

CHAPTER-3
BUDGETARY MANAGEMENT

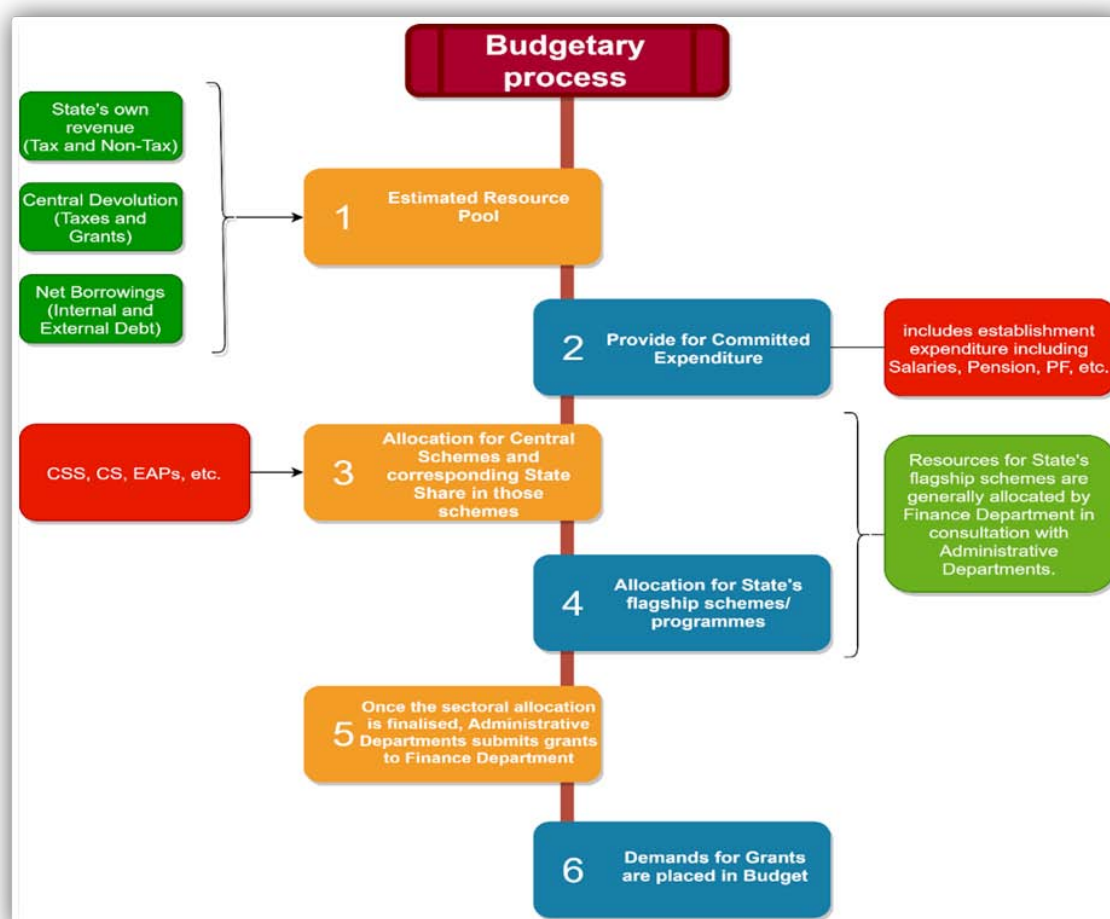
Chapter 3: Budgetary Management

3.1 Introduction

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

3.2 Budget Process

The annual exercise of budgeting is a means for detailing the roadmap for efficient use of public resources. The Budget process commences with the issue of the Budget Circular, normally in August each year, providing guidance to the Departments in framing their estimates, for the next financial year. A typical budget preparation process in a State is shown below.



CSS: Centrally Sponsored Schemes; CS: Central Schemes.

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

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

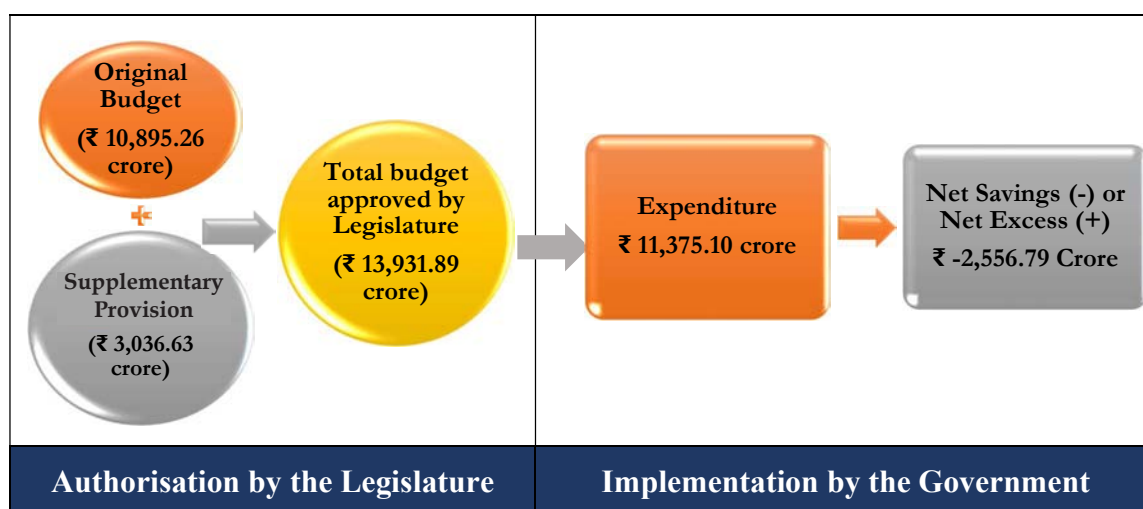
The annual financial statement, also called general budget, is placed prior to the commencement of the financial year in the State Legislature, in accordance with Article 202 of the Constitution. The estimates of receipts and disbursements in the Annual Financial Statement and of expenditure in the Demands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

