

---

*CHAPTER III*

*BUDGETARY MANAGEMENT*

---



## Chapter III: Budgetary Management

### 3.1 Budget Process

In compliance with Article 202 of the Constitution of India, in respect of every financial year, a statement of estimated receipts and expenditure of the state for that year, called “the annual financial statement (Budget)” is to be laid before the State Legislature. The estimates of the expenditure show ‘charged’ and ‘voted’ items of expenditure separately and distinguished expenditure on revenue account from other expenditure. Legislative authorisation is necessary before incurring any expenditure by the State Government. The annual exercise of budgeting is a means for detailing the roadmap for efficient use of public resources. Glossary of important budget related is given in **Appendix 1.1 Part A**.

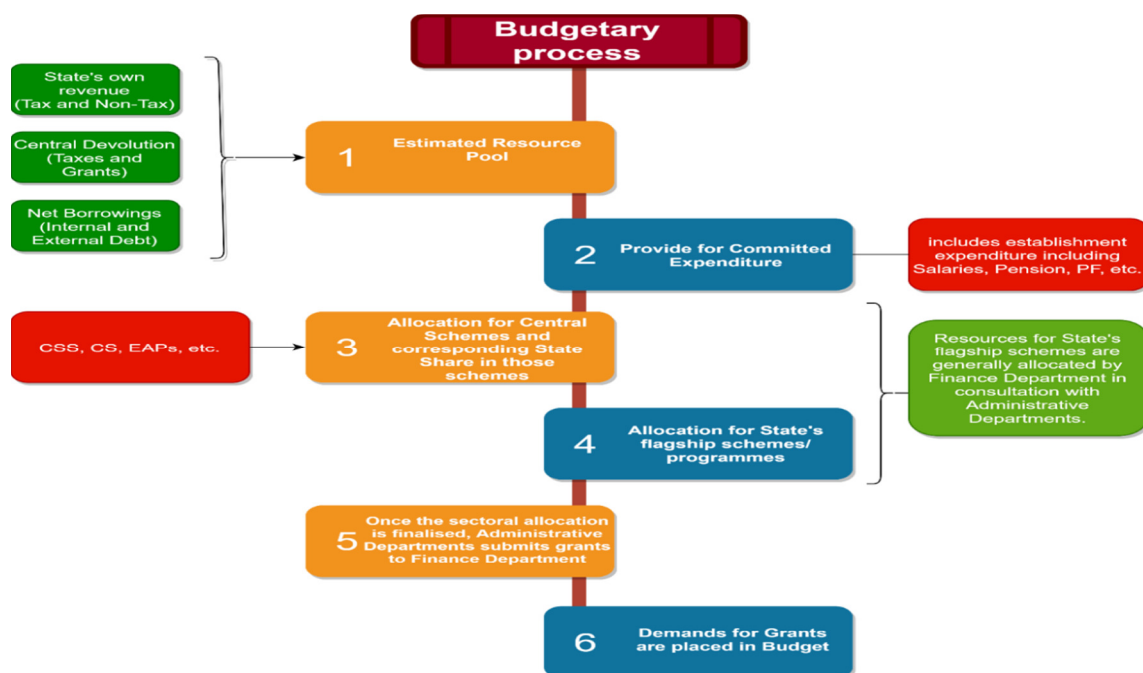
The Government of Nagaland has not yet prepared a Budget Manual, detailing the processes involved in the budget formulation exercise, roles and responsibilities of the persons entrusted with the preparation and implementation of the budget, timelines for preparation and submission of budgetary estimates, requirements of supplementary budget, mode of seeking re-appropriations within Grants, assessment of savings and surrenders 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.

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 depicted in **Chart 3.1**.

Chart 3.1: Budget preparation process



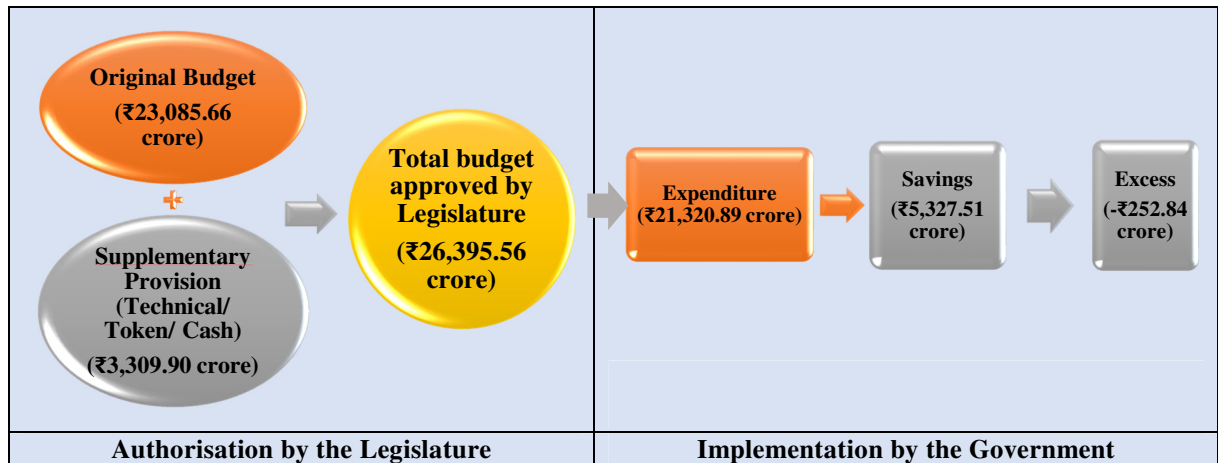
CSS: Centrally Sponsored Schemes; CS: Central Schemes, EAP: Externally Aided Projects.

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 3.2:**

Chart 3.2: Components of Budget



Source: Appropriation Accounts, 2023-24

During the current year, the total budget approved by the State Legislature (₹26,395.56 crore) was ₹303.07 crore (1.16 *per cent*) more than the previous year (₹26,092.49 crore). The Budget Outlay of the State grew at a CAGR of 4.08 *per cent* from ₹22,496.42 crore in 2019-20 to ₹26,395.56 crore in 2023-24. The overall Savings, during the year, was ₹5,074.66 crore which was 65.21 *per cent* of the Supplementary provision of ₹3,309.90 crore. During the year, excess expenditure (₹252.84 crore) over the budgetary provision occurred in 10 grants. The overall expenditure of the State, during the year, was ₹21,320.89 crore which was ₹211.93 crore (0.98 *per cent*) lesser than the previous year (₹21,532.82 crore).

**Chart 3.2** indicates that Supplementary Grant of ₹3,309.90 crore was not required as the gross expenditure was ₹1,764.77 crore less than the Original Provision. It is pertinent to mention that Supplementary Grant was taken on 29 February 2024 and total expenditure as of February 2024 was only ₹15,197.19 crore as per monthly civil accounts submitted by the Treasuries, leaving ₹7,888.47 crore with the State Government for the remaining 31 days. With the Supplementary Grant, total funds available with the State Government were ₹11,198.37 crore, which was 73.69 *per cent* of the total expenditure in the first eleven months of 2023-24. This was indicative of over estimation and poor financial management.

### 3.1.1 Summary of total provisions, actual disbursements and savings during 2023-24

A summarised position of total budget provision, disbursement and saving/excess with its further bifurcation into voted/ charged during 2023-24 for total 82 grants/appropriation are shown in **Table 3.1**.

