

CHAPTER III
BUDGETARY MANAGEMENT

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3.1 Introduction

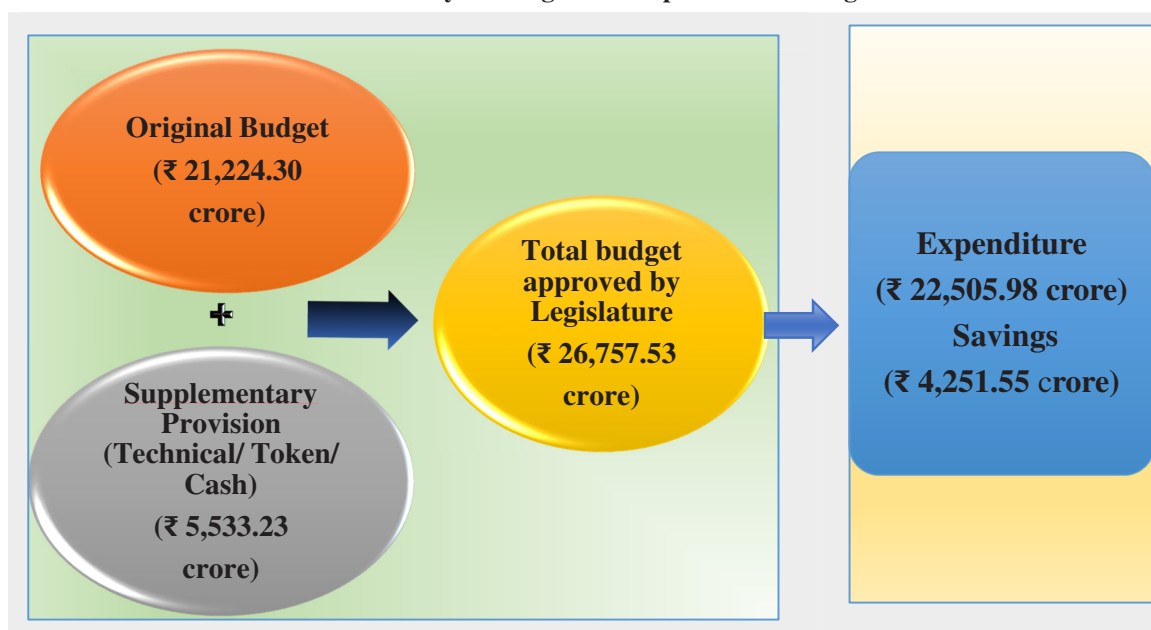
The Annual Financial Statement also called general budget is placed prior to the commencement of the financial year in the State Legislature in accordance with Article 202 of the Constitution. Supplementary Grant is provided during the course of the financial year, in accordance with Article 205 of the 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 2020-21 is depicted below.

Chart 3.1: Summary of Budget and Expenditure during 2020-21



The net savings of ₹ 4,251.55 crore was the result of gross savings of ₹ 8,336.62 crore offset by an excess expenditure of ₹ 4,085.07 crore during the year.

Further, the Supplementary Grant of ₹ 5,533.23 crore was not required as the gross expenditure was only ₹ 1,281.68 crore more than the Original Provisions. The cases of unnecessary/ excessive supplementary grants (₹ 10 crore and above in each case) taken during the year have been discussed in detail under **Paragraph 3.3.4**.

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 2016-21 with its further bifurcation into voted/charged is given in **Table 3.1**:

Table 3.1: Budget provision, disbursement and savings/excess during 2016-21

Year	Total Budget provision		Disbursements		Savings(-)/Excess(+)	
	Voted	Charged	Voted	Charged	Voted	Charged
2016-17	12,070.64	1,755.53	9,140.26	1,711.79	(-)2,930.38	(-)43.73
2017-18	12,745.87	993.62	10,132.51	1,264.66	(-)2,613.36	(+)271.04
2018-19	15,118.26	2,035.05	10,888.59	3,701.63	(-)4,229.67	(+)1,666.58
2019-20	16,610.65	4,350.86	10,699.91	6,465.59	(-)5,910.74	(+)2,114.73
2020-21	22,345.92	4,411.60	14,058.06	8,447.92	(-)8,287.86	(+)4,036.32

