

CHAPTER-III
BUDGETARY MANAGEMENT



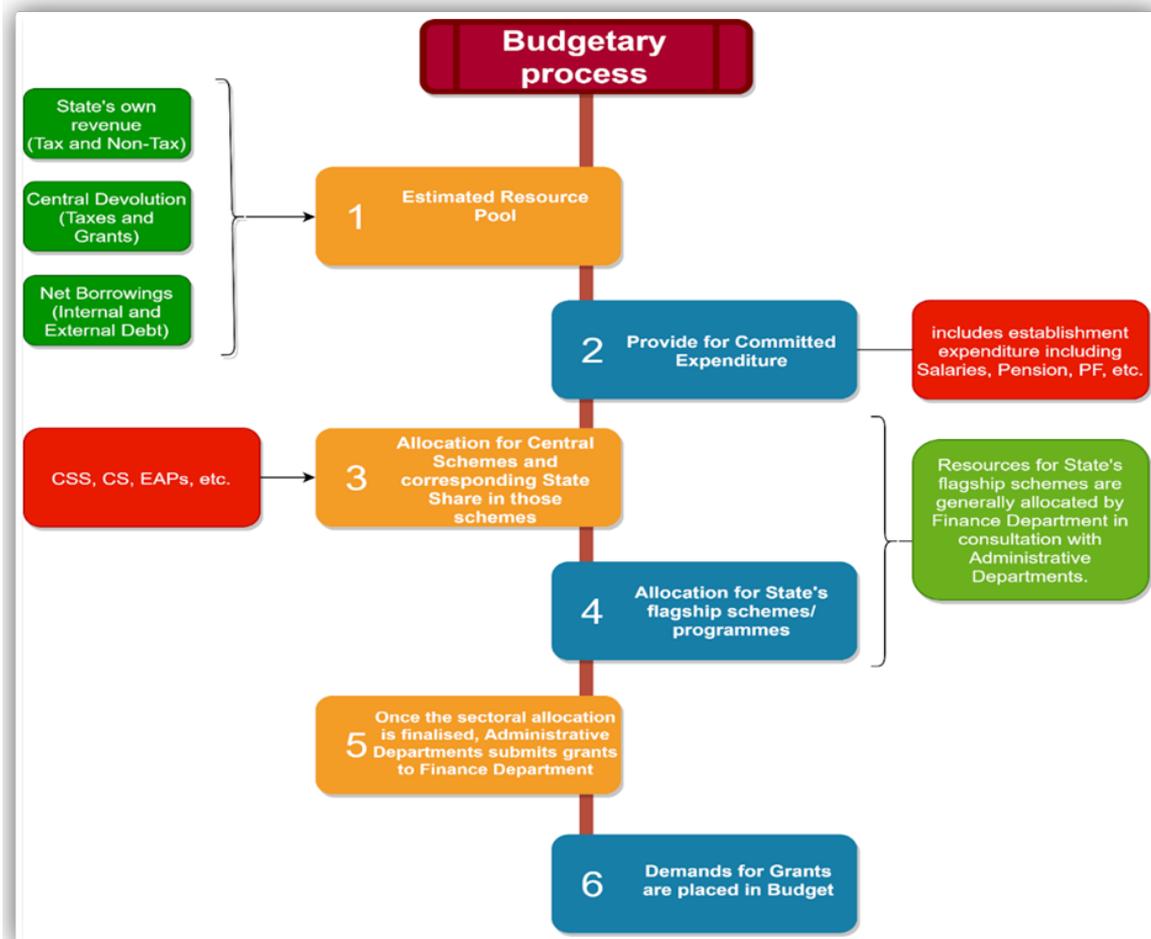
Chapter 3: Budgetary Management

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.

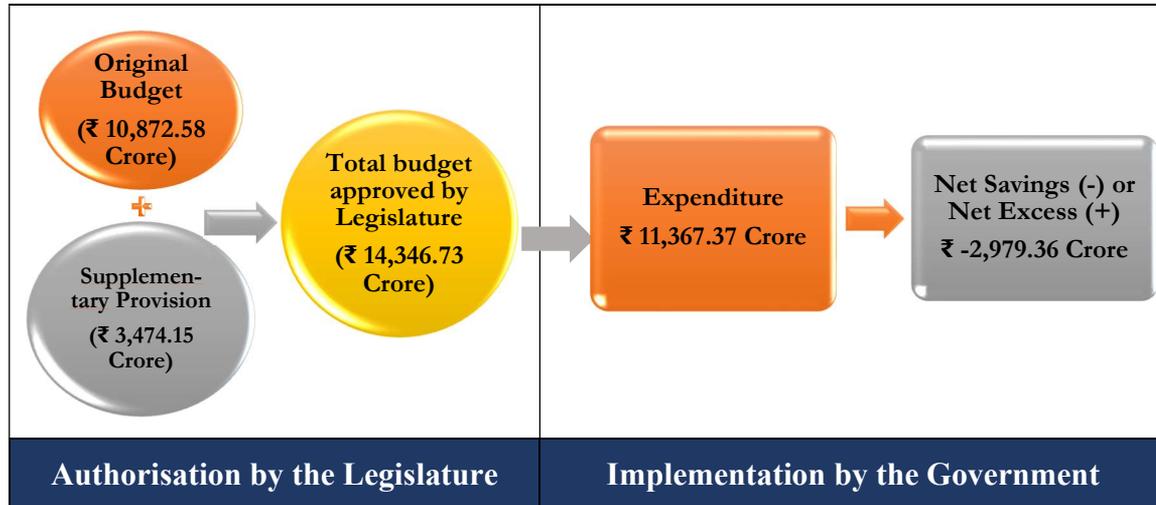
No money shall be withdrawn from the Consolidated Fund of the State except under appropriation made by law passed in accordance with provisions of Article 204 of the constitution. Supplementary or Additional Grant or Appropriation is provided during the course of a financial year, in accordance with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

Legislative authorization 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 authorized 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 2019-20 are depicted in **Chart 3.1**.

Chart 3.1: Summary of Budget and Expenditure of Mizoram for 2019-20



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

The summarised position of budget including supplementary budget, actual expenditure, and excess/savings during Financial Year 2019-20 against 48 Grants/Appropriation (47 Grants and one Appropriation) is given in **Table 3.1**:

Table 3.1 : Budget provision, disbursement and savings/excess during the financial year 2019-20.

(₹ in crore)

Total Budget provision		Disbursements		Savings		Excess	
Voted	Charged	Voted	Charged	Voted	Charged	Voted	Charged
13,566.80	779.93	10,633.37	734.00	2,943.32	55.36	9.91	9.43

Source: Appropriation Accounts

As can be seen from the table above, overall savings in the budget amounted to ₹ 2,998.68 crore which constituted 20.90 per cent of total grants and appropriations and 86.31 per cent of the supplementary budget of ₹ 3,474.15 crore obtained during the year.

