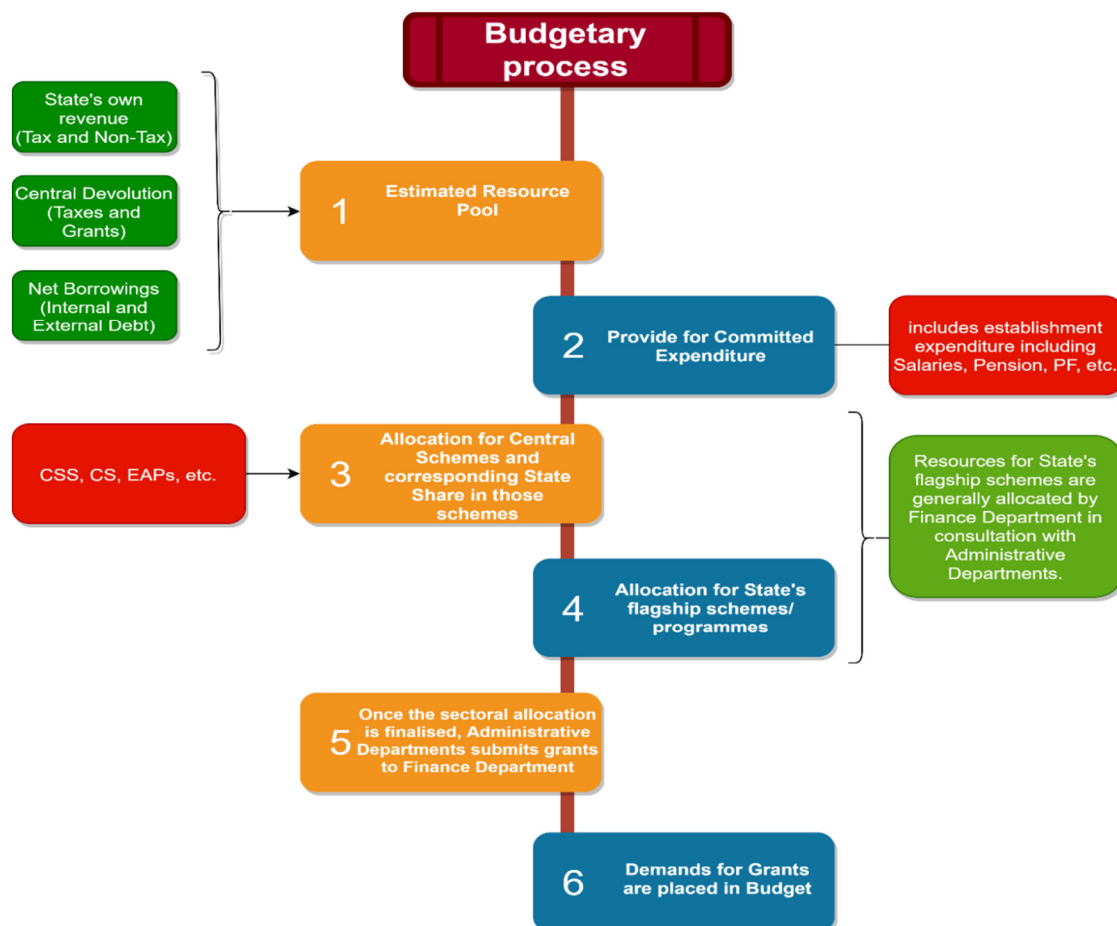


Chapter III: Budgetary Management

3.1 Budget Process

The annual exercise of budgeting is a means for detailing the roadmap for efficient use of public resources. Budget glossary is given in *Appendix 1.1 Part A*. 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 as under:



CSS: Centrally Sponsored Schemes; CS: Central Schemes, EAP: Externally Aided Projects.

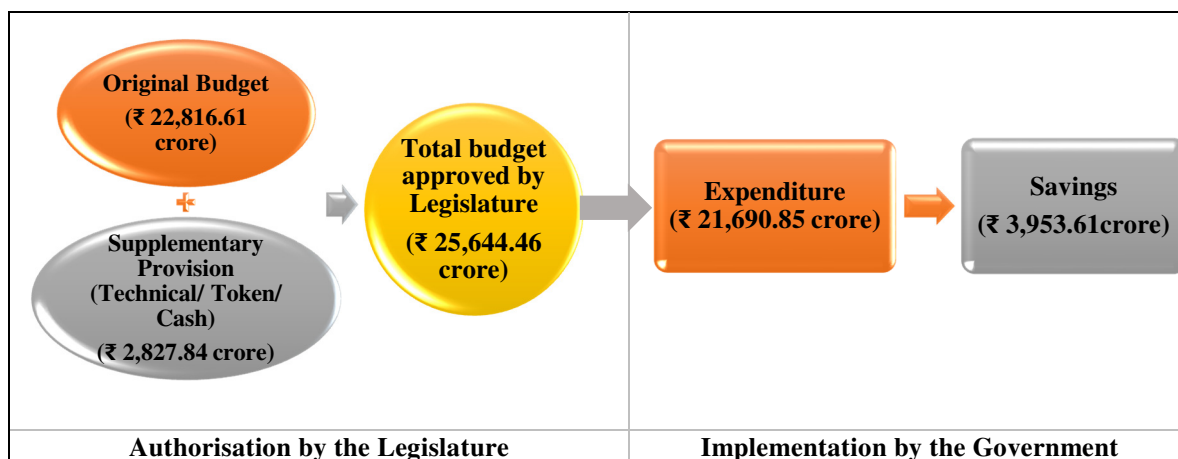
Government of Nagaland has not yet prepared a Budget Manual, detailing the processes involved in budget formulation exercise, roles and responsibilities of the persons entrusted with the preparation and implementation of budget, timelines for preparation and submission of budgetary estimates, requirements of supplementary budget, mode of seeking re-appropriations within Grants, assessment of savings, surrenders, *etc.* and monitoring and controls to be exercised by the Controlling Officers at all stages of budget preparation and implementation.