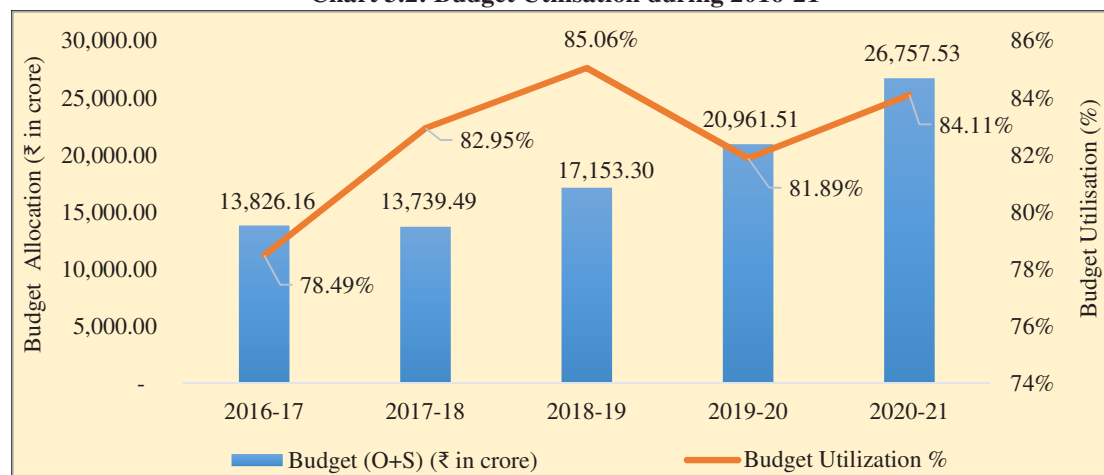
Source: Appropriation Accounts.

As can be seen from the above table, there were savings under voted expenditure during the last five years 2016-21 whereas, there were also excess under charged expenditure in all the years 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 2016-21 is given in the Chart below.

Chart 3.2: Budget Utilisation during 2016-21



Source: Appropriation Accounts.

Review of overall utilisation of budget provisions relating to the period 2016-21 revealed that the Government had substantial savings ranging between 14.94 per cent and 21.51 per cent of total budget allocation and could utilise only 78.49 per cent to 85.06 per cent of total allocation during this period. However, as compared to previous

year, budget utilisation in 2020-21 increased to 84.11 *per cent* from 81.89 *per cent* in 2019-20. Large amount of savings in allocated funds indicated inaccurate assessment of Receipts.

Although the issue of persistent savings is being highlighted in the Reports of the CAG on State Finances every year, no corrective measure has been taken by the departments concerned. This shows that there is inadequate monitoring as well. The Finance Department should take proactive measures to eliminate persistent savings

The savings are to be seen in the context of over estimation of expenditure as the State had planned to incur an expenditure ₹ 26,757.53 crore against the total estimated receipts of ₹ 22,730.40 crore. As the actual receipts was limited to ₹ 22,320 crore, the actual expenditure too was restricted to ₹ 22,505.98 crore. This was indicative of poor estimation as well as poor financial management.

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 2020-21 against 53 Grants/Appropriations is given in **Table 3.2**:

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

(₹ in crore)

Nature of Expenditure		Details of Grant/ Appropriation		Total	Actual Expenditure	Savings(-)/ Excess (+)	Surrender during March	
		Original	Supplementary				Amount	Per cent
Voted	I. Revenue	15,801.50	1,712.41	17,513.91	11,608.68	(-) 5,905.23	1,072.45	18.16
	II. Capital	3,354.18	1,462.54	4,816.72	2,439.18	(-) 2,377.54	0.12	0.01
	III. Loans & Advances	3.00	12.30	15.30	10.20	(-) 5.1	0.00	0.00
	Total	19,158.68	3,187.25	22,345.93	14,058.06	(-) 8,287.87	1,072.57	12.94
Charged	IV. Revenue	643.96	53.95	697.91	859.96	(+) 162.05	344.21	(-)212.41
	V. Capital	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	VI. Public Debt-Repayment	1,421.66	2,292.03	3,713.69	7,587.96	(+) 3,874.27	0.00	0.00
	Total	2,065.62	2,345.98	4,411.60	8,447.92	(+) 4,036.32	344.21	(-)8.53
Appropriation to Contingency Fund (if any)		0.00	0.00	0.00	0.00	0.00	0.00	0.00
Grand Total		21,224.30	5,533.23	26,757.53	22,505.98	(-) 4,251.55	1,416.78	33.32

Source: Appropriation Accounts.

As can be seen from the above table, expenditure of ₹ 22,505.98 crore was incurred during 2020-21, against a total budget provision of ₹ 26,757.53 crore resulting in overall savings of ₹ 4,251.55 crore. The overall savings of ₹ 4,251.55 crore was the net result of savings of ₹ 8,336.62 crore in 50 Grants and two Appropriations under Revenue section and 34 Grants under Capital section, offset by an excess of

₹ 4,085.07 crore under Appropriation No. 2 – Interest Payment and Debt Services in both Revenue section and Capital section.