3.2.2 Charged and voted disbursements

Table 3.2 shows the break-up of charged and voted disbursements for the State during the five year period from 2015-16 to 2019-20.

Table 3.2 : Details of Charged and Voted Disbursements

(₹ in crore)

Year	Disbursement		Saving		Excess	
	Voted	Charged	Voted	Charged	Voted	Charged
2015-16	5,989.55	967.12	1,915.41	82.59	35.77	34.96
2016-17	6,873.99	706.42	2,128.80	216.28	61.46	0
2017-18	8,620.96	664.01	1,748.69	68.31	12.51	0
2018-19	9,103.48	686.93	2,741.68	67.22	0	0
2019-20	10,633.37	734.00	2,943.32	55.36	9.91	9.43

(Source: Appropriation Accounts)

From the table it may be seen that Voted disbursements increased by ₹ 4,643.82 crore from ₹ 5,989.55 crore in 2015-16 to ₹ 10,633.37 in 2019-20. The Charged disbursements, however, showed a decreasing trend over the same period and had decreased by ₹ 233.13 crore from ₹ 967.12 crore in 2015-16 to ₹ 734 crore in 2019-20. Savings in both Voted and Charged sections fluctuated from year to year and stood at ₹ 2,943.32 crore and ₹ 55.36 crore, respectively. During Financial Year 2019-20 excess expenditure was seen in four out of five years and ranged between 1.02 *per cent* of total disbursements in 2015-16 to 0.13 *per cent* in 2017-18. While there was no excess expenditure in 2018-19, excess Voted expenditure stood at 0.07 *per cent* (₹ 9.91 crore) while there was excess expenditure of 1.21 *per cent* (₹ 9.43 crore) in Charged expenditure for the current year. All these parameters are discussed in greater detail in the following paragraphs.

3.3 Appropriation Accounts

Appropriation Accounts are accounts of the expenditure of the Government for each financial year, compared with the amounts of grants voted and appropriations charged for different purposes as specified in the schedules appended to the Appropriation Act passed under Article 204 and 205 of the Constitution of India. Appropriation Accounts are on Gross basis. These Accounts depict the original budget provision, supplementary grants, surrenders and re-appropriations distinctly and indicate actual capital and revenue expenditure on various specified services vis-à-vis those authorised by the Appropriation Act in respect of both Charged and Voted items of budget. Appropriation Accounts thus facilitate understanding of utilisation of funds, the management of finances and monitoring of budgetary provisions and are, therefore, complementary to the Finance Accounts.

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

3.4 Comments on Integrity of budgetary and accounting process

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

3.4.1 Expenditure incurred without authority of law

As appearing in Article 115(1)(a) and 205(1)(a) of the Constitution, New Service means expenditure arising out of a new policy decision, not brought to the notice of Parliament/ State assembly earlier, including a new activity or a new form of investment.

'New Instrument of Service' means relatively large expenditure arising out of important expansion of an existing activity.

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

Table 3.3 shows a summary of expenditure incurred without budgetary provision by the State Government during 2019-20.

Table 3.3 : Summary of expenditure without budget provision

Grant/ Appropriation	Head of Accounts	Expenditure (₹ in crore)	Number of Schemes/ Sub Heads
15-General Administration Department	2015-101 Election Commission (01)-State Election Commission	0.07	4
	2015-109 Charges for conduct of Election to Panchayats/Local Bodies etc. (05)-Election to local Councils	0.01	
	2015-109 Charges for conduct of Election to Panchayats/Local Bodies etc. (07)-General Election to Members of Sinlung Hills Council	0.10	
	2053-District Administration 800-Other Expenditure (89)-NEDP	0.25	
19-Local Administration Department	6216-190-Loans to Public sector and other (01)-Housing Loan (LIC)	0.01	1
23-Art and Culture	4202-101-Fine Arts Education (01)-North Eastern Areas	2.36	1
Total		2.80	6

Source: Appropriation Accounts

Audit scrutiny revealed that during the year 2019-20, there were six cases of expenditure incurred without budgetary provision which amounted to ₹ 2.80 crore. Expenditure without budget provision is a violation of financial regulations as well as the will of the Legislature. It also indicates lack of financial discipline in Government Departments.

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

The Appropriation Act, authorizes incurrence of expenditure under specified Grants, during the financial year. Hence transfer of amounts from the Consolidated Fund of the State into Public Account heads or into bank accounts, not authorised through the Appropriation Act, needs to be examined and commented upon by Audit.

During 2019-20, no transaction was found under Minor Head 800 Other Deposits subordinate to Major Head 8443 Civil Deposits. However, the accumulated balance of previous years' deposits amounting to ₹ 108.88 crore at the close of the year should be written back to the respective Major Heads of account under the Consolidated Fund from which these were originally transferred as drawals from the Minor Head of account in the subsequent years would not require Legislative approval and thus escape Legislative scrutiny through the Appropriation Account mechanism.

3.4.3 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.

Table 3.4 shows details of cases where supplementary provision ₹ 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 reappropriated at an earlier point of time.

Table 3.4 : Details of cases where supplementary provision proved unnecessary¹⁸

(₹ in crore)

Sl. No.	Name of Grant	Original	Supplementary	Actual Expenditure	Saving out of original
Revenue (Voted)					
1	6-Land Revenue & Settlement	40.84	6.08	29.54	11.30
2	7-Exise and Narcotics	43.78	1.46	37.48	6.30
3	16-Home	794.63	128.90	726.93	67.70
4	17-Food Civil supplies & Consumer Affairs	90.37	2.20	84.70	5.67
5	18-Printing & Stationary	16.99	0.85	15.21	1.78
6	20-School Education	1,323.42	60.58	1,287.32	36.10
7	24-Medical & Public Health Services	561.46	120.54	549.66	11.80
8	28-Labour, Employment, Skill Development	38.59	5.47	36.98	1.61
9	31-Agriculture	173.68	31.78	166.04	7.64
10	36-Enviroment, Forests and Climate Change	160.07	9.57	111.56	48.51
11	38-Rural Development	357.32	142.75	314.66	42.66
12	40-Commerce & Industries	82.57	8.15	67.01	15.56
13	41-Sericulture	21.10	0.70	19.51	1.59
14	42-Transport	50.31	1.03	43.91	6.40
15	47-Irrigation	14.68	0.62	13.25	1.43
Sub Total		3,769.81	520.68	3,503.76	266.05
Capital (Voted)					
16	9-Finance	1,443.08	2.20	2.40	1,440.68
17	15-General Administration	6.60	8.68	4.39	2.21
18	17-Food Civil Supplies & Consumer Affairs	195.94	47.23	174.95	20.99
19	37-Co-operation	3.20	1.17	3.17	0.03
20	38-Rural Development	40.31	12.84	11.09	29.22
21	47-Irrigation	25.00	5.60	16.95	8.05
Sub Total		1,714.13	77.72	212.95	1,501.18
Grand Total		5,483.94	598.40	3,716.71	1,767.23

¹⁸ Threshold for determination of excess provision has been taken at ₹ 50 lakh or more.

