

CHAPTER-3
BUDGETARY MANAGEMENT

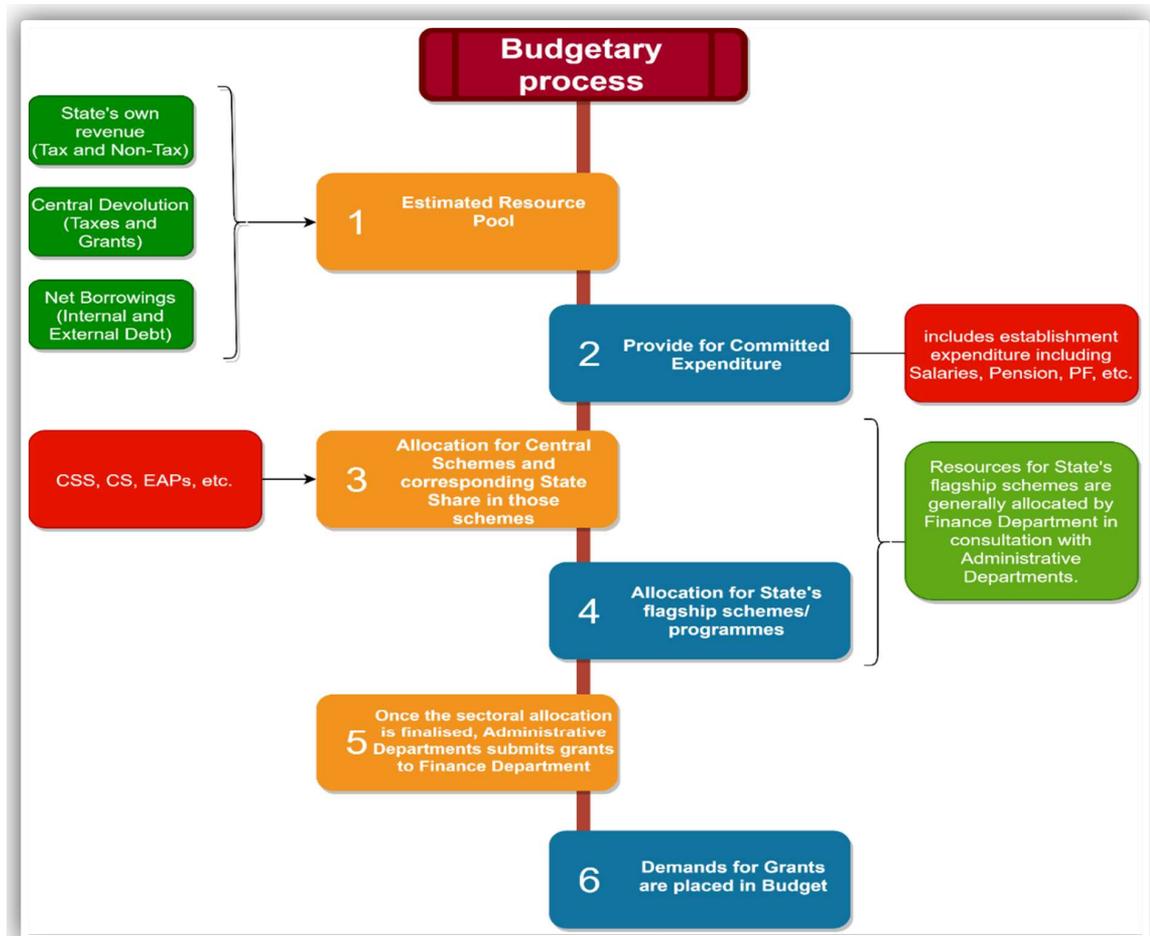
Chapter 3: Budgetary Management

3.1 Introduction

Effective financial management ensures that decisions taken at the policy level are implemented successfully at the administrative level without wastage or diversion of funds. This Chapter reviews the allocative priorities of the State Government and comments on the transparency of budget formulation and effectiveness of its implementation.

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 the Budget Circular, normally in August each year, providing guidance to the Departments in framing their estimates, for the next financial year. A typical budget preparation process in a State is shown below.



CSS: Centrally Sponsored Schemes; CS: Central Schemes.

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

Article 202 of Constitution of India requires laying of a statement of the estimated receipts and expenditure of the State for that year, as the “Annual Financial Statement” before the House or Houses of the Legislature of the State. The annual financial statement should show expenditure charged on consolidated fund and other expenditure separately. It shall also distinguish expenditure on revenue account from other expenditure.

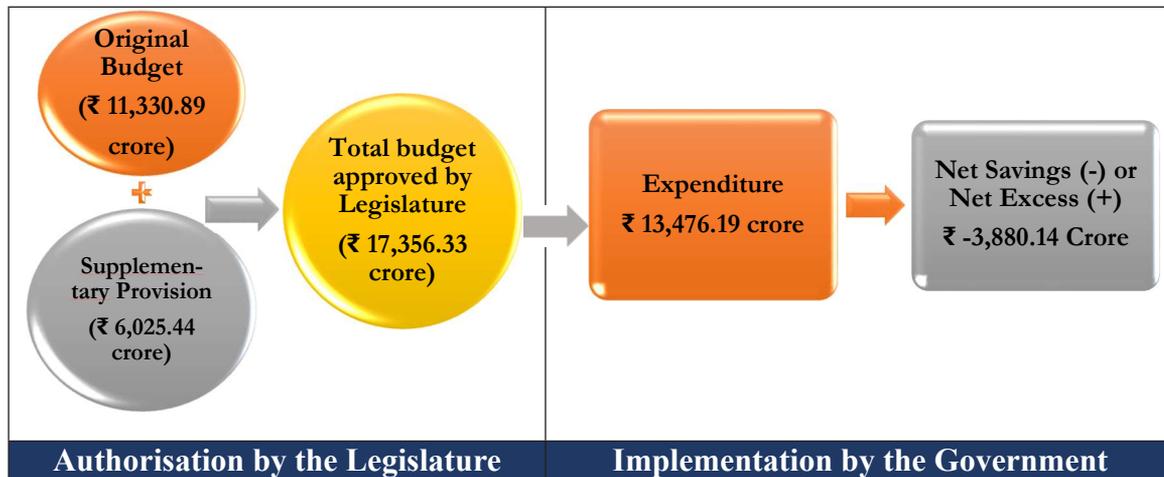
The annual financial statement, also called general budget, is placed prior to the commencement of the financial year in the State Legislature, in accordance with Article 202 of the Constitution. The estimates of receipts and disbursements in the Annual Financial Statement and of expenditure in the Demands for Grants are shown according to the accounting classification under Article 150 of the Constitution.

No money shall be withdrawn from the Consolidated Fund of the State except under appropriation made by law passed in accordance with provisions of Article 204 of the Constitution. Supplementary or Additional Grant or Appropriation is provided during the course of a financial year, in accordance with Article 205 of the Constitution. It is the provision for meeting expenditure in excess of the budgeted amount.

Legislative authorisation is the *sine qua non* for incurrence of all expenditure by the State Government. To guide individual Government Departments, the State Government has framed financial rules and provided for delegation of financial powers. These delegations establish limits for incurrence of expenditure and the levels authorised to sanction such expenditure together with restrictions on appropriation and re-appropriations. The State Government secures legislative approval for expenditure out of the Consolidated Fund of the State by presenting its annual Budget and 48 Demands for Grants (47 Grants and one Appropriation). Normally, every Department has one Demand for Grant, to ensure that the Head of the Department takes responsibility for implementing the policy decisions and expending public funds for the intended purposes.

