CHAPTER II

Budgetary Management

Chapter II: Budgetary Management

This chapter reviews Nagaland's budgetary process, revealing significant gaps between budget estimates and actual expenditure, with issues like excess spending, persistent savings, and last-minute fund surrenders. It highlights weaknesses in financial planning, control, and compliance, stressing the need for realistic budgeting, timely fund utilisation, and modern practices like gender and green budgeting.

2.1 Budget Process

In compliance with Article 202 of the Constitution of India, in respect of every financial year, a statement of the estimated receipts and expenditure of the State for that year, called "the Annual Financial Statement (Budget)" is to be laid before the State Legislature. The estimates of the expenditure show 'charged' and 'voted' items[4] of expenditure separately and distinguish expenditure on revenue accounts from other expenditures. Legislative authorisation is necessary before incurring any expenditure by the State Government.

The Government of Nagaland has not yet prepared a Budget Manual. However, the Finance Department is responsible for preparing the annual budget by obtaining estimates from various departments. The departmental estimates of receipts and expenditure are prepared by Controlling Officers on the advice of the heads of departments and submitted to the Finance Department on prescribed dates. The Finance Department consolidates the estimates and prepares the Detailed Estimates called 'Demand for Grants'. The State budget comprises the following documents:

- ✓ Annual Financial Statements
- ✓ Explanatory Memorandum to the Budget
- ✓ Supplementary Demands for grants
- ✓ Moving of Demand for Grants
- ✓ Statements under the Nagaland Fiscal Responsibility and Budget Management Act, 2005
- ✓ Others

2.2 Budget projection and gap between expectation and actual

Efficient management of tax administration/other receipts and public expenditure holds the balance for optimum utilisation of resources, strengthen scheme implementation and monitoring capacity and achievement of fiscal targets. Persistent savings/excesses indicate need for improvement in the underlying budgetary processes.

Details of total appropriation obtained from the State Legislature, actual expenditure and savings are summarised in **Table 2.1**.

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[4] **Charged expenditure**: Certain categories of expenditure (*e.g.* salaries of Constitutional authorities, loan repayments, *etc.*), constitute a charge on the Consolidated Fund of the State and are not subject to vote by the Legislature. **Voted expenditure**: All other expenditure is voted by the Legislature.

Table 2.1: Actual expenditure *vis-à-vis* budget provision during 2024-25

(₹ in crore)

	Nature of expenditure	Original Grant	Supplementary Grant	Total	Actual expenditure	Net of Savings (-)	Surrender during March 2025	
							Amount	*Per cent*
Voted	I. Revenue	15,476.60	687.82	16,164.42	14,094.07	2,070.35	2,131.32	102.94
	II. Capital	2,591.41	2,435.09	5,026.50	3,553.63	1,472.87	1,504.38	102.14
	III. Loans and Advances	0.57	-	0.57	0.35	0.22	0.22	100.00
	Total	**18,068.58**	**3,122.91**	**21,191.49**	**17,648.05**	**3,543.44**	**3,635.92**	**102.61**
Charged	IV. Revenue	1,416.27	7.36	1,423.63	1,325.63	98.00	94.83	96.77
	V. Capital	-	-	-	-	-	-	-
	VI. Public Debt-Repayment	4,243.02	1.41	4,244.43	4,596.37	-351.94	-	-
	Total	**5,659.29**	**8.77**	**5,668.06**	**5,922.00**	**-253.94**	**94.83**	**-37.34**
Appropriation to Contingency Fund		--	--	--	--	-	--	--
Grand Total		**23,727.87**	**3,131.68**	**26,859.55**	**23,570.05**	**3,289.50**	**3,730.75**	**113.41**

Source: Appropriation Accounts, 2024-25

Trends in the original budget, revised estimate, and actual expenditure for the period 2020-21 to 2024-25 are given in **Table 2.2**.

Table 2.2: Original Budget, Revised Estimate and Actual Expenditure during the FYs 2020-21 to 2024-25

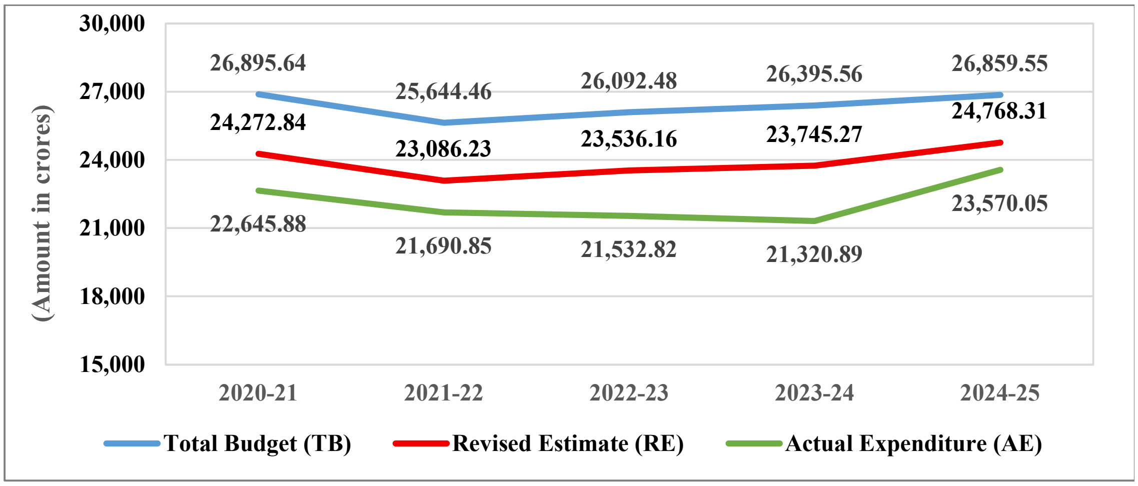
(₹ in crore)

	2020-21	2021-22	2022-23	2023-24	2024-25
Original Budget (OB)	21,068.85	22,816.61	24,239.50	23,085.66	23,727.87
Supplementary Budget (SB)	5,826.79	2,827.84	1,852.99	3,309.90	3,131.68
Total Budget (TB)	26,895.64	25,644.46	26,092.48	26,395.56	26,859.55
Revised Estimate (RE)	24,272.84	23,086.23	23,536.16	23,745.27	24,768.31
Actual Expenditure (AE)	22,645.88	21,690.85	21,532.82	21,320.89	23,570.05
Savings (-)/excess (+)	(-)4,249.76	(-)3,953.61	(-)4,559.66	(-)5,074.67	(-)3,289.50
Percentage of SB to OB	27.66	12.39	7.64	14.34	13.20
Percentage of Savings to the overall provision	15.80	15.42	17.48	19.23	12.25
TB-RE	2,622.80	2,558.23	2,971.36	2,650.29	2,091.24
RE-AE	1,626.96	1,395.38	1,588.30	2,424.38	1,198.26
(TB-RE) as *percentage* of TB	9.75	9.98	11.39	10.04	7.79
(RE-AE) as *percentage* of TB	6.05	5.44	6.09	9.18	4.46

Source: Appropriation Accounts and Budget documents of respective years

Table 2.2 shows that supplementary provision of ₹3,131.68 crore during 2024-25 constituted 13.20 *per cent* of the original provision as against 14.34 *per cent* in the previous year.

Chart 2.1 Trend showing BE, RE and Actuals



Source: Appropriation Accounts of respective years and Budget documents of respective years

From **Chart 2.1**, it could be seen that during 2020-21 to 2023-24, there is a consistent divergence between the total budget, revised estimates, and actual expenditure, indicating overestimation and under-utilisation of funds. However, the gap narrowed in 2024-25, suggesting improved fiscal discipline and alignment between allocations and actual spending.