As may be seen from the table, during 2019-20 ₹ 6,082.34 crore (O-₹ 5483.94 + S-₹ 598.40 crore) was allocated for 15 Grants under Revenue (Voted) and 6 Grants under Capital (Voted) which ultimately closed with savings of at least ₹ 50 lakhs each. Subsequently, it was found that total expenditure of ₹ 3,716.71 crore was incurred which was 61.11 *per cent* of total allocation. This meant that approximately 40 *per cent* of the funds allocated to 18¹⁹ out of the 48 Grants and appropriation were not utilised during the year. This was mainly due to (i) non-receipt of expenditure sanction from Government, (ii) non-release of funds by GoI (iii) non-approval of expenditure by Finance Department (iv) regularization/ late recruitment of muster roll employees and (v) non-filling of vacant post, *etc.* The unutilised allocation of ₹ 1,767.23 crore could have been re-appropriated for better utilisation.

3.4.4 Unnecessary or excessive re-appropriation

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

Injudicious re-appropriation proved excessive/inadequate or insufficient in 21 sub-heads and resulted in savings/excess of over ₹10 lakh and above in each case detailed in **Appendix –IV**.

Further scrutiny revealed that re-appropriation orders for all 21 cases were issued on 31 March 2020. Reasons for excess/savings were not furnished (November 2020) in eight out of the 21 cases pointed out, the cumulative amount of these savings/excess worked out to be ₹ 93.71 crores. However, out of the remaining 13 cases where reasons had been given, 10 were due to non-receipt of actual expenditure at the time of preparation of final surrender and re-appropriation statement. This clearly shows the inadequacy of the expenditure control mechanism of the Government.

Additionally, in nine cases it was found that the total expenditure did not exceed original budget provisions, it may be concluded that augmentation of provision through re-appropriation orders proved unnecessary because expenditure did not come up to the level of original/supplementary budget provision.

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

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

No object is served by keeping back savings which should ideally be surrendered in time. For this reason, appropriations which are likely to remain unspent must be reported for surrender as early as possible. If this is not done, other spending Departments are deprived of the funds which they could have utilised and thus avoidable demands for Supplementary

¹⁹ 3(three) Grants had savings in both Revenue (Voted) and Capital (Voted) units of appropriation.

Grants are preferred. Surrenders are being made generally in the month of March, and a careful study of figures of expenditure incurred and watch over the progress of last month's expenditure should enable a Controlling Officer to fix upon his final requirements with a reasonable degree of exactness.

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

Pr. Accountant General (Accounts) provides the draft Appropriation Accounts to the Controlling Officers of the Departments and seeks the reasons/explanation for the variations in expenditure with reference to approved budgetary allocation in keeping with the limits set by the PAC.

The current limits, set by the State PAC in October 2011 are as follows:

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

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

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

Chart 3.2: Budget Utilization during 2015-16 to 2019-20



Source: Appropriation Accounts of the respective years

As can be seen from the chart above, utilisation of budget ranged between 76.85 per cent (2016-17) and 83.73 per cent (2017-18) during the last five years, with 79.19 per cent utilisation during 2019-20. Large amount of savings in allocated funds indicate both inaccurate assessment of requirement as well as inadequate capacity to utilise the funds for intended purposes. During 2019-20 five Grants/Appropriations had savings of ₹ 100 crore or more the details of which are shown in **Table 3.5**.

Table 3.5 : Grants having large savings²⁰ during the year 2019-20

(₹ in crore)

Sl. No.	Number and name of the grant	Original	Supplementary	Total	Actual Expenditure	Saving/ Excess	Surrender	Savings excluding surrender
Revenue (Voted)								
1	9-Finance	1,302.06	379.52	1,681.58	1,536.38	145.20	140.12	5.08
2	16-Home	794.63	128.90	923.53	726.93	196.60	94.88	101.72
3	24- Medical and Public Health Services	561.46	120.54	682	549.66	132.34	132.80	-0.46
4	38-Rural Development	357.32	142.75	500.07	314.66	185.41	186.62	-1.21
	Total	3,015.47	771.71	3,787.18	3,127.63	659.55	554.42	105.13
Capital (Voted)								
1	9-Finance	1,443.08	2.20	1,445.28	2.40	1,442.89	1,443.08	-0.19
	Total	1,443.08	2.20	1,445.28	2.40	1,442.89	1,443.08	-0.19
	Grand Total	4,458.55	773.91	5,232.46	3,130.03	2,102.44	1,997.50	104.94

Source: Appropriation Accounts

Audit scrutiny of the Appropriation Accounts revealed that in four out of the five grants mentioned above reason for the savings in expenditure during the year 2019-20 were not provided. Under **Grant 24 – Medical and Public Health Services** reason for savings were received only for an amount of ₹ 9.00 lakhs which, as stated by the Department, occurred due to typing mistake of figures while preparing re-appropriation /surrender for the year 2019-20.

Table 3.6 further lists the details of Grants which had surrendered funds in excess of ₹ 10 crore by 31 March 2020.

Table 3.6 : Details of surrender of funds in excess of ₹ 10 crore at the end of March, 2020.

(₹ in crore)

Sl. No.	Grant Number	Original	Supplementary	Total provisions	Actual	Savings	Amount Surrendered
Revenue (Voted)							
1	6-Land Revenue & Settlement	40.84	6.08	46.92	29.54	17.38	17.14
2	9-Finance	1,302.06	379.52	1,681.58	1,536.39	145.20	140.12
3	15- GAD	96.79	33.10	129.89	118.06	11.83	12.51
4	16-Home	794.63	128.90	923.53	726.93	196.60	94.88
5	20-School Education	1,323.42	60.58	1,384.00	1,287.32	96.68	39.02
6	21- Higher & Technical	257.68	103.05	360.73	285.86	74.87	66.08
7	24-Medical & Public Health Services	561.46	120.54	682.00	549.66	132.34	132.80
8	29-Social Welfare	144.70	72.39	217.09	172.39	44.7	32.56
9	31-Agriculture	173.68	31.78	205.46	166.04	39.42	39.37
10	32-Horticulture	76.65	31.29	107.94	93.28	14.66	14.65