The trends in percentage of savings/excess against overall provision in the budget for the last five years from 2016-21 are shown in **Table 3.3**.

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

	2016-17	2017-18	2018-19	2019-20	2020-21
Original Budget	10,518.04	12,420.65	13,731.03	16,116.72	21,224.30
Supplementary Budget	3,308.12	1,318.84	3,422.27	4,844.79	5,533.23
Revised Estimate	7,202.97	13,173.74	16,650.80	20,222.09	24,986.36
Actual Expenditure	10,852.05	11,397.17	14,590.22	17,165.50	22,505.98
Savings (-) /Excess (+)	(-2,974.11)	(-2,342.32)	(-2,563.08)	(-3,796.01)	(-4,251.55)
Savings as per cent of total provision	21.51	17.05	14.94	18.11	15.89

Source: Appropriation Accounts

It can be seen from the above table that there were overall savings during the period 2016-2021 ranging from 14.94 per cent to 21.51 per cent. The percentage of savings was on a decreasing trend since 2016-17, except in 2019-20.

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 three cases, expenditure was incurred amounting to ₹ 5.74 lakh without budget provision as detailed in **Table 3.4**.

Table 3.4: Summary of Expenditure without Budget Provision

Grant No.	Name of the Grant	Head of Account	Expenditure (₹ in lakh)	Number of Schemes/ Sub Heads
10	Education	2202.02.800.85(H)	0.72	1
11	Medical, Health and Family Welfare Services	2210.06.112.15(H)	0.02	1
44	Social Welfare Department	2235.02.101.11(H)	5.00	1
Total			5.74	3

Source: Detailed Appropriation Accounts.

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

3.3.2 Parking of Funds in Public Account/Bank Accounts to avoid lapse of budgetary Grants

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.

3.3.2.1 Parking of Funds in Public Accounts

Audit noticed that during the year 2020-21, ₹ 37.51 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 3.1*.

3.3.2.2 Parking of Funds in Bank Accounts

A test check of records revealed that in respect of 96¹⁶ Drawing and Disbursing Officers (DDOs) pertaining to ten Departments, funds amounting to ₹ 227.78 crore were parked in 96 bank accounts of Commercial/ Nationalised Banks in contravention of the order of Finance Department. Details are shown in *Appendix 3.2*.

Drawal of money from the Consolidated Fund and parking it in Public Accounts and DDOs' bank accounts which is outside the Government account for future utilisation is not only a violation of the Finance Department's order but also is fraught with the risk of misutilisation and fraudulent drawals. Booking of such drawals and parking it for future use as expenditure in the accounts only inflated the reported expenditure figures.

3.3.3 Misclassification of Revenue Expenditure as Capital Expenditure and vice versa

Misclassification of expenditures and receipts has a great impact on the integrity of the financial statements. Object Heads of capital nature (*e.g.* 53- Major Works) should be booked under Capital Major Heads and that of Object Heads of revenue nature (*e.g.* 27 - Minor Works) under Revenue Major Heads.

During 2020-21, expenditure of ₹ 0.46 crore under Object Heads 53 - Major Works was booked under Revenue Major Heads and ₹ 2.15 crore under Object Head 27 - Minor Works was booked under Capital Major Heads.

Misclassification of expenditure of revenue nature as capital expenditure results in understatement of revenue expenditure and overstatement of revenue surplus to the extent of ₹ 2.15 crore. Similarly, misclassification of capital expenditure as revenue expenditure results in overstatement of revenue expenditure and understatement of revenue surplus by ₹ 0.46 crore. Details are given in *Appendix 3.3*.

3.3.4 Unnecessary or excessive supplementary grants

Supplementary provision aggregating to ₹ 1,950.13 crore in 29 cases, during the year 2020-21 proved unnecessary as the expenditure did not come up even to the level of original provision as detailed in *Appendix 3.4*. Out of these, in 18 cases, the supplementary provision was more than ₹ 10 crore in each case as given in table below:

¹⁶ Out of 1,273 DDOs audit requisitioned, only 137 DDOs had furnished information as on January 2022.