Supplementary or additional Grant/Appropriation can be provided during the course of the financial year for meeting expenditure in excess of the originally budgeted amount. Apart from supplementary grant, Re-appropriation can also be used to re-allocate funds within a Grant. Re-appropriation is the transfer, by competent authority, of savings from one unit of appropriation to meet additional expenditure under another unit within the same section (Revenue-Voted, Revenue-Charged, Capital-Voted, Capital-Charged) of the Grant or Charged Appropriation.

Various components of budget of Government of Mizoram for the Year 2021-22 are depicted in **Chart 3.1**.

Chart 3.1: Summary of Budget and Expenditure of Mizoram for 2021-22

Before obtaining Supplementary grants of ₹ 6,025.44 crore in February 2022 the actual expenditure up to the month of January 2022 was ₹ 9,443.90 crore against the original budget provision of ₹ 11,330.89 crore which was 83 *per cent* of the original provision.

3.2.1 Summary of total provisions, actual disbursements and savings/ excess during financial year

The summarised position of budget including supplementary budget, actual expenditure, and excess/savings during Financial Year 2021-22 against 48 Grants/ Appropriation (47 Grants and one Appropriation) is given in **Table 3.1**:

Table 3.1 : Budget provision, disbursement and savings/ excess during 2021-22.

(₹ in crore)

Total Budget provision		Disbursements		Savings		Excess	
Voted	Charged	Voted	Charged	Voted	Charged	Voted	Charged
12,527.79	4,828.54	9,150.83	4325.36	3,377.10	508.74	0.14	5.55

Source: Appropriation Accounts

There was an overall saving of ₹ 3,885.83 crore offset by excess of ₹ 5.69 crore during the year 2021-22 resulting in net savings of ₹ 3,880.14 crore which was 22.36 *per cent* of total Grants/ Appropriations and 28.79 *per cent* of the expenditure.

These savings may be seen in context of over estimation on the expenditure side being ₹ 17,356.35 crore during the year 2021-22. As against the estimated Receipts of ₹ 11,148.89 crore, the actual Receipts were ₹ 13,752.19 crore thereby restricting the total expenditure to ₹ 13,476.19 crore. This implied that substantial portion of the savings were notional, as the funds were not actually available for expenditure.

3.2.2 Charged and voted disbursements

Table 3.2 shows the break-up of charged and voted disbursements for the State during the five-year period from 2017-18 to 2021-22.

Table 3.2 : Details of Charged and Voted Disbursements*(₹ in crore)*

Year	Budget Estimates		Disbursement		Saving		Excess	
	Voted	Charged	Voted	Charged	Voted	Charged	Voted	Charged
2017-18	10,357.14	732.32	8,620.96	664.01	1,748.69	68.31	12.51	0.00
2018-19	11,890.16	754.14	9,103.48	686.93	2,741.68	67.22	0.00	0.00
2019-20	13,566.80	779.93	10,633.37	734.00	2,943.32	55.36	9.91	9.43
2020-21	12,380.36	1,551.53	9,284.23	2,090.87	3,371.88	4.65	275.76	543.98
2021-22	12,527.79	4,828.54	9,150.83	4325.36	3,377.10	508.74	0.14	5.55

Source: Appropriation Accounts

From the table it may be seen that Voted disbursements increased by ₹ 529.87 crore from ₹ 8,620.96 crore in 2017-18 to ₹ 9,150.83 in 2021-22. Charged disbursements also showed an increase of ₹ 3,661.35 crore over the same period from ₹ 664.01 crore in 2017-18 to ₹ 4,325.36 crore in 2021-22. Savings in Voted increased from ₹ 1,748.69 crore in 2017-18 to ₹ 3,377.10 crore in 2021-22 whereas in Charged sections it fluctuated from year to year and stood at ₹ 508.74 crore. Excess expenditure in some grants was seen in four out of five years and in 2021-22 excess Voted expenditure stood at ₹ 0.13 crore (0.001 per cent of Voted expenditure) and excess Charged expenditure stood at ₹ 5.55 crore (0.13 per cent of Charged expenditure). All these parameters are discussed in greater detail in the following paragraphs.

3.3 Appropriation Accounts

Appropriation Accounts are accounts of the expenditure of the Government for each financial year, compared with the amounts of grants voted and appropriations charged for different purposes as specified in the schedules appended to the Appropriation Act passed under Article 204 and 205 of the Constitution of India. Appropriation Accounts are 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 of 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 was in accordance with the authorisation given under the Appropriation Act and that the expenditure required to be charged under the provisions of the Constitution (Article 202) is so charged. It also ascertains whether the expenditure incurred is in conformity with the laws, relevant rules, regulations and instructions.

3.4 Comments on Integrity of Budgetary and Accounting Process

The following section explores in greater detail the State Government's compliance to the budgetary and accounting process as duly required by law.

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

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

During 2021-22, no transaction was found under Minor Head 800 Other Deposits subordinate to Major Head 8443 Civil Deposits. However, the accumulated balance of previous years' deposits amounting to ₹ 108.88 crore at the close of the year should be written back to the respective Major Heads of account under the Consolidated Fund from which these were originally transferred. Withdrawals from the Minor Head of account in subsequent years would not require Legislative approval and thus escape Legislative scrutiny through the Appropriation Account mechanism.

3.4.2 Unnecessary or excessive supplementary grants

As per Article 205 of the Constitution, a Supplementary or Additional Grant or Appropriation over the provision made by the Appropriation Act for the year can be made during the current financial year, but not after the expiry of the current financial year, as is necessary to meet.

- i. Expenditure on Schemes of New Expenditure to be taken up within the current financial year.
- ii. Inadequacy of provision.
- iii. Fresh expenditure but not technically "Schemes of New Expenditure."
- iv. Omissions of provision.

When such additional expenditure is found to be inevitable and there is no possibility of effecting savings within the Grant to cover the excess by Re-Appropriation, the Secretary in the Department concerned proposes to the Finance Department for Supplementary or Additional Grant or Appropriation.

In deserving cases which are unforeseen and which cannot wait for provision by Supplementary or Additional Grant or Appropriation, advances from the Contingency Fund may be sanctioned in accordance with the provisions made in the Constitution and the relevant rules. The advances so sanctioned will have to be regularised by a Supplementary Grant or Appropriation and recouped to the Contingency fund before the close of the financial year.

Table 3.3 shows details of cases where supplementary provision of ₹ 50 lakh or more in each case proved unnecessary at the end of the year and consequently resulted in surrender of funds which could have been re-appropriated at an earlier point of time.

Table 3.3 : Details of cases where supplementary provision proved unnecessary²⁸*(₹ in crore)*

Sl. No.	Name of Grant	Original	Supplementary	Actual Expenditure	Saving out of original Provisions
A) Revenue (Voted)					
1	1-Legislative Assembly	30.32	1.03	28.01	2.31
2	6-Land Revenue & Settlement	30.17	0.97	28.12	2.05
3	8-Taxation	22.83	0.53	20.28	2.55
4	11-Secretariat Administration	125.74	0.76	114.99	10.75
5	16-Home	760.47	26.93	707.69	52.78
6	19- Local Administration	100.45	112.18	98.69	1.76
7	20-School Education	1,530.34	67.66	1,237.24	293.10
8	21-Higher & Technical Education	259.04	45.89	245.52	13.52
9	22-Sports and Youth Services	25.61	0.66	24.01	1.60
10	28-Labour, Employment, Skill Development and Entrepreneurship	31.35	4.52	17.18	14.17
11	30-Disaster Management and rehabilitation	61.14	9.50	40.86	20.28
12	31-Agriculture	184.23	10.42	123.12	61.11
13	32-Horticulture	89.78	11.75	64.13	25.65
14	34-Animal Husbandry and Veterinary	79.43	3.73	61.26	18.17
15	36-Environment, Forests and CC	217.98	41.48	150.38	67.60
16	37-Co-operation	14.95	1.01	14.40	0.55
17	38-Rural Development	438.45	65.18	229.92	208.53
18	40-Commerce & Industries	78.05	12.53	66.42	11.63
19	41-Sericulture	20.04	1.58	17.82	2.22
20	42-Transport	59.62	6.68	45.60	14.02
21	45-Public Works	540.21	22.68	292.56	247.65
22	46- Urban Development & Poverty Alleviation	319.16	12.71	232.67	86.49
	Total	5019.36	460.38	3860.87	1158.49

²⁸ Threshold for determination of excess provision has been taken at ₹ 50 lakh or more.