No money shall be withdrawn from the Consolidated Fund of the State except under appropriation made by law passed in accordance with provisions of Article 204 of the Constitution.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

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

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

Various components of budget of Government of Mizoram for the Year 2020-21 are depicted in **Chart 3.1**.

Chart 3.1: Summary of Budget and Expenditure of Mizoram for 2020-21

The above chart indicates that the Supplementary Grant of ₹ 3,036.63 crore was not required as the gross expenditure was only ₹ 480 crore more than the Original Provisions. It is pertinent to mention that Supplementary Grant was taken on 01 March 2021 and total expenditure as on 28 February 2021 was only ₹ 7,234 crore as per the data made available/submitted by the Treasuries, leaving ₹ 3,661 crore with the State Government for the remaining 30 days. With the Supplementary Grant, total funds available with the State Government were ₹ 6,698 crore, which was equal to 93 *per cent* of the expenditure incurred during the first 11 months of the financial year. This was indicative of over estimation and poor financial management.

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 2020-21 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 2020-21*(₹ in crore)*

Total Budget provision		Disbursements		Savings		Excess	
Voted	Charged	Voted	Charged	Voted	Charged	Voted	Charged
12,380.36	1,551.53	9,284.23	2,090.87	3,371.88	4.65	275.76	543.98

Source: Appropriation Accounts

There was an overall saving of ₹ 3,376.54 crore offset by excess of ₹ 819.74 crore during the year 2020-21 resulting in net savings of ₹ 2,556.79 crore which was 18.35 *per cent* of total Grants/Appropriations and 22.48 *per cent* of the expenditure.

These savings may be seen in context of over estimation of Receipts of ₹ 11,590.76 crore by the State Government and estimation on the expenditure side being ₹ 13,931.89 crore during the year 2020-21. As against the estimated Receipts, the actual Receipts were ₹ 10,345.68 crore only thereby restricting the total expenditure to ₹ 11,375.10 crore. This implied that the savings were notional, as the funds were not actually available for expenditure.

3.2.2 Charged and voted disbursements

Table 3.2 shows the break-up of charged and voted disbursements for the State during the five-year period from 2016-17 to 2020-21.

Table 3.2 : Details of Charged and Voted Disbursements

(₹ in crore)

Year	Budget Estimates		Disbursement		Saving		Excess	
	Voted	Charged	Voted	Charged	Voted	Charged	Voted	Charged
2016-17	8,941.33	922.70	6,873.99	706.42	2,128.80	216.28	61.46	0.00
2017-18	10,357.14	732.32	8,620.96	664.01	1,748.69	68.31	12.51	0.00
2018-19	11,890.16	754.14	9,103.48	686.93	2,741.68	67.22	0.00	0.00
2019-20	13,566.80	779.93	10,633.37	734.00	2,943.32	55.36	9.91	9.43
2020-21	12,380.36	1,551.53	9,284.23	2,090.87	3,371.88	4.65	275.76	543.98

Source: Appropriation Accounts

From the table it may be seen that Voted disbursements increased by ₹ 2,410.24 crore from ₹ 6,873.99 crore in 2016-17 to ₹ 9,284.23 in 2020-21. Charged disbursements also showed an increase of ₹ 1,384.45 crore over the same period from ₹ 706.42 crore in 2016-17 to ₹ 2,090.87 crore in 2020-21. Savings in both Voted and Charged sections fluctuated from year to year and stood at ₹ 3,371.88 crore and ₹ 4.65 crore, respectively. Excess expenditure was seen in four out of five years and in 2020-21 excess Voted expenditure stood at ₹ 275.76 crore (2.97 per cent of Voted expenditure) and excess Charged expenditure stood at ₹ 543.98 crore (26.02 per cent of Charged expenditure). All these parameters are discussed in greater detail in the following paragraphs.

3.3 Appropriation Accounts

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

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

3.4 Comments on Integrity of budgetary and accounting process

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

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

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

During 2020-21 no transaction was found under Minor Head 800 Other Deposits subordinate to Major Head 8443 Civil Deposits. However, the accumulated balance of previous years' deposits amounting to ₹ 108.88 crore at the close of the year should be written back to the respective Major Heads of account under the Consolidated Fund from which these were originally transferred. Withdrawals from the Minor Head of account in subsequent years would not require Legislative approval and thus escape Legislative scrutiny through the Appropriation Account mechanism.