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 Original Provisions
Revenue (Voted)					
1	3. Secretariat	99.30	11.07	92.44	6.85
2	10. Education	2,223.19	92.29	1,495.51	727.68
3	11. Medical, Health and Family Welfare Services	830.99	113.25	828.27	2.72
4	12. Municipal Administration, Housing and Urban Development	346.31	97.90	217.81	128.50
5	14. Department of Tribal Affairs, Hills and Scheduled Caste Development	865.65	72.00	703.15	162.49
6	17. Agriculture	275.76	19.85	195.42	80.34
7	18. Animal Husbandry and Veterinary including Dairy Farming	185.33	34.51	124.25	61.09
8	20. Community and Rural Development	2,713.84	695.21	1,917.63	796.20
9	22. Public Health Engineering	132.32	29.96	100.28	32.04
10	26. Administration of Justice	48.99	13.02	33.07	15.92
11	37. Fisheries	39.92	14.99	37.18	2.74
12	44. Social Welfare Department	408.79	179.65	317.55	91.24
13	47. Minorities and Other Backward Classes Department	51.98	26.21	23.04	28.94
14	48. Relief and Disaster Management	76.90	46.88	50.14	26.76
	Sub Total	8,299.27	1,446.78	6,135.74	2,163.53
Capital (Voted)					
15	12. Municipal Administration, Housing and Urban Development	377.24	68.28	112.23	265.01
16	22. Public Health Engineering	884.29	56.57	610.30	273.99
17	30. Planning	83.25	307.84	76.38	6.87
18	36. Minor Irrigation	219.26	42.36	130.84	88.42
	Sub Total	1,564.03	475.05	929.76	634.28
	Grand Total	1,640.93	521.93	979.89	661.04

Source: Appropriation Accounts.

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

3.3.5 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 56 sub-heads and resulted in savings and excess (₹ 10 crore or more in each case) of ₹ 2,371.98 crore and ₹ 684.89 crore respectively as detailed in *Appendix 3.5*. This indicates that the availability or requirement of funds was not properly assessed before re-appropriation and proved injudicious.

3.3.6 Savings/Surrenders in Grants/ Appropriations

3.3.6.1 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 79 cases, savings exceeded ₹ one crore in each case or by more than 25 per cent of total provision as detailed in **Appendix 3.6** Further, there were 25 cases¹⁷ where savings were 50 per cent and above of the total provision in each case. Out of these, 100 per cent savings occurred in five Grants (5. Finance Department) under Revenue charged and (2. Council of Ministers, 23. Power, 27. Election and 42. State Academy of Training) under Capital voted.

There were savings amounting to ₹ 7,151.87 crore in 20 cases, where savings were more than ₹ 100 crore in each case as shown in table below:

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

(₹ in crore)									
Sl. No.	Number and Name of Grant	Original	Supplementary	Total	Actuals	Savings	Surrender	Savings excluding surrender	Savings (per cent)
Revenue Voted									
1	5. Finance Department	2,291.93	0.00	2,291.93	1,739.22	552.71	538.23	14.48	24.12
2	7. Police	2,314.99	0.00	2,314.99	1,873.00	441.99	215.21	226.78	19.09
3	10. Education	2,223.19	92.29	2,315.48	1,495.51	819.97	0.00	819.97	35.41
4	11. Medical, Health and Family Welfare Services	830.99	113.25	944.24	828.27	115.97	0.00	115.97	12.28
5	12. Municipal Administration, Housing and Urban Development	346.31	97.90	444.21	217.81	226.40	0.00	226.40	50.97
6	14. Department of Tribal Affairs, Hills and Scheduled Caste Development	865.65	72.00	937.65	703.15	234.50	0.00	234.50	25.01
7	17. Agriculture	275.76	19.85	295.61	195.42	100.19	0.00	100.19	33.89
8	19. Environment and Forest	743.84	0.00	743.84	186.39	557.45	68.11	489.34	74.94
9	20. Community and Rural Development	2,713.84	695.21	3,409.04	1,917.63	1,491.41	0.00	1,491.41	43.75
10	21. Commerce and Industries	173.16	0.00	173.16	50.90	122.26	86.81	35.45	70.61
11	38. Panchayat	242.82	0.00	242.82	131.66	111.16	56.00	55.16	45.78
12	44. Social Welfare Department	408.79	179.65	588.44	317.55	270.89	0.00	270.89	46.04
Sub Total		13,431.26	1,270.14	14,701.40	9,656.51	5,044.89	964.35	4,080.54	34.32
Capital Voted									
13	8. Public Works	691.30	0.00	691.30	447.59	243.71	189.37	54.34	35.25
14	12. Municipal Administration, Housing and Urban Development	377.24	68.28	445.52	112.23	333.29	0.00	333.29	74.81

¹⁷ Grant Nos. 12, 19, 21, 30, 45, 47 and 48 (Revenue Voted); Grant Nos. 5 and 26 (Revenue Charged and Grant Nos. 2, 3, 7, 12, 16, 17, 23, 26, 27, 30, 37, 40, 41, 42, 45 and 47 (Capital Voted).

