

CHAPTER-3

BUDGETARY MANAGEMENT

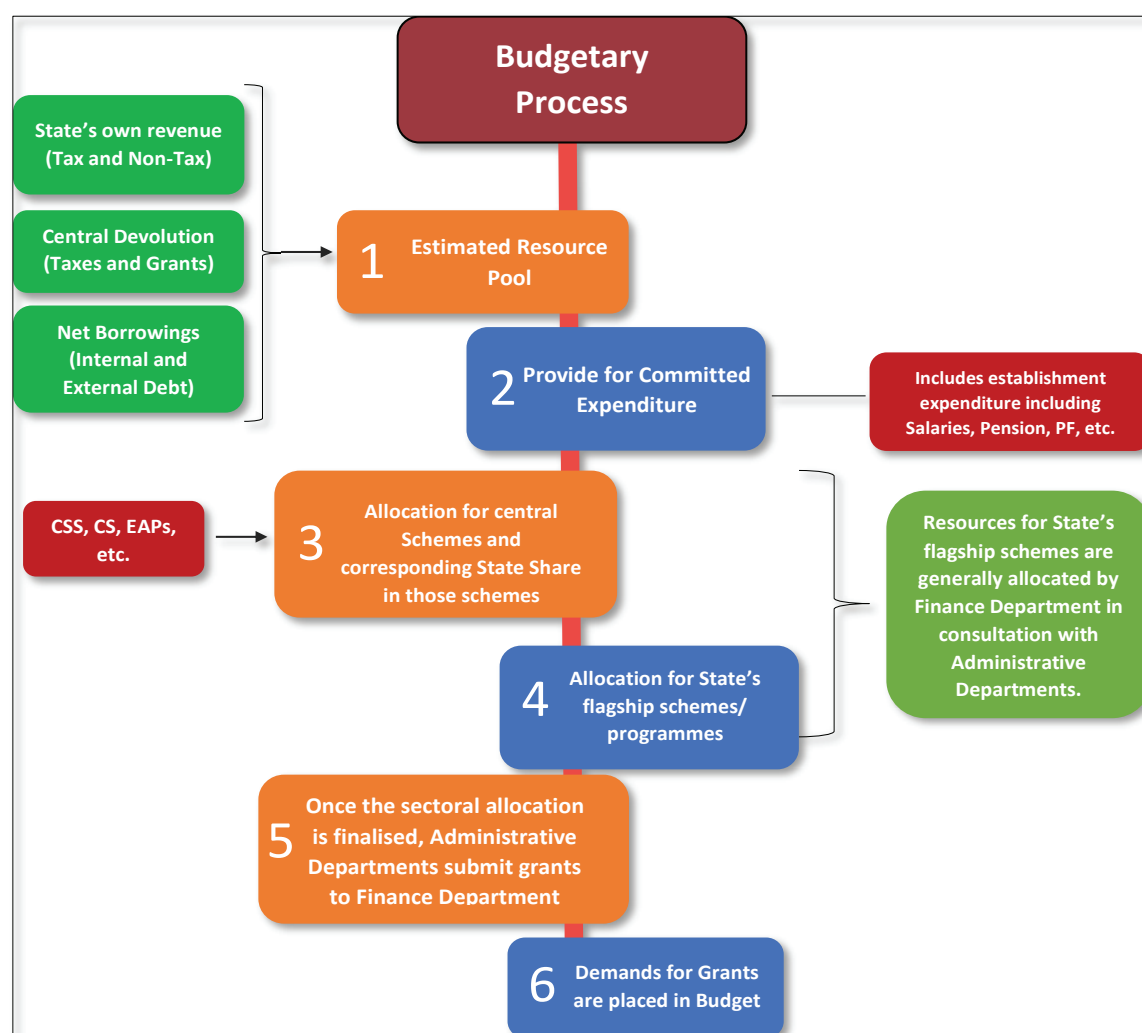
Chapter 3: Budgetary Management

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.

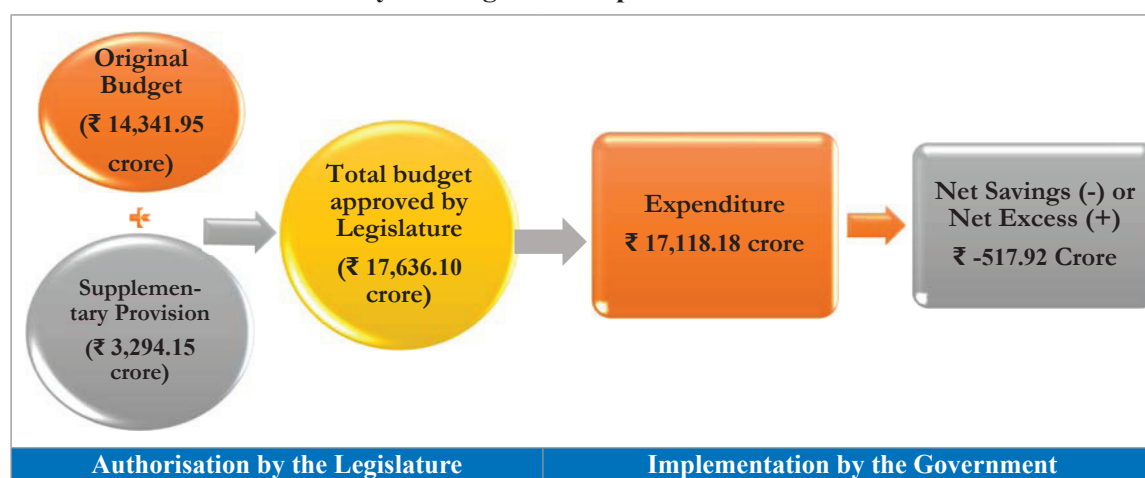
The annual financial statement, also called general budget, is placed prior to the commencement of the financial year in the State Legislature, in accordance with Article 202 of the Constitution. The estimates of receipts and disbursements in the Annual Financial Statement and of expenditure in the Demands 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No money shall be withdrawn from the Consolidated Fund of the State except under appropriation made by law passed in accordance with provisions of Article 204 of the Constitution.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 2023-24 are depicted in **Chart 3.1**.