Sl. No.	Name of Grant	Original	Supplementary	Actual Expenditure	Saving out of original Provisions
B) Capital (Voted)					
1	46- Urban Development & Poverty Alleviation	107.12	12.71	52.03	55.09
2	47- Irrigation & Water Resources	45.00	3.94	7.76	37.24
	Total	152.12	16.65	59.79	92.33
C) Revenue (Charged)					
1	10-Mizoram Public Service Commission	8.48	0.50	8.18	0.30
	Total	8.48	0.50	8.18	0.30
	Grand Total (A+B)	5,179.96	477.53	3,928.84	1,251.12

Source : Appropriation Accounts

As may be seen from the table, during 2021-22, ₹ 5,657.49 crore (Original and Supplementary) was allocated for 23 Grants under Revenue (Voted), Revenue (Charged) and Capital (Voted) section which subsequently closed with savings ranging between ₹ 0.55 crore to ₹ 293.10 crore. against original provision. Further, it was found that total expenditure of ₹ 3,928.84 crore (69 per cent) was incurred out of total allocation (Original plus Supplementary) which meant that approximately 31 per cent of the funds allocated to 23 out of the 48 Grants and appropriation were not utilised where supplementary provision of ₹ 50 lakh or more were made. This was mainly due to (i) non-receipt of expenditure sanction from Government, (ii) non-release of funds by GoI (iii) non-approval of expenditure by Finance Department (iv) limitation of official tours due to COVID-19 pandemic and (v) non-filling of vacant posts, etc. It was also found in audit that the supplementary demand for grants was laid before the legislature on 24th February 2022 and this contributed to late release/non-release of fund.

3.4.3 Unnecessary or excessive re-appropriation

Re-appropriation is transfer of funds within a grant from one unit of appropriation, where savings are anticipated, to another unit where need for additional funds is identified. State Government has the power to sanction/authorise any re-appropriation within a Grant, which does not involve the undertaking of a recurring liability.

Injudicious re-appropriation proved insufficient in 14 sub-heads and resulted in excess expenditure of over ₹ 10 lakh and above in each case as detailed in **Appendix –IV**.

Further scrutiny revealed that re-appropriation orders for all 14 cases were issued on 31 March 2022. Reasons for excess were not furnished (July 2022) in 12 out of the 14 cases and the cumulative amount of these excesses worked out to be ₹ 43.52 crores. The remaining two cases of excess were due to wrong entry of data while preparing surrender statement and delay in passing bill resulted in inclusion of the previous year's amount during current financial year. This clearly shows the inadequacy of the expenditure control mechanism of the Government.

In ten cases, it was found that the total expenditure did not exceed original budget provisions. Thus, revision of provision through re-appropriation orders proved injudicious because excess expenditure occurred due to the excessive re-appropriations.

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

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

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

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

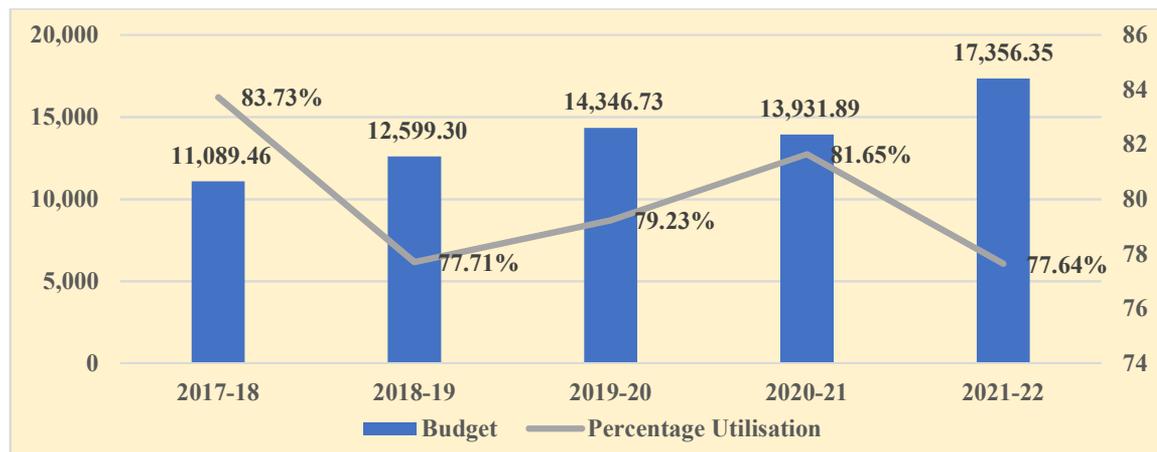
Principal Accountant General (Accounts) provides the draft Appropriation Accounts to the Controlling Officers of the Departments (July/ August 2022) and seeks the reasons/ explanation for the variations in expenditure with reference to approved budgetary allocation in keeping with the limits set by the Public Accounts Committee (PAC). The current limits, set by the State PAC in October 2011 are as follows:

Savings	<ul style="list-style-type: none"> • Comments are to be made for overall savings exceeding 5 per cent of the total provision; if individual sub-heads, where savings exceed ₹5 lakh and the Grant is less than ₹20 crore; if savings exceed ₹10 lakh and the Grant is over ₹20 crore • Comments are to be made in all sub-heads under Charged Appropriations where the variation is more than ₹5 lakh
Excess	<ul style="list-style-type: none"> • General comments are to be made for regularisation of excess over the provision in all cases where there is an overall excess (irrespective of the amount) • Comments are to be made if variations (excesses) under sub-heads of Grants/ Appropriation are ₹5 lakh and the Grant is less than ₹20 crore; if excess exceeds ₹10 lakh and the Grant is over ₹20 crore • Comments are to be made in all sub-heads under Charged Appropriations where the variation is more than ₹5 lakh

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

Utilisation of budgeted funds by the State has been sub-optimal every year during the past few years. The extent of savings during the last five years is given in **Chart 3.2**.

Chart 3.2 : Budget Utilisation during 2017-18 to 2021-22



Source: Appropriation Accounts of the respective years

As can be seen from the chart, utilisation of budget fluctuated and ranged between 77.64 per cent (2021-22) and 83.73 per cent (2017-18) during the last five years. Large amount of savings in allocated funds indicate inaccurate assessment of receipts and expenditure.

During 2021-22 eight Grants/Appropriations had savings of ₹ 100 crore or more, the details of which are shown in **Table 3.4**. Reasons for these large savings were stated due to non-receipt of sanction from Government of India, non-accord of expenditure sanction by the State Government, due to non-filling up of vacant posts and re-provision of fund to other departments from Finance department, etc.