Sl. No.	Number and Name of Grant	Original	Supplementary	Total	Actuals	Savings	Surrender	Savings excluding surrender	Savings (per cent)
15	22. Public Health Engineering	884.29	56.57	940.86	610.30	330.56	0.00	330.56	35.13
16	30. Planning	83.25	307.84	391.09	76.38	314.71	0.00	314.71	80.47
17	36. Minor Irrigation	219.26	42.36	261.62	130.84	130.78	0.00	130.78	49.99
18	40. Irrigation and Flood Control Department	429.83	0.00	429.83	210.14	219.70	92.88	126.81	51.11
19	45. Tourism	61.07	141.00	202.07	89.65	112.42	0.00	112.42	55.63
20	47. Minorities and Other Backward Classes Department	222.89	443.21	666.10	244.28	421.83	0.00	421.83	63.33
Sub Total		2,969.13	1,059.27	4,028.39	1,921.41	2,106.99	282.25	1,824.73	445.73
Grand Total		16,400.39	2,329.40	18,729.79	11,577.91	7,151.87	1,246.60	5,905.27	38.18

Source: Appropriation Accounts.

There were huge savings during 2020-21, with 8 out of 53 Grants/ Appropriations showing utilisation of less than 50 per cent of the budget allocation as shown in **Appendix 3.7**. In two out of the eight Grants/ Appropriations, there was a pattern of low utilisation in four out of the last five years 2016-21. 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, Environment and Forest, Commerce and Industries and Tourism sectors. Similarly, Audit also noticed low utilisation in Grant 12-Municipal Administration, Housing and Urban 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.

3.3.6.2 Persistent Savings

There were 10 cases where persistent savings were found during the last five years from 2016-21. Of these, five cases pertained to Revenue Voted accounts and the remaining five cases under Capital Voted accounts. The details are given in **Appendix 3.8**. 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 2016-21

(₹ in lakh)

Sl. No.	Grant No. and Name of the Grant	2016-17	2017-18	2018-19	2019-20	2020-21
Revenue Voted						
1	2. Council of Ministers, Salaries of Ministers & Dy. Ministers	23.65	33.50	32.67	31.67	90.38
2	2. Council of Ministers, Tour Expenses	49.80	15.54	63.23	32.88	33.38
3	8. Public Works	342.13	63.92	94.93	90.79	116.20
4	42. Other Administrative Services, Training, State Academy of Training	46.20	125.81	73.63	149.93	149.93
Capital Voted						
5	2. Loans to Government Servants, House Building Advances, Loans to Ministers	40.00	40.00	40.00	40.00	40.00

Sl. No.	Grant No. and Name of the Grant	2016-17	2017-18	2018-19	2019-20	2020-21
Revenue Voted						
6	2. Loans to Government Servants, Advances for Purchase of Motor Conveyances	40.00	25.00	40.00	40.00	40.00
7	36. Capital Outlay on Minor Irrigation	103.60	341.15	450.02	143.15	60.40

Source: Appropriation Accounts.

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 2016-2021. 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.

3.3.6.3 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 2020-21, no part of savings in 35 cases was surrendered by the Departments concerned. The amount involved in these cases was ₹ 3,687.76 crore (44.24 per cent of the overall savings of ₹ 8,336.62 crore) (*Appendix 3.9*). It was observed that in seven¹⁸ cases, savings exceeded ₹ 100 crore but were not surrendered.

Besides, in 28 Grants/Appropriations (29 cases), ₹ 1,416.78 crore was surrendered on 31 March 2021 (*Appendix 3.10*) indicating inadequate financial control. Moreover, these funds could not be utilised for the purpose it was sanctioned or for any other purpose.

3.3.6.4 Substantial surrenders

Substantial surrenders exceeding ₹ 10 crore were made at the end of March 2021 in eleven 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 2021

(₹ in crore)

Sl. No.	Grant/ Appropriation	Original	Supplementary	Total provisions	Actual	Savings (-) / Excess(+)	Amount Surrendered
Revenue Voted							
1	19. Environment and Forest	743.84	0.00	743.84	186.39	557.45	68.11
2	21. Commerce and Industries	173.16	0.00	173.16	50.90	122.26	86.81
3	25. Youth Affairs and Sports Department	63.30	0.00	63.30	41.97	21.33	19.14

¹⁸ Sl. No. (5, 6, 7, 9, 11 and 16 under Revenue Voted; 31 under Capital Voted)