Chart 3.1: Summary of Budget and Expenditure of Mizoram for 2023-24

Source: Appropriation Accounts

Before obtaining Supplementary grants of ₹ 3,294.15 crore on 27 February, 2024, the actual expenditure up to the month of January 2024 was ₹ 12,827.31 crore against the original budget provision of ₹ 14,341.95 crore which was 89.44 *per cent* of the original provision.

3.2.1 Alternative Budgeting approaches

Following the lead of the Union Government, many States and Union Territories of India have taken up alternative budgeting approaches like Gender Budgeting, Social Budgeting, Performance Based Budgeting or Innovation Budgeting. These approaches focus on addressing specific issues, achieving specific goals, and promoting research and development.

During 2023-24, it was found that the State had not yet taken any measures to take up any alternative budgeting approach.

3.2.2 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 2023-24 against 48 Grants/Appropriation (47 Grants and 1 Appropriation) is given in **Table 3.1**.

Table 3.1: Budget provision, disbursement and savings/excess during 2023-24

(₹ in crore)

Total Budget provision		Disbursements		Savings		Excess	
Voted	Charged	Voted	Charged	Voted	Charged	Voted	Charged
15,400.90	2,235.20	11,565.52	5,552.66	3,835.45	128.63	0.08	3,446.09

Source: Appropriation Accounts

There was an overall saving of ₹ 3,964.09 crore offset by excess of ₹ 3,446.17 crore during the year 2023-24 resulting in net savings of ₹ 517.92 crore representing 2.94 *per cent* of total Grants/Appropriations and 3.03 *per cent* of the expenditure.

These savings should be viewed in light of an overestimation in expenditures amounting to ₹17,636.10 crore for the year. Notably, although actual receipts (₹17,840.05 crore)³³ surpassed estimated receipts (₹14,209.95 crore), total expenditure was limited to ₹17,118.18 crore.

3.2.3 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 2019-20 to 2023-24.

Table 3.2: Details of Charged and Voted Disbursements

(₹ in crore)

Year	Budget Estimates		Disbursement		Savings		Excess	
	Voted	Charged	Voted	Charged	Voted	Charged	Voted	Charged
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	4,325.36	3,377.10	508.74	0.14	5.55
2022-23	15,431.99	2,023.85	10,945.84	3,191.71	4,563.33	87.26	77.18	1,255.12
2023-24	15,400.90	2,235.20	11,565.52	5,552.66	3,835.45	128.63	0.08	3,446.09

Source: Appropriation Accounts

From the table it may be seen that Voted disbursements increased by ₹ 932.15 crore from ₹ 10,633.37 crore in 2019-20 to ₹ 11,565.52 in 2023-24. Charged disbursements also showed an increase of ₹ 4,818.66 crore over the same period from ₹ 734.00 crore in 2019-20 to ₹ 5,552.66 crore in 2023-24. Savings in Voted section increased from ₹ 2,943.32 crore in 2019-20 to ₹ 3,835.45 crore in 2023-24. Savings in Charged section fluctuated from year to year and stood at ₹ 128.63 crore during 2023-24. Excess expenditure in Voted section stood at ₹ 0.08 crores while in Charged section it was ₹ 3,446.09 crore (62.06 per cent of Charged expenditure) during 2023-24. All these parameters are discussed in greater detail in the following paragraphs.

3.2.4 Budget marksmanship

Aggregate Budget Outturn

Aggregate Budget Outturn is a critical measure that evaluates how closely actual government expenditures align with the initially approved budget. This assessment focuses on both instances where spending falls short of approval and where it exceeds the authorized amounts. This is essential for maintaining fiscal discipline, as significant deviations from the approved budget can hinder a government's capacity to manage its financial resources effectively, allocate funds to priority areas and deliver essential services. During the year, the outturn of the State was as shown in **Table 3.3**.

Table 3.3: Original allocations and Actual expenditure

(₹ in crore)

Description	Original Approved budget (BE)	Actual outturn/ expenditure	Difference between actual outturn and BE
Revenue	11,200.76	10,950.83	-249.93
Capital	3,141.19	6,167.35	3,026.16
Total	14,341.95	17,118.18	2,776.23

Source: Appropriation Accounts

³³ Revenue Receipts (₹ 11,414.05 crore) plus Capital Receipts (₹ 6,426.00 crore)

In Revenue section, original Budget Estimates were 2.28 *per cent* more than expenditure outturn. This was due to deviation up to 25 *per cent* in 37 grants, between 25 to 50 *per cent* in eight grants and between 50 to 100 *per cent* in one grant and more than 100 *per cent* in one grant.

In Capital section, original Budget Estimates were 49.07 *per cent* less than expenditure outturn. This was due to deviation up to 50 *per cent* in three grants, between 50 to 100 *per cent* in eighteen grants and more than 100 *per cent* in two grants and one appropriation.

Grant-wise details of deviation in Revenue section and Capital section are given in **Appendix IV**.

Expenditure Composition Outturn

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

Table 3.4: Revised allocations and Actual expenditure

(₹ in crore)

Description	Original Approved Budget	Revised (RE)	Actual outturn/ expenditure	Difference between BE & RE	Difference between Actual and RE
Revenue	11,200.76	12,873.53	10,950.83	1,672.77	-1,922.70
Capital	3,141.19	4,762.57	6,167.35	1,621.38	1,404.78
Total	14,341.95	17,636.10	17,118.18	3,294.15	-517.92

Source: Appropriation Accounts

In Revenue section, expenditure outturn was 14.94 *per cent* less than revised estimates. This was due to deviation between 0 and 25 *per cent* in 38 grants, between 25 to 50 *per cent* in eight grants and between 50 to 100 *per cent* in one grant.

In Capital section, expenditure outturn was 29.50 *per cent* more than revised estimates. This was due to deviation between 0 to 25 *per cent* in nine grants, between 25 to 50 *per cent* in five grants, between 50 to 100 *per cent* in eight grants and equal to or more than 100 *per cent* in one grant and one appropriation.

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 not authorised through the Appropriation Act is irregular.

There was an accumulated balance of ₹ 108.88 crore lying under Major Head-8443 Civil Deposits-800 Other Deposits as on 31 March 2024. This amount was transferred to this head of account by booking them as expenditure under the functional Major Head in respective years. However, the amount is yet to be adjusted back into the relevant functional Major Heads from which transfers were originally made as on 31 March 2024 and remain reflected as expenditure in the accounts even though they are lying unspent.