²⁰ Savings above ₹ 100 crore

Sl. No.	Grant Number	Original	Supplementary	Total provisions	Actual	Savings	Amount Surrendered
11	36-Environment, Forest & Climate Change ⁺	160.07	9.57	169.64	111.56	58.08	58.08
12	38-Rural Development	357.32	142.75	500.07	314.66	185.41	186.62
13	39-Power ⁺	533.94	225.23	759.17	740.14	19.03	18.08
14	40-Commerce & Industries	82.57	8.15	90.72	67.01	23.71	23.56
15	45-Public Works Department ⁺	462.73	635.23	1,097.96	1,067.64	30.32	29.76
16	46-UD&PA	161.65	68.62	230.27	204.65	25.62	25.56
Capital (Voted)							
1	9-Finance	1,443.08	2.20	1,445.28	2.40	1,442.88	1,443.08
2	15-GAD	6.60	8.67	15.27	4.39	10.88	11.38
3	24-Medical & Public Health Services	5.02	63.99	69.01	34.75	34.26	34.25
4	29-Social Welfare	5.91	75.06	80.96	60.79	20.18	20.18
5	38-Rural Development	40.31	12.84	53.15	11.09	42.05	42.05
6	45-Public Works Department	134.77	443.80	578.57	481.90	96.67	96.74
7	47-Irrigation & Water Resources	25.00	5.60	30.60	16.95	13.65	13.65

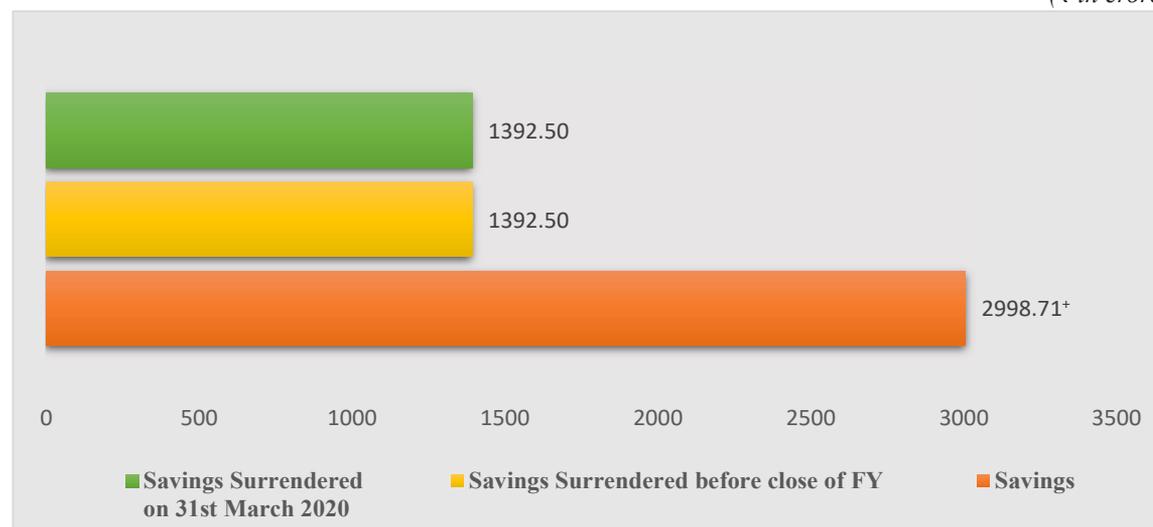
Source: Appropriation Accounts, ⁺ Reasons for savings not stated.

Audit scrutiny of the Appropriation Accounts revealed that in three out of the 23 grants mentioned above the reasons for the savings in expenditure during the year were not provided, savings in 11 out of the remaining cases were due to non-release/short release of funds by GoI, non-receipt savings in 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 ₹ 1,392.50 crore was surrendered from the total gross savings of ₹ 2,998.71 crore leaving a balance of ₹ 1,606.21 crore left yet to be surrendered. As per records available, all surrenders occurred on 31 March 2020.

Chart 3.3 : Savings and surrenders before close of financial year 2019-20

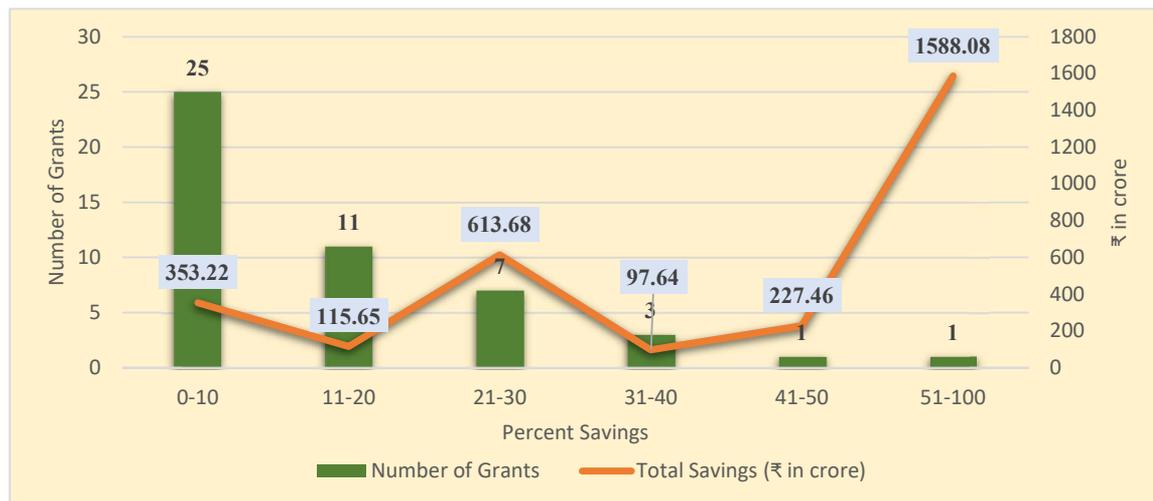
(₹ in crore)



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

Chart 3.4 below shows the distribution of the 48 Grants/Appropriations as per savings percentage during the year with the resulting total saving in each group. As may be seen from the chart 25 out of 48 grants were within the group of 0-10 *per cent* savings for the year with an additional 11 grants having savings between 11 - 20 *per cent*. However, the largest saving from an individual grant occurred in Grant 9 – Finance which had a saving of ₹ 1,588.08 crore which was 50 *per cent* of total allocation. Occurrence of such huge savings in any grant is indicative of improper budgetary control.

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



Source: Appropriation Accounts

3.4.6 Excess expenditure and its regularization

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

3.4.6.1 Excess expenditure during 2019-20

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

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

Excess expenditure over the provision for the year is not only in contravention of the provisions requiring Legislative sanction but 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.