Table 3.4 : Grants having large savings²⁹ during the year 2021-22

(₹in crore)							
Sl. No.	Number and name of the grant	Original	Supplementary	Total	Actual Expenditure	Saving/ Excess	Surrender
Revenue (Voted)							
1	19-Local Administration	100.45	112.18	212.63	98.69	113.94	113.94
2	20-School Education	1,530.34	67.66	1,598.00	1,237.24	360.76	359.36
3	24- Health and Family Welfare	595.97	147.76	743.73	629.43	114.30	114.30
4	36-Environment, Forests and Climate change	217.98	41.48	259.45	150.38	109.07	109.06
5	38-Rural Development	438.45	65.18	503.64	229.92	273.71	273.28

²⁹ Savings above ₹ 100 crore

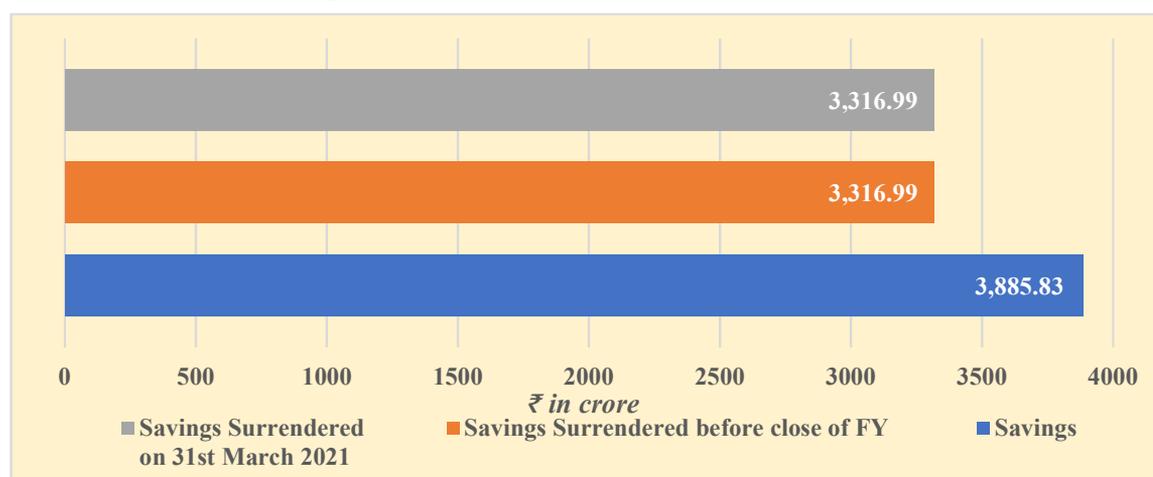
Sl. No.	Number and name of the grant	Original	Supplementary	Total	Actual Expenditure	Saving/ Excess	Surrender
6	39-Power	697.40	108.82	806.22	700.99	105.24	104.46
7	45-Public Works	540.21	22.68	562.89	292.56	270.33	269.55
	Total	4,120.80	565.76	4,686.56	3,339.21	1,347.35	1,343.95
Capital (Voted)							
1	9-Finance	930.00	0.00	930.00	0.00	930.00	930.00
	Total	930.00	0.00	930.00	0.00	930.00	930.00
	Grand Total	5,050.80	565.76	5,616.56	3,339.21	2,277.35	2,273.95

Source: Appropriation Accounts

Appendix V further lists the details of 23 Grants which had surrendered funds in excess of ₹ 10 crore by 31 March 2022. Audit scrutiny of the Appropriation Accounts revealed that in one³⁰ out of the 23 grants, the reasons for the savings in expenditure during the year were not provided. The main reasons for surrender of the remaining 22 grants were stated due to non-filling up of vacant posts, wrong calculation of budget estimates, less official tours under domestic and foreign travel expenses, freezing of dearness allowance and MACP arrears, non-release/short release of funds by GoI, non-receipt of expenditure sanction from the State Government, etc. This has been a common occurrence through the previous years and points to weak budgetary control by the State Government.

Chart 3.3 shows the status of savings and surrenders occurring from these savings before the close of the year. As may be seen from the chart, an amount of ₹ 3,316.99 crore was surrendered from the total gross savings of ₹ 3,885.83 crore leaving a balance of ₹ 568.84 crore which was not surrendered. As per records available, all surrenders occurred on 31 March 2022.

Chart 3.3: Savings and surrenders before close of financial year 2021-22

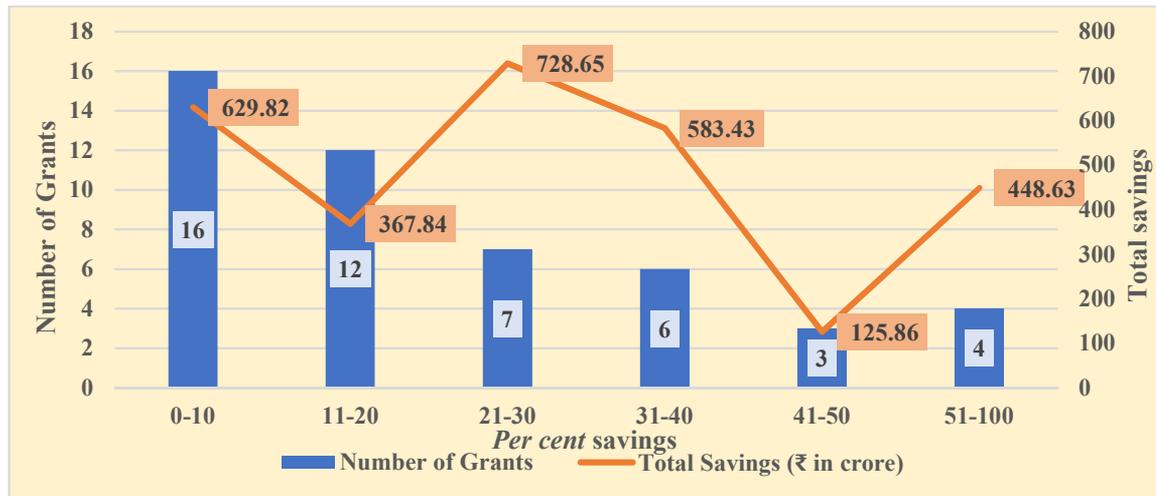


Source: Appropriation Accounts; * = Gross savings for the year

Chart 3.4 shows the distribution of the 48 Grants/ Appropriations as per savings percentage during the year with the resulting total savings in each group.

³⁰ Reasons for savings not stated by Finance Department.

Chart 3.4: Distribution of Grants/ Appropriations grouped by percentage of Savings along with total savings in ₹ crore in each group



Source: Appropriation Accounts

Out of total provisions made for each Grant during the year, 16 out of 47 grants had savings of 0-10 *per cent*, 12 grants had savings between 11 - 20 *per cent*, 7 grants had savings between 21 - 30 *per cent*, 6 grants had savings between 31 – 40 *per cent*, 3 grants had savings between 41 - 50 *per cent* and 4 grants had savings above 50 *per cent*. The largest savings from an individual grant occurred in Grant No.9 – Finance which had savings of ₹ 982.93 crore which was 41.66 *per cent* of total allocation. Occurrence of such huge savings indicates poor budgetary management.

3.4.5 Excess expenditure and its regularisation

Apart from showing the expenditure against the approved budget, Appropriation Accounts also provide explanation for cases where the expenditure varies significantly from the budgeted provision (Original + Supplementary).

3.4.5.1 Excess expenditure during 2021-22

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

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

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

purpose. Cases of excess expenditure over the provisions for the financial year are carefully examined to ascertain whether sufficient reasons were available to disregard prevalent rules and also to determine if these reasons, if available, were justifiable.

A summary of excess expenditure requiring regularisation during 2021-22 is given in **Table 3.5**.