2.2.1 Component/Services wise analysis of budgetary provisions and expenditure

Component-wise analysis of the Budget and Expenditure for the FY 2024-25, is summarised in **Table 2.3**. The summary of explanations received in case of variations in Appropriation Accounts is depicted in **Chart 2.2**.

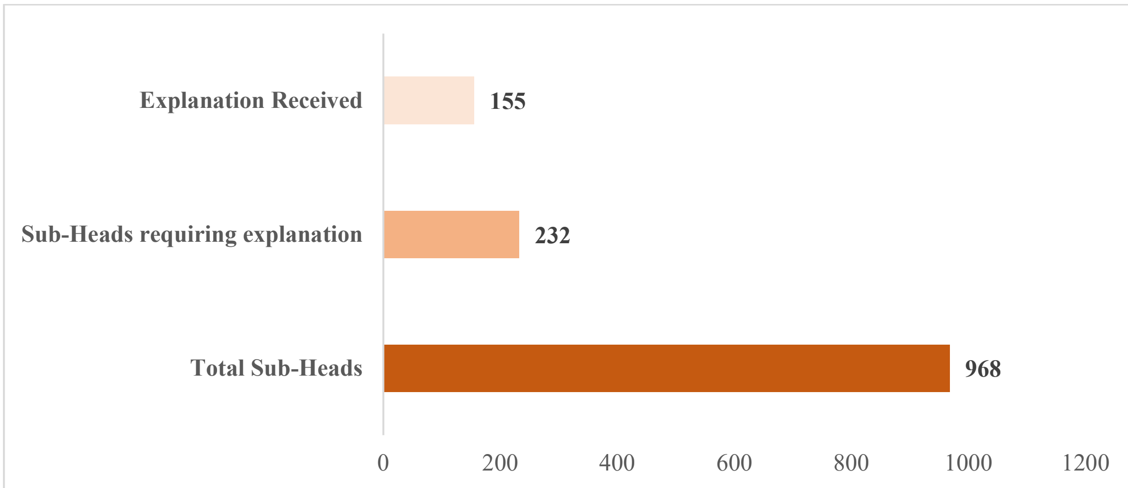
Table 2.3: Component-wise Budget and Expenditure for the year 2024-25

(₹ in crore)

Component	Total Budget	Total Expenditure	Percentage of Total Budget	Percentage of Total Expenditure	Percentage of expenditure against the Total Budget
1	*2*	*3*	*4*	*5*	*6 = 3/2*100*
Committed Expenditure	12,176.98	11,415.96	45.34	48.72	94.07
State Scheme	3,063.08	2,996.23	11.40	12.74	97.82
Central Share for CSS	2,304.03	2,184.47	8.58	9.29	94.81
State Share for CSS	229.81	267.36	0.86	1.14	116.34
Externally Aided Projects	371.96	191.13	1.38	0.81	51.38

Source: Finance Accounts, 2024-25 and Budget documents

Chart 2.2: Summary of Explanation for Variation in Appropriation Accounts



Source: Information furnished by office of the AG (A&E), Nagaland

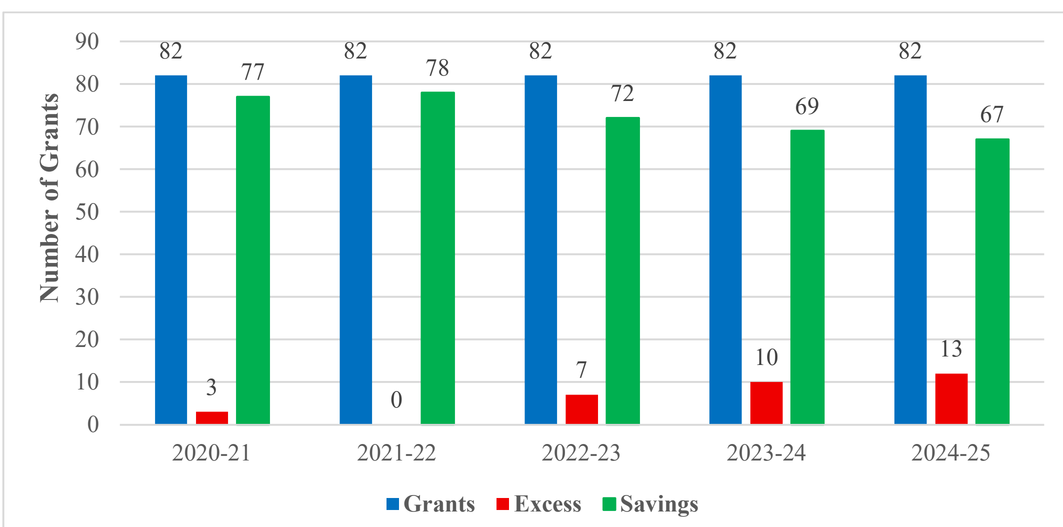
2.3 Budget marksmanship

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.

A year-wise analysis of grants, excesses, and savings provides valuable insights into the efficiency of budget execution and financial management by the State. It has been depicted in **Chart 2.3**.

Chart 2.3: Year-wise Grants, Excesses, and Savings



The expenditure composition outturn for the FY 2024-25 is given in **Table 2.4**.

Table 2.4: Expenditure composition overall deviation FY 2024-25

Section	Overall Deviation (*per cent*)	Range of Deviation (*per cent*)	Number of Grants
Revenue (Voted)	12.81	0 to ± 25	73
		± 25 to ± 50	5
		± 50 to ± 100	4
Capital (Voted)	29.30	0 to ± 25	59
		± 25 to ± 50	15
		± 50 to ± 100	7
		≥ 100	1
Revenue (Charged)	6.88	0 to ± 25	82
		± 25 to ± 50	0
		± 50 to ± 100	0
Capital (Charged)	-8.29	0 to ± 25	82
		± 25 to ± 50	0
		± 50 to ± 100	0

Source: Appropriation Accounts, 2024-25

As can be seen from the above, the number of grants with excess expenditure showed increasing trend during 2021-22 to 2024-25. Overall deviations were mainly concentrated in the Voted sections, particularly in Capital (Voted) grants where a substantial number of departments failed to align actual expenditures with budget estimates.

Trend in Budget Estimates (BE), Revised Estimates (RE), and Actual expenditure during 2020-21 to 2024-25 are given in **Table 2.5**.

Table 2.5: Trend in Budget Estimates (BE), Revised Estimates (RE), and Actual expenditure during 2020-21 to 2024-25

(₹ in crore)

Year	Description	Original approved Budget (BE)	Revised (RE)	Actual Outturn	Difference between BE & RE	Difference between Actual and RE
2020-21	Revenue	13,623.54	12,064.93	11,063.54	-1,558.61	-1,001.39
	Capital	7,426.33	12,207.91	11,581.48	4,781.58	-626.43
2021-22	Revenue	13,694.88	12,302.44	11,844.23	-1,392.44	-458.21
	Capital	9,121.73	10,783.79	9,846.62	1,662.06	-937.17
2022-23	Revenue	14,398.93	14,125.49	13,503.97	-273.44	-621.52
	Capital	9,840.57	9,410.66	8,028.85	-429.91	-1,381.81
2023-24	Revenue	15,099.66	16,145.54	14,821.48	1,045.88	-1,324.06
	Capital	7,986.00	7,599.74	6,499.41	-386.26	-1,100.33
2024-25	Revenue	16,892.87	16,144.96	15,419.70	-747.91	-725.26
	Capital	6,835.00	8,623.35	8,150.35	1,788.35	-473.00

Source: Appropriation Accounts and Budget documents of respective year

As can be seen from the above table, Revenue expenditure shows recurring downward revision of BE to RE in four out of five years and consistent shortfalls of Actuals against RE, suggesting overestimation at the budget formulation stage and systemic weaknesses in expenditure forecasting. Capital expenditure displays upward revisions from BE to RE (in three out of five years), followed by significant underspending against RE in every year indicating challenges in project readiness, procurement delays, and weak implementation capacity.

