

**CHAPTER-III:  
BUDGETARY MANAGMENT**



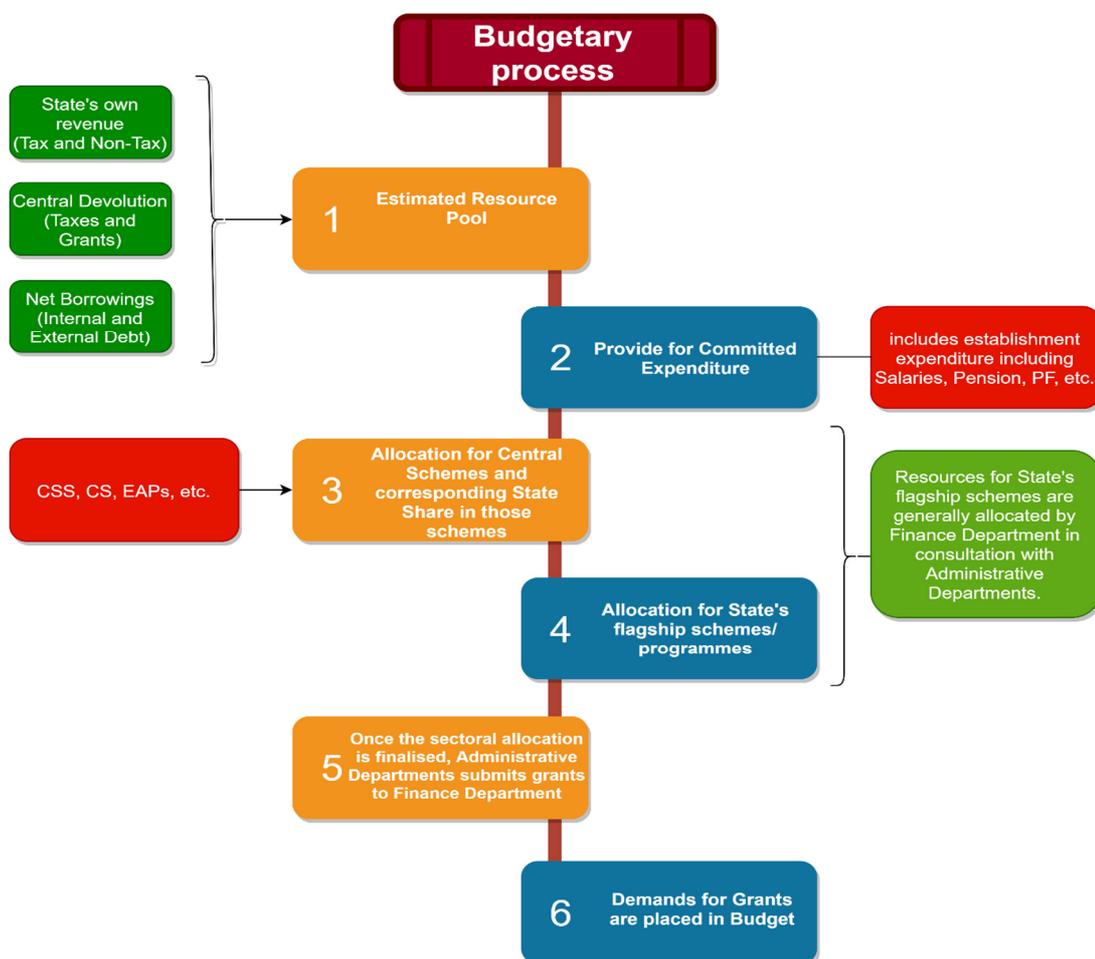
## Chapter III: Budgetary Management

*This chapter is based on the Appropriation Accounts of the State and reviews the appropriations and allocative priorities of the State Government and reports on deviations from Constitutional provisions relating to budgetary management*

### 3.1 Budget Process

The annual exercise of budgeting is a means for detailing the roadmap for efficient use of public resources. The Budget process commences with the issue of the Budget Circular, normally in August each year, providing guidance to the departments in framing their estimates, for the next financial year. A typical budget preparation process in a State is given in **Chart-3.1**.

Chart -3.1



CSS: Centrally Sponsored Schemes; CS: Central Schemes

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

Article 202 of Constitution of India requires laying of a statement of, estimated receipts and expenditure of the State for that year, as the "Annual Financial Statement" before

the House or Houses of the Legislature of the State. The Annual Financial Statement should show expenditure charged on Consolidated Fund and other expenditure separately. It shall also distinguish expenditure on revenue account from other expenditure.

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

No money shall be withdrawn from the Consolidated Fund of the State except under appropriation made by law passed in accordance with provisions of Article 204 of the Constitution.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

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

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. The budget of Government of Sikkim for the year 2020-21 consisted of 47 Demand for Grants/ Appropriations. The various components of budget are depicted in the **Chart 3.2**.

**Chart 3.2: Budget and its utilisation in 2020-21**



Source: Appropriation Accounts-2020-21

The above chart indicates that three Supplementary Demands for Grants (September 2020, January 2021 and March 2021) of ₹1,154.59 crores was not required as the gross expenditure (₹7,963.01 crore) was less than the Original Provisions (₹9285.92 crore) by ₹1,322.91 crore (14.25 per cent). It is pertinent to mention that total expenditure as on 28 February 2021 was only ₹6,216.95 crore (as per data made available/ submitted by the Treasuries), which is 59.55 per cent of Total Budget Estimates. This was indicative of over estimation and poor financial management.

### 3.1.1 Summary of total provisions, actual disbursements and savings

A summarised position of total budget provision, disbursement and savings/ excess with its further bifurcation into Voted/Charged is given as under:

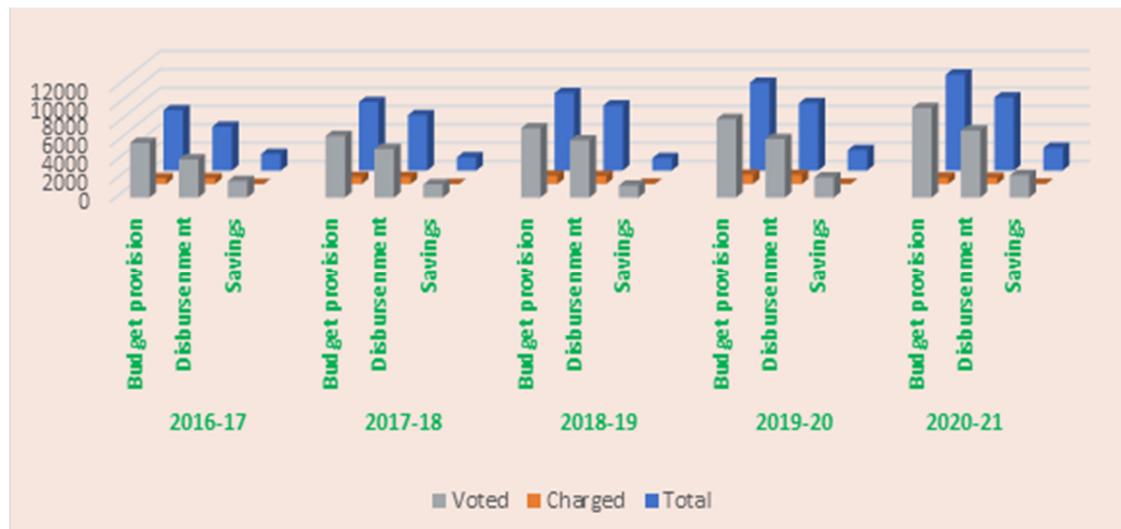
**Table 3.1: Budget provision, disbursement and savings during 2016-21**