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

(₹ in crore)

Total Budget provision		Disbursements		Savings		Excess	
Voted	Charged	Voted	Charged	Voted	Charged	Voted	Charged
18,883.66	7,511.91	16,825.50	4,495.40	2,310.99	3,016.52	252.84	0.00

Source: Appropriation Accounts, 2023-24

There was an overall savings of ₹5,327.50 crore (Voted: ₹2,310.99 crore *plus* Charged: ₹3,016.52 crore) during the year 2023-24 which was 20.18 *per cent* of total Grants/Appropriations and 24.99 *per cent* of the total 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 ₹26,395.56 crore during the year 2023-24. 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-years period (2019-24) is given in **Table 3.2**.

**Table 3.2: Break-up of total disbursement into charged and voted during 2019-24**

(₹ in crore)

Year	Disbursements		Saving (-)/ Excess (+)	
	Voted	Charged	Voted	Charged
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
2023-24	16,825.49	4,495.40	(-)2,058.16	(-)3,016.51

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-years period of 2019-24.

### 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 in excess of approved.

Details of BE, actual outturn and their difference during 2023-24 is given in **Table 3.3**.

**Table 3.3: Details of BE, actual outturn and their difference during 2023-24**

(₹ in crore)

Description	Original Approved Budget (BE)	Actual Outturn	Difference between Actual and BE*
(1)	(2)	(3)	(3)-(2)
Revenue	21,281.78	18,198.02	(-) 3,083.76
Capital	1,803.88	3,122.87	(+) 1,318.99
<b>Total</b>	<b>23,085.66</b>	<b>21,320.89</b>	<b>(-) 1,767.77</b>

\*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 (-) 14.49 *per cent*. This was due to deviation between 0 and  $\pm 25$  *per cent* in 61 grants, between  $\pm 25$  to  $\pm 50$  *per cent* in 10 grants, between  $\pm 50$  to  $\pm 100$  *per cent* in nine grants and more than  $\pm 100$  *per cent* in one grant. No provision was, however, made in respect of one grant of the Revenue section.

In Capital Section, deviation in outturn compared with BE was 73.12 *per cent*. This was due to deviation between 0 and  $\pm 25$  *per cent* in four grants, between  $\pm 25$  to  $\pm 50$  *per cent* in eight grants, between  $\pm 50$  to  $\pm 100$  *per cent* in eight grants and more than 100 *per cent* in 18 grants. No provision was, however, made in respect of 44 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.

Details of BE, RE, actual outturn and their difference during 2023-24 is given in **Table 3.4**.

**Table 3.4: Details of BE, RE, actual outturn and their difference during 2023-24**

(₹ 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	21,282.78	22,789.13	18,198.02	1,506.35	(-) 4,591.11
Capital	1,803.88	3,606.43	3,122.87	1,802.55	(-) 483.56
<b>Total</b>	<b>23,085.66</b>	<b>26,395.56</b>	<b>21,320.89</b>	<b>3,309.90</b>	<b>(-) 5,074.67</b>

\* 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 (-)20.14 *per cent*. This was due to deviation between 0 and  $\pm 25$  *per cent* in 69 grants, between  $\pm 25$  to  $\pm 50$  *per cent* in nine grants and between  $\pm 50$  to  $\pm 100$  *per cent* in three grants. No provision was, however, made in respect of one grant of the Revenue section.

In Capital section, deviation in outturn compared with RE was (-)13.42 *per cent*. This was due to deviation between 0 and  $\pm 25$  *per cent* in 44 grants, between  $\pm 25$  to  $\pm 50$  *per cent* in 13 grants, between  $\pm 50$  to  $\pm 100$  *per cent* in five grants and more than 100 *per cent* in three grants. No provision was, however, made in respect of 17 grants of the Capital section.

The audit analysis of Nagaland's budget execution and expenditure composition for 2023-24 reveals significant deviations between budget estimates (BE), revised estimates (RE), and actual expenditures. These variances point to weaknesses in budget formulation, expenditure control, and fiscal discipline.

Nagaland's budget execution in 2023-24 suffered from poor forecasting, ineffective fund utilisation, and significant variances between planned and actual expenditures. The underutilisation of revenue allocations and excessive capital spending deviations indicate weak fiscal discipline and inefficiencies in expenditure control.

### 3.2 Appropriation Accounts

Appropriation Accounts are accounts of the expenditure of the Government for each financial year, compared with the amounts of grants voted and appropriations charged for different purposes as specified in the schedules appended to the Appropriation Act passed under Article 204 of the Constitution of India. 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 is in accordance with the authorisation given under the Appropriation Act and that the expenditure required to be charged under the provisions of the Constitution (Article 202) is so charged. It also ascertains whether the expenditure incurred is in conformity with the laws, relevant rules, regulations and instructions.

### 3.3 Integrity of budgetary and accounting process

#### 3.3.1 *Expenditure incurred without authority of law*

No money shall be withdrawn from the Consolidated Fund of the State except under appropriation made by law passed in accordance with the provisions of Article 204 of the Constitution.

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

Audit scrutiny revealed that in respect of ten grants, expenditure of ₹10 lakh and above was incurred (total expenditure was ₹80.83 crore), without budget provision (either with or without re-appropriation of funds) 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 ₹14.42 crore related to minor works was booked under Capital Expenditure instead of Revenue Expenditure as minor works/Maintenance and repairs. This led to overstatement of Capital Expenditure and understatement of Revenue Expenditure.
2. During the year, an expenditure of ₹0.97 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/ 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. 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.

It was observed that Supplementary Provision of ₹153.11 crore obtained by nine Departments during the current year proved unnecessary as the expenditure either did not come up to the level of the 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 3.5**.

**Table 3.5: 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
<b>(A) Revenue (Voted)</b>					
1.	20- Relief, Rehabilitation etc.	1.20	0.53	1.14	0.06
2.	26- Civil Secretariat	307.23	0.62	292.49	14.74
3.	32- Higher Education	208.24	5.89	187.82	20.42
4.	37- Municipal Administration	83.93	5.66	29.68	54.25
5.	56- Road Transport	95.70	0.90	95.59	0.11
6.	58- Roads & Bridges	436.18	2.33	388.49	47.69
7.	59- Water Resources	39.11	0.62	37.44	1.67
8.	78- Technical Education	33.30	0.77	31.60	1.70
<b>Total A</b>		<b>1,204.90</b>	<b>17.32</b>	<b>1,064.25</b>	<b>140.64</b>
<b>(B) Revenue (Charged)</b>					
9.	75- Servicing of Debt	1,142.58	135.79	1,068.43	74.15
<b>Total B</b>		<b>1,142.58</b>	<b>135.79</b>	<b>1,068.43</b>	<b>74.15</b>
<b>Grand Total (A + B)</b>		<b>2,347.48</b>	<b>153.11</b>	<b>2,132.68</b>	<b>214.79</b>

Source: Appropriation Accounts, 2023-24

### 3.3.4 Unnecessary Re-appropriation of funds

Re-appropriation is transfer of funds within a grant from one unit of appropriation, where savings are anticipated, to another unit where additional funds are needed. Further, 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” and “based on trend of expenditure” should be avoided.

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 2023-24 proved excessive (by 10 lakh or more and less than or equal to savings/ excess) resulting in savings of ₹547.32 crore in sixty Sub-heads and Excess of ₹371.36 crore in fifty-six Sub-heads as detailed in **Appendix 3.3**.

As the re-appropriations were done on the last working day, the Departments did not have enough time to utilise the re-appropriated funds. Had re-appropriations been done in advance, the timely utilisation of funds could have been achieved. 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 consider this while exercising final check on the estimates.