Table 3.7 : Summary of excess disbursements over grants/appropriations during the financial year

(₹ in crore)

		Name of Department/Grant					
		Council of Ministers	Sports & Youth Services	District Councils & Minority Affairs	Disaster Management & Rehabilitation	Co-operation	Public Debt
Voted	Revenue	0.61	0.65	0.01	8.52	0.11	-
	Capital	-	-	-	-	-	-
Charged	Revenue	-	-	-	-	-	-
	Capital	-	-	-	-	-	9.42
No. of Grants/ Appropriations		1	1	1	1	1	1
Total Excess		0.61	0.65	0.01	8.52	-0.11	9.42
Grand Total		19.32					

Source: Appropriation Accounts

During 2019-20, there was a total excess disbursement of ₹ 19.32 crore under five Grants and one appropriation. Out of these, reasons for excess were received only for **Grant 37-Cooperation**, the Department stated (November 2020) that the reason for excess disbursement was wrong booking/calculation.

In light of the above, it is clear that the Government and Departments concerned did not exercise adequate control over the expenditure of various Departments and Government may take necessary steps to rectify the situation.

3.4.6.2 Regularisation of excess expenditure of previous financial 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, which provides that no money shall be withdrawn from the Consolidated Fund except under appropriation made by Law by the State Legislature. This vitiates the system of budgetary and financial control and encourages financial indiscipline in management of public resources. The excess expenditure relating to the previous years not yet regularised have been shown in **Table 3.8**.

Table 3.8 : Excess expenditure relating to previous years requiring regularization

(₹ in crore)

Year	Grant No./ Appropriation	Grant/Appropriation details	Amount of excess required to be regularised as commented in the Appropriation Accounts	Status of regularisation
Revenue Portion				
2017-18	2	Governor	0.07	N/A
2019-20	3	Council of Ministers	0.61	N/A
2019-20	22	Sports & Youth Services	0.65	N/A
2019-20	27	District Councils and Minority Affairs	0.01	N/A

Year	Grant No./ Appropriation	Grant/Appropriation details	Amount of excess required to be regularised as commented in the Appropriation Accounts	Status of regularisation
2019-20	30	Disaster Management and Rehabilitation	8.52	N/A
2019-20	37	Co-operation	0.11	N/A
Capital Portion				
2016-17	45	Public Works	61.46	N/A
2017-18	20	School Education	10.38	N/A
2017-18	45	Public Works	2.12	N/A
2019-20	13	Personnel and Administrative Reforms	0.01	N/A
Capital Portion (Charged)				
2019-20	...	Public Debt	9.43	N/A
TOTAL	10		93.37	

Source: Appropriation Accounts

During the period 2015-20, there was an excess expenditure of ₹ 93.37 crore under 10 Grants, covering 9 departments which was yet to be regularised in accordance with Article 205 of the Constitution.

3.5 Comments on Transparency of Budgetary and Accounting process

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

3.5.1 Lump Sum budgetary provisions

Lump sum provision in estimates are generally discouraged except in cases where urgent measures are to be provided for meeting emergent situations or for meeting preliminary expenses on a project/scheme which has been accepted in principle for being taken up in the financial year. Detailed explanations justifying provision proposed are required to be given in the budget note accompanying the lump sum estimates. Lump sum provisions without identifying the exact object of expenditure is against transparency. In the case of Union Government, for example, Rule 8 of DFPRs stipulates that object head '42-Lump sum provision' should be used to record expenditure in respect of schemes whose provision does not exceed ₹ 10 lakhs. No cases of lumpsum provision by the Government of Mizoram were found during 2019-20 which would indicate that the budgetary and accounting process was transparent.

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 the Government of Mizoram.

3.6.1 Budget projection and gap between expectation and actual

Efficient management of tax administration/other receipts and public expenditure holds the balance for achievement of various fiscal indicators. Budgetary allocations based on unrealistic proposals, poor expenditure monitoring mechanism, weak scheme implementation capacities/ weak internal controls lead to sub-optimal allocation among

various developmental needs. Excessive savings in some departments deprives other departments of the funds which they could have utilised. **Table 3.9** gives the summarised position of actual expenditure as compared to the original and supplementary budget provisions during 2019-20.

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

(₹ in crore)

Nature of expenditure			Original grant	Supplementary grant	Total	Expenditure	Savings (-)/ Excess (+)	Details of Surrender of savings	
								Amount	Per cent
Voted	I	Revenue	7,973.86	2,307.50	10,281.36	9,098.96	-1,182.40	1,003.69	84.89
	II	Capital	2,093.13	1,010.00	3,103.13	1,454.28	-1,648.85	286.66	17.39
	III	Loans and Advances	101.70	80.62	182.32	80.13	-102.19	101.74	99.56
Total Voted			10,168.69	3,398.12	13,566.81	10,633.37	-2,933.44	1,392.09	47.46
Charged	IV	Revenue	431.68	3.75	435.43	380.08	-55.35	0.41	-0.74
	V	Capital	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	VI	Public Debt Repayment	272.21	72.28	344.49	353.92	9.43	0.00	0.00
Total Charged			703.89	76.03	779.92	734.00	-45.92	0.41	0.89
Appropriation to Contingency Fund (If any)*			0.00	0.00	0.00	0.00	0.00	0.00	0.00
Grand Total			10,872.58	3,474.15	14,346.73	11,367.37	-2,979.36	1,392.50	46.74

Source: Appropriation Accounts.

Audit of Appropriation Accounts revealed the following:

- Net savings of ₹ 2,979.36 crore occurred in 45 grants and three appropriations under Revenue Section and 25 grants under Capital Section.
- Savings included an amount of ₹ 281.35 crore in 11 Grants, which was expected to be received from the GoI, but was not received. While this amount was shown as savings due to its projection in the Budget, there were no real savings, since the amount was not received by the State Government.
- Out of the savings of ₹ 1,182.40 crore under the Revenue Section (Voted), 84.89 per cent was surrendered.
- 99.26 per cent of the unspent provision of ₹ 55.35 crore under the Revenue (charged) section was not surrendered.
- Public Debt had savings of ₹ 52.90 crore and ₹ 9.43 crore under Revenue (Charged) and Capital (Charged) respectively. The amount was not surrendered.

Non-surrender of funds on time defeats the objective of achieving efficiency in budget management.

The State Government prepared a budget which it did not have the ability to implement and/or its Departments had not done the ground work to be able to utilise the allocated funds within the envisaged timeframe.

Table 3.10 shows the details of budget and actual expenditure over the five year period from 2015-16 to 2019-20. As may be seen from the table, the total allocation in the budget of the State increased by 61.49 per cent from ₹ 8,883.94 crore in 2015-16 to ₹ 14,346.73 crore

in 2019-20. During the same period savings had also increased by 54.59 per cent from ₹ 1,927.27 crore in 2015-16 to ₹ 2,979.36 crore in 2019-20.

Supplementary provisions exhibited an upward trend over the five year period, growing from 14.53 per cent to 31.95 per cent of original allocations in 2015-16 and 2019-20 respectively.