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 3.5 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 3.5: Details of cases where supplementary provision proved unnecessary³⁴*(₹ in crore)*

Sl. No.	Name of Grant	Original	Supplementary	Actual Expenditure	Saving out of original Provisions
A) Revenue (Voted)					
1	37-Co-operation	16.59	1.32	14.87	1.72
2	6-Land Revenue & Settlement	33.72	0.63	28.59	5.13
3	1-Legislative Assembly	40.4	1.78	33.89	6.51
4	7-Excise & Narcotics	49.66	1.12	42.96	6.7
5	9-Finance	2,177.75	179.15	2,145.31	32.44
6	20-School Education	1,563.32	132.14	1,433.26	130.06
7	24-Health and Family Welfare	634.37	166.39	559.87	74.5
8	42-Transport	56.61	0.55	42.32	14.29
9	39-Power & Electricity	824.54	9.88	775.43	49.11
10	36-Environment, Forests and CC	161.65	4.32	106.85	54.8
11	31-Agriculture	170.23	8.77	98.86	71.37
12	19- Local Administration	182.05	36.06	66.87	115.18
Total A		5,910.89	542.11	5,349.08	561.81
B) Revenue (Charged)					
1	49- Public Debt	754.03	1.46	627.8	126.23
Total B		754.03	1.46	627.8	126.23
c) Capital (Voted)					
1	24-Health and Family Welfare	116.70	51.05	83.64	33.06
2	25-Public Health Engineering	247.99	94.51	101.95	146.04
3	47- Irrigation & Water Resources	75.00	9.51	10.31	64.69
Total C		439.69	155.07	195.90	243.19
Grand Total		7,104.61	698.64	6,172.78	931.23

As may be seen from the table, during 2023-24, ₹ 7,803.25 crore (Original and Supplementary) was allocated under 15 Grants and one Appropriation under Revenue and Capital section which subsequently closed with savings ranging between ₹ 1.72 crore to ₹ 146.04 crore against original provision. Further, it was found that total expenditure of ₹ 6,172.78 crore (79.11 *per cent*) was incurred out of total allocation (Original plus Supplementary) which meant that 20.89 *per cent* of the funds allocated to these grants where supplementary provision of ₹ 50 lakh or more were made, were not utilised. As per the Appropriation Accounts, this was mainly due to (i) non-receipt of expenditure sanction from Government, (ii) non-release of funds by GoI and (iii) non-approval of expenditure by Finance Department, *etc.* It was also found that the supplementary demand for grants was laid before the Legislature on 27th February 2024 and this contributed to late release/non-release of fund.

Significant savings in various grants, especially Local Administration and Public Health Engineering, indicate misalignment between budget provisions and actual needs.

³⁴ Threshold for determination of excess provision has been taken at ₹ 50 lakh or more.

Supplementary allocations were often unnecessary, as the original provisions were sufficient to cover actual expenditures. ₹ 661.77 crore surrendered represents missed opportunities for fund reallocation to priority sectors. Critical areas like Agriculture, Public Health, and Water Resources experienced underutilization, potentially affecting service delivery.

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.

No cases of injudicious re-appropriation were found in the current financial year

3.4.4 Unspent 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 yardstick of average of previous actuals along 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 the 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), Mizoram provides the draft Appropriation Accounts to the Controlling Officers of the Departments (July/August 2024) 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:

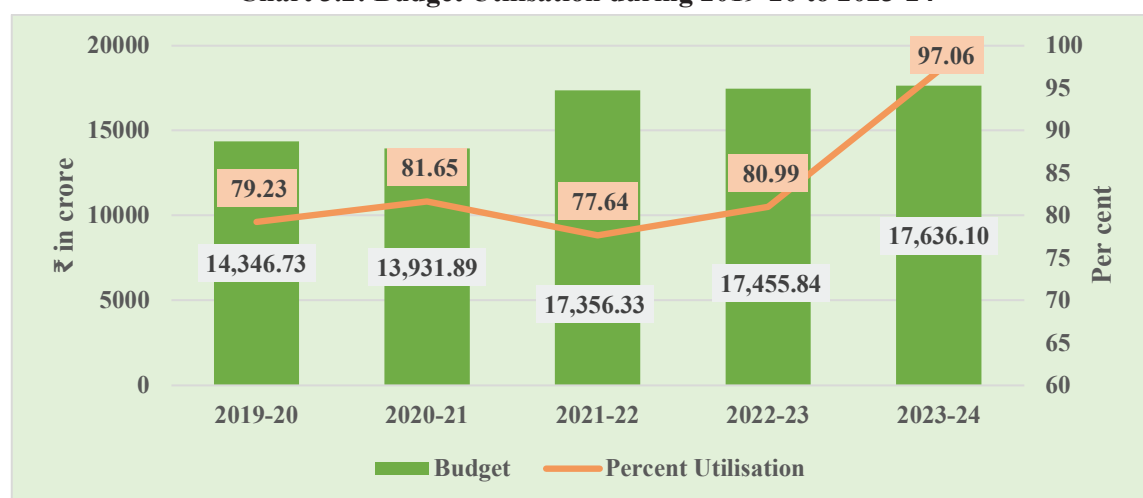
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| Savings | <ul style="list-style-type: none">• Comments are to be made for overall savings exceeding 5 <i>per cent</i> of the total provision; if individual sub-heads, where savings exceed ₹ 5 lakh and the Grant is less than ₹ 20 crore; if savings 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.
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Budgetary allocations based on unrealistic proposals, poor expenditure monitoring mechanism, weak scheme implementation capacities and 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.

The extent of utilisation of budgeted funds by the State has been sub-optimal during the last four years but improved during 2023-24 which can be seen from **Chart 3.2**.

Chart 3.2: Budget Utilisation during 2019-20 to 2023-24



Source: Appropriation Accounts of the respective years

As can be seen from the Chart, utilisation of budget fluctuated between 77.64 per cent and 81.65 per cent during 2019-20 to 2022-23. In 2023-24, budget utilisation was at 97.06 per cent which is the best utilisation rate during the last five years.

During 2023-24, nine Grants/Appropriations had savings of ₹ 100 crore or more, the details of which are shown in **Table 3.6**. Reasons for these large savings were stated to be 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 by Finance department, etc.