Budgetary allocations based on unrealistic proposals, overstretching the potential of resource mobilisation, 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.

Examination of Grants revealed that there was a total Savings of ₹5,327.50 crore, out of which Savings of ₹5,241.93 crore occurred in 47 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 ₹4,769.84 crore (savings were ₹50 crore and above in each case) in 14 Grants as shown in **Table 3.6**.

**Table 3.6: 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
<b>Revenue (Voted)</b>					
1.	18- Pension and other Retirement Benefits	3,191.86	3,102.32	89.54	89.94
2.	21- Relief of Distress caused by Natural Calamities	141.20	72.19	69.01	69.01
3.	28- Civil Police	1,821.55	1,754.02	67.53	67.65
4.	31- School Education	2,046.28	1,884.00	162.28	163.30
5.	35- Medical, Public Health and Family Welfare	915.49	815.19	100.30	101.77
6.	37- Municipal Administration	89.59	29.69	59.90	59.98
7.	42- Rural Development	1,572.35	1,005.50	566.84	566.32
8.	48- Agriculture	462.69	383.82	78.87	19.00
9.	58- Roads and Bridges	438.51	388.49	50.02	9.85
<b>Capital (Voted)</b>					
1.	26- Civil Secretariat	178.98	128.68	50.30	50.30
2.	27- Planning Machinery	353.94	159.93	194.01	194.01
3.	31- School Education	193.59	89.37	104.22	104.16
4.	32- Higher Education	122.33	30.89	91.44	91.44
5.	53- Industries	149.76	79.71	70.05	72.50
<b>Revenue (Charged)</b>					
1.	75-Servicing of Debt	1,278.37	1,068.43	209.94	94.30
<b>Capital (Charged)</b>					
1.	75-Servicing of Debt	6,182.12	3,376.54	2,805.58	2,805.05
<b>Grand Total</b>		<b>19,156.62</b>	<b>14,368.77</b>	<b>4,769.84</b>	<b>4,558.58</b>

Source: Appropriation Accounts. 2023-24 O-Original; S-Supplementary

It was observed that out of the above 14 Grants, in one Grant, there was persistent low utilisation (less than 50 per cent) in the last five years from 2019-20 to 2023-24. 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 3.7**.

**Table 3.7: Budget utilisation less than 50 per cent (in 2022-23)**

Grant	Budget utilisation during the years: (in per cent)					Number of years*	Budget 2023-24	Total Budget for five years
	2019-20	2020-21	2021-22	2022-23	2023-24		(₹ in crore)	
27-Planning Machinery	37.37	27.17	28.25	29.74	48.92	05	423.26	3,806.12

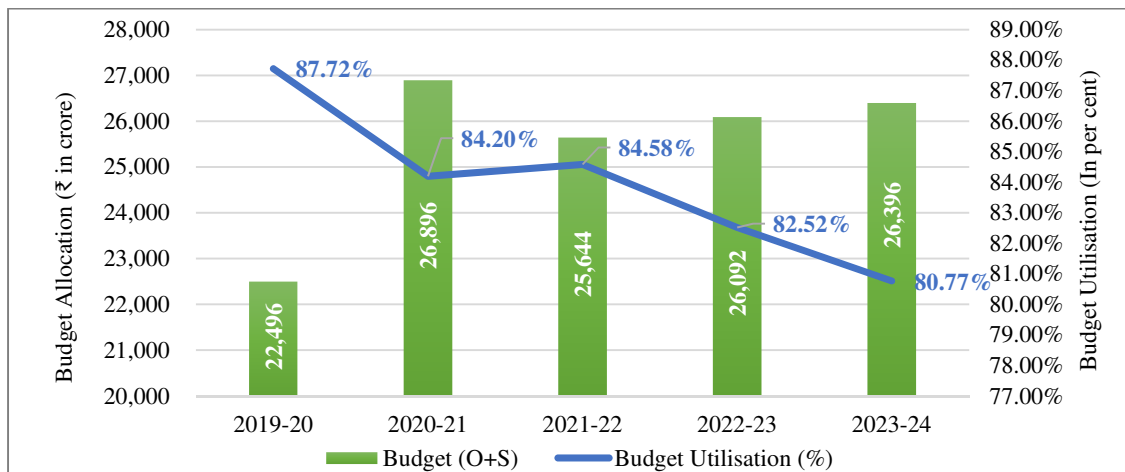
Source: Appropriation Accounts of respective years

\* Number of years with utilisation below 50 per cent

It can be seen from **Table 3.7** 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 2019-20 to 2023-24 is in **Chart 3.3**.

**Chart 3.3: Budget Utilisation during 2019-20 to 2023-24**

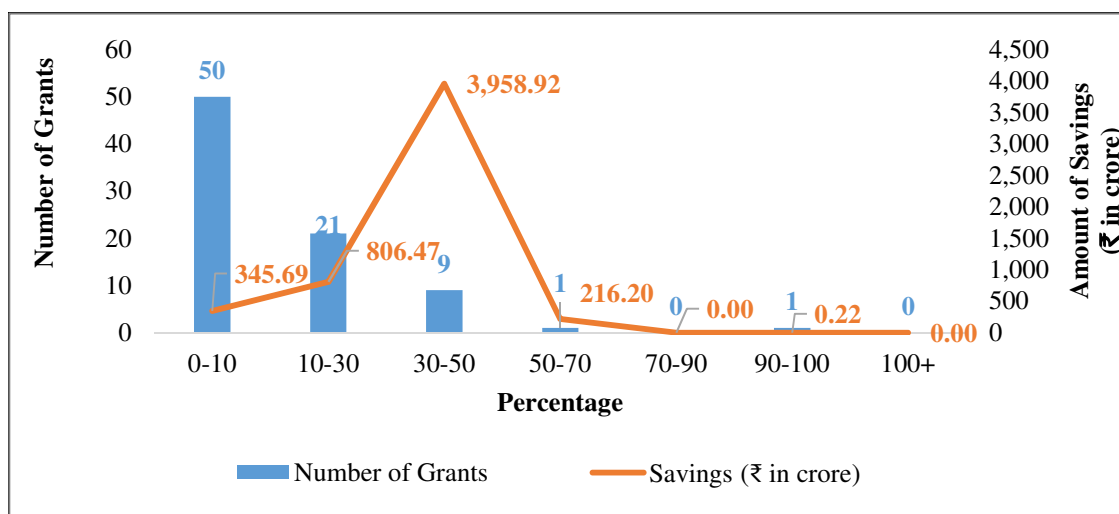


Source: Appropriation Accounts of the respective years

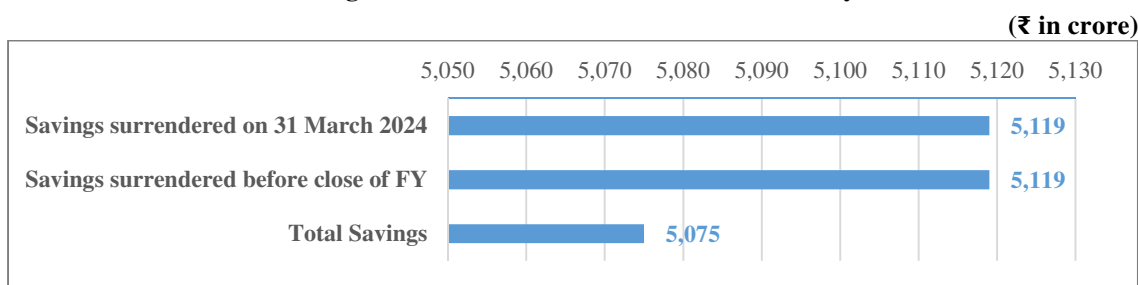
As can be seen from **Chart 3.3**, utilisation of budget has been around 83 *per cent* during four of the last five years and has shown fluctuating trend, though it has been declining since 2021-22, with minimum at 80.77 *per cent* during the current year. Large amount of savings in allocated funds indicate 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 2023-24 and the overall savings and surrenders before close of the financial year 2023-24, are depicted in **Chart 3.4** and **Chart 3.5**.