Sl. No.	Grant/ Appropriation	Original	Supplem entary	Total provisions	Actual	Savings (-) / Excess(+)	Amount Surrendered
Revenue Voted							
4	30. Planning	117.90	0.00	117.90	43.34	74.56	24.42
5	38. Panchayat	242.82	0.00	242.82	131.66	111.16	56.00
6	40. Irrigation and Flood Control Department	71.60	0.00	71.60	54.58	17.01	10.83
7	43. Horticulture and Soil Conservation	101.11	0.00	101.11	75.24	25.87	12.22
8	45. Tourism	23.28	0.00	23.28	4.70	18.58	14.44
	Sub Total	1,536.99	0.00	1,536.99	588.77	948.22	291.97
Capital Voted							
9	17. Agriculture	111.99	0.00	111.99	38.87	73.12	45.40
10	26. Administration of Justice	40.50	0.00	40.50	19.30	21.20	15.77
11	40. Irrigation and Flood Control Department	429.83	0.00	429.83	210.1 4	219.70	92.88
	Sub Total	582.33	0.00	582.33	268.31	314.02	154.05
	Grand Total	2,119.32	0.00	2,119.32	857.08	1,262.24	446.02

Source: Appropriation Accounts.

Out of the total savings of ₹ 8,336.62 crore during the year 2020-21, only 16.99 per cent (₹ 1,416.78 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 2021. This indicates poor financial management.

3.3.7 Excess expenditure and its regularisation

3.3.7.1 Excess expenditure during 2020-21

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 2020-21, there was excess over provisions in two cases under one Appropriation, amounting to ₹ 4,085.07 crore which required regularisation by the State Legislature. Details are shown in the table below:

Table 3.9: Excess over provision during 2020-21 requiring regularisation

Sl. No.	Number and title of Grant/Appropriation	Total provision	Expenditure	Excess
<i>(₹ in crore)</i>				
Revenue Charged				
1	Appropriation No. 2-Interest Payment and Debt Services	622.80	831.60	208.80
Capital Charged				
2	Appropriation No. 2-Interest Payment and Debt Services	3,711.69	7,587.96	3,876.27
TOTAL		4,334.49	8,419.56	4,085.07

Source: Appropriation Accounts.

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 2016-21 which is reflective of poor budgeting. Details are given in **Table 3.10:**

Table 3.10: Persistent excess expenditure during 2016-21

(₹ in crore)						
Sl. No.	Description of Grant/Appropriation	2016-17	2017-18	2018-19	2019-20	2020-21
1	Appropriation No. 2 – Interest Payment and Debt Services (Capital Charged)	50.73	280.12	1,729.50	2,121.77	3,876.27

Source: Appropriation Accounts.

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.

3.3.7.2 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, ₹ 1,729.49 crore and ₹ 2,129.93 crore for the year 2017-18, 2018-19 and 2019-20 respectively were yet to be examined (January 2022) by PAC. The details of excess expenditure during the period 2017-20 are shown in *Appendix 3.11*.

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 2020-21, in 23 grants, (savings exceeding ₹ 50 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 ₹ 13,418.82 crore as per details given in *Table 3.11*.

Table 3.11: List of grants with unutilised fund during 2020-21

(₹ in crore)						
Sl. No.	Name of the Grant	Original Allocation	Supplementary	Total	Expenditure	Unutilised Funds
Revenue (Voted)						
1	4. Land Revenue, Stamps & Registration and District Administration	172.52	0.00	172.52	97.87	74.65
2	5. Finance Department	2,291.93	0.00	2,291.93	1,739.22	552.71
3	7. Police	2,314.99	0.00	2,314.99	1,873.00	441.99
4	8. Public Works Department	202.66	0.00	202.66	114.21	88.46
5	10. Education	2,223.19	92.29	2,315.48	1,495.51	819.97
6	11. Medical, Health and Family Welfare Services	830.99	113.25	944.24	828.27	115.97
7	12. Municipal Administration, Housing and Urban Development	346.31	97.90	444.21	217.81	226.40
8	14. Department of Tribal Affairs, Hills and Scheduled Caste Development	865.65	72.00	937.65	703.15	234.50

