

CHAPTER-III
Financial Management
and Budgetary Control

Chapter III : Financial Management and Budgetary Control

3.1 Introduction

This chapter reviews the integrity, transparency and effectiveness of the budgetary process and allocative priorities, including supplementary grants, and concomitant financial management, assessing whether decisions taken at the policy level are implemented at the administrative level without diversions of funds.

3.2 Budget Process

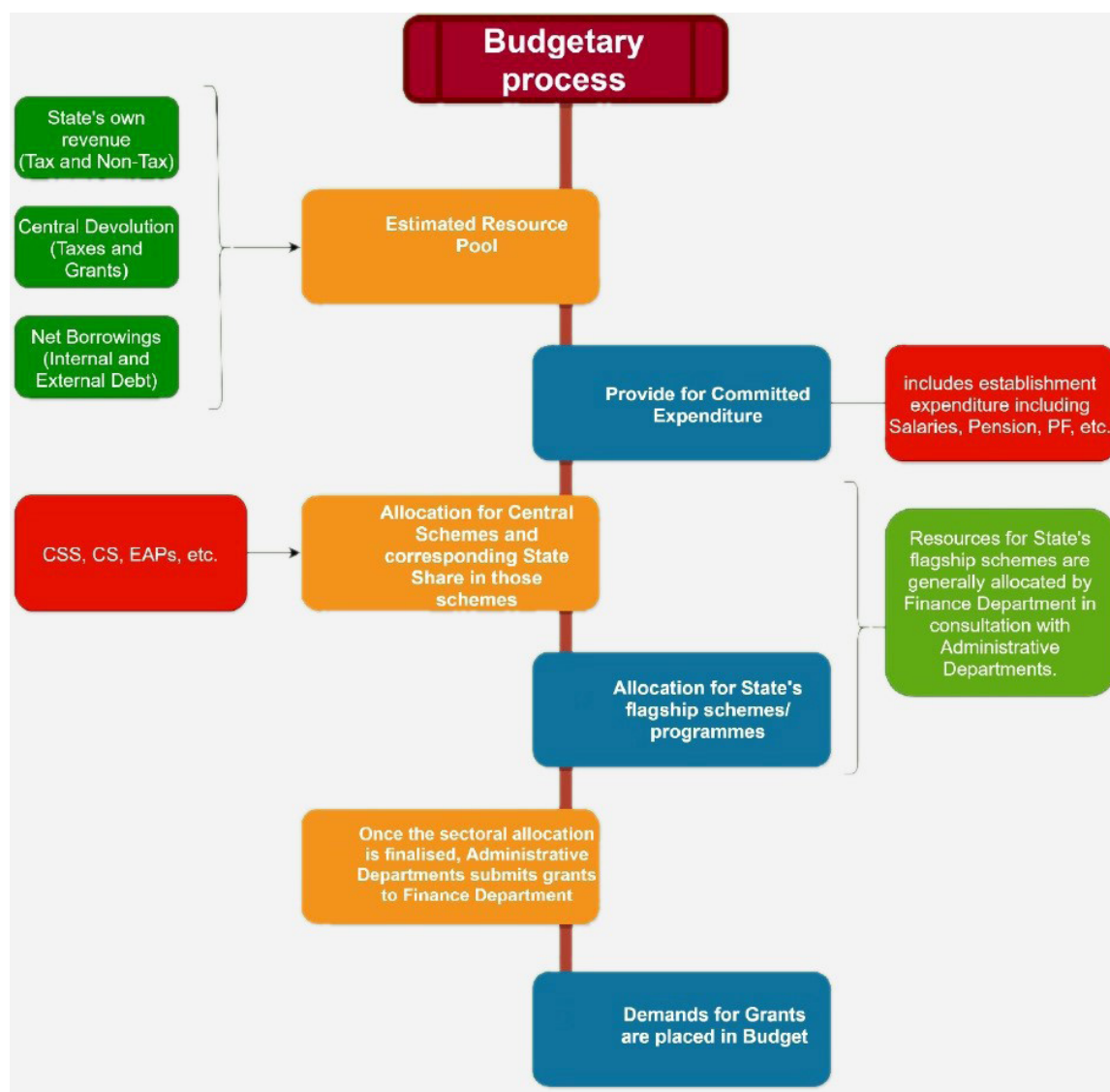
The annual exercise of budgeting is a means for detailing the roadmap for efficient use of public resources. The budget process commences with the issue of Budget Circular providing guidance to the Departments in framing their estimates for the next financial year.

Government of Arunachal Pradesh (GoAP) has not yet prepared a Budget Manual, which would normally detail the process involved in the exercise of budget formulation, the roles and responsibilities of the people entrusted with the preparation and implementation of budget, the timelines for preparation and submission of budgetary estimates and requirements for supplementary budgets, the process for seeking re-appropriations within Grants, assessment of savings and surrenders *etc.* in addition to the monitoring mechanisms and controls to be exercised by the Controlling Officers at all stages of budget preparation and implementation.

In the absence of any Budget Manual, the State Government has been following the General Financial Rules, various provisions of the Constitution of India, guidelines issued by the Central Governments, and Circulars issued by the State Government. The Finance Department is responsible for preparation of the annual budget by obtaining estimates from various departments. The departmental estimates of receipts and expenditure are prepared by Controlling Officers on the advice of the heads of departments and submitted to the Finance Department on prescribed dates. The Finance Department consolidates the estimates and prepares the detailed estimates called 'Demand for Grants'. The State budget comprises following documents as given in **Chart 3.1**.

Normally, every Department has one Demand for a Grant to ensure that corresponding to each Demand for a Grant a Head of the Department takes responsibility for implementing the policy decisions and expending public funds for the intended purposes. The State Government secures legislative approval for expenditure out of the Consolidated Fund of the State by presenting its Annual Budget and 79 Demands for Grants.

Chart 3.1 Budgetary Process followed by the State Government



Supplementary or additional Grant/ Appropriation is provided during the course of a financial year to meet expenditure exceeding the originally budgeted amount or for incurring the expenditure on items not envisaged earlier in the budget. Further, the State Government also re-appropriates/ re-allocates funds from various Units of Appropriation where savings are anticipated, to Units where additional expenditure is envisaged (both units being within the same Grant/ Appropriation) during the year.

3.3 Annual Budget 2022-23

Finance bill, Annual Financial Statement (Budget), and Demands for Grants are mandated by Article 199, 202 and 203 of the Constitution of India respectively.

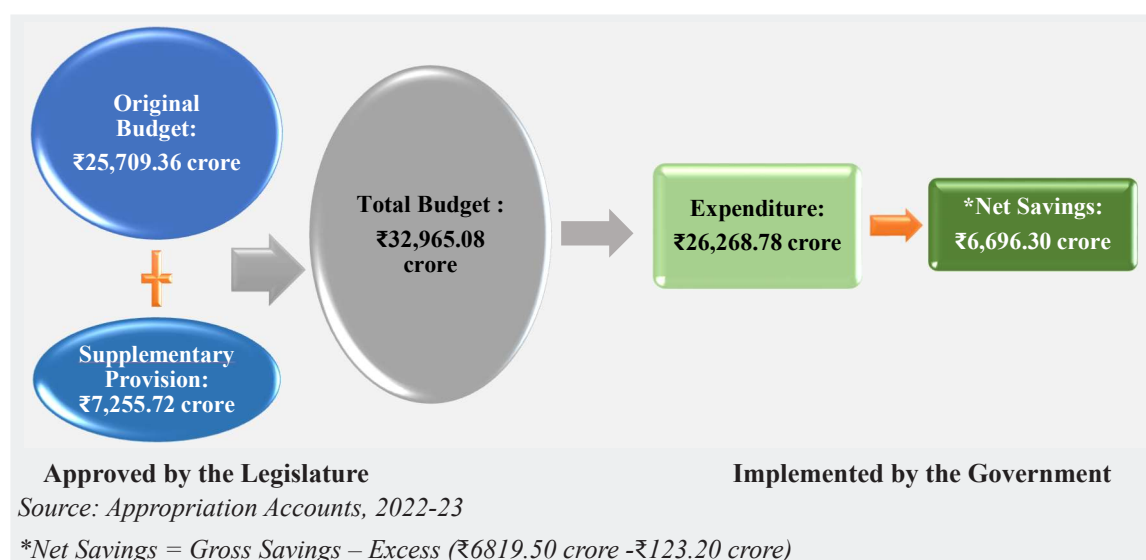
In compliance with Article 202 of Constitution of India, in respect of every financial year, a statement of the estimated receipts and expenditure of the State for that year called

“Annual Financial Statement” is to be laid before the House or Houses of the Legislature of the State. The estimates of the expenditure show ‘charged’ and ‘voted’ items¹ of expenditure separately. It shall also distinguish expenditure on revenue account from other expenditure. Legislative authorisation is necessary before incurring any expenditure by the State Government.

Further, Supplementary or Additional Grant or Appropriation is provided during the course of financial year, in accordance with Article 205 of the Constitution. It is the provision for meeting expenditure in excess of the budgeted.

The total amount approved by the State Legislature including the original and supplementary budgets, expenditures, and savings during 2022-23 is given in **Chart 3.2**.

Chart 3.2 Summary of Budget and Expenditure of Arunachal Pradesh for 2022-23



The budget provision (₹32,965.08 crore) for the year 2022-23 was more than the budget provision approved by the Legislature in the previous year (₹27,920.96 crore) by ₹5,044.12 crore. During 2022-23, the net savings amounted to 92.29 per cent of the aggregate Supplementary Provisions (₹7,255.72 crore). Further, due to the insufficient budget provisions (Original plus Supplementary) under nine grants (six under revenue and three under capital), there was an excess expenditure of ₹123.20² crore. The actual expenditure fell short of the amount approved by the Legislature (original budget plus supplementary) by ₹6,696.30 crore, constituting about 20.31 per cent of the total budget provisions approved. This raises questions about the basic assumptions that led to the unrealistic formulation of the budget. The actual expenditure (₹26,268.78 crore) during

¹ **Charged Expenditure:** Certain categories of expenditure (e.g. salaries of constitutional authorities, loan repayment etc.), constitute a charge on the Consolidated Fund of the State and are not subject to vote by the Legislature. **Voted Expenditure:** all other expenditure is voted by the Legislature

² Excess expenditure was ₹122.74 crore under Revenue Section and ₹0.46 crore under Capital Section

2022-23 was more than the actual expenditure (₹22,934.60 crore) of the previous year by ₹3,334.18³ crore.

According to the monthly civil accounts, the total expenditure of the Government till February 2023 was only ₹16,032.64 crore, leaving it with ₹9,676.72 crore for the Month of March 2023 from the original budget allocation. However, the Government took a Supplementary Grant of ₹7,255.72 crore on 07 March 2023 for the remaining 25 days. With the Supplementary Grant, total funds available with the State Government for March 2023 were ₹16,932.44 crore, which was equal to 105.61 *per cent* of the expenditure incurred during the first 11 months of the financial year. This is indicative of poor financial management.

3.3.1 Summary of total Provision, actual disbursement, and savings/ excess during the financial year

A summarised position of the total budget provision, actual disbursement, and savings/ excess with their further bifurcation into Voted/ Charged for the year 2022-23 is given in **Table 3.1**.

Table 3.1: Budget provision, actual disbursement, and savings/ excess during 2022-23
(₹ in crore)

| Budget Provision | | Disbursement | | Savings | | Excess | |
|------------------|----------|--------------|----------|----------|---------|--------|---------|
| Voted | Charged | Voted | Charged | Voted | Charged | Voted | Charged |
| 31,193.68 | 1,771.40 | 24,773.13 | 1,495.65 | 6,543.75 | 275.75 | 123.20 | 0.00 |

Source: Appropriation Accounts, 2022-23

There was an overall savings of ₹6,819.50 crore offset by excess of ₹123.20 crore during 2022-23 resulting in net savings of ₹6,696.30 crore which was 20.31 *per cent* of the total Grants/ Appropriations and 25.49 *per cent* of the total actual expenditure.

These savings may be seen in the context of budget provisions on the expenditure side being ₹32,965.08 crore during 2022-23 against the estimated Receipts under the Consolidated fund of ₹26,111.63 crore. This implied that the actual savings (₹6,696.30 crore) were notional, as the funds were not actually available for expenditure, thus, reflecting poorly on the budget formulation exercise of the State Government.

3.3.2 Charged and Voted Disbursement

Break-up of the total disbursement into charged and voted during 2022-23 along with the trend analysis during the last five years is given in **Table 3.2**.

³ ₹1,518.01 crore under Revenue Section and ₹1,816.17 crore under Capital Section

Table 3.2: Year-wise details of disbursement

(₹ in crore)

| Year | Disbursement | | Savings (-) | |
|---------|--------------|----------|-------------|---------|
| | Voted | Charged | Voted | Charged |
| 2018-19 | 17,386.20 | 1,070.97 | 7,847.07 | 503.93 |
| 2019-20 | 15,046.85 | 1,234.55 | 6,938.94 | 266.76 |
| 2020-21 | 17,395.43 | 1,278.62 | 6,571.49 | 355.26 |
| 2021-22 | 21,568.13 | 1,366.46 | 4,634.38 | 367.99 |
| 2022-23 | 24,773.13 | 1,495.65 | 6,543.75 | 275.75 |

Source: Appropriation Accounts of the respective year

As can be seen from **Table 3.2**, there were substantial savings in all five years in the voted and charged sections. This happened because most of the share from GoI being released in the last quarter of the financial year leaving little time for their utilisation, late provision supplementary grants, Lump-sum provision of budget and overestimation of the expenditure side, indicating that the expenditure was estimated without assessment of the availability of the resources to meet the expenditure.

As against the total savings of ₹6,819.50 crore during 2022-23, savings of ₹5,918.50⁴ crore (86.79 per cent of gross savings), where savings of ₹100.00 crore occurred in 16 Grants/ Appropriations as shown in **Table 3.11**, indicating serious weakness in the budget formulation in these Grants/ Appropriations. During 2022-23, 27 schemes encompassing 13 departments (detail in **Appendix 3.9**) could not be implemented, resulting in unutilised provisions of fund of ₹494.84 crore constituting 7.27 per cent of gross savings. However, compared to the last year (₹736.32 crore) such un-utilised provisions have decreased by 32.80 per cent.