**Chart 3.4: The distribution of the number of Grants grouped by the percentage of savings along with total savings in each group**



Source: Appropriation Accounts, 2023-24

**Chart 3.5: Savings and surrenders before close of financial year 2023-24**

Source: Appropriation Accounts, 2023-24 and Surrender/ Re-appropriation orders for 2023-24

1. Large Savings in Allocated Funds (₹5,327.51 crore): Savings of ₹5,241.93 crore were recorded across 47 grants, each exceeding ₹1 crore or 20 *per cent* of the total allocation. 14 major grants had savings exceeding ₹50 crore each, totaling ₹4,769.84 crore.

Major savings were observed in key sectors, such as Pension and Retirement Benefits (₹89.54 crore), Relief for Natural Calamities (₹69.01 crore), School Education (₹162.28 crore), Medical, Public Health and Family Welfare (₹100.30 crore), Rural Development (₹566.84 crore), Higher Education (₹91.44 crore), Roads and Bridges (₹50.02 crore), Debt Servicing (₹2,805.58 crore in Capital Charged Section).

2. Persistent Low Utilisation was observed in Key Sectors: Grant 27 – Planning Machinery had budget utilization below 50 *per cent* for five consecutive years (2019-20 to 2023-24). Budget utilisation was only 80.77 *per cent* in 2023-24, showing a declining trend from previous years. The inability to utilise funds highlights poor planning, lack of implementation capacity, and weak oversight by the Finance and Administrative Departments.

3. Misalignment Between Budget Allocation and Actual Spending: Excessive savings suggest the need for correction in estimation processes as these are leading to over-projection of requirements and inefficient allocation. Large surrender of funds before the close of the financial year indicates hasty reallocation and poor expenditure planning.

Overall, Nagaland's budget execution in 2023-24 showed excessive savings, low fund utilisation, and poor planning. The persistence of underutilisation in crucial grants, particularly in Planning, Education, Health, and Infrastructure, suggests systemic inefficiencies that must be addressed to enhance fiscal discipline and public service delivery.

### **3.3.6 Excess expenditure and its regularisation**

As per Article 204 of the Constitution of India, no money shall be withdrawn from the Consolidated Fund of the State except under appropriation made by law passed in accordance with the provisions of the Article. Further, 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, the regularisation of excess expenditure is done after the completion of discussion of the Appropriation Accounts by the Public Accounts Committee (PAC). 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 2023-24

Excess expenditure over the provision for the year is not only in contravention of the provisions requiring Legislative sanction but is also indicative of bad planning, which could be avoided by keeping track of expenditure progression with budget made for the purpose.

It was observed that during 2023-24, there was an excess disbursement over grants of ₹252.84 crore under ten Departments. The summary of excess disbursements over grants during the financial year 2023-24 is given below:

**Table 3.8: 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)	0.00	17.63	02
Revenue (Charged)	0.00	0.00	00
<b>(A) Total Excess (Revenue)</b>	<b>0.00</b>	<b>17.63</b>	<b>02</b>
Capital (Voted)	79.85	155.36	08
<b>(B) Total Excess (Capital)</b>	<b>79.85</b>	<b>155.36</b>	<b>08</b>
<b>Grand Total (A + B)</b>	<b>79.85</b>	<b>172.99</b>	<b>10</b>

Source: Appropriation Accounts, 2023-24

The details of the Major Head wise excess disbursement over the budget during the year 2023-24 requiring regularisation is shown in **Table 3.9**.

**Table 3.9: Major Head wise excess disbursement over the authorisation from the Consolidated Fund of State during 2023-24**

(₹ in crore)

Sl. No.	Grant No.	Major Head	Major Head Description	Original Provision	Supplementary	Grand Total	Expenditure	Excess	Reason for excess stated by the Department
Revenue (Voted)									
1.	36	2217	Urban Development	31.77	5.69	37.46	53.68	16.22	Reasons for excess have not been intimated (July 2024)
2.	72	2501	Special Programme for Rural Development	45.76	4.31	50.07	51.48	1.41	
		2552	North Eastern Areas						
Capital (Voted)									
3.	4	4059	Capital Outlay on Public Works	16.90	24.91	41.81	94.45	52.64	Reasons for excess have not been intimated (July 2024)
		4216	Capital Outlay on Housing						
4.	33	4202	Capital Outlay on Education, Sports, Arts & Culture	0.00	83.09	83.09	108.09	25.00	Finance Department has treated it as regular subject to Regularisation.
		4552	Capital Outlay on North-East Areas						
5.	37	4217	Capital Outlay on Urban Development	4.62	209.53	214.15	274.70	60.55	



Sl. No.	Grant No.	Major Head	Major Head Description	Original Provision	Supplementary	Grand Total	Expenditure	Excess	Reason for excess stated by the Department
		4552	Capital Outlay on North-East Areas						
6.	39	4552	Capital Outlay on North-East Areas	1.55	10.63	12.18	13.89	1.71	Reasons for excess have not been intimated (July 2024)
		5452	Capital Outlay on Tourism						
7.	42	4515	Capital Outlay on Other Rural Development Programmes	4.00	20.84	24.84	30.44	5.60	
		4575	Capital Outlay on other Special Areas Programmes						
8.	45	4059	Capital Outlay on Public Works	0.60	0.00	0.60	9.46	8.86	Finance Department has treated it as regular subject to Regularisation.
		4216	Capital Outlay on Housing						
		4425	Capital Outlay on Co-Operation						
		6425	Loans for Co-Operation						
9.	47	4059	Capital Outlay on Public Works	0.50	0.00	0.50	1.50	1.00	Reasons for excess have not been intimated (July 2024)
		5475	Capital Outlay on Other General Economic Services						
10.	58	4552	Capital Outlay on North- Eastern Areas	301.80	497.71	799.51	879.36	79.85	
		5054	Capital Outlay on Roads and Bridges						
Total								252.84	

Source: Appropriation Accounts, 2023-24

This excess disbursement is in violation of Article 204 of the Constitution of India. Excess disbursement 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 last five-years period of 2019-2024. However, there were excesses under Grant No. 36 and Grant No. 47 during 2022-23 and 2023-24.

### 3.3.6.3 Regularisation of excess expenditure of previous financial years

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. Further, 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 the 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 3.10**.

**Table 3.10: Excess expenditure relating to previous years (2017-23) 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	03	1.48
2021-22	Nil	0	0.00
2022-23	01,18,31,36,47,52,65,68	08	241.83
<b>Total</b>			<b>455.78</b>

Source: Appropriation Accounts of respective years

During the period 2017-23, there was an excess expenditure of ₹455.78 crore under 29 Grants. This is in violation of Article 204 (3) of the Constitution of India which needs to be regularised as per Article 205. This vitiates the system of budgetary and financial control and encourages financial indiscipline in management of public resources.

During the Exit Conference (16 December 2024), Finance Department stated that excess expenditure for 2017-18 and 2018-19 was under consideration for regularisation.