Table 3.5: Summary of excess disbursements over grants/appropriations during the financial year

(₹ in crore)

Type of Expenditure		Name of Department/Grant			
		Grant No. 27--District Councils and Minority Affairs		Appropriation No 49- Public Debt	
		Total Grant	Actual Expenditure	Total Grant	Actual Expenditure
Voted	Revenue	496.84	496.97	0.00	0.00
	Capital	0.00	0.00	0.00	0.00
Charged	Revenue	0.00	0.00	492.24	497.79
	Capital	0.00	0.00	0.00	0.00
Total Excess		0.13		5.55	
Grand Total		5.68			

Source: Appropriation Accounts

During 2021-22, there was a total excess disbursement of ₹ 5.68 crore under two Grants (27--District Councils and Minority Affairs) and one appropriation (Public Debt) as shown above. Excess disbursement also occurred in Public Debt last year. Reasons for excess disbursement under District Councils and Minority Affairs was stated to be due to delay in passing of bill related to previous year and inclusion of the said amount in current year whereas reasons under Public Debt had not been intimated by the Government (July 2022).

In light of the above, it is clear that the Government and Department concerned did not exercise adequate control over the expenditure.

3.4.5.2 Unauthorised expenditure escaping the notice of the Legislature

Expenditure without proper authority of the Legislature is in contravention of the letter and spirit of the Constitution of India. It indicates improper planning and lack of financial foresight on the part of the Government.

During 2021-22, a case of unauthorised expenditure was reported in the Appropriation Accounts under Grant no. 46- Urban Development and Poverty Alleviation for an amount of ₹ 10.20 crore through the creation of new provision through re-appropriation under Major Head 2217-01-191-06. This expenditure under the Grant was unauthorised and escaped the notice of the legislature.

The State Government may take steps to regularise this expenditure and ensure non-recurrence of such instances in the future.

3.4.5.3 Regularisation of excess expenditure during the five-year period

Excess expenditure remaining unregularised for extended periods dilutes legislative control over the executive and is in violation of Article 204 (3) of the Constitution, which provides that no money shall be withdrawn from the Consolidated Fund except under appropriation made by Law by the State Legislature. This vitiates the system of budgetary and financial control and encourages financial indiscipline in management of public resources. The excess expenditure relating to the period 2017-18 to 2021-22 has not been regularised as shown in **Table 3.6**.

Table 3.6 : Excess expenditure during 2017-18 to 2021-22 requiring regularisation

(₹ in crore)

Year	Grant No./ Appropriation	Grant/ Appropriation details	Amount of excess required to be regularised as commented in the Appropriation Accounts	Status of regularisation
Revenue Portion (Voted)				
2017-2018	2	Governor	0.07	Not Regularised
2019-2020	3	Council of Ministers	0.61	-Do-
2019-2020	22	Sports & Youth Services	0.65	-Do
2019-2020	27	District Councils and Minority Affairs	0.07	-Do
2019-2020	30	Disaster Management and Rehabilitation	0.61	-Do
2019-2020	37	Co-operation	0.65	-Do
2020-2021	9	Finance	275.76	-Do
2021-2022	27	District Councils and Minority Affairs	0.14	-Do
Capital Portion (Voted)				
2017-2018	20	School Education	10.38	-Do
2017-2018	45	Public Works	2.12	-Do
2019-2020	13	Personnel and Administrative Reforms	0.01	-Do
Revenue Portion (Charged)				
2020-2021	...	Public Debt	30.46	-Do
2021-2022	...	Public Debt	5.55	-Do
Capital Portion (Charged)				
2019-2020	...	Public Debt	9.43	-Do
2020-2021	...	Public Debt	513.52	-Do
TOTAL	15		850.03	

Source: Appropriation Accounts

During the period 2017-22, there was an excess expenditure of ₹ 850.03 crore under 11 Grants and one Appropriation, covering 11 departments which was yet to be regularised in accordance with Article 205 of the Constitution.

3.5 Comments on Transparency of Budgetary and Accounting process

Transparency in the budgetary and accounting process ensures that clarity is maintained in the management of funds by the Government.

3.5.1 Lump Sum budgetary provisions

Lump sum provision in estimates are generally discouraged except in cases where urgent measures are to be provided for meeting emergent situations or for meeting preliminary expenses on a project/scheme which has been accepted in principle for being taken up in the financial year. Detailed explanations justifying provision proposed are required to be given in the budget note accompanying the lump sum estimates. Lump sum provisions without identifying the exact object of expenditure is against transparency. In the case of Union Government, for example, Rule 8 of DFPRs stipulates that object head '42-Lump sum provision' should be used to record expenditure in respect of schemes whose provision does not exceed ₹ 10 lakhs. No cases of lumpsum provision by Government of Mizoram were found during 2021-22 which indicated that the budgetary and accounting process was transparent in this respect.

3.6 Comments on Effectiveness of Budgetary and Accounting process

The effectiveness of budgetary and Accounting process may be most easily measured by comparing the outcome of a given budget. This section attempts to highlight the deficiencies or lack thereof in the budgetary and accounting process of Government of Mizoram.

3.6.1 Budget projection and gap between expectation and actual

Efficient management of tax administration/other receipts and public expenditure holds the balance for achievement of various fiscal indicators. Budgetary allocations based on unrealistic proposals, poor expenditure monitoring mechanism, weak scheme implementation capacities/ weak internal controls lead to sub-optimal allocation among various developmental needs. Excessive savings in some departments deprives other departments of the funds which they could have utilised. **Table 3.7** gives the summarised position of actual expenditure as compared to the original and supplementary budget provisions during 2021-22.

Table 3.7 : Summarised position of Actual Expenditure vis-à-vis Budget provisions

(₹ in crore)

Nature of expenditure	Original grant	Supplementary grant	Total	Expenditure	Savings (-)/ Excess (+)	Details of Surrender		
						Amount	Per cent	
Voted	I Revenue	8,948.28	1,197.86	10,146.14	8,143.88	-2,002.26	1,941.83	96.98
	II Capital	1,417.45	963.61	2,381.06	1,006.55	-1,374.51	1,371.18	99.76
	III Loans and Advances	0.60	0.00	0.60	0.40	-0.20	0.20	100.00
Total Voted	10,366.33	2,161.47	12,527.80	9,150.83	-3,376.97	3,313.21	98.11	

	Nature of expenditure		Original grant	Supplementary grant	Total	Expenditure	Savings (-)/ Excess (+)	Details of Surrender	
								Amount	Per cent
Charged	IV	Revenue	450.11	75.68	525.79	527.41	1.62	3.78	233.33
	V	Capital	0.00	0.00	0.00	0.00	0.00	0.00	NA
	VI	Public Debt Repayment	514.46	3788.30	4302.76	3797.95	-504.81	0.00	0.00
Total Charged			964.57	3,863.98	4,828.55	4,325.36	-503.19	3.78	0.75
Appropriation to Contingency Fund			0.00	0.00	0.00	0.00	0.00	0.00	NA
Grand Total			11,330.90	6,025.45	17,356.35	13,476.19	-3,880.16	3,316.99	85.49

Source: Appropriation Accounts.

As against the total budget provision of ₹ 17,356.33 crore, the Government could spend ₹ 13,476.19 crore. The net savings of ₹ 3,880.16 crore was the result of overall savings of ₹ 3,885.83 crore in 46 Grants under Revenue Section and 22 Grants/Appropriation under Capital Section offset by excess of ₹ 5.68 crore in one Grant and one Appropriation under Revenue Section.

