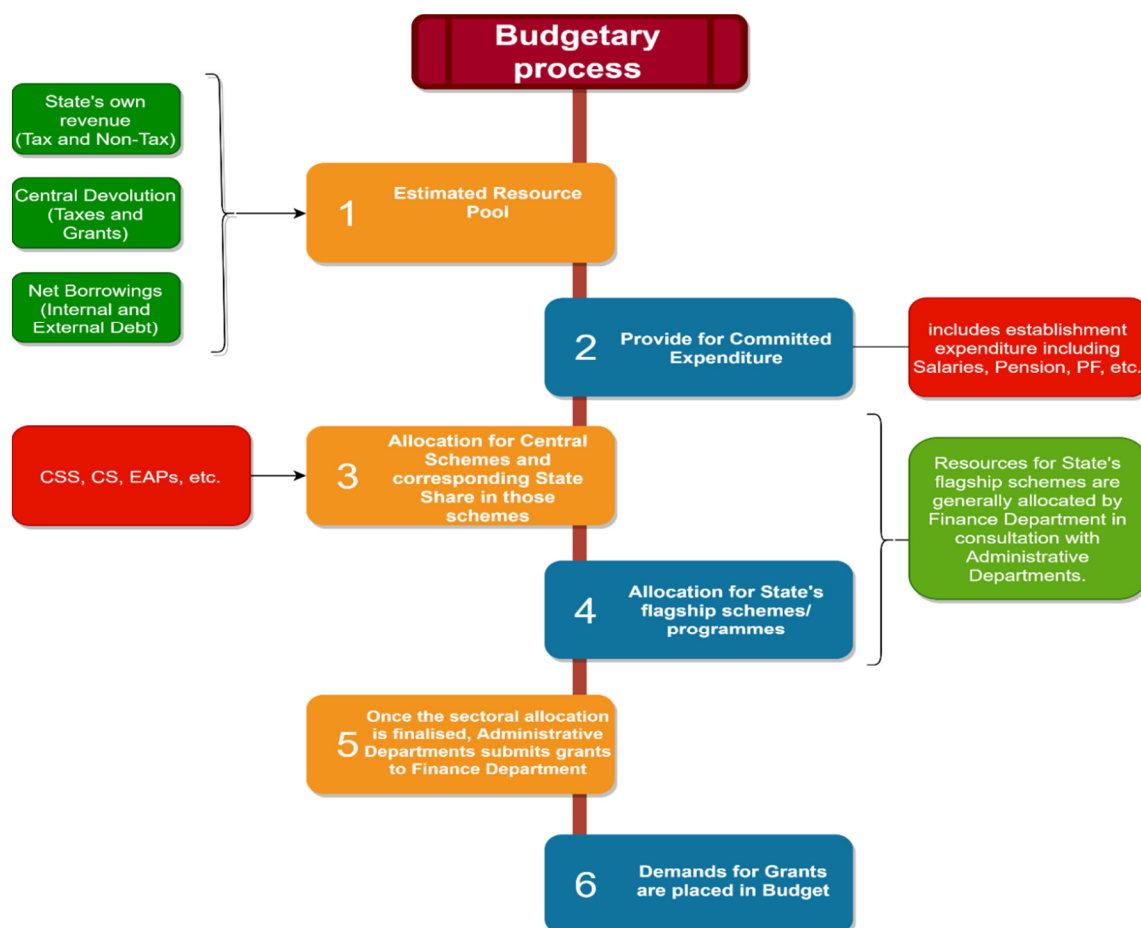


Chapter III: Budgetary Management

3.1 Budget Process

The annual exercise of budgeting is a means for detailing the roadmap for efficient use of public resources. Budget glossary is given in *Appendix 1.1 Part A*. The Budget process commences with the issue of the Budget Circular, normally in August each year, providing guidance to the Departments in framing their estimates, for the next financial year. A typical budget preparation process in a State is shown as under:



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

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

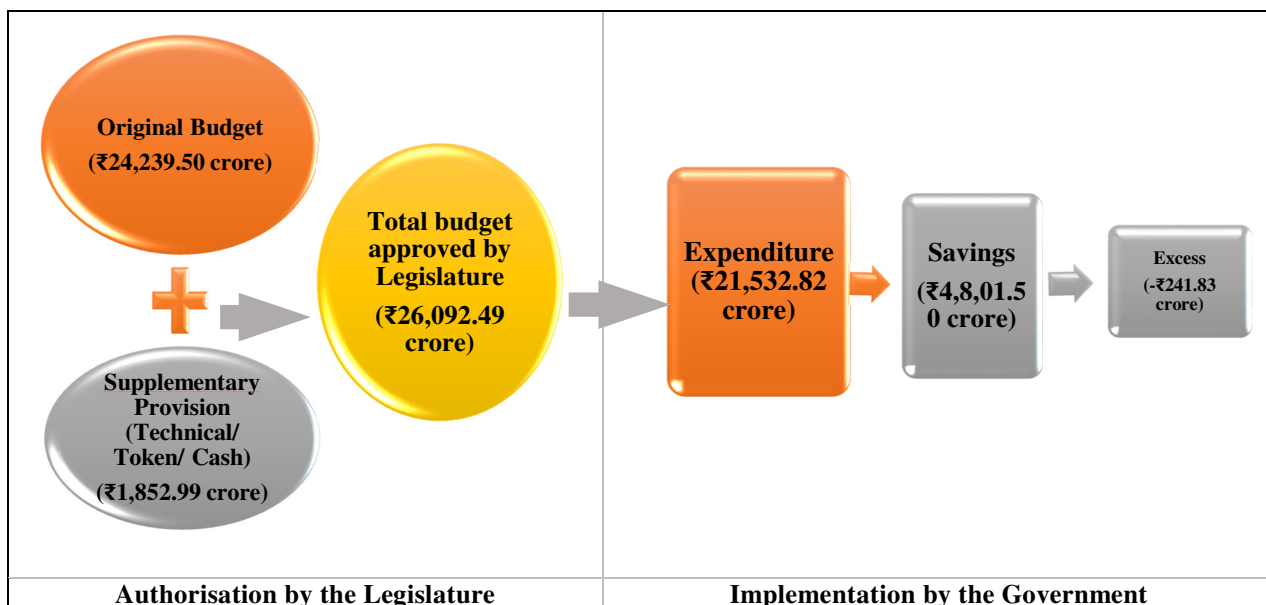
In the absence of a Budget Manual, the State Government has been following various provisions of the Constitution of India, General Financial Rules and guidelines issued by the Central Government.

Legislative authorisation is the *sine qua non* for incurrence of all expenditure by the State Government. To guide individual Government Departments, the State Government framed financial rules and provided for delegation of financial powers. These delegations establish the limits for incurrence of expenditure and the levels authorised to sanction such expenditure together with restrictions on appropriation and re-appropriations.