### 3.4 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 2023-24 against 82 Grants is given in **Table 3.11**.

**Table 3.11: 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	13,911.60	1,365.27	15,276.87	13,702.62	1,574.25	1,479.23	93.96
	II. Capital	1,803.53	1,802.90	3,606.43	3,122.52	483.91	739.08	152.73
	III. Loans and Advances	0.35	0.00	0.35	0.35	0.00	0.00	0.00
	<b>Total</b>	<b>15,715.48</b>	<b>3,168.17</b>	<b>18,883.65</b>	<b>16,825.49</b>	<b>2,058.16</b>	<b>2,218.31</b>	<b>107.78</b>
Charged	IV. Revenue	1,188.06	141.73	1,329.79	1,118.86	210.93	95.29	45.18
	V. Capital	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	VI. Public Debt- Repayment	6,182.12	0.00	6,182.12	3,376.54	2,805.58	2,805.05	99.98
	<b>Total</b>	<b>7,370.18</b>	<b>141.73</b>	<b>7,511.91</b>	<b>4,495.40</b>	<b>3,016.51</b>	<b>2,900.34</b>	<b>96.15</b>
Appropriation to Contingency Fund		--	--	--	--	--	--	--
<b>Grand Total</b>		<b>23,085.66</b>	<b>3,309.90</b>	<b>26,395.56</b>	<b>21,320.89</b>	<b>5,074.67</b>	<b>5,118.65</b>	<b>100.87</b>

Source: Appropriation Accounts, 2023-24

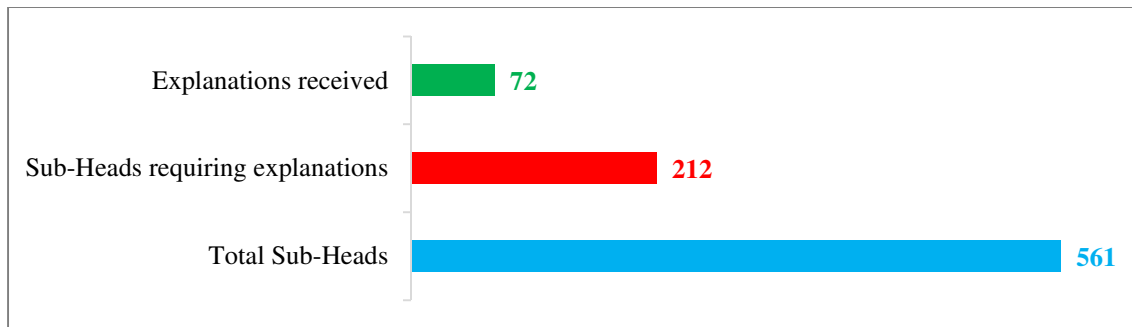


During 2023-24, against the total budget approved by the State Legislature of ₹26,395.56 crore (Original: ₹23,085.66 crore *plus* Supplementary: ₹3,309.90 crore) the Departments incurred an expenditure of ₹21,320.89 crore leaving a net savings of ₹5,074.67 crore (19.23 *per cent* of the total budget).

Overall Savings of ₹5,074.67 crore was the result of Savings in 77 Grants under Revenue Section and 25 Grants under Capital Section. During the year, the amount surrendered was 100.87 *per cent* of overall Savings.

The Savings/Excess (Detailed Appropriation Accounts for the year 2023-24) were intimated to all the 82 Controlling Officers requesting them to explain the significant variations. The Controlling Officers of 51 Departments of the State furnished their replies before finalisation of the Appropriation Accounts 2023-24. However, no valid reasons for the Savings/Excess were explained or explicitly stated by any of the Departments. The status is given in **Chart 3.6**.

**Chart 3.6: Summary of Explanation for Variation in Appropriation Accounts**



Source: VLC data of AG (A&E)

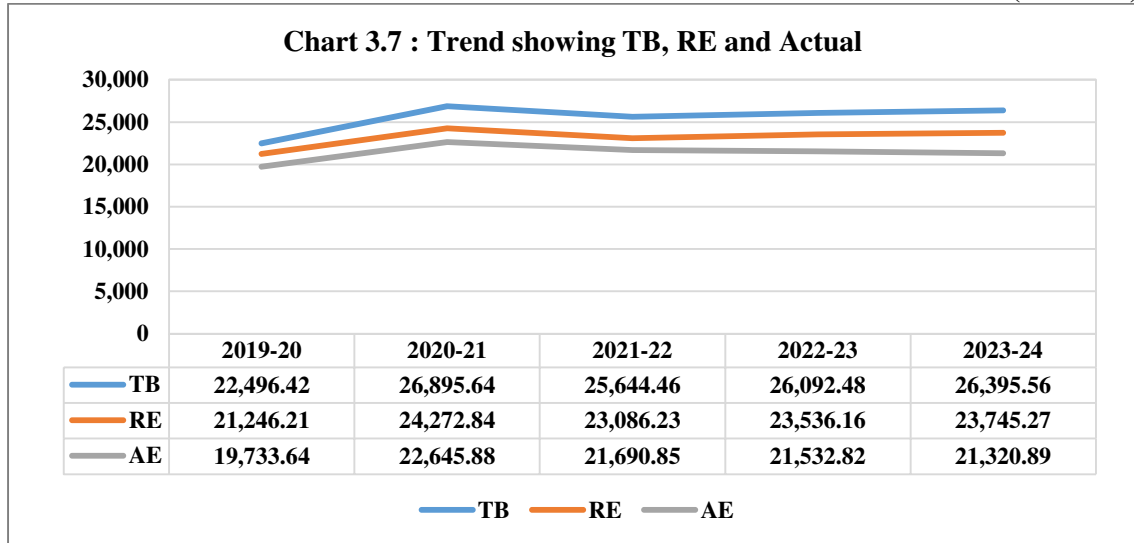
The trend in percentage of overall saving/excess against overall provision in the budget for the last five years from 2019-20 to 2023-24 is detailed in **Table 3.12** and **Chart 3.7**.

**Table 3.12: Original Budget, Revised Estimates and Actual Expenditure during 2019-24**

	(₹ in crore)				
	2019-20	2020-21	2021-22	2022-23	2023-24
Original Budget (OB)	18,026.11	21,068.85	22,816.61	24,239.50	23,085.66
Supplementary Budget (SB)	4,470.31	5,826.79	2,827.84	1,852.99	3,309.90
Total Budget (TB)	22,496.42	26,895.64	25,644.46	26,092.48	26,395.56
Revised Estimate (RE)	21,246.21	24,272.84	23,086.23	23,536.16	23,745.27
Actual Expenditure (AE)	19,733.64	22,645.88	21,690.85	21,532.82	21,320.89
Savings (-) /excess (+)	(-)2,762.78	(-) 4,249.76	(-)3,953.61	(-)4,559.66	(-)5,074.67
Percentage of SB to OB	24.80	27.66	12.39	7.64	14.34
Percentage of Savings to the overall provision	12.28	15.80	15.42	17.48	19.23
TB-RE	1,250.21	2,622.80	2,558.23	2,971.36	2,650.29
RE-AE	1,512.57	1,626.96	1,395.38	1,588.30	2,424.38
(TB-RE) as percentage of TB	5.56	9.75	9.98	11.39	10.04
(RE-AE) as percentage of TB	6.72	6.05	5.44	6.09	9.18

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

(₹ in crore)



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

**Table 3.12** shows that supplementary provision of ₹3,309.90 crore during 2023-24 constituted 14.34 *per cent* of the original provision as against 7.64 *per cent* in the previous year.