3.4.2 Unnecessary or excessive supplementary grants

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

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

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

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

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

Table 3.3 : Details of cases where supplementary provision proved unnecessary²¹*(₹ in crore)*

Sl. No.	Name of Grant	Original	Supplementary	Actual Expenditure	Savings out of original Provisions
<i>Revenue (Voted)</i>					
1	4-Law & Judicial	27.40	3.00	26.68	0.72
2	6-Land Revenue & Settlement	39.94	1.06	28.02	11.92
3	11-Secretariat Administration	132.23	1.43	114.11	18.12
4	14-Planning and Programme Implementation	97.83	5.85	90.31	7.52
5	15-General Administration	102.44	19.41	99.22	3.22
6	16-Home	801.82	22.08	710.58	91.24
7	17-Food, Civil Supplies and Consumer Affairs	279.98	4.01	214.70	65.28
8	19- Local Administration	125.18	119.13	89.57	35.61
9	20-School Education	1,554.64	71.64	1,235.76	318.88
10	21-Higher & Technical Education	274.93	49.31	235.11	39.82
11	22-Sports and Youth Services	27.40	2.24	25.99	1.41
12	24-Medical & Public Health Services	626.32	96.64	549.78	76.54
13	28-Labour, Employment, Skill Development and Entrepreneurship	32.10	2.34	24.60	7.50
14	30-Disaster Management and Rehabilitation	59.24	5.76	57.29	1.95
15	31-Agriculture	176.85	23.32	132.44	44.41
16	32-Horticulture	91.33	13.90	86.91	4.42
17	33-Land Resources, Soil and Water Conservation	22.31	1.99	20.39	1.92
18	34-Animal Husbandry and Veterinary	81.21	12.27	74.46	6.75
19	36-Environment, Forests and CC	222.43	28.17	111.46	110.97
20	38-Rural Development	368.10	165.76	304.98	63.12
21	40-Commerce & Industries	84.92	4.85	61.40	23.52
22	45-Public Works	543.56	53.23	251.19	292.37
Total		5,772.16	707.39	4,544.95	1,227.21

Source : Appropriation Accounts

As may be seen from the table, during 2020-21 ₹ 6,479.55 crore (Original and Supplementary) was allocated for 22 Grants under Revenue (Voted) section which subsequently closed with savings of at least ₹ one crore each except for ₹ 72 lakh in case of Grant No.4. Further, it was found that total expenditure of ₹ 4,544.95 crore (70.14 per cent) was incurred out of total allocation which meant that approximately 30 per cent of the funds allocated to 22 out of the 48 Grants and appropriation were not utilised. 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) regularisation/ late recruitment of muster roll employees and (v) non-filling of vacant post, etc. The unutilised allocation of ₹ 1,227.21 crore could have been re-appropriated for better utilisation.

²¹ Threshold for determination of excess provision has been taken at ₹ 50 lakh or more

3.4.3 Unnecessary or excessive re-appropriation

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

Injudicious re-appropriation proved insufficient in 20 sub-heads and resulted in excess expenditure of over ₹ 10 lakh and above in each case as detailed in **Appendix –IV**.

Further scrutiny revealed that re-appropriation orders for all 20 cases were issued on 31 March 2021. Reasons for excess were not furnished (July 2021) in 18 out of the 20 cases pointed out and the cumulative amount of these excess worked out to be ₹ 887.51 crores. The remaining two cases of excess were due to real time figures of the Department's DDO expenditure booked at various Treasury offices not being accessible at the time of submission of final statement of surrender & re-appropriation for the reported year and booking of figure under the wrong Head of Account at the Treasury office. This clearly shows the inadequacy of the expenditure control mechanism of the Government.

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

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

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

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

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

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

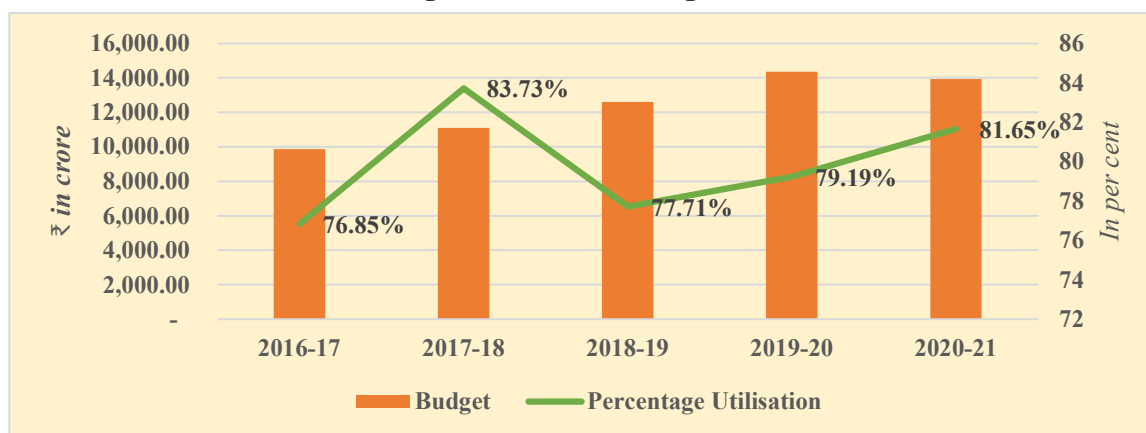
with the limits set by the Public Accounts Committee (PAC). The current limits, set by the State PAC in October 2011 are as follows:

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

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

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

Chart 3.2 : Budget Utilisation during 2016-17 to 2020-21



Source: Appropriation Accounts of the respective years

As can be seen from the chart, utilisation of budget ranged between 76.85 *per cent* (2016-17) and 83.73 *per cent* (2017-18) during the last five years, with 81.65 *per cent* utilisation during 2020-21. Large amount of savings in allocated funds indicate inaccurate assessment of Receipts.