In the absence of a Budget Manual, the Government has been following General Financial Rules, various provisions of the Constitution of India and guidelines issued by the Central and State Governments.

Legislative authorisation is the *sine qua non* for incurrence of all expenditure by the State Government. To guide individual Government Departments, the State Government framed financial rules and provided for delegation of financial powers. These delegations establish the 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 State by presenting its annual Budget and 82 Demands for Grants. Normally, every Department has one Demand for Grant, to ensure that Head of the Department takes responsibility for implementing the policy decisions and expending public funds for the intended purposes.

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 are depicted in the Chart below:



Source: Appropriation Accounts, 2021-22

The above Chart indicates that Supplementary Grant of ₹ 2,827.84 crore was not required as the gross expenditure was ₹ 1,125.76 crore less than the Original Provisions. It is pertinent to mention that Supplementary Grant was taken on 22 March 2022 and total expenditure as on February 2022 was only ₹ 18,504.22 crore as per monthly civil accounts submitted by the Treasuries, leaving ₹ 4,312.39 crore with the State Government for the remaining 31 days. With the Supplementary Grant, total funds available with the State Government were ₹ 7,140.23 crore, which was 38 *per cent* of the total expenditure in the first eleven months of 2021-22. This was indicative of over estimation and poor financial management.

3.1.1 Summary of total provisions, actual disbursements and savings during 2021-22

A summarised position of total budget provision, disbursement and saving/ excess with its further bifurcation into voted/ charged may be included as under:

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
16,377.75	9,266.70	12,768.59	8,922.26	3,609.17	344.44	0.00	0.00

Source: Appropriation Accounts, 2021-22

There was an overall savings of ₹ 3,953.61 crore during the year 2021-22 which was 15 per cent of total Grants/ Appropriations and 18.23 per cent of the expenditure.

These savings may be seen in context of estimation of Receipts of ₹ 22,451.28 crore by the State Government and estimation on the expenditure side being ₹ 25,644.45 crore during the year 2021-22. This implied that the savings were notional, as the funds were not actually available for expenditure.

3.1.1.1 Charged and voted disbursements

The break-up of total disbursement into charged and voted during the last five-year (2017-22) is given in **Table 3.2**.

Table 3.2: Break-up of total disbursement into charged and voted during 2017-22

(₹ in crore)

Year	Disbursements		Saving (-)/ Excess (+)	
	Voted	Charged	Voted	Charged
2017-18	10,563.94	5,378.33	(-) 1,742.90	(-) 764.74
2018-19	11,538.47	3,619.72	(-) 2,992.08	(-) 2,319.70
2019-20	11,869.85	7,863.79	(-) 2,726.39	(-) 36.39
2020-21	11,843.76	10,801.26	(-) 3,784.94	(-) 465.69
2021-22	12,768.59	8,922.26	(-) 3,609.17	(-) 344.44

Source: Appropriation Accounts of respective years

As can be seen from **Table 3.2**, there were savings under Voted and Charged head in all the years during the five-year period of 2017-22.

3.2 Appropriation Accounts

Audit of appropriations by the CAG seeks to ascertain whether the expenditure actually incurred under various grants is 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 charged. It also ascertains whether the expenditure incurred is in conformity with the laws, relevant rules, regulations and instructions.

3.3 Comments on integrity of budgetary and accounting process

3.3.1 Expenditure incurred without authority of law

Audit scrutiny revealed that in one Grant (one case), expenditure of ₹ 10 lakh and above was incurred (total expenditure was ₹ 0.35 crore), without budget provision as detailed in **Appendix 3.1**. Grant-wise summary of the cases where expenditure was incurred without budget provision is given in **Table 3.3**.

Table 3.3: Summary of Expenditure without Budget Provision

Grant No.	Description	Expenditure (₹ in crore)	Number of Schemes/ Sub-Heads
23	Loans to Government Servants	0.35	1
Total		0.35	1

Source: Appropriation Accounts, 2021-22

Expenditure without budget is violative of financial regulations as well as the will of the Legislature. This is also indicative of lack of financial discipline in Government Departments.

3.3.2 Capital expenditure as revenue expenditure and vice versa

Misclassification of expenditure of revenue nature as capital expenditure or *vice-versa*, results in overstatement/understatement of revenue expenditure and revenue deficit/surplus.

Examination of the accounts and Voucher Level Computerisation (VLC) data showed that -

1. During the year, an expenditure of ₹ 2.50 crore related to major works was booked under revenue expenditure as minor works/ Maintenance and repairs. This ultimately leads to understatement of Capital Expenditure and overstatement of Revenue Expenditure.
2. During the year, an expenditure of ₹ 23.48 crore related to minor works was booked under capital expenditure. This leads to overstatement of Capital Expenditure and understatement of Revenue Expenditure.

3.3.3 Unnecessary or excessive supplementary grants

The existence of likely or actual savings in the budget should never be seized upon as an opportunity to introduce fresh items of expenditure which ought to wait till next year. Known savings in the budget should not be left un-surrendered for fear of the next year's budget allotment being reduced.

Considerable Re-Appropriation from one Sub-Head to another must always be avoided. That fresh expenditure is unavoidable or imperatively necessary or that it will produce consequential economics or that it is essential for preserving the revenue or the public safety are reasonable justifications for introducing fresh expenditure during the course of the year, but in such circumstances, it must be shown that the requirements could not have been foreseen and provided for in the budget. The process of Re-Appropriation is not designed merely to rectify omissions and lack of foresight.

Supplementary Provision of ₹ 230.05 crore obtained by nine Departments during the year proved unnecessary as the expenditure either did not come up to the level of Original Provision or the subsequent Supplementary Provision was not utilised by the Departments concerned as detailed in **Appendix 3.2**. Cases where supplementary provision (₹ 50 lakh or more in each case) proved unnecessary are given in **Table 3.4**.