Out of overall gross savings of ₹ 3,885.83 crore, savings of ₹ 3,316.99 crore (85.36 per cent) was surrendered on the last day of March 2022 leaving a balance of ₹568.84 crore which was not surrendered. The Finance Department needs to take stringent measures to curb this violation of Budgetary Rules.

Table 3.8 shows the details of budget and actual expenditure over the five-year period from 2017-18 to 2021-22.

Table 3.8 : Original Budget, Revised Estimate and Actual Expenditure during 2017-22

	(₹ in crore)				
	2017-18	2018-19	2019-20	2020-21	2021-22
Original budget	8,803.09	9,672.64	10,872.58	10,895.26	11,330.89
Supplementary Budget	2,286.36	2,926.66	3,474.15	3,036.63	6,025.44
Revised Estimate (RE)	11,089.45	12,599.30	14,346.73	13,931.89	17,356.33
Actual Expenditure	9,284.96	9,790.41	11,367.37	11,375.10	13,476.19
Savings/Excess	-1,804.49	-2,808.89	-2,979.36	-2,556.79	-3,880.14
Savings as Percentage of RE	16.27	22.29	20.76	18.35	22.35

Source: Appropriation Accounts

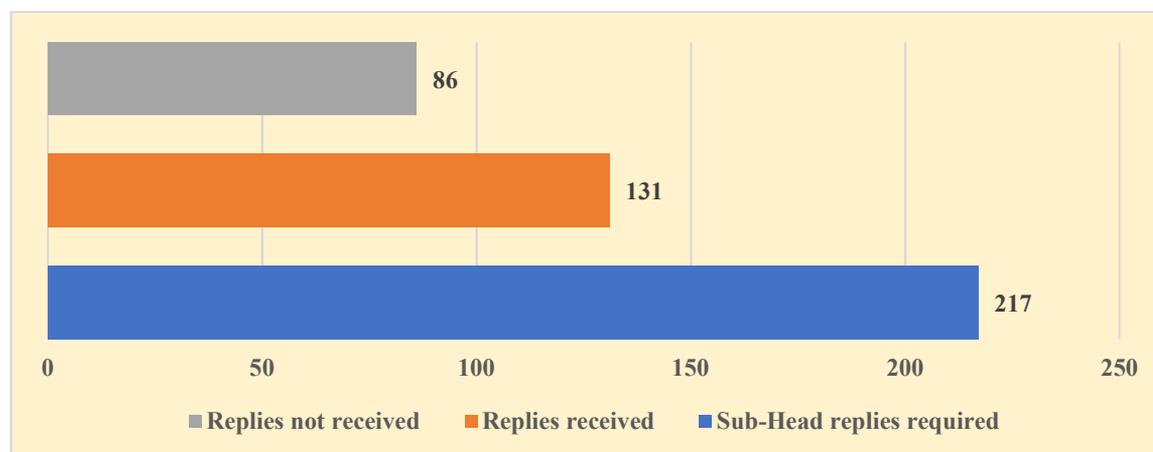
As may be seen from the table, the total allocation in the budget of the State increased by 56.51 per cent from ₹ 11,089.45 crore in 2017-18 to ₹ 17,356.35 crore in 2021-22. During the same period, savings had also increased by 115.03 per cent from ₹ 1,804.49 crore in 2017-18 to ₹ 3,880.16 crore in 2021-22.

Supplementary provisions exhibited an upward trend over the five-year period, growing from 25.97 per cent in 2017-18 to 53.18 per cent in 2021-22 of original allocations.

Chart 3.5 shows the summary of explanations received for variations in appropriations as depicted in the accounts for the year. As may be seen from the chart, out of 217 explanations

due to be received from the Government for excess and/or savings in expenditure, 131 replies had been received (July 2022) and 86 explanations were yet to be received at the time of preparing this report.

Chart 3.5 : Summary of Explanations for Variation in Appropriations



Source: Appropriation Accounts

3.6.2 Supplementary budget and opportunity cost

At times, while obtaining supplementary provision, the Departments reported to the legislature large additional requirement for different purposes under various schemes/activities; but ultimately they were unable to spend not only the entire supplementary provision or part thereof but also the original budget provision. As a result, the unutilised funds could not be made use of. At the same time, some of the schemes remained incomplete due to want of funds. Thus, the intended benefit of the unfinished schemes could not be extended to the public and may lead to escalation of project cost.

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

During 2021-22, there were 11 Sub-heads under seven Grants which had no expenditure at all although supplementary budgetary allocation had been made by the Government under the grant. The total savings in these sub-heads (six under Revenue Voted and five under Capital Voted) amounted to ₹ 10.29 crore. Details are in **Appendix VI**.

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

Several policy initiatives taken up by the Government are partially or not executed due to non-approval of scheme guidelines/modalities, non-commencement of works for want of administrative sanction, non-release of budget, *etc.* This deprives the beneficiaries of

intended benefits. Savings in such schemes deprives other Departments of the funds which they could have utilised. **Table 3.9** gives details of schemes/ projects for which budget provision of ₹ one crore and above was made but no expenditure was incurred.

Table 3.9 : Details of the schemes/projects for which provision of ₹ 1 crore and above was made but no expenditure was incurred during Financial Year 2021-22

(₹ in crore)

Sl. No	Department Name	Scheme Name	Budgetary provision	Actual expenditure	Reasons
1	Grant No. 9-Finance	Capital Outlay on other Fiscal Services Socio-Economic Development Policy (SEDP)	400.00	Nil	Withdrawal of entire original provision of ₹ 400.00 crore by way of surrender, stated due to re-provision of fund to other Department.
Total			400.00		

Source: Appropriation Accounts

Non-expenditure of provisioned grants deprives the beneficiaries of the intended benefits and was also reflective of inefficient planning and budget management.

3.6.4 Trend of Expenditure

Government funds should be evenly spent throughout the year and the rush of expenditure towards the end of the financial year is regarded as a breach of financial propriety. Maintaining a steady pace of expenditure is a crucial component of sound public financial management, as it obviates fiscal imbalance and temporary cash crunches due to mismatch of revenue expenditure during a particular month arising out of unanticipated heavy expenditure in that particular month. **Table 3.10** provides the details of grants with expenditure more than 50 per cent of total allocation in March alone. The grants have been listed in decreasing order of expenditure during the month of March 2022.

Table 3.10 : Grants with more than 50 per cent of expenditure in March alone

(₹ in crore)

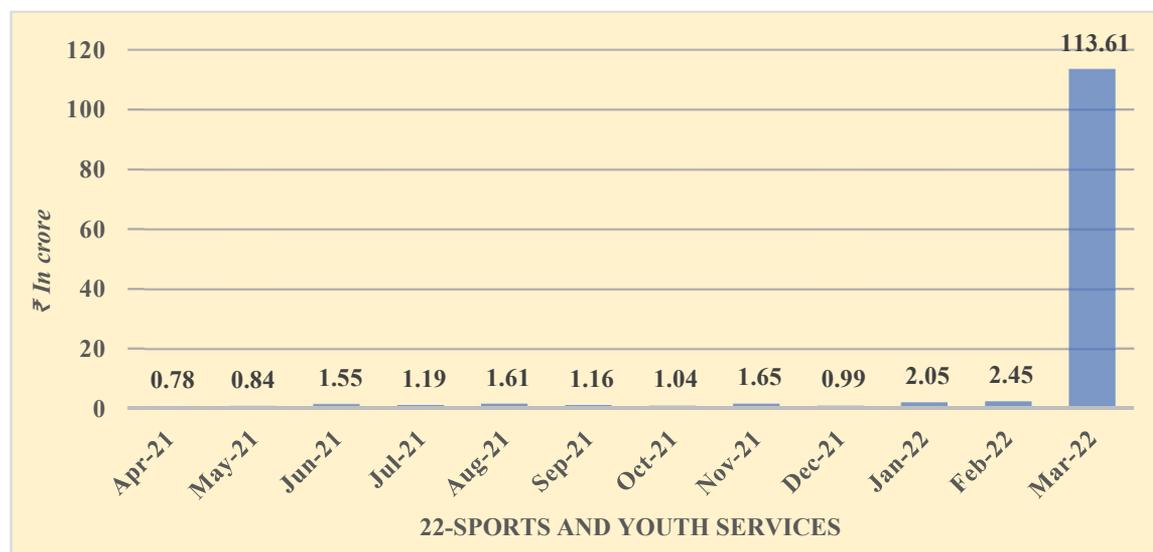
Sl. No	Grant No. & Description	Q1	Q2	Q3	Q4	Total	Expenditure in March	
							Amount	As percent of Total
1	22 - Sports and Youth Services	3.17	3.96	3.68	118.11	128.92	113.61	88.12
2	46 - Urban Development and Poverty Alleviation	5.44	12.31	26.28	240.54	284.57	225.47	79.23
3	31 - Agriculture	11.39	11.19	10.36	99.80	132.74	76.88	57.92
4	45-Public Works	35.32	44.32	154.08	460.44	694.16	358.79	51.69