The State Government secures legislative approval for expenditure out of the Consolidated Fund of the State by presenting its annual Budget and 82 Demands for Grants. Normally, every Department has one Demand for Grant, to ensure that Heads of Departments take responsibility for implementing the policy decisions and expending public funds for the intended purposes.

Apart from supplementary grant, re-appropriation can also be used to re-allocate funds within a Grant. Re-appropriation is the transfer, by competent authority, of savings from one unit of appropriation to meet additional expenditure under another unit within the same section (Revenue-Voted, Revenue-Charged, Capital-Voted, Capital-Charged) of the Grant or Charged Appropriation. Various components of budget are depicted in **Chart 3.1:**

Chart 3.1: Components of Budget



Source: Appropriation Accounts, 2022-23

During the current year, the total budget approved by the State Legislature (₹26,092.49 crore) was ₹448.03 crore (1.75 per cent) more than the previous year (₹25,644.46 crore). The Budget Outlay of the State grew at a CAGR of 6.26 per cent from ₹20,469.97 crore in 2018-19 to ₹26,092.48 crore in 2022-23. The overall Savings, during the year, was ₹4,559.67 crore which was 40.64 per cent of the Supplementary provision of ₹1,852.99 crore. During the year, the excess expenditure (₹241.83 crore) over the budgetary provision occurred in seven grants. The overall expenditure of the State, during the year, was ₹21,532.82 crore which was ₹158.03 crore (0.73 per cent) lesser than the previous year (₹21,690.85 crore).

Chart 3.1 indicates that Supplementary Grant of ₹1,852.99 crore was not required as the gross expenditure was ₹2,706.68 crore less than the Original Provisions. It is pertinent to mention that Supplementary Grant was taken on 28 March 2023 and total expenditure as of February 2023 was only ₹18,179.83 crore as per monthly civil accounts submitted by the Treasuries, leaving ₹6,059.67 crore with the State Government for the remaining 31 days. With the Supplementary Grant, total funds available with the State Government were ₹7,912.66 crore, which was 43 *per cent* of the total expenditure in the first 11 months of 2022-23. This was indicative of over estimation and need for better financial management.

3.1.1 Summary of total provisions, actual disbursements and savings during 2022-23

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

Table 3.1: Budget provision, disbursement and savings/excess during 2022-23

(₹ in crore)							
Total Budget provision		Disbursements		Savings		Excess	
Voted	Charged	Voted	Charged	Voted	Charged	Voted	Charged
18,031.26	8,061.22	15,169.20	6,363.62	3,103.84	1,697.66	241.78	0.06

Source: Appropriation Accounts, 2022-23

There was an overall savings of ₹4,801.50 crore during the year 2022-23 which was 18.44 *per cent* of total Grants/ Appropriations and 22.34 *per cent* of the expenditure.

These savings may be seen in the context of estimation of Receipts of ₹23,145.66 crore by the State Government and estimation on the expenditure side being ₹26,092.48 crore during the year 2022-23. This implied that the savings were notional, as the funds were not actually available for expenditure. This is an indicative of poor exercise of budget formulation in the State.

3.1.1.1 Charged and voted disbursements

Break-up of total disbursement into charged and voted during the last five-year (2018-23) is given in **Table 3.2**.

Table 3.2: Break-up of total disbursement into charged and voted during 2018-23

Year	Disbursements		Saving (-)/ Excess (+)	
	Voted	Charged	Voted	Charged
	2018-19	11,538.47	3,619.72	(-) 2,992.08
2019-20	11,869.85	7,863.79	(-) 2,726.39	(-) 36.39
2020-21	11,843.76	10,801.26	(-) 3,784.94	(-) 465.69
2021-22	12,768.59	8,922.26	(-) 3,609.17	(-) 344.44
2022-23	15,169.20	6,363.62	(-) 2,862.06	(-) 1,697.60

Source: Appropriation Accounts of respective years

As can be seen from **Table 3.2**, there were savings under Voted and Charged heads in all the years during the five-year period of 2018-23.

3.1.1.2 Budget marksmanship

Aggregate Budget Outturn

Aggregate Budget Outturn measures the extent to which the aggregate budget expenditure outturn/ actual expenditure reflects the amount originally approved, both in terms of less than approved and more than approved.

(₹ in crore)

Description	Original Approved Budget (BE)	Actual Outturn	Difference between Actual and BE*
(1)	(2)	(3)	(3)-(2)
Revenue	21,206.25	18,828.60	(-) 2,377.65
Capital	3,033.25	2,704.22	(-) 329.03
Total	24,239.50	21,532.82	(-) 2,706.68

*Excess of actual over original provision is denoted as (+) figure and shortage of actuals over original provision is denoted as (-) figure

In Revenue section, deviation in outturn compared with BE was (-) 11.21 per cent. This was due to deviation between 0 and ± 25 per cent in 68 grants, between ± 25 to ± 50 per cent in nine grants and between ± 50 per cent to ± 100 per cent in five grants.

In Capital Section, deviation in outturn compared with BE was (-) 10.85 per cent. This was due to deviation between 0 and ± 25 per cent in 41 grants, between ± 25 to ± 50 per cent in six grants, between ± 50 to ± 100 per cent in 10 grants and equal to or more than 10 per cent in six grants. No provision was, however, made in respect of 19 grants of the Capital section.

Expenditure Composition Outturn

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

(₹ in crore)

Description	Original Approved Budget (BE)	Revised (RE)	Actual Outturn	Difference between BE & RE	Difference between Actual and RE*
(1)	(2)	(3)	(4)	(3)-(2)	(4)-(3)
Revenue	21,206.25	21,918.25	18,828.60	712.00	(-) 3,089.65
Capital	3,033.25	4,174.24	2,704.22	1,140.99	(-) 1,470.02
Total	24,239.50	26,092.49	21,532.82	1,852.99	(-) 4,559.67

* Excess of actuals over revised estimate is denoted as (+) figure and shortage of actuals over original provision is denoted as (-) figure

In Revenue section, deviation in outturn compared with RE was (-) 14.10 per cent. This was due to deviation between 0 and ± 25 per cent in 68 grants, between ± 25 to ± 50 per cent in nine grants and between ± 50 to ± 100 per cent in five grants.

In Capital section, deviation in outturn compared with RE was (-)35.22 per cent. This was due to deviation between 0 and ± 25 per cent in 45 grants, between ± 25 to ± 50 per cent in 11 grants and between ± 50 to ± 100 per cent in nine grants. No provision was, however, made in respect of 17 grants of the Capital section.

3.2 Appropriation Accounts

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

3.3 Comments on integrity of budgetary and accounting process

3.3.1 Expenditure incurred without authority of law

Rule 26 of General Financial Rules, 2017 stipulates that the duties and responsibilities of a controlling officer in respect of funds placed at his disposal are to ensure that (i) the expenditure does not exceed the budget provision and (ii) the expenditure is incurred for the purpose for which funds have been provided.

