

**CHAPTER-III:  
BUDGETARY MANAGMENT**

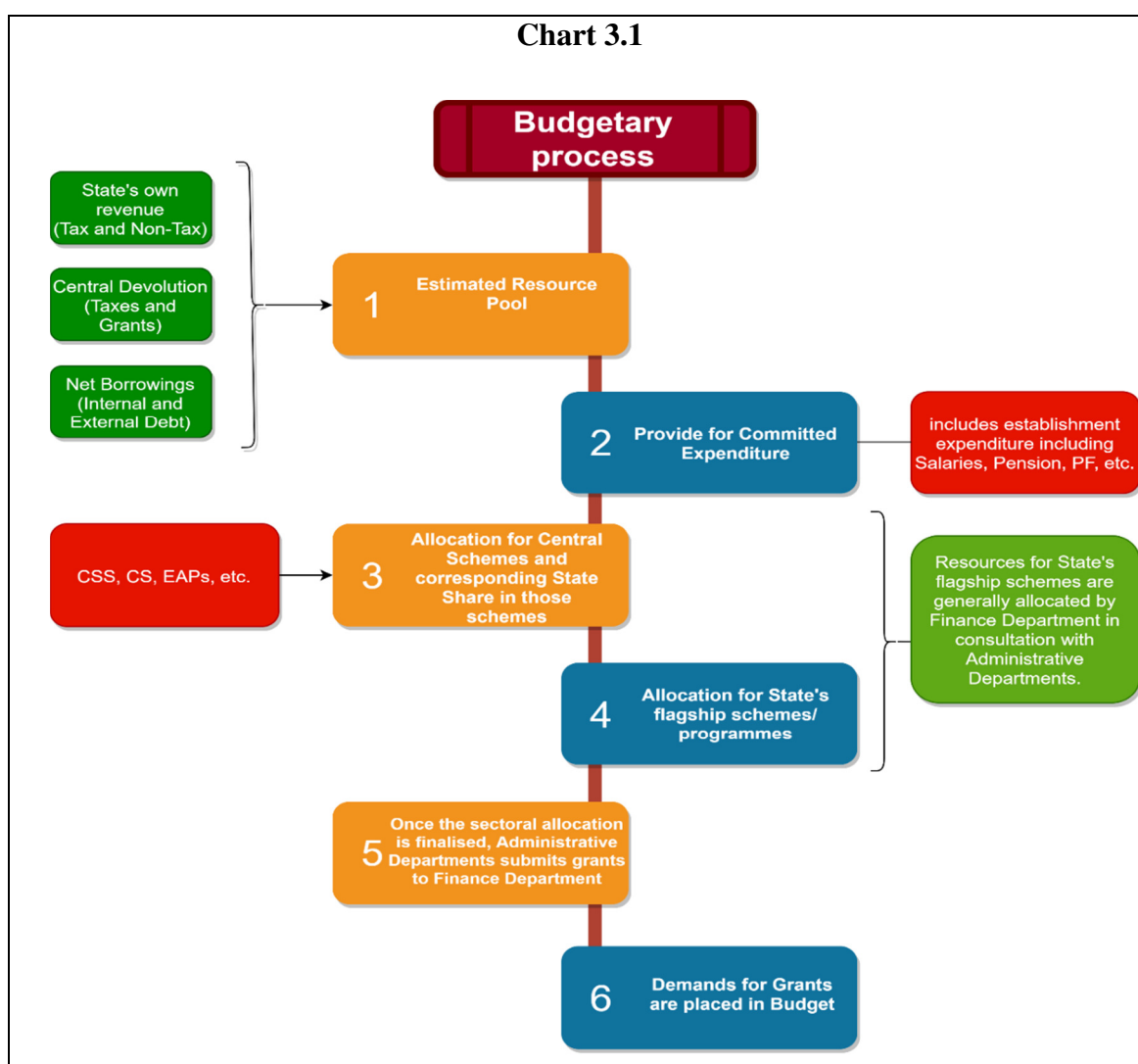


## Chapter III: Budgetary Management

*This chapter is based on 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 the public resources. The Budget process commences with the issue of the Budget Circular, normally in the 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**.



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.

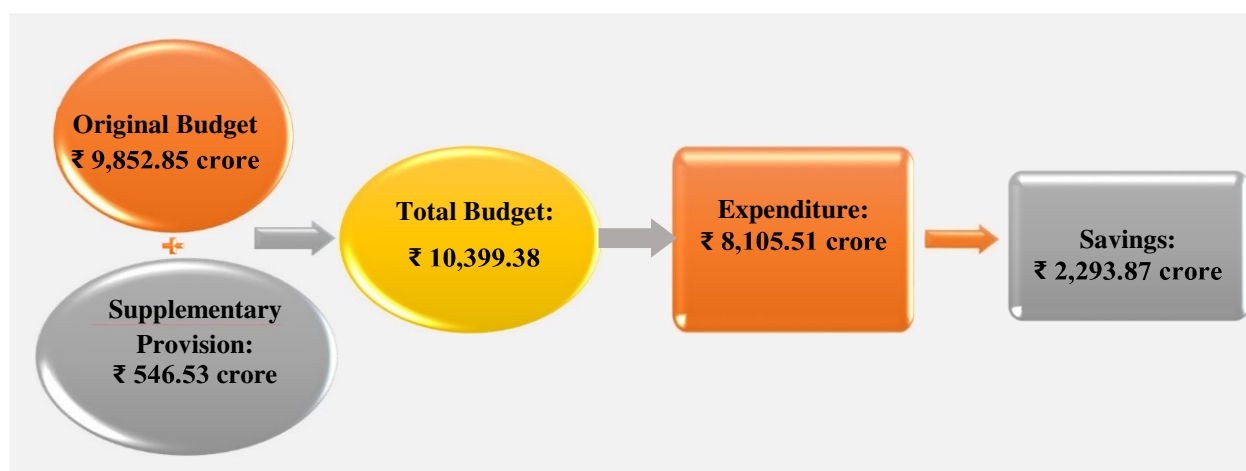
The Annual Financial Statement, also called general budget, is placed prior to the commencement of the financial year in the State Legislature, in accordance with Article 202 of the Constitution. The estimates of receipts and disbursements in the Annual Financial Statement and of expenditure in the Demand 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No money shall be withdrawn from the Consolidated Fund of the State except under appropriation made by a law passed in accordance with provisions of the Article 204 of the Constitution. Supplementary or Additional Grant or Appropriation is provided during the course of a financial year in accordance with the 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 2021-22 consisted of 47 Demand for Grants/ Appropriations. The various components of the budget are depicted in **Chart 3.2**.