During 2020-21 eight Grants/Appropriations had savings of ₹ 100 crore or more, the details of which are shown in **Table 3.4**. Reasons for these large savings were not provided by the Government (July 2021).

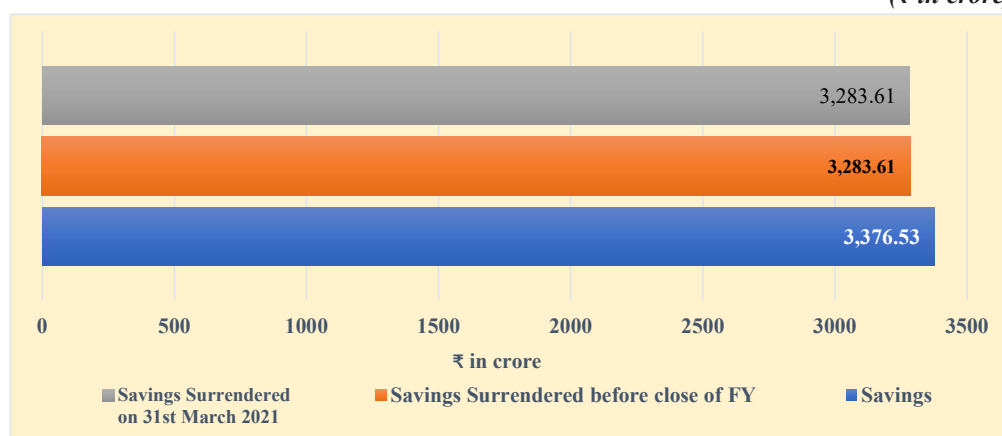
Table 3.4 : Grants having large savings²² during the year 2020-21*(₹ in crore)*

Sl No.	Number and name of the grant	Original	Suppl.	Total	Actual	Saving/ Excess	Surrender	Savings excluding surrender
Revenue (Voted)								
1	16-Home	801.82	22.08	823.90	710.58	113.32	113.20	0.12
2	19-Local Administration	125.18	119.13	244.31	89.57	154.73	155.18	-0.45
3	20-School Education	1,554.64	71.64	1,626.28	1,235.76	390.52	336.49	54.03
4	24-Medical and Public Health Services	626.32	96.64	722.96	549.78	173.19	172.75	0.44
5	36-Environment, Forests and Climate change	222.43	28.17	250.60	111.46	139.14	139.12	0.02
6	38-Rural Development	368.10	165.76	533.86	304.98	228.87	227.14	1.73
7	45-Public Works	543.56	53.23	596.79	251.19	345.60	345.37	0.23
	Total	4,242.05	556.65	4,798.70	3,253.32	1,545.37	1,489.25	56.12
Capital (Voted)								
1	9-Finance	973.00	0.00	973.00	0.00	973.00	973.00	0.00
2	45-Public Works	213.86	378.19	592.05	416.17	175.88	175.88	0.00
	Total	1,186.86	378.19	1,565.05	416.17	1,148.88	1,148.88	0.00
	Grand Total	5,428.91	934.84	6,363.75	3,669.49	2,694.25	2,638.13	56.12

Source: Appropriation Accounts

Appendix V further lists the details of Grants which had surrendered funds in excess of ₹ 10 crore by 31 March 2021. Audit scrutiny of the Appropriation Accounts revealed that in seven out of the 28 grants, the reasons for the savings in expenditure during the year were not provided, savings in 15 out of the remaining cases were due to non-release/short release of funds by GoI, non-receipt of expenditure sanction from the State Government, etc. This has been a common occurrence through the previous years and points to weak budgetary control by the State Government.

Chart 3.3 shows the status of savings and surrenders occurring from these savings before the close of the year. As may be seen from the chart, an amount of ₹ 3,283.61 crore was surrendered from the total gross savings of ₹ 3,376.53 crore leaving a balance of ₹ 92.92 crore which was not surrendered. As per records available, all surrenders occurred on 31 March 2021.

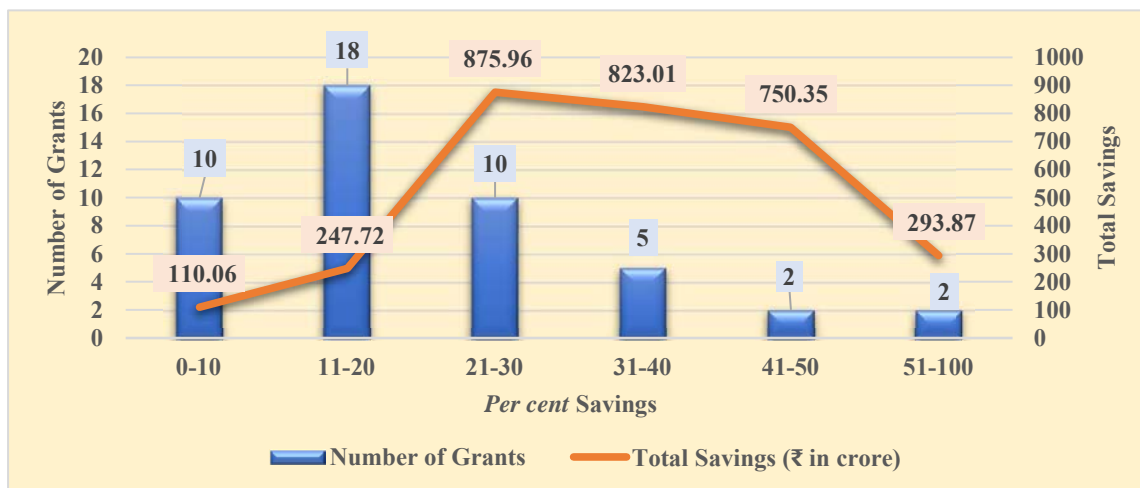
Chart 3.3 : Savings and surrenders before close of financial year 2020-21*(₹ in crore)*