3.4 Budget Marksmanship

3.4.1 Aggregate Budget Outturn

Aggregate Budget Outturn measures the extent to which the aggregate actual expenditure compares with the amount originally approved, both in terms of less than approved or in excess of approved.

Table 3.3: Aggregate Budget Outturn

(₹ in crore)

| Description | Original Approved Budget (BE) | Actual Outturn | Difference between Actual and BE* |
|--------------|-------------------------------|------------------|-----------------------------------|
| 1 | 2 | 3 | 4 |
| Revenue | 18,201.55 | 17,606.94 | (-)594.61 |
| Capital | 7,507.81 | 8,661.84 | (+)1,154.03 |
| Total | 25,709.36 | 26,268.78 | (+)559.42 |

Source: Financial Statement 2022-23 and Appropriation Accounts, 2022-23

* Excess of actuals over original provision is denoted as (+) figure and shortage of actuals over original provision as (-) figure

Deviation in outturn compared with BE was (-)3.27 per cent in Revenue Section and (+)15.37 per cent in Capital Section. This was due to the deviation as shown in **Table 3.4**.

⁴ ₹3,441.57 crore under Revenue Section (14 Grants) and ₹2,476.93 crore under Capital Section (four Grants)

Table 3.4: Details of deviation in outturn compared with BE

| Sl. No. | Deviation (in per cent) | Revenue | Capital |
|--------------|---------------------------------|-----------|-----------|
| 1. | 0 and ± 25 | 51 | 20 |
| 2. | between ± 25 to ± 50 | 18 | 10 |
| 3. | between ± 50 to ± 100 | 6 | 10 |
| 4. | equal to or more than ± 100 | 4 | 17 |
| Total | | 79 | 57 |

Source: Financial Statement 2022-23 and Appropriation Accounts, 2022-23

3.4.2 Expenditure Composition Outturn

Expenditure Composition Outturn measures the extent to which re-allocations between the main budget categories during the execution have contributed to variance in the expenditure composition.

Table 3.5: Expenditure Composition Outturn

(₹ in crore)

| Description | Original Approved Budget (BE) | Revised (RE) | Actual Outturn | Difference between BE and RE | Difference between Actual and RE* |
|--------------|-------------------------------|------------------|------------------|------------------------------|-----------------------------------|
| 1 | 2 | 3 | 4 | 5 | 6 |
| Revenue | 18,201.55 | 21,450.64 | 17,606.94 | 3,249.09 | (-)3,843.70 |
| Capital | 7,507.81 | 11,514.44 | 8,661.84 | 4,006.63 | (-)2,852.60 |
| Total | 25,709.36 | 32,965.08 | 26,268.78 | 7,255.72 | (-)6,696.30 |

Source: Annual Financial Statements, 2023-24 and Appropriation Accounts, 2022-23

* Excess of actuals over original provision is denoted as (+) and shortage of actuals over original provision is denoted as (-)

Deviation in outturn compared with RE was (-)17.92 per cent in Revenue Section and (+)24.77 per cent in Capital Section. This was due to deviation as shown in Table 3.6.

Table 3.6: Details of deviation in outturn with RE

| Sl. No. | Deviation (in per cent) | Revenue | Capital |
|--------------|---------------------------------|-----------|-----------|
| 1. | 0 and ± 25 | 58 | 43 |
| 2. | between ± 25 to ± 50 | 17 | 4 |
| 3. | between ± 50 to ± 100 | 3 | 8 |
| 4. | equal to or more than ± 100 | 1 | 2 |
| Total | | 79 | 57 |

Source: Annual Financial Statements, 2023-24 and Appropriation Accounts, 2022-23

3.5 Comments on Integrity of Budgetary and Accounting Process

3.5.1 Expenditure incurred without authority of law

No money shall be withdrawn from the Consolidated Fund of the State except under appropriation made by law passed in accordance with the provisions of Article 204 of the Constitution. Expenditure should not be incurred on a scheme/ service without the provision of funds except after obtaining additional funds by re-appropriation, supplementary grant or appropriation, or an advance from the Contingency Fund.

It was noticed that an expenditure of ₹119.50 crore was incurred on four Centrally Sponsored Schemes under the four Grants/ Appropriations without any provisions in

the original estimates/ supplementary demands and without any re-appropriation orders as shown in **Table 3.7** which were not qualified as emergent/ unforeseen in nature and therefore could have waited for Supplementary Demands during 2022-23 or Original Budget next year. Further, it was observed that ₹107.68 crore was incurred on Integrated Fishery Development Programme (CSS) under North Eastern Council for construction of Fisheries Ponds. Out of ₹107.68 crore, ₹21.80 crore was incurred in April 2022, and ₹85.88 crore in March 2023, which could have been regularised by Supplementary Grants as Supplementary Grants was taken on 07 March 2023.

Table 3.7: Expenditure incurred without budget provision during 2022-23

(₹ in crore)

| Sl. No. | Number and Name of Grant | Head of Account | Expenditure | Name of Schemes/ Sub Heads |
|--------------|--------------------------|-----------------|---------------|--|
| 1. | 24-Agriculture | 03-2401-113-05 | 0.68 | National Agriculture Technology Infrastructure |
| 2. | 24-Agriculture | 2401-115-03 | 4.62 | National Mission on Substantial Agriculture (NMSA) |
| 3. | 24-Agriculture | 2401-796-04 | 6.52 | Sub Mission on Agriculture Mechanization (SMAM) |
| 4. | 33-North Eastern Council | 09-2552-800-33 | 107.68 | Integrated Fishery Development Programme |
| Total | | | 119.50 | - |

Source: Detailed Appropriation Accounts, 2022-23

Drawal of money in the above grants was in violation of the provisions of the Constitution. It was the responsibility of the sanctioning authority to ensure that the required funds were available by way of provision in the budget before issuing sanction orders. The authorities while issuing sanctions for incurring expenditure from the Government account against the schemes mentioned in **Table 3.7** did not ensure the existence of a budget before issuing such sanction orders. Instead of ensuring the existence of budget provisions before admitting bills, the Treasury officers passed bills pertaining to these schemes based on sanction orders. This shows that bills were passed in treasuries without proper verification of the existence of provisions in the Budget and compliance with the prescribed rules was not ensured. Though, a substantial decrease in comparison to the last year's expenditure without budget provision (₹279.92 crore⁵) has been noticed, the Government still needs to strengthen the mechanisms for strict compliance with the rules; and the Treasury Officers must strictly adhere to the provisions regarding the existence of budget provision before passing of the bills.

3.5.2 Supplementary Provision

The General Financial Rules permit obtaining a Supplementary Grant/ Appropriation if the budgetary provision falls short and a commitment for expenditure has already been made under the orders of competent authority or expenditure is required to be made against the sub-heads for which no budget provision was made. The State

⁵ ₹18.51 crore under Capital and ₹261.41 crore under Revenue

Legislature approved one supplementary provision of ₹7,255.72 crore in 69 Grants/ Appropriations for the year 2022-23 on 07 March 2023, leaving few working days with the departments to utilise the fund. Audit analysis of the utilisation of supplementary allocations showed that a provision of only ₹5,208.20 crore was required in 59 Grants/ Appropriations where the final expenditure exceeded the original budget provisions. Details relating to the actual expenditures incurred against the original budget allocations and supplementary provisions are given in **Appendix 3.1**. Since the supplementary provision was Cash Supplementary which is over and above the original budget provision and resulted in enhancement of the total allocation for the Demand/ Grant, obtaining such approval without properly assessing the requirements resulted in large savings at the end of the year proving that ₹2,047.52 crore of the Supplementary provision was either unnecessary or could have been restricted to token amounts. The details of such grants where the Supplementary provision was unnecessary are discussed in the following subparagraphs.

3.5.2.1 Unnecessary or Excessive Supplementary Provision

Supplementary provision aggregating ₹713.32⁶ crore (₹10.00 lakh or more in each case) obtained in 14 Grants during 2022-23 proved unnecessary (details given in **Appendix 3.2**) as even the original provision was not fully utilised. Clearly, the Controlling Officers could not realistically assess/ estimate the actual requirement of funds for the remaining period of the financial year. The position of the grants is given in **Table 3.8** where the total supplementary provision of more than ₹10.00 crore was obtained and was later found unnecessary.

Table 3.8: Unnecessary Supplementary Provision

(₹ in crore)

| Sl. No. | Grant No. and Name | Original | Supplementary | Actual Expenditure | Savings out of Original Provisions |
|----------------------|--|-----------------|---------------|--------------------|------------------------------------|
| Revenue-Voted | | | | | |
| 1. | 7- Accounts and Treasury | 235.76 | 50.91 | 201.44 | 34.32 |
| 3. | 13-Audit and Pension | 1,662.16 | 129.41 | 1,509.50 | 152.66 |
| 4. | 25-Disaster Management | 286.30 | 29.11 | 189.67 | 96.62 |
| 5. | 26-Rural Works Department | 365.34 | 154.65 | 347.37 | 17.97 |
| 6. | 27-Panchayati Raj | 395.56 | 89.08 | 337.96 | 57.60 |
| 7. | 34-Power (Electrical) | 1,283.25 | 77.18 | 1,141.15 | 142.10 |
| 8. | 38-Water Resource Department | 472.35 | 147.83 | 363.15 | 109.19 |
| Capital-Voted | | | | | |
| 9. | 80-Medical Education Training and Research | 24.85 | 18.70 | 14.57 | 10.28 |
| Total | | 4,725.57 | 696.87 | 4,104.81 | 620.74 |

Source: Appropriation Accounts, 2022-23

⁶ ₹684.14 crore under Revenue Section and ₹29.18 crore under Capital Section

In Grant No. 80-Medical Education Training and Research, against one sub-head (4210-03-200- 'Creation of Assets under Budget Announcement/ State Development Scheme'), the original provision was ₹24.85 crore. According to Monthly civil accounts, the total expenditure till February 2023 was ₹5.46 crore leaving it with ₹19.39 crore for March from the original budget. Government allocated supplementary grant of ₹18.70 crore on 7 March 2023 for the remaining 25 days. With the supplementary grant, total funds available with the department for March was ₹38.09 crore which was 697.62 per cent of expenditure incurred during the first 11 months of the financial year. This indicative of poor financial management.

These types of unrealistic budgets should be scrutinised by the Finance Department (Budget), Government of Arunachal Pradesh before approval of the supplementary grants to the concerned departments. However, the occurrence of such cases under grant 26-Rural Works Department during consecutive year implies that Budget Division is not paying enough attention to avoid unrealistic budget formulation.

3.5.2.2 Excessive or Inadequate Supplementary Provision

During 2022-23, excessive or inadequate Supplementary Provisions (of ₹one crore and above) were made in 41 cases. Details of these 41 cases, where deviations from the actual requirements ranged between one to more than 100 per cent of the Supplementary Provisions, are in *Appendix 3.3*. A range-wise summarised position of excessive or inadequate Supplementary Provisions is given in **Table 3.9**.

Table 3.9: Range of excessive or inadequate Supplementary provisions

(₹ in crore)

| Range of Supplementary Provisions (excess/ less) | Details of Supplementary Provisions | | | | |
|--|-------------------------------------|-----------------|-----------------|--------------|-----------------|
| | Total | Excess (+) | Number of Cases | Less (-) | Number of Cases |
| 0-20 per cent | 3,810.45 | 334.76 | 12 | 13.74 | 1 |
| 21-40 per cent | 722.19 | 234.31 | 5 | - | - |
| 41-60 per cent | 792.22 | 422.52 | 4 | - | - |
| 61-80 per cent | 249.91 | 192.00 | 2 | - | - |
| More than 81 per cent | 998.84 | 1,624.39 | 17 | - | - |
| Total | 6,573.61 | 2,807.98 | 40 | 13.74 | 1 |

Source: Appropriation Accounts, 2022-23

Further, Supplementary Provisions aggregating ₹6,573.61 crore under 41 cases proved excessive by ₹2,807.98 crore under 40 cases and inadequate by ₹13.74 crore under one case.

The State Government (Secretary, Finance) in its reply (October 2023) stated that all possible efforts would be made to avoid such cases in future.

3.5.3 Error in Classification of Expenditures

Rule 84 of General Financial Rules, 2017 stipulates that significant expenditure incurred with the object of acquiring tangible assets of a permanent nature (for use in the organisation and not for sale in the ordinary course of business) or enhancing the utility of existing assets,

shall broadly be defined as Capital Expenditure. Subsequent charges on maintenance, repair, upkeep, and working expenses, which are required to maintain the assets in a running order as also all other expenses incurred for the day-to-day running of the organisation, including establishment and administrative expenses shall be classified as Revenue Expenditure. Capital and Revenue Expenditure shall be shown separately in the Accounts.

- During the audit of Appropriation Accounts for the year 2022-23, it was noticed that the State Government, however, incorrectly made budget provision of ₹7.75 crore for construction of Infrastructure Development for Science and Technology Research and Information and ₹1.15 crore for Anti Erosion Work along Mechang river of Yuibu under Revenue Section instead of booking the same under Capital Section, which had the impact of overstating the Revenue expenditure and understating the Revenue Surplus.
- Further the State Government incorrectly made budget provision of ₹7.59 crore for the Maintenance of Works under Capital Section instead of booking the same under Revenue Section, which had the impact of understating the Revenue expenditure and overstating the Revenue Surplus as details given in **Table 3.10**.