2.4 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 of the Constitution of India. These Accounts depict actual expenditure as against the original budget provision, supplementary grants, surrenders and re-appropriations distinctly on a gross basis.

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 so charged. It also ascertains whether the expenditure incurred is in conformity with the laws, relevant rules, regulations and instructions.

2.5 Budgetary and accounting process

2.5.1 Expenditure incurred without authority of law

No money shall be withdrawn from the Consolidated Fund of the State except under appropriation made by law passed in accordance with the provisions of Article 204 of the Constitution of India. Rule 26 of the General Financial Rules, 2017 stipulates that the duties and responsibilities of a controlling officer in respect of funds placed at his disposal are to ensure that (i) the expenditure does not exceed the budget provision and (ii) the expenditure is incurred for the purpose for which funds have been provided.

It was, however, observed that an expenditure of ₹5.87 crore (***Appendix 2.1***), was incurred in 10 cases under various components of seven grants during 2024-25 without having any provision in the original budget estimates/supplementary demands and without issuing any re-appropriation orders to this effect. Out of 10 cases, in three cases under two grants, the expenditure was more than ₹ one crore in each case.

Further, detailed review of the selected grants showed that there were three cases of expenditure incurred without authority of law *i.e.*, two cases involving ₹2.42 crore in Grant No. 31- School Education and one case involving ₹0.36 crore in Grant No. 64 – Housing.

2.5.2 Excess expenditure and its regularisation

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 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).

A. Excess expenditure during current year

There was an excess disbursement of ₹597.94 crore over the authorisation made by the State Legislature under 13 Grants/Appropriation during 2024-25 as indicated in **Table 2.6**.

Table 2.6: Excess expenditure during 2024-25 requiring regularisation

Grant/ Appropriation No.	Grant/Appropriation details	Amount of excess expenditure required to be regularised
1	State Legislature (Revenue- Voted)	0.22
4	Administration of Justice (Capital- Voted)	18.69
	Administration of Justice (Revenue-Charged)	0.06
5	Election (Revenue-Voted)	4.97
21	Relief of distress caused by Natural Calamities (Capital- Voted)	106.50
32	Higher Education (Revenue-Voted)	11.64
33	Youth Resources and Sports (Capital- Voted)	23.46
36	Urban Development (Revenue-Voted)	14.14
50	Animal Husbandry and Dairy Development (Capital-Voted)	0.62
64	Housing (Capital- Voted)	27.16
73	State Institute of Rural Development (Capital- Voted)	0.53
75	Servicing of Debt (Capital- Charged)	351.94
77	Development of Underdeveloped Areas (Capital – Voted)	0.01
82	New and Renewable Energy (Capital- Voted)	20.00
Total		**579.94**

Source: Appropriation Accounts

Detailed review of the two selected Grants showed that excess expenditure over the budget provision was noticed in one of the selected grants *i.e.,* Grant No. 64 – Housing. Against the total provision of ₹42.58 crore under Capital (Voted), an expenditure of ₹69.74 crore was incurred, resulting in an excess of ₹27.16 crore.

Further, Audit examined the two[5] out of the 13 grants where there was excess disbursement over the authorisation made by the State Legislature. Audit examination revealed that-

[5] Grant No. 21 – Relief of Distress caused by Natural Calamities and Grant No. 82 – New and Renewable Energy

- Under Grant No. 21, a supplementary provision of ₹52.11 crore was made under the Capital head towards fund allocation under SASCI and additional works. However, the Finance Department issued drawal authority on 29 March 2025 for ₹156.50 crore, of which only ₹50.00 crore pertained to the Nagaland State Disaster Management Authority (NSDMA) under Grant No. 21, while ₹106.50 crore (₹100 crore for the Urban Development Department and ₹6.50 crore for the Power Department) related to other departments under Grant No. 36 and 55 respectively. Consequently, there was an excess of ₹106.50 crore under the Capital section of Grant No. 21.
  Further examination revealed that under Grants No. 36 (Urban Development) and No. 55 (Power), additional supplementary provisions of ₹314.02 crore and ₹6.50 crore respectively had been made; however, savings of ₹193.00 crore and ₹20.61 crore were observed under these Grants. This indicates that the entire ₹156.50 crore was allowed to be drawn under Grant No. 21, though only ₹50.00 crore was actually intended for it, while the remaining ₹106.50 crore meant for the Urban Development and Power Departments should have been drawn under their respective Grants (No. 36 and No. 55).
- Under Grant No. 82, although the total provision was ₹42.22 crore (Original: ₹2.30 crore and Supplementary: ₹39.92 crore), the Finance Department permitted an additional drawal of ₹20.00 crore for implementation of the Off-Grid Solar Initiative (provision of standalone solar streetlights in rural areas and solar water pumps for farmers). This additional drawal resulted in an excess expenditure under the grant.

These instances reflect inadequate financial control and non-adherence to the principles of budgetary discipline and grant-specific expenditure. The Finance Department should ensure strict compliance with budgetary provisions and grant-specific drawal procedures.

B. Regularisation of excess expenditure of previous financial years

Excess disbursements pertaining to previous years pending regularisation from the State Legislature are shown in **Table 2.7** below.

Table 2.7: Excess expenditure relating to previous years requiring regularisation

(₹ in crore)

Year	Grant No./ Appropriation	Grant/Appropriation details	Amount of excess required to be regularised as commented in the Appropriation Accounts
2018-19	22	Civil Supplies (Revenue-Voted)	0.01
2019-20	20	Social Security and Welfare (Revenue-Voted)	0.10
	25	Land Revenue (Revenue-Voted)	0.93
	28	Police (Revenue-Voted)	64.16
	39	Tourism (Revenue-Voted)	4.88
	44	Evaluation (Capital-Voted)	0.08
	51	Fisheries (Revenue-Voted)	2.23
	66	Sericulture (Capital-Voted)	0.22
	72	Land Resources Development (Revenue-Voted)	13.93
	75	Servicing of Debt (Capital-Charged)	111.44

Year	Grant No./ Appropriation	Grant/Appropriation details	Amount of excess required to be regularised as commented in the Appropriation Accounts
	77	Development of Underdeveloped Areas	1.66
2020-21	45	Co-operation (Capital-Voted)	0.02
	53	Industries (Revenue-Voted)	1.20
	66	Sericulture (Revenue-Voted)	0.25
2022-23	1	State Legislature (Revenue-Charged)	0.05
	18	Pensions and Other Benefits (Revenue-Voted)	160.43
	31	School Education (Capital-Voted)	1.79
	36	Urban Development (Capital-Voted)	10.88
	47	Legal Metrology & Consumer Protection (Capital-Voted)	1.00
	52	Forest, Environment & Wildlife (Revenue-Voted)	6.75
	68	Police Engineering Project (Capital-Voted)	60.93
2023-24	4	Administration of Justice (Capital-Voted)	52.64
	33	Youth Resources & Sports (Capital- Voted)	25.00
	36	Urban Development (Revenue-Voted)	16.22
	37	Municipal Administration (Capital-Voted)	60.55
	39	Tourism (Capital-Voted)	1.71
	42	Rural Development (Capital-Voted)	5.60
	45	Co-operation (Capital-Voted)	8.86
	47	Legal Metrology & Consumer Protection (Capital-Voted)	1.00
	58	Roads & Bridges (Capital-Voted)	79.85
	72	Land Resources Development (Revenue-Voted)	1.41
Total			**695.78**

Source: Appropriation Accounts of respective years

To strengthen the legislative oversight over the expenditure from Consolidated Fund of State, these excess expenditures need to be regularised at the earliest and measures to contain recurrence of such excess may be taken by the State Government.