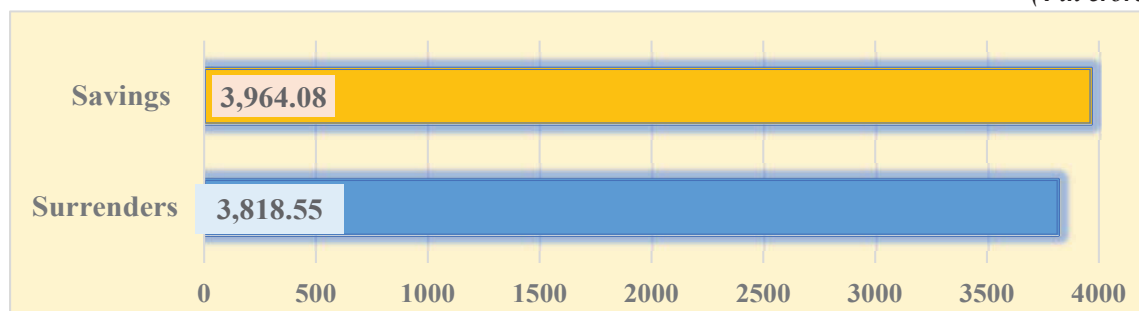
Table 3.6: Grants having large savings³⁵ during the year 2023-24*(₹ in crore)*

Sl No.	Number and name of the grant/appropriation	Original	Suppl.	Total	Actual Expenditure	Savings	Surrender
Revenue (Voted)							
1	9-Finance	2,177.75	179.15	2,356.90	2,145.31	211.59	248.60
2	19-Local Administration	182.05	36.06	218.11	66.87	151.24	151.24
3	20-School Education	1,563.32	132.14	1,695.46	1,433.26	262.20	252.65
4	24- Health and Family Welfare	634.36	166.39	800.75	559.87	240.88	240.88
5	38-Rural Development	308.52	278.34	586.86	348.92	237.95	237.04
Revenue (Charged)							
1	49-Public Debt	754.03	1.46	755.49	627.80	127.69	-
	Total	5,620.03	793.54	6,413.57	5,182.03	1,231.55	1,130.41
Capital (Voted)							
1	9-Finance	1,147.00	40.27	1,187.27	40.27	1,147.00	1,147.00
2	25-Public Health Engineering	247.99	94.51	342.50	101.95	240.55	240.54
3	45-Public Works	0.00	708.33	708.33	537.05	171.28	195.46
	Total	1,394.99	843.11	2,238.10	679.27	1,558.83	1,583.00
	Grand Total	7,015.02	1,636.65	8,651.67	5,861.30	2,790.38	2,713.41

Source: Appropriation Accounts

Appendix V further lists the details of 28 (19 Revenue voted and 9 Capital voted) Grants which reflected surrender of funds in excess of ₹ 10 crore by 31 March 2024. Audit scrutiny of the Appropriation Accounts revealed that the main reasons for surrender of the grants were the non-filling up of vacant posts, wrong calculation of budget estimates, 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 ₹ 3,818.55 crore was surrendered from the total gross savings of ₹ 3,964.08 crore leaving a balance of ₹ 145.53 crore which was not surrendered. As per records available, all surrenders occurred on 31 March 2024.

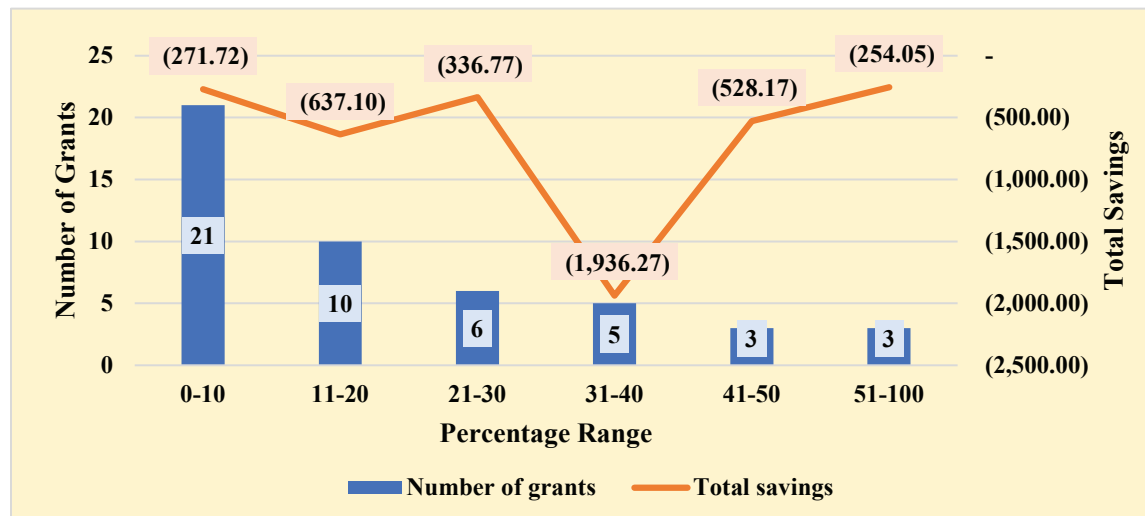
Chart 3.3: Savings and surrenders before close of financial year 2023-24*(₹ in crore)*

Source: Appropriation Accounts

³⁵ Savings above ₹ 100 crore.

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.

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, 21 out of 47 grants had savings of 0-10 *per cent*, 10 grants had savings between 11 - 20 *per cent*, 6 grants had savings between 21 - 30 *per cent*, 5 grants had savings between 31 – 40 *per cent*, 3 grants had savings between 41 - 50 *per cent* and 3 grants had savings above 50 *per cent*. The largest savings from an individual grant occurred in Grant No.9 – Finance which had net savings of ₹ 1,358.59 crore which was 38.33 *per cent* of total allocation. Occurrence of such huge savings indicates poor budgetary management.

3.4.5 Excess expenditure and its regularisation

Article 204 of the Constitution of India provides that no money shall be withdrawn from the Consolidated Fund of the State except under appropriation made by law passed in accordance with the provisions of this article. Further, as per Article 205 of the Constitution of India, it is mandatory for a State Government to get excesses over grants/appropriations regularised by the State Legislature. 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 Public Accounts Committee (PAC).

3.4.5.1 Excess expenditure during 2023-24

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 2023-24 is given in **Table 3.7**.