Table 3.10 : Original Budget, Revised Estimate and Actual Expenditure during 2015-20

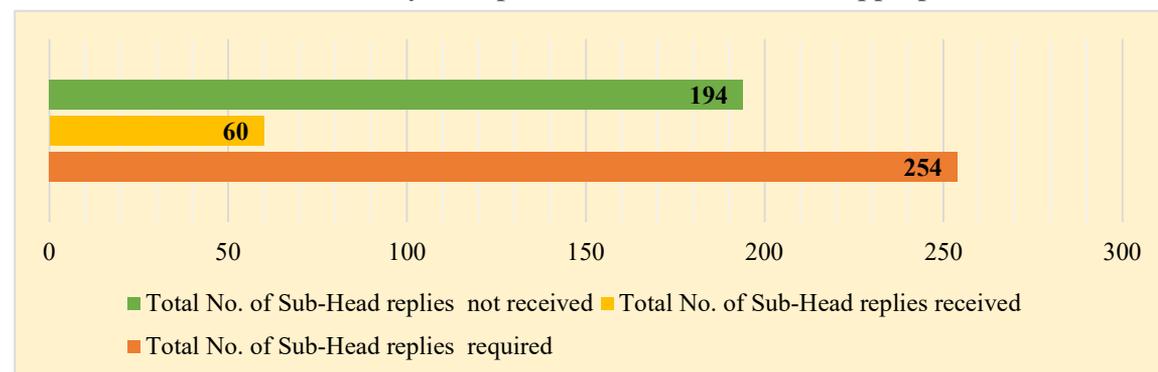
	2015-16	2016-17	2017-18	2018-19	2019-20
Original budget	7,756.79	8,218.65	8,803.09	9,672.64	10,872.58
Supplementary Budget	1,127.15	1,645.38	2,286.36	2,926.66	3,474.15
Revised Estimate (RE)	8,883.94	9,864.03	11,089.45	12,599.3	14,346.73
Actual Expenditure	6,956.67	7,580.41	9,284.96	9,790.41	11,367.37
Savings/Excess	-1,927.27	-2,283.62	-1,804.49	-2,808.89	-2,979.36
Saving as Percentage of RE	21.69	23.15	16.27	22.29	20.76

(₹ in crore)

Source: Appropriation Accounts

Chart 3.5 shows the summary of explanations received for variations in appropriations as depicted in the accounts for the year. As may be seen from the chart, out of 254 explanations due to be received from the Government for excess and/or savings in expenditure only 60 replies had been received (November 2020) and 194 explanations were yet to be received.

Chart 3.5 : Summary of Explanations for Variation in Appropriations



Source: Appropriation Accounts

3.6.2 Supplementary budget and opportunity cost

At times, while obtaining supplementary provision, the Departments report to legislature large additional requirement for different purposes under various schemes/activities; but finally they are unable to spend not only the entire supplementary provision or parts thereof but also the original budget provision. As a result, the 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.

In this section, unnecessary excessive budget/supplementary provisions have been highlighted for the period 2019-20. Details are in **Table 3.11**.

Table 3.11 : Grant-wise unutilised funds during 2019-20

(₹in crore)

Sl. No.	Grant	O	S	Total	Expenditure	Unutilised funds
Capital Voted						
1	8 Taxation	6.13	0.60	6.73	0.60	6.13
2	9 Finance	1443.08	2.20	1445.28	2.40	1442.88
3	14 Planning and Programme Implementation	0.00	2.68	2.68	1.61	1.07
4	15 General Administration	6.60	8.68	15.28	4.39	10.88
5	16 Home	3.46	10.38	13.84	13.44	0.40
6	17 Food, Civil Supplies and Consumer Affairs	195.94	47.23	243.17	174.95	68.22
7	19 Local Administration	0.00	1.90	1.90	1.89	0.01
8	22 Sports and Youth Services	5.48	7.75	13.23	8.61	4.63
9	24 Medical and Public Health Services	5.01	63.99	69.00	34.75	34.25
10	25 Water Supply and Sanitation	48.10	116.88	164.98	164.67	0.31
11	29 Social Welfare	5.91	75.05	80.96	60.78	20.18
12	31 Agriculture	0.00	2.25	2.25	1.70	0.55
13	37 Co-operation	3.20	1.18	4.38	3.18	1.20
14	38 Rural Development	40.31	12.84	53.15	11.09	42.06
15	39 Power	33.45	102.12	135.57	132.17	3.40
16	40 Commerce and Industries	0.00	12.17	12.17	7.87	4.30
17	41 Sericulture	0.00	0.84	0.84	0.81	0.03
18	45 Public Works	134.77	433.80	578.57	481.89	96.67
19	46 Urban Development and Poverty Alleviation	215.19	96.53	311.72	311.51	0.21
20	47 Irrigation and Water Resources	25.00	5.60	30.60	16.95	13.65

Source: Appropriation Accounts

Note : O - Original Allocation; S - Supplementary provision

Under Grant No. 9 Finance, ₹ 14,43.08 crore was surrendered during the year as anticipated surplus to the requirement, but actual saving worked out to ₹ 14,42.88 crore only. In view of the final saving of ₹ 14,42.88 crore, supplementary provision of ₹ 2.20 crore obtained during the year proved totally unnecessary as the actual expenditure of ₹ 2.40 crore did not even come upto the original budget provision of ₹ 14,43.08 crore. Further, the expenditure was less than the original provision under General Administration grant, yet a supplementary was provided, leading to surrender of 83 *per cent* of the Revised Estimates. Similar situation was seen under Food, Civil Supplies and Consumer Affairs. Under Rural Development Department, while expenditure was only 28 *per cent* of the original budget, yet

a supplementary of ₹ 12.84 crore was provided, leading to unutilised funds of 104 per cent of the original provision.

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

Several policy initiatives taken up by the Government are partially or not executed due to non-approval of scheme guidelines/modalities, non-commencement of works for want of administrative sanction, non-release of budget, etc. This deprives the beneficiaries of intended benefits. Savings in such schemes deprives other Departments of the funds which they could have utilised. **Table 3.12** gives details of schemes/projects for which budget provision of ₹ one crore and above was made but no expenditure was incurred.

Table 3.12 : Details of the schemes/projects for which provision of ₹ 1 crore and above was made but no expenditure was incurred during Financial Year 2019-20

(₹ in crore)

Sl. No.	Department Name	Scheme Name	Budgetary provision	Actual expenditure	Reason
1	Land Revenue and Settlement	Digital India Land Records modernization Programme (DILRMP)	4.98	Nil	Due to Non-receipt of expenditure sanction from Government.
2	Taxation	Socio-Economic Development Policy (SEDP)-Capital Outlay on other Fiscal Services	6.13	Nil	Reason not given
3	Finance	Socio-Economic Development Policy (SEDP)-Capital Outlay on other Fiscal Services	680.18	Nil	Due to re-allocation of fund to the concerned Department
4	Planning and Programme Implementation	Socio-Economic Development Policy (SEDP)-Capital Outlay on other General Economic Services	1.05	Nil	Reason not given
5	General Administration Department	Socio-Economic Development Policy (SEDP)-Capital Outlay on other Administrative Services	6.60	Nil	Due to non-receipt of expenditure sanction by Finance Department
Total			698.94	Nil	

Source: Appropriation Accounts

Non-expenditure of provisioned grants deprives the beneficiaries of the intended benefits and also defeats the objective of achieving efficiency in budget management.