Source: Monthly Appropriation Accounts

From the table it may be seen that in four out of 48 Grants/Appropriations, more than 50 per cent of expenditure of total allocation for the year was booked during the month of March. The magnitude of expenditure during month of March ranged between 88.12 per cent in Grant 22 – Sports and Youth Services and 51.69 per cent in Grant 45 – Public Works.

Chart 3.6 depicts the monthly trend of expenditure in Grant 22 – Sports and Youth Services. As may be seen from the chart, expenditure during March 2022 was very high when compared to the other 11 months of the financial year. , The department incurred 88 per cent of the total expenditure during the month of March 2022. The trend of month wise expenditure is shown in the graph below:

Chart 3.6 : Month wise expenditure of Grant 22 -Sports and Youth Services



Source: VLC Data

3.6.5 Review of selected grants

During the year 2021-22, two grants namely **Grant No. 32–Horticulture & Grant No. 39-Power and Electricity** were selected for detailed scrutiny to ascertain compliance with budgeting processes, monitoring of funds, control mechanisms and implementation of the schemes within these grants. Outcome of the review is discussed in the succeeding paragraphs.

3.6.5.1 Budget and Expenditure (Grant No. 32–Horticulture)

The summarised position of budgetary allocation and actual expenditure there-against during the year 2021-22 in respect of the Grant is given below:

Table 3.11 : Budget and expenditure under Grant No. 32 during 2021-22

Nature of Expenditure	Budget Provision			Actual Expenditure	Savings (-)/ Excess (+)
	Original	Supplementary	Total		
Revenue	89.78	11.75	101.53	64.13	-37.40
Capital	0.00	9.60	9.60	9.60	0.00
Total	89.78	21.35	111.13	73.73	-37.40

Source: Appropriation Accounts

It can be seen from the above table that the Grant had savings of ₹ 37.40 crore under Revenue section. The Chief Controlling Officer (CCO) of the Department stated that savings of ₹ 37.40 crore was due to short release of fund from the Government of India

(under Central Assistance), non-filling up of vacant posts (under Salary) and regularisation of provisional employees (under Wages).

In view of the final savings of ₹ 37.40 crore, supplementary provision of ₹ 11.75 crore obtained during the year proved unnecessary as the original provision of ₹ 89.78 was not fully utilised. This indicated a lack of budgetary foresight and planning.

3.6.5.2 Persistent Savings (Grant No. 32–Horticulture)

During the period from 2017-18 to 2021-22, there were persistent savings within the grant as shown in **Table- 3.12** below. The percentage of savings to total grant ranged between 8.07 and 33.65 per cent.

Table 3.12 : Persistent Savings

(₹ in crore)

32-Horticulture	Amount of Savings				
	2017-18	2018-19	2019-20	2020-21	2021-22
Revenue	4.37	4.55	14.66	18.32	37.40
Capital	3.00	2.76	0.00	0.00	0.00
Total Savings	7.37	7.31	14.66	18.32	37.40
Total Grant	87.15	90.58	129.53	111.14	111.13
Percentage of savings to total Grant	8.46	8.07	11.32	16.48	33.65

Source: Appropriation Accounts of respective years

Persistent savings in the last five years as shown in the table indicated that the budgeting process in the Department was unrealistic and did not reflect the actual requirements of the Department. Thus, it is imperative that budgeting is done in a planned and realistic manner to ensure prudent financial management and utilisation of funds for envisaged developmental programmes. The performance of the Department in this avenue indicates that there is room for improvement.

3.6.5.3 Substantial Surrenders (Grant No. 32–Horticulture)

There were three cases of substantial surrenders (more than 50 per cent of total provision) within this grant in three sub-heads on account of short release of fund from the Government of India as shown in **Table 3.13**.

Table 3.13 : Surrenders more than 50 per cent of total provision

(₹ in crore)

Head and details of scheme	Total Provision	Details of surrender		Reasons
		Amount	Per cent	
(-2401-119-09 Mission for Integrated Development of Horticulture (CSS)	34.50	17.75	51.45	Due to short release of fund from the Government of India
2401-119-10 Pradhan Mantri Krishi Sinchayee Yojana (PMKSY) (CSS)	19.57	15.82	80.84	Due to short release of fund from the Government of India
2401-119-03 Horticulture Farms	0.59	0.31	52.54	Due to non-filling up of vacant posts
Total	54.66	33.88	61.98	

Source: Appropriation Accounts, 2021-22

3.6.5.4 Opening of Bank Accounts by the DDO (Grant No. 32–Horticulture)

Rule 290 of Central Treasury Rules (CTR) provides that no money shall be drawn from the treasury unless it is required for immediate disbursement. It is not permissible to draw money from the treasury in anticipation of demand or to prevent the lapse of budgetary grants.

Detailed scrutiny revealed that 14 DDOs under Horticulture Department had opened 42 Current/Saving Accounts in Commercial Banks. Out of these 42 Accounts, two accounts (one saving and one current) were found utilised for non-CSS purposes. It was further observed that these accounts were operated without proper authority/extension of authority. The balance lying in the two accounts as on 31 March 2022 was ₹ 2.68 crore of State funds. This has had the impact of overstating the actual expenditure of the Government and overstating the deficit indicators by the same amount.

3.6.5.5 Implementation of Single Nodal Agency accounts for CSS (Grant No. 32–Horticulture)

Department of Expenditure, GoI issued instructions (March 2021) for a revised procedure for release of funds to States for implementation of CSS and monitoring utilisation of the funds released. The aim of the revised procedure, which came into effect from 01 July 2021, was to ensure effective cash management and improve transparency in public expenditure management.

As per the revised procedure, the State Government was to designate a Single Nodal Agency (SNA) for each CSS which would be registered in the Public Financial Management System (PFMS). Each SNA would open a bank account and map it into PFMS for the receipt of funds. This would restrict use of the funds by the State Government as they were required to transfer funds received to the concerned SNA's account within a period of 21 days of its receipt.

It was observed that the three Centrally Sponsored Schemes namely Mission for Integrated Development of Horticulture (MIDH), Pradhan Mantri Krishi Sinchai Yojana (PMKSY) and National Bamboo Mission (NBM) were implemented by the department during the year. All the three CSS were given designated SNA and mapped to PFMS. The unspent amount in SNA Accounts of the three CSS were ₹ 2.83 crore (MIDH), ₹ 0.03 crore (PMKSY) and ₹ Nil (NBM).