Audit scrutiny revealed that in Grant No. 31 School Education, expenditure of ₹10 lakh and above was incurred (total expenditure was ₹16.16 crore), without budget provision as detailed in *Appendix 3.1*. Expenditure without budget is violative of financial regulations as well as the will of the Legislature. This is also indicative of non-compliance of the Financial Rules by the Controlling officers in the Department.

3.3.2 Capital Expenditure as Revenue Expenditure and vice versa

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

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

1. During the year, an expenditure of ₹23.96 crore related to minor works was booked under Capital Expenditure instead of Revenue Expenditure as minor works/Maintenance and repairs. This ultimately led to overstatement of Capital Expenditure and understatement of Revenue Expenditure.
2. During the year, an expenditure of ₹3.29 crore related to major works was booked under Revenue Expenditure instead of Capital Expenditure. This led to overstatement of Revenue Expenditure and understatement of Capital Expenditure.

3.3.3 Unnecessary or excessive supplementary grants

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

Considerable Re-Appropriation from one Sub-Head to another must always be avoided. That fresh expenditure is unavoidable or imperatively necessary or that it will produce consequential economics or that it is essential for preserving the revenue or the public safety are reasonable justifications for introducing fresh expenditure during the year,

but in such circumstances, it must be shown that the requirements could not have been foreseen and provided for in the budget. The process of Re-Appropriation is not designed merely to rectify omissions and lack of foresight.

Supplementary Provision of ₹202.80 crore obtained by 13 Departments during the year proved unnecessary as the expenditure either did not come up to the level of Original Provision or the subsequent Supplementary Provision was not utilised by the Departments concerned as detailed in **Appendix 3.2**. Cases where supplementary provision (₹50 lakh or more in each case) proved unnecessary are given in **Table 3.3**.

Table 3.3: Details of cases where supplementary provision proved unnecessary

(₹ in crore)					
Sl. No.	Name of the Grant	Original	Supplementary	Actual Expenditure	Savings out of Original Provisions
(A) Revenue (Voted)					
1.	28- Civil Police	1,785.85	19.81	1,764.99	20.86
2.	32- Higher Education	207.49	30.39	198.33	9.16
3.	37- Municipal Administration	76.71	29.05	32.99	43.72
4.	43- Social Security and Welfare	312.68	98.58	274.00	38.68
5.	69- Fire and Emergency Services	42.80	1.78	41.96	0.84
Total A		2,425.53	179.61	2,312.27	113.26
(B) Capital (Voted)					
6.	26- Civil Secretariat	85.50	6.80	66.42	19.08
7.	32- Higher Education	98.07	15.70	33.04	65.03
Total B		183.57	22.50	99.46	84.11
Grand Total (A + B+ C)		2,609.10	202.11	2,411.73	197.37

Source: Appropriation Accounts, 2022-23

3.3.4 Unnecessary Re-appropriation

According to Financial Rules, reasons for additional expenditure and savings should be explained in the Re-appropriation statement and specific reasons should be given and expressions such as “based on actual requirements”, “based on trend of expenditure”, *etc.*, should be avoided. However, scrutiny of Re-appropriation orders issued by the Finance Department revealed that out of a total of 82 grants, Re-appropriation was done in 62 grants (76 per cent) on the last day without stating specific reasons for withdrawal of provision or additional provision by way of Re-appropriation of funds. This Re-appropriation on the last day of the financial year resulted in savings in nine Grants, which was avoidable, as discussed in **Paragraph 3.3.3**.

Injudicious (excess/unnecessary/insufficient re-appropriation) re-appropriation of Funds made during the year 2022-23 proved excessive (by 10 lakh or more and less than or equal to savings/ excess) resulting in savings of ₹67.50 crore in seventeen Sub-heads and Excess of ₹261.15 crore in twenty-seven Sub-heads as detailed in **Appendix 3.3**.

The Departments did not have enough time to utilise the re-appropriated funds as it was done on the last working day. Had re-appropriations been done in advance, the timely utilisation of funds could have been maximised. Substantial savings/Excess of more than ₹0.10 crore in respect of Heads of Account where re-appropriation was resorted to

or not made, reflects poorly on planning and monitoring of budget allocation and its utilisation by the State Government.

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

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

No object is served by keeping back savings which should ideally be surrendered in time. For this reason, appropriations which are likely to remain unspent must be reported for surrender as early as possible. If this is not done, other spending Departments are deprived of the funds which they could have utilised. Surrenders are made generally in the month of March. A careful study of figures of expenditure incurred and constant watch over the progress of last month's expenditure should enable a Controlling Officer to arrive 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 to keep the expenditure just within the modified Grant.

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

The audit of Grants revealed that there was a total Savings of ₹4,801.50 crore, out of which Savings of ₹4,770.09 crore occurred in 44 Grants (**Appendix 3.4**) which exceeded ₹One crore in each case or by more than 20 per cent of the Grant. Further, there were savings of ₹4,191.89 crore (savings were ₹50 crore and above in each case) in 13 Grants as shown in **Table 3.4**.

Table 3.4: List of Grants having large savings (savings above ₹ 50 crore) during the year
(₹ in crore)

Sl. No.	Number and name of the Grant	Total provision (O+S)	Expenditure	Saving/ Excess	Surrender
Revenue (Voted)					
1.	26- Civil Secretariat	359.60	240.63	118.97	118.97
2.	27- Planning Machinery	155.72	41.30	114.42	114.41
3.	31- School Education	1,856.95	1,798.73	58.22	115.80

Sl. No.	Number and name of the Grant	Total provision (O+S)	Expenditure	Saving/ Excess	Surrender
4.	35- Medical, Public Health and Family Welfare	894.13	794.58	99.55	100.01
5.	37- Municipal Administration	105.76	32.99	72.77	72.76
6.	42- Rural Development	962.50	540.07	422.43	422.24
7.	43- Social Security and Welfare	411.26	274.00	137.26	79.19
8.	48- Agriculture	418.80	283.17	135.63	135.63
Capital (Voted)					
1.	27- Planning Machinery	644.98	196.79	448.19	448.18
2.	32- Higher Education	113.77	33.04	80.73	80.73
3.	37- Municipal Administration	511.33	157.87	353.46	356.86
4.	52- Forest, Environment and wildlife	95.00	37.07	57.93	65.32
5.	58- Roads and Bridges	875.56	814.78	60.78	144.90
6.	60- Water Supply	416.39	80.95	335.44	335.44
Revenue (Charged)					
1.	75-Servicing of Debt	1,203.26	993.23	210.03	210.04
Capital (Charged)					
1.	75-Servicing of Debt	6,810.37	5,324.29	1,486.08	1,486.08
Grand Total		15,835.38	11,643.49	4,191.89	4,286.56

Source: Appropriation Accounts, 2022-23 O-Original; S-Supplementary

It was observed that out of the above 13 Grants, in one Grant, there was persistent low utilisation (less than 50 per cent) in the last five years from 2018-19 to 2022-23. This is indicative of lack of checking by the Administrative and Finance Departments of the estimates, applying unrelentingly the proven and well-tried check of average of previous actuals with known or reasonably foreseeable facts.