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

²² Savings above ₹ 100 crore

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

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



Source: Appropriation Accounts

Out of total provisions made for each Grant during the year, 10 out of 48 grants had savings of 0-10 *per cent*, 18 grants had savings between 11-20 *per cent*, 10 grants had savings between 21-30 *per cent*, 5 grants had savings between 31-40 *per cent*, 2 grants had savings between 41-50 *per cent* and 2 grants had savings above 50 *per cent*. The largest savings from an individual grant occurred in Grant 19 – Local Administration which had a savings of ₹ 154.73 crore which was 63.33 *per cent* of total allocation. Occurrence of such huge savings in any grant is indicative of poor budgetary estimations.

3.4.5 Excess expenditure and its regularisation

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

3.4.5.1 Excess expenditure during 2020-21

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

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

Excess expenditure over the provision for the year is not only in contravention of the provisions requiring Legislative sanction but is also indicative of bad planning, which could be avoided by keeping track of expenditure progression with budget made for the purpose. Cases of excess expenditure over the provisions for the financial year are carefully examined to ascertain whether sufficient reasons were available to disregard prevalent rules and also to determine if these reasons, if available, were justifiable.

A summary of excess expenditure requiring regularisation during 2020-21 is given in **Table 3.5**.

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

(₹ in crore)

Type of Expenditure		Name of Department/Grant			
		Finance		Public Debt	
		Total Grant	Actual Expenditure	Total Grant	Actual Expenditure
Voted	Revenue	1,254.45	1,530.21	0.00	0.00
	Capital	0.00	0.00	0.00	0.00
Charged	Revenue	0.00	0.00	414.53	444.99
	Capital	0.00	0.00	1,104.37	1,617.89
Grant/Appropriation Number		9		NA	
Total Excess		275.76		543.98	
Grand Total		819.74			

Source: Appropriation Accounts

During 2020-21, there was a total excess disbursement of ₹ 819.74 crore under one Grant (9–Finance) and one appropriation (Public Debt). Reasons for excess disbursement had not been intimated by the Government (July 2021).

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

3.4.5.2 Regularisation of excess expenditure during the five-year period

Excess expenditure remaining unregularised for extended periods dilutes legislative control over the executive and is in violation of Article 204 (3) of the Constitution, which provides that no money shall be withdrawn from the Consolidated Fund except under appropriation made by Law by the State Legislature. This vitiates the system of budgetary and financial control and encourages financial indiscipline in management of public resources. The excess expenditure relating to the period 2016-17 to 2020-21 not yet regularised have been shown in **Table 3.6**.

Table 3.6 : Excess expenditure during 2016-17 to 2020-21 requiring regularisation*(₹ in crore)*

Year	Grant No./ Appropriation	Grant/ Appropriation details	Amount of excess required to be regularised as commented in the Appropriation Accounts
Revenue Portion			
2017-2018	2	Governor	0.07
2019-2020	3	Council of Ministers	0.61
2019-2020	22	Sports & Youth Services	0.65
2019-2020	27	District Councils and Minority Affairs	0.01
2019-2020	30	Disaster Management and Rehabilitation	8.52
2019-2020	37	Co-operation	0.11
2020-2021	9	Finance	275.76
Capital Portion			
2016-2017	45	Public Works	61.46
2017-2018	20	School Education	10.38
2017-2018	45	Public Works	2.12
2019-2020	13	Personnel and Administrative Reforms	0.01
Revenue Portion (Charged)			
2020-2021	...	Public Debt	30.46
Capital Portion (Charged)			
2019-2020	...	Public Debt	9.43
2020-2021	...	Public Debt	513.52
TOTAL	14		913.11

Source: Appropriation Accounts

During the period 2016-21, there was an excess expenditure of ₹ 913.11 crore under 11 Grants and one Appropriation, covering 11 departments which was yet to be regularised in accordance with Article 205 of the Constitution.

3.5 Comments on Transparency of Budgetary and Accounting process

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

3.5.1 Lump Sum budgetary provisions

Lump sum provision in estimates are generally discouraged except in cases where urgent measures are to be provided for meeting emergent situations or for meeting preliminary expenses on a project/scheme which has been accepted in principle for being taken up in the financial year. Detailed explanations justifying provision proposed are required to be given in the budget note accompanying the lump sum estimates. Lump sum provisions without identifying the exact object of expenditure is against transparency. In the case of Union Government, for example, Rule 8 of DFPRs stipulates that object head '42-Lump sum provision' should be used to record expenditure in respect of schemes whose provision does not exceed ₹ 10 lakhs. No cases of lumpsum provision by Government of Mizoram were found during 2020-21 which indicated 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 Government of Mizoram.