Table 3.7: Excess expenditure during 2023-24 requiring regularisation

(₹ in crore)

Type of Expenditure		Vigilance (5)		Name of Department/Grant			
				District Councils and Minority Affairs (27)		Public Debt (49)	
		Total Grant	Actual Expenditure	Total Grant	Actual Expenditure	Total Grant	Actual Expenditure
Voted	Revenue	7.18	7.20	573.06	573.12	0.00	0.00
	Capital	0.00	0.00	0.00	0.00	0.00	0.00
Charged	Revenue	0.00	0.00	0.00	0.00	0.00	0.00
	Capital	0.00	0.00	0.00	0.00	1,442.51	4,888.60
Total Excess		0.02		0.06		3,446.09	
Grand Total		3,446.17					

Source: Appropriation Accounts

During 2023-24, there was a total excess disbursement of ₹ 3,446.17 crore under two Grants (5- Vigilance and 27- District Councils and Minorities Affairs) and one Appropriation (49-Public Debt) as shown above. Reasons for excess disbursement have been stated to be due to non-tabulation of salaries in respect of the newly transferred Director for the month of April 2023 in the expenditure record, wrong information of balance given by PFMS and non-detection of the same in due time (Vigilance) and Village Council Remuneration for March 2023 as expenditure for the year 2023-24 (District Council and Minority Affairs). Reasons for excess in case of Public Debt were not intimated (November 2024). In light of the above, it is clear that the Government and Department concerned did not exercise adequate control over expenditure.

3.4.5.2 Regularisation of excess expenditure of previous years

Excess expenditure remaining unregularised for extended periods dilutes legislative control over the executive and is in violation of Article 204 (3) of the Constitution. This vitiates the system of budgetary and financial control and encourages financial indiscipline in management of public resources. The excess expenditure occurred during the period 2019-20 to 2022-23 that has not been regularised is shown in **Table 3.8**.

Table 3.8: Excess expenditure during 2019-20 to 2022-23 requiring regularisation

(₹ in crore)

Year	Grant No./ Appropriation	Grant/Appropriation details	Amount of excess required to be regularised as commented in the Appropriation Accounts
Revenue Portion (Voted)			
2020-2021	9	Finance	275.76
2021-2022	27	District Councils and Minority Affairs	0.14
2022-2023	9	Finance	77.18
Revenue Portion (Charged)			
2020-2021	49	Public Debt	30.46

Year	Grant No./ Appropriation	Grant/Appropriation details	Amount of excess required to be regularised as commented in the Appropriation Accounts
2021-2022	49	Public Debt	5.55
Capital Portion (Charged)			
2019-2020	49	Public Debt	9.43
2020-2021	49	Public Debt	513.52
2022-2023	49	Public Debt	1,255.12
Total			2,167.16

Source: Appropriation Accounts

An excess expenditure of ₹ 2,167.16 crore under two Grants and one Appropriation occurred during the period 2020-21 to 2022-23 are 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 Delegation of Financial Powers Rules 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 lump sum provision by Government of Mizoram were found during 2023-24 indicating 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 and 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 3.9** gives the summarised position of actual expenditure as compared to the original and supplementary budget provisions during 2023-24.

Table 3.9: 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	10,414.29	1,666.56	12,080.85	10,286.77	-1,794.07	1,784.48	99.47
	II	Capital	1,696.68	1,621.37	3,318.05	1,276.75	-2,041.31	2,033.13	99.60
	III	Loans and Advances	2.00	0.00	2.00	2.00	0.00	0.00	0.00
	Total Voted		12,112.97	3,287.93	15,400.90	11,565.52	-3,835.38	3,817.61	99.54
Charged	IV	Revenue	786.47	6.22	792.69	664.06	-128.63	0.94	0.73
	V	Capital	0.00	0.00	0.00	0.00	0.00	0.00	-
	VI	Public Debt Repayment	1,442.51	0.00	1,442.51	4,888.60	3,446.09	0.00	0.00
	Total Charged		2,228.98	6.22	2,235.20	5,552.66	3,317.46	0.94	0.03
Appropriation to Contingency Fund			0.00	0.00	0.00	0.00	0.00	0.00	-
Grand Total			14,341.95	3,294.15	17,636.10	17,118.18	-517.92	3,818.55	737.29

Source: Appropriation Accounts.

As against the total budget provision of ₹ 17,636.10 crore, the Government could spend ₹ 17,118.18 crore. The net savings of ₹ 517.92 crore was the result of overall savings of ₹ 3,964.08 crore in 45 Grants under Revenue Section and 18 Grants/Appropriation under Capital Section offset by excess of ₹ 3,446.17 crore in two Grants and one Appropriation under Revenue Section.

Out of overall gross savings of ₹ 3,964.08 crore, ₹ 3,818.55 crore was surrendered on the last day of Financial Year 2023-24 i.e. on 31 March 2024 leaving the balance of ₹ 145.54 crore un-surrendered. If the savings were anticipated and surrendered earlier the surrendered amount could have been allocated in other departments where there was need of fund. The Finance Department needs to take stringent measures to curb this violation of Budgetary Rules.

Table 3.10 shows the details of budget and actual expenditure over the five-year period from 2019-20 to 2023-24.

Table 3.10: Original Budget, Revised Estimate and Actual Expenditure during 2019-24*(₹ in crore)*

	2019-20	2020-21	2021-22	2022-23	2023-24
Original Budget (OB)	10,872.58	10,895.26	11,330.89	14,190.15	14,341.95
Supplementary	3,474.15	3,036.63	6,025.44	3,265.69	3,294.15
Total Budget (TB)	14,346.73	13,931.89	17,356.33	17,455.84	17,636.10
<i>Revised Estimate (RE)³⁶</i>	<i>12,589.53</i>	<i>12,956.89</i>	<i>16,573.56</i>	<i>16,109.28</i>	<i>16,239.11</i>
Actual Expenditure (AE)	11,367.37	11,375.10	13,476.19	14,137.55	17,118.18
Net Savings (-)/Excess (+)	-2,979.36	-2,556.79	-3,880.14	-3,318.29	-517.92
Percentage of supplementary to original	31.95	27.87	53.18	23.01	22.97
Percentage of savings/excess to overall position	20.77	18.35	22.36	19.01	2.94
TB-RE	1,757.20	975.00	782.77	1,346.56	1,396.99
RE-AE	1,222.16	1,581.79	3,097.37	1,971.73	-879.07
AE-OB	494.79	479.84	2,145.30	-52.60	2,776.23
TB-AE	2,979.36	2,556.79	3,880.14	3,318.29	517.92
(TB-RE) as % of TB	12.25	7.00	4.51	7.71	7.92
(RE-AE) as % of TB	8.52	11.35	17.85	11.30	-4.98

Source: Appropriation Accounts

³⁶ In Table 3.10 RE is the Revised Estimate of Gross Disbursement from Consolidated Fund as stated in the Annual Financial Statement of GoM of the respective years.