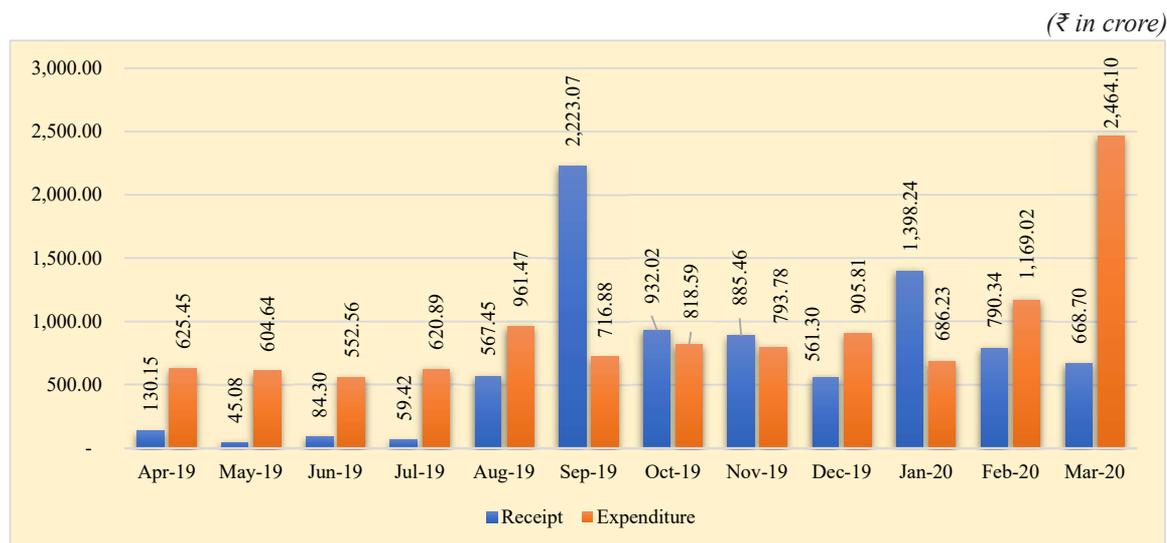
3.6.4 Rush of expenditure

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.

The monthly flow of receipts in to the State exchequer and disbursements during 2019-20 is given in **Chart 3.6**.

As can be seen from the chart, receipts fluctuated across the months during the financial year 2019-20 and peaked at ₹ 2,223.07 crore during September 2019. However, Audit scrutiny of the pattern of expenditure during 2019-20 revealed that the State Government incurred an expenditure of ₹ 2,464.10 crore, constituting about 22.57 per cent of the total expenditure of ₹ 10,919.43 crore, in March 2020 alone. Of this, ₹ 1,163.76 crore (47.23 per cent of amount disbursed in March), was disbursed on the last week of March 2020.

Chart 3.6 : Monthly receipts and expenditure during 2019-20 for the State



Source: Appropriation Accounts

The Government needs to improve its resource management so that expenditure matches the receipts consistently during the year.

Table 3.13 provides the details of grants with expenditure more than 50 per cent of total allocation in March alone. The grants have been listed in decreasing order of expenditure during the month of March 2020.

Table 3.13 : Grants with more than 50 per cent of expenditure in March alone

Sl. No	Grant No. & Description	Q1	Q2	Q3	Q4	Total (₹ in crore)	Expenditure in March	
							Amount (₹ in crore)	As percent of Total
1	30 Disaster Management and Rehabilitation	1.05	14.96	0.86	43.92	60.79	42.91	70.59
2	48 Information and Communication Technology	0.85	1.12	0.82	7.12	9.91	6.45	65.09
3	45 Public Works	63.36	85.07	356.20	994.68	1,499.31	842.84	56.22
4	47 Irrigation and Water Resources	3.77	3.57	3.42	19.44	30.20	16.71	55.33
5	31 Agriculture	11.99	13.96	23.80	116.62	166.37	84.27	50.65
6	29 Social Welfare	11.97	45.27	27.89	148.05	233.18	117.87	50.55
7	28 Labour, Employment, Skill Development & Entrepreneurship	6.10	8.89	6.32	25.07	46.38	23.31	50.26

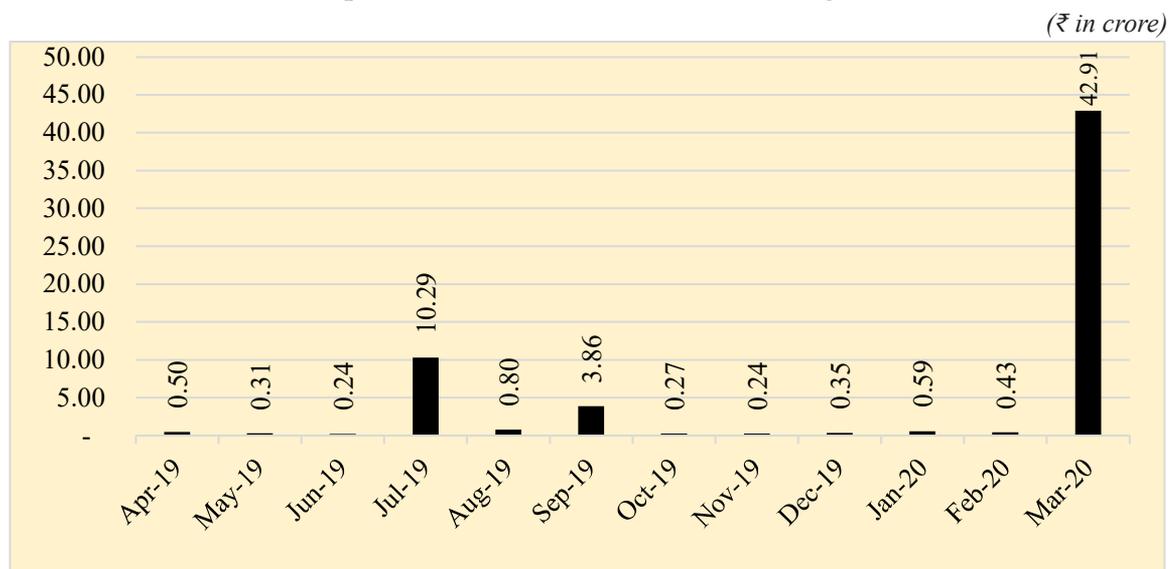
Source: Appropriation Accounts

From the table it may be seen that in seven out of 48 Grants/Appropriations more than 50 per cent of expenditure of total allocation for the year was booked during the month

of March. The magnitude of expenditure during month of March ranged between 70.59 per cent in Grant 30 – Disaster Management and Rehabilitation and 50.26 per cent in Grant 28 – Labour, Employment, Skill Development and Entrepreneurship.