The excess expenditure for 2017-18 had been regularised through the Nagaland Appropriation (No. 1) Bill, 2025. It is pertinent to note that the SFARs for the years 2018-19 to 2022-23 were taken up for discussion by the PAC in phases: SFAR 2018-19 in June 2023; SFAR 2019-20 in November 2023; SFAR 2020-21 in July/August 2024; SFAR 2021-22 in April 2025; and SFAR 2022-23 in February 2026. However, the recommendations of the PAC on these discussions have not been received as of 31 December 2025.

During Exit Conference (17 February 2026), officials of the Finance Department stated that excess expenditure of 2018-19 and 2019-20 was under consideration for regularisation in the forthcoming Legislative Assembly Session.

2.5.2.1 Persistent excesses expenditure in certain Grants

Audit scrutiny revealed that in four instances across three grants, there was a recurring excess expenditure exceeding ₹ one crore in each case during the last three-year period as detailed in **Table 2.8**. In one case (Sl. No. 3), the expenditure was incurred without any budget provision during 2022-23.

Table 2.8: Persistent excess expenditure during FYs 2022-23 to 2024-25

(₹ in crore)

Sl. No.	Description of Grant/Appropriation	2022-23	2023-24	2024-25
1	**Grant No. 25- Land Records & Survey** MH-2029- Land Revenue Sub MH-00 Minor Head-001-Direction & Administration Sub Head-01-Direction			
	Grant	2.47	2.79	2.84
	Expenditure	2.61	4.39	4.52
	Excess (+)/savings (-)	0.13	1.60	1.68
2	**Grant No 25- Land Records & Survey** MH-2029- Land Revenue Sub MH-00 Minor Head-102-Survey and Settlement Operations Sub Head-01- Subordinate Establishment			
	Grant	20.78	19.29	20.86
	Expenditure	21.36	20.94	21.18
	Excess (+)/savings (-)	0.58	1.65	0.32
3	**Grant No 31- School Education** MH-2202- General Education Sub MH-02 Minor Head-113-Samagra Siksha Sub Head-01-Samagra Siksha			
	Grant	0.00	11.94	13.07
	Expenditure	13.74	13.79	15.07
	Excess (+)/savings (-)	13.74	1.85	2.00
4	**Grant No 36- Urban Development** MH-4217- Capital Outlay on Urban Development Sub MH-60- Other Urban Development Schemes Minor Head-051-Construction Sub Head-02- Construction Works			
	Grant	51.53	124.73	50.54
	Expenditure	119.65	190.36	50.64
	Excess (+)/savings (-)	68.12	65.63	0.10

Source: Detailed Appropriation Accounts of respective years

2.5.3 Supplementary Grants rendered non-essential

Article 205 of the Constitution of India prescribes the requirement of a Supplementary or Additional Grant or Appropriation to cater to the requirements in excess of the original provisions.

It was noticed that in four instances under four grants (***Appendix 2.2***) even though the supplementary provisions of ₹40.64 crore were made, the expenditure did not come up to original provisions during 2024-25. Similarly, supplementary provisions of ₹2,438.41 crore in 45 cases (more than ₹ one crore in each case) proved non-essential (***Appendix 2.3***) as full amount of supplementary provisions could not be utilised.

Detailed review of the two selected grants showed that in Grant No. 31 – School Education, the supplementary provision of ₹108.41 crore (Revenue-Voted) proved non-essential as the total expenditure was only ₹1,994.16 crore resulting in savings of

₹46.49 crore from the supplementary provision. Similarly, in Grant No. 64 – Housing, the supplementary provision of ₹32.96 crore (Revenue-Voted) proved non-essential as the total expenditure was only ₹196.06 crore resulting in savings of ₹16.54 crore from the supplementary provision.

2.5.4 Injudicious re-appropriation of funds

Re-appropriation is transfer of funds within a grant from one unit of appropriation to another unit where additional funds are needed. During 2024-25, re-appropriation orders under 52 grants amounting to ₹2,028.72 crore were issued. All re-appropriation orders were issued on 31 March 2025.

Further, in 20 Heads of Account (***Appendix 2.4*-Sl. Nos. 1 to 20**), reduction of provision exceeding ₹ one crore through re-appropriation orders effected by various departments proved injudicious as there was excess expenditure under these cases. In four Heads of Account, (***Appendix 2.4*-Sl. Nos. 21 to 24**), augmentation of provision also proved unnecessary because expenditure was either equal to or did not come up to the level of original/supplementary budget provision.

Detailed review of the two selected grants showed that in Grant No. 31 – School Education, augmentation of provision of ₹18.68 crore under a scheme through re-appropriation proved unnecessary because expenditure of ₹63.87 crore did not come up to the level of original/supplementary budget provision of ₹67.04 crore. In Grant No. 64 – Housing, reduction of provision of ₹23.37 crore under four schemes through re-appropriation proved injudicious as there was excess expenditure of ₹26.30 crore under these heads.

2.5.5 Unspent amount and surrendered appropriation and/or large Savings/Surrenders

Budget proposals should strive to strike to optimise all foreseeable expenditure to appropriate spending levels to balance the quality of expenditure and reduce under utilisation of budgeted funds. Timely surrenders by the spending units are an important mechanism for optimal reallocation within the approved budget.

The analysis of grants/appropriations showed that in 55 cases (under 41 grants) during 2024-25, the savings (excluding surrenders) exceeded ₹ one crore in each case (***Appendix 2.5***). It was further noticed that in one grant no expenditure *vis-à-vis* total grant amounting to ₹0.22 crore was incurred during 2024-25 as given in **Table 2.9**.

Table 2.9: Entire grant remaining unutilised during the financial year 2024-25

(₹ in crore)

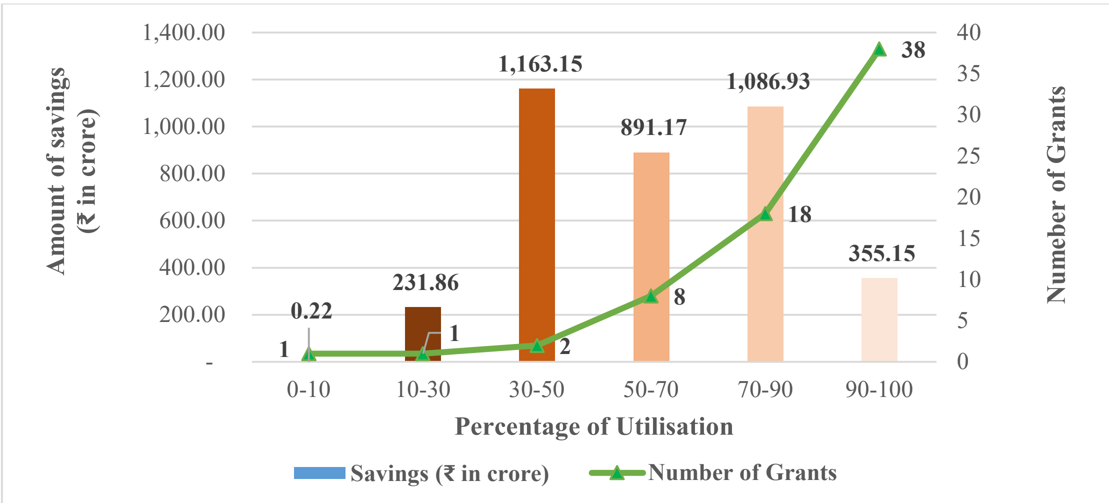
Sl. No.	Number and name of grant	Amount
1	57 – Housing Loans	0.22
Total		**0.22**

Source: Appropriation Accounts, 2024-25

Further, it was also observed that in 27 cases under 25 grants, there were persistent savings exceeding ₹ one crore in each case (***Appendix 2.6***) during 2022-23 to 2024-25.