**Chart 3.2: Budget and its utilisation in 2021-22**



Source: Appropriation Accounts-2021-22

**Chart 3.2** indicates that Supplementary Demands for Grants of ₹ 546.53 crore sought in January 2022 and March 2022 was not required as the gross expenditure (₹ 8,105.51 crore) was less than the Original Provisions (₹ 9,852.85 crore) by ₹ 1,747.39 crore (17.73 per cent). This was indicative of over estimation and poor financial management.

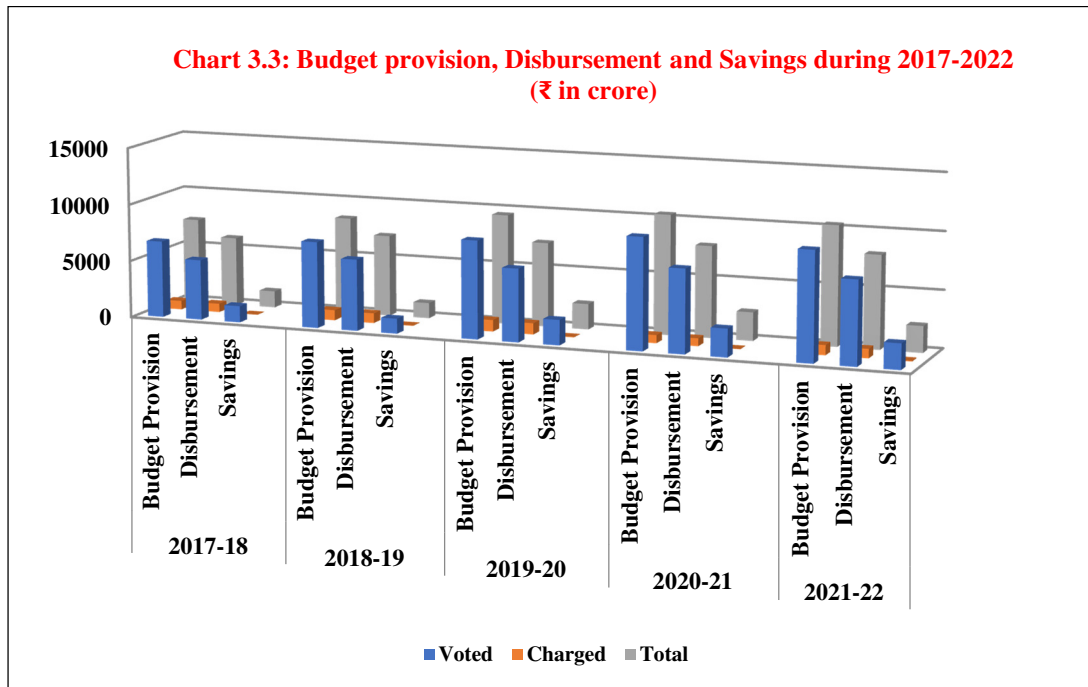
### 3.1.1 Summary of total provisions, actual disbursements and savings

A summarised position of the total budget provision, disbursement and savings/ excess with its further bifurcation into Voted/ Charged is given in **Table 3.1**.

**Table 3.1: Budget provision, disbursement and savings during 2017-22**

Year	Total Budget provision			Disbursements			Savings (Net)		
	Voted	Charged	Total	Voted	Charged	Total	Voted	Charged	Total
2017-18	6,707.65	756.13	7,463.78	5,273.05	746.02	6,019.07	1,435.37	10.11	1,445.48
2018-19	7,534.24	893.71	8,427.95	6,222.87	860.54	7,083.41	1,311.49	33.17	1,344.66
2019-20	8,554.34	1,008.46	9,562.80	6,359.04	977.99	7,337.03	2,195.30	30.47	2,225.77
2020-21	9,737.12	703.39	10,440.51	7,283.93	679.08	7,963.01	2,453.19	24.31	2,477.50
2021-22	9,530.56	868.82	10,399.38	7,294.67	810.84	8,105.51	2,235.90	57.97	2,293.87

Source: Appropriation Accounts



## 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 the Finance Accounts. Details of the original and

supplementary budget allocation, expenditure and savings as per the Appropriation Accounts of the State for the year 2021-22 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 Departments concerned shall arrange to obtain necessary supplementary grants or appropriations in accordance with the provisions of Article 205 (1) of the Constitution.

Supplementary provision aggregating ₹ 224.83 crore obtained in January 2022 and March 2022 (₹ 50.00 lakh or more in each case) pertaining to 18 cases (11 under Revenue Section and seven under Capital Section) proved unnecessary as the total expenditure did not come up to the level of the original provisions. 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 40 Heads of Account proved either excessive or insufficient and resulted in savings/ excess of over ₹ 10.00 lakh in each case, as detailed in **Appendix 3.2**.

From **Appendix 3.2**, it can be seen that the re-appropriations proved unnecessary in 35 cases, as the re-appropriated amount ultimately resulted in savings of ₹ 10 lakh or more in each case. Similarly, in four cases, there was excess of more than ₹ 10 lakh.

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<sup>25</sup>.

<sup>25</sup> Against 39 cases, it was noticed that savings of more than ₹ 10 lakh occurred in 35 cases and excess occurred in four cases. Audit analysis revealed that against 35 cases of saving, 11 cases/department have the saving of more than ₹ one crore and against four cases of excess, two cases (Health and Family Welfare) have excess of more than ₹ one crore.