Details of utilisation of budgetary allocation in this Grant are shown in **Table 3.5**.

Table 3.5: Budget utilisation less than 50 per cent (in 2022-23)

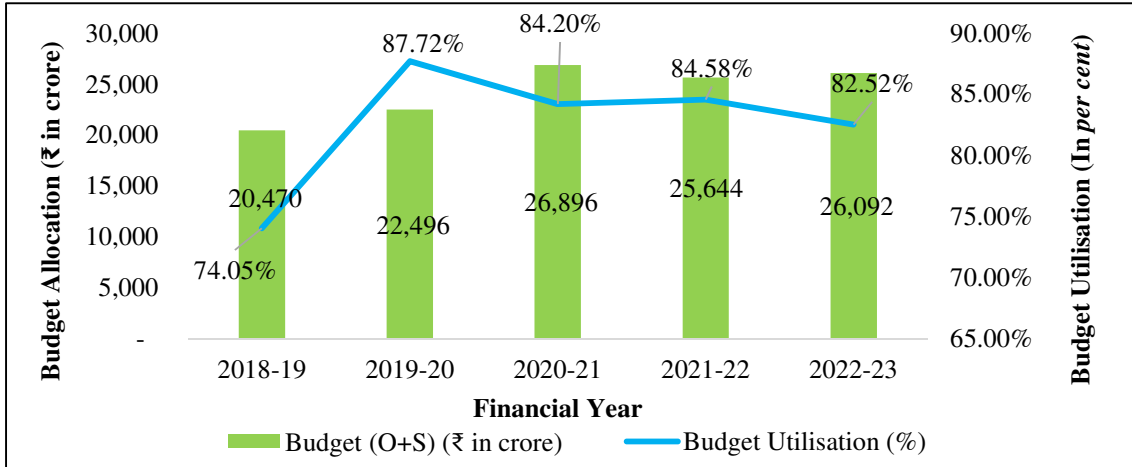
Grant	Budget utilisation during the years: (in per cent)					Number of years*	Budget 2022-23	Total Budget for five years
	2018-19	2019-20	2020-21	2021-22	2022-23		₹ in crore	
27-Planning Machinery	27.89	37.37	27.17	28.25	29.74	05	800.69	4,418.06

Source: Appropriation Accounts of respective years

* Number of years with utilisation below 50 per cent

It can be seen from **Table 3.5** that in Grant 27, low utilisation (less than 50 per cent) was noticed in all the five years. This is indicative of systemic issues that warrant a close review by the Government to enable initiation of corrective measures.

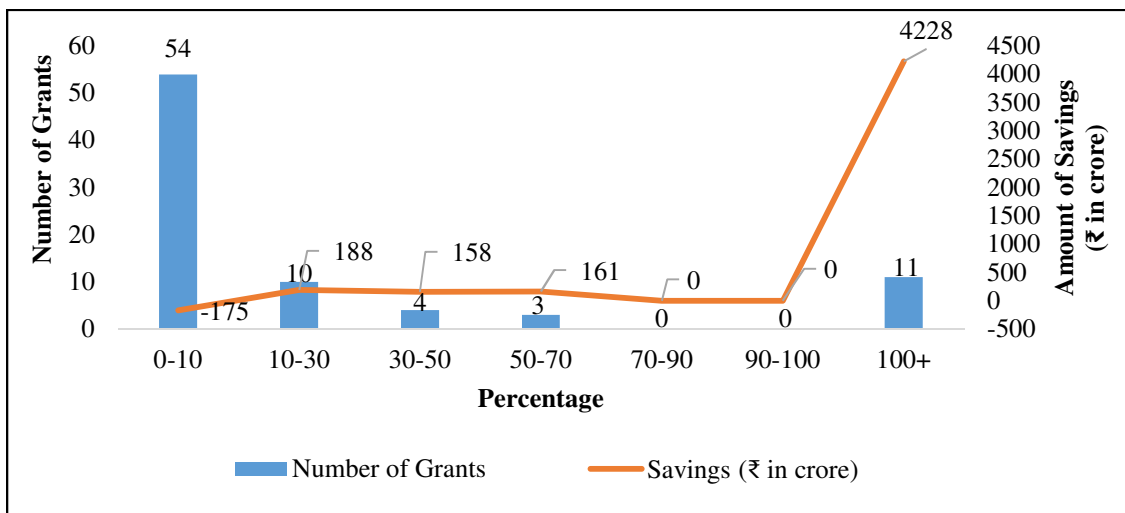
Utilisation of budgeted funds by the State has been sub optimal every year during the past few years. The extent of utilisation of budget during the five-year period from 2018-19 to 2022-23 is in **Chart 3.2**.

Chart 3.2: Budget Utilisation during 2018-19 to 2022-23

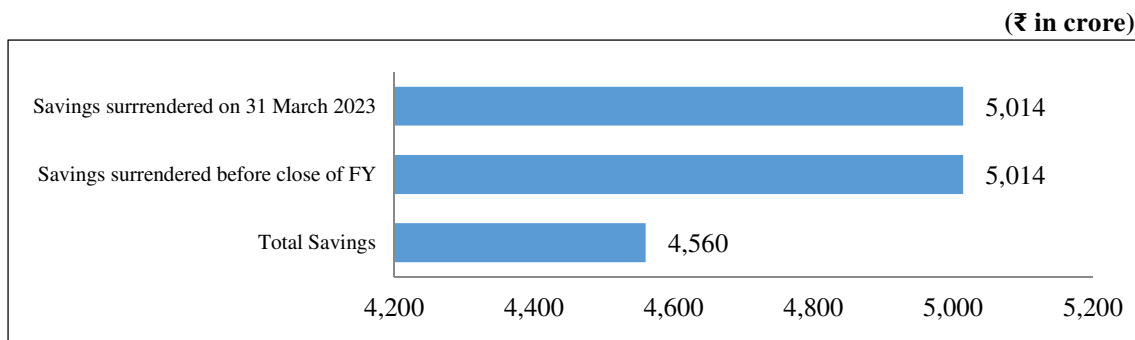
Source: Appropriation Accounts of the respective years

As can be seen from **Chart 3.2**, utilisation of budget has been around 83 *per cent* during four of the last five years and has shown fluctuating trend, though it was minimum at around 74 *per cent* in 2018-19. Large amount of savings in allocated funds indicate both poor budget management/ estimation/ inaccurate assessment of requirement as well as inadequate capacity to utilise the funds for intended purposes.

The distribution of number of Grants grouped by the percentage of savings for 2022-23 and the overall savings and surrenders before close of the financial year 2022-23, are depicted in **Chart 3.3** and **Chart 3.4**.