From **Chart 3.7**, it can be seen that during 2019-20 to 2023-24, 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 but from 2022-23 to 2023-24, it registered a decrease.

In terms of percentage, the RE was 5.56 *per cent* lower than the TB in 2019-20 which increased to 10.04 *per cent* in 2023-24. Further, in terms of percentage, the AE was lower than the TB at rates ranging between 5.44 to 9.18 *per cent* during 2019-24. The supplementary provisions during 2022-24 proved unnecessary since the actual expenditure did not come up even to the level of the original budget provisions.

Audit observed persistent savings and underutilisation of budgeted funds, unnecessary supplementary provisions and lack of justification for budget variances in respect of 51 Departments. From 2019-20 to 2023-24, the percentage of savings increased from 12.28 to 19.23 *per cent*, showing a rising trend of overestimated budget provisions. The State consistently inflated budget estimates, resulting in actual expenditure being lower than both the total budget and revised estimates.

Inadequate fiscal control and inefficient fund allocation led to large-scale surrender of unspent funds (₹5,118.65 crore), amounting to 100.87 *per cent* of the total savings. This indicates serious deficiencies in financial planning, fund utilization, and fiscal transparency. The recurring pattern of over-budgeting, under-expenditure, and unnecessary supplementary allocations indicates inefficient financial governance.

### 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.

During the year, it was noticed that in 27 major grants (savings of more than ₹One crore or more than 20 per cent of the total provisions), the total budget provisions of ₹10,151.85 crore (Capital/voted) proved unnecessary/excessive as the actual expenditure of ₹8,796.60 crore did not come up to the total budget provisions resulting in ₹1,355.25 crore un-utilised funds under these grants as detailed in **Table 3.13**.

**Table 3.13: List of grants with un-utilised fund during 2023-24**

(₹ in crore)

Sl. No.	Name of the Grant	Original allocation	Supplementary	Total	Actual expenditure	Unutilised funds
<b>Revenue (Charged)</b>						
1.	75- Servicing of Debt	1,142.58	135.79	1,278.37	1,068.43	209.94
<b>Revenue (Voted)</b>						
2.	13- Village Guards	52.67	0.12	52.79	51.49	1.30
3.	18- Pensions and Other Retirement Benefits	3,082.26	109.61	3,191.86	3,102.32	89.54
4.	20- Relief, Rehabilitation etc.	1.20	0.53	1.73	1.14	0.59
5.	22- Civil Supplies	37.46	61.84	99.29	97.86	1.43
6.	25- Land Records and Survey	27.28	1.82	29.11	27.63	1.48
7.	26- Civil Secretariat	307.23	0.62	307.85	292.49	15.36
8.	30- Administrative Training Institute	6.48	1.96	8.45	7.28	1.17
9.	32- Higher Education	208.24	5.89	214.13	187.82	26.31
10.	37- Municipal Administration	83.93	5.66	89.58	29.68	59.90
11.	42- Rural Development	788.42	783.92	1,572.34	1,005.49	566.85
12.	43- Social Security and Welfare	323.10	181.99	505.10	467.27	37.83
13.	47- Legal Metrology and Consumer Protection	12.80	0.06	12.86	11.70	1.16
14.	49- Soil and Water Conservation	64.22	9.43	73.65	69.25	4.40
15.	51- Fisheries	38.70	49.76	88.46	47.08	41.38
16.	52- Forest, Environment and Wildlife	123.85	4.92	128.78	124.99	3.79
17.	53- Industries	93.13	28.14	121.27	109.42	11.85
18.	55- Power	763.86	26.43	790.29	771.61	18.68
19.	56- Road Transport	95.70	89.79	96.59	95.59	1.00
20.	58- Roads and Bridges	436.18	2.33	438.51	388.49	50.02
21.	59- Water Resources	39.11	0.62	39.73	37.45	2.28
22.	67- Home Guards	39.26	2.38	41.64	40.55	1.09
23.	78- Technical Education	33.30	0.77	34.07	31.60	2.47
<b>Capital (Voted)</b>						
24.	26- Civil Secretariat	103.92	75.06	178.98	128.68	50.30
25.	34- Art and Culture and Gazetteers	0.00	27.75	27.75	14.50	13.25
26.	36- Urban Development	103.94	228.67	332.61	298.14	34.47

Sl. No.	Name of the Grant	Original allocation	Supplementary	Total	Actual expenditure	Unutilised funds
27.	43- Social Security and Welfare	3.23	5.37	8.61	5.55	3.06
28.	53- Industries	2.98	146.78	149.76	79.71	70.05
29.	60- Water Supply	74.07	18.93	93.00	91.79	1.21
30.	68- Police Engineering Project	9.20	135.50	144.70	111.60	33.10
<b>Total</b>		<b>8,098.30</b>	<b>2,142.44</b>	<b>10,151.86</b>	<b>8,796.60</b>	<b>1,355.26</b>

Source: Appropriation Accounts, 2023-24

Further, as per the Finance Accounts, there were 277 incomplete scheme/projects which required further allocation of funds for their completion. The details of ten such schemes/projects having estimated cost of more than ₹50 crore are shown in **Table 3.14**.

**Table 3.14: List of incomplete scheme/projects at the end of 2023-24**

Sl. No.	Name of Scheme/Project (having estimated cost of ₹ 50 crore or more)	Estimated cost of scheme/project (₹ in crore)	Year wise funds allocated up to 2024 (₹ in crore)	Scheduled date of completion	Expenditure as of 31 March 2024 (₹ in crore)	Physical progress of the work (in per cent)	Funds required for completion of remaining work (as per revised estimates) (₹ in crore)
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.	Construction of 220kv D/C T/L from Dimapur to Zhadima	108.16	87.83	2020-21	87.83	92.00	20.33
4.	Construction of Permanent Hqrs for 10 <sup>th</sup> NAP (IR) Bn at Zhadima under HUDCO	68.63	38.76	2009-10	38.76	98.00	29.87
5.	Construction of Permanent Hqrs for 11 <sup>th</sup> NAP (IR) Bn at Aboi under HUDCO	93.88	8.00	2014-15	8.00	26.00	85.88
6.	Construction of Permanent Hqrs for 12 <sup>th</sup> NAP (IR) Bn at Chingtok Under HUDCO	97.88	8.00	2014-15	8.00	85.00	89.88
7.	Construction of permanent Hqrs for 13 <sup>th</sup> NAP (IR) Bn at Yachang Under HUDCO	98.43	14.00	2014-15	14.00	70.00	84.43
8.	Construction of permanent Hqrs for 14 <sup>th</sup> NAP (IR)	121.19	8.00	2014-15	8.00	85.00	113.19

Sl. No.	Name of Scheme/ Project (having estimated cost of ₹ 50 crore or more)	Estimated cost of scheme/ project (₹ in crore)	Year wise funds allocated up to 2024 (₹ in crore)	Scheduled date of completion	Expenditure as of 31 March 2024 (₹ in crore)	Physical progress of the work (in per cent)	Funds required for completion of remaining work (as per revised estimates) (₹ in crore)
	Bn at Okhezong Under HUDCO						
9.	Construction of Multi-Disciplinary Sports Complex, Dimapur	134.99	81.99	2011-12	81.99	60.00	53.00
10.	270 Nos of Surface Minor Irrigation Project under PMKSY- Har Khet ko Pani	206.85	0.00	2021-22	0.00	0.00	206.85
<b>Total</b>		<b>1,068.17</b>	<b>293.41</b>		<b>293.41</b>		<b>774.76</b>

Source: Appendix IX, Finance Accounts – Vol. II, 2023-24

As can be seen from **Table 3.14**, out of the total estimated/ revised cost of ₹1,068.17 crore in respect of ten projects/schemes, an amount of ₹774.76 crore (72.53 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.