3.6.1 Budget projection and gap between expectation and actual

Efficient management of tax administration/other receipts and public expenditure holds the balance for achievement of various fiscal indicators. Budgetary allocations based on unrealistic proposals, poor expenditure monitoring mechanism, weak scheme implementation capacities/ weak internal controls lead to sub-optimal allocation among various developmental needs. Excessive savings in some departments deprives other departments of the funds which they could have utilised. **Table 3.7** gives the summarised position of actual expenditure as compared to the original and supplementary budget provisions during 2020-21.

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

(₹ in crore)

Nature of expenditure			Original Grant	Suppl. Grant	Total	Expenditure	Savings (-)/ Excess (+)	Details of Surrender	
								Amount	Per cent
Voted	I	Revenue	8,757.05	1,246.98	10,004.03	8,155.36	-1,848.67	2,044.94	110.62
	II	Capital	1,323.96	1,052.37	2,376.33	1,128.87	-1,247.46	1,234.07	98.93
	III	Loans and Advances	0.00	0.00	0.00	0.00	0.00	0.00	NA
Total Voted			10,081.01	2,299.35	12,380.36	9,284.23	-3,096.13	3,279.01	105.91
Charged	IV	Revenue	445.06	2.10	447.16	472.98	25.82	4.60	17.82
	V	Capital	0.00	0.00	0.00	0.00	0.00	0.00	NA
	VI	Public Debt Repayment	369.19	735.18	1,104.37	1,617.89	513.52	0.00	0.00
Total Charged			814.25	737.28	1,551.53	2,090.87	539.34	4.60	0.85
Appropriation to Contingency Fund			0.00	0.00	0.00	0.00	0.00	0.00	NA
Grand Total			10,895.26	3,036.63	13,931.89	11,375.10	-2,556.79	3,283.61	128.43

Source: Appropriation Accounts.

As against the total budget provision of ₹ 13,931.89 crore, the Government could spend ₹ 11,375.10 crore. The net savings of ₹ 2,556.79 crore was the result of overall savings of ₹ 3,376.53 crore in 46 Grants under Revenue Section and 16 Grants under Capital Section offset by excess of ₹ 819.74 crore in one Grant and one Appropriation under Revenue Section and one Appropriation under Capital Section.

Out of overall gross savings of ₹ 3,376.53 crore, savings of ₹ 3,283.61 crore (97.25 per cent) were surrendered on the last working day of March 2021 as shown in **Chart 3.3**. The Finance Department needs to take stringent measures to curb this violation of Budgetary Rules.

Table 3.8 shows the details of budget and actual expenditure over the five-year period from 2016-17 to 2020-21.

Table 3.8 : Original Budget, Revised Estimate and Actual Expenditure during 2016-21

	2016-17	2017-18	2018-19	2019-20	2020-21
Original budget	8,218.65	8,803.09	9,672.64	10,872.58	10,895.26
Supplementary Budget	1,645.38	2,286.36	2,926.66	3,474.15	3,036.63
Revised Estimate (RE)	9,864.03	11,089.45	12,599.30	14,346.73	13,931.89
Actual Expenditure	7,580.41	9,284.96	9,790.41	11,367.37	11,375.10
Savings/Excess	-2,283.62	-1,804.49	-2,808.89	-2,979.36	-2,556.79
Savings as Percentage of RE	23.15	16.27	22.29	20.76	18.35

(₹ in crore)

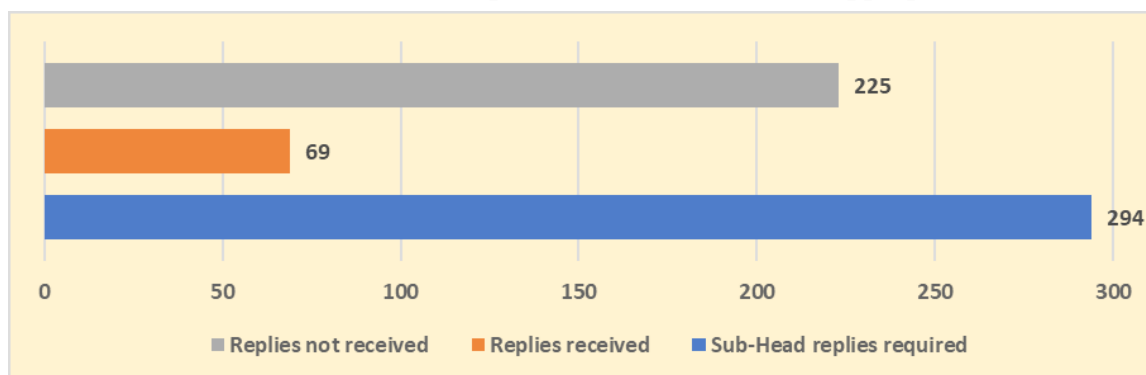
Source: Appropriation Accounts

As may be seen from the table, the total allocation in the budget of the State increased by 41.24 per cent from ₹ 9,864.03 crore in 2016-17 to ₹ 13,931.89 crore in 2020-21. During the same period, savings had also increased by 11.96 per cent from ₹ 2,283.62 crore in 2016-17 to ₹ 2,556.79 crore in 2020-21.