(₹ in crore)

Year	Total Budget provision			Disbursements			Savings (Net)		
	Voted	Charged	Total	Voted	Charged	Total	Voted	Charged	Total
2016-17	5957.34	611.75	6569.09	4164.04	608.11	4772.15	1793.30	3.64	1796.94
2017-18	6707.65	756.13	7463.78	5273.05	746.02	6019.07	1435.37	10.11	1445.48
2018-19	7534.24	893.71	8427.95	6222.87	860.54	7083.41	1311.49	33.17	1344.66
2019-20	8554.34	1008.46	9562.80	6359.04	977.99	7337.03	2195.30	30.47	2225.77
2020-21	9737.12	703.39	10440.51	7283.93	679.08	7963.01	2453.19	24.31	2477.50

Source: Appropriation Accounts

**Chart 3.3: Budget Provision, Disbursement and Savings during 2016-21 (₹ in crore)**



## 3.2 Appropriation Accounts

Appropriation Accounts provide details of expenditure of the Government for the financial year, compared with the amounts of the Voted Grants and Charged Appropriations for various purposes specified in the schedules appended to the Appropriation Act passed by the Legislature. These Accounts depict the original budget provision, supplementary grants, savings, 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. Appropriation Accounts are therefore, complementary to Finance Accounts. Details of the original and supplementary budget allocation, expenditure and savings as per the Appropriation Accounts of the State for the year 2020-21 are depicted in **Chart 3.2**.

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 Comments on integrity of budgetary and accounting process

#### 3.3.1 Unnecessary or excessive supplementary grants

As per Rule 86 of Sikkim Financial Rule (SFR), 1979, as amended in 2013, Supplementary Grants are provided if the sanctioned budget for any service in a financial year is found to be insufficient in that year or when a need has arisen during that year for supplementary or additional expenditure not contemplated in the original budget for that year. The Head of the Department concerned shall arrange to obtain the necessary supplementary grants or appropriations in accordance with the provisions of Article 205 (1) of the Constitution.

Supplementary provision aggregating ₹ 432.54 crore obtained in September 2020, January 2021 and March 2021 (₹ 50.00 lakh or more in each case) pertaining to 29 cases (21 Revenue Grants and eight Capital Grants) proved unnecessary as the total expenditure did not come up to the level of original provision. Details relating to the actual expenditure incurred against the original budget allocation and supplementary provision are given in **Appendix 3.1**.

#### 3.3.2 Unnecessary or excessive re-appropriation

Re-appropriation is transfer of funds within a grant from one unit of appropriation, where savings are anticipated, to another unit where additional funds are needed. As per the Appropriation Accounts, re-appropriations under 29 Heads of Account proved either excessive or insufficient and resulted in savings/ excess of over ₹ 10.00 lakh in each case, as detailed in **Table 3.2**.

**Table 3.2: Statement showing excessive/ unnecessary/insufficient Re-appropriation (savings/excess of over ₹ 10 lakh) of funds**

(₹ in lakh)

Sl. No.	Number and name of Grant	Head of Account	Provisions				Actual Expd	Excess (+) Saving (-)
			Original	Supplementary	Re-appropriation	Total		
1	2-Animal Husbandry	4405-101-72	20.00	11.14	(-)10.00	21.14	10.00	- 11.14
2	6-Ecclesiastical	2250-103-60	1117.30	-	(-)954.24	163.06	100.09	- 62.97
3	7- Education	2202-01-101-63	40870.97	-	(-)6427.31	34443.66	34509.99	+66.33

Sl. No.	Number and name of Grant	Head of Account	Provisions				Actual Expd	Excess (+) Saving (-)
			Original	Supplementary	Re-appropriation	Total		
4	7- Education	4202-01-203-70	976.13	7230.27	(-)177.82	8028.58	7546.39	-482.19
5	10- Finance	2043-101	920.16	-	(-)93.81.00	826.35	715.60	-110.75
6	10- Finance	2075-797-61	1500.00	-	(-)750.00	750.00	-	- 750.00
7	10- Finance	2071-01-104-60	11700.00	-	(+)1961.88	13661.88	13747.44	+85.56
8	12-Forest	3435-03-101-12	548.40	0.01	(-)329.40	219.01	162.78	-56.23
9	13- Health	2210-01-001-60	2923.97	-	(-)364.57	2559.40	2596.37	+ 36.97
10	13- Health	2210-01-800	6516.00	338.00	(-)57.62	6796.38	6756.87	-39.51
11	13- Health	2210-03-101	3236.06	-	(-)1474.19	1761.87	2253.53	+491.66
12	13- Health	2210-01-103	3881.47	-	(-)296.23	3585.24	3079.02	-506.22
13	13- Health	4210-01-110-60	1226.51	3930.00	(-)680.95	4475.56	4378.57	-96.99
14	14- Home	2013-106-60	331.00	-	(+)87.24	418.24	356.55	- 61.69
15	14- Home	2052-090-44	293.56	-	(+)92.86	386.42	350.86	- 35.56
16	14- Home	4059-01-051	1826.97	218.00	(-)399.83	1645.14	1381.48	- 263.66
17	19-Water	2702-01-103-62	100.00	2725.00	(-)100.00	2725.00	-	-2725.00
18	Resources	2711-01-103-60	1000.00	2000.00	(-)200.00	2800.00	2413.80	-386.20
19	26-Motor Vehicles	2052-090-27	1203.48	33.58	(-)674.77	562.29	511.88	-50.41
20	29-Planning Development	4575-06-101	4380.00	1626.00	(-)0.29	6005.71	5705.13	-300.58
21		2055-003-62	333.25	-	(-)3.05	330.20	265.10	-65.10
22	30- Police	2055-101-63	1364.90	82.00	(-)391.15	1055.75	979.84	- 75.91
23		2055-115-19	722.20	500.00	(-)530.60	691.60	640.79	- 50.81
24	33-PHE	4215-01-101-72	1408.83	-	(-)42.75	1366.08	206.87	-1159.21
25	35- Rural Dev	3054-04-799-36	50.00	-	(-)45.93	4.07	31.66	+35.73
26	38-Social	2235-03-101-60	6112.00	33.86	(-)40.00	6105.86	5857.87	-247.99
27	Justice	2236-02-101	1624.83	-	(-)963.90	660.93	419.58	- 241.35
28	40-Tourism	3452-01-101-60	2351.27	50.00	(-)192.88	2208.39	2137.71	-70.68
29	41-Urban Dev	4217-03-051-62	324.65	-	(-)204.19	120.46	188.92	+68.46

Source: Appropriation Accounts

From the table above, it can be seen that the re-appropriations proved unnecessary in 23 cases, as the re-appropriated amount ultimately resulted in savings of ₹ 10 lakh or more in each case. Similarly, in six cases, there was excess of more than ₹ 10 lakh in each case.

Substantial savings/ excesses in respect of Heads of Account where re-appropriation was resorted to, reflects poorly on planning and monitoring of budget allocation and its utilisation by the State Government.

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

Audit analysed the instances of savings of more than ₹ one crore and surrenders more than ₹ 50 lakh to assess utilisation of budget allocation, the quantum of savings, percentage of surrenders as compared to total savings. The details are given in **Appendix 3.2**.