Chart 3.7 depicts the monthly trend of expenditure in Grant 30 - Disaster Management and Rehabilitation. As may be seen from the chart expenditure during March 2020 was very high when compared to the other 11 months of the financial year. The percentage increase of expenditure in March 2020 when compared to the average expenditure of the other 11 months was seen to be 2,640.11 per cent. In response to a query, the Department stated (February 2021) that huge drawal of funds was necessitated by the onset of the COVID -19 pandemic as well as preparation for mitigation of other natural disasters like landslides etc.

Chart 3.7 : Month wise expenditure of Grant 30 -Disaster Management and Rehabilitation



Source: Appropriation Accounts

3.6.5 Review of selected grants

During the year 2019-20, **Grant No. 22–Sports and Youth Services** was 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

The summarised position of budgetary allocation and actual expenditure there-against during the year 2019-20 in respect of the Grant is given below:

Table 3.14 : Budget and expenditure under Grant No. 22 during 2019-20

(₹ in crore)

Nature of expenditure	Budget Provision			Actual expenditure	Savings (-) / Excess(+)	Amount surrender
	Original	Supplementary	Total			
Revenue	22.16	10.21	32.37	33.02	(+)0.65	0.58
Capital	5.48	7.75	13.23	8.61	(-)4.62	4.62

Source: Appropriation Accounts, 2019-20

It can be seen from the above table that there was excess of ₹ 0.65 crore under Revenue head whereas there were savings of ₹ 4.62 crore under Capital Head. Although, the excess was intimated by the Pr. Accountant General (Accounts) to the Chief Controlling Officer (CCO) of the Department requesting to elucidate the specific reasons thereof. However, the reasons for excess were not intimated by the Department concerned (November 2020).

In view of the final excess of ₹ 0.65 crore under Revenue head, supplementary provision of ₹ 10.21 crore obtained during the year proved insufficient as well as surrender of ₹ 0.58 crore proved injudicious.

On the other hand, under Capital head, the supplementary provision of ₹ 7.75 crore proved excessive resulting in savings of ₹ 4.62 crore.

3.6.5.2 Persistent Savings

During the period from 2015-16 to 2019-20, there were persistent savings within the grant as shown in **Table-3.15** below. The percentage of savings to total grant ranged between 1.93 and 27.56 per cent.

Table 3.15 : Persistent Savings

(₹ in crore)

22-Sports & Youth Services	Amount of savings				
	2015-16	2016-17	2017-18	2018-19	2019-20
Revenue	2.43	1.21	1.75	0.98	0.00
Capital	6.36	3.28	0.24	0.00	4.62
Total Amount of Grant	31.89	28.75	34.55	50.77	45.60
Percentage of savings to Total Grant	27.56	15.62	5.76	1.93	10.13

Source: Appropriation Accounts of respective years

Persistent savings in the last five years indicated that the budgeting process in the Department was unrealistic and did not reflect the actual requirements of the Department. Thus, it is imperative that budgeting is done in a planned and realistic manner to ensure prudent financial management and utilise funds for the envisaged developmental programmes.

3.6.5.3 Substantial Surrenders

There was surrender of the whole provision amount which is more than 50 per cent of total provision within this grant in respect of a sub-head on account of non-operation of Second Mizo Battalion, NCC as shown in **Table 3.16**.

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

(₹ in crore)

Head and details of scheme	Total Provision	Details of surrender		Reasons
		Amount	Per cent	
2204-102-10-2nd Mizo Battalion, NCC	0.28	0.28	100	Due to non-operation of Second Mizo Battalion, NCC
Total	0.28	0.28	100	--

Source: Appropriation Accounts, 2019-20

3.7 Conclusion

Against the total budget provision of ₹ 14,346.73 crore, State Government Departments incurred an expenditure of ₹11,367.37 crore. There was an overall saving of ₹ 2,998.68 crore which was offset by excess of ₹ 19.42 crore under five Grants and one appropriation, resulting in net savings of ₹ 2,979.36 crore. It was 20.77 *per cent* of total Grants/Appropriations and was 32.66 *per cent* of the expenditure during the year 2019-20. Out of ₹ 2,998.68 crore, ₹ 1,392.50 crore of savings were surrendered up to the end of March 2020. Percentage of savings to that of the expenditures ranged between 19.43 *per cent* in 2017-18 to 30.13 *per cent* in 2016-17. Large amount of savings in allocated funds indicate both inaccurate assessment of requirement as well as inadequate capacity of Departments, to utilise the funds for the intended purposes and thus inefficient budgetary management by the State Government.

An expenditure of ₹ 2.80 crore was incurred in six Grants/Appropriations without any provision in the original estimates or supplementary demands. Supplementary provisions of more than ₹ 50 lakh were obtained in each case under 21 Grants/Appropriation even though the actual expenditure was less than the original provision. Approximately 40 *per cent* of the funds allocated to 18 out of the 48 Grants and appropriation were not utilised during the year. Analysis of Grant No. 22 of Department of Sports and Youth Services revealed persistent savings of around ₹ one crore every year during the five-year period 2015-20. The percentage of savings to total in the Grant 22, ranged between 1.93 and 27.56 *per cent*.

During the period 2015-20, there was an excess expenditure of ₹ 93.37 crore, covering nine departments which needs to be regularized in accordance with the constitutional provisions.

3.8 Recommendations

1. *State Government needs to formulate a budget based on reliable assumptions of the needs of the Departments and their capacity to utilise the allocated resources. Controlling Officers need to be made aware of their responsibility to explain the variation in expenditure from the allocation to facilitate proper analysis of budget;*
2. *Government should enforce its commitment to achieve its promised/intended objectives for overall development of the State through improved execution, monitoring and financial management of schemes/projects;*
3. *An appropriate control mechanism needs to be instituted by the Government to enforce proper implementation and monitoring of budget to ensure that savings are curtailed, large savings within the Grant/ Appropriation are controlled, and anticipated savings are identified and surrendered within the specified timeframe. Demands for supplementary grants should be critically reviewed, w.r.t actual expenditure incurred by Departments; and*
4. *Expenditure exceeding the limits approved by the Legislature is a violation of the will of the Legislature and therefore of the public. It therefore, needs to be viewed seriously and regularized at the earliest.*