Details of grants grouped by the percentage of utilisation along with total savings during 2024-25 has been shown in ***Appendix 2.7*** and **Chart 2.4**.

Chart 2.4: The distribution of the number of Grants/Appropriations grouped by the percentage of Savings along with total savings



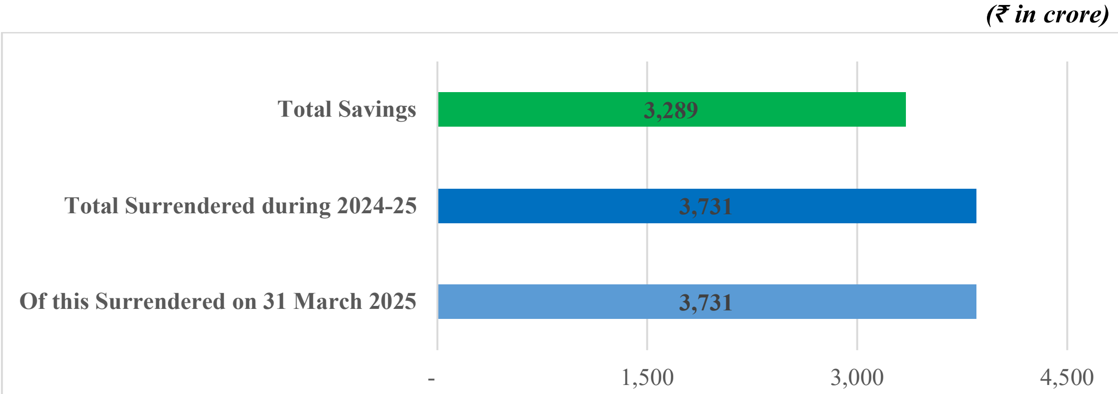
Source: Appropriation Accounts, 2024-25

It was noticed that out of the total savings under 18 Grants/Appropriations amounting to ₹1,301.50 crore (***Appendix 2.8***), only ₹1,082.51 crore were surrendered, however, under one Grant *i.e.,* Grant No. 53 – Industries, the entire savings of ₹61.19 crore (Capital – Voted) was not surrendered at all. Details of savings (exceeding ₹ one crore in each case) surrendered on the last day of March 2025 is given in ***Appendix 2.9***.

Details of total savings, surrendered and surrenders for the year 2024-25 are depicted in **Chart 2.5**.

Chart 2.5: Savings and surrenders for the year 2024-25

(₹ in crore)



Source: Appropriation Accounts, 2024-25

Analysis of **Chart 2.5** revealed that 113.41 *per cent* of the savings were surrendered. The entire surrendered amount of ₹3,731 crore was surrendered on 31 March 2025.

Detailed review of the two selected grants showed that the percentage utilisation of fund during 2024-25 in Grant No. 31 – School Education was 91.88 *per cent* of the provision and from the overall savings of ₹190.94 crore (₹46.49 crore under Revenue head and ₹144.45 crore under Capital head), ₹198.02 crore (103.71 *per cent* of the savings) was surrendered on 31 March 2025. Further, in Grant No. 64 – Housing, there was a savings of ₹16.54 crore under Revenue head, of which ₹22.49 crore (135.97 *per cent* of the savings) was surrendered on 31 March 2025.

2.5.6 Misclassification between Revenue Expenditure and Capital Expenditure

As per Rule 30 of the Government Accounting Rules, 1990, expenditure that only results in the creation of concrete, material, and permanent assets should be classified in capital expenditure.

Classification of Revenue Expenditure as Capital Expenditure

During the financial year 2024-25, the State Government had booked ₹3,524.31 crore as Capital Expenditure. Audit examined Sanction Orders and expenditure vouchers related to this amount, and noticed that out of the amount of ₹3,524.31 crore, ₹14.05 crore (***Appendix 2.10***) of expenditure of Revenue nature had been booked under Capital Expenditure as this expenditure was towards repair and renovation, maintenance, *etc*. As per Rule 31 (2) (b) of the Government Accounting Rules, 1990, the Revenue Account should bear all charges relating to such expenditure.

Thus, there was a misclassification of ₹14.05 crore, which resulted in overstatement of Revenue Surplus to that extent. The resulting Capital Expenditure, after Audit, for FY 2024-25, was ₹3,510.26 crore.

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

Several policy initiatives taken up by the Government are wholly or partially not executed due to non-approval of scheme guidelines/modalities, non-commencement of works for want of administrative sanction, non-release of budget, *etc*. It was observed that during 2024-25, the State Government did not pronounce any major schemes in its budget.

2.5.8 Non-adherence to the Quarterly Expenditure Limit

Rule 62(3) of the General Financial Rules, 2017 provides that rush of expenditure particularly in the closing months of the financial year is regarded as a breach of financial propriety and should be avoided.

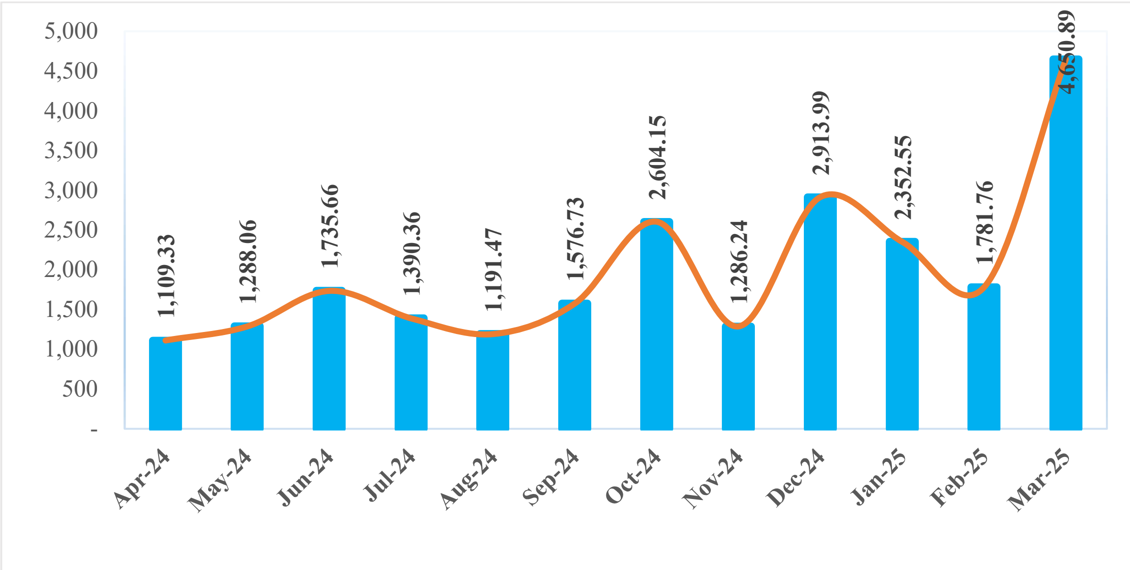
Table 2.10: Rush of Expenditure during FY 2024-25

	Amount (₹ in crore)	Percentage of Total Expenditure in the year
Last quarter of the year (Jan to Mar-2025)	8,495.25	36.06
Last month of the year (Mar-2025)	4,568.35	19.39
Last day of the year (31 March 2025)	646.38	2.74