Table 3.10: Misclassification of Expenditure

(₹ in crore)

| Sl. No. | Grant No. and Name | Classification | Scheme Name | Expenditure Amount | Correct specific classification to be used | Where booked | Where to be booked |
|---------|-----------------------------------|-------------------|---|--------------------|--|--------------|--------------------|
| 1 | 38-Water Resource Department | 03-2711-01-103-01 | Anti-Erosion Work along Mechang river of Yuibu | 1.15 | 5054-01-103-01 | Revenue | Capital |
| 2 | 49-Science and Technology | 04-3425-60-004-02 | C/o Infrastructure Development for Science and Technology Research and Innovation | 7.75 | 3425-60-004-02 | Revenue | Capital |
| 3 | 75-Higher and Technical Education | 08-2203-105-03 | Setting up of new polytechnics (PMKVY) | 2.83 | 4202-02-104-07 | Revenue | Capital |
| 4 | 59-Public Health Engineering | 04-4215-01-800-02 | Maintenance of Works | 7.59 | 2215-01-800-02 | Capital | Revenue |

Source: Detailed Appropriation Accounts, 2022-23

The Government while issuing sanctions for implementation of the schemes did not strictly adhere to the Government Accounting Rules, 1990 with regard to the classification of expenditure, which resulted in misclassification of Revenue expenditure as Capital Expenditure and *vice-versa*. Even the Treasury officers while passing the bills did not take up the matter with the appropriate authority and rectify the misclassification. Further, it was noticed that the same irregularities existed in the previous year's report under two grants (38-Water Resource Department and 59-Public Health Engineering), which shows that the State Government has not taken any corrective measures to control the reoccurrence of the misclassifications.

The State Government (Secretary, Finance) in its reply stated that necessary direction would be issued to the departments to avoid such occurrence in future.

Recommendation *Finance Department should comply with the above rule while preparing Detailed Demand for Grants to avoid misclassification.*

3.5.4 Non-Classification of Expenditure

As per para 25(1) of the GFR 2017, all sanctions shall indicate the details of provision in the relevant grant or appropriation from which the expenditure has to be met. A test-check of the sanctions issued by the Government indicated that 99 sanction orders issued by the Government, involving ₹22.05 crore (details given in *Appendix 3.4*) did not indicate the provision in the grant or appropriation from which the expenditure was to be met or the head of the account under which the expenditure was to be classified. Non-observance of instructions has resulted in the booking of expenditures without budget provision by the Drawing and Disbursing Officers (DDOs).

The State Government (Secretary, Finance) in its reply (October 2023) stated that the corrective measures to avoid such cases would be taken up after discussing with the concerned Head of the Departments.

Recommendation *Finance Department should monitor that all the Head of the Department follow the instructions while issuing order to avoid such types of instances.*

3.5.5 Excessive/ Unnecessary/ inadequate/ Injudicious re-appropriation of funds

Re-appropriation is the transfer of funds within a Grant from one unit of appropriation, where savings are anticipated, to another unit where additional funds are needed. The authority issuing the re-appropriation order should assess the requirement of funds, expenditure incurred as on the date of issue of re-appropriation of funds, potential savings/ excess, *etc.* along with reasons for such re-appropriation, before issuing such order. It was noticed that such an exercise was not done diligently in many cases proving that either the re-appropriation itself was unnecessary or could have been issued for a different amount to avoid savings/ excess at the end of the financial year. However, during scrutiny of budget documents it was noticed that as many as 181 cases (*Appendix 3.5*), the re-appropriation was not made after a realistic assessment as the expenditure was less/ more than the final appropriated amount.

- In respect of 121 cases, the Re-appropriation proved excessive by ₹922.64 crore as Total Expenditure was ₹7,750.55 crore against the Final Grant (Original *plus* Supplementary *plus* Re-appropriation) of ₹8,673.19 crore as shown in *Appendix 3.5 (Part A)*.
- Under 15 cases, the Re-appropriation was inadequate as Total Expenditure exceeded the Final Grant (Original *plus* Supplementary *plus* Re-appropriation) by ₹49.97 crore as shown in *Appendix 3.5 (part B)*.

- In 35 cases, re-appropriation was unnecessary by ₹379.74 crore as actual expenditure was less than the Total Grant (Original *plus* Supplementary) as shown in **Appendix 3.5 (Part C)**.
- Under 10 cases, the Actual Expenditure was more than the Final Grant (Original *plus* Supplementary *minus* Re-appropriation) by ₹6.09 crore proved injudicious re-appropriation as shown in **Appendix 3.5 (Part D)**.

Recommendation *The Finance Department should monitor that all the Heads of the Departments follow the instructions issued by them in order to avoid unnecessary/ excessive Re appropriation of funds.*

3.5.6 Appropriation *vis-à-vis* Allocative Priorities

Appropriations Accounts are accounts of the expenditure of the Government for each financial year, compared with amounts of grants voted and appropriations charged for different purposes as specified in the schedules appended to the Appropriation Act passes under the Article 204 of the Constitution of India. Appropriation Accounts are prepared on Gross basis. These Accounts depict the original budget provision, 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, thus facilitate understanding of utilisation funds, the management of finances and monitoring of budgetary provisions and are, therefore, complementary to the Finance Accounts.

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

The outcome of the appropriation audit showed cases of significant savings (exceeded ₹one crore in each case) aggregating to ₹3,660.69 crore in 23 cases (Revenue) and ₹2,474.67 crore in 13 cases (Capital) and together amounting to more than 20 *per cent* of the total provisions, details of which are given in **Appendix 3.6**. Such huge savings indicate that the budget estimates are not prepared realistically. In 10 such cases, reasons for appropriation have not been appropriately explained in the Appropriation Accounts.

In the net savings of ₹6,696.30 crore, savings of ₹5,918.50 crore (88.38 *per cent*), exceeding ₹100.00 crore in each case, occurred in 16 Grants/ Appropriations as shown in **Table 3.11**.

Table 3.11: List of Grants with Savings of ₹100.00 crore and more

(₹ in crore)

| Sl. No. | Number and Name of Grant | Total Grant | Actual Expenditure | Details of Savings | | Reasons for Savings |
|----------------------|---------------------------------|-------------|--------------------|--------------------|------------|--|
| | | | | Savings | Percentage | |
| Revenue-Voted | | | | | | |
| 1 | 11- Women and Child Development | 441.49 | 293.03 | 148.47 | 33.63 | <ul style="list-style-type: none"> ➤ Due to non-utilisation of fund provided by the Planning and Investment Division under salary head. ➤ Due to non-receipt of proposals from the districts under All India Tour of Rural Woman Scheme |
| 2 | 13- Audit and Pension | 1,791.57 | 1,509.50 | 282.07 | 15.74 | <ul style="list-style-type: none"> ➤ Reason for saving has not been intimated. |
| 3 | 22- Food and Civil Supplies | 583.60 | 427.34 | 156.26 | 26.78 | <ul style="list-style-type: none"> ➤ Due to non drawal of Leave Encashment, MACP arrear. ➤ Due to release of Central Share of 16.00 lakh for computerization of PDS Operation at the end of financial year. |
| 4 | 23- Environment and Forests | 798.35 | 506.50 | 291.85 | 36.56 | <ul style="list-style-type: none"> ➤ Due to Non-drawal of arrear pay and leave encashment of retired/ death persons as pension papers are under process. ➤ Due to non-receipt of LOC authorization from the Finance Department of GoAP. |
| 5 | 25- Disaster Management | 315.40 | 189.67 | 125.73 | 39.86 | <ul style="list-style-type: none"> ➤ Reason for saving has not been intimated. |
| 6 | 26- Rural Works Department | 519.99 | 347.37 | 172.62 | 33.2 | <ul style="list-style-type: none"> ➤ Due to non-finalisation of MACP arrear, LTC and Domestic Travel Expenses, under various DDOs. ➤ Due to non-sanction of contingency posts. |
| 7 | 27- Panchayati Raj | 484.65 | 337.96 | 146.68 | 30.27 | <ul style="list-style-type: none"> ➤ Due to non-release of fund by GoI. |
| 8 | 31- Public Works Department | 1,433.63 | 1,056.63 | 377.00 | 26.30 | <ul style="list-style-type: none"> ➤ Due to non-completion of physical works as fund was provided at the end of financial year. ➤ Due to non-filling up of vacant posts, non-payment of arrear, HRA, DA on time as fund was provided near the end of financial year. |
| 9 | 34- Power (Electrical) | 1,360.43 | 1,141.15 | 219.29 | 16.12 | <ul style="list-style-type: none"> ➤ Due to non-payment of MACP arrear and leave encashment in march and making payment of Professional Services as per bill claimed. |

| Sl. No. | Number and Name of Grant | Total Grant | Actual Expenditure | Details of Savings | | Reasons for Savings |
|------------------------|--|------------------|--------------------|--------------------|------------|--|
| | | | | Savings | Percentage | |
| 10 | 38- Water Resource Department | 620.18 | 363.15 | 257.02 | 41.44 | ➤ Due to non-completion of tender process in respect of some of the schemes. |
| 11 | 50- Planning and Investment | 565.83 | 126.19 | 439.64 | 77.70 | ➤ Due to non-implementation of some of the schemes owing to late release of fund by the GoI. |
| 12 | 59- Public Health Engineering and Water Supply | 870.60 | 633.97 | 236.63 | 27.18 | ➤ Due to non-completion of some of the schemes owing to late receipt of expenditure authorisation from the Finance Dept. GoAP. |
| 13 | 66- Hydro Power Development | 470.91 | 284.16 | 186.75 | 39.66 | ➤ Due to non-payment of Leave Encashment, MACP arrear etc. and late receipt of bills |
| 14 | 76- Elementary Education | 2,070.03 | 1,668.47 | 401.55 | 19.40 | ➤ Due to non-receipt of expenditure authorisation |
| Total | | 12,326.66 | 8,885.09 | 3,441.57 | | |
| Capital-Voted | | | | | | |
| 15 | 24- Agriculture | 118.90 | 3.96 | 114.94 | 96.67 | ➤ Reason for saving has not been intimated. |
| 16 | 50- Planning and Investment | 2,788.11 | 869.23 | 1,918.88 | 68.82 | ➤ Due to non-implementation of some of the schemes owing to late release of fund by the Government of India. |
| 17 | 31- Public Works Department | 2,556.18 | 2,362.97 | 193.21 | 7.56 | ➤ Due to non-completion of some of the schemes owing to late receipt of expenditure authorisation from the Finance Dept. GoAP. |
| Total | | 5,463.19 | 3,236.16 | 2,227.03 | | |
| Capital-Charged | | | | | | |
| 18 | Public Debt | 801.01 | 551.11 | 249.90 | 31.20 | ➤ Reason for saving has not been intimated. |
| Total | | 801.01 | 551.11 | 249.90 | | |

Source: Appropriation Accounts, 2022-23

Details analysis of some grants as discussed below:

(i) Grant No.-31-Public Works Department:

- There was savings of ₹377.00 crore under Revenue Section. Out of ₹377.00 crore, ₹187.78 crore was surrendered on 31 March 2023. Thus, net savings was ₹189.22 crore.
- Out of remaining savings of ₹189.22 crore, there were savings of ₹139.36 crore under 'Major head 2059', ₹49.54 crore under 'Major head 3054' and ₹0.32 crore under Major head 2216.

- Out of total savings of ₹139.36 under 'Major head 2059', savings of ₹96.75 crore under 'sub-head 2059-80-001-01-Establishment Expenses', ₹30.76 crore under 'sub-head 2059-80-001-02-Execution', ₹11.82 crore under sub-head '2059-80-001-03-Structrural planning 'and ₹0.03 crore under sub-head '2059-80-051-02 Budget announcement' respectively, however, no part of the savings was anticipated for surrender during the year. Further, the Department in reply (July 2023) stated that the savings was due to non-filling up of vacant posts and non-payment of arrear, HRA and DA on time and physical works.
- Out of total savings of ₹49.54 crore under 'Major head 3054-Road and Bridges', ₹14.64 crore under sub-head '3054-04-001-01 Establishment expenses', ₹33.79 crore under sub-head '3054-04-105-01- Other maintenance expenditure' was occurred respectively. Department in its reply (June 2023) stated that savings was occurred due to non-filling of vacant post and non-payment of Arrear/ HRA/ DA and completion of physical works as fund was provided on fag end of financial year.
- There was savings of ₹193.21 crore under grant 31-Public Works Department in Capital Section, however, no part of savings was anticipated for surrender during the year.
- Out of total savings of ₹193.21 crore, there were savings of ₹185.05 crore under Major head '5054-Capital outlay on Road and Bridges' and savings of ₹8.14 crore under Major head '4216-Capital Outlay on housing' and savings of ₹0.02 crore under Major head,4059-Capital outlay on Public works'.
- Out of total savings of ₹185.05 crore under Major head '5054-Capital outlay on Road and Bridges', the savings of ₹182.88 crore under sub-head '5054-04-337-07-creation of assets under Budget Announcements/ State Development Scheme' and ₹2.17 crore was occurred under sub-head '07-5054-04-337-11-Schemes under NLCPR'. Further Department in its reply (June 2023) stated the savings were due to non-completion of physical works and tender process.

(ii) Grant No.-50-Planning and Investment:

- There were savings of ₹439.64 crore under Grant No. 50- Planning and Investment in Revenue Section. Out of total savings of ₹439.64 crore, savings of ₹428.68 crore was surrendered on 31 March 2023. Thus, net savings under this grants (Revenue Section) was ₹10.96 crore. Out of ₹10.96 crore, savings of ₹10.70 crore occurred under sub-head '04-3451-102-08-Scheme under Budget Announcement/ State Development Schemes'. Further, Department in its reply (June 2023) stated that the savings occurred due to non-implementation of scheme due to non-release of fund by the Government.
- There was huge savings of ₹1,918.88 crore under Capital Section of the Grants '50- Planning and Investment. Out of total savings of ₹1,918.88 crore, ₹1,636.92 crore was surrendered on 31 March 2023. Thus, the net savings was ₹281.96 crore.

- Out of total net savings of ₹281.96 crore, the savings of ₹267.38 crore and ₹13.44 crore were mainly under sub-heads '04-4070-800-24- Budget Announcement/ State Development Schemes' and '04-4070-800-16-Scheme under RIDF' respectively. Department in its reply (June 2023) stated that the savings occurred due to non-release of fund by the Government in time for which some of schemes could not be implemented.

3.5.7 Persistent Savings

During the last five years, 21 Grants as shown in **Table 3.12** can be observed where persistent savings of more than ₹one crore in each case existed and the savings exceeded the total provision by 10 per cent or more.