It was observed that in 39 Grants, there were substantial savings of ₹ 2,373.08 crore that ranged from ₹ 1.03 crore to ₹ 221.82 crore under Revenue Section and from ₹ 1.11 crore to ₹ 526.45 crore under Capital Section. The percentage of utilisation of total provision in Revenue Section ranged between 39.19 per cent and 97.23 per cent and in Capital Section between zero per cent and 93.75 per cent. It was seen that against total savings of ₹ 2,373.08 crore, an amount of ₹ 2,002.39 crore was surrendered and thus ₹ 373.43 crore was not surrendered.

It was observed that in seven Grants there were excess surrenders. Out of these, four cases with significant amounts are mentioned below:

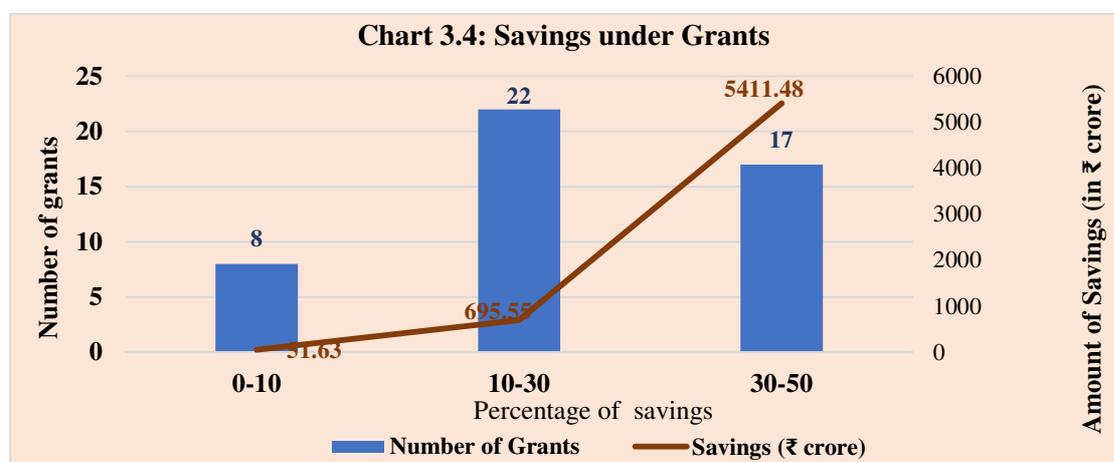
**Table 3.3: Excess surrenders**

(₹ in lakh)

Grant	Capital/Revenue	Voted/Charged	Savings	Surrender
3 - Buildings & Housing	Revenue	voted	4.64	4.75
7 - Education	Revenue	voted	221.82	221.99
41 - Urban Development	Revenue	voted	91.24	91.74
41 - Urban Development	Capital	voted	28.71	29.19
<b>Total</b>			<b>346.41</b>	<b>347.67</b>

Thus, it is observed that the State's Budgetary allocations were based on unrealistic proposals as there were huge savings which indicated poor expenditure monitoring mechanism and weak scheme implementation capacities.

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



Source: VLC data and Appropriation Accounts

The details of savings surrendered during 2020-21 and on 31 March 2021 is given in the chart below:



Source: VLC data and Appropriation Accounts

From the chart above, it can be seen that State Government departments surrendered ₹ 2,024.96 crore during March 2021 out of which, ₹ 1,627.31 crore (80.36 per cent) was surrendered on 31 March 2021.

The percentage of surrenders on 31<sup>st</sup> March to total surrenders has come down from 99.97 per cent in 2019-20 to 80.36 per cent in 2020-21.

### 3.3.3.1 Budget utilisation

Budget utilisation during the last five years is given in **Table 3.4** and **Chart 3.6**.

**Table 3.4: Budget Utilisation during 2016-17 to 2020-21**

Year	Total Budget provision			Disbursements			Gross Saving			% of savings
	Voted	Charged	Total	Voted	Charged	Total	Voted	Charged	Total	
2016-17	5957.34	611.75	6569.09	4164.04	608.11	4772.15	1793.31	3.64	1796.95	27.35
2017-18	6707.65	756.13	7463.78	5273.05	746.02	6019.07	1435.37	10.11	1445.48	19.37
2018-19	7534.24	893.71	8427.95	6222.87	860.54	7083.41	1310.87	33.36	1344.04	15.95
2019-20	8554.34	1008.46	9562.80	6359.04	977.99	7337.03	2195.30	30.47	2225.77	23.27
2020-21	9737.12	703.39	10440.51	7283.93	679.08	7963.01	2453.19	24.31	2477.50	23.73

Source: Appropriation Accounts

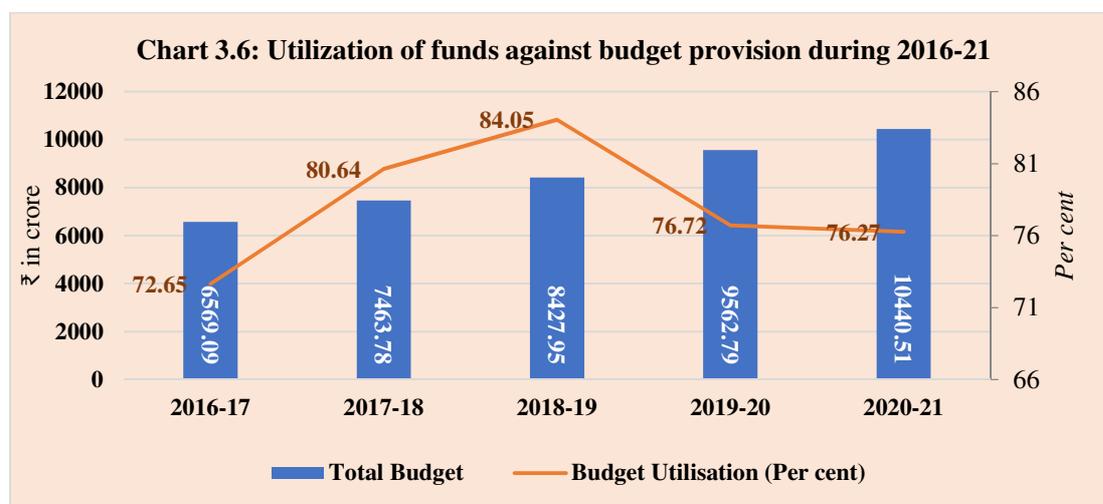
Review of overall utilisation of budget provisions relating to the period 2016-21 revealed that the Government had substantial savings ranging between 15.95 per cent and 27.35 per cent of total budget allocation and could utilise only 72.65 per cent to 84.05 per cent of total allocation during this period. The details are shown in **Appendix 3.3**. Large amount of savings in allocated funds indicated inaccurate assessment of Receipts.

The savings are to be seen in the context of poor estimation of receipts in the Consolidated Fund of the State. As against the projected receipts of ₹ 7,973.32 crore during the year, the actual receipts of the State was only ₹ 5,608.99 crore

(70.35 per cent). This resulted in the Total Expenditure of the State being restricted to ₹ 7,963.01 crore (76.27 per cent) as against the budgeted provision of ₹ 10,440.51 crore as the money was not actually available.

**Recommendation:** Although the issue of persistent savings is being highlighted in the Reports of the CAG on State Finances every year, no corrective measure has been taken by the departments. This shows that there is inadequate monitoring, especially as the savings are taking place year after year. The Finance Department should take proactive measures to eliminate persistent savings.

The **Chart 3.6** also depicts the utilisation of funds against the total budget provision during 2016-21.



Source: Appropriation Accounts

The utilisation of budget after improving from 2016-17 to 2018-19 again fell sharply during 2019-20 and 2020-21. It was mainly due to large percentage of savings under Education and Water Resources grants.

### 3.3.3.2 Surrenders of allocations up to 100 per cent

Substantial surrenders of budgetary allocations (cases where more than 50 per cent of total provision were surrendered) were made in respect of 74 sub-heads. Out of the total provisions amounting to ₹ 710.53 crore in those 74 sub-heads, ₹ 580.94 crore constituting 81.76 per cent of total budget provision were surrendered, which included 22 sub-heads under which 100 per cent allocations (₹ 47.06 crore) were surrendered. The details of such cases as well as reasons thereof are given in **Appendix 3.4**.

It was found that, out of 74 sub-heads, 18 sub-heads (24 per cent) pertained to developmental works, which got hampered due to non-utilisation of budgetary allocation.

### 3.3.3.3 Anticipated savings not surrendered

As per Rule 84 of SFR, the departments of Government shall surrender to the Finance Department, before the close of the financial year, all the anticipated savings noticed in the Grants / Appropriations controlled by them.

Against the overall savings of ₹ 2,477.50 crore, an amount of ₹ 2,024.96 crore (81.73 per cent) was surrendered during 2020-21, of which, ₹ 1,627.31 crore (80.17 per cent) was surrendered on the last day of the year i.e. 31 March 2021. The total surrenders during 2020-21 (in excess of one crore or more), under Revenue Head was ₹ 1,242.33 crore whereas under Capital Head it was ₹ 757.58 crore. The details are given in the **Appendix 3.5**. Thus, these surrendered amounts were not available for other departments who could have used it.

Non-surrender and surrender of savings on the last day of the financial year shows lax financial control.

### 3.3.4 Excess expenditure and its regularisation

No case of excess under Grants/ Appropriation was noticed during the year 2020-21

#### 3.3.4.1 Detail Head wise excess disbursement over Total Provision of Fund during the financial year

The Grant-wise and Detailed Head wise expenditure in excess of total provisions (Original Provision, Supplementary Provision, Re-appropriation and Surrender) which had taken place during the year 2020-21 are enumerated in **Table 3.5**.

**Table 3.5: Detailed Head wise excess disbursement**

(₹ in lakh)

Sl. No.	Grant No.	Major Head	Accounting Head Description	Total provision after re-appropriation and surrender	Expenditure	Excess	In per cent	Reasons for excess
1	2	3	4	5		7=5-6		8
1	7	2059	60-053-60	103.56	110.52	6.96	6.72	Reasons for the excess is yet to be received from Finance Department as on October 2021.
2	10	2043	101-44	0	107.02	107.02	100	
3	11	3475	106-60	2.52	2.93	0.41	16.27	
4	13	2210	03-101	1,761.87	2253.53	491.66	27.91	
5	14	2013	105.61	4.50	5.21	0.71	15.78	
6	41	2217	01-800-62	50.88	103.22	52.34	103	
7	41	4217	03-051-62	120.46	188.92	68.46	56.83	
<b>Total</b>				<b>4,840.05</b>	<b>5,606.2</b>	<b>766.15</b>		

Source: Appropriation Accounts

Thus, it can be seen that excess expenditure of ₹ 7.66 crore had taken place under seven detailed heads of accounts. The excess expenditure under these heads ranged between 1.12 per cent to 103 per cent.

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

Excess expenditure remaining unregularised for extended periods dilutes Legislative control over the Executive. Though no excess expenditure had taken place during 2020-21, but excess expenditure of previous years were pending for regularisation.

The Public Accounts Committee (PAC) had discussed the Appropriation Accounts up to the year 2013-14. It was observed that excess expenditure amounting to ₹ 90.69 crore pertaining to 43 grants and two appropriations for the years 2012-13 to 2019-20 are yet to be discussed by the PAC for their regularisation. The details of excess expenditure over the budget provision pending regularisation are given in **Table 3.6**.

**Table 3.6: Excess over Provision Requiring Regularisation**

(₹ in crore)

Year	Number of Grants	Appropriations	Amount of excess over provision	Status of Regularisation
2012-13	17 Grants and 1 Appropriation- Grant Nos. 3, 5, 9, 16, 17, 24, 25, 26, 27, 31, 32, 33,34,35,36,40,42	Governor	22.10	Under examination by PAC
2013-14	15 Grants - Grant Nos. 3, 5, 7, 8, 9, 10, 16, 24, 26, 30, 31, 32, 34, 35, 42	-	55.77	-do-
2014-15	05 Grants-Grant Nos 3, 8, 31, 33, 42	-	4.28	-do-
2015-16	01 Grant - Grant No 36	-	0.05	-do-
2017-18	01 Grant - Grant No 34	-	0.76	-do-
2018-19	01 Grant - Grant no 39 01 Appropriation	Governor	0.32	-do-
2019-20	03 Grants – Grant No 21,28,31	-	7.41	-do-
<b>TOTAL</b>			<b>90.69</b>	

Source: Appropriation Accounts

The Department assured that the excess expenditure against demands for grant would be regularised as per PAC recommendation.

### 3.4 Comments on effectiveness of budgetary and accounting process

#### 3.4.1 Budget projection and gap between expectation and actual

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 deprive other departments of the funds which they could have utilised.

The position of total budget allocation, utilisation of allocation and surrender under Revenue, Capital, Loans and Advances Sections of Voted and Charged expenditures in 2020-21 is shown in **Table 3.7**.

**Table 3.7: Summarised position of Actual Expenditure vis-à-vis Budget (Original/ Supplementary) provisions during 2020-21**

(₹ in crore)

1		2	3	4	5	6	7	8	9
		Original grant/ appropriation	Supplementary grant/ appropriation	Total	Actual expenditure	Gross Saving (-) / Excess (+)	Amount surrendered	Amount surrendered on 31 March	Percentage of savings surrendered (Col. 7/6)
<b>Voted</b>	<b>I Revenue</b>	6,851.83	451.94	7,303.77	5,770.05	(-) 1,533.72	1,245.97	869.39	<b>81.24</b>
	<b>II Capital</b>	1,729.35	702.65	2,432.00	1,513.88	(-) 918.12	758.14	732.81	<b>82.57</b>
	<b>III Loans/ advances</b>	1.35	0	1.35	0	(-) 1.35	1.35	1.35	<b>100</b>
<b>Total Voted</b>		<b>8,582.53</b>	<b>1,154.59</b>	<b>9,737.12</b>	<b>7,283.93</b>	<b>(-) 2,453.19</b>	<b>2,005.46</b>	<b>1,603.55</b>	<b>81.75</b>
<b>Charged</b>	<b>I Revenue</b>	622.69	0	622.69	599.33	(-) 23.36	23.33	22.80	<b>99.87</b>
	<b>II Capital</b>	80.70	0	80.70	79.75	(-) 0.95	0.95	0.95	<b>100</b>
	<b>III Public Debt- Repayment</b>	0	0	0	0	0	0	0	<b>0</b>
<b>Total Charged</b>		<b>703.39</b>	<b>0</b>	<b>703.39</b>	<b>679.08</b>	<b>(-) 24.30</b>	<b>24.28</b>	<b>23.75</b>	<b>99.92</b>
<b>Grant Total</b>		<b>9,285.92</b>	<b>1,154.59</b>	<b>10,440.51</b>	<b>7,963.01</b>	<b>(-) 2,477.50</b>	<b>2,029.74</b>	<b>1,627.30</b>	<b>81.93</b>

Source: Appropriation Accounts.

During the year 2020-21, savings increased to 23.73 *per cent* of total budget allocation as compared to 23.35 *per cent* during the previous year.

The overall savings of ₹ 2,477.50 crore was net result of total savings of ₹ 1,557.08 crore in 45 Grants and two Appropriations under Revenue Section and ₹ 920.42 crore in 28 Grants under Capital Section.

Against the savings of ₹ 2,477.50 crore, an amount of ₹ 2,024.96 crore (81.73 *per cent*) was surrendered during March 2021, of which, ₹ 1,627.31 crore (65.68 *per cent*) was surrendered on the last day of the year *i.e.*, 31 March 2021. The savings of ₹ 447.76 crore (18.07 *per cent*) was not surrendered at all.

The details of Original Budget, Revised Estimate and Actual Expenditure during 2016-21 is given in **Table 3.8**.

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

Particulars	(₹ in crore)				
	2016-17	2017-18	2018-19	2019-20	2020-21
Original Budget	5,884.43	6,364.02	7,133.82	8,887.99	9,285.92
Supplementary Budget	684.66	1,099.75	1,294.13	674.79	1,154.59
Revised Estimate	6,569.09	7,463.77	8,427.95	9,562.80	10,440.51
Actual Expenditure	4,772.15	6,019.07	7,083.41	7,337.03	7,963.01
Gross Savings	1,796.95	1,445.48	1,344.85	2,233.18	2,477.50
Percentage of saving	27.35	19.37	15.96	23.35	23.73

Source: Appropriation Accounts

The savings/excess were intimated (07 July 2021) to the Controlling Officers by office of Sr. DAG (A&E), Sikkim requesting them to explain the significant variations. Out of 602 sub-heads (561 savings and 41 excess), explanations for variations in respect of 511 sub-heads (492 savings and 19 excess) were received up to 21 September 2021. Thus, explanations in respect of 91 sub-heads (15.12 *per cent*) had not been received. The status is depicted in **Chart 3.7**:

**Chart 3.7: Summary of explanation for variation in Appropriation Accounts**



Source: A&E Office

### 3.4.2 Supplementary budget and opportunity cost

At times, while obtaining supplementary provision, the departments report to Legislature large additional requirements for different purposes under various schemes/activities, but fail to utilise the budget allocation.

The result of review of Grants and Appropriations under Capital Section with savings of more than ₹ 50 lakh and where supplementary allocations were sought is shown in **Table 3.9**.

**Table 3.9: Grants and Appropriations under Capital Section with savings of more than ₹ 50 lakh**  
(₹ in crore)

Sl. No.	Grant No.	Name of Grant/ Appropriation	Original	Supplementary	Total	Actual Expenditure	Unutilised fund
<b>CAPITAL (Voted)</b>							
1	1	Agriculture	1.18	0.53	1.71	1.04	0.67
2	2	AH&VS	4.65	0.51	5.16	2.39	2.77
3	3	BHD	22.99	14.02	37.01	23.94	13.07
4	5	Culture	18.83	1.50	20.33	14.63	5.70
5	7	Education	24.92	93.67	118.59	101.21	17.38
6	13	Health & FW	48.01	166.50	214.51	179.40	35.11
7	14	Home	18.27	2.18	20.45	13.81	6.63
8	22	LR & DM	5.00	43.00	48.00	45.00	3.00
9	29	Planning & Dev	43.80	16.26	60.06	57.05	3.01
10	30	Police	2.50	1.13	3.63	2.74	0.89
11	31	Power	83.10	95.83	178.92	161.90	17.02
12	33	PHE	107.53	2.25	109.78	44.80	64.98
13	34	Roads & Bridges	281.71	123.68	405.39	303.51	101.88
14	35	RDD	819.64	21.68	841.32	314.87	526.45
15	38	Social Justice & W	31.22	2.59	33.81	15.93	17.88
16	39	Sports & Youth	24.19	15.92	40.11	34.30	5.81
17	40	Tourism	74.75	51.07	125.82	97.01	28.81
18	41	Urban Dev	59.24	6.00	65.24	36.53	28.71
19	47	Skill Dev	11.47	3.76	15.23	6.13	9.10

Source: Appropriation Accounts

It is seen that there was substantial savings of more than ₹ 50 lakh in 19 cases under the Capital Section. As can be seen from the table above, nine departments were unable to spend the entire supplementary provision as the expenditure was less than the original budget provision. At the same time, some of the schemes remained incomplete due to want of funds. Thus, the intended benefit of the unfinished schemes could not be extended to the public at large in such cases and also might have led to escalation of project cost.

There were 251 incomplete projects at the end of 2020-21 (Reference **Appendix 2.4**). Out of these, there were 19 incomplete projects with project cost of ₹ 10 crore or more. The details of projects lying incomplete with estimated cost of ₹ 10 crore and above are given in **Appendix 3.6**.

Several schemes/programmes declared by the Government do not typically get operationalised and run beyond the target schedule dates due to lack of preparatory work and lack of adequate allocation of budget.

### 3.4.3 Schemes on which no expenditure was made

Several policy initiatives taken up by Government are partially or not fully executed due to non-approval of scheme guidelines/ modalities, non-commencement of works for want of administrative sanction, non-release of budget, etc. This deprives the beneficiaries of intended benefits. Savings in such schemes deprives other Departments of the funds which they could have utilised. The details are given in **Table 3.10**.

**Table 3.10: Details of the schemes with Nil expenditure for which allocations of ₹ 10 lakh and above were made**

(₹ in lakh)

Sl. No.	Grant No. & Department	Accounting Head	Scheme Name	Approved outlay	Revised outlay
1	5- Culture	4202-04-800-60-00-51	Ramanuj Vedic Gurukulam, Neopanay	300.00	300.00
2	5- Culture	4202-04-800-60-00-54	Construction of Nepali Bhawan, Jorethang	100.00	100.00
3	5- Culture	4202-04-800-60-00-65	Construction of Sherpa Bhawan	100.00	100.00
4	5- Culture	4202-04-800-60-70	Construction of New Community Centre, Gyalshing	200.00	200.00
5	19- Water Resources	2702-01-103-62-45-75	Surface Minor Irrigation (East)	0	678.00
6		2702-01-103-62-46-75	Surface Minor Irrigation (West)	0	576.00
7		2702-01-103-62-47-75	Surface Minor Irrigation (North)	0	336.00
8		2702-01-103-62-48-75	Surface Minor Irrigation (South)	0	1,144.00
9	33- PHE	4215-01-101-60-00--85	Reliable and futuristic water supply through tunnel at Gangtok and nearby areas	0	25.00
<b>Total</b>					<b>3,459.00</b>

Source: Detailed Appropriation Accounts

The Audit analysed schemes for which allocation of ₹ 10.00 lakh and above had been made, but no expenditure had been incurred on them during 2020-21. It was noticed that in respect of 19 schemes for which budget allocation of ₹ 34.59 crore was made, not a single rupee was spent. Reasons for non-utilisation were not on record.

### 3.4.4 Mis-classification of establishment expenditure under Capital Heads

As per Rule 84 of GFR 2017, significant expenditure incurred with the object of acquiring tangible assets of a permanent nature (for use in the organisation and not for sale in the ordinary course of business) or enhancing the utility of existing assets, shall broadly be defined as Capital Expenditure. Subsequent charges on maintenance, repair, upkeep and working expenses, which are required to maintain the assets in a running order as also all other expenses incurred for the day to day running of the organisation, including establishment and administrative expenses shall be classified as Revenue expenditure. Capital and Revenue expenditure shall be shown separately in Accounts. However, it was observed that, during the year 2020-21, an amount of ₹ 12.08 crore

expended for construction works was incorrectly booked under Revenue account. Booking of this expenditure to Revenue account not only inflated the Revenue expenditure but also suppressed the expenditure on Capital account. The details are given below:

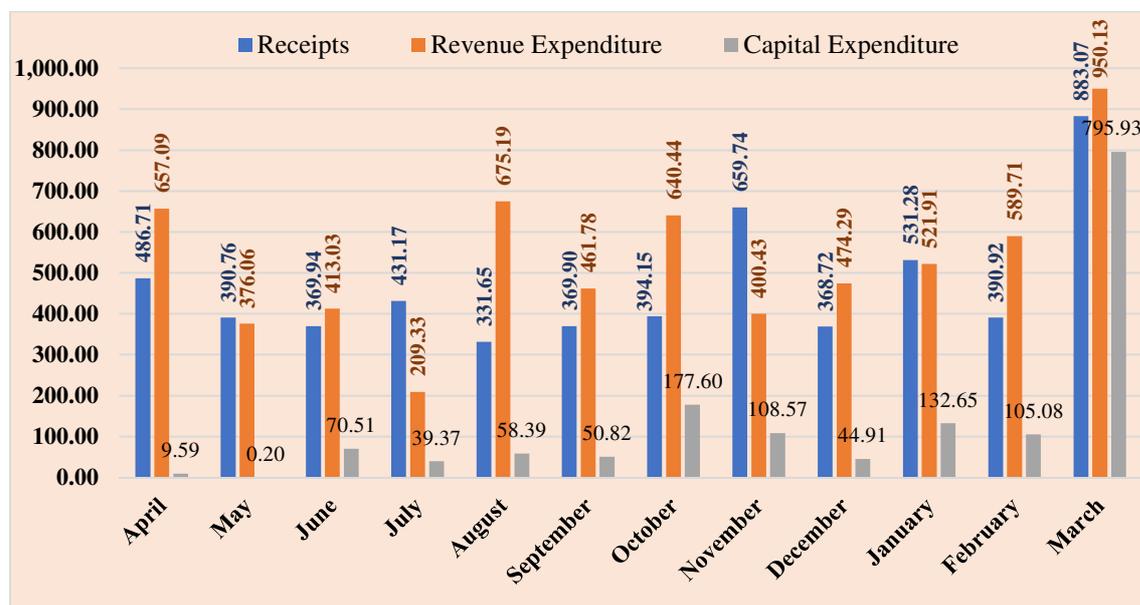
**Table 3.11: Details of mis-classification of expenditure**

Major Head	Major Head Description	Detailed Head	Detail Head Description	Amount (₹ in crore)
2711	Flood Control and Drainage	76	Construction of Mini Jhora Training Works	12.08

### 3.4.5 Rush of Expenditure

Government funds should be evenly spent throughout the year. Note 3 below Rule 84 of Sikkim Financial states that the rush of expenditure towards the end of the financial year is regarded as a breach of financial propriety. Maintaining a steady pace of expenditure is a crucial component of sound public financial management, as it obviates fiscal imbalance and temporary cash crunches due to mismatch of revenue expenditure during a particular month arising out of unanticipated heavy expenditure in that particular month. Rush of expenditure particularly in the closing month of the financial year should be avoided as per Financial Rules.

**Chart 3.8: Monthly receipts and expenditure during 2020-21**



As can be seen from the chart above, the receipts were paced more or less evenly across all the months during the financial year 2020-21. However, the pattern of expenditure during 2020-21 revealed that the State Government incurred Revenue expenditure of ₹ 950.13 crore, constituting about 14.92 per cent of the total Revenue Expenditure of ₹ 6,369.38 crore in March. The Capital expenditure showed a sharp rise of ₹ 795.93 crore constituting about 50 per cent of the total Capital expenditure of ₹ 1,593.63 crore, in March 2021. The Capital expenditure spread from less than one per cent to 11 per cent during the other months of the financial year 2020-21.

However, out of the Revenue expenditure of ₹ 950.13 crore incurred in March 2021, ₹ 310.76 crore (32.71 per cent of the total expenditure of March 2021) was spent on the last day of the financial year *i.e.*, 31 March 2021.

While analysing further, it is revealed that a sizable amount of Receipts was received for Centrally Sponsored Schemes during last month of the year. The details are given in **Table 3.12** below:

**Table 3.12: Details of fund released in the month of March 2021**

(₹ in crore)

Sl. No.		Receipts	Expenditure
1	Actuals in March	883.07	950.13
2	CSS (March)	117.30	129.36
			<b>(₹ 92.96 crore on last day)</b>
3	Percentage	13.28	13.61
4	Percentage to Total CSS amount of 2020-21	13.36 (₹ 878.22 crore)	17.29 (₹ 748.28 crore)

Source: NTA and VLC data

From the above Table, it is observed that out of receipts during last month of year, 13.28 per cent were received from various ministries of GoI for Centrally Sponsored Schemes in the last month of the year. The State Government released 13.61 per cent of March month Expenditure to various implementing agencies of CSS. Out of CSS fund released during March month, 72 per cent of expenditure was released on the last day of the year.

Out of total expenditure booked under CSS in the State Finance Account 2020-21, 17.29 per cent of expenditure was booked during last month of the year. The State Government received 13.36 per cent of GOI share of Centrally Sponsored Schemes on last month of the year.

It was observed that three departments had spent about 53 per cent to 71 per cent of their expenditure in March 2021. Details are given below:

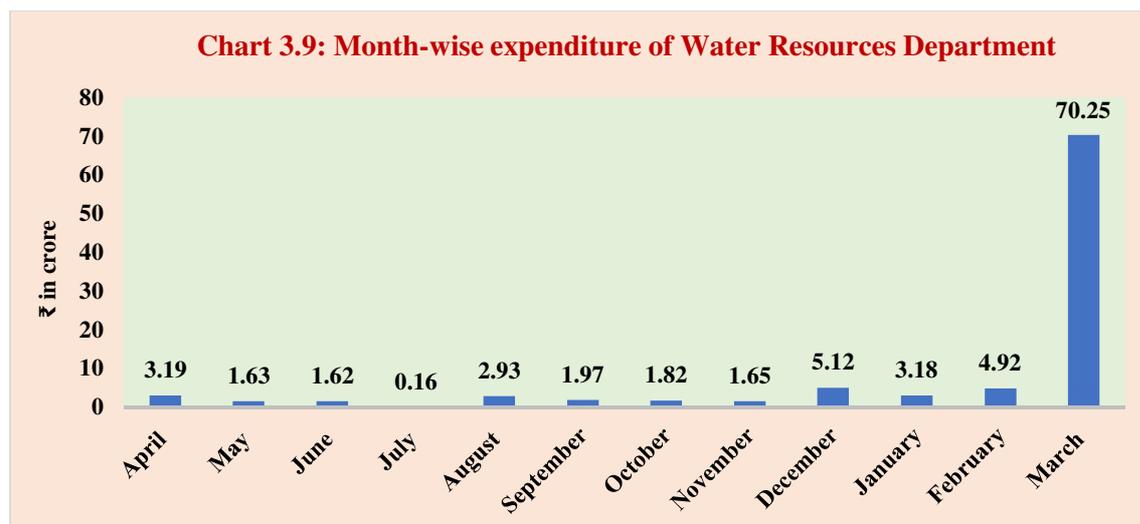
**Table 3.13: Grants with more than 50 per cent of expenditure in March alone**

(₹ in crore)

Sl. No.	Grant No.	Department	1 <sup>st</sup> Qtr	2 <sup>nd</sup> Qtr	3 <sup>rd</sup> Qtr	4 <sup>th</sup> Qtr	Total	Expend - iture in March	Expenditure in March as percentage of total expenditure
1	5	Culture	3.42	3.03	3.48	26.64	36.57	22.83	62.43
2	19	Water Resources	6.44	5.07	8.59	78.35	98.45	70.25	71.36
3	39	Sports & Youth Affairs	5.07	3.92	8.15	35.84	52.99	28.11	53.05

Source: VLC data

The Water Resources Department (Grant– 19) had incurred about 71 per cent of its annual expenditure in March 2021. The details of month-wise expenditure of this department expenditure during the year 2020-21 is depicted in the **Chart** below:



Source: VLC data

Thus, contrary to the spirit of financial regulations, several departments of the Government incurred substantial quantum of expenditure at the fag end of the year indicating inadequate control over the expenditure and poor budgetary management.

### 3.4.6 Review of selected grants

Grant No. 01 – Agriculture Department (AD), was selected for detailed scrutiny in audit to assess the compliance with prescribed budgetary procedures, monitoring of expenditure, control mechanisms and implementation of schemes within the grant. Outcome of the audit is discussed in the succeeding paragraphs. The audit examination of the budgetary procedure and control over expenditure for the period 2016-17 to 2020-21 of AD was conducted during October-November 2021.

#### 3.4.6.1 Budgetary control/ monitoring system

Financial management involves efficient and effective use of financial resources to achieve the objectives of the organisation. Agriculture Department is the Government agency responsible for the promotion of agricultural development in the State. Agriculture is the mainstay of majority rural populace of Sikkim. The economy of the State is linked with agriculture that serves as the source of livelihood and economic security of sizeable native population.

In the context, ensuring timely availability of funds to fulfil contractual commitments, optimising cost, allocating resources in a fair and transparent manner, timely utilisation of funds and proper record keeping are essential to achieve its objectives.

Review by Audit showed that authorities of Agriculture Department bypassed the mandatory provisions of Financial Rules etc., resulting in persistent savings under grant, surrender of funds less than actual *saving*, unnecessary/ excessive re-appropriation of funds as discussed in the following paragraphs:

The summarised position of actual expenditure against grants during 2016-17 to 2020-21 in respect of Grant No. 01 – Agriculture Department is given below:

**Table 3.14: Summarised position of actual expenditure***(₹ in crore)*

Year	Section	Original grant	Supplementary	Total	Actual Expenditure	Excess + savings -	Surrender	Remained to be surrendered
2016-17	Capital	2.81	0	2.81	1.00	1.81	1.81	0
	Revenue	77.39	3.13	80.53	52.37	28.16	27.77	0.39
2017-18	Capital	4.67	0.30	4.97	1.65	3.32	2.73	0.59
	Revenue	94.21	0.46	94.67	48.01	46.66	43.64	3.02
2018-19	Capital	2.20	0	2.20	1.82	0.39	0.36	0.03
	Revenue	99.34	4.60	103.94	90.19	13.74	11.11	2.63
2019-20	Capital	1.58	0	1.58	1.05	0.53	0.53	0
	Revenue	221.56	1.97	223.53	138.67	84.86	78.34	6.52
2020-21	Capital	1.18	0.53	1.71	1.04	0.67	0.67	0
	Revenue	175.19	0	175.19	95.95	79.24	79.00	0.24
<b>Total</b>	<b>Capital</b>	<b>12.44</b>	<b>0.83</b>	<b>13.27</b>	<b>6.56</b>	<b>6.72</b>	<b>6.10</b>	<b>0.62</b>
	<b>Revenue</b>	<b>667.69</b>	<b>10.16</b>	<b>677.86</b>	<b>425.19</b>	<b>252.66</b>	<b>239.86</b>	<b>12.80</b>
	<b>Grand Total</b>	<b>680.13</b>	<b>10.99</b>	<b>691.13</b>	<b>431.75</b>	<b>259.38</b>	<b>245.96</b>	<b>13.42</b>

Source: Appropriation Accounts.

### 3.4.6.2 Unnecessary/excessive supplementary provision

Rule-86 of SFR requires obtaining supplementary provision if the sanctioned budget is found to be insufficient or to meet additional expenditure upon new services not contemplated in the original budget. Audit observed that AD obtained supplementary provision of ₹ 10.99 crore (Capital ₹ 0.83 crore and Revenue ₹ 10.16 crore) during 2016-17 to 2020-21 (*Reference: Table 3.14*).

It was seen that during 2016-17 and 2020-21, the supplementary provisions of ₹ 0.83 crore and ₹ 10.16 crore under both the Capital and Revenue Heads respectively were not required as the Department could not utilise even the original budget provision. The unnecessary obtaining of supplementary provision without utilisation resulted in non-adherence to State Financial Rules.

### 3.4.6.3 Persistent savings

Persistent savings in the Grants is indicative of inaccurate budget estimation and tendency of the Department to over-estimate the requirement of funds. In AD, persistent and substantial savings during 2016-17 to 2020-21 ranged between 13.83 per cent and 49.53 per cent of the provision under Revenue Heads. Similarly, there were persistent savings under Capital Heads which ranged between 17.73 per cent and 64.41 per cent during the entire review period from 2016-17 to 2020-21. The details are given in **Table 3.14** above. Thus, inaccurate estimation by the AD of required funds led to persistent savings under both Capital as well as Revenue Head.

### 3.4.6.4 Surrender of funds less than actual savings

According to Rule-84 of SFR, all the anticipated savings should be surrendered to the Finance Department before the close of the financial year. During 2016-17 to 2020-21, against the saving of ₹ 259.38 crore, AD surrendered ₹ 245.96 crore (94.83 per cent) leading to non-surrender of saving of ₹ 13.42 crore (5.17 per cent). The details are shown below:

**Table 3.15: Surrender of funds less than actual savings**

(₹ in crore)

Year	Section	Savings	Surrendered	Saving not surrendered
2016-17	Capital	1.81	1.81	0
	Revenue	28.16	27.77	0.39
2017-18	Capital	3.32	2.73	0.59
	Revenue	46.66	43.64	3.02
2018-19	Capital	0.39	0.36	0.03
	Revenue	13.74	11.11	2.63
2019-20	Capital	0.53	0.53	0
	Revenue	84.86	78.34	6.52
2020-21	Capital	0.67	0.67	0
	Revenue	79.24	79.00	0.24
Total	Capital	6.72	6.10	0.62
	Revenue	252.66	239.86	12.80
Grand Total		259.38	245.96	13.42

Source: Appropriation Accounts

Audit observed that surrender of funds was less than the actual savings during the entire review period (2016-17 to 2020-21) except in Capital Sector during 2016-17, 2019-20 and 2020-21 under this Grant.

Against aggregate savings of ₹ 6.72 crore under Capital Head during 2016-21, ₹ 6.10 crore (91 per cent) was surrendered and ₹ 0.62 crore (nine per cent) was not surrendered. Similarly, under Revenue Head, against the total savings of ₹ 252.66 crore, only ₹ 239.86 crore (95 per cent) was surrendered leaving an amount of ₹ 12.80 crore (five per cent) un-surrendered. Failure to surrender the amount of ₹ 13.42 crore (Revenue ₹ 12.80 + Capital ₹ 0.62 crore) was indicative of violation of SFR and surrender of fund less than the actual savings and availing of unnecessary supplementary provision indicated inadequate budgetary controls.

### 3.4.6.5 Anticipated savings not surrendered

In terms of Rule 84 of Sikkim Financial Rules, 1979, the spending departments are required to surrender the grants/appropriation or portion thereof to the Finance Department as and when the savings are anticipated. However, the AD had not surrendered the savings as shown below:

**Table 3.16: Funds not surrendered**

(₹ in lakh)

Year	Name of the scheme	Head	Total grant	Actual expenditure	Savings
2016-17	Pradhan Mantri Krishi Sinchayee Yojana (PMKSY) (State Share)	2401-00-107-03-00-94	30.00	15.00	15.00
2017-18	Support to State Extension Programmes for Extension Reform Schemes (State Share)	2401-00-109-05-00-91	104.18	88.59	15.59
2018-19	PMKSY (State Share)	2401-00-107-03-00-94	70.00	52.25	17.75
2018-19	Pradhan Mantri Fasal Bima Yojana (PMFBY) (State Share)	2435-60-800-02-00-93	63.38	0.10	63.28
2018-19	Soil Health Card Scheme (50 per cent CSS)	2401-00-107-03-00-85	124.87	108.60	16.27
2018-19	Paramparagat Krishi Vikas Yojana (50 per cent CSS)	2401-00-107-03-00-86	664.98	647.79	17.18
<b>Total</b>			<b>1057.41</b>	<b>912.33</b>	<b>145.07</b>

Source: Detailed Appropriation Accounts

Audit analysis of surrender under Grant No- 01 revealed that despite savings, no funds were surrendered in case of two schemes.

#### 3.4.6.6 Substantial savings

Budget is prepared based on the activities to be undertaken for a year and the provision of funds is made to discharge the payment required for them. Analysis of budget provision and actual expenditure for the period 2016-17 to 2020-21 covered under review revealed that in two Major Heads, there were substantial savings as detailed below:

**Table 3.17: Substantial savings during 2016-21**

(₹ in crore)

Year	Name of the scheme	Total Grant	Actual expenditure	Savings	% of Saving
2017-18	2401-109-05-National Mission on Agriculture Extension and Technology	5.66	4.75	0.91	16.08
2018-19	2401-104-01-Agriculture Department	19.85	18.66	1.19	5.99
2018-19	2435-60-800-02-Agriculture Department	13.77	12.93	0.84	6.10
2019-20	2401-104-01-Agriculture Department	44.04	37.67	6.37	14.46
<b>Total</b>		<b>83.32</b>	<b>74.01</b>	<b>9.31</b>	

Source: Appropriation Accounts

The reasons for the savings were due to transfer of One Family One Job employees, retirement of employees, non-receipt of bills etc.

#### 3.4.6.7 Rush of expenditure

As per Note 3 under Rule 84 of SFR, rush of expenditure, particularly in the closing month of the financial year, is to be regarded as a breach of financial propriety and should be avoided. Contrary to this, rush of expenditure during the closing month of

the financial year was noticed under review. The expenditure ranged from 35 to 48 per cent of the total expenditure as shown below:

**Table 3.18: Rush of Expenditure during 2016-21**

Particular	(₹ in crore)				
	2016-17	2017-18	2018-19	2019-20	2020-21
Expenditure during April to December	24.36	23.78	40.47	45.76	40.02
Expenditure during January to February	8.00	8.41	16.38	27.49	9.81
Expenditure during March	21.00	17.47	35.16	66.46	47.17
<b>Total</b>	<b>53.36</b>	<b>49.66</b>	<b>92.01</b>	<b>139.71</b>	<b>97.18</b>
(Percentage of Expenditure during March)	39.36	35.18	38.21	47.57	48.63

Source: VLC figures

During the month of March, the expenditure incurred by the Department ranged from 35 per cent in 2017-18 to 49 per cent in 2020-21. It was observed that proportion of expenditure incurred in month of March was increasing persistently since 2017-18. The Department had made the payment to clear the previous month's liabilities during March *i.e.* at the verge of closing of a financial year, which generally indicated tendency to utilise the unspent budget.

Hence, the budgetary management and control over expenditure for the period 2016-17 to 2020-21 in respect of Grant No. 01 Agriculture Department revealed that against total provision of ₹ 691.13 crore, expenditure of ₹ 431.75 crore was incurred, resulting in unspent provision of ₹ 259.38 crore (38 per cent), cases of unnecessary supplementary provision (₹ 10.99 crore), surrender of funds less than actual savings (₹ 245.96 crore) and anticipated savings of ₹ 13.42 crore not surrendered. There were cases of persistent and substantial savings, non-utilisation of funds, rush of expenditure during the month of March during 2020-21 (48.63 per cent).

### 3.5 Conclusion

Budgetary assumptions of the State Government were not very realistic during 2020-21 and despite carrying out an elaborate pre-budget exercise to bring about efficiency and transparency in budget formulation and execution, budgetary estimates were off the mark to a considerable extent, and control over the execution and monitoring of budget was inadequate.

Savings during the year was ₹ 2,477.50 crore which was 23.73 per cent of the budget provision of ₹ 10,440.51 crore. However, the Controlling Officers surrendered savings of ₹ 2,024.96 crore, during last month of the year, with major portion of savings (₹ 1,627.31 crore) being surrendered on the last day of the financial year 2020-21.

During 2020-21, no excess expenditure had taken place. However, an excess expenditure of ₹ 90.69 crore in respect of previous years (from 2012-13 to 2019-20) was pending for regularisation by the PAC/State Legislature.

During 2020-21, State Government incurred an expenditure of ₹ 950.13 crore, constituting about 11.93 per cent of the total Revenue Expenditure of ₹ 7,963.01 crore, in March 2021. However out of ₹ 950.13 crore incurred in March 2021, ₹ 310.76

crore (32.71 per cent of the total Revenue expenditure of March 2021) was spent on the last day of the financial year i.e., 31 March 2021.

The explanations for variations in expenditure vis-à-vis allocations were not provided in respect of 91 sub-heads (15.12 per cent) out of 602 sub-heads to the office of Sr. DAG (A&E).

During the period 2016-21, the Government had substantial savings ranging between 15.95 per cent and 27.35 per cent of total budget allocation and could utilise between 72.65 per cent and 84.05 per cent of total allocation. Although the issue of persistent savings is being highlighted in the Reports of the CAG on State Finances every year, Departments had not taken any perceptible action in this regard.

Supplementary Grants/ Appropriations were obtained without adequate justification. During 2020-21, Supplementary provision aggregating ₹ 366.33 crore obtained in 28 cases (with ₹ 50.00 lakh or more), proved unnecessary as the total expenditure did not come up to the level of original provision and re-appropriations under 29 Heads of Account proved excessive or insufficient and resulted in saving/ excess of over ₹ 10.00 lakh. Despite flagging this issue every year over the last several years, the State Government had failed to take corrective measures in this regard.

### 3.6 Recommendations

- *State Government needs to formulate a realistic budget based on reliable estimates of the needs of the Departments and their capacity to utilise the allocated resources;*
- *An appropriate control mechanism needs to be instituted by the Government to enforce proper implementation and monitoring of budget to ensure that savings are curtailed, large savings within the Grant/ Appropriation are controlled, and anticipated savings are identified and surrendered within the specified time frame;*
- *Controlling Officers need to be made aware of their responsibility to explain the variation in expenditure from the allocation to facilitate proper analysis of budget and preparation of meaningful Appropriation Accounts;*
- *Excess expenditure over grants approved by the Legislature needs to be viewed seriously and got regularised at the earliest;*
- *The Agriculture Department may strengthen its budgetary management on basis of realistic estimates so that financial resources can be allocated/ utilised efficiently and effectively to achieve the desired objectives.*