The audit analysis of Nagaland's supplementary budget execution and project management for 2023-24 highlights persistent fund underutilization, unrealistic budget allocations and inefficient project execution. The failure to utilize funds effectively has led to delays in infrastructure projects, cost escalations, and lost development opportunities.

27 major grants had unutilised funds of ₹1,355.26 crore, indicating inefficient budget estimation and planning. Departments sought additional budget through supplementary grants but failed to spend not only the supplementary provisions but also the original allocations.

Major savings occurred in crucial departments such as Pensions & Retirement Benefits (₹89.54 crore), Rural Development (₹566.85 crore), Industries (₹70.05 crore), Roads & Bridges (₹50.02 crore), Municipal Administration (₹59.90 crore), Water Supply (₹1.21 crore).

277 incomplete schemes/projects required additional funding. 10 major projects (₹1,068.17 crore estimated cost) had received only ₹293.41 crore (27.47 per cent) in funding, leaving ₹774.76 crore still required. Long-standing projects (dating back to 2009-10) remain incomplete, leading to cost escalations and stalled development.

Nagaland's budgetary process is inefficient, leading to significant fund underutilisation and stalled infrastructure projects. The misalignment between budget provisions and actual expenditures indicates poor financial planning, weak project execution, and lost

economic opportunities. The State Government needs urgent reforms to ensure realistic budgeting, efficient fund allocation, and timely project completion.

#### 3.4.4 Re-appropriation of Grants at sub-head levels

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:

- i. In 21 Grants, there was no budget provision (both original grant and supplementary) in 116 Sub Heads and the final provision/grant was due to re-appropriations within the respective grants only. However, expenditure was incurred in 113 Sub Heads and in the remaining three Sub Heads, no expenditure was incurred.
- ii. In eight Grants, re-appropriations were made from/to Supplementary Grants in 33 Sub-Heads as there was no original provision in these Sub-Heads. In eight 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.

#### 3.4.6 Review of selected Grants

##### (i) Introduction

A review of budgetary procedure and control over expenditure in respect of two selected Grants *viz.*, Grant No. 36 – Urban Development and Grant No. 65 – State Council of Educational Research and Training (SCERT) was done to ascertain compliance with budgeting processes, monitoring of funds, control mechanisms, persistent savings and diversion of funds for other purposes.

Summarised position of Budget Provision and Actual Expenditure during 2023-24 in respect of the two Grants is given in **Table 3.15**.

**Table 3.15: Summarised position of Budget Provision and Actual Expenditure**

(₹ in crore)

Grant No.	Grant Name	Nature of Expenditure	Budget Provision			Actual Expenditure	Savings (-) / Excess (+)
			Original	Supplementary	Total		
36	Urban Development	Revenue	31.77	5.69	37.46	53.68	16.22
		Capital	103.94	228.67	332.61	298.14	-34.47
Total			135.71	234.36	370.07	351.82	-18.25
65	SCERT	Revenue	66.77	0.00	66.77	56.25	-10.52
		Capital	29.73	0.00	29.73	4.05	-25.68
Total			96.50	0.00	96.50	60.30	-36.20

Source: Appropriation Accounts 2023-24

**Table 3.15** shows that during the year 2023-24, in Grant No. 36 (Urban Development) there was overall savings of ₹18.25 crore representing 4.93 *per cent* of the Total Budget Provision as a result of excess under Revenue (₹16.22 crore) and savings under Capital (₹34.47 crore) heads and in Grant No. 65 (SCERT) there was overall savings of

₹36.20 crore representing 37.51 *per cent* of the Total Budget Provision as a result of savings under Revenue (₹10.52 crore) and savings under Capital (₹25.68 crore) heads.

**(ii) 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 respect of the two selected grants, expenditure of ₹10 lakh and above was incurred (total expenditure was ₹22.13 crore), without budget provision (either with or without re-appropriation of funds) as detailed in **Table 3.16**.

**Table 3.16: Expenditure in excess of ₹10 lakh without provision at Sub head level**

(₹ in lakh)				
Sl. No.	Grant No.	Head of Account	Description	Expenditure
Capital				
1	36	4217-60-051-01	Special Development Fund	288.35
Total				288.35
Revenue				
2	65	2202-01-113-01-01	Samagra Shiksha Teachers' Education- General	192.47
3		2202-01-113-01-01	Samagra Shiksha Teachers' Education- General (CSS)	1,732.32
Total				1,924.79
Grand Total				2,213.14

Source: Detailed Appropriation Accounts 2023-24

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 Departments.

**(iii) Unnecessary/unexplained 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” and “based on trend of expenditure” 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 ₹3.32 crore under Revenue head and ₹64.26 crore under Capital head and in case of Grant No. 65, re-appropriation of ₹0.10 crore under Revenue head and ₹0.31 crore under Capital head were 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.

Injudicious (excess/ unnecessary/ insufficient) re-appropriation of Funds made during the year 2023-24 by the two departments proved excessive (by ₹10 lakh or more and less than or equal to savings/excess) resulting in savings of ₹18.38 crore and Excess of ₹84.93 crore in nine Sub-heads in respect of Grant No. 36 (Urban Development) and savings of ₹19.33 crore and Excess of ₹17.40 crore in five Sub-heads in respect of Grant No. 65 (SCERT) as detailed in **Table 3.17**.



**Table 3.17: Excess/Unnecessary/insufficient re-appropriation**

(₹ in lakh)

Sl. No.	Grant	Head of Account	Original	Supplementary	Re-appropriation	Final	
						Saving	Excess
1	36	2217-80-001-01 Direction	1,931.74	112.75	-410.58		1,806.04
2		2217-80-001-03 Engineering Wing	338.89	0.00	332.36	45.00	
3		4217-60-051-02 Construction Works	674.03	21,323.89	-9,524.55		6,562.53
4		4217-60-051-05-04 Used Water Management	0.00	0.00	2,503.75	1,074.25	
5		4217-60-051-05-05 Solid Waste Management	0.00	0.00	885.5	488.5	
6		4217-60-051-05-06 Individual Household Latrine, Community Toilet, Public Toilet and Aspirational Toilets	0.00	0.00	204.25	159.25	
7		4217-60-051-06-02 National Urban Livelihood Mission Tribal Area Sub-Plan	64.49	0.00	-32.76		36.41
8		4217-60-051-06-03 National Urban Livelihood Mission-Special Component Plan for Scheduled Castes	337.45	0.00	-296.27		88.47
9		4217-60-051-07-01 Urban Rejuvenation Mission-500 Habitation	3,520	851.95	2,286.65	70.73	
Total (A)						1,837.73	8,493.45
10	65	2202-01-105-02 State Board of Teachers Education	30	0.00	10.00	7.73	
11		2202-02-004-01 State Council Of Educational Research & Training	1,042.09	0.00	-19.94		7.72
12		2202-01-113-01-02 Strengthening of Infrastructure for Educational Training- Tribal Area Sub-Plan	250	0.00	-57.53	192.47	
13		2202-01-113-01-01 Samagra Shiksha-Teachers' Education-General	55.78	0.00	-55.78		1,732.32
14		2202-01-113-01-02 Strengthening of Infrastructure for Educational Training- Tribal Area Sub-Plan	2,588.08	0.00	-855.76	1,732.32	
Total (B)						1,932.52	1,740.04
Grand Total (A+B)						3,770.25	10,233.49

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.