Source: VLC data maintained by O/o AG (A&E), Nagaland

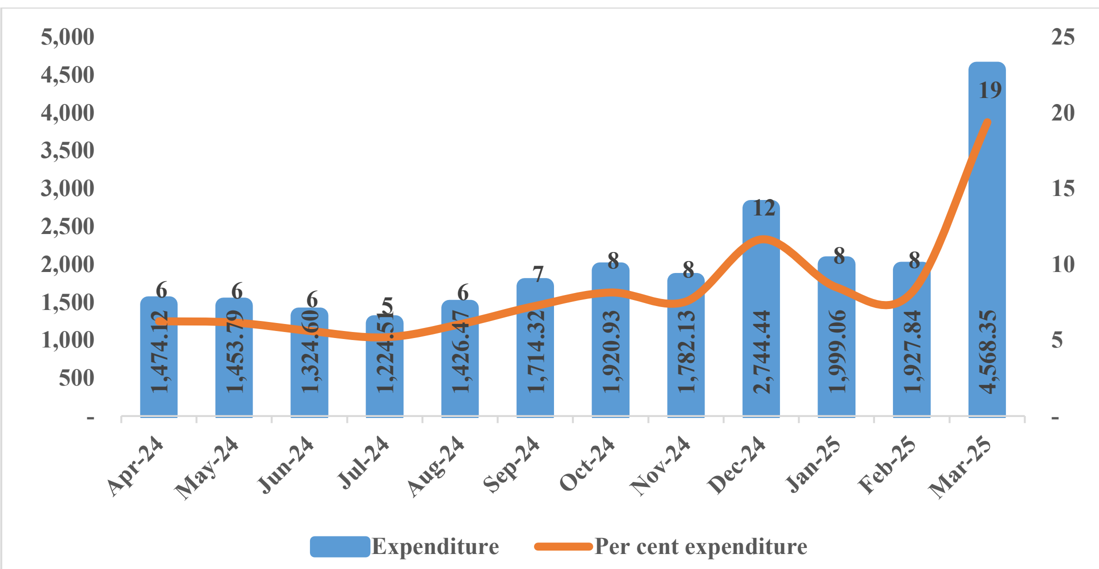
Trend of total Monthly receipts (Revenue Receipts, Capital Receipts and cash balance) and expenditure during financial year 2024-25 are shown in **Chart 2.6** and **Chart 2.7**.

Chart 2.6: Trend analysis of receipts (Month-wise)



Source: VLC data furnished by O/o AG (A&E), Kohima

Chart 2.7: Trend analysis of expenditure (Month-wise)

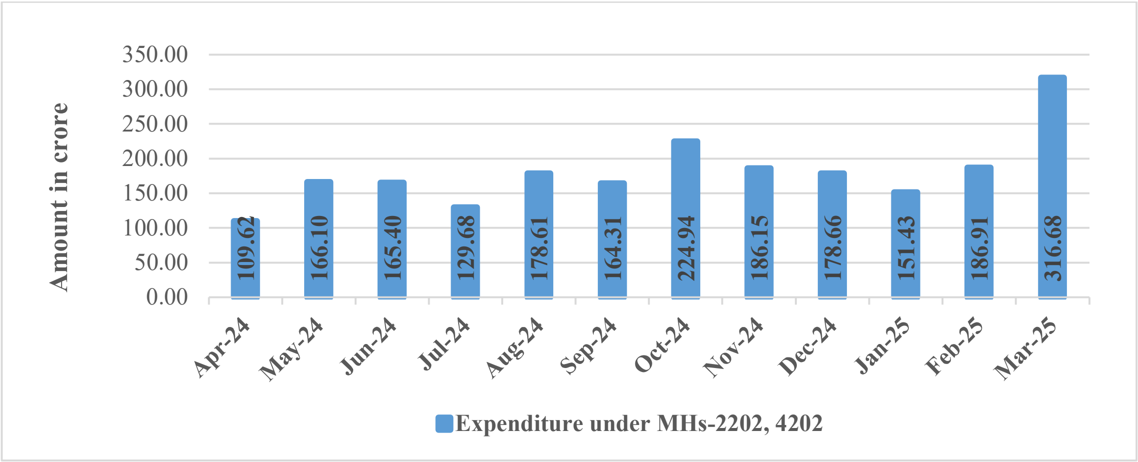


Source: VLC data furnished by O/o AG (A&E), Kohima

The monthly expenditure trend depicted in the chart indicates a pronounced skewness towards the last quarter of the financial year, particularly in March.

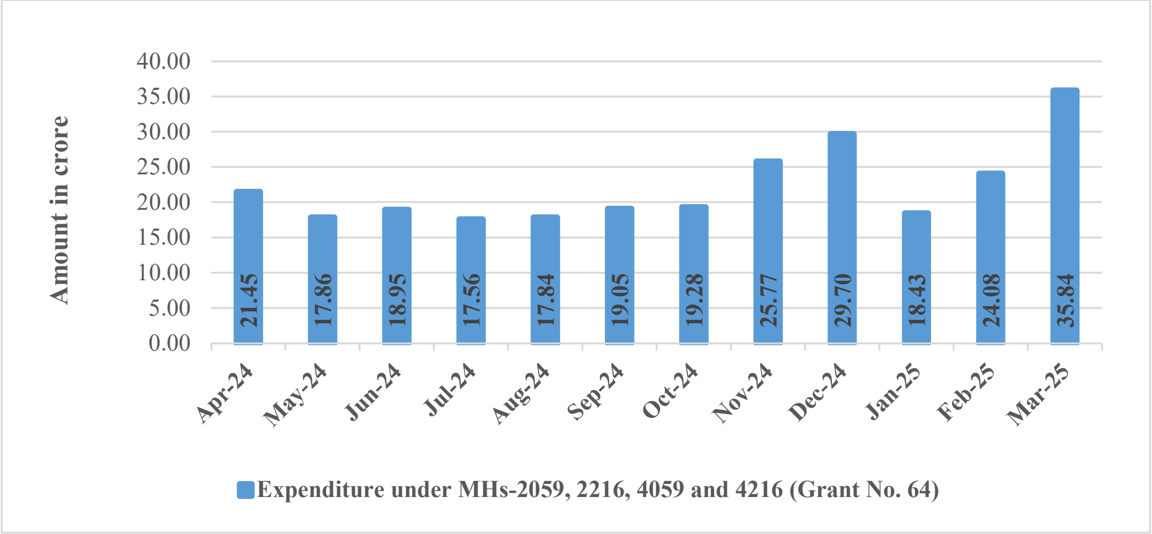
The month-wise trend of expenditure during 2024-25 under selected grants *viz*., Grant Nos. 31 and 64 are shown in **Charts 2.8 and 2.9.** The month-wise trend of receipts/expenditure during 2024-25 towards the scheme Samagra Shiksha, implemented under Grant No. 31 is given in **Chart 2.10.**

Chart 2.8: Trend analysis of expenditure (Month-wise) under Grant No. 31 – School Education



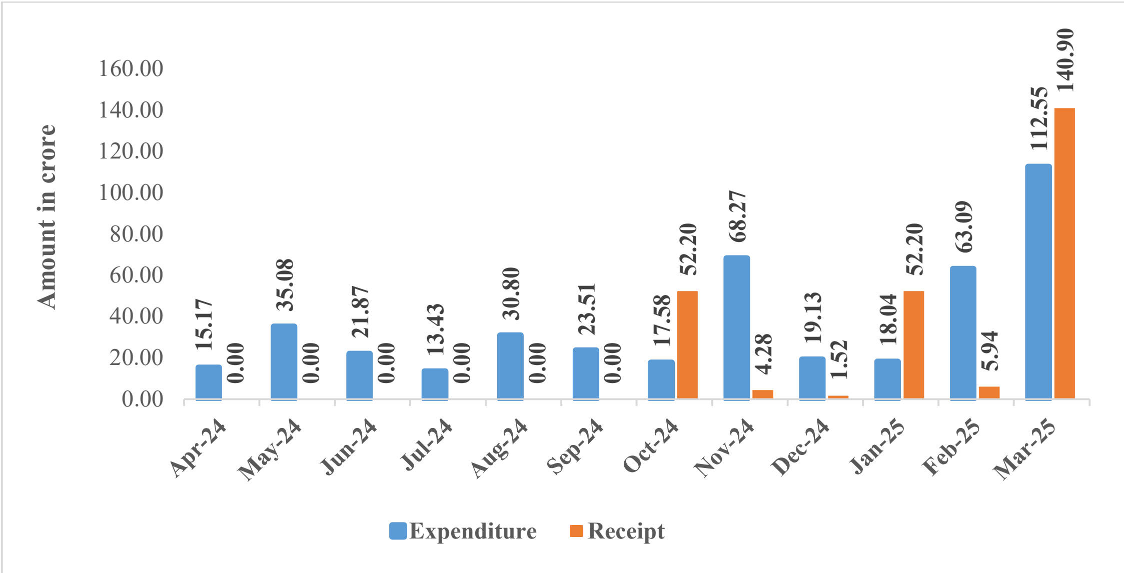
Source: VLC data furnished by O/o AG (A&E), Kohima