Table 3.4: Details of cases where supplementary provision proved unnecessary
(₹ in crore)

Sl. No.	Name of the Grant	Original	Supplementary	Actual Expenditure	Savings out of Original Provisions
(A) Revenue (Voted)					
1.	37- Municipal Administration	51.17	38.68	44.84	6.33
2.	43- Social Security and Welfare	306.89	13.89	288.23	18.66
3.	49- Soil and Water Conservation	67.91	2.25	65.85	2.06

Sl. No.	Name of the Grant	Original	Supplementary	Actual Expenditure	Savings out of Original Provisions
4.	67- Home Guards	37.01	0.51	36.14	0.87
Total A		462.98	55.33	435.06	27.92
(B) Capital (Voted)					
5.	12- Treasury and Accounts Administration	1.50	0.65	1.50	0.00
6.	35- Medical, Public Health and Family Welfare	247.40	158.82	155.64	91.76
7.	37- Municipal Administration	169.70	12.41	151.99	17.71
8.	54- Mineral Development	2.00	0.84	1.84	0.16
9.	73- State Institute of Rural Development	1.40	2.00	1.40	0.00
Total B		422.00	174.72	309.13	109.47
Grand Total (A + B)		884.98	230.05	744.19	137.39

Source: Appropriation Accounts, 2021-22

3.3.4 Unnecessary Re-appropriation

According to Financial Rules, reasons for additional expenditure and savings should be explained in the Re-appropriation statement and specific reasons should be given and expressions such as “based on actual requirements”, “based on trend of expenditure”, *etc.*, should be avoided. However, scrutiny of Re-appropriation orders issued by the Finance Department revealed that out of a total of 82 grants, Re-appropriation was done in 62 grants (75 per cent) on the last day without stating specific reasons for withdrawal of provision or additional provision by way of Re-appropriation of funds. This Re-appropriation on last day of the financial year resulted in savings in nine Grants, which was avoidable, as discussed in **Paragraph 3.3.3**.

Injudicious (excess/ unnecessary/ insufficient re-appropriation) re-appropriation of Funds made during the year 2021-22 proved excessive (by 10 lakh or more and less than or equal to savings/ excess) resulting in savings of ₹ 195.64 crore in eight Sub-heads as detailed in **Table 3.5**.

Table 3.5: Excess/ unnecessary/ insufficient re-appropriation

(₹ in lakh)

Sl. No.	Grant	Head of Account	Original	Supplementary	Re-appropriation	Final	
						Savings	Excess
1.	28	2055-00-001-01 Police Headquarter	14,957.10	0.00	8,651.96	15.00	-
2.	28	2055-00-001-05 Repair of Vehicle	3,500.00	0	3,178.98	268.63	-
3.	31	2202-01-101-02 Middle School	26,824	0.00	3,201.87	15.00	-
4.	31	2202-01-111-01 Sarva Shiksha Abhiyan	9,993.19	0.00	1,376.01	378.88	-
5.	52	4406-01-101-01 Nagaland Forest	0.00	34.00	-290.00	1,710.00	-

Sl. No.	Grant	Head of Account	Original	Supplementary	Re-appropriation	Final	
						Savings	Excess
		Management Project					
6.	55	4801-06-800-01 Rural Electrification Scheme	520.00	785.00	-2.70	1,302.30	-
7.	58	5054-04-337-02 Major District Roads	3,500.00	23,127.88	-9,950.00	7,772.26	-
8.	58	5054-04-337-01 PMGSY	8,998.00	21,790.69	-12,613.10	8,102.25	-
Total						19,564.32	

Source: Detailed Appropriation Accounts, 2021-22

Substantial savings of more than ₹ 0.10 crore in respect of Heads of Account where re-appropriation was resorted to or not made, reflects poorly on planning and monitoring of budget allocation and its utilisation by the State Government.

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

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 slipshod estimating, it is not readily excusable. 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 last month's expenditure should enable a Controlling Officer to fix upon 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.

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 deprives other Departments of the funds which they could have utilised.

The audit of Grants revealed that there was a total Savings of ₹ 3,953.16 crore, out of which Savings of ₹ 3,941.02 crore occurred in 42 Grants (*Appendix 3.3*) which exceeded ₹ one crore in each case or by more than 20 *per cent* of the Grant. Further, there were savings of ₹ 3,450.90 crore (savings were ₹ 50 crore and above in each case) in 13 Grants as shown in **Table 3.6**.

Table 3.6: List of Grants having large savings (savings above ₹ 50 crore) during the year
(₹ in crore)

Sl. No.	Number and name of the Grant	Total provision (O+S)	Expenditure	Saving/ Excess	Surrender
Revenue (Voted)					
1.	18-Pensions and Other Retirement Benefits	2,333.93	2,158.67	175.26	175.26
2.	21-Relief of Distress caused by Natural calamities	350.25	50.44	299.81	299.81
3.	26-Civil Secretariat	349.95	226.46	123.49	123.46
4.	27-Planning Machinery	140.34	42.31	98.03	98.03
5.	42-Rural Development	1,213.10	611.76	601.34	601.33
6.	48-Agriculture	364.78	178.45	186.33	186.26
7.	52-Forest, Environment and Wildlife	154.17	95.88	58.29	46.35
8.	72-Land Resources Development	88.38	20.97	67.41	67.39
Capital (Voted)					
1.	26-Civil Secretariat	141.47	25.07	116.40	116.40
2.	27-Planning Machinery	781.25	218.06	563.19	563.19
3.	32-Higher Education	92.83	5.71	87.12	87.12
4.	35-Medical, Public Health & Family Welfare	406.22	155.64	250.58	250.58
5.	58-Road and Bridges	723.72	379.18	344.54	185.79
6.	59-Water Resources	183.50	47.82	135.68	135.68
Revenue (Charged)					
1.	75-Servicing of Debt	1,061.37	932.09	129.28	129.28
Capital (Charged)					
1.	75-Servicing of Debt	8,164.31	7,950.16	214.15	214.15
Grand Total		16,549.57	13,098.67	3,450.90	3,280.08

Source: Appropriation Accounts, 2021-22 O-Original; S-Supplementary

It was observed that out of the above 13 Grants, in two Grants, there was persistent low utilisation (less than 50 *per cent*) in the last five years from 2017-18 to 2021-22. Details of utilisation of budgetary allocation in these two Grants are shown in **Table 3.7**.