Chart 3.3: The distribution of the number of Grants grouped by the percentage of savings along with total savings in ₹one crore in each group

Source: Appropriation Accounts, 2022-23

Chart 3.4: Savings and surrenders before close of financial year 2022-23

Source: Appropriation Accounts, 2022-23 and Surrender/ Re-appropriation orders for 2022-23

3.3.6 Excess expenditure and its regularisation

Article 205(1) (b) of the Constitution of India provides that if more money has been spent on any service during a financial year than 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 over the executive, over utilisation of public money.

3.3.6.1 Excess expenditure relating to 2022-23

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.

It was observed that during 2022-23, there was an excess disbursement over grants of ₹241.83 crore under eight Departments. The summary of excess disbursements over grants during the financial year 2022-23 is given below:

Table 3.6: Summary of excess disbursements over grants during the financial year

(₹ in crore)

	Name of Department		Number of Grants
	Public Work/ Irrigation/ Forest	Other	
Revenue (Voted)	6.75	160.43	02
Revenue (Charged)	0.00	0.05	01
(A) Total Excess (Revenue)	6.75	160.48	03
Capital (Voted)	0.00	74.60	05
(B) Total Excess (Capital)	0.00	74.60	05
Grand Total (A + B)	6.75	235.08	08

Source: Appropriation Accounts, 2022-23

The details of the Major Head wise excess disbursement over the budget during the year 2022-23 requiring regularisation is shown in **Table 3.7**.

Table 3.7: Major Head wise excess disbursement over the authorisation from the Consolidated Fund of State during 2022-23

(₹ in crore)

Sl. No.	Grant No.	Major Head	Major Head Description	Total Provision	Re-appropriation	Total	Expenditure	Excess	Reason for excess stated by the Department
Revenue (Voted)									
1.	18	2071	Pension & Other Benefits	2,587.71	71.06	2,658.77	2,819.20	160.43	Department reply yet to be furnished
2.	52	2406	Forest, Environment & Wildlife	121.42	0.00	121.42	128.17	6.75	
Capital (Voted)									
3.	31	4202	Capital Outlay on Education, Sports, Art & Culture	24.07	93.79	117.85	119.64	1.79	Department reply yet to be furnished
4.	36	4217	Capital Outlay on Urban Development	130.01	0.00	130.01	140.89	10.88	
5.	47	5475	Capital Outlay on Other General Economic service	1.00	0.00	1.00	2.00	1.00	
6.	65	4202	Samagra Shiksha	0.97	0.00	0.97	0.97	0.00*	
7.	68	4055	Capital Outlay on Police	10.60	52.23	62.83	123.76	60.93	
Revenue (Charged)									
8.	1	2011	State Legislature	1.09	0.81	1.90	1.95	0.05	Department reply yet to be furnished
Total								241.83	

Source: Appropriation Accounts, 2022-23 *Due to rounding off the actual amount of ₹2000.

This excess disbursement is in violation of Article 204 of the Constitution of India which provides that no money shall be withdrawn from the Consolidated Fund, except under appropriation made by Law by the State Legislature. This vitiates the system of budgetary and financial control and encourages financial indiscipline in management of public resources.

3.3.6.2 Persistent excesses in certain Grants

Examination of records revealed that there was no grant having persistent excesses during the five-year period of 2018-23.

3.3.6.3 Regularisation of excess expenditure of previous financial years

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

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

Table 3.8: Excess expenditure relating to previous years (2018-22) requiring regularisation

(₹ in crore)			
Year	Name of Grants	Total Number of Grants	Amount of excess required to be regularised
2017-18	04,05,07,28,38,54,55,56,78	09	14.51
2018-19	22	01	0.01
2019-20	20,25,28,39,44,51,66,72,75,77	10	197.95
2020-21	45,53,66	3	1.48
Total			213.95

Source: Appropriation Accounts of respective years

During the period 2018-22, there was an excess expenditure of ₹213.95 crore under 21 Grants. This is in violation of Article 204 (3) of the Constitution of India which provides that no money shall be withdrawn from the Consolidated Fund except under appropriation made by Law by the State Legislature. This vitiates the system of budgetary and financial control and encourages financial indiscipline in management of public resources.

3.4 Comments on effectiveness of budgetary and accounting process

3.4.1 Budget projection and gap between expectation and actual

Efficient management of tax administration/ other receipts and public expenditure holds the balance for achievement of various fiscal indicators. Budgetary allocations based on unrealistic proposals, poor expenditure monitoring mechanism, weak scheme implementation capacities/ weak internal controls lead to sub-optimal allocation among various developmental needs. Excessive savings in some Departments deprives other Departments of the funds which they could have utilised.

The summarised position of actual expenditure during 2022-23 against 82 Grants is given in **Table 3.9**.

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

(₹ in crore)								
	Nature of expenditure	Original Grant	Supplementary Grant	Total	Actual expenditure	Net of Savings (-)	Surrender during March	
							Amount	per cent
Voted	I. Revenue	13,151.92	704.54	13,856.46	12,464.64	(-)1,391.82	1,575.21	113
	II. Capital	3,033.25	1,140.98	4,174.23	2,704.21	(-)1,470.02	1,741.20	118
	III. Loans and Advances	0.57	0.00	0.57	0.35	(-) 0.22	0.22	100
	Total	16,185.74	1,845.52	18,031.26	15,169.20	(-) 2,862.06	3,316.63	116
Charged	IV. Revenue	1,243.39	7.47	1,250.85	1,039.33	(-) 211.52	211.60	100
	V. Capital	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	VI. Public Debt-Repayment	6,810.37	0.00	6,810.37	5,324.29	(-)1,486.08	1,486.08	100
	Total	8,053.76	7.47	8,061.22	6363.62	(-) 1,697.60	1,697.68	100

Nature of expenditure	Original Grant	Supplementary Grant	Total	Actual expenditure	Net of Savings (-)	Surrender during March	
						Amount	per cent
Appropriation to Contingency Fund	--	--	--	--	--	--	--
Grand Total	24,239.50	1,852.99	26,092.48	21,532.82	(-)4,559.66	5,014.31	109.97

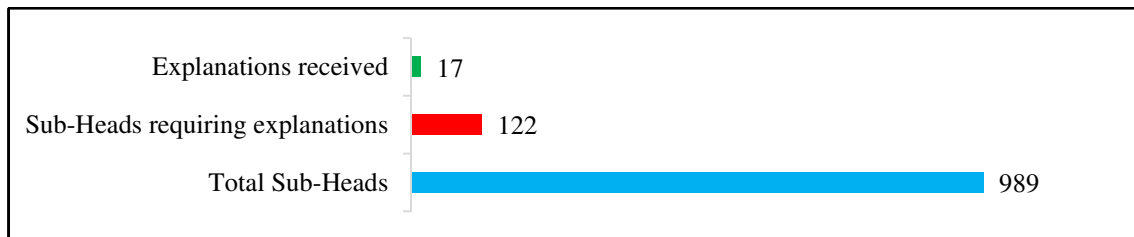
Source: Appropriation Accounts, 2022-23

During 2022-23, against the total budget approved by the State Legislature of ₹26,092.49 crore (Original: ₹24,239.50 crore plus Supplementary: ₹1,852.99 crore) the Departments incurred an expenditure of ₹21,532.82 crore leaving a net savings of ₹4,559.66 crore (17.47 per cent of the total budget).