Table 3.12: List of Grants where persistent savings occurred during 2018-19 to 2022-23

(₹ in crore)

| Sl. No. | Number and name of Grant | Amount of Savings | | | | |
|------------------------|--|-------------------|-------------------|-------------------|------------------|-------------------|
| | | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 |
| Revenue-voted | | | | | | |
| 1. | 44- Attached offices of Secretariat Administration | 3.18 (24.70) | 8.27 (45.90) | 1.77 (14.37) | 2.95 (23.18) | 0.26 (2.09) |
| 2. | 56-Tourism Department | 10.44 (19.52) | 18.99 (31.03) | 23.22 (56.43) | 14.80 (30.26) | 4.89 (9.46) |
| 3. | 57- Urban Development | 6.03 (3.10) | 81.14 (53.36) | 21.15 (15.63) | 29.44 (14.38) | 17.50 (12.08) |
| 4. | 68-Town Planning Department | 4.62 (11.47) | 29.67 (53.44) | 169.85 (61.02) | 24.38 (10.61) | 35.73 (29.28) |
| 5. | 71- Department of Karmik and Adhyatmik(Chos-Rig) Affairs | 6.10 (71.82) | 3.78 (54.63) | 18.74 (247.76) | 2.59 (41.84) | 0.43 (6.80) |
| 6. | 74- Social Justice, Empowerment, and Tribal Affairs | 37.16 (35.80) | 71.81 (35.59) | 168.39 (93.62) | 29.89 (23.07) | 4.93 (6.11) |
| 7. | 82- Department of Indigenous Affairs | 2.77 (23.85) | 2.62 (12.63) | 3.02 (51.92) | 9.74 (29.74) | 0.13 (0.39) |
| Revenue-charged | | | | | | |
| 8. | 2- Governor Secretariat | 1.28 (15.73) | 1.65 (18.55) | 2.59 (26.81) | 2.03 (19.74) | 3.60 (29.51) |
| Capital-voted | | | | | | |
| 9. | 14- Secondary Education | 131.49 (90.44) | 52.85 (92.71) | 54.99 (68.77) | 39.35 (46.04) | 46.36 (56.18) |
| 10. | 15- Health Services | 377.09 (87.64) | 114.23 (68.98) | 38.70 (80.78) | 5.54 (21.13) | 6.92 (7.71) |
| 11. | 16- Art and Cultural Affairs | 6.10 (45.22) | 2.38 (41.10) | 1.69 (84.70) | 1.86 (21.34) | 0.26 (8.08) |
| 12. | 22- Food and Civil Supplies | 13.62 (49.54) | 1.72 (49.53) | 2.07 (69.00) | 1.60 (37.59) | 0.49 (15.23) |
| 13. | 24- Agriculture | 221.05 (96.12) | 6.26 (65.64) | 104.70 (95.61) | 8.13 (31.55) | 114.94 (96.67) |
| 14. | 34- Power (Electrical) | 56.04 (16.73) | 85.33 (39.32) | 58.22 (27.57) | 89.60 (21.19) | 10.47 (2.82) |

| Sl. No. | Number and name of Grant | Amount of Savings | | | | |
|------------------------|--------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 |
| 15. | 45- Civil Aviation | 20.32 (52.79) | 43.98 (84.58) | 19.13 (31.01) | 8.71 (11.87) | 3.26 (7.80) |
| 16. | 47- Law, Legislative and Justice | 5.18 (34.08) | 8.34 (53.92) | 18.71 (76.66) | 27.64 (44.15) | 0.75 (1.17) |
| 17. | 48- Horticulture | 61.50 (100.00) | 17.77 (88.85) | 15.88 (77.08) | 80.00 (100.00) | 0.31 (100.00) |
| 18. | 50- Planning and Investment | 2,996.47 (82.55) | 3,025.42 (88.01) | 2,389.91 (84.53) | 1,767.33 (65.71) | 1,918.88 (68.82) |
| 19. | 56- Tourism Department | 22.02 (17.90) | 14.33 (91.55) | 29.47 (84.11) | 4.90 (10.74) | 9.94 (43.56) |
| 20. | 72- Prison | 46.00 (97.66) | 26.70 (89.60) | 10.17 (90.82) | 8.05 (44.45) | 0.04 (0.31) |
| 21. | 76- Elementary Education | 64.72 (47.59) | 30.47 (68.21) | 74.49 (86.28) | 15.55 (19.79) | 9.63 (7.27) |
| 22. | 82- Department of Indigenous Affairs | 28.66 (64.41) | 9.68 (48.40) | 19.04 (88.57) | 4.70 (24.74) | 2.37 (11.78) |
| Capital-charged | | | | | | |
| 23. | Public Debt | 235.62 (45.72) | 233.57 (39.78) | 317.06 (54.99) | 282.55 (44.34) | 249.90 (31.20) |

Source: Appropriation Accounts of the respective year

Figures in parentheses indicate the percentage of savings to the total provision

Analysis of the reasons for the savings during 2022-23 showed that:

- There was savings of ₹4.89 crore under Tourism. Out of ₹4.89 crore, savings of ₹4.18 crore under BA/ SDS and ₹0.71 crore under Establishment expenses. Further, Department in reply (July 2023) state that the saving was due to the late receipt of concurrence from the Finance Department and non-finalisation of MACP and DA in time.
- Under the Town Planning Department, the savings of ₹35.73 crore occurred during 2022-23. Department in reply (July 2023) stated that savings was due to non-receipt of ₹31.72 crore from the GoI against 'Integrated Development of Small and Medium Towns'.
- There was saving of ₹46.36 crore under 'Grant no.-14 Secondary Education'. Out of ₹46.36 crore, ₹34.01 crore surrendered on 31 March 2023. Further, the department in reply (July 2023) stated that the remaining savings of ₹12.35 crore under '4202-01-202-03 creation of assets under BA/ SDS' had occurred due to non-receipt of expenditure authorisation of the schemes within the financial year.

The trend of persistent savings has been highlighted in the Comptroller and Auditor General of India's State Finances Audit Report every year, but adequate corrective measures have not been taken by the departments concerned to correct this situation.

The State Government (Secretary, Finance) in its reply stated that the corrective measures would be taken up after discussion with the concerned Secretaries.

3.5.8 Substantial Surrenders

Substantial surrenders⁷ were made in respect of the 158 sub-heads under 44 Grants/ Appropriations, as detailed in **Appendix 3.7**. Out of the Original provision amounting to ₹7,368.40 crore in these 44 Grants/ Appropriations, ₹6,165.34 crore was surrendered which included 100 *per cent* and above surrender in 98 sub-heads (₹2,402.70 crore). Further, it was noticed that in six sub-heads, the surrender was more than the original provision as shown in **Table 3.13**, due to unnecessary supplementary provision.

Table 3.13: List of schemes where surrender was more than the original

(₹ in crore)

| Sl. No. | Number and name of Grant | Head of Account | Original | Supplementary | Details of Surrender Amount | Per cent |
|---------|------------------------------|-----------------|----------|---------------|-----------------------------|----------|
| 1. | 22-Food and Civil Supplies | 2408-02-190-02 | 47.50 | 322.25 | 142.69 | 300.40 |
| | | 2402-103-01 | 8.00 | 35.27 | 32.27 | 403.37 |
| 2. | 26-Rural Works Department | 3054-04-337-01 | 1.05 | 49.95 | 18.00 | 1,714.29 |
| | | 3054-80-800-01 | 13.00 | 40.68 | 19.13 | 147.15 |
| 3. | 38-Water Resource Department | 2702-80-052-01 | 10.00 | 30.00 | 30.00 | 300.00 |
| 4. | 66-Hydro Power Development | 2801-04-052-01 | 20.00 | 237.37 | 132.37 | 661.87 |

Source: Detailed Appropriation Accounts 2022-23

3.5.9 Savings not surrendered

As per extant Financial Rules, the spending departments are required to surrender the Grants/ Appropriations or portion thereof to the Finance Department as and when savings are anticipated. At the close of 2022-23, out of the total savings of ₹6,252.62 crore under 44 Grants, Savings (₹One crore and above in each case) of ₹2,410.88 crore (38.56 *per cent*) under 57 cases, remained to be surrendered, as detailed in **Appendix 3.8**. Further, out of the above, there were saving (₹10.00 crore and above in each case) of ₹889.95 crore (9.46 *per cent* of Total Grant) under 10 Grants but no part of the savings was surrendered by the concerned departments as shown in **Table 3.14**.

Table 3.14: Details of Grants/ Appropriations in which no part of the savings was surrendered (₹10.00 crore and above)

(₹ in crore)

| Sl. No. | Number and name of Grant | Total Grant | Actual Expenditure | Savings |
|------------------------|--------------------------|-------------|--------------------|---------|
| Revenue-voted | | | | |
| 1. | 14-Secondary Education | 578.33 | 565.61 | 12.72 |
| 2. | 25-Disaster Management | 315.40 | 189.67 | 125.73 |
| 3. | 76-Elementary Education | 2,070.03 | 1,668.47 | 401.55 |
| Revenue-charged | | | | |
| 4. | Public Debt | 924.32 | 905.56 | 18.76 |

⁷ Cases where 50 *per cent* and more of original provisions was surrendered

| Sl. No. | Number and name of Grant | Total Grant | Actual Expenditure | Savings |
|----------------------|---|-----------------|--------------------|---------------|
| Capital-voted | | | | |
| 5. | 21-Sports | 48.88 | 35.03 | 13.85 |
| 6. | 26-Rural Works Department | 2,036.34 | 1,985.19 | 51.15 |
| 7. | 31-Public Works Department | 2,556.18 | 2,362.97 | 193.21 |
| 8. | 34-Power (Electrical) | 370.70 | 360.23 | 10.47 |
| 9. | 59-Public Health Engineering and Water Supply | 463.87 | 430.35 | 33.52 |
| 10. | 80-Medical Education Training and Research | 43.55 | 14.57 | 28.98 |
| Total | | 9,407.60 | 8,517.65 | 889.95 |

Source: Appropriation Accounts, 2022-23

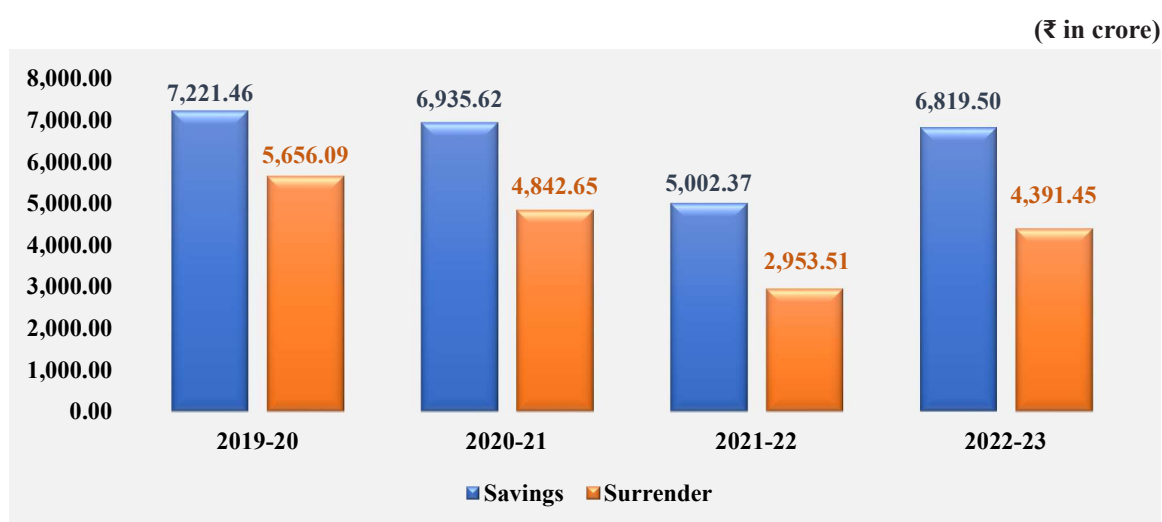
The non-surrender of the savings by the Controlling Officers was partly attributed to the non-release of funds by the Finance Department.

3.5.10 Impact of non-surrender of savings

Rule 61 (1) of General Financial Rules, 2017 prescribes that all the anticipated savings shall be surrendered to the Finance Department by the dates prescribed by that Department. The Finance Department shall communicate acceptance of such surrenders before the close of the financial year. The prescribed date for the surrender of anticipated savings for salary and wages in 2022-23 was 06 February 2023 and 24 March 2023 for other object heads.

However, during 2022-23, against the gross savings of ₹6,819.50 crore, 48 departments surrendered ₹4,391.45⁸ crore (64.40 per cent), however, the entire amount was surrendered on the last day of the financial year. **Chart 3.3** depicts the trends of surrenders against the savings for the period from 2019-20 to 2022-23.

Chart 3.3: Savings and Surrender during 2019-20 to 2022-23



Source: Appropriation Accounts of the respective year

⁸ ₹2,557.75 crore surrendered under Revenue Section (42 Departments) and ₹1,833.70 crore under Capital Section (13 Departments)

In 57 cases (details in *Appendix 3.8*), the anticipated savings of ₹one crore and above were not surrendered by the prescribed dates⁹.

Non-compliance with the rules stated above not only deprives other needy Departments of resources, but also defeats the very objective of achieving efficiency in budget management, which may be an impediment to the speedy development of State.

3.5.11 Injudicious surrender

In two grants, there was an injudicious surrender of ₹0.34 crore as the Departments surrendered in excess of savings within the grant. However, the Government did not explain the reason for the difference between savings and surrender amounts as depicted in *Table 3.15*.

Table 3.15: Surrender in excess of savings

| (₹ in crore) | | | | | | | |
|--------------|----------------------------|---------------|---------------|--------------------|---------------|---------------|------------------|
| Sl. No. | Number and name of Grant | Section | Total Grant | Actual Expenditure | Savings | Surrender | Excess Surrender |
| 1 | 22-Food and Civil Supplies | Capital-voted | 3.23 | 2.74 | 0.49 | 0.78 | 0.29 |
| 2 | 24-Agriculture | Capital-voted | 118.90 | 3.96 | 114.94 | 114.99 | 0.05 |
| Total | | | 122.13 | 6.70 | 115.43 | 115.77 | 0.34 |

Source: Appropriation Accounts, 2022-23

3.5.12 Excess expenditure and its regularisation

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

Although no time limit for the regularisation of excess expenditure has been prescribed under the Article, the regularisation of excess expenditure is done after the completion of the discussion of the Appropriation Accounts by the Public Accounts Committee (PAC).