Sl. No.	Name of the Grant	Original Allocation	Supplementary	Total	Expenditure	Unutilised Funds
9	17. Agriculture	275.76	19.85	295.61	195.42	100.19
10	18. Animal Husbandry and Veterinary including Dairy Farming	185.33	34.51	219.84	124.25	95.60
11	19. Environment and Forest	743.84	0.00	743.84	186.39	557.45
12	20. Community and Rural Development	2,713.84	695.21	3,409.04	1,917.63	1,491.41
13	21. Commerce and Industries	173.16	0.00	173.16	50.90	122.26
14	22. Public Health Engineering	132.32	29.96	162.28	100.28	62.00
15	23. Power	360.45	99.95	460.40	409.99	50.41
16	30. Planning	117.90	0.00	117.90	43.34	74.56
17	38. Panchayat	242.82	0.00	242.82	131.66	111.16
18	44. Social Welfare Department	408.79	179.65	588.44	317.55	270.89
19	47. Minorities and Other Backward Classes Department	51.98	26.21	78.20	23.04	55.15
20	48. Relief and Disaster Management	76.90	46.88	123.78	50.14	73.64
	Sub Total	14,731.33	1,507.64	16,238.97	10,619.61	5,619.36
Capital Voted						
21	8. Public Works Department	691.30	0.00	691.30	447.59	243.71
22	12. Municipal Administration, Housing and Urban Development	377.24	68.28	445.52	112.23	333.29
23	17. Agriculture	111.99	0.00	111.99	38.87	73.12
24	22. Public Health Engineering	884.29	56.57	940.86	610.30	330.56
25	30. Planning	83.25	307.84	391.09	76.38	314.71
26	36. Minor Irrigation	219.26	42.36	261.62	130.84	130.78
27	40. Irrigation and Flood Control Department	429.83	0.00	429.83	210.14	219.70
28	45. Tourism	61.07	141.00	202.07	89.65	112.42
29	47. Minorities and Other Backward Classes Department	222.89	443.21	666.10	244.28	421.83
	Sub Total	3,081.12	1,059.27	4,140.39	1,960.28	2,180.11
	Total	32,543.78	4,074.55	36,618.33	23,199.51	13,418.82

Source: Appropriation Accounts.

Though there was such a huge unutilised funds, 67 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 35 cases as shown in *Appendix 3.12*, expenditure of more than ₹ 10 crore and 25 per cent of the total expenditure for the year was incurred in March, 2021. The grants where more than 50 per cent of the total expenditure under the grant was incurred in March 2021 alone are detailed in **Table 3.12**.

Table 3.12: Grants with more than 50 per cent of expenditure in March alone

(₹ in crore)

Sl. No.	Grant No.	Description	Expenditure in March	Total Expenditure (TE)	Expenditure in March as percentage of TE
1	45	Tourism	81.77	94.34	86.68
2	30	Planning	97.60	119.72	81.52
3	34	Rehabilitation	7.13	9.00	79.22
4	36	Minor Irrigation	100.24	141.04	71.07
5	13	Labour and Employment	44.68	69.45	64.33
6	12	Municipal Administration, Housing and Urban Development	194.67	330.05	58.98
7	50	Information Technology	36.54	64.07	57.03
8	29	Sales Tax, Other Taxes/Duties on Commodities and Services	5.90	11.71	50.38
Total			568.53	839.38	67.73

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.

3.4.3 Review of selected grant

A review of budgetary procedure and control over expenditure was conducted in respect of Grant No. 45 - Tourism to review compliance with prescribed budgetary 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 2016-21 of the Grant is given in Table 3.13.

Table 3.13: Summarised position of Budget Provision and Actual Expenditure

(₹ in crore)

Grant No. 45	2016-17	2017-18	2018-19	2019-20	2020-21
Total Budget Provision	60.65	78.40	62.25	51.04	210.91
Expenditure	53.41	30.91	51.55	32.65	94.35
Savings	7.24	47.49	10.70	18.39	116.56
Savings (in per cent)	11.94	60.57	17.19	36.03	55.27
i) Revenue Provision	21.77	20.33	23.70	22.48	8.84
Expenditure	20.53	17.30	21.45	20.50	4.70
Savings	1.24	3.03	2.25	1.98	4.14
Savings (in per cent)	5.70	14.90	9.49	8.81	46.83
ii) Capital Provision	38.88	58.07	38.55	28.56	202.07
Expenditure	32.88	13.61	30.10	12.15	89.65
Savings	6.00	44.46	8.45	16.41	112.42
Savings (in per cent)	15.43	76.56	21.92	57.46	55.63

Source: Appropriation Accounts.

As can be seen from the above table, there were persistent savings during the period 2016-21 under the Grant ranging from 11.94 to 60.57 per cent of the total budget provision during the same period. This was both under Revenue and Capital provisions. The savings under Revenue provisions ranged between 5.70 to 46.83 per cent and under

Capital provisions ranged between 15.43 to 76.56 *per cent* respectively. Persistently large savings is an 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 2016-21

(₹ in crore)					
Grant No. 45	2016-17	2017-18	2018-19	2019-20	2020-21
Total Budget Provision	60.64	78.40	62.25	51.04	210.91
Expenditure	53.41	30.91	51.55	32.65	94.35
Savings	7.23	47.49	10.70	18.39	116.56
Total Surrender	0.00	0.00	0.00	8.74	14.44
Surrender as a percentage of Savings	0.00	0.00	0.00	47.53	12.39

Source: Appropriation Accounts.