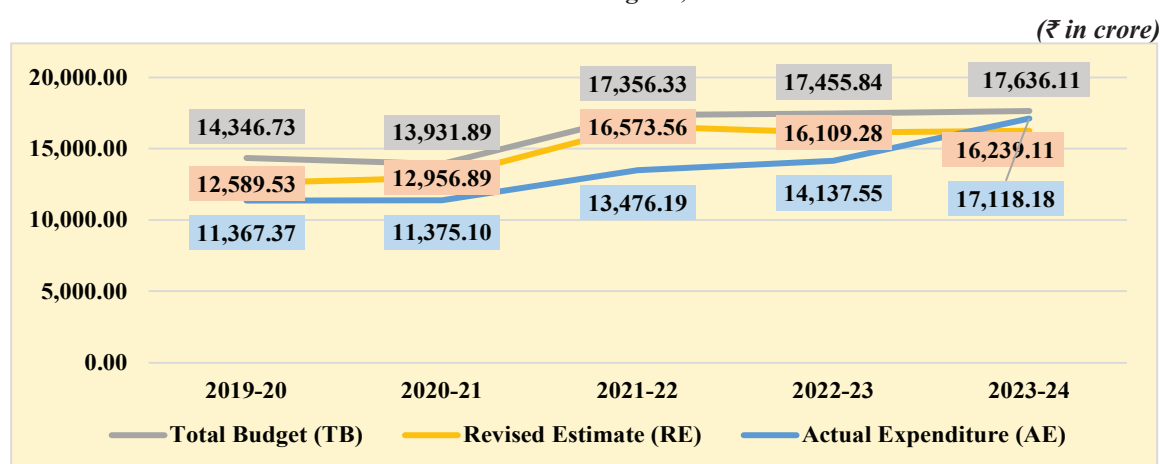
Supplementary provisions fluctuated between 22.97 *per cent* of original allocations in 2023-24 to 53.18 *per cent* in 2021-22 over the five-year period 2019-24. During the year 2022-23, supplementary provision of ₹ 3,265.69 crore was the lowest in terms of percentage of OB during the entire period and constituted 23.01 *per cent*.

Further, on comparing the Total Budget (TB), Revised Estimate of Gross Disbursement from Consolidated Fund as stated in the Annual Financial Statement of GoM of the respective years (RE) and Actual Expenditure (AE) over the same period, the following conclusions may be drawn-

- AE surpassed the Original Budget allocation by amounts ranging between ₹ 494.79 crore in 2019-20 and ₹ 2,145.30 crore in 2021-22 but fell short of the original allocation by ₹ 52.60 crore in 2022-23. In the current year, AE surpassed original allocation by an amount of ₹ 2,776.23 crore.
- AE was consistently below TB, the shortfall ranged between ₹ 2,979.36 crore in 2019-20 and ₹ 3,880.14 crore in 2021-22. During the current year, AE was ₹ 517.92 crore less than TB. The shortfall expressed as a percentage of TB indicates the extent of inaccuracy in total budgetary allocations and ranged between 20.77 *per cent* in 2019-20 to 18.35 *per cent* in 2020-21. It stood at 2.94 *per cent* in 2023-24.
- Similarly, AE constantly drew short of RE except in the current year. The shortfall of AE to RE ranged between ₹ 1,222.16 crore in 2019-20 to ₹ 3,097.37 crore in 2021-22. However, in 2023-24, AE was more than RE by ₹ 879.07 crore. The deficit/surplus of AE over RE expressed as a percentage of TB ranged between 17.85 *per cent* in 2021-22 to -4.98 *per cent* in 2023-24. AE surpassed RE by 5.41 *per cent* for the current year.

This reflects that budgetary allocations were based on unrealistic proposals as Budget Estimates (TB and RE) of the State were usually inflated and the actual disbursement (AE) was less than budgetary provisions except in 2023-24. **Chart 3.5** depicts the trend of TB, RE and AE over the period.

Chart 3.5: Trend showing TB, RE and AE

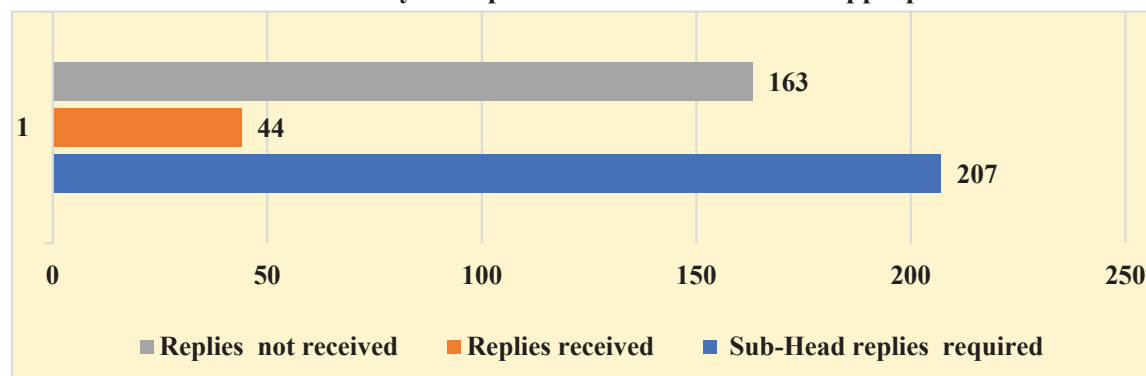


Source: Appropriation Accounts

From the above chart it may be seen that the Revised Estimate (RE) was always lower than the Total Budget (TB) of the State. While the gap between the RE and the TB ranged between 12.25 to 7.00 *per cent* of TB during 2019-20 to 2022-23, for the current year RE was 7.92 *per cent* of TB.