Table 3.7: Budget utilisation less than 50 per cent (in 2021-22)

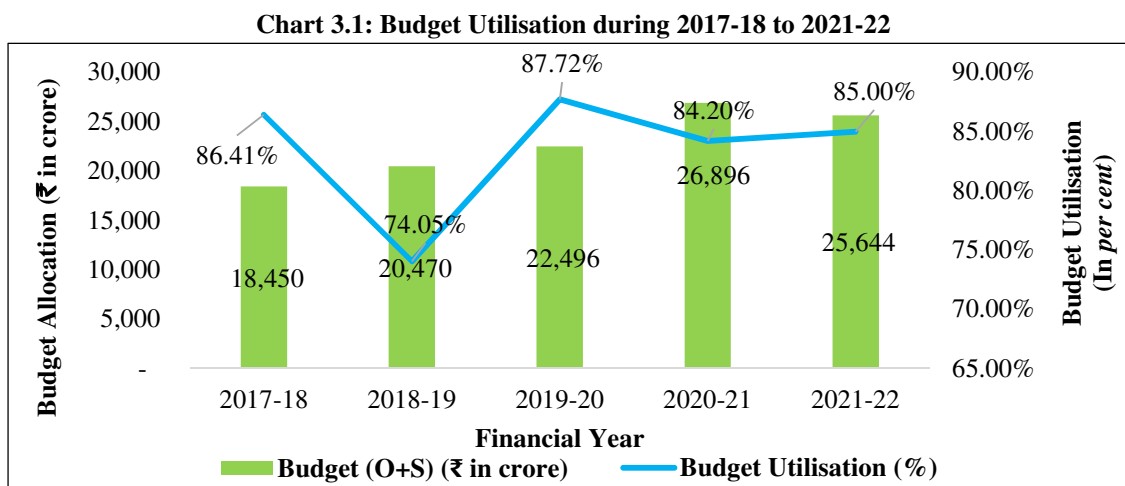
Grant	Budget utilisation during the years: (in per cent)					Number of years*	Budget 2021-22 (₹ in crore)	Total Budget for five years
	2017-18	2018-19	2019-20	2020-21	2021-22			
27-Planning Machinery	28.72	27.89	37.37	27.17	28.25	05	921.59	4,386.23
59-Water Resources	33.82	30.45	58.39	39.84	36.55	04	221.14	936.70

Source: Appropriation Accounts of respective years

* Number of years with utilisation below 50 per cent

It can be seen from **Table 3.7** that in Grant 59, low utilisation (less than 50 *per cent*) was in four out of five years. While in Grant 27, low utilisation (less than 50 *per cent*) was in all the five years. This is indicative of systemic issues that warrant a close review by the Government to enable initiation of corrective measures.

Utilisation of budgeted funds by the State has been sub optimal every year during the past few years. The extent of utilisation of budget during the five-year period from 2017-18 to 2021-22 is in **Chart 3.1**.

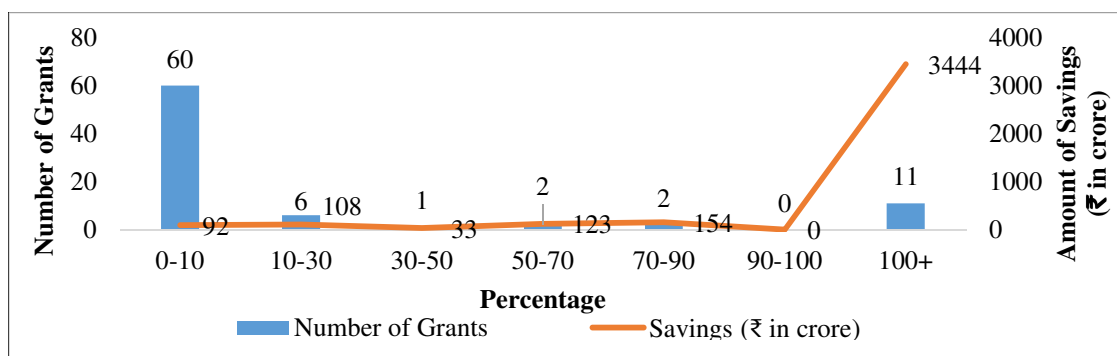


Source: Appropriation Accounts of the respective years

As can be seen from the **Chart 3.1**, utilisation of budget has been around 85 per cent during four of the last five years and has shown fluctuating trend, though it was minimum at around 74 per cent in 2018-19. Large amount of savings in allocated funds indicate both poor budget management/ estimation/ inaccurate assessment of requirement as well as inadequate capacity to utilise the funds for intended purposes.

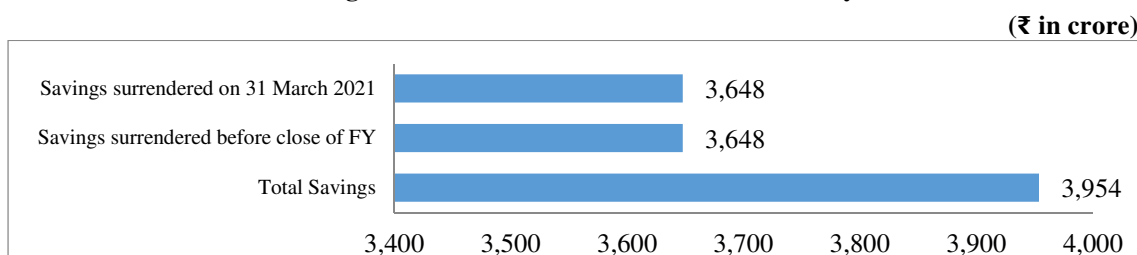
The distribution of number of Grants grouped by the percentage of savings for 2021-22 and the overall savings and surrenders before close of the financial year 2021-22, are depicted in **Chart 3.2** and **Chart 3.2**.