Overall Savings of ₹4,559.66 crore (17.47 per cent of Total Allocation) was the result of Savings in 77 Grants under Revenue Section and 28 Grants under Capital Section. During the year, the amount surrendered was 109.97 per cent of overall Savings.

The Savings/ Excess (Detailed Appropriation Accounts for the year 2022-23) were intimated to all the 82 Controlling Officers requesting them to explain the significant variations. The Controlling Officers of 13 Departments of the State furnished their replies before finalisation of the Appropriation Accounts 2022-23. However, no valid reasons for the Savings/ Excess were explained or explicitly stated by any of the Departments. The status is given in **Chart 3.5**.

Chart 3.5: Summary of Explanation for Variation in Appropriation Accounts



Source: VLC data of AG (A&E)

The trend in percentage of overall saving/excess against overall provision in the budget for the last five years from 2018-19 to 2022-23 is detailed in **Table 3.10** and **Chart 3.6**.

Table 3.10: Original Budget, Revised Estimates and Actual Expenditure during 2018-23

	(₹ in crore)				
	2018-19	2019-20	2020-21	2021-22	2022-23
Original Budget (OB)	18,315.76	18,026.11	21,068.85	22,816.61	24,239.50
Supplementary Budget (SB)	2,154.21	4,470.31	5,826.79	2827.84	1,852.99
Total Budget (TB)	20,469.97	22,496.42	26,895.64	25644.46	26,092.48
Revised Estimate (RE)	15,110.88	19,172.92	22,829.66	21,620.98	23,121.12
Actual Expenditure (AE)	15,158.19	19,733.64	22,645.88	21690.85	21,532.82
Saving (-) /excess (+)	(-)5,311.78	(-)2,762.78	(-) 4,249.76	(-)3,953.61	(-)4,559.66
Percentage of SB to OB	11.76	24.80	27.66	12.39	7.64
Percentage of Savings to the overall provision	25.95	12.28	15.80	-15.42	-17.48
TB-RE	5,359.09	3,323.50	4,065.98	4,023.48	2,971.36
RE-AE	-47.31	-560.72	183.78	-69.87	1,588.30
(TB-RE) as percentage of TB	26.18	14.77	15.12	15.69	11.39
(RE-AE) as percentage of TB	-0.23	-2.49	0.68	-0.27	6.09

Source: Appropriation Accounts of respective years

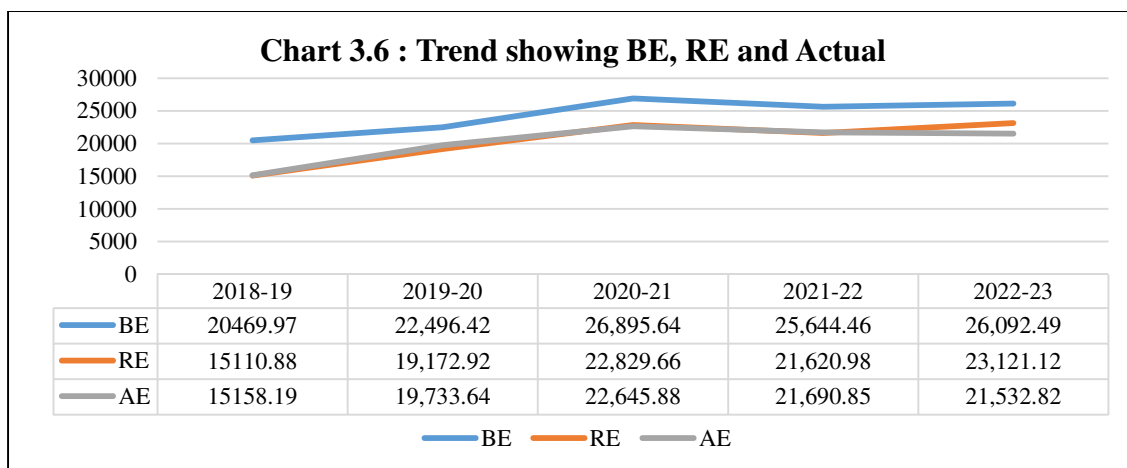


Table 3.10 shows that supplementary provision of ₹1,852.99 crore during 2022-23 constituted 7.64 per cent of the original provision as against 12.39 per cent in the previous year.

From the above Chart, it can be seen that over the years from 2018-19 to 2022-23, the Revised Estimate (RE) was always lower than the Total Budget (TB) of the State. The gap between the RE and the TB showed a fluctuating trend wherein during the first two years and last three years, it decreased though it increased from 2018-19 to 2019-20.

In terms of percentage, the RE was 26.18 per cent lower than the TB in 2018-19 which decreased to 11.39 per cent in 2022-23. Further, the percentage of Actual Expenditure (AE) during the same period was also lower than the RE in two years and it ranged between -0.27 to 6.09 per cent. Therefore, the supplementary provisions during these years proved unnecessary since the expenditure did not come up even to the level of original budget provisions.

This reflects that budgetary allocations were based on unrealistic proposal as Budget Estimates of the State were always inflated and the Actual Expenditure was less than the budgetary provision.

3.4.2 Supplementary budget and opportunity cost

At times, while obtaining supplementary provisions, the Departments report to legislature large additional requirement for different purposes under various schemes/activities; but finally, they are unable to spend not only the entire supplementary provision or parts thereof but also the original budget provision. As a result, the un-utilised funds cannot be made use of. At the same time, some of the schemes remain incomplete due to want of funds. Thus, the intended benefit of the unfinished schemes cannot be extended to the public at large in such cases. Further, this leads to escalation of project cost.

The Government also announces several new policies/schemes for implementation through the Finance Minister (FM) Budget Speech and other budget documents which is either for that Financial Year *i.e.*, one-time activity or is of recurring nature. Broadly, all the schemes, budget allocation thereon, timeframe of their completion and intended benefit announced by Government can be gathered from the Budget Speech of the FM.

Actual figures related to expenditure with funding pattern *i.e.*, from the State's own resources or from Central Government assistance or through debt may be gathered from the Finance Accounts of the State. Of these, several schemes/ programmes declared by the Government do not typically get operationalised due to lack of preparatory work and/or lack of adequate allocation of budget.

During the year, it was noticed that in 25 major grants (savings of more than ₹One crore or more than 20 *per cent* of the total provisions), the total budget provisions of ₹5,756.33 crore (Capital/ voted) proved unnecessary/ excessive as the actual expenditure of ₹5,141.77 crore did not come up to the total budget provisions resulting in ₹614.56 crore un-utilised funds under these grants as detailed in **Table 3.11**.