Chart 2.9: Trend analysis of expenditure (Month-wise) under Grant No. 64 – Housing



Source: VLC data furnished by O/o AG (A&E), Kohima

Chart 2.10: Trend analysis of receipts and expenditure (Month-wise) under the scheme, Samagra Siksha (implemented under Grant No. 31)



Source: VLC data furnished by O/o AG (A&E), Kohima

As can been seen from the above **Charts 2.8 and 2.9,** expenditure trends under Grant No. 31 – School Education and Grant No. 64 – Housing showed a clear year-end rush of expenditure. Under Grant No. 31, the monthly average expenditure during April 2024 to February 2025 was ₹167.44 crore, but spending in March 2025 rose sharply to ₹316.68 crore, almost double the average. Similarly, under Grant No. 64, against an average monthly expenditure of ₹20.91 crore, the outlay in March 2025 increased to ₹35.84 crore, reflecting a 71 *per cent* rise.

Further, as can be seen from **Chart 2.10**, expenditure under Samagra Shiksha during 2024-25 showed a distinct year-end rush, with spending rising from an average of ₹29.63 crore per month during April 2024 to February 2025 to ₹112.55 crore in March 2025, coinciding with a large receipt of ₹140.90 crore in the same month. The concentration of expenditure in March indicates delayed fund flow, inadequate pacing of activities, and weak expenditure control, contrary to financial rules discouraging bunching of expenditure at the close of the financial year.

Further, during 2024-25, Audit noticed that the entire expenditure under 132 sub-heads under 55 Grants amounting to ₹1,583.50 crore was incurred in the month of March 2025 (***Appendix 2.11***).

Detailed review of the two selected grants showed that the entire expenditure of ₹2.43 crore under three sub-heads in Grant No. 31 was incurred in the month of March 2025 alone.

Maintaining a steady pace of expenditure is a crucial component of sound public financial management as it prevents fiscal imbalances and temporary cash crunches. There is no prescribed quarterly limit for incurring expenditure in general; however, overhead expenditure under the non-development sector is subject to the one-twelfth monthly limit, as per extant instructions. Expenditure under sectors other than non-development is determined based on the progress of works and implementation requirements, with the aim of regulating the expenditure in a phased manner and need-based manner. The quarterly details of expenditures incurred across all Grants are shown in the ***Appendix 2.12***.

Detailed review of the two selected grants showed that in Grant No. 31, out of the total expenditure of ₹2,158.49 crore, 30.35 *per cent* (₹655.02 crore) was incurred during fourth quarter of the year 2024-25. Moreover, 14.67 *per cent* (₹316.68 crore) was incurred in the month of March 2025. Further, in Grant No. 64, out of the total expenditure of ₹265.74 crore, 29.48 *per cent* (₹78.35 crore) was incurred during fourth quarter of the year 2024-25. Further, 13.49 *per cent* (₹35.84 crore) was incurred in the month of March 2025.

2.6 Implementation of selected CSS Schemes in the State

Centrally Sponsored Schemes (CSS) represent a key component of India's cooperative federalism, with the Union Government providing Grants-in-Aid to States for social sector programmes. Despite reforms to improve fund flow efficiency—such as the introduction of the Single Nodal Agency (SNA) model, SNA-SPARSH platform, and Just-in-Time releases *via* Public Financial Management System (PFMS) and Integrated Financial Management System (IFMS), challenges persist in budgeting, accounting, and reconciling Central and State shares. The Union Government has incentivised States to adopt these reforms through performance-based grants, encouraging adoption of digital tools and integration of financial systems.

2.6.1 Single Nodal Agency

The Ministry of Finance, Government of India, mandated (March 2021) release of funds under each Centrally Sponsored Scheme (CSS) through a Single Nodal Agency (SNA) for each CSS, and monitoring their utilisation. Each SNA must have a dedicated bank account in an authorised Scheduled Commercial Bank. The State Government is required to transfer the Central Share received, to the concerned SNA's account, along with the corresponding State share.

Audit analysed the VLC data and SNA PFMS report and found that there was discrepancy in data of Central and State share transfer to SNA accounts, as shown in **Table 2.11.**

Table 2.11: Discrepancies in Central and State share transfer

(₹ in crore)

Source of Data	Central share received	Central share transferred	State share transferred	Less/excess amount released by State
VLC	1,785.22	1,979.21	219.62	193.99 (excess)
SNA PFMS Report	1,785.22	1,789.10	236.97	3.88 (excess)
Difference Amount	0.00	190.11	(-)17.35	

Source: Notes to Finance Accounts

Figures reported in the SNA-01 report and those furnished by the State Government differed, particularly regarding transfers to SNAs and the differences were under reconciliation.

As on 31 March 2025, the Government transferred ₹2,198.83 crore (bifurcation of amount transferred was not made available by the State Government) to the SNAs through GIA Bills, Fully Vouched Contingent Bills and other category of Bills. Detailed vouchers and supporting documents of actual expenditure were not received by the Accountant General (A&E), Nagaland from the SNAs. As per the SNA reports, ₹856.36 crore are lying unspent in the bank accounts of SNAs as on 31 March 2025.

During the year 2024-25, an amount of ₹5.72 crore was paid as penal interest for delay in transfer of fund to the SNA Account.

2.6.2 Single Nodal Agency - SPARSH

To strengthen oversight of fund availability and utilisation under Centrally Sponsored Schemes (CSS), the Department of Expenditure, GoI issued revised fund flow guidelines promoting 'just-in-time' releases for efficient cash management at both Central and State levels. As part of this reform, the SNA-SPARSH mechanism, a real-time, integrated system for swift transfer of CSS funds was introduced. It provides a seamless framework linking Public Financial Management System (PFMS), the State Integrated Financial Management Information System (IFMIS), and Reserve Bank of India (RBI)'s e-Kuber to enable efficient, transparent, and timely fund disbursement.

As per the revised procedure notified by the Ministry of Finance, State Governments are required to transfer both the Central and State share of funds to the Single Nodal Agency (SNA) Account under the SNA-SPARSH model. However, during Audit it was observed that the State continued to adopt varied modes of transfer—such as Grants-in-Aid (GIA) Bills, Abstract Contingent (AC) Bills, Fully Vouched Contingent Bills, Miscellaneous Bills, Public Works/Forest Bills, or cheques.

Under the SNA-SPARSH model, each State must designate an SNA for implementing every State-Linked Scheme corresponding to a Centrally Sponsored Scheme (CSS), and all releases are to be routed exclusively through the Public Financial Management System (PFMS). Upon onboarding, existing SNA accounts must be closed, and unspent balances remitted—Central share to the Consolidated Fund of India and the State share to the respective State Consolidated Fund. Further, all SNAs and Implementing Agencies must be registered in the State Integrated Financial Management Information System (IFMIS), and funds are to be released on a just-in-time basis directly to beneficiaries or vendors, without routing through Personal Deposit (PD) accounts or other intermediary accounts, thereby promoting improved cash management and transparency. Further, the Ministry of Finance, GoI directed (17 December 2024) two States including Nagaland and three UTs to onboard SPARSH platform no later than 01 April, 2025.