Chart 3.2: The distribution of the number of Grants grouped by the percentage of savings along with total savings in ₹ one crore in each group



Source: Appropriation Accounts, 2021-22

Chart 3.3: Savings and surrenders before close of financial year 2020-21



Source: Appropriation Accounts, 2021-22 and Surrender/ Re-appropriation orders for 2021-22

3.3.6 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, 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.

3.3.6.1 Excess expenditure relating to 2021-22

During 2021-22, there was no excess disbursement over grants.

3.3.6.2 Persistent excesses in certain Grants

Examination of records revealed that there was no grant having persistent excesses during four out of five years during the five-year period of 2017-22, though excess during two years (2017-18 and 2019-20) was noticed in Grant No. 28 (Civil Police).

3.3.6.3 Regularisation of excess expenditure of previous financial years

Article 205 of the Constitution of India mandates the State Government to get the excess expenditure over a grant/appropriation regularised by the State Legislature. Although no time limit for regularisation was prescribed under this Article, excess expenditure was to be regularised after discussion of the Appropriation Accounts by the PAC. Administrative departments concerned are required to submit Explanatory Notes for excess expenditure to PAC through Finance Department.

Excess expenditure remaining un-regularised for extended periods dilutes legislative control over the executive. The details of the grant-wise excess expenditure relating to previous years requiring regularisation are given in **Table 3.8**.

Table 3.8: Excess expenditure relating to previous years (2017-21) requiring regularisation

(₹ in crore)

Year	Total Number of Grants	Amount of excess required to be regularised
2017-18	09	14.51
2018-19	01	0.01
2019-20	10	197.95
2020-21	3	1.48
Total		213.95

Source: Appropriation Accounts of respective years

During the period 2017-21, there was an excess expenditure of ₹ 213.95 crore under 22 Grants. This 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.

3.4 Comments on effectiveness of budgetary and accounting process

3.4.1 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.

The summarised position of actual expenditure during 2021-22 against 82 Grants is given in **Table 3.9**.

Table 3.9: Summarised position of Actual Expenditure vis-à-vis Budget (Original/ Supplementary) provisions during the financial year

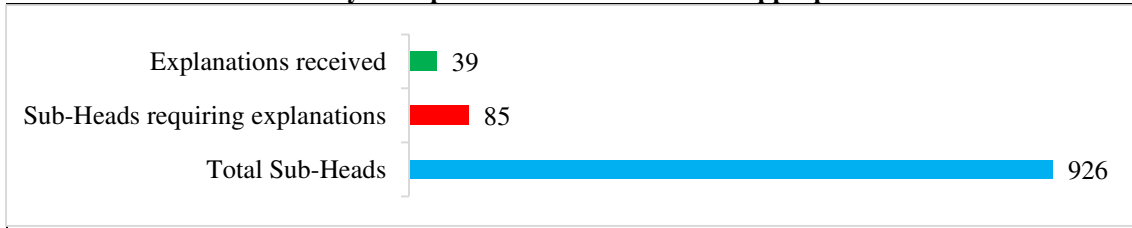
(₹ in crore)

	Nature of expenditure	Original Grant	Supplementary Grant	Total	Actual expenditure	Net of Savings (-)	Surrender during March	
							Amount	per cent
Voted	I. Revenue	12,595.87	262.82	12,858.69	10,872.54	(-)1,986.16	1,964.91	98.93
	II. Capital	2,360.29	1,155.65	3,515.94	1,893.14	(-)1,622.80	1,429.32	88.08
	III. Loans and Advances	2.98	0.14	3.12	2.91	(-) 0.22	0.22	100
	Total	14,959.14	1,418.62	16,377.75	12,768.59	(-) 3,609.17	3,394.45	94.05
Charged	IV. Revenue	1,099.01	2.97	1,101.98	971.69	(-) 130.30	130.30	100
	V. Capital	0.00	0.41	0.41	0.41	0.00	0.00	0
	VI. Public Debt- Repayment	6,758.46	1,405.85	8,164.31	7,950.16	(-)214.14	122.93	57.41
	Total	7,857.47	1,409.23	9,266.70	8,922.26	(-) 344.44	253.23	78.70
Appropriation to Contingency Fund		--	--	--	--	--	--	--
Grand Total		22,816.61	2,827.85	25,644.45	21,690.85	(-)3,953.61	3647.68	92.26

Source: Appropriation Accounts, 2021-22

Overall Savings of ₹ 3,953.61 crore (15.42 per cent of Total Allocation) was the result of Savings in 78 Grants under Revenue Section and 30 Grants under Capital Section. During the year, the amount surrendered was 92.26 per cent of overall Savings.

The Savings/ Excess (Detailed Appropriation Accounts for the year 2021-22) were intimated to all the 82 Controlling Officers requesting them to explain the significant variations. The Controlling Officers of 21 Departments of the State furnished their replies before finalisation of the Appropriation Accounts 2020-21. However, no valid reasons for the Savings/ Excess were explained or explicitly stated by any of the Departments. The status is given in **Chart 3.4**.

Chart 3.4: Summary of Explanation for Variation in Appropriation Accounts

Source: VLC data of AG (A&E)

The trend in percentage of overall saving/excess against overall provision in the budget for the last five years from 2017-18 to 2021-22 is detailed in **Table 3.10**.

Table 3.10: Original Budget, Revised Estimates and Actual Expenditure during 2017-22

	(₹ in crore)				
	2017-18	2018-19	2019-20	2020-21	2021-22
Original Budget	16,375.43	18,315.76	18,026.11	21,068.85	22,816.61
Supplementary Budget	2,074.48	2,154.21	4,470.31	5,826.79	2,827.84
Revised Estimates	18,849.91	20,469.97	22,496.42	26,895.64	25,644.46
Actual Expenditure	15,942.27	15,158.19	19,733.64	22,645.88	21,690.85
Saving /excess	(-)2,507.64	(-)5,311.78	(-)2,762.78	(-) 4,249.76	-3,953.61
Percentage of Savings	13.30	25.95	12.28	15.80	-15.42

Source: Appropriation Accounts of respective years

It could be seen from the table above that there was overall savings in all the years during the five-year period of 2017-22. The percentage of savings with respect to the revised estimates ranged between 12.28 and 25.95 during the period.

3.4.2 Supplementary budget and opportunity cost

At times, while obtaining supplementary provision, the Departments report to legislature large additional requirement for different purposes under various schemes/ activities; but finally they are unable to spend not only the entire supplementary provision or parts thereof but also the original budget provision. As a result, the un-utilised 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 at large in such cases. Further, this leads to escalation of project cost.

The Government also announces several new policies/schemes for implementation through the Finance Minister (FM) Budget Speech and other budget documents which is either for that Financial Year *i.e.*, one-time activity or is of recurring nature. Broadly, all the schemes, budget allocation thereon, timeframe of their completion and intended benefit announced by Government can be gathered from the Budget Speech of the FM. Actual figures related to expenditure with funding pattern *i.e.*, from the State's own resources or from Central Government assistance or through debt may be 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 the year, it was noticed that in 14 major grants (savings of more than one crore or more than 20 *per cent* of the total provisions), the total budget provisions of ₹ 2,829.10 crore (Capital/ voted) proved unnecessary/ excessive as the actual expenditure

of ₹ 1,501.22 crore did not come up to the total budget provisions resulting in ₹ 1,327.89 crore un-utilised funds under these grants as detailed in **Table 3.11**.

Table 3.11: List of grants with un-utilised fund during 2021-22

(₹ in crore)						
Sl. No.	Name of the Grant	Original allocation	Supplementary	Total	Actual expenditure	Un-utilised funds
Capital (Voted)						
1.	12-Treasury and Accounts Administration	1.50	0.65	2.15	1.50	0.65
2.	26-Civil Secretariat	141.47	0.00	141.47	25.07	116.40
3.	27-Planning Machinery	781.25	0.00	781.25	218.06	563.19
4.	32-Higher Education	92.83	0.00	92.83	5.71	87.12
5.	35- Municipal, Public Health and Family welfare	795.31	0.00	795.31	766.86	28.46
6.	39-Tourism	0.50	10.65	11.15	2.19	8.96
7.	47-Legal Metrology and Consumer Protection	2.80	0.00	2.80	1.00	1.80
8.	52-Forest, Ecology, Environment and Wildlife	0.00	34.36	34.36	14.00	20.36
9.	54-Mineral Development	2.00	0.84	2.84	1.84	1.00
10.	58-Road and Bridges	171.98	551.74	723.72	379.18	344.54
11.	59-Water Resources	183.50	0.00	183.50	47.82	135.68
12.	65-State Council of Education Research and Training	16.00	0.00	16.00	8.76	7.24
13.	73-State Institute of Rural Development	1.40	2.00	3.40	1.40	2.00
14.	77-Development of Underdeveloped Areas	38.32	0.00	38.32	27.83	10.49
Total		2,228.86	600.24	2,829.1	1,501.22	1,327.89

Source: Appropriation Accounts, 2021-22

Further, as per Finance Accounts, there were 16 incomplete scheme/ projects which require further allocation of funds for their completion. The details of such schemes/ projects having estimated cost more than ₹ 50 crore are shown in **Table 3.12**.

Table 3.12: List of incomplete scheme/projects at the end of 2021-22

(₹ in crore)							
Sl. No.	Name of Scheme/ Project (having estimated cost of ₹ 50 crore or more)	Estimated cost of scheme/ project	Year wise funds allocated up to 2022	Scheduled date of completion	Expenditure as of 31 March 2021	Physical progress of the work	Funds required for completion of remaining work (as per revised estimates)
1.	Construction of Road	83.99	53.62	NA	53.62	NA	30.37
2.	Construction and upgradation of Longleng-Ladaigarh Road	79.49	73.63	NA	73.63	96	5.86
3.	Staff Quarter at Dwarka phase-I	62.29	38.10	2020-21	38.10	90	24.19
4.	Staff Quarter at Dwarka phase-II	54.09	41.12	2020-21	41.12	90	12.97

Sl. No.	Name of Scheme/ Project (having estimated cost of ₹ 50 crore or more)	Estimated cost of scheme/ project	Year wise funds allocated up to 2022	Scheduled date of completion	Expenditure as of 31 March 2021	Physical progress of the work	Funds required for completion of remaining work (as per revised estimates)
5.	Integrated Road & Multilevel Parking Project in Kohima	50.42	10.20	2011-12	10.20	20.22	40.22
6.	Housing for Urban Poor in Dimapur under IHSDP	87.74	36.63	2011-12	36.63	41.75	51.11
7.	220kv D/C T/L from Dimapur to Zhadima	108.16	87.83	2020-21	87.83	92	20.33
8.	Permanent Hqrs for 9 th NAP(IR) Bn at Saijang under HUDCO	72.99	68.43	NA	68.43	94	4.56
9.	Permanent Hqrs for 10 th NAP (IR) Bn at Zhadima under HUDCO	68.63	38.76	2009-10	38.76	98	29.87
10.	Permanent Hqrs for 11 th NAP (IR) Bn at Aboi under HUDCO	93.88	8.00	2014-15	8.00	26	85.88
11.	Permanent Hqrs for 12 th NAP (IR) Bn at Chingtok Under HUDCO	97.88	8.00	2014-15	8.00	26	89.88
12.	Permanent Hqrs for 13 th NAP (IR) Bn at Yachang Under HUDCO	98.43	14.00	2014-15	14.00	15	84.43
13.	Permanent Hqrs for 14 th NAP (IR) Bn at Okhezong Under HUDCO	121.19	8.00	2014-15	8.00	15	113.19
14.	Permanent Hqrs for 15 th NAP (IR) Bn Mahila at Mpetsa Under HUDCO	109.31	87.79	2009-10	87.79	22	21.52
15.	Multi Disciplinary Sports Complex, Dimapur	134.99	81.99	2011-12	81.99	60	53.00
16.	270 Nos of Surface Minor Irrigation Project under PMKSY- Har Khet ko Pani	206.85	0.00	2021-22	0.00	0.00	206.85
Total		1530.33	656.10		656.10		874.23

Source: Appendix IX, Finance Accounts – Vol. II, 2021-22

As can be seen from **Table 3.12**, out of the total estimated/ revised cost of ₹ 1,530.33 crore in respect of 16 projects/ schemes, an amount of ₹ 656.10 crore (43 per cent) was required for completion of these projects/ schemes. The State

Government may devise a mechanism to avoid savings in certain grants which could be utilised for completion of these incomplete projects/ schemes on time.

3.4.3 Re-appropriation of Grants

The various provisions related to the re-appropriation are given in *Paragraph 3.3.5*. Scrutiny of re-appropriation orders and Detailed Appropriation Accounts showed that:

- i. Out of 82 grants, re-appropriation was done in 60 grants during 2021-22. The re-appropriation orders were issued (March 2022) by the Finance Department, GoN, without specifying the reasons for re-appropriations.
- ii. In 29 Grants, there was no budget provision (both original grant and supplementary) in 81 Sub Heads and the final provision/ grant was due to re-appropriations within the respective grants only. However, expenditure was incurred in all Sub Heads.
- iii. All the re-appropriation orders were issued on the last working day of the year (31 March 2022).
- iv. In 18 Grants, re-appropriations were made from Supplementary Grants in 23 Sub-Heads as there was no original provision in these Sub-Heads. In five cases, the entire fund under supplementary grants was re-appropriated. This ultimately resulted in defeating the objective of supplementary grant which was voted for a definite purpose.

3.4.4 Review of selected Grant

Review of a selected Grant (Grant No. 32 – Higher Education) was done to ascertain compliance with budgeting processes, monitoring of funds, control mechanisms and implementation of the schemes within the grant, persistent diversion of funds for other purposes, etc.

Summarised position of Budget Provision and Actual Expenditure during 2021-22 in respect of the Grant is given in **Table 3.13**.

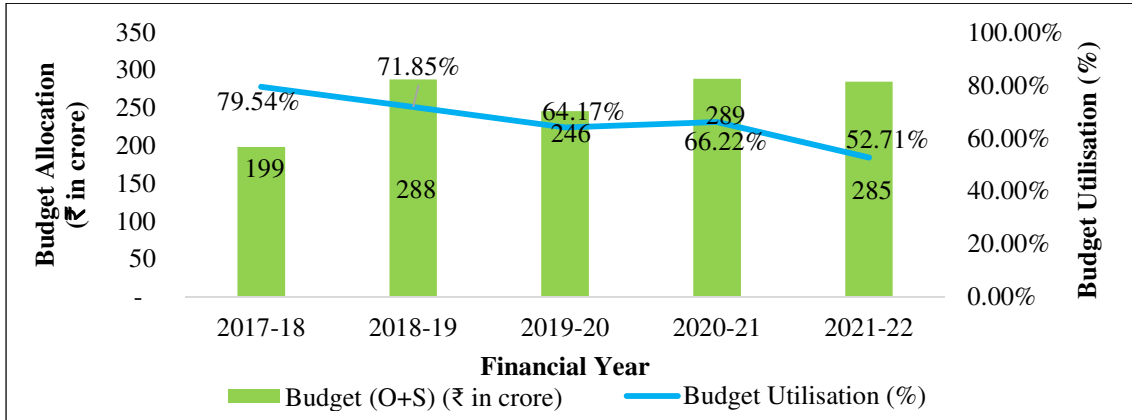
Table 3.13: Summarised position of Budget Provision and Actual Expenditure

Nature of Expenditure	Budget Provision			Actual Expenditure	Saving(-) / Excess(+)
	Original	Supplementary	Total		
Revenue	192.16	0.00	192.16	144.52	(-) 47.64
Capital	92.83	0.00	92.83	5.71	(-) 87.12
Total	284.99	0.00	284.99	150.23	(-) 134.76

Source: Appropriation Accounts of respective years

Table 3.13 shows that during the year 2021-22, there was overall savings of ₹ 134.76 crore representing 47.29 per cent of the total Budget Provision as a result of savings under both Revenue (₹ 47.64 crore) and Capital (₹ 87.12 crore) heads.

Utilisation of budgeted funds by the Department has been minimal every year during the past few years. The extent of utilisation of budget during the five-year period from 2017-18 to 2021-22 is shown in **Chart 3.5**.

Chart 3.5: Budget Utilisation during 2017-18 to 2021-22

Source: Appropriation Accounts of the respective years

As can be seen from **Chart 3.5**, utilisation of budget has decreased during the last five years and has shown fluctuating trend, though it was maximum at around 80 per cent in 2017-18. Large amount of savings in allocated funds indicate both inaccurate assessment of requirement as well as inadequate capacity to utilise the funds for intended purposes.

Budget provision sought and obtained by the Department far in excess of actual requirement and inability to utilise, deprives allocation of resources to priority sectors and also leads to poor legislative control over public finances.

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

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

During 2021-22, an amount of ₹ 3.40 crore was drawn by the Department for implementation of scheme and kept in Civil Deposits. The Department did not incur any expenditure from the amount drawn during the year. The balance funds of ₹ 20.83 crore (including the amount of ₹ 17.43 crore pertaining to previous year) was still lying in Civil Deposits as on 31 March 2022.

The funds drawn and kept in Civil Deposits and in bank accounts were shown as utilised by the respective DDOs and thus, the expenditure was artificially inflated to that extent, without actual expenditure having been incurred under the programme/ scheme, in contravention of the financial rules.

3.4.4.2 Persistent Savings

Persistent savings over a period of five years or more indicated that the basic assumptions behind the overall budget formulation process were not realistic and there was lack of proper assessment as well as prudent utilisation of the allocated budgetary provision.

There was persistent Savings of more than ₹ 50 lakh in both Revenue and Capital head and also 50 per cent or more in Capital head of the total Grant during the last five years (**Table 3.14**):

Table 3.14: Details of Savings during 2017-22

(₹ in crore)

No. and Name of the Grant	Amount of Savings					
	2017-18	2018-19	2019-20	2020-21	2021-22	
32- Higher Education						
Revenue-Voted	Amount	35.63	7.24	74.04	42.92	47.64
	Percentage	18.89	3.58	36.51	20.62	24.79
Capital-Voted	Amount	5.00	73.87	14.05	54.59	87.12
	Percentage	50.00	85.89	32.64	67.79	93.85

Source: Appropriation Accounts of respective years

During the five-year period of 2017-22, there were persistent Savings in the reviewed Grant, which indicates poor budgeting, shortfall in performance or both, as funds could not be utilised as estimated on activities planned by the Department concerned.

Reason for persistent Savings had not been intimated (March 2022) by the Department.

3.4.4.3 Unexplained Re-Appropriations

According to Financial Rules, reasons for additional expenditure and savings should be explained in the re-appropriation statement and specific reasons should be given and expressions such as “based on actual requirements”, “based on trend of expenditure”, etc., should be avoided.

However, scrutiny of re-appropriation orders issued by the Finance Department revealed that re-appropriation of ₹ 3.03 crore under Revenue head and ₹ 2.51 crore under Capital head was done on the last day of the financial year without stating specific reasons for withdrawal of provision or additional provision by way of re-appropriation of funds.

3.4.4.4 Substantial Surrenders

Substantial surrenders (more than 50 per cent of total provision was surrendered) were made in respect of three Sub-Heads. Out of the total provision amounting to ₹ 158.04 crore in those Sub-Heads, ₹ 133.82 crore (84.68 per cent) was surrendered, which included 100 per cent surrender under three Sub-Heads as detailed in **Table 3.15**.

Table 3.15: Details of Sub-Heads with substantial surrenders during 2021-22

(₹ in crore)

Sl. No.	Head of Account	Total Grant/ Appropriation	Amount Surrendered	Percentage of surrender
1.	2202-03-001-01 (Direction)	3.00	2.00	66.67
2.	2202-03-800-01 (Rashtriya Uchchattar Siksha Abhiyan)	17.41	17.41	100.00
3.	2225-02-277-01-01 (Post Matric Scholarships)	48.00	24.78	51.63
4.	4202-01-203-01 (Building)	4.63	4.63	100
5.	4202-01-203-02 (Rashtriya Uchchattar Siksha Abhiyan /CSS)	85.00	85.00	100
Total		158.04	133.82	63.74

Source: Detailed Appropriation Accounts, 2021-22

The circumstances prompting the Department to surrender the funds were neither stated nor on record.

3.5 Conclusion

During 2021-22, against the total budget approved by the State Legislature of ₹ 25,644.46 crore (Original: ₹ 22,816.61 crore *plus* Supplementary: ₹ 2,827.84 crore), Departments incurred an expenditure of ₹ 21,690.85 crore, leaving a savings of ₹ 3,953.61 crore (15.42 *per cent* of the total budget).

It is indicative that the Supplementary Grant of ₹ 2,827.84 crore was not required as the gross expenditure was ₹ 1,125.76 crore less than the Original Provisions. It is pertinent to mention that Supplementary Grant was taken on 22nd March 2022 and total expenditure as on February 2022 was only ₹ 18,504.22 crore as per monthly civil accounts submitted by the Treasuries, leaving ₹ 4,312.39 crore with the State Government for the remaining 31 days. With the Supplementary Grant, total funds available with the State Government were ₹ 7,140.23 crore. This was indicative of over estimation and poor financial management. During the year, an expenditure of ₹ 0.35 crore was incurred without budget provision which is violative of financial regulations as well as the will of the Legislature.

Thus, the Supplementary Grants/ Appropriations were obtained without adequate justification, and funds were expended without budgetary provision. Despite flagging this issue every year over the last several years, the State Government had failed to take corrective measures in this regard.

There was an overall savings ₹ 3,953.61 crore which was 15 *per cent* of total Grants/ Appropriations and 18 *per cent* of the expenditure. These savings may be seen in context of estimation of Receipts of ₹ 22,451.28 crore by the State Government and estimation on the expenditure side being ₹ 25,644.46 crore during the year 2021-22. This implied that the savings were notional, as the funds were not actually available for expenditure.

At the beginning of the year 2021-22, there was an outstanding excess expenditure of ₹ 2,13.95 crore under 22 Grants (pertaining to the year 2017-18 to 2020-21) which requires regularisation as per the Article 205 of the Constitution of India.

Review of Higher Education Department (Grant No. 32) revealed persistent savings, unexplained Re-appropriation and substantial surrenders.

3.6 Recommendations

- Departments, which had incurred excess expenditure persistently should be identified to closely monitor their progressive expenditure and advised to seek supplementary grants/ re-appropriations in time.
- 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.
- Excess expenditure pending regularisation, may be regularised by obtaining legislative approval.