Table 3.11: List of grants with un-utilised fund during 2022-23

(₹ in crore)

Sl. No.	Name of the Grant	Original allocation	Supplementary	Total	Actual expenditure	Unutilised funds
Revenue (Voted)						
1.	1- State Legislature	40.28	21.10	61.38	59.94	1.44
2.	9- Taxes on Vehicles	16.00	0.18	16.18	15.61	0.57
3.	14- Jails	63.57	9.70	73.27	71.25	2.02
4.	21- Relief of Distress Caused by Natural Calamities	62.20	100.90	163.10	152.38	10.72
5.	28- Civil Police	1,785.85	19.81	1,805.66	1,764.99	40.67
6.	32- Higher Education	207.49	30.39	237.88	198.33	39.55
7.	33- Youth Resources and Sports	40.01	10.55	50.56	49.52	1.04
8.	37- Municipal Administration	76.71	29.05	105.76	32.99	72.77
9.	43- Social Security and Welfare	312.68	98.58	411.26	274.00	137.26
10.	51- Fisheries	32.54	8.34	40.88	36.63	4.25
11.	55- Power	648.63	120.49	769.12	759.48	9.64
12.	65- State Council of Education Research and Training	41.49	5.72	47.21	43.50	3.71
13.	69- Fire and Emergency Services	42.80	1.78	44.58	41.96	2.62
14.	78- Technical Education	25.76	21.49	47.25	44.97	2.28
15.	79- Border Affairs	2.86	0.05	2.91	2.82	0.09
Capital (Voted)						
16.	4- Administration of Justice	18.64	22.77	41.41	26.41	15.00
17.	26- Civil Secretariat	85.50	6.80	92.30	66.42	25.88
18.	32- Higher Education	98.07	15.70	113.77	33.04	80.73
19.	33- Youth Resources and Sports	0.50	39.99	40.49	20.96	19.53
20.	35- Medical, Public Health and Family Welfare	235.48	225.58	461.06	446.56	14.50
21.	42- Rural Development	6.00	20.00	26.00	16.00	10.00
22.	48- Agriculture	6.04	20.00	26.04	18.57	7.47
23.	50- Animal Husbandry and Dairy Development	3.00	0.16	3.16	1.87	1.29

Sl. No.	Name of the Grant	Original allocation	Supplementary	Total	Actual expenditure	Unutilised funds
24.	51- Fisheries	3.19	5.51	8.70	7.45	1.25
25.	53- Industries	2.30	31.59	33.89	29.74	4.15
26.	55- Power	14.03	67.30	81.33	53.29	28.04
27.	58- Roads and Bridges	456.00	419.56	875.56	814.78	60.78
28.	64- Housing	25.69	15.82	41.51	38.30	3.21
29.	69- Fire and Emergency Services	5.00	6.85	11.85	7.85	4.00
30.	70- Horticulture	2.25	20.00	22.25	12.16	10.09
Total		4,360.56	1,395.76	5,756.33	5,141.77	614.56

Source: Appropriation Accounts, 2022-23

Further, as per the Finance Accounts, there were 11 incomplete scheme/ projects which required further allocation of funds for their completion. The details of such schemes/ projects having estimated cost of more than ₹50 crore are shown in **Table 3.12**.

Table 3.12: List of incomplete scheme/projects at the end of 2022-23

(₹ in crore)

Sl. No.	Name of Scheme/ Project (having estimated cost of ₹50 crore or more)	Estimated cost of scheme/ project	Year wise funds allocated up to 2023	Scheduled date of completion	Expenditure as of 31 March 2023	Physical progress of the work	Funds required for completion of remaining work (as per revised estimates)
1.	Integrated Roads & Multilevel Parking Project in Kohima	50.42	10.20	2011-12	10.20	20.22	40.22
2.	Housing for Urban Poor in Dimapur under IHSDP	87.74	36.63	2011-12	36.63	41.75	51.11
3.	220kv D/C T/L from Dimapur to Zhadima	108.16	87.83	2020-21	87.83	92	20.33
4.	Construction of Permanent Hqrs for 10 th NAP (IR) Bn at Zhadima under HUDCO	68.63	38.76	2009-10	38.76	98	29.87
5.	Construction of Permanent Hqrs for 11 th NAP (IR) Bn at Aboi under HUDCO	93.88	8.00	2014-15	8.00	26	85.88
6.	Construction of Permanent Hqrs for 12 th NAP (IR) Bn at Chingtok Under HUDCO	97.88	8.00	2014-15	8.00	85	89.88
7.	Construction of permanent Hqrs for 13 th NAP (IR) Bn at Yachang Under HUDCO	98.43	14.00	2014-15	14.00	70	84.43

Sl. No.	Name of Scheme/ Project (having estimated cost of ₹50 crore or more)	Estimated cost of scheme/ project	Year wise funds allocated up to 2023	Scheduled date of completion	Expenditure as of 31 March 2023	Physical progress of the work	Funds required for completion of remaining work (as per revised estimates)
8.	Construction of permanent Hqrs for 14 th NAP (IR) Bn at Okhezong Under HUDCO	121.19	8.00	2014-15	8.00	85	113.19
9.	Construction of permanent Hqrs for 15 th NAP (IR) Bn Mahila at Mpetsa Under HUDCO	109.31	87.79	(a)	87.79	22	21.52
10.	Construction of Multi-Disciplinary Sports Complex, Dimapur	134.99	81.99	2011-12	81.99	60	53.00
11.	270 Nos of Surface Minot Irrigation Project under PMKSY-Har Khet ko Pani	206.85	0.00	2021-22	0.00	0.00	206.85
Total		1177.48	381.20		381.20		796.28

Source: Appendix IX, Finance Accounts – Vol. II, 2022-23

As can be seen from **Table 3.12**, out of the total estimated/ revised cost of ₹1,177.48 crore in respect of 11 projects/ schemes, an amount of ₹796.28 crore (68 per cent) was required for completion of these projects/ schemes.

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

3.4.4 Re-appropriation of Grants

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

- Out of 82 grants, re-appropriation was done in 70 grants during 2022-23. The re-appropriation orders were issued (March 2023) by the Finance Department, GoN, without specifying the reasons for re-appropriations.
- In 30 Grants, there was no budget provision (both original grant and supplementary) in 141 Sub-Heads and the final provision/ grant was due to re-appropriations within the respective grants only. However, expenditure was incurred in all Sub-Heads.
- All the re-appropriation orders were issued on the last working day of the year (31 March 2023).

- iv. In 16 Grants, re-appropriations were made from/to Supplementary Grants in 28 Sub-Heads as there was no original provision in these Sub-Heads. In 10 cases, the entire fund under supplementary grants was re-appropriated. This ultimately resulted in defeating the objective of supplementary grant which was voted for a definite purpose.