3.5.12.1 Excess over provisions relating to previous and current years requiring regularisation

Administrative Departments concerned are required to submit Explanatory Notes for excess expenditure to the Public Accounts Committee through the Finance Department. However, excess expenditure of ₹3,220.44 crore from 1986-87 to 2021-22 (*Appendix 3.10*) was yet to be regularised. During 2022-23, in nine Grants, the expenditure of ₹1,123.03 crore exceeded the approved provisions of ₹999.83 crore by ₹123.20 crore.

⁹ The prescribed date for the surrender of anticipated savings for salary and wages in 2022-23 was 06 February 2023 and for other object heads was 24 March 2023.

At the Sub-Head level, an expenditure of ₹1,073.12 crore exceeded the approved provisions of ₹819.78 crore by ₹253.34 crore (*Appendix 3.11*). Such excess expenditure over budgetary allocation is a matter of concern, as it is indicative of poor budgetary management and dilutes legislative oversight over public funds. The government needs to view this seriously and take appropriate corrective measures. Moreover, the excess expenditure over the Grant/ Appropriation required regularisation as per Article 205 of the Constitution of India.

The excess amounts remained un-regularised from as long back as from 1986 onwards. Failure to regularise excess expenditure is in contravention of constitutional provisions and defeats the objective of ensuring accountability over utilisation of public money.

The Secretary, Finance Department during exit conference stated that the process was going on for regularisation of ₹1,488.00 crore.

3.5.13 Missing/ Incomplete Explanation for Variation from Budget

Apart from showing the expenditure against the approved budget, Appropriation Accounts also provide an explanation for cases where the expenditure varies significantly from the budgeted provision (Original *plus* Supplementary). The limit beyond which, such variation at the Sub-Head/ Sub-Sub-Head level (Unit of Appropriation) is to be explained in the Appropriation Accounts is set by the Public Accounts Committee (PAC). However, PAC of the Arunachal Pradesh has not prescribed any norms pertaining to monetary limits/ *percentage* in respect of Savings/ Excess. Norms practice by Meghalaya (previous Station of this office) have been adopted for comments on Appropriation Accounts

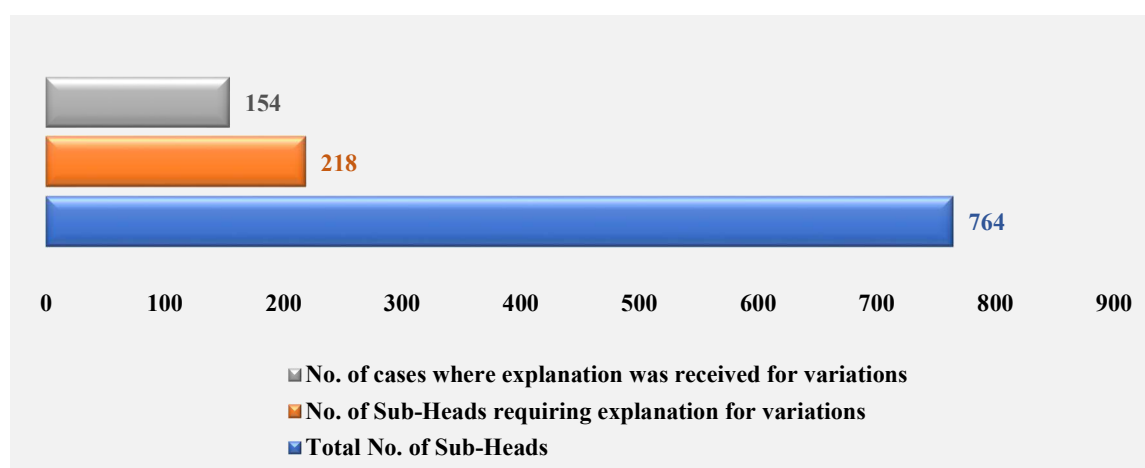
The Accounts Wing of the office of the Principal Accountant General provides the draft Appropriation Accounts to the Controlling Officers of the Departments and seeks the reasons/ explanation for the variations in expenditure with reference to approved budgetary allocation.

The current limits, being followed in preparation of Appropriation Accounts are as follows:

| | |
|---------|---|
| Savings | <ul style="list-style-type: none"> • Comments are made if (savings including non-utilisation) overall savings is over five <i>per cent</i> of the total provision. • Individual comments under Sub-Heads of Grants/ Appropriations are made if the expenditure is over ₹five lakh and total provision (original <i>plus</i> supplementary) to which the concerned sub-head relates is ₹20.00 crore or less. |
| Excess | <ul style="list-style-type: none"> • General comments are made for regularisation of excess over the provision in all cases where there is an overall excess (irrespective of the amount). • Comments are made if variations (excesses) under Sub-Heads of Grants/ Appropriations are ₹five lakh and total provision (original <i>plus</i> supplementary) to which the concerned sub-head relates is ₹20.00 crore or less. • Comments are made if variations (excesses) under Sub-Heads of Grants/ Appropriations are ₹10.00 lakh and total provision (original <i>plus</i> supplementary) to which the concerned sub-head relates is more than ₹20.00 crore |

Audit of Appropriation Accounts of 2022-23 and an analysis of the underlying accounting data revealed that out of the 79 Grants/ Appropriations, reasons for variation were required in respect of 59 Grants/ Appropriations. In terms of Sub-Heads involved, the total number of Sub-Heads in the accounts, those requiring an explanation for variation, and the Sub-Heads where explanations were received for variations, are given in Chart 3.4.

Chart 3.4: Summary of unexplained variations vis-à-vis budget



Source: Detailed Appropriation Accounts, 2022-23

3.6 Comments on Transparency of Budgetary and Accounting Process

3.6.1 Huge lump sum provision

Rule 50(3) and Appendix 3 of General Financial Rules, 2017 provides that the detailed estimates of the expenditure shall be prepared by the estimating authorities up to the final unit of appropriation *i.e.*, Object Head under the prescribed major and minor heads for both Revenue and Capital Expenditure. It also provides that no lumpsum provision shall be made in the budget except where urgent measures are to be provided for meeting emergent situations or for meeting preliminary expenses on a project that has been accepted in principle for being taken up in the financial year. Contrary to this, the State Government made lumpsum provision of ₹5,169.81 crore for Creation of Assets under Budget Announcements/ State Development Schemes under 48 grants in Capital Section and ₹1,897.57 crore for Schemes under Budget Announcements/ State Development Schemes under 56 Grants in Revenue Section as detailed in *Appendix 3.12 (Part A and B)*.

The State Government (Secretary, Finance) in its reply (October 2023) stated that this is due to practical issues. However, the matter will be looked into and would take corrective measures in future.

3.7 Comments on Effectiveness of Budgetary and Accounting Process

3.7.1 Budget Projection and Gap between Expectation and Actual

Efficient management of tax administration/ other receipts and public expenditure holds the balance of achievement of various fiscal indicators. Budgetary allocations based on unrealistic proposals; poor expenditure monitoring mechanisms, weak scheme implementation capacities/ and weak internal control led to sub-optimal allocation among various development needs. Excessive savings in some departments deprive other departments of the funds which they could have utilised.

The summarised position of budget including supplementary budget, actual expenditure, and excess/ savings during 2022-23 against 79 Grants/ Appropriations (75 Grants and 04 Appropriations) is given in **Table 3.16**.

Table 3.16: Summarised position of Expenditure vis-à-vis Budget provision

(₹ in crore)

| Nature of Expenditure | Details of Grant/ Appropriation | | Total | Actual Expenditure ¹⁰ | Savings (-) | Excess (+) | Details of Surrender ¹¹ | | |
|-----------------------|---------------------------------------|-----------------|------------------|----------------------------------|-----------------|---------------|------------------------------------|--------------|-------|
| | Original | Supplementary | | | | | Amount | Per cent | |
| Voted | I – Revenue | 17,238.48 | 3,241.76 | 20,480.24 | 16,662.40 | 3,940.58 | 122.73 | 2,453.81 | 11.98 |
| | II – Capital | 6,706.80 | 4,006.63 | 10,713.43 | 8,110.73 | 2,603.16 | 0.47 | 1,903.40 | 17.77 |
| Total Voted | 23,945.28 | 7,248.39 | 31,193.68 | 24,773.13 | 6,543.74 | 123.20 | 4,357.21 | 13.97 | |
| Charged | IV–Revenue | 40.46 | 5.61 | 46.07 | 38.98 | 7.08 | 0.00 | 3.94 | 8.55 |
| | VI - Public Debt- Repayment (Revenue) | 922.61 | 1.71 | 924.32 | 905.56 | 18.76 | 0.00 | 0.00 | - |
| | VI - Public Debt- Repayment (Capital) | 801.01 | 0.00 | 801.01 | 551.11 | 249.90 | 0.00 | 30.31 | 3.78 |
| Total Charged | 1,764.08 | 7.33 | 1,771.40 | 1,495.65 | 275.75 | 0.00 | 34.25 | 2.17 | |
| Grand Total | 25,709.36 | 7,255.72 | 32,965.08 | 26,268.78 | 6,819.50 | 123.20 | 4,391.46 | 13.32 | |

Source: Appropriation Accounts, 2022-23

As can be seen from **Table 3.16**, the overall savings from total grants and appropriations was ₹6,819.50 crore which was equal to 93.99 *per cent* of the supplementary budget of ₹7,255.72 crore obtained during the year. This indicates that a proper analysis was not done before budget formulation, especially supplementary budget formulation.

The original budget of the State during 2022-23, was more than the previous year's budget by ₹3,396.36 crore, the increase in the Revenue Section was ₹1,934.62 crore

¹⁰ These are gross figures without taking into account the recoveries adjusted in accounts as reduction of expenditure under Revenue Expenditure (₹18,927.31 lakh) and Capital Outlay (₹0.36 lakh).

¹¹ Entire amount was surrendered on 31 March 2023.

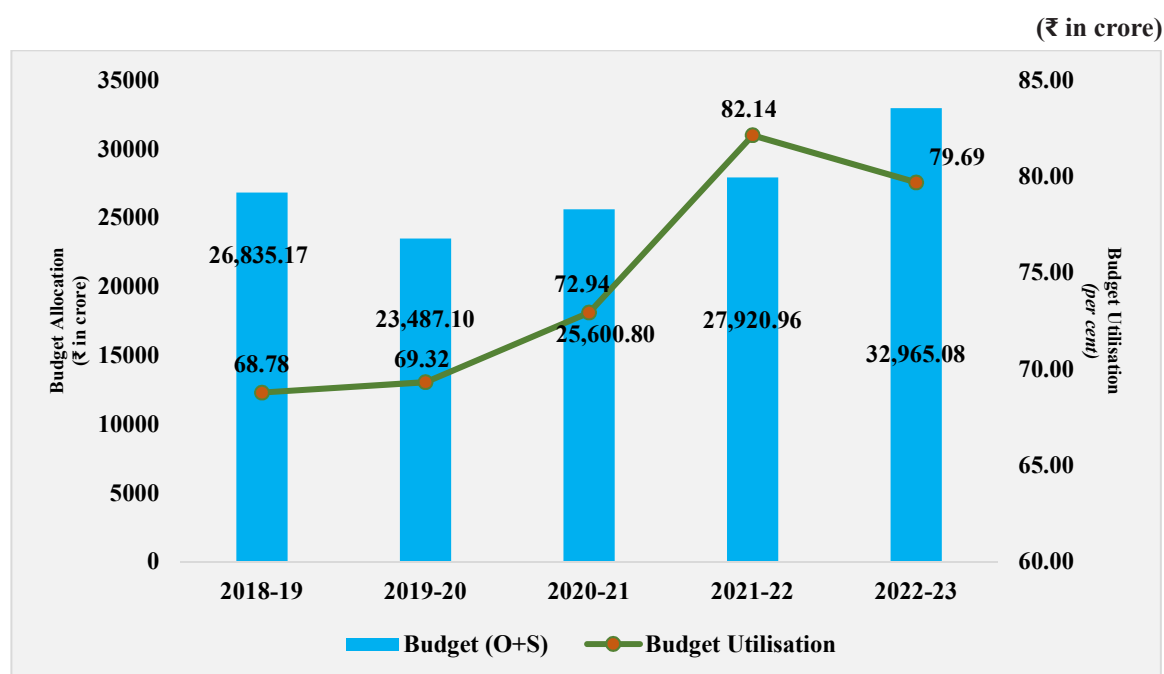
and the increase in the Capital Section was ₹1,461.74 crore. Substantial savings of ₹2,878.91 crore in Capital Section of the budget constituting over 34.15 per cent of the original budget of Capital Section indicates that the funds meant for the infrastructure in the State could not be spent.

The Actual Expenditure of ₹26,268.78 crore during 2022-23 was ₹559.42 crore more than the Original Budget (₹25,709.36 crore) indicating that by proper planning, need for Supplementary Budget of ₹7,255.72 crore could have been reduced by ₹6,696.30 crore.

3.7.2 Position of budget utilisation

The position of budget utilisation during the previous five years is given in **Chart 3.5**.

Chart 3.5: Summary of unexplained variations vis-à-vis budget



Source: Appropriation Accounts of the respective years

Trends in the original budget, revised estimate, and actual expenditure for the period 2018-19 to 2022-23 are given in **Table 3.17**.