3.6.5.6 Budget and Expenditure (Grant No. 39–Power and Electricity)

The summarised position of budgetary allocation and actual expenditure there-against during the year 2021-22 in respect of the Grant is given below:

Table 3.14: Budget and expenditure under Grant No. 39 during 2021-22

Nature of Expenditure	Budget Provision			Actual Expenditure	Savings (-)/ Excess (+)
	Original	Supplementary	Total		
Revenue	697.40	108.82	806.22	700.99	-105.23
Capital	7.32	86.90	94.22	64.32	-29.90
Total	704.72	195.72	900.44	765.31	-135.13

Source: Appropriation Accounts

It can be seen from the above table that the Grant had savings of ₹ 105.23 and ₹ 29.90 crore under Revenue and Capital sections respectively. The Chief Controlling Officer (CCO) of the Department stated that savings of ₹ 105.23 crore under Revenue section was due to non-accord of expenditure sanction by the Government of Mizoram, non-filling up of vacant posts and non-approval of MACP arrears. Reasons for savings of ₹ 29.90 crore under Capital section was due to non-allocation of fund from the Government of Mizoram.

In view of the final savings of ₹ 135.13 crore, supplementary provision of ₹ 195.72 crore obtained during the year proved excessive. However, original budget provision of ₹ 7.32 crore under Capital section appeared to be thoroughly inadequate considering the final expenditure of ₹ 64.32 crore. This indicated a lack of budgetary foresight and planning.

3.6.5.7 Persistent Savings (Grant No. 39–Power and Electricity)

During the period 2017-18 to 2021-22, there were persistent savings within the grant as shown in **Table- 3.15** below. The percentage of savings to total grant ranged between 0.92 and 15.01 *per cent*.

Table 3.15: Persistent Savings

(₹ in crore)

Grant No. 39-Power and Electricity	Amount of Savings				
	2017-18	2018-19	2019-20	2020-21	2021-22
Revenue	9.72	6.45	19.03	38.73	105.24
Capital	11.62	0.01	3.40	0.22	29.91
Total Savings	21.34	6.46	22.43	38.95	135.15
Total provision	747.66	700.50	894.74	898.95	900.45
Percentage of savings to total Provision	2.85	0.92	2.51	4.33	15.01

Source: Appropriation Accounts of respective years

Persistent savings in the last five years, with substantial savings (₹ 135.15 crore) during 2021-22, as shown in the table indicated that the budgeting process in the Department was unrealistic and did not reflect the actual requirements of the Department. Thus, it is imperative that budgeting is done in a planned and realistic manner to ensure prudent financial management and utilisation of funds for envisaged developmental programmes. The performance of the Department in this avenue indicates that there is room for improvement.

3.6.5.8 Substantial Surrenders (Grant No. 39–Power and Electricity)

There were four cases of substantial surrenders which were more than 50 *per cent* of total provision within this grant in respect of four sub-heads on account of non-accord of expenditure sanction and non-receipt of allocation of fund from the State Government as shown in **Table 3.16**.

Table 3.16: Surrenders more than 50 per cent of total provision

(₹ in crore)

Head and details of scheme	Total Provision	Details of surrender		Reasons
		Amount	Per cent	
2801-80-001-01 Direction	175.00	92.04	52.59	Due to non-accord of expenditure sanction by the Government of Mizoram
3053-60-800-90 Socio-Economic Expenditure (SEDP)	0.33	0.33	100.00	Stated surrender made as per instruction of the Government of Mizoram vide No. B.24032/125/2018-P&E/Loose: dated 10.02.22
4801-05-800-18 Scheme under Special Central Assistance	43.60	21.80	50.00	Due to non-receipt of allocation of fund from the Government of Mizoram
(4801-05-800-05 Distribution/ CSS	7.32	7.32	100.00	Due to non-receipt of allocation of fund from the Government of Mizoram
Total	226.25	121.49	53.70	

Source: Appropriation Accounts, 2021-22

3.6.5.9 Opening of Bank Accounts by the DDO (Grant No. 39–Power and Electricity)

Rule 290 of Central Treasury Rules (CTR) provides that no money shall be drawn from the treasury unless it is required for immediate disbursement. It is not permissible to draw money from the treasury in anticipation of demand or to prevent the lapse of budgetary grants.

Detailed scrutiny revealed that 15 DDOs under Power Department had opened 15 Current Accounts in Commercial Banks. It was found that these accounts had been operated for the purpose of depositing/clearing of collected revenue during demonetisation of erstwhile ₹ 500 and ₹ 1,000 bank notes and were operated without proper extension of authority after expiry of their authorised period of operation (upto 31 March 2017). The balance lying in these accounts as on 31 March 2022 was ₹ 1.15 crore.

3.6.5.10 Implementation of Single Nodal Agency accounts for CSS (Grant No. 39–Power and Electricity)

Department of Expenditure, GoI issued instructions (March 2021) for a revised procedure for release of funds to States for implementation of CSS and monitoring utilisation of the funds released. The aim of the revised procedure, which came into effect from 01 July 2021, was to ensure effective cash management and improve transparency in public expenditure management.

As per the revised procedure, the State Government was to designate a Single Nodal Agency (SNA) for each CSS which would be registered in the Public Financial Management System (PFMS). Each SNA would open a bank account and map it into PFMS for the receipt of funds. This would restrict use of the funds by the State Government as they were required to transfer funds received to the concerned SNA's account within a period of 21 days of its receipt.

It was observed that three Centrally Sponsored Schemes *viz.* Deen Dayal Upadhyaya Gram Jyoti (DDUGJY), Integrated Power Development Scheme (IPDS) and Saubhagya were

implemented by the department during the year. However, none of the CSS had designated SNAs nor were mapped to PFMS.

3.7 Conclusion

Budgetary assumptions of the State Government were not realistic during 2021-22 and despite carrying out an elaborate pre-budget exercise to bring about efficiency and transparency in budget formulation and execution, budgetary estimates were off the mark to a considerable extent. Control over the execution and monitoring of budget by Departments was inadequate.

Against the total budget provision of ₹ 17,356.33 crore, State Government Departments incurred an expenditure of ₹ 13,476.19 crore. There was an overall savings of ₹ 3,885.83 crore which was offset by excess of ₹ 5.69 crore under one Grant and one appropriation, resulting in net savings of ₹ 3,880.14 crore which was 22.36 per cent of total grants/Appropriation and 28.79 per cent of the expenditure.

Supplementary Grants/ Appropriations were obtained without adequate justification. Instances noticed in insufficient re-appropriation in sub-heads which resulted excess expenditure.

Utilisation of budget fluctuated and ranged between 77.64 per cent (2021-22) and 83.73 per cent (2017-18) during the last five years.

The State Government had incurred excess expenditure of ₹ 850.03 crore over budget provision under 11 grants and one Appropriations during 2017-18 to 2021-22 which is required to be regularised by the State Legislature as per Article 205 of the Constitution.

3.8 Recommendations

1. *State Government needs to ensure that the departments submit budget proposals which reflect their financial requirements to the closest possible. The Finance Department also needs to conduct a thorough scrutiny of the budget so that unrealistic estimates do not get passed in the budget.*
2. *An appropriate budget monitoring and control mechanism needs to be instituted to ensure that anticipated savings are identified and surrendered within the specified timeframe and demands for supplementary grants made as per actual requirements depending on the remaining budgetary positions of the departments.*
3. *Excess expenditure over grants approved by the Legislature is in violation of the will of the Legislature. State Government should view such excess expenditure very seriously and regularized it at the earliest.*