Supplementary provisions exhibited an upward trend over the five-year period, growing from 20.02 per cent to 27.87 per cent of original allocations in 2016-17 and 2020-21 respectively.

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 294 explanations due to be received from the Government for excess and/or savings in expenditure, 69 replies had been received (July 2021) and 225 explanations were yet to be received at the time of preparing this report.

Chart 3.5 : Summary of Explanations for Variation in Appropriations



Source: Appropriation Accounts

3.6.2 Supplementary budget and opportunity cost

At times, while obtaining supplementary provision, the Departments 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.

During 2020-21 there were 11 Sub-heads under seven Grants which had no expenditure at all although supplementary budgetary allocation had been made by the Government under the grant. The total savings in these sub-heads amounted to of ₹ 58.55 crore. Details are in **Appendix VI**.

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

Several policy initiatives taken up by the Government are partially or not executed due to non-approval of scheme guidelines/modalities, non-commencement of works for want of administrative sanction, non-release of budget, etc. This deprives the beneficiaries of intended benefits. Savings in such schemes deprives other Departments of the funds which they could have utilised. **Table 3.9** gives details of schemes/ projects for which budget provision of ₹ one crore and above was made but no expenditure was incurred.

Table 3.9 : Details of the schemes/projects for which provision of ₹ 1 crore and above was made but no expenditure was incurred during Financial Year 2020-21

(₹ in crore)

Sl. No	Department Name	Scheme Name	Budgetary provision	Actual expenditure	Reasons
1	Finance	Capital Outlay on other Fiscal Services New Economic Development Policy (NEDP)	428.00	Nil	Withdrawal of entire original provision of ₹ 428.00 crore by way of surrender, stated due to re-provision of fund to other Department.
2	Public works	Capital Outlay on Road Transport-Socio-Economic Development Policy (SEDP)	1.74	Nil	Withdrawal of entire original provision of ₹ 1.74 crore by way of surrender, stated due to non-receipt of Expenditure sanction from Government of Mizoram.
Total			429.74		

Source: Appropriation Accounts

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

3.6.4 Trend of Expenditure

Government funds should be evenly spent throughout the year and the rush of expenditure towards the end of the financial year is regarded as a breach of financial propriety. Maintaining a steady pace of expenditure is a crucial component of sound public financial management, as it obviates fiscal imbalance and temporary cash crunches due to mismatch of revenue expenditure during a particular month arising out of unanticipated heavy expenditure in

that particular month. **Table 3.10** provides the details of grants with expenditure more than 50 per cent of total allocation in March alone. The grants have been listed in decreasing order of expenditure during the month of March 2021.

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

(₹ in crore)

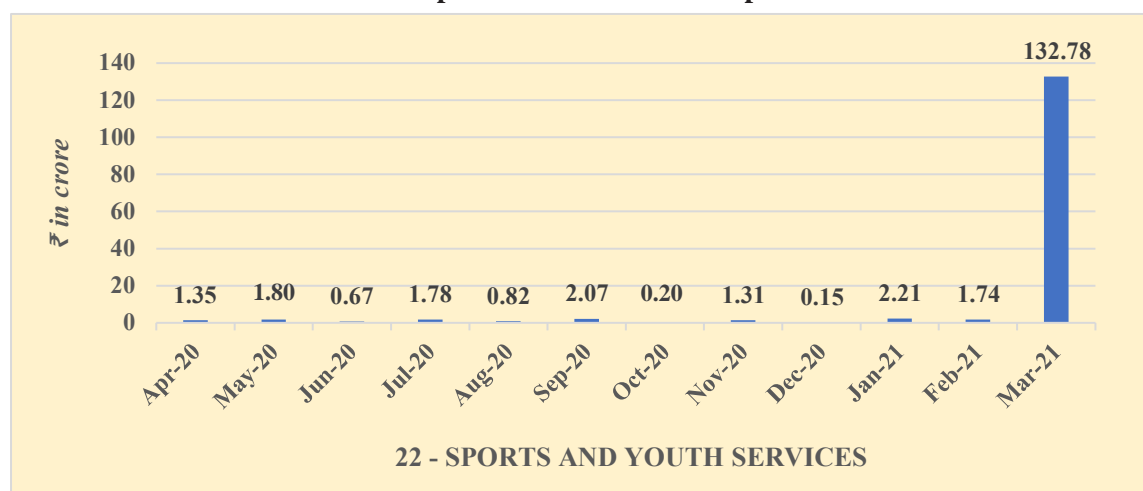
Sl. No	Grant No. & Description	Q1	Q2	Q3	Q4	Total	Expenditure in March	
							Amount	As per cent of Total
1	22 - Sports and Youth Services	3.82	4.67	1.66	136.73	146.88	132.78	90.40
2	46 - Urban Development and Poverty Alleviation	7.75	6.65	53.29	196.87	264.56	188.59	71.28
3	47 - Irrigation and Water Resources	3.73	3.19	2.05	30.33	39.30	27.85	70.87
4	31 - Agriculture	13.92	12.52	9.46	117.68	153.58	105.38	68.62
5	Public Debt	3.91	12.69	200.99	2,885.59	3,103.18	1,931.28	62.24
6	29 - Social Welfare	23.04	14.07	29.58	141.93	208.62	129.52	62.08

Source: Appropriation Accounts

From the table it may be seen that in six 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 90.40 per cent in Grant 22 – Sports and Youth Services and 62.08 per cent in Grant 29 – Social Welfare.