Table 3.17: Original Budget, Revised Estimate, and Actual Expenditure during 2022-23

(₹ in crore)

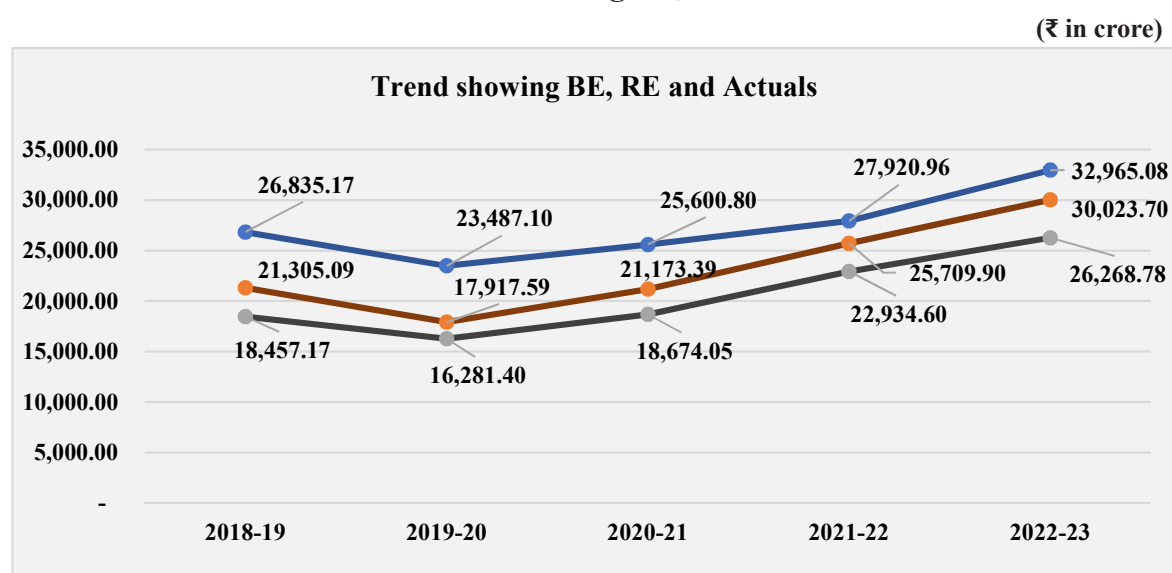
| Particulars | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 |
|--------------------------|------------------|------------------|------------------|------------------|------------------|
| Original Budget | 18,652.50 | 22,008.97 | 21,880.37 | 22,313.00 | 25,709.36 |
| Supplementary Budget | 8,182.67 | 1,478.13 | 3,720.43 | 5,607.96 | 7,255.72 |
| Total Budget (TB) | 26,835.17 | 23,487.10 | 25,600.80 | 27,920.96 | 32,965.08 |
| Revised Estimate (RE) | 21,305.09 | 17,917.59 | 21,173.39 | 25,709.90 | 30,023.70 |
| Actual Expenditure (AE) | 18,457.17 | 16,281.40 | 18,674.05 | 22,934.60 | 26,268.78 |
| Gross Savings | 8,378.00 | 7,205.70 | 6,926.75 | 5,002.37 | 6,819.50 |

| Particulars | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 |
|---|----------|----------|----------|----------|----------|
| Percentage of supplementary to the original provision | 43.87 | 6.72 | 17.00 | 25.13 | 28.22 |
| Percentage of overall savings/excess to the overall provision | 31.22 | 30.68 | 27.06 | 17.92 | 20.69 |
| TB-RE | 5,530.08 | 5,569.51 | 4,427.41 | 2,211.06 | 2,941.37 |
| RE-AE | 2,847.92 | 1,636.19 | 2,499.34 | 2,775.30 | 3,754.92 |
| (TB-RE) as percentage of TB | 20.61 | 23.71 | 17.29 | 7.92 | 8.92 |
| (RE-AE) as percentage of TB | 10.61 | 6.97 | 9.76 | 9.94 | 11.39 |

Source: Appropriation Accounts and Annual Financial Statement of the respective year

Table 3.16 shows that supplementary provision of ₹7,255.72 crore during 2022-23 constituted 28.22 per cent of the original provision as against 25.13 per cent in the previous year.

Chart 3.6: Trend showing BE, RE and Actuals



Source: Appropriation Accounts and Annual Financial Statement of the respective years

From the above Chart, it may be seen that over the years from 2018-19 to 2022-23, the Revised Estimate (RE) was always lower than the Total Budget (TB) of the state. The gap between the RE and the TB during the first two years was more than 20 per cent. However, during the last three years, the difference between the Revised Estimate (RE) and the Total Budget (TB) has been decreasing. Additionally, in the last two years, it has been below 10 per cent, which is a positive indication for budget estimation.

The percentage of Actual Expenditure (AE) during 2018-19 to 2022-23 was lower than the RE throughout and it ranged between 6.97 per cent to 11.39 per cent. As such, the supplementary provisions during 2018-19 to 2021-22 proved unnecessary since the expenditure did not come up even to the level of original budget provisions. Further, the provision of supplementary grant during 2022-23 was ₹7,255.72 crore, which was 12 times higher than the required amount i.e., ₹559.42 crore (Actual Expenditure minus Original Budget). This reflects that budgetary allocations were based on unrealistic proposals as the

Budget Estimate of the State was always inflated and the gap between actual expenditure and the budgetary provisions was very high.

During 2022-23, a provision of ₹494.84 crore (Original, Supplementary *plus* Re-appropriation) for maintenance work, Centrally Sponsored Schemes (CSS), Schemes under Budget Announcement, *etc.*, under 13 grants for 27 schemes as detailed in **Appendix 3.9** was approved. The concerned Departments, however, could not implement the schemes for which budget provision was obtained, resulting in savings of the entire provision. The details of such cases where the entire budget provision exceeding ₹one crore in each case was not utilised are indicated in **Table 3.18**.

Table 3.18: Details of entire budget provision was not utilised during 2022-23

(₹ in crore)

| Sl. No. | Number and Name of Grant | Head of Account | Original | Supplementary | Re-Appropriation | Total | Savings |
|---------|----------------------------|---|----------|---------------|------------------|--------|---------|
| 1. | 1-Legislative Assembly | 04-4070-003-01 "Creation of Assets under BA/ SDS" | 0.00 | 6.39 | 0.00 | 6.39 | 6.39 |
| 2. | 15-Health Services | 05-2210-01-800-02 "Maintenance of Assets" | 11.08 | 37.92 | 0.00 | 49.00 | 49.00 |
| 3. | 23-Environment and Forests | 03-2406-02-110-02 "Project Tiger" | 11.11 | 0.00 | (-)5.11 | 6.00 | 6.00 |
| | | 03-2406-02-110-37 "Integrated of Wild Life Habitats" | 3.22 | 0.00 | (-)0.53 | 2.69 | 2.69 |
| 4. | 24-Agriculture | 2401-796-02 "National Mission on Oil Palm" | 0.00 | 1.05 | 0.00 | 1.05 | 1.05 |
| 5. | 27-Panchayati Raj | 05-2515-001-07 "Panchayat Local Bodies (Tied)" | 85.25 | 0.00 | (-)9.73 | 75.52 | 75.52 |
| | | 05-2515-001-08 "Panchayat Local Bodies (Untied)" | 91.75 | 0.00 | (-)28.89 | 62.86 | 62.86 |
| 6. | 31-Public Works Department | 07-4059-80-800-15 "Establishment of VKV girls resdl school at Chayangtajo East Kameng District" | 0.00 | 1.76 | 0.00 | 1.76 | 1.76 |
| 7. | Public Debt | 6003-110-01 "Repayment of Advances Taken for Reserve Bank of India Under Ways and Means" | 312.00 | 0.00 | (-)27.00 | 285.00 | 285.00 |

Source: Detailed Appropriation Accounts, 2022-23

3.7.3 Inaccuracy in the Preparation of Revised Estimates

According to the Appendix below Rule 52(3) of General Financial Rules 2017 in preparing the Revised Estimates, while the previous year's actuals and current year's trends will be material factors to review the original Budget Estimates, special attention should be devoted to make it as realistic an estimate as possible of receipts which are likely to materialise during the rest of the financial year. Further, as per Appendix 3 below Rule 52, the Revised

Estimates for expenditure should be framed with great care to include only those items which are likely to materialise for payment during the current year, in the light of (i) actuals so far recorded during the current year, compared with the actuals for the corresponding period of the last and previous years, (ii) seasonal character or otherwise of the nature of expenditure, (iii) sanctions for expenditure and orders of appropriation or re-appropriation already issued or contemplated and (iv) any other relevant factor, decision or development. The revised estimate of receipts should be the best forecast that the estimating officer can make and the revised estimates for expenditure should not merely be a repetition of the budget figures of the year, but a genuine re-estimation of receipts and requirements. Some significant cases of variation between the revised estimates and the actuals during 2022-23 under expenditure heads of accounts are given in *Appendix 3.13*.

Wide variations ranging from 0.30 to 2,132.28 *per cent* and in monetary term from ₹0.13 crore to ₹435.87 crore under Expenditure heads between the budget provisions and actuals, particularly with reference to revised estimates are indicative of aberrations in estimation as detailed in *Appendix 3.13*. Further, the details of some cases of variation more than 50 *per cent* between revised estimate and actual are given in **Table 3.19**.

Table 3.19: Variation between revised estimate and actual

(₹ in crore)

| Sl. No. | Head of Account | Budget Estimate | Revised Estimate | Actual Expenditure | Variation Shortfall(-)/ Excess (+) | Variation Shortfall (-)/ Excess (+) (In per cent) |
|---------|--------------------------------|-----------------|------------------|--------------------|------------------------------------|---|
| 1. | 2051-Public Service Commission | 14.20 | 17.20 | 27.16 | (+)9.95 | (+)57.85 |
| 2. | 2406-Forestry and Wildlife. | 787.63 | 749.00 | 313.13 | (-)435.87 | (-)58.19 |
| 3. | 2552-North Eastern Areas. | 5.00 | 5.05 | 112.73 | (+)107.68 | (+)2,132.28 |

Source: Annual Financial Statement 2022-23 and 2023-24 and Finance Accounts 2022-23

As can be seen from **Table 3.19**, there are three such heads of account in which variation between the revised estimates and the actuals during 2022-23 under expenditure heads of accounts is more than 50 *per cent*, indicating the absence of proper care in estimating the revised estimates by the controlling officers concerned as envisaged in the General Financial Rules, 2017 and failure of the Finance (Budget) Department in exercising adequate checks over the preliminary revised estimates.

3.7.4 Gender Budgeting

The Gender Budget of State discloses the expenditure proposed to be incurred within the overall budget on schemes, which are designed to benefit women fully or partly. Gender Budgeting was introduced in Arunachal Pradesh in 2010-11. Even after the lapse of more than 12 years of introducing the Gender Budget, State Policy for Gender Budgeting has not been formulated. The Gender Budget cell and Gender Data Bank have not been created. No nodal department has been identified for Gender Budgeting.

The Gender Budget of the State (2022-23) discloses the expenditure proposed to be incurred within the overall budget on schemes designed to benefit women under Category 'A' and Category 'B'. Schemes specifically designed to benefit only women are grouped under Category A and the schemes where at least 30 *per cent* of the expenditure would benefit women are grouped under Category B. The total number of schemes under Category A and B in 2022-23 was 36, of which 28 schemes were under Category A and eight schemes were under Category B.

Test-check of records revealed that-

- the amounts mentioned to have been in the Gender Budget did not contain the said provisions in the regular budget. For example, in Demand No 76, provision of ₹34.04 crore for Academic block *plus* 100 bedded Girls Hostel including boundary wall (KGVV Type-II) and ₹21.62 crore for 100 bedded Girls Hostel including boundary wall (KGVV Type-II), against the Major Head 2202-01-111(03)-01-01-35 was shown in the Gender Budget but no provision existed against the said head in the regular budget.
- Similarly, in Demand No. 75, against the head of the account 4202-01-800-(04)-32-00- 53 for C/o Women College at Poma, ₹0.50 crore was shown in the Gender Budget but no corresponding provision was made in the regular budget.

Further, in Demand No. 42, against the head of the account 2501-06-800-16-00-29-GIA General (Non-Salary) for Mahila Kishan Sashaktikaran Pariyojana (New Scheme), an amount of ₹9.57 crore was shown in the Gender Budget but in the regular budget only ₹0.08 crore has been provided through supplementary provision. This indicates that proper matching of the gender budget with the regular budget was not done. Since the funds flow and expenditure authorisation is made with reference to the regular budget, such matching was essential.

The Gender Budget was prepared in 14 departments involving ₹364.91 crore with a target to benefit 1.36 lakh women. The Gender Budget constituted 1.11 *per cent* of the total budget for the year 2022-23. The year-wise allocations in the gender budget document are detailed in **Table 3.20**.

Table 3.20: Gender budgetary allocations during 2018-19 to 2022-23

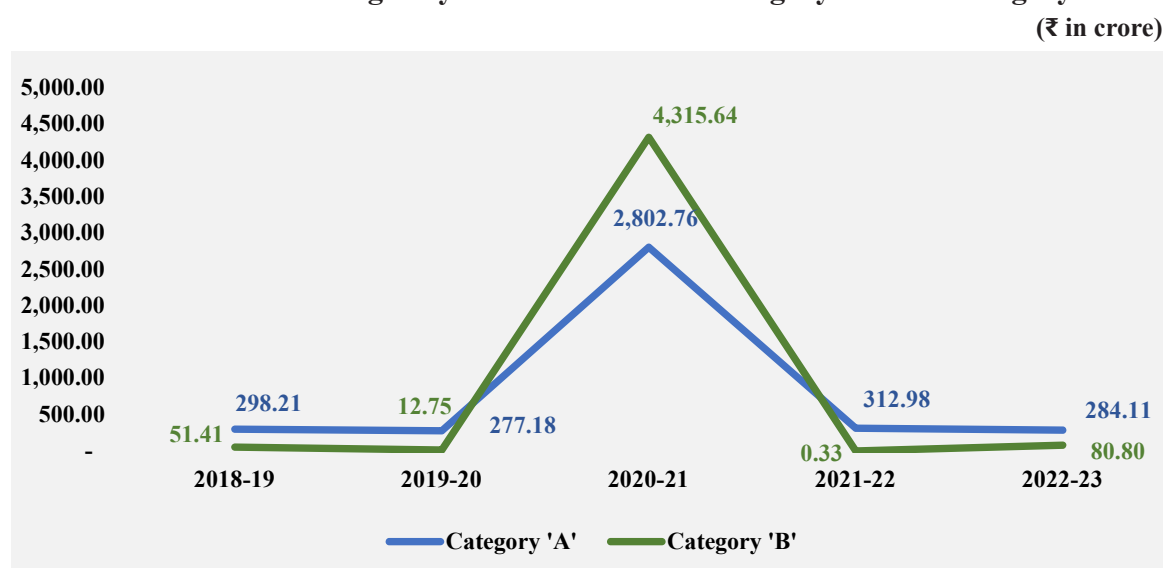
| Year | Outlay | | | Demands Covered | No. of targeted beneficiaries |
|---------|----------------------------|----------------------------|----------|-----------------|-------------------------------|
| | Category 'A' ¹² | Category 'B' ¹³ | Total | | |
| 2018-19 | 298.21 | 51.41 | 349.62 | 14 | 2,91,377 |
| 2019-20 | 277.18 | 12.75 | 289.93 | 14 | 6,62,432 |
| 2020-21 | 2,802.76 | 4,315.64 | 7,118.40 | 13 | 2,38,708* |
| 2021-22 | 312.98 | 0.33 | 313.31 | 14 | 1,52,613 |
| 2022-23 | 284.11 | 80.80 | 364.91 | 14 | 1,36,027 |

Source: Gender Budgets of the respective year

* No. of beneficiaries was decreased from 3,86,200 in 2019-20 to 3,000 in 2020-21 under Demand No. 15 (2210-80-800-02-00-31)

The trend of Gender Budgetary allocations under Category 'A' and Category 'B' during 2018-19 to 2022-23 is shown in Chart 3.7.

