mantri Krishi Sinchai Yojana (PMKSY)	0.50	0.50	100
	<b>Total</b>	<b>3.70</b>	<b>3.70</b>	<b>100</b>

Source: Appropriation Accounts (2019-20).

### 3.4.3.4 Insufficient/Excessive Re-Appropriation of Funds

During the year 2019-20, Re-appropriation of Funds proved insufficient/excessive resulting in savings of ₹ one crore or more in each case in six Sub-heads as per details given below.

Table 3.16: List of Sub Heads with excess/savings during 2019-20

(₹ in crore)

Sl. No.	Head of Account	Original	Supplementary	Re-appropriation	Total	Expenditure	Excess (+)/ Savings (-)
1	2401.00.001.01 (H)	5.42	0.00	(-) 0.23	5.19	3.78	(-) 1.41
2	2401.00.001.01 (V)	12.04	0.00	(+) 0.07	12.11	8.64	(-) 3.46
3	2401.00.001.25 (V)	8.86	0.00	(-) 0.60	8.26	5.64	(-) 2.62
4	2401.00.800.01 (V)	8.00	0.00	(+) 32.00	40.00	21.11	(-) 18.89
5	2401.00.800.20 (V)	36.50	0.00	(+) 7.50	44.00	35.00	(-) 9.00
6	2401.00.800.21 (V)	3.51	0.00	(+) 3.77	7.28	5.44	(-) 1.84
	<b>Total</b>	<b>74.33</b>	<b>0.00</b>	<b>(+) 42.51</b>	<b>116.84</b>	<b>79.61</b>	<b>(-) 37.22</b>

Source: Detailed Appropriation Accounts

### 3.4.3.5 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. The details of quarter-wise expenditure of the Major Heads under the Grant during the year is given below:

Table 3.17: Expenditure pattern during 2019-20

(₹ in crore)

Description	Expenditure incurred in each quarter				Total Expenditure (TE)	Expenditure in March as percentage of TE
	1 <sup>st</sup> Qtr	2 <sup>nd</sup> Qtr	3 <sup>rd</sup> Qtr	4 <sup>th</sup> Qtr (March 2020)		
2435-Other Agriculture Programme	0.00	0.00	0.00	0.07	0.07	100
3454- Census Surveys and Statistics	0.03	0.02	0.01	0.15	0.21	57.54
4401- Capital outlay on Crop Husbandry	0.00	0.00	0.00	0.35	0.39	89.3
4705- Capital outlay on Command Area Development	0.00	0.00	0.00	14.35	15.82	90.71
<b>Total</b>	<b>0.03</b>	<b>0.02</b>	<b>0.01</b>	<b>14.92</b>	<b>16.49</b>	<b>90.30</b>

Source: Appropriation Accounts and VLC data

As can be seen from above, out of the Total Expenditure of ₹ 16.49 crore during the year 2019-20, an amount of ₹ 14.89 crore (90.30 per cent) was incurred in March 2020.

### 3.5 Conclusion

- Against the total budget provision of ₹ 20,961.51 crore, State Departments incurred expenditure of ₹ 17,165.50 crore during 2019-20, resulting in net overall savings of ₹ 3,796.01 crore. The overall savings was the net result of savings of ₹ 5,925.94 crore offset by an excess of ₹ 2,129.93 crore.
- In eight cases, expenditure of ₹ 42.32 crore was incurred during 2019-20 in three grants, without budget provision, in violation of financial regulations and without the authority of the State Legislature.
- During 2019-20, Supplementary grants of ₹ 1,573.55 crore provided in 34 cases proved unnecessary as the expenditure did not come up to the level of original provision, indicating that Supplementary grants were provided in an adhoc manner without adequate review.
- In 83 cases, savings exceeded ₹ one crore or by more than 25 *per cent* of total provision during 2019-20. Out of these, 100 *per cent* savings occurred in two Grants *viz.* State Legislature and Council of Ministers under “Capital voted”. Further, there were 12 cases of persistent savings during the last five years 2015-20, indicating lack of systemic and closer budget review by the Government.
- During 2019-20, there was excess expenditure over provisions in two cases under one Appropriation, amounting to ₹ 2129.93 crore. Of these, in one case *viz.* Appropriation No. 2 – Interest Payment and Debt Services (Capital Charged), there was persistent excess expenditure during the last five years from 2015-2020, which reflects improper budgeting.
- In 20 cases, expenditure of more than ₹ 10 crore and 25 *per cent* of the total expenditure for the year 2019-20 was incurred in March 2020. Of these, in two cases, 100 *per cent* of the expenditure was incurred in March 2020, in breach of financial propriety and Budget Rules.

### 3.6 Recommendations

- Savings of budgetary provisions are reflective of inability of the Department to spend the allotted fund. Persistent savings and non-surrender of funds need a closer monitoring to identify such departments to review their budget allocations and to ensure providing budgetary provision based on priorities of developmental programmes/ schemes.
- Excess of expenditure over budgetary provisions under different grants is a serious lapse of budget rules and dilutes legislative approval over budgets. Departments, which had incurred excess expenditure persistently should be identified to closely monitor their progressive expenditure and to seek supplementary grants/re-appropriations in time.

- Supplementary grants should be provided in such grants only after proper scrutiny and realistic assessment of requirements of the concerned Departments, to avoid under or over spending by them.
- Rush of expenditure is a breach of financial propriety leading to unplanned expenditure. The Government should strengthen monitoring mechanism in each department to regulate fund flow and its utilisation on quarterly basis to avoid rush of expenditure at the fag end of the financial year.