Chart 3.6 depicts the monthly trend of expenditure in Grant 22 – Sports and Youth Services. As may be seen from the chart expenditure during March 2021 was very high when compared to the other 11 months of the financial year. The percentage increase of expenditure in March 2021 when compared to the average expenditure of the other 11 months was seen to be 2,640.11 per cent.

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



Source: VLC Data

3.6.5 Review of selected grants

During the year 2020-21, **Grant No. 25–Water Supply and Sanitation** 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 2020-21 in respect of the Grant is given below:

Table 3.11 : Budget and expenditure under Grant No. 25 during 2020-21

(₹ in crore)

Nature of Expenditure	Budget Provision			Actual Expenditure	Savings (-)/ Excess (+)
	Original	Supplementary	Total		
Revenue	213.33	13.98	227.31	214.41	-12.90
Capital	14.63	255.31	269.94	252.58	-17.36
Total	227.96	269.29	497.25	466.99	-30.26

Source: Appropriation Accounts

It can be seen from the above table that the Grant had savings of ₹ 12.90 crore and ₹ 17.36 crore under Revenue and Capital sections respectively. The Chief Controlling Officer (CCO) of the Department stated that savings of ₹ 12.90 crore was due to non-receipt of expenditure sanction from the Government. However, no reasons for savings of ₹ 17.36 crore were given (July 2021).

In view of the final savings of ₹ 30.26 crore, supplementary provision of ₹ 269.29 crore obtained during the year proved to be required as the total savings made up only six *per cent* of total provisions. However, original budget provision of ₹ 14.63 crore under Capital section appeared to be thoroughly inadequate considering the final expenditure of ₹ 269.94 crore. This indicated a lack of budgetary foresight and planning.

3.6.5.2 Persistent Savings

During the period from 2016-17 to 2020-21, there were persistent savings within the grant as shown in **Table- 3.12** below. The percentage of savings to total grant ranged between zero and 7.10 *per cent*.

Table 3.12 : Persistent Savings

(₹ in crore)

25-Water Supply and Sanitation	Amount of Savings				
	2016-17	2017-18	2018-19	2019-20	2020-21
Revenue	0.00	24.65	9.66	6.12	12.90
Capital	0.00	0.00	14.63	3.28	17.36
Total Savings	0.00	24.65	24.29	9.40	30.26
Total Grant	313.43	347.28	386.10	406.93	497.24
Percentage of savings to total Grant	0.00	7.10	6.29	2.31	6.09

Source: Appropriation Accounts of respective years

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

3.6.5.3 Substantial Surrenders

There was surrender of ₹ 17.18 crore from a total provision of ₹ 24.74 crore amount which was more than 50 per cent of total provision within this grant in respect of a sub-head on account of non-receipt of expenditure sanction from the Government as shown in **Table 3.13**.

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

(₹ in crore)

Head and details of scheme	Total Provision	Details of surrender		Reasons
		Amount	Per cent	
4215-02-102-03 Swachh Bharat Mission /CSS	24.74	17.18	69.44	Due to non-receipt of expenditure sanction from the Government
Total	24.74	17.18	69.44	

Source: Appropriation Accounts, 2020-21

3.7 Conclusion

Against the total budget provision of ₹ 13,931.89 crore, State Government Departments incurred an expenditure of ₹ 11,375.10 crore. There was an overall savings of ₹ 3,376.53 crore which was offset by excess of ₹ 819.74 crore under one Grant and one appropriation, resulting in net savings of ₹ 2,556.79 crore.

Utilisation of budget ranged between 76.85 per cent (2016-17) and 83.73 per cent (2017-18) during the last five years, with 81.65 per cent utilisation during 2020-21.

An amount of ₹ 6,479.55 crore was allocated for 22 Grants under Revenue (Voted) section which subsequently closed with savings of at least ₹ 50 lakhs in each grant. Further, it was found that total expenditure of ₹ 4,544.95 crore (70.14 per cent) was incurred out of total allocation which meant that approximately 30 per cent of the funds allocated to 22 out of the 48 Grants and appropriation were not utilised.

During the year, there were savings of ₹ 100 crore or more in eight Grants/Appropriations and savings under 19 Grants were more than 20 per cent of the total provisions made under the respective grants.

The largest savings of ₹ 154.73 crore occurred under Grant 19 - Local Administration which was 63.33 per cent of total allocation.

Analysis of Grant No. 25 - Water Supply and Sanitation revealed substantial persistent savings in four out of five years during the period 2016-21. The percentage of savings to total grant ranged between 2.31 and 7.10 per cent.

During the period 2016-21, there was an excess expenditure of ₹ 913.11 crore under 11 Grants and one Appropriation, covering 11 Departments which was yet to be regularised in accordance with Article 205 of the Constitution.

3.8 Recommendations

1. *State Government needs to ensure that the departments submit budget proposals which reflect their financial requirements to the closest possible. The Finance Department also needs to conduct a thorough scrutiny of the budget so that unrealistic estimates do not get passed in the budget.*
2. *An appropriate budget monitoring and control mechanism needs to be instituted to ensure that anticipated savings are identified and surrendered within the specified timeframe and demands for supplementary grants made as per actual requirements depending on the remaining budgetary positions of the departments.*
3. *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 regularised at the earliest.*