Chart 3.7: Gender Budgetary allocations under Category 'A' and Category 'B'



Source: Gender Budgets of the respective year

As seen from Chart 3.7, it was observed that there was a decrease in budgetary allocation under Category 'A' from ₹312.98 crore in 2021-22 to ₹284.11 crore in 2022-23 and an increase under Category 'B' from ₹0.33 crore in 2021-22 to ₹80.80 crore in 2022-23.

Further analysis revealed that a performance report for the year 2021-22 (Allocated ₹313.31 crore against 14 departments) was required to be incorporated in the Gender Budget of 2022-23 to ascertain the effectiveness of the schemes targeted to benefit women however, actual achievement of schemes for the benefit of women was not incorporated.

¹² Budgetary allocation to schemes designed covering 100 per cent women beneficiaries.

¹³ Budgetary allocation to scheme designed for covering at least 30 per cent women beneficiaries.

3.7.5 Implementation of Major Policy Initiatives in the Budget Speech

The budget speech of the finance minister specified allocations for different schemes both existing as well as new. However, provisions were not made in the Detailed Demand for Grants (DDG) for many of these schemes announced in the Budget speech. Instead, only lumpsum provisions were made for these Schemes under the subhead “Budget Announcement/ State Development schemes”, against the financial rules.

Detailed analysis on implementation of the budget announcements (₹10.00 crore and above) are discussed in the succeeding paragraphs.

| Name of Department | Name of the Schemes announced in Budget Speech | | Objective of the Schemes |
|--------------------|---|------------------------------|---|
| | Scheme's Name | Amount proposed (₹ in crore) | |
| Health Services | Golden Jubilee PHCs and CHCs | 30.00 | Under this announcements, 60 identified Primary Health Centres or Community Health Centres will be upgraded, one in each constituency into model units. |
| | Upgradation of Bakin Pertin General Hospital at Pashighat | 20.00 | Upgradation work |
| | Operation and maintenance of 45 ICUs, 29 PICUs, 40 HDUs and 100 oxygen supported beds | 10.00 | Upgradation work |
| | C/o 40 bed District Hospitals at Doimukh | 10.00 | 40 Bed hospitals with a Maternal and Child wing |
| Education | Golden Jubilee Model School Programme | 500.00 | Upgradation of infrastructure in 50 identified Government Schools |
| Horticulture | Atma Nirbhar Plantation Scheme | 60.00 | Plantation of crops like Tea, Rubber, and Areca-Nut. |
| Animal husbandry | Atma Nirbhar Pashu Palan Yojana | 30.00 | Dairy development |

➤ Health Services Department

- ❖ Scrutiny of Detailed Demands for Grants (DDG) of Health and Family Welfare, revealed that lumpsum budget provision of ₹84.08 crore was made in Budget Estimate under sub-head 'Creation of assets under Budget Announcement. ₹57.40 crore was allocated under the sub-head 'Creation of Assets in Budget Announcements' in Revised Estimates. Against the allocation of ₹57.40 crore, the Department incurred 50.48 crore. Some of the instances are discussed below:

- State Government announced “Golden Jubilee PHCs and CHCs” for upgradation of 60 identified Primary Health Centres and Community Health Centres in each Constituency with the Budget proposal. of ₹30.00 crore.

- Construction of 40 Beds Hospital at Doimukh with the proposal of ₹10.00 crore and same was shown in proposal of Budget Estimates submitted by the Department. Further, it was observed ₹six crore was withdrawn in re-appropriation and only ₹four crore was shown in Revised Estimate.
 - Budget announcement of ₹10.00 crore towards ‘Operation and Maintenance of 45 ICUs, 29 PICUs, 40 HDUs and 100 Oxygen supported beds was made’. The provision ₹10.00 crore was made in Budget Estimates. However, it was noticed that only ₹1.50 crore was allocated in Revised Estimates.
 - During the Budget speech, the Government announced ‘upgradation of Bakin Pertin General Hospital at Pasighat to 300 Bedded Hospitals’ with a proposed expenditure of ₹20.00 crore. Further, scrutiny of Detailed Demand for Grants revealed that ₹20.00 crore was allocated in the Original budget, however, the whole amount was withdrawn through re-appropriation.
- **Education Department**
- ❖ In the Budget speech, the State Government announced the proposal for “Golden Jubilee Model School Programme” with an estimated amount of ₹500.00 crore to upgrade infrastructure in 50 identified Government Schools. However, the State Government did not allocate any amount against the proposed announcement. Thus, this had defeated the benefits accrued from the implementation of the (Golden Jubilee Model School Programme). Also, this had indicative of unrealistic Budget preparation without the input from the ground level and ascertaining of actual feasibility of the programme.
- **Horticulture Department**
- ❖ The State Government announced new scheme ‘Atmanirbhar Plantation Scheme’ with proposal of ₹60.00 crore. The objective of the scheme was the plantation of crops like Tea, Rubber and areca nut. It was observed that ₹60.00 crore was allocated in Budget estimate separately, however expenditure of ₹167.95 crore was booked under sub-head “Schemes under Budget Announcement/ State Development Schemes”. Due to lumpsum provision at sub-head at DDG and Detailed Appropriation Accounts, actual expenditure incurred against the scheme could not be ascertained.

Thus, non-provision of Budget and expenditure at ‘Detailed Head level’ in DDG and Detailed Appropriation Accounts, actual accrued benefit of the aforesaid schemes could not be ascertained.

3.7.6 Unexplained Re-appropriations

According to Rule 65(4) of General Financial Rules 2017, the re-appropriation of funds shall ordinarily be supported by a statement showing how the excess is proposed to be met. In all orders, sanctioning re-appropriation, the reasons for savings and excess of ₹one lakh or over, and the primary units (secondary units, wherever necessary), affected shall be invariably stated. Scrutiny of Appropriation Accounts revealed that the reasons for re-appropriations made during 2022-23 under various heads of accounts were not explained in detail. Even in cases where the reasons were given for additional provision/ withdrawal of provision in re-appropriation orders, they were of general nature like “less requirement of funds”, “less expenditure than anticipated”, “non-receipt of sanction”, “non-approval of Scheme”, “discontinuation of Scheme”, “less claim”, “revised budget outlay” and “reduction of provision” etc.

3.8 Outcome of Review of Selected Grant

The financial rules prescribe detailed and specific procedures to be followed in preparation of the budget estimates. The Government also issues every year instructions for the submission of budget estimates to the controlling officers. To verify compliance with prescribed procedures in the budget preparation and also to evaluate the effectiveness of the budget formulation process.

A review of the budgetary procedure and control over expenditure in respect of the two selected grants *i.e.*, 15-Health Services and 24-Agriculture was conducted wherein the magnitude of variations in original grants, supplementary demands, and actual expenditure was analysed.

3.8.1 Grant No. 15-Health Services

(i) Introduction

Grant 15 - Health Services includes Major Heads 2210-Medical and Public Health, 4210-Capital Outlay on Medical and Public Health.

(ii) Budget and Expenditure

The overall position of budget provisions, actual disbursement, and savings under the grant for the last three years (2020-21 to 2022-23) is given in **Table 3.21**.

Table 3.21: Budget and Expenditure during 2020-21 to 2022-23

| (₹ in crore) | | | | | |
|--------------|----------------------|------------------|----------|-------------|---------------------------------------|
| Year | Section | Budget Provision | Total | Expenditure | Saving (-)/ Excess (+) and Percentage |
| 2020-21 | Revenue-Original (V) | 933.00 | 974.47 | 908.38 | (-)66.09 |
| | Supplementary | 41.47 | | | (6.78) |
| | Capital-Original (V) | 47.90 | 47.90 | 9.21 | (-)38.70 |
| | Supplementary | 0.00 | | | (80.79) |
| 2021-22 | Revenue-Original (V) | 1,025.43 | 1,221.56 | 1,193.11 | (-)28.44 |
| | Supplementary | 196.13 | | | (2.33) |

| Year | Section | Budget Provision | Total | Expenditure | Saving (-)/ Excess (+) and Percentage |
|---------|----------------------|------------------|----------|-------------|---------------------------------------|
| 2021-22 | Capital-Original (V) | 12.16 | 26.21 | 20.67 | (-)5.54 |
| | Supplementary | 14.06 | | | (21.14) |
| 2022-23 | Revenue-Original (V) | 1,106.42 | 1,340.31 | 1,282.23 | (-)58.08 |
| | Supplementary | 233.89 | | | (4.33) |
| | Capital-Original (V) | 84.08 | 89.81 | 82.89 | (-)6.92 |
| | Supplementary | 5.72 | | | (7.71) |

Source: Appropriation Accounts of the respective year

Table 3.21 shows that un-utilised budget provisions under Capital (Voted) ranged between eight per cent and 81 per cent and similarly, unutilised budget provisions under Revenue (Voted) ranged between two per cent to seven per cent.

(iii) Non-surrender of savings

Rule 61 (1) of General Financial Rules, 2017 prescribes that all the anticipated savings shall be surrendered to the Finance Department by the dates prescribed by that Department. The Finance Department shall communicate acceptance of such surrenders before the close of the financial year. The prescribed date for the surrender of anticipated savings for salary and wages in 2022-23 was 06 February 2023 and 24 March 2023 for other object heads.

The position of savings and surrenders under Grant-15-Health Services during 2020-21 to 2022-23 has been depicted in **Table 3.22**.

Table 3.22: Budget and Expenditure during 2020-21 to 2022-23

(₹ in crore)

| Year | Savings | | Amount surrendered (percentage) | |
|---------|-------------|-------------|---------------------------------|---------------|
| | Revenue (V) | Capital (V) | Revenue (V) | Capital (V) |
| 2020-21 | 66.09 | 38.70 | 0.00 (0.00) | 35.23 (91.03) |
| 2021-22 | 28.44 | 5.54 | 0.00 (0.00) | 0.00 (0.00) |
| 2022-23 | 58.08 | 6.92 | 1.00 (1.72) | 0.00 (0.00) |

Source: Appropriation Accounts of the respective year

(iv) Persistent savings

It was observed during scrutiny of Budget Documents that persistent savings have occurred under the Revenue Section and Capital Section from 2020-21 to 2022-23 as given in **Table 3.23**.

Table 3.23: Budget and Expenditure during 2020-21 to 2022-23

(₹ in crore)

| Particulars | Year-wise Savings (-)/ Excess (+) with percentage | | |
|-------------|---|-----------------|-----------------|
| | 2020-21 | 2021-22 | 2022-23 |
| Revenue | (-)66.09 (6.78) | (-)28.44 (2.33) | (-)58.08 (4.33) |
| Capital | (-)38.70 (80.79) | (-)5.54 (21.14) | (-)6.92 (7.71) |

Source: Appropriation Accounts of the respective year

Recommendation: The Department should design and implement an effective monitoring system to ensure timely utilisation of funds to avoid persistent savings.

(v) Entire Provision remained unutilised

It was observed that the entire budget allocation remained unutilised under one scheme during 2022-23, indicating non-implementation of the scheme as shown in **Table 3.24**.

Table 3.24: Entire provision remained un-utilised

(₹ in crore)

| Sl. No. | Head of Account | Original Budget | Re-appropriation/ Supplementary | Savings |
|---------|---|-----------------|---------------------------------|---------|
| 1. | 05-2210-01-800-02-Maintenance of Assets | 11.08 | 37.92 | 49.00 |

Source: Detailed Appropriation Accounts, 2022-23

The Department stated in its reply (June 2023) that unutilised provision was due to non-receipt of financial concurrence and communication from the State Finance Department.

(vi) Unnecessary re-appropriation of funds

Re-appropriation is the transfer of funds within a grant from one unit of appropriation, where savings are anticipated, to another unit where additional funds are needed. During 2022-23, it was observed that the reduction of provision and augmentation of the provision was not correctly anticipated as a result of this savings occurred in two schemes as given below in **Table 3.25**.

Table 3.25: Statement showing unnecessary re-appropriation of funds.

(₹ in crore)

| Head of Account | Original | Supplementary | Re-appropriation | Final Grant | Actual Expenditure | Savings |
|---|----------|---------------|------------------|-------------|--------------------|---------|
| 03-2210-06-200-01-National Mission on Ayush Mission on Medicinal Plants | 10.00 | 0.00 | (+)0.26 | 10.26 | 7.15 | 3.11 |
| 04-4210-04-200-02-Creation of Assets under BA/ SDS | 84.08 | 0.00 | (-)26.68 | 57.40 | 50.48 | 6.92 |

Source: Detailed Appropriation Accounts

3.8.2 Grant No. 24 - Agriculture

(i) Introduction

Grant No. 24 - Agriculture includes Major Heads 2401 - Crop Husbandry, 2408 - Food, Storage and Warehousing, 2435 - Other Agricultural Programmes, 4401 - Capital Outlay on Crop Husbandry, 4416 - Investments in Agricultural Financial Institutions, and 4416 - Investments in Agricultural Financial Institutions.