### 3.3.3 Unspent and surrendered appropriations and/ or large savings/ surrenders

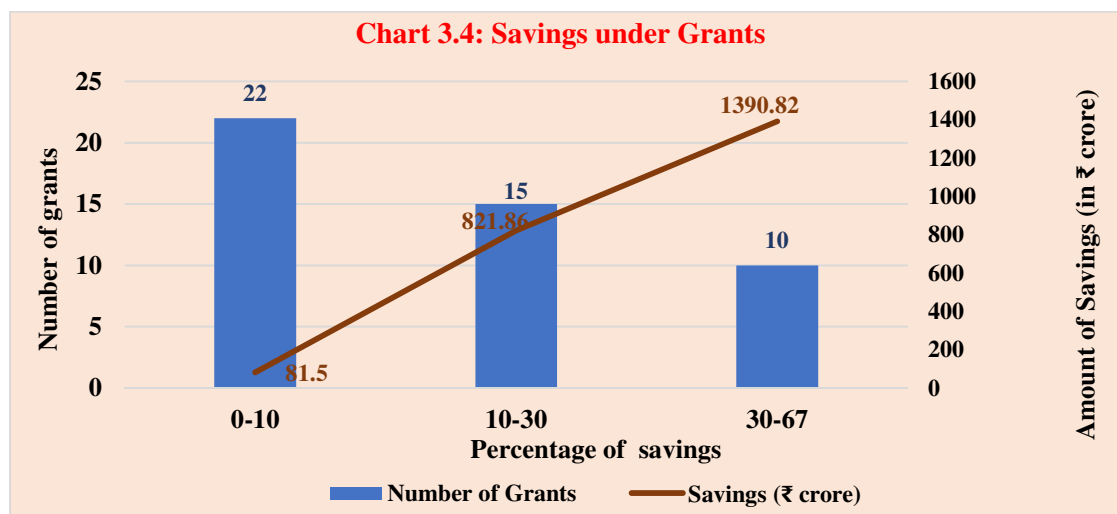
Complete accuracy of estimates may not always be possible; but where the omission or inaccuracy is the result of lack of forethought, neglect of the obvious or slipshod estimating, it is not readily excusable. The golden rule for all Estimating Officers should be to provide in the budget for everything 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 the total savings. The details are given in **Appendix 3.3**.

It was observed that in 37 Grants, there were substantial savings of ₹ 2,277.99 crore that ranged from ₹ 1.15 crore to ₹ 174.85 crore under Revenue Section and from ₹ 1.60 crore to ₹ 496.56 crore under Capital Section. The percentage of utilisation of total provision in Revenue Section ranged between 40.24 per cent and 97.47 per cent and in Capital Section between 14.75 and 97.73 per cent. It was seen that against total savings of ₹ 2,277.99 crore, ₹ 1,931.11 crore was surrendered and ₹ 275.23 crore remained to be surrendered as on 31 March 2022. Further, in Grant No. 10 (Health and Family Welfare), the surrender (₹ 8.67 crore) was more than the savings of ₹ 7.07 crore.

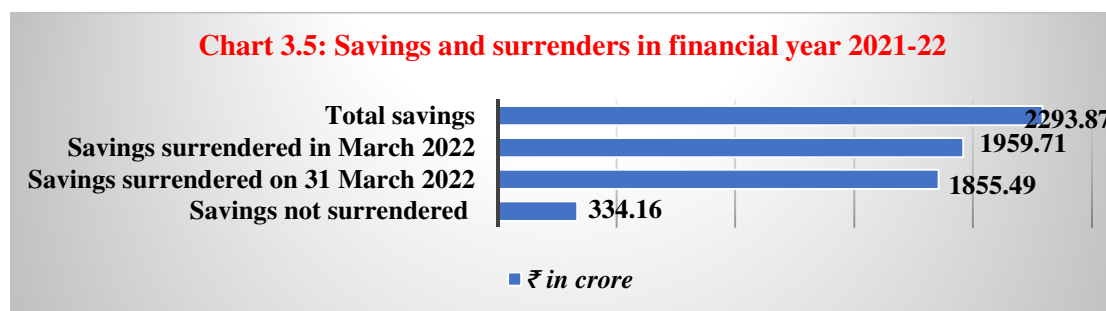
Thus, it is observed that the State's Budgetary allocations were based on unrealistic proposals as there is saving which indicated poor expenditure monitoring mechanism and weak scheme implementation capacities.

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



Source: VLC data and Appropriation Accounts

Details of savings and surrendered during 2021-22 and on 31 March 2022 are given in **Chart 3.5**.



Source: VLC data and Appropriation Accounts

From **Chart 3.5**, it can be seen that the State Government Departments surrendered ₹ 1,959.71 crore during March 2022 out of which, 95 per cent was surrendered on 31 March 2022.

The percentage of surrenders on 31 March to total surrenders has increased from 80 per cent in 2020-21 to 95 per cent in 2021-22.

### 3.3.3.1 Budget utilisation

Budget utilisation during the last five years is given in **Table 3.2** and **Chart 3.6**.

**Table 3.2: Budget Utilisation during 2017-18 to 2021-22**

Year	Total Budget provision			Disbursements			Gross Saving			% of savings
	Voted	Charged	Total	Voted	Charged	Total	Voted	Charged	Total	
2017-18	6,707.65	756.13	7,463.78	5,273.05	746.02	6,019.07	1,435.37	10.11	1,445.48	19.37
2018-19	7,534.24	893.71	8,427.95	6,222.87	860.54	7,083.41	1,310.87	33.36	1,344.04	15.95
2019-20	8,554.34	1,008.46	9,562.80	6,359.04	977.99	7,337.03	2,195.30	30.47	2,225.77	23.27
2020-21	9,737.12	703.39	10,440.51	7,283.93	679.08	7,963.01	2,453.19	24.31	2,477.50	23.73
2021-22	9,530.56	868.82	10,399.38	7,294.67	810.84	8,105.51	2,235.90	57.97	2,293.87	22.49

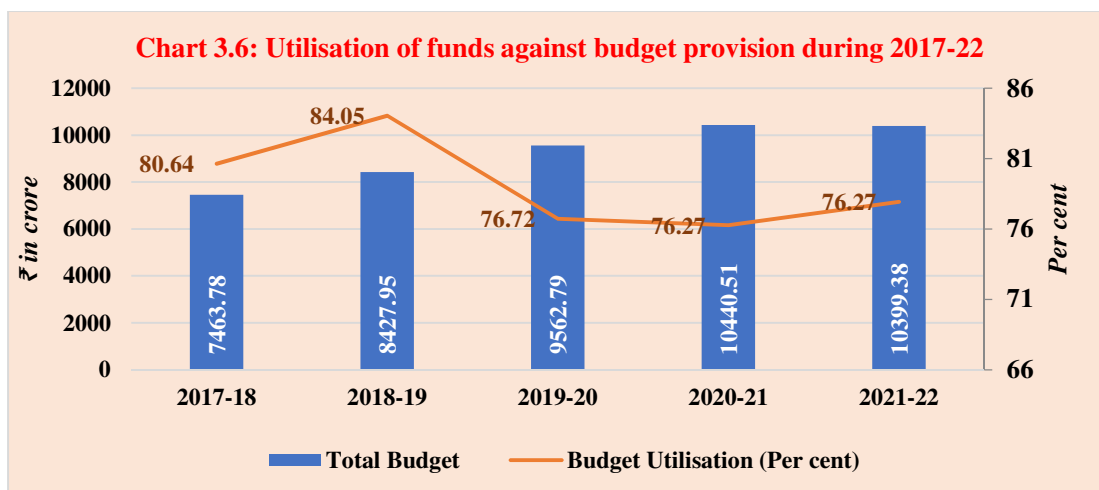
Source: Appropriation Accounts

Review of overall utilisation of budget provisions relating to the period 2017-22 showed that the Government had substantial savings ranging between 15.95 per cent and 23.73 per cent of the total budget allocation. The details are shown in **Appendix 3.4**. 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 receipt of ₹ 8,223.26 crore during the year, the actual receipts of the State was only ₹ 7,080.72 crore (86.11 per cent). This resulted in the total expenditure of the State being restricted to ₹ 8,105.51 crore (77.94 per cent) as against the budgeted provision of ₹ 10,399.38 crore as the money was not actually available.

**Chart 3.6** also depicts the utilisation of funds against the total budget provision during 2017-22.





Source: Appropriation Accounts

The utilisation of budget after improving from 2017-18 to 2018-19 fell sharply during 2019-20 and 2020-21 and again it improved in 2021-22.

### 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 109 sub-heads. Out of the total provisions of ₹ 2,014.74 crore in those 109 sub-heads, ₹ 1,601.94 crore constituting 79.51 per cent of total budget provision were surrendered, which included 37 sub-heads under which 100 per cent allocations (₹ 411.82 crore) were surrendered. The details of such cases as well as reasons thereof are given in **Appendix 3.5**.

It was found that, out of 109 sub-heads, 28 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 ₹ 2,293.87 crore, ₹ 1,959.71 crore (85.43 per cent) was surrendered during 2021-22, of which, ₹ 1,856.46 crore (94.73 per cent) was surrendered on the last day of the year *i.e.* 31 March 2022. The total surrenders during 2021-22 (in excess of one crore or more), under Revenue Head was ₹ 808.73 crore whereas under Capital Head, it was ₹ 1,091.69 crore. The details are given in **Appendix 3.6**.

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

Excess expenditure remaining unregularised for extended periods dilutes legislative control over expenditure.

The Public Accounts Committee (PAC) had discussed the Appropriation Accounts up to the year 2013-14. It was observed that excess expenditure of ₹ 12.82 crore pertaining to 45 grants and two appropriations for the years 2014-15 to 2019-20 were yet to be discussed by the PAC for their regularisation. Details of excess expenditure over the budget provision pending regularisation are given in **Table 3.3**.

**Table 3.3: Excess over Provision Requiring Regularisation**

(₹ in crore)

Year	Number of Grants	Appropriations	Amount of excess over provision	Status of Regularisation
2014-15	05 Grants-Grant Nos 3, 8, 31, 33, 42	-	4.28	Under examination by PAC
2015-16	01 Grant - Grant No 36	-	0.05	
2017-18	01 Grant - Grant No 34	-	0.76	
2018-19	01 Grant - Grant No 39 01 Appropriation	Governor	0.32	
2019-20	03 Grants – Grant No 21,28,31	-	7.41	
2020-21		-	-	-
<b>TOTAL</b>			<b>12.82</b>	

Source: Appropriation Accounts

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

Thus, it can be seen that excess expenditure of ₹ 6.90 crore had taken place under six detailed heads of accounts. The excess expenditure under these heads ranged between 1.02 per cent and 4.70 per cent of the total budget provision.

### 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 fund 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 2021-22 are shown in **Table 3.4**.

**Table 3.4: Summarised position of Actual Expenditure vis-à-vis Budget (Original/ Supplementary) provisions during 2021-22**

(₹ in crore)

Particulars	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)	
1	2	3	4	5	6	7	8	9	
<b>Voted</b>	<b>I Revenue</b>	6,842.98	122.79	6,965.77	5,978.03	-987.74	808.73	710.67	81.88
	<b>II Capital</b>	2,140.10	423.34	2,563.44	1,315.79	-1,247.66	1,122.38	1,087.73	89.96
	<b>III Loans/ advances</b>	1.35	0	1.35	0.85	-0.50	0.50	0.50	100
	<b>Total Voted</b>	<b>8,984.43</b>	<b>546.13</b>	<b>9,530.57</b>	<b>7,294.67</b>	<b>-2,235.9</b>	<b>1,938.61</b>	<b>1,798.90</b>	
<b>Charged</b>	<b>I Revenue</b>	747.54	0.4	747.94	690.94	-56.99	56.99	56.59	100
	<b>II Capital</b>	120.88	0	120.88	119.90	-0.98	0.98	0.98	100
	<b>III Public Debt- Repayment</b>	0	0	0	0	0	0	0	0
	<b>Total Charged</b>	<b>868.42</b>	<b>0.4</b>	<b>868.82</b>	<b>810.84</b>	<b>-57.97</b>	<b>57.97</b>	<b>57.57</b>	<b>100</b>
<b>Grant Total</b>	<b>9,852.85</b>	<b>546.53</b>	<b>10,399.38</b>	<b>8,105.51</b>	<b>-2,293.87</b>	<b>1,996.58</b>	<b>1,856.47</b>	<b>87.04</b>	

Source: Appropriation Accounts

During the year 2021-22, savings decreased to 22.06 per cent of total budget allocation as compared to 23.73 per cent during the previous year.

The overall savings of ₹ 2,293.87 crore was net result of total savings of ₹ 1,044.73 crore in 45 Grants and two Appropriations under Revenue Section and ₹ 1,249.14 crore in 28 Grants under Capital Section.

The details of Original Budget, Revised Estimate and Actual Expenditure during 2017-22 are given in **Table 3.5**.

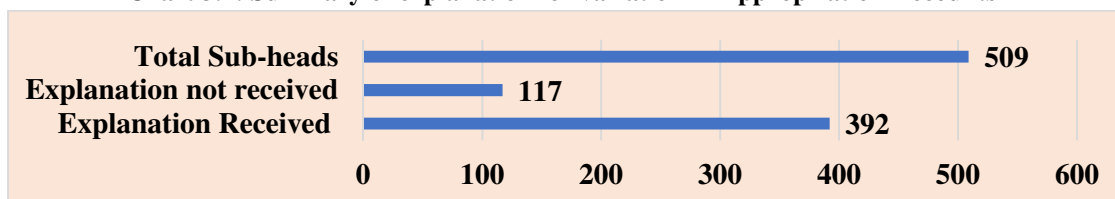
**Table 3.5: Original Budget, Revised Estimate and Actual Expenditure during 2017-22**

(₹ in crore)

Particulars	2017-18	2018-19	2019-20	2020-21	2021-22
Original Budget	6,364.02	7,133.82	8,887.99	9,285.92	9,852.85
Supplementary Budget	1,099.75	1,294.13	674.79	1,154.59	546.53
Revised Estimate	7,463.77	8,427.95	9,562.80	10,440.51	10,399.38
Actual Expenditure	6,019.07	7,083.41	7,337.03	7,963.01	8,105.51
Gross Savings	1,445.48	1,344.85	2,233.18	2,477.50	2,293.87
Percentage of saving	19.37	15.96	23.35	23.73	22.06

Source: Appropriation Accounts

The savings/excess were intimated (05 July 2022) to the Controlling Officers by the Office of Sr. DAG (A&E), Sikkim requesting them to explain the significant variations. Out of 509 sub-heads explanations for variations in respect of 392 sub-heads were received up to August 2022. Thus, explanations in respect of remaining 117 sub-heads (23 per cent) had not been received as depicted in **Chart 3.7**:

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

Source: Departmental reply

### 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 3.6**.

**Table 3.6: 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	2	Animal Husbandry & VS	5.00	0.25	5.25	3.61	1.64
2	3	Buildings & Housing	97.73	120.37	218.10	192.09	26.00
3	7	Education	183.36	40.00	223.36	128.88	94.49
4	11	Food and Civil supplies	10.80	0	10.80	4.19	6.62
5	12	Forestry and Environment	3.02	0.10	3.13	1.01	2.12
6	13	Health Care & FW	57.03	0.83	57.85	40.75	17.10
7	14	Home	21.06	0	21.06	14.27	6.79
8	19	Water Resources	172.15	16.00	188.15	27.77	160.38
9	22	Land Revenue & Disaster Management	9.00	0	9.00	4.81	4.19
10	31	Power	28.68	76.34	105.02	102.64	2.38
11	33	Public Health Engineering	148.02	11.10	159.12	63.93	95.19
12	34	Roads and Bridges	283.62	56.72	340.34	202.29	138.05
13	35	Rural Development	684.75	10.00	694.75	198.19	496.57
14	38	Social Justice and Welfare.	27.62	5.62	33.24	22.42	10.82
15	40	Tourism & Civil Aviation	113.07	80.00	193.07	170.32	22.74
16	41	Urban Development	195.25	5.40	200.66	44.52	156.14
17	47	Skill Development	18.62	0	18.62	12.32	6.29

*Source: Appropriation Account*

It is seen that there was substantial savings of more than ₹ 50 lakh in 17 cases under Capital Section. As can be seen from **Table 3.6**, 14 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 might have led to escalation of the project cost.

There were 311 incomplete projects at the end of 2021-22 (Reference **Appendix 2.4 B**). Out of these, there were 14 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 3.7**.

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 the 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 3.7**.

**Table 3.7: Details of the schemes with Nil expenditure for which allocations of ₹ 10 lakh and above were made**

(₹ in crore)

Sl. No.	Grant No. & Department	Accounting Head	Scheme Name	Approved outlay	Revised outlay
1	2-Animal Husbandry and Veterinary Services	4405-00-101-72-00-82	Renovation of Trout Raceways and living quarter at Sarchok Lachung and Repair of Fish Tank and Fencing	0.20	0.20
2		4405-00-101-72-00-83	Setting of Fish Farm -cum Hatchery for Indigenous Fish at Balutar along with weeding of Cat Fish-NH	0	0.25
3	7-Education	4202-01-203-70-46-80	Construction of Government Degree College Phase -II at Yangthang, West Sikkim-Special Central Assistance	0	10.00
4	-do-	4202-01-203-75-53	Major Works	0	30.00
5	13-Health and Family Welfare	2210-01-800-00-44-92	State Share revolving fund for Ayushman Bharat-PMJAY	0.32	0.32
6	-do-	4210-01-110-61-00-81	Procurement of Equipment (NESIDS) Central Share	0	0.10
7	-do-	4210-04-107-18-00-82	Capital Support for Procurement of Mobile Lab (NEC-Central Share)	0	0.73
8	30-Police	2055-00-115-19-00-83	Criminal Tracking Network and Systems (CSS)	0.83	0.83
9	34-Roads and Bridges	5054-04-337-60-46-70	Widening, Improvement and Carpeting at Reshi Legship Bermoik Road in West Sikkim (Special Central Assistance)	0	10.00
10	38-Social Justice and Welfare	2235-02-101-60-00-81	Creation of Barrier Free Environment for person with Disabilities with Disabilities Act 1995 (100% CSS)	0.12	0.12
11	-do-	2235-02-102-62-00-74	Anganwadi Training Centre (CSS)	0.15	0.15
12	-do-	4235-02-104-39-66-53	Construction of Old Age Home at Kitchu Dumra, South Sikkim (Central Share)	0	0.12

Sl. No.	Grant No. & Department	Accounting Head	Scheme Name	Approved outlay	Revised outlay
13	40-Tourism and Civil Aviation	5452-01-101-60-00-76	Construction of Passenger Ropeway from Pelling to Sanghachoeling in West Sikkim -SCA (Capital)	0	20.00
14	41-Urban Development	2217-05-800-82-22-81	Atal Mission for Rejuvenation and Urban Transformation (AMRUY)	0	16.57
<b>Total</b>					<b>89.39</b>

Source: Detailed Appropriation Accounts

Audit analysed schemes for which allocation of ₹ 10.00 lakh and above had been made, but no expenditure had been incurred on them during 2021-22. It was noticed that in respect of 14 schemes for which budget allocation of ₹ 89.39 crore was made, not a single rupee was spent. Reasons for non-utilisation were not available on records.

### 3.4.4 Misclassification 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 2021-22, ₹ 11.26 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 3.8: Misclassification of establishment expenditure under Capital Heads**

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	11.26

Source: NTA

### 3.4.5 Review of selected grants

Grant No. 07-Education Department and 15-Horticulture were 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. Audit examination of budgetary procedure and control over expenditure for the period from 2017-18 to 2021-22 of Education Department and Horticulture Department was conducted during September and October 2022. Outcome of the audit is discussed in the succeeding paragraphs.

#### 3.4.5.1 Budgetary control/ monitoring system

Financial management involves efficient and effective use of financial resources to achieve the objectives of the organisation.

Horticulture Department is involved in promoting production of fruits providing technical guidance to local farmers and taking forward the mission of the Government towards Horticulture Development in Sikkim. The significance of horticulture is to improve land use, promoting crop diversification; generating employment and providing nutritional supplement to the, farmers and programme implementers.

The Education Department is entrusted to ensure school education to all the children in the State. The main objectives of the Education Department are universalisation of education at all levels, reduction in the rate of school dropouts, free and compulsory education up to the age of 14 and enhancing quality of education.

In this 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.

Audit review showed that the authorities of Education and Horticulture Departments bypassed the mandatory provisions of the Financial Rules, *etc.*, resulting in persistent savings under grants, surrender of funds less than actual saving, unnecessary/ excessive re-appropriation of funds as discussed in the following paragraphs.

Summarised position of actual expenditure against grants during 2017-18 to 2021-22 in respect of Grant No. 07–Education Department and Grant No. 15-Horticulture Department is given in **Table 3.9**.

**Table 3.9: Summarised position of actual expenditure**

(₹ in crore)

Year	Section	Original grant	Supplementary	Total	Expenditure	savings	Surrender
<b>Grant No- 7 Education Department</b>							
2017-18	Capital	32.20	51.83	84.03	59.55	24.47	18.47
	Revenue	614.21	27.85	642.06	565.38	76.68	75.53
2018-19	Capital	40.98	14.22	55.20	28.85	26.35	22.86
	Revenue	724.40	57.75	782.15	680.31	101.84	97.60
2019-20	Capital	32.30	13.60	45.90	20.10	25.80	25.74
	Revenue	1202.27	28.87	1231.13	1178.45	52.67	51.54
2020-21	Capital	24.92	93.67	118.59	101.21	17.38	12.55
	Revenue	1368.38	66.21	1434.59	1212.77	221.82	221.99
2021-22	Capital	183.36	40.00	223.36	128.88	94.49	53.93
	Revenue	1319.54	31.67	1351.20	1248.17	103.03	100.00
<b>Total</b>	<b>Capital</b>	<b>313.76</b>	<b>213.32</b>	<b>527.08</b>	<b>338.59</b>	<b>188.49</b>	<b>133.55</b>
	<b>Revenue</b>	<b>5228.8</b>	<b>212.35</b>	<b>5441.13</b>	<b>4885.08</b>	<b>556.04</b>	<b>546.66</b>
<b>Grand Total</b>		<b>5542.56</b>	<b>425.67</b>	<b>5968.21</b>	<b>5223.67</b>	<b>744.53</b>	<b>680.21</b>
<b>Grant No-15 Horticulture Department</b>							
2017-18	Capital	0	0.20	0.20	0.20	0	0
	Revenue	167.31	3.60	170.91	86.26	84.64	84.55
2018-19	Capital	1.62	3.00	4.62	4.04	0.58	0.05
	Revenue	156.62	7.69	164.31	101.71	62.60	60.35
2019-20	Capital	10.46	1.70	2.16	1.06	1.09	0.09
	Revenue	151.00	14.29	165.30	78.70	86.60	85.79
2020-21	Capital	1.51	0	1.51	0.49	1.11	1.11
	Revenue	127.55	5.00	132.55	102.96	29.59	29.54
2021-22	Capital	0.05	0	0.05	0.05	0	0
	Revenue	106.91	0	106.91	77.20	29.71	29.70
<b>Total</b>	<b>Capital</b>	<b>13.64</b>	<b>4.9</b>	<b>8.54</b>	<b>5.84</b>	<b>2.78</b>	<b>1.25</b>
	<b>Revenue</b>	<b>709.39</b>	<b>30.58</b>	<b>739.98</b>	<b>446.83</b>	<b>293.14</b>	<b>289.93</b>
<b>Grand Total</b>		<b>723.03</b>	<b>35.48</b>	<b>748.52</b>	<b>452.67</b>	<b>295.92</b>	<b>291.18</b>

Source: Appropriation Accounts



### 3.4.5.2 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 the Education Department obtained supplementary provision of ₹ 425.67 (Capital ₹ 213.32 crore and ₹ 212.35 crore under Revenue Head) during 2017-18 to 2021-22 and in Horticulture Department ₹ 35.48 crore was obtained in supplementary provision (under Capital Head ₹ 4.90 crore and ₹ 30.58 crore in Revenue Head) during 2017-18 to 2021-22 (**Reference: Table 3.9**).

It was seen that during 2017-18 and 2021-22, in Education Department, the supplementary provisions of ₹ 212.35 crore under Revenue Heads was not required, as the Department could not utilise even the original budget provision. Similarly, the supplementary provisions of ₹ 35.48 crore (₹ 4.90 crore in Capital Head and ₹ 30.58 crore under Revenue Head) respectively were not required by the Horticulture Department as the Department could not utilise the original budget provision. The unnecessary obtaining of supplementary provision without utilisation resulted in non-adherence to State Financial Rules.

### 3.4.5.3 Persistent savings

Persistent savings in the Grants is indicative of inaccurate budget estimation and tendency of the Department to overestimate the requirement of funds. In Education Department, persistent and substantial savings during 2017-18 to 2021-22 ranged between 4.28 *per cent* and 15.46 *per cent* of the provision under Revenue Heads and between 14.66 *per cent* and 56.21 *per cent* under Capital Heads. Similarly, in Horticulture Department, persistent and substantial savings during 2017-18 to 2021-22 ranged between 22.32 *per cent* and 52.39 *per cent* of the provision under Revenue Heads and between 0 *per cent* and 73.51 *per cent* under Capital Heads. The details are given in **Table 3.13**. Thus, inaccurate estimation by both the Departments of required funds led to persistent savings under both Capital as well as Revenue Head.

### 3.4.5.4 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 2017-18 to 2021-22, against the saving of ₹ 744.03 crore, Education Department surrendered ₹ 680.21 crore (91.42 *per cent*) leading to non-surrender of saving of ₹ 64.49 crore (8.67 *per cent*). Similarly, during 2017-18 to 2021-22, against the saving of ₹ 295.92 crore, Horticulture Department surrendered ₹ 291.18 crore (98.39 *per cent*) leading to non-surrender of saving of ₹ 4.74 crore (1.60 *per cent*). The details are shown in **Table 3.10**.



Table 3.10: Surrender of funds less than actual savings

(*₹ in crore*)

Year	Section	Savings	Surrendered	Saving not surrendered
<b>Grant No-7 Education Department</b>				
<b>2017-18</b>	Capital	24.47	18.47	6.00
	Revenue	76.68	75.53	1.15
<b>2018-19</b>	Capital	26.35	22.86	3.49
	Revenue	101.84	97.60	4.24
<b>2019-20</b>	Capital	25.80	25.74	0.06
	Revenue	52.67	51.54	1.13
<b>2020-21</b>	Capital	17.38	12.55	4.83
	Revenue	221.82	221.99	
<b>2021-22</b>	Capital	94.49	53.93	40.56
	Revenue	103.03	100.00	3.03
<b>Total</b>	<b>Capital</b>	<b>188.49</b>	<b>133.55</b>	<b>54.94</b>
	<b>Revenue</b>	<b>556.04</b>	<b>546.66</b>	<b>9.55</b>
<b>Grand Total</b>		<b>744.53</b>	<b>680.21</b>	<b>64.49</b>
<b>Grant No-15 Horticulture Department</b>				
<b>2017-18</b>	Capital	0	0	0
	Revenue	84.64	84.55	0.09
<b>2018-19</b>	Capital	0.58	0.05	0.53
	Revenue	62.60	60.35	2.25
<b>2019-20</b>	Capital	1.09	0.09	1.00
	Revenue	86.60	85.79	0.81
<b>2020-21</b>	Capital	1.11	1.11	0
	Revenue	29.59	29.54	0.05
<b>2021-22</b>	Capital	0	0	0
	Revenue	29.71	29.70	0.01
<b>Total</b>	<b>Capital</b>	<b>2.78</b>	<b>1.25</b>	<b>1.53</b>
	<b>Revenue</b>	<b>293.14</b>	<b>289.93</b>	<b>3.21</b>
<b>Grand Total</b>		<b>295.92</b>	<b>291.18</b>	<b>4.74</b>

Source: Appropriation Accounts

Audit observed that surrender of funds was less than the actual savings during the entire review period (2017-18 to 2021-22) except in Revenue Sector during 2020-21 under Education Department.

It was seen that in Education Department, against aggregate savings of ₹ 188.49 crore under Capital Head during 2017-22, ₹ 133.55 crore (71 per cent) was surrendered and ₹ 54.94 crore (29 per cent) was not surrendered and in Horticulture Department against aggregate savings of ₹ 2.78 crore under Capital Head during 2017-22, ₹ 1.25 crore (45 per cent) was surrendered and ₹ 1.53 crore (55 per cent) was not surrendered.

Similarly, in Revenue Head of Education Department, against the total savings of ₹ 556.04 crore, ₹ 9.55 crore (two per cent) was not surrendered and in Horticulture Department, against the total savings of ₹ 293.14 crore, ₹ 3.21 crore (one per cent) was not surrendered.

Failure to surrender ₹ 64.49 crore<sup>26</sup> by Education Department and ₹ 4.74 crore<sup>27</sup> by Horticulture Department was indicative of violation of SFR and surrender of fund less

<sup>26</sup> Revenue ₹ 9.55 crore + Capital ₹ 54.94 crore

<sup>27</sup> Revenue ₹ 3.21 crore + Capital ₹ 1.53 crore

than the actual savings and availing of unnecessary supplementary provision indicated inadequate budgetary controls.

### 3.4.5.5 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, Education and Horticulture Department had not surrendered the savings as shown in **Table 3.11**.

**Table 3.11: Funds not surrendered**

(₹ in lakh)

Year	Name of the scheme	Head	Total grant	Actual expenditure	Surrender	Savings
<b>Grant No-7 Education Department</b>						
2017-18	Construction of various works at Sr. TNSSS, Gangtok	4202-01-202-70-45-84	22.00	0	0	22.00
2017-18	Construction/Upgradation of various schools in West District	4202-01-202-70-46-86	127.00	26.86	0	100.14
2017-18	Shifting of Rongli JHS	4202-01-201-70-45-89	50.00	9.83	0	40.17
2017-18	Establishment of New Degree College	4202-01-202-70-47	180.00	60.08	0	119.91
2017-18	Construction of Science Block at Kamrang College, Namchi	4202-01-202-70-83	189.00	0	0	189.00
2017-18	Extension of School Building at Omchung JHS, West Sikkim	4202-01-201-70-46-84	22.00	18.32	0	3.68
2017-18	Construction of Food Court at Namchi Government College	4202-01-202-70-82	50.00	0	0	50.00
2018-19	Financial support to students of NE Region	2202-03-103-82	5.85	0	0	5.85
2018-19	Financial support to students of NE Region (State share)	2202-03-103-83	1.88	0	0	1.88
2018-19	Construction of Girls College at Khamdong	4202-01-201-70-80	100.00	0	0	100.00
2018-19	Construction of Science Block at Kamrang Government College (NEC)	4202-01-203-70-48-83	189.00	177.06	0	
2019-20	Construction of 6 rooms school building at Ben Senior Secondary School	4202-01-203-46-85	10.00	8.99		1.00
2020-21	Construction of Yangthang College	4202-01-203-70-46-79	900.00	622.00	0	278.00
2021-22	Repairing of Gaikhana Primary School under Kabi Lungchok Constituency	4202-01-201-70-47-75	20.00	17.61	0	2.39
2021-22	Fencing at Phodong Sr. Sec. School, Kabi Lungchok Constituency	4202-01-202-70-47-76	30.00	26.41	0	3.59

Year	Name of the scheme	Head	Total grant	Actual expenditure	Surrender	Savings
<b>Grant No-7 Education Department</b>						
2021-22	Construction of Government Degree College Phase –II at Yangthang, West Sikkim (SCA)	4202-01-203-70-46-80	1,000.00	0	0	1,000.00
2021-22	Samagra Siksha	4202-01-800-29-00-83	359.56	309.78	0	49.78
<b>Total</b>			<b>3,256.29</b>	<b>1,276.94</b>	<b>0</b>	<b>1,334.76</b>
<b>Grant-15 Horticulture Department</b>						
2017-18	Cardamom Insurance Scheme	2401-00-800-16-00-76	20.00	0	0	20.00
2017-18	Cold storage unit	4401-00-800-16-00-67	100.00	0	0	100.00
2018-19	Procurement of Water Tanks	2401-00-800-16-00-77	100.01	98.33	0	1.68
<b>Total</b>			<b>220.01</b>	<b>98.33</b>	<b>0</b>	<b>121.68</b>

*Source: Detailed Appropriation Accounts*

Audit analysis of surrender under Grant No- 07 and Grant No-15 revealed that despite savings, no funds were surrendered.

#### 3.4.5.6 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 of Education and Horticulture Department for the period 2017-18 to 2021-22 covered under review showed that in two Major Heads under Grant No-7, there were substantial savings (more than 20 per cent in each case) as detailed in **Table 3.12**.

**Table 3.12: Substantial savings during 2017-22**

(₹ in crore)

Year	Name of the scheme	Total Grant	Actual expenditure	Savings	% of Saving
<b>Grant No. 7 Education Department</b>					
2018-19	2059-60-053-60 Work Charged Establishment	5.70	2.96	2.74	48.07
2018-19	4202-01-201-29 National Education Mission	1.61	1.06	0.55	34.16
<b>Total</b>		<b>7.31</b>	<b>4.02</b>	<b>3.29</b>	

*Source: Appropriation Accounts*

The reasons for the savings was due to non-release of salaries to the newly appointed employees for want of ID number and non-submission of anticipated bills in time.

#### 3.4.5.7 Trends 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. Further, Government of India, Ministry of Finance vide Circular No F. No. 2(27)-B (D)/2020 issued Budget Circular 2021-22 in October 2020 wherein balanced pace of expenditure was stipulated as 33 per cent of the budget estimates may be spent in the last quarter of the financial year. Besides, the stipulation that during the month of March the expenditure should be limited to 15 per cent of the budget estimates was reiterated.

Audit noticed that the pace of expenditure incurred by Education Department was well within the parameters prescribed by Ministry of Finance, GoI however, pace of expenditure incurred by Horticulture Department breached the threshold prescribed as detailed in **Table 3.13**.

**Table 3.13: Trends of Expenditure during 2017-22**

(₹ in crore)					
Particulars	2017-18	2018-19	2019-20	2020-21	2021-22
<b>7-Education</b>					
Expenditure during April to December	440.76 (70.53)	472.82 (66.67)	958.32 (79.96)	897.51 (68.30)	997.11 (72.41)
Expenditure during January to February	78.84	165.52	159.17	231.11	187.62
Expenditure during March	105.33	70.83	81.05	185.36	192.32
<b>Total</b>	<b>624.93</b>	<b>709.17</b>	<b>1198.54</b>	<b>1313.98</b>	<b>1377.05</b>
Percentage of Expenditure during January to March	29.47	33.33	20.04	31.70	27.59
Percentage of Expenditure during March	16.85	9.99	6.76	14.11	13.97
<b>15-Horticulture</b>					
Expenditure during April to December	37.17 (46.60)	44.08 (41.68)	52.50 (60.72)	59.34 (57.41)	48.75 (63.11)
Expenditure during January to February	6.48	12.18	22.36	19.68	10.00
Expenditure during March	36.11	49.49	11.60	24.34	18.50
<b>Total</b>	<b>79.76</b>	<b>105.75</b>	<b>86.46</b>	<b>103.36</b>	<b>77.25</b>
Percentage of Expenditure during January to March	53.40	58.32	39.28	42.59	36.89
Percentage of Expenditure during March	45.28	46.80	13.42	23.55	23.95

Source: VLC figures

**Table 3.13** shows that the expenditure incurred by Horticulture Department during the last quarter exceeded the stipulation ranging from 3.89 per cent in 2021-22 to 25.32 per cent in 2018-19, similarly the expenditure in the closing month of the financial year exceeded the stipulation ranging from 8.55 per cent in 2020-21 to 31.80 per cent in 2018-19.

Hence, the budgetary management and control over expenditure for the period 2017-18 to 2021-22 in respect of Grant No. 07 Education Department showed that against total provision of ₹ 5,928.21 crore, expenditure of ₹ 5,223.67 crore was incurred, resulting in unspent provision of ₹ 744.53 crore (13 per cent), cases of unnecessary supplementary provision (₹ 425.67 crore), surrender of funds less than actual savings (₹ 680.21 crore) and anticipated savings of ₹ 64.49 crore not surrendered. There were cases of persistent and substantial savings and non-utilisation of funds.

Similarly, the budgetary management and control over expenditure for the period 2017-18 to 2021-22 in respect of Grant No. 15 Horticulture Department showed that against total provision of ₹ 748.52 crore, expenditure of ₹ 452.67 crore was incurred resulting in unspent provision of ₹ 295.92 crore (13 per cent), cases of unnecessary supplementary provision (₹ 35.48 crore), surrender of funds less than actual savings (₹ 291.18 crore) and anticipated savings of ₹ 4.74 crore not surrendered. There were cases of persistent and substantial savings, non-utilisation of funds and rush of expenditure during the month of March during 2021-22 (23.95 per cent).

### 3.5 Conclusion

Budgetary assumptions of the State Government were not very realistic during 2021-22 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.

Out of ₹ 2,293.87 crore savings during the year which was 22.06 *per cent* of the budget provision of ₹ 10,399.38 crore. The Controlling Officers surrendered savings of ₹ 1,959.71 crore (85.43 *per cent*) during last month of the year, with major portion of savings ₹ 1,855.49 crore (80.89 *per cent*) of the total savings being surrendered on the last day of the financial year 2021-22.

During 2021-22, no excess expenditure had taken place. However, an excess expenditure of ₹ 12.82 crore in respect of previous years (from 2014-15 to 2019-20) was pending for regularisation by the PAC/