**(v) Excess Expenditure over the Budget**

As per Article 204 of the Constitution of India, no money shall be withdrawn from the Consolidated Fund of the State except under appropriation made by law passed in accordance with the provisions of the Article. Further, 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.

Rule 26 of General Financial Rules, 2017 stipulates that a controlling officer in respect of funds placed at his disposal must ensure that the expenditure does not exceed the budget allocation.

Excess Expenditure over the Budget (more than 50 *per cent* of excess expenditure of total budget provision) were made in respect of seven Sub-Heads in the two selected Grants. Out of the total provision amounting to ₹152.97 crore in those Sub-Heads, there was an excess expenditure of ₹119.84 crore (78.34 *per cent*) as detailed in **Table 3.18**. Moreover, in two Sub-Heads (one each in each Grant), expenditures were incurred even though there were no Budget provisions.

**Table 3.18: Details of Sub-Heads with substantial excess expenditure during 2023-24**

(₹ in crore)

Sl. No.	Grant No	Head of Account	Total Grant/ Appropriation	Amount Expenditure	Excess Expenditure	Percentage of Excess Expenditure
1	36 (Urban Development)	2217-80-001-01 (Direction)	16.34	34.40	18.06	110.53
2		4217-60-051-01 (Special Development Fund)	0.00	2.88	2.88	100.00
3		4217-60-051-02 (Construction Works)	124.73	190.36	65.63	52.62
4		4217-60-051-05-02 (National Urban Livelihood Mission-Tribal Area Sub-Plan)	0.32	0.68	0.36	112.50
5		4217-60-051-06-03 (National Urban Livelihood Mission- Special Component Plan for Scheduled Castes)	0.41	1.30	0.88	214.63
6	65 (SCERT)	2202-01-113-01-02 (Strengthening of Infrastructure for Educational Training- Tribal Area Sub-Plan)	11.17	25.87	14.70	131.60
7		2202-01-113-01-01 (Samagra Shiksha-Teachers' Education-General)	0.00	17.32	17.32	100.00
Total			152.97	272.81	119.83	78.34

Source: Detailed Appropriation Accounts, 2023-24

The excess disbursements in these sub-heads during 2023-24 under these two Departments led to overall excess over Budget allocation in these Departments which were in violation of Article 204 of the Constitution. This excess expenditure needs to be regularised as per Article 205. Further, there was excess disbursement by Urban Development during 2022-23 also. This vitiates the system of budgetary and financial control and encourage financial indiscipline in management of public resources.

**(vi) Surrender of entire provision under sub-heads**

Examination of Appropriation Accounts/Detailed Appropriation Accounts for the year 2023-24 revealed that the entire provision under four sub-heads (three under Grant No. 36 and one under Grant No. 65) amounting to ₹72.41 crore were surrendered in the month of March 2024 through re-appropriation as detailed in **Table 3.19**.

**Table 3.19: Details showing surrender of entire provision**

(₹ in crore)

Sl. No.	Grant No.	Head of Account	Original and Supplementary Grant	Amount Re-appropriated	Total Grant	Actual Expenditure
1	36	4217-60-051-05-01 Project Fund (State Resource)	0.42	0.42	0.00	0.00
2		4217-60-051-05-01 Project Fund (CSS)	36.00	36.00	0.00	0.00
3		4217-60-051-09-01 Infrastructure Development Projects (Externally Aided Projects)	10.00	10.00	0.00	0.00
4	65	4202-01-600-01-02 Samagra Shiksha- Tribal Area Sub-Plan	25.99	25.99	0.00	0.00
<b>Total</b>			<b>72.41</b>	<b>72.41</b>	<b>0.00</b>	<b>0.00</b>

Source: Detailed Appropriation Accounts, 2023-24

Surrender of the entire provision of ₹72.41 crore in the month of March 2024 was done for allocation to newly created heads and without any reason (in case of Grant No. 36) and for re-appropriating to other sub-heads and due to less receipt of funds from the sponsoring Ministry against the anticipated BE (in case of Grant No. 65).

**(vii) Substantial Savings under sub-heads**

During 2023-24, in four sub-heads (two each under Grants No. 36 and 65) savings of ₹ One crore and above, which was between 55 and 100 per cent of the total provision were noticed as shown in **Table 3.20**.

**Table 3.20: Sub-head-wise substantial savings**

(₹ in crore)

Sl. No	Grant No.	Head of Account	Total Grant	Expenditure	Savings	Percentage of savings
1	36	4217-60-051-05-05 Solid Waste Management (CSS)	8.85	3.97	4.88	55.14
2		4217-60-051-05-06 Individual House Latrine, Community Toilet, Public Toilet & Aspirational Toilet (CSS)	2.04	0.45	1.59	77.94
3	65	2202-01-113-01-02 Strengthening of Infrastructure for Educational Training-Tribal Area Sub-Plan (Development State Resource)	1.92	0.00	1.92	100.00
4		2202-01-113-01-02 Strengthening of Infrastructure for Educational Training-Tribal Area Sub-Plan (CSS)	17.32	0.00	17.32	100.00
Total			30.13	4.42	25.71	85.34

Source: Detailed Appropriation Accounts, 2023-24

### 3.5 Conclusion

Budget Outlay of the State grew at a CAGR of 4.08 *per cent* from ₹22,496.42 crore in 2019-20 to ₹26,395.56 crore in 2023-24.

Budget performance in terms of budgetary intent and budget implementation was 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 (-) 14.49 *per cent*. This was due to deviation between 0 and  $\pm 25$  *per cent* in 61 grants, between  $\pm 25$  *per cent* to  $\pm 50$  *per cent* in 10 grants and between  $\pm 50$  *per cent* to  $\pm 100$  *per cent* in nine grants and more than  $\pm 100$  *per cent* in one grant. No provision was, however, made in respect of one grant of the Revenue section. In Capital Section, deviation in outturn compared with BE was 73.12 *per cent*. This was due to deviation between 0 and  $\pm 25$  *per cent* in four grants, between  $\pm 25$  *per cent* to  $\pm 50$  *per cent* in eight grants, between  $\pm 50$  *per cent* to  $\pm 100$  *per cent* in eight grants and more than 100 *per cent* in 18 grants. No provision was, however, made in respect of 44 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 (-)20.14 *per cent*. This was due to deviation between 0 and  $\pm 25$  *per cent* in 69 grants, between  $\pm 25$  to  $\pm 50$  *per cent* in nine grants and between  $\pm 50$  to  $\pm 100$  *per cent* in three grants. No provision was, however, made in respect of one grant of the Revenue section. In Capital section, deviation in outturn compared with RE was (-)13.42 *per cent*. This was due to deviation between 0 and  $\pm 25$  *per cent* in 44 grants, between  $\pm 25$  to  $\pm 50$  *per cent* in 13 grants, between  $\pm 50$  to  $\pm 100$  *per cent* in five grants and more than 100 *per cent* in three grants. No provision was, however, made in respect of grants of the Capital section.

It was noticed that the supplementary provision of ₹153.11 crore during the year 2023-24 in nine departments proved unnecessary, as the expenditure did not come up even to the level of the 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 205 of the Constitution. There was an outstanding excess expenditure of ₹708.62 crore under 33 Grants (pertaining to the year 2017-18 to 2023-24) which is 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.