Chart 3.6 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 207 explanations due to be received from the Government for excess and/or savings in expenditure, 44 replies had been received (July 2024) leaving 163 explanations not received.

Chart 3.6: 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 2023-24, there were eleven Sub-heads under four grants and one appropriation which had no expenditure at all although supplementary budgetary allocation had been made by the Government under the grant/ appropriation. The total savings in these sub-heads (three under Revenue Voted, one under Revenue Charged and seven under Capital Voted) amounted to ₹ 70.63 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 executed partially or not executed due to non-approval of scheme guidelines/modalities, non-commencement of works for want of administrative sanction, *etc.* This deprives the beneficiaries of intended benefits. Savings in such schemes deprive other Departments of the funds which they could

have utilised. **Table 3.11** gives details of schemes/ projects for which budget provision of ₹ one crore and above was made but no expenditure was incurred.

Table 3.11: Details of the schemes/projects for which provision of ₹ 1 crore and above was made but no expenditure was incurred during Financial Year 2023-24

(₹ in crore)

Sl. No.	Department Name	Scheme Name	Budgetary Provision	Actual Expenditure	Reasons
Revenue Voted					
1	9 - Finance 4047 - Capital Outlay on Other Fiscal Services 800 – Other Expenditure 90 - Socio-Economic Development Policy (SEDP)	Socio-Economic Development Policy (SEDP)	595.00	0.00	Reasons stated to be due to re-provision of fund to all other departments.
Total			595.00	0.00	

Source: Appropriation Accounts

As may be seen from the table above, the State Government had approved outlay of ₹ 595.00 crore which was fully withdrawn through surrender. Withdrawal of entire provision under this head of account also occurred during 2020-21 and 2022-23. This reflects that budgetary allocations were based on unrealistic proposals.

3.6.4 Rush 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 3.12** provides the details of grants with expenditure more than 50 per cent of total allocation in March alone. Details of quarterly expenditure of all Grants is given in **Appendix VII**. The grants have been listed in decreasing order of expenditure during the month of March 2024.

Table 3.12: 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	31 -Agriculture	11.16	21.95	12.69	175.11	220.91	159.15	72.04
2	19- Local Administration	2.98	3.62	4.40	55.87	66.87	47.27	70.69

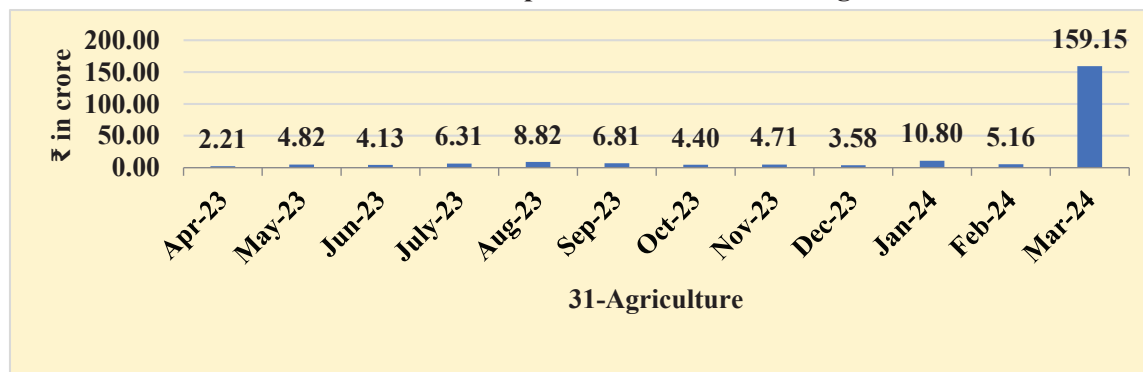
Source: Monthly Appropriation Accounts

From the table it may be seen that in two 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.

Chart 3.7 depicts the monthly trend of maximum expenditure in Grant 31- Agriculture. As may be seen from the chart, expenditure during March 2024 was very high when compared

to the other 11 months of the financial year. The department incurred 72.04 per cent of the total expenditure during the month of March 2024. The trend of month wise expenditure is shown in the following chart.

Chart 3.7: Month wise expenditure of Grant 31 -Agriculture



Source: VLC Data

During March 2024, ₹ 159.15 crore, i.e. 72.04 per cent of expenditure in March, was booked under ‘4435 Capital Outlay on Other Agriculture Programmes’, ‘4401 Capital Outlay on Crop Husbandry’, ‘2415 Agriculture Research and Education’, ‘2401 Crop Husbandry’.

A disproportionately high share of expenditures in March reflects rushed utilization of funds, often to avoid lapses. Equally, minimal expenditures in the first three quarters for both grants suggest inefficiencies in fund distribution and project execution. Capital-intensive activities like agriculture and local administration experience major surges, raising questions about planning and execution delays.

Reasons for increased expenditure was, however, not furnished (March 2025).

3.6.5 Review of selected grants

During the year 2023-24, two grants, namely, **Grant No. 8–Taxation** and **Grant No. 45 – Public Works Department** were randomly 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. 8–Taxation Department)

The summarised position of budgetary allocation and actual expenditure there-against during the year 2023-24 in respect of the Grant is given below:

Table 3.13: Budget and expenditure under Grant No. 8 during 2023-24

(₹ in crore)

Nature of Expenditure	Budget Provision			Actual Expenditure	Savings (-)/ Excess (+)
	Original	Supplementary	Total		
Revenue	21.71	1.40	23.11	21.70	-1.41
Capital	0.00	0.00	0.00	0.00	0.00
Total	21.71	1.40	23.11	21.70	-1.41

Source: Appropriation Accounts

It can be seen from the above table that the Grant had savings of ₹ 1.41 crore under Revenue section. No reasons for the savings were given by the Chief Controlling Officer (CCO) of the Department. An amount of ₹ 0.81 crore was surrendered during the year. In view of the final expenditure of ₹ 21.70 crore being less than the original budget provision of ₹ 21.71 crore under Revenue section by ₹ 0.01 crore, the supplementary provision of ₹ 1.40 crore was unnecessary. This indicated a lack of budgetary foresight and planning.

3.6.5.2 Persistent Savings (Grant No. 8–Taxation Department)

During the period 2019-20 to 2023-24, there were persistent savings within the grant as shown in **Table- 3.14** below. The percentage of savings to total grant ranged between 22.72 and 6.10 *per cent*.