Audit examination revealed that the Finance Department, GoN initiated development of SNA-SPARSH only in the first week of March 2025 due to completion of the integration of IFMIS and e-kuber platform of RBI only by February 2025. In Nagaland, 51 CSSs, out of the notified 66 CSSs, are implemented which are linked to 133 State Linked Schemes (SLS). All SNAs have been registered in IFMIS and transaction on SNA-SPARSH system was under trial.

The Finance Department, GoN replied (February 2026) that SNA-SPARSH was fully functional now.

2.7 Other issues noticed in Detailed Review of selected grants

Grant-wise findings on other issues which are not covered in above paragraphs are detailed below:

Budget provisions and Utilisation

A review of budgetary procedure and control over expenditure in respect of two selected Grants *viz*., Grant No. 31 – School Education and Grant No. 64 – Housing was done to assess the overall position of budgetary provisions, actual disbursements and savings over the last three financial years 2022-23 to 2024-25.

Summarised position of Budget Provision and Actual Expenditure during 2022-25 in respect of the two Grants is given in **Table 2.12**.

Table 2.12: Summarised position of Budget Provision and Actual Expenditure during 2022-23 to 2024-25

(₹ in crore)

Grant No.	Year	Nature of Expenditure	Budget Provision			Actual Expenditure	Savings (-) /Excess (+)
			Original	Supplementary	Total		
31-School Education	2022-23	Revenue	1,856.95	0.00	1,856.95	1,798.73	-58.22
		Capital	24.06	94.79	117.85	119.64	1.79
	2023-24	Revenue	2,046.28	0.00	2,046.28	1,884.01	-162.27
		Capital	193.59	0.00	193.59	89.37	-104.22
	2024-25	Revenue	1,932.24	108.41	2,040.65	1,994.16	-46.49
		Capital	309.44	0.00	309.44	164.99	-144.45
64-Housing	2022-23	Revenue	164.63	0.00	164.63	154.99	-9.64
		Capital	25.69	15.82	41.52	38.30	-3.22
	2023-24	Revenue	175.08	2.75	177.83	175.28	-2.55
		Capital	33.68	40.14	73.82	42.86	-30.96
	2024-25	Revenue	179.64	32.96	212.60	196.06	-16.54
		Capital	25.16	17.42	42.58	69.74	27.16

Source: Appropriation Accounts for respective years

Table 2.12 indicates recurring savings across multiple heads, pointing to persistent under-utilisation of budgetary allocations.

Under Grant No. 31 – School Education, the Revenue section consistently recorded savings (₹58.22 crore in 2022-23, ₹162.27 crore in 2023-24, and ₹46.49 crore in 2024- 25), suggesting shortfalls in programme implementation or overestimation of requirements. The Capital section also shows significant variations, with a marginal excess in 2022-23 but substantial savings thereafter (₹104.22 crore in 2023-24 and

₹144.45 crore in 2024-25), reflecting weak planning, delayed execution of capital projects, or systemic inefficiencies.

Under Grant No. 64 – Housing, the Revenue section shows moderate savings in all years except 2023-24, where savings were minimal (₹2.55 crore). However, the Capital section demonstrates notable unspent provisions in 2022-23 (₹3.22 crore) and 2023-24 (₹30.96 crore) and an excess in 2024-25 (₹27.16 crore), indicating inconsistent estimation of capital requirements and possible delays or irregular pacing of project execution.

Assessment of Major schemes under the selected grants

A detailed analysis of Samagra Shiksha, implemented under Grant No. 31 and Grant No. 64, was undertaken to check that the expenditure was aligned with the budgetary provisions and the intended objectives of the scheme or not.

Grant No. 31 – School Education: As per the Budget Documents for 2024-25, for Samagra Shiksha (Grant No. 31 and Grant No. 65), an original provision of ₹538.51 crore was made under five[6] head of accounts, along with a supplementary provision of ₹41.37 crore under the Revenue head. The total expenditure incurred during the year amounted to ₹369.91 crore.

Audit examined 11 sample vouchers aggregating ₹36.59 crore under the selected object head *viz.*, 2202-01-113-01 to assess the purposeful utilisation of funds. Audit noticed that the expenditure had been correctly booked under the Head 2202-01-113-01, as authorised in the Budget, thereby substantiating that the sampled expenditure was incurred for its intended purpose.

Grant No. 64 – Housing: As per the Budget Documents for 2024-25, for Grant No. 64, an original provision of ₹204.79 crore was made under four[7] head of accounts, along with a supplementary provision of ₹50.38 crore under both Revenue and Capital heads. The total expenditure incurred during the year amounted to ₹265.80 crore.

Audit examined six monthly accounts, an expenditure aggregating ₹8.96 crore under all heads to assess the purposeful utilisation of funds. Audit noticed that the expenditure had been correctly booked under the relevant heads, as authorised in the Budget, thereby substantiating that the sampled expenditure was incurred for its intended purpose.

2.8 Contingency Fund

The Contingency Fund of Government of Nagaland was established under the Contingency Fund Act, 1964, for regulating all matters connected with or ancillary to the custody of payment of monies into and the withdrawal of monies from the Contingency Fund of the State of Nagaland for meeting unforeseen expenditure. The

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[6] Revenue Heads *viz*., 2202-01-113-01 and 2202-02-113-01, and Capital Heads *viz*., 4202-01-201-01, 4202-01-202-02 and 4202-01-600-01

[7] Revenue Heads *viz*., 2059-80-001 and 2216-05-001, and Capital Heads *viz*., 4059-80-051 and 4216-01-106

fund is recouped when the State Legislature authorises the additional expenditure. The corpus of the Fund is ₹0.35 crore.

2.8.1 Advance from Contingency Fund

Advances from the Contingency Fund are to be made only for meeting expenditure of an unforeseen and emergent character, postponement of which, till its authorisation by the Legislature, would be undesirable. During FY 2024-25, no amount was withdrawn as an advance from the Contingency Fund.

2.9 Conclusion

Overall budgetary management continued to show systemic weaknesses in forecasting, fund allocation and utilisation. Persistent overestimation at the budget stage, downward revisions in Revised Estimates, and sizeable savings at the end of the year indicate gaps in budget marksmanship and weak linkage between planning and execution. The prevalence of excess expenditure, expenditure without budget provision, and booking of revenue expenditure under capital heads signals weak internal controls and non-compliance with financial rules.

While some improvement was noticed in reducing the gap between BE, RE and actuals during 2024-25, high savings under major schemes, delays in project implementation, and overstated budget provisions continued to undermine fiscal discipline. The pattern of reduced reliance on supplementary provisions but increased re-appropriations also reflects inadequate initial assessment of fund requirements. Overall, the State's budget formulation and execution processes require strengthened oversight, realistic estimation, and stricter adherence to fiscal controls.

2.10 Recommendations

i. Budget estimates should be prepared using realistic parameters such as past absorption capacity and implementation readiness, rather than aspirational projections.

ii. Supplementary Grants should be sought only after assessing the availability of unspent balances. Additional allocations should be avoided when original budget provisions remain largely unutilised.

iii. Re-appropriation decisions should be based on real-time data on expenditure and existing liabilities. This would help avoid situations where funds are withdrawn from heads that later incur excess expenditure, or provided to heads that ultimately remain unutilised.

iv. Strict enforcement of Quarterly Expenditure Limits (QEL) is required to prevent the concentration of expenditure at the end of the financial year ("March Rush").

v. The migration of Centrally Sponsored Schemes to the SNA-SPARSH platform should be expedited to ensure compliance with central guidelines and to maintain uninterrupted fund flow.