(ii) Budget and Expenditure

The overall position of budget provisions, actual disbursement, and savings under the grant for the last three years (2020-21 to 2022-23) is given in **Table 3.26**.

Table 3.26: Budget and Expenditure during 2020-21 to 2022-23

(₹ in crore)

| Year | Section | Budget Provision | Total | Expenditure | Saving (-)/ Excess (+) and Percentage |
|---------|----------------------|------------------|--------|-------------|---------------------------------------|
| 2020-21 | Revenue-Original (V) | 191.97 | 239.15 | 226.82 | 12.33 |
| | Supplementary | 47.18 | | | (5.16) |
| | Capital-Original (V) | 109.50 | 109.50 | 4.80 | 104.70 |
| | Supplementary | 0.00 | | | (95.62) |
| 2021-22 | Revenue-Original (V) | 308.62 | 313.64 | 311.74 | 1.90 |
| | Supplementary | 5.03 | | | (0.61) |
| | Capital-Original (V) | 3.65 | 25.76 | 17.63 | 8.13 |
| | Supplementary | 22.11 | | | (31.56) |
| 2022-23 | Revenue-Original (V) | 337.99 | 359.18 | 354.30 | 4.88 |
| | Supplementary | 21.19 | | | (1.36) |
| | Capital-Original (V) | 118.90 | 118.90 | 3.96 | 114.94 |
| | Supplementary | 0.00 | | | (96.67) |

Source: Appropriation Accounts of the respective year

Table 3.26 shows that un-utilised budget provision under Capital (Voted) ranged between 32 and 97 per cent, which reflected complete non-performance on the part of the State Government.

(iii) Non-surrender of savings

Rule 61 (1) of General Financial Rules, 2017 prescribes that all the anticipated savings shall be surrendered to the Finance Department by the dates prescribed by that Department. The Finance Department shall communicate acceptance of such surrenders before the close of the financial year. The prescribed date for the surrender of anticipated savings for salary and wages in 2022-23 was 06 February 2023 and 24 March 2023 for other object heads.

The position of savings and surrenders under Grant-24-Agriculture during 2020-21 to 2022-23 has been depicted in **Table 3.27**.

Table 3.27: Budget and Expenditure during 2020-21 to 2022-23

(₹ in crore)

| Year | Savings | | Amount surrendered (percentage) | |
|---------|-------------|-------------|---------------------------------|-----------------|
| | Revenue (V) | Capital (V) | Revenue (V) | Capital (V) |
| 2020-21 | 12.33 | 104.70 | 0.00 (0.00) | 108.55 (103.68) |
| 2021-22 | 1.90 | 8.13 | 0.00 (0.00) | 0.00 (0.00) |
| 2022-23 | 4.88 | 114.94 | 0.00 (0.00) | 114.99 (100.04) |

Source: Appropriation Accounts of the respective year

As can be seen from the above Table, the Department has not surrendered the savings under Revenue Section during the financial years 2020-21 to 2022-23. Further, Department surrendered more than the savings under Capital section during 2020-21 and 2022-23.

(iv) Persistent savings

It was observed during the scrutiny of Budget Documents that persistent savings has been occurred under the Revenue Section and Capital Section during 2020-21 to 2022-23 as given in the **Table 3.28**.

Table 3.28: Budget and Expenditure during 2020-21 to 2022-23

(₹ in crore)

| Particulars | Year-wise Savings (-)/ Excess (+) with percentage | | |
|-------------|---|-----------------|-------------------|
| | 2020-21 | 2021-22 | 2022-23 |
| Revenue | (-)12.33 (5.16) | (-)1.90 (0.61) | (-)4.88 (1.36) |
| Capital | (-)104.70 (95.62) | (-)8.13 (31.56) | (-)114.94 (96.67) |

Source: Appropriation Accounts of the respective year

(v) Entire Provision withdrawn

It was observed that the entire was withdrawn under 10 schemes during 2022-23, indicating non-implementation of schemes as shown in **Table 3.29**.

Table 3.29: Entire provision withdrawn

(₹ in crore)

| Sl. No. | Head of Account | Total Provision |
|---------|---|-----------------|
| 1. | 2401-103-04-Sub Mission on Seed and Planting Material (SMSP) | 0.56 |
| 2. | 2401-104-02-Rainfed Area Development and Climate Change | 2.22 |
| 3. | 2401-105-02-National Project on Soil Health and Fertility (NMSHF) | 2.22 |
| 4. | 2401-113-05-National Agriculture Technology Infrastructure | 0.56 |
| 5. | 2401-114-01-National Mission on Oil Seeds and Oil Palm (NMOSOP) | 7.78 |
| 6. | 2401-115-02-Rastriya Krishi Vikas Yojana (RKVY) | 22.22 |
| 7. | 2401-115-04-Sub Mission on Agricultural Mission (SMAM) | 10.00 |
| 8. | 2401-115-05-Pradhan Mantri Krishi Sinchai Yojana (PMKSY) | 22.22 |
| 9. | 2401-115-06-Paramparagat Krishi Vikas Yojna | 0.56 |
| 10. | 03-2408-01-800-01-National Food Security Mission (NFSM) | 7.78 |

Source: Detailed Appropriation Accounts, 2022-23

(vi) Unnecessary/ inadequate re-appropriation of funds

Re-appropriation is the transfer of funds within a grant from one unit of appropriation, where savings are anticipated, to another unit where additional funds are needed. During 2022-23, it was observed that under six schemes, there were savings as well as excess occurring after the re-appropriation of funds, indicating a lack of proper assessment with respect to reduction and augmentation of provision.

Table 3.30: Statement showing unnecessary re-appropriation of funds

(₹ in crore)

| Sl. No. | Head of Account | Original | Supplementary | Re-appropriation | Final Grant | Actual Expenditure | Savings(-)/ Excess(+) |
|-------------------------------------|---|---------------|---------------|------------------|---------------|--------------------|-----------------------|
| Unnecessary Re-Appropriation | | | | | | | |
| 1. | 2401-113-04-National Mission on Agricultural Extension and Technology (NMAET) | 100.00 | 0.00 | (-)88.07 | 11.93 | 7.84 | (-)4.09 |
| 2. | 2401-796-06-Sub-Mission on Agriculture Extension (SMAE) | 0.00 | 0.70 | (+)4.38 | 5.08 | 2.56 | (-)2.52 |
| 3. | 04-2401-104-03-Schemes under BA/SDS | 6.85 | 3.60 | (+)117.13 | 127.58 | 110.20 | (-)7.38 |
| Total | | 106.85 | 4.30 | 209.58 | 144.59 | 120.60 | 13.99 |
| Inadequate Re-Appropriation | | | | | | | |
| 4. | 2401-115-09-Sub-Mission on Agriculture Extension (SMAE) | 0.00 | 0.30 | (+)2.06 | 2.36 | 6.83 | (+)4.47 |
| 5. | 2401-115-12-Rashtriya Krishi Vikas Yojana (RKVYRAFTAAR) | 0.00 | 2.32 | (+)0.90 | 3.22 | 6.44 | (+)3.22 |
| 6. | 2401-796-13-Rashtriya Krishi Vikas Yojana (RKVYRAFTAAR) | 0.00 | 0.70 | (+)1.00 | 1.70 | 3.40 | (+)1.70 |
| Total | | 0.00 | 3.32 | 3.96 | 7.28 | 16.67 | 9.39 |

Source: Detailed Appropriation Accounts, 2022-23

(vii) Injudicious Surrender

Complete accuracy of estimates may not always be possible but where the omission or inaccuracy is the result of lack of forethought, neglect of the obvious, or unrealistic estimating, it is a matter of concern. Hence, all Estimating Officers should strive to provide in the budget for everything that can be foreseen and to provide only as much as is necessary. The Administrative and Finance Departments should consider this while exercising final checks on preparation of estimates.

Budgetary allocations based on unrealistic proposals, overstressing the potential of resource mobilisation, poor expenditure monitoring mechanisms, and weak scheme implementation capacities/ weak internal controls promote the release of funds towards the end of the financial year. Excessive savings in some heads also deprive other Departments of the funds which they could have utilised.

During 2022-23, total provision of ₹118.90 crore (Capital-voted) was made under Grant-24-Agriculture against which only ₹3.96 crore was incurred resulted in huge savings of ₹114.94 crore. Against the savings of ₹114.94 crore, the Department had surrendered ₹114.99 crore, which was more than savings.

(viii) Expenditure without budget provisions

Article 205 (1) (b) of the Constitution of India provides that if any money has been spent on any service during a financial year in excess of the amount granted for that service and for that year, the Governor shall cause to be presented to the Legislative Assembly of the State, a demand for such excess.

Scrutiny of budget documents revealed that an expenditure of ₹11.14 crore was incurred without having any budget provision under two schemes during 2022-23 as detailed in **Table 3.31**.

Table 3.31: Expenditure without budget provisions

| | | (₹ in crore) |
|---------|--|--------------|
| Sl. No. | Head of Account | Expenditure |
| 1. | 2401-115-03-National Mission on Substantial Agriculture (NMSA) | 4.62 |
| 2. | 2401-796-04-Sub Mission on Agriculture Mechanization (SMAM) | 6.52 |

Source: Detailed Appropriation Accounts, 2022-23

3.9 Conclusion

- Against the total budget provision of ₹32,965.08 crore, the Departments incurred an expenditure of ₹26,268.78 crore during 2022-23, resulting in net savings of ₹6,696.30 crore, which stood at 20.31 *per cent* of total grants and appropriations. This shows poor financial management by the State.
- The total expenditure of the Government till February 2023 was only ₹16,032.64 crore, leaving it with ₹9,676.72 crore for the Month of March 2023 from the original budget allocation. However, the government took a Supplementary Grant of ₹7,255.72 crore on 07 March 2023 for the remaining 25 days. With the Supplementary Grant, total funds available with the State Government for March 2023 were ₹16,932.44 crore, which was equal to 105.61 *per cent* of the expenditure incurred during the first 11 months of the financial year. This is indicative of poor financial management.
- During 2022-23, an expenditure of ₹119.50 crore was incurred on four schemes under two Grants/ Appropriations without any budget provision, Supplementary Demands or re-appropriation orders, which is in violation of financial regulations and without the authority of the Legislature.
- During 2022-23, Supplementary grants of ₹713.32 crore (₹10.00 lakh and more in each case) provided in 14 Grants proved unnecessary as the expenditure did not come up to the level of original provision, indicating that Supplementary Grants were provided in an ad-hoc manner. Further, in respect of 41 cases, Supplementary provisions aggregating ₹6,573.61 crore proved excessive by ₹2,807.98 crore under 40 cases and inadequate by ₹13.74 crore in one case.

- There was misclassification of ₹19.32 crore towards Revenue Expenditure as Capital Expenditure and *vice-versa*.
- During 2022-23, 99 no. of sanction orders issued by the government involving ₹22.05 crore did not indicate the provision in the grant or appropriation from which the expenditure was to be met or the head of the account under which the expenditure was to be classified.
- In 181 cases, the re-appropriation was not made after realistic assessment as the expenditure was less/ more than the final appropriated amount pointing to excessive/Unnecessary/inadequate/Injudicious of the re-appropriation ordered. The re-appropriation proved inadequate as the expenditure finally was more than the total grant available in 15 cases by ₹49.97 crore. Similarly, re-appropriation was injudicious in 10 cases by ₹6.09 crore as the expenditure was more than the final grant. In respect of 121 cases, the re-appropriation proved excessive by ₹922.64 crore as total expenditure was ₹7,750.55 crore against the final grant ₹8,673.19 crore.
- In 23 cases, savings (₹one crore or above in each case) during 2022-23 was ₹3,660.69 crore in the Revenue section and ₹2,474.67 crore in 13 cases under the Capital section. Out of these, there were savings of ₹100 crore and above under 16 Grants. Further, there were persistent savings in 21 Grants during the last five years 2018-23, indicating lack of systemic and closer budget review by the Government.
- Savings during the year accounted for about one-fifth of the budget. The Controlling Officers did not surrender the funds on time. However, Departments were not cautioned against persistent savings; nor were their budgets varied in accordance with their ability to absorb the allocations.
- Non-compliance with the rules stated not only deprives other needy Departments of resources, but also defeats the very objective of achieving efficiency in budget management, which may be an impediment to the speedy development of State as in respect of 57 cases, anticipated savings were not surrendered by the prescribed date.
- During 2022-23, there was excess over provisions in nine Grants/ Appropriations amounting to ₹123.20 crore. In addition, excess expenditure amounting to ₹3,220.44 crore pertaining to the years from 1986-87 to 2021-22, are pending for regularisation. Such excess expenditure over budgetary allocation is a matter of concern and dilutes legislative oversight over public funds.
- The substantial variations of actuals with the revised estimates indicated absence of proper care in estimating the revised estimates by the controlling officers concerned as envisaged in the General Financial Rules, 2017 and failure of the Finance Department (Budget).

- Performance report for the year 2021-22 (Allocated ₹313.31 crore against 14 departments) was required to be incorporated in the Gender Budget of 2022-23 to ascertain the effectiveness of the schemes targeted to benefit women. It was, however, noticed that no such report was incorporated in the Gender Budget of 2022-23 due to which the actual achievement of schemes for benefit of women could not be analysed.

3.10 Recommendations

The State Government may-

- ensure that the Budget Estimates should be formulated after taking the inputs from the respective Drawing and Disbursing Officers of the Departments.
- review the expenditure incurred without budget provision seriously and take appropriate corrective measures to strengthen the mechanism for strict compliance with the rules and Treasury Officer strictly adheres to the provisions regarding existence of the budget while passing of bills.
- identify the Departments, which had incurred excess expenditure persistently and closely monitor their progressive expenditure, so that they seek supplementary grants/ re-appropriations in time. Further, the State Government also view the excess expenditure over the budgetary provision seriously as the cases are serious lapse against legislative control and take appropriate corrective measures for regularisation of expenditure in excess of budgetary provision.
- ensure better management of budgeted funds. The Finance Department may provide supplementary grants only after proper scrutiny and realistic assessment of requirements of the concerned Departments, to avoid under or over spending by them.