3.4.5 Review of selected Grants

Review of two selected Grants (Grant No. 36 – Urban Development and Grant No. 68 – Police Engineering Project) was done to ascertain compliance with budgeting processes, monitoring of funds, control mechanisms and implementation of the schemes within the grant, persistent savings, diversion of funds for other purposes, etc.

Summarised position of Budget Provision and Actual Expenditure during 2022-23 in respect of the two Grants is given in **Table 3.13**.

Table 3.13: Summarised position of Budget Provision and Actual Expenditure

Grant:		Nature of Expenditure	Budget Provision			Actual Expenditure	Saving(-) / Excess(+)
No.	Name		Original	Supplementary	Total		
36	Urban Development	Revenue	33.17	19.14	52.31	51.64	(-) 0.67
		Capital	130.01	0.00	130.01	140.89	(+) 10.88
Total			163.18	19.14	182.32	192.53	(+) 10.21
68	Police Engineering Project	Revenue	23.04	1.29	24.33	23.44	(-) 0.89
		Capital	10.60	52.23	62.83	123.76	(+) 60.93
Total			33.64	53.52	87.16	147.20	(+) 60.04

Source: Appropriation Accounts of respective years

Table 3.13 shows that during the year 2022-23, in Grant-36 (Urban Development) there was overall excess of ₹10.21 crore representing 6.26 per cent of the total Budget Provision as a result of savings under Revenue (₹0.67 crore) and excess under Capital (₹10.21 crore) heads and in Grant- 68 (Police Engineering Project) there was overall excess of ₹60.04 crore representing 96.98 per cent of the Total Budget Provision as a result of savings under Revenue (₹0.89 crore) and excess under Capital (₹60.93 crore) heads.

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

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

During 2022-23, an amount of ₹0.50 crore drawn by the Urban Department (Grant No. 36) for construction activities was kept in Civil Deposits. The Department did not incur any expenditure from the amount drawn during the year and the fund was still lying in Civil Deposits as on 31 March 2023.

The funds drawn and kept in Civil Deposits was shown as utilised by the respective DDOs and thus, the expenditure was artificially inflated to that extent, without actual

expenditure having been incurred under the programme/ scheme, in contravention of the financial rules.

3.4.5.2 Unexplained Re-Appropriations

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

However, examination of re-appropriation orders issued by the Finance Department revealed that in Grant No- 36 (Urban Development) re-appropriation of ₹5.97 crore under Revenue head and ₹52.29 crore under Capital head was done on the last day of the financial year without stating specific reasons for withdrawal of provision or additional provision by way of re-appropriation of funds. In case of Grant No. 68, there was no re-appropriation of fund during the year.

3.4.5.3 Excess Expenditure over the Budget

Excess Expenditure over the Budget (more than 50 *per cent* of excess expenditure of total budget provision) were made in respect of three Sub-Heads in two selected Grants. Out of the total provision amounting to ₹62.04 crore in those Sub-Heads, there was an excess expenditure of ₹134.02 crore (216.03 *per cent*) as detailed in **Table 3.14**.

Table 3.14: Details of Sub-Heads with substantial surrenders during 2022-23

(₹ in crore)						
Sl. No.	Grant No. and Name	Head of Account	Total Grant/ Appropriation	Amount Expenditure	Excess Expenditure	Percentage of Excess Expenditure
1.	36 (Urban Development)	4217-60-051-01 (Special Development Fund)	0.20	5.05	4.85	2425.00
2.		4217-60-051-02 (Construction Works)	51.54	119.65	68.11	132.15
3.	68 (Police Engineering Project)	4055-00-211-01 (Office Building)	10.30	71.36	61.06	592.82
Total			62.04	196.06	134.02	216.03

Source: Detailed Appropriation Accounts, 2022-23

This excess disbursement by two Departments is in contravention of Rule 26 of General Financial Rules, 2017, which stipulates that a controlling officer in respect of funds placed at his disposal is to ensure that the expenditure does not exceed the budget allocation. This vitiates the system of budgetary and financial control and encourage financial indiscipline in management of public resources.

3.5 Conclusion

Budget Outlay of the State grew at a CAGR of 6.26 *per cent* from ₹20,469.97 crore in 2018-19 to ₹26,092.48 crore in 2022-23.

Budget performance in terms of budgetary intent and budget implementation is examined to assess extent to which the aggregate expenditure outturn reflects the amount originally approved both in terms of excess and saving. In Revenue section, deviation in outturn compared with BE was (-) 11.21 *per cent*. This was due to deviation between 0 and ±25 *per cent* in 68 grants, between ±25 to ±50 *per cent* in nine grants and between ±50

to ± 100 per cent in five grants. In Capital Section, deviation in outturn compared with BE was (-) 10.85 per cent. This was due to deviation between 0 and ± 25 per cent in 41 grants, between ± 25 to ± 50 per cent in six grants, between ± 50 to ± 100 per cent in 10 grants and equal to or more than 10 per cent in six grants. No provision was, however, made in respect of 19 grants of the Capital section.

Budget performance also looks at the extent to which the re-allocation between the main budget categories during the execution have contributed to variance in expenditure composition. This measure indicates the extent of variation between the final budget and the actual expenditure. In Revenue section, deviation in outturn compared with RE was (-) 14.10 per cent. This was due to deviation between 0 and ± 25 per cent in 68 grants, between ± 25 to ± 50 per cent in nine grants and between ± 50 to ± 100 per cent in five grants. In Capital section, deviation in outturn compared with RE was (-)35.22 per cent. This was due to deviation between 0 and ± 25 per cent in 45 grants, between ± 25 to ± 50 per cent in 11 grants and between ± 50 to ± 100 per cent in nine grants. No provision was, however, made in respect of 17 grants of the Capital section.

It was noticed that the supplementary provision of ₹202.80 crore during the year 2022-23 in 13 departments proved unnecessary, as the expenditure did not come up even to the level of original provision.

Overall Budget reliability assessment indicates that though the deviations between the actual expenditure and original budget as well as between the actual expenditure and the final budget were less than 15 per cent, there were deviations up to 50 per cent and even above in different grants. Moreover, it was also noticed that in several cases, there were supplementary grants where expenditure was not even up to the original grant. A reliable budget practice is required to deal with such deviations.

The State Government has to get excesses over grants/appropriations regularised by the State Legislature as per Article 204 and 205 of the constitution. There was an outstanding excess expenditure of ₹455.78 crore under 27 Grants (pertaining to the year 2017-18 to 2022-23) yet to be regularised.

3.6 Recommendations

- The Departments incurring excess expenditure persistently should be identified and closely monitored. They may be instructed to monitor their progressive expenditure figures and advised to seek supplementary grants/ re-appropriations in time.
- The Finance Department may provide supplementary grants only after proper scrutiny and realistic assessment of requirements of the concerned Departments, to avoid under or overspending.
- The State Government may take appropriate steps at the earliest as per Article 205 to regularise the excess expenditure by obtaining legislative approval.