Out of total budget provision of ₹ 463.24 crore for the Grant during 2016-21, there were savings of ₹ 200.37 crore (43.25 *per cent*). However, only ₹ 23.18 crore constituting 11.57 *per cent* of the total savings was surrendered.

3.4.3.3 Savings of Entire Budget Provision

Budget provision of ₹ 48.81 crore against the grant for ten schemes/ projects for the year 2020-21 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	Development of Tourism	2.00	2.00	100
2	State Share of NEC Schemes	0.17	0.17	100
3	Construction of Hill (Tribal) Chief Guest House at Palace Compound	2.94	2.94	100
4	Construction of Tourism park at Koide Zho, Senapati District	2.88	2.88	100
5	Development of Heritage Tourism at Yankhullen Village Senapati District	1.91	1.91	100
6	Development of Tourism Infrastructure at Kangkhui Cave Ukhul (NLCPR Scheme)	3.93	3.93	100
7	Development of Tourism Infrastructure at Cheraoching Imphal (NLCPR Scheme)	6.98	6.98	100
8	Eco-Tourism circuit under Swadesh Darshan (Central Share)	20.00	20.00	100
9	Trekking route and guest house at Dzuko	3.00	3.00	100
10	Loktak Lake Eco-Tourism Project (EAP)	5.00	5.00	100
	Total	48.81	48.81	100

Source: Appropriation Accounts.

3.4.3.4 Insufficient/Excessive Re-Appropriation of Funds

During the year 2020-21, Re-appropriation of Funds proved insufficient/excessive resulting in savings of ₹ one crore or more in each case in one Sub-head as per details given below.

Table 3.16: List of Sub Heads with excess/savings during 2020-21

(₹ in crore)

Sl. No.	Head of Account	Original	Supplementary	Re-appropriation	Total	Expenditure	Excess (+)/ Savings (-)
1	3452.00.001.01 (V)	10.80	0.00	(-) 9.26	1.54	0.54	(-) 1.00
Total		10.80	0.00	(-) 9.26	1.54	0.54	(-) 1.00

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 2020-21

(₹ in crore)

Description	Expenditure incurred in each quarter					Total Expenditure (TE)	Expenditure in March as percentage of TE
	1 st Qtr	2 nd Qtr	3 rd Qtr	4 th Qtr	Expenditure in March 2021		
3452 - Tourism	1.45	1.80	0.70	0.75	0.23	4.70	4.81
5452 - Capital Outlay on Tourism	0.00	0.01	0.00	89.64	81.55	89.65	90.96
Total	1.45	1.80	0.70	90.39	81.77	94.35	86.67

Source: Appropriation Accounts and VLC data.

As can be seen from above, out of the Total Expenditure of ₹ 94.35 crore during the year 2020-21, an amount of ₹ 81.77 crore (86.67 per cent) was incurred in March 2021.

3.5 Conclusion

- Against the total budget provision of ₹ 26,757.53 crore, State Departments incurred an expenditure of ₹ 22,505.98 crore during 2020-21, resulting in net savings of ₹ 4,251.55 crore. The overall savings was the net result of gross savings of ₹ 8,336.62 crore offset by an excess of ₹ 4,085.07 crore.
- In three cases, expenditure of ₹ 5.74 lakh was incurred during 2020-21 in three grants, without budget provision, in violation of financial regulations and without the authority of the State Legislature.
- During 2020-21, Supplementary grants of ₹ 1,950.13 crore provided in 29 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 79 cases, savings exceeded ₹ one crore or by more than 25 *per cent* of total provision during 2020-21. Out of these, 100 *per cent* savings occurred in five Grants *viz.* (5. Finance Department) under Revenue charged and (2. Council of Ministers, 23. Power, 27. Election and 42. State Academy of Training) under Capital voted. Further, there were 10 cases of persistent savings during the last five years 2016-21, indicating lack of systemic and closer budget review by the Government.
- During 2020-21, there was excess expenditure over provisions in two cases under one Appropriation, amounting to ₹ 4,085.07 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 2016-21, which reflects improper budgeting.
- Under eight grants, more than 50 *per cent* of the total expenditure under the grant was incurred in March 2021 indicating breach of financial propriety.

3.6 Recommendations

- *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 during the closing months of the financial year 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.*