Table 3.14: Persistent Savings

(₹ in crore)

Grant No. 8 Taxation	Amount of Savings				
	2019-20	2020-21	2021-22	2022-23	2023-24
Revenue	0.11	2.14	3.08	1.60	1.41
Capital	6.13	0.00	0.00	0.49	0.00
Total Savings	6.24	2.14	3.08	2.09	1.41
Total provision	27.46	24.30	23.36	25.26	23.11
Percentage of savings	22.72	8.81	13.18	8.27	6.10

Source: Appropriation Accounts of respective years

Persistent savings in the last five years, ranging between 22.72 *per cent* in 2019-20 to 6.10 *per cent* in 2023-24 as shown in the table, indicated that the budgeting process in the Department did not reflect actual requirements. Thus, it is imperative that budgeting is done in a planned and realistic manner to ensure prudent financial management. The performance of the Department indicates that there is room for improvement.

3.6.5.3 Substantial Surrenders (Grant No. 8–Taxation Department)

There were no cases of substantial surrender which was more than 50 *per cent* of total provision within this grant during 2023-24.

3.6.5.4 Budget and Expenditure (Grant No. 45 – Public Works)

The summarised position of budgetary allocation and actual expenditure there-against during the year 2023-24 in respect of the Grant is given below:

Table 3.15: Budget and expenditure under Grant No. 45 during 2023-24

(₹ in crore)

Nature of Expenditure	Budget Provision			Actual Expenditure	Savings (-)/ Excess (+)
	Original	Supplementary	Total		
Revenue	591.18	38.69	629.87	572.93	-56.94
Capital	0.00	708.33	708.33	537.05	-171.28
Total	591.18	747.02	1,338.20	1,109.98	-228.22

Source: Appropriation Accounts

It can be seen from the above table that the Grant had savings of ₹ 56.94 crore and ₹ 171.28 crore under Revenue and Capital sections respectively. The reasons for savings have not been intimated (November 2024). An amount of ₹ 57.10 crore under Revenue voted and ₹ 195.46 crore under Capital voted was surrendered during the year which

was more than the actual savings which indicates lack of budgetary management in the Department.

3.6.5.5 Persistent Savings (Grant No. 45 –Public Works Department)

During the period from 2019-20 to 2023-24, there were persistent savings within the grant as shown in **Table- 3.16** below. The percentage of savings to total grant ranged between 7.57 and 47.92 *per cent*.

Table 3.16: Persistent Savings

(₹ in crore)

45- Public Works Department	Amount of Savings				
	2019-20	2020-21	2021-22	2022-23	2023-24
Revenue	30.32	345.60	270.33	54.36	56.93
Capital	96.67	175.88	32.57	800.03	171.28
Total Savings	126.99	521.48	302.90	854.39	228.21
Total Grant	1,676.53	1,188.84	1,004.83	1,782.77	1,338.20
Percentage of savings	7.57	43.86	30.14	47.92	17.05

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 either did not reflect the actual capacity for expenditure or was hampered by the slow execution of works by 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.

3.6.5.6 Substantial Surrenders (Grant No. 45 –Public Works)

There were five cases of substantial surrenders (more than 50 *per cent* of total provision) within this grant as shown in **Table 3.17**.

Table 3.17: 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	
3054 Roads and Bridges 01 National Highways 337 Road Works 01 Maintenance of Roads under National Highways/CSS	16.00	16.00	100	No reason stated.
3054 Roads and Bridges 799 Suspense 01 Adjustment Head for Maintenance of National Highways	16.00	16.00	100	Stated to be due to direct adjustment of funds between office of the PAG and Ministry of Road Transport Highway (Regional PAO-National Highways) (₹ 1600 lakh under minor works)
3054 Roads and Bridges 01 National Highways 797 Transfer to/from Reserve Fund and Deposit Accounts 04 Central Road and Infrastructure Fund (CRIF)/CSS	0.89	0.89	100	Stated to be due to allotment of same amount of provision under 5054-05-337-04-00-53 (₹. 88.87 lakh under grants for creation of capital assets.

Head and details of scheme	Total Provision	Details of surrender		Reasons
		Amount	Per cent	
3054 Roads and Bridges 80 General 052 Machinery and Equipment 01 Purchase and Maintenance	0.20	0.14	70	Stated to be due to less receipt of demand (₹.14.06 lakh under machinery and equipment).
4235 Capital Outlay on Social Security and Welfare 02 Social Welfare 102 Child Welfare 08 Schemes under Article 275 (1) of the Constitution/CSS	0.10	0.10	100	Stated to be due to transfer of fund to the Finance Department as per approval of the Hon'ble Minister of Public Works vide order dated 20.12.2023.
Total	33.19	33.13	99.82	

Source: Appropriation Accounts

3.6.5.7 Implementation of Single Nodal Agency accounts for CSS (Grant No. 45 –Public Works Department)

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 SNA details such as Agency name, Bank account details, *etc.* relating to Centrally Sponsored Schemes which were implemented by the Department during the year had been mapped onto PFMS Portal as required. During 2023-24, an amount of ₹ 174.89 crore had been transferred into the SNA accounts of various CSS schemes implemented by the Department.

3.7 Conclusion

Budgetary assumptions of the State Government were not realistic during 2023-24 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 ₹ 17,636.10 crore, State Government Departments incurred an expenditure of ₹ 17,118.18 crore. Utilisation of budget for 2023-24 was 97.06 *per cent* as compared to 80.99 *per cent* during 2022-23. Significant savings in various grants, , indicate misalignment between budget provisions and actual needs. Supplementary allocations were often unnecessary, as the original provisions were sufficient to cover actual expenditures.

During the year 2023-24, there was a total excess disbursement of ₹ 3,446.17 crore under two Grants and one Appropriation.

Excess expenditure of ₹ 2,167.16 crore occurred under two Grants and one Appropriation during 2019-20 to 2022-23 are yet to be regularised in accordance with Article 205 of the Constitution.

3.8 Recommendations

- *State Government needs to strengthen budgetary forecasting and management to ensure optimal usage of available funds and maintain fiscal discipline.*
- *State Government may prioritise regularization of excess expenditure by the Legislature to ensure accountability and transparency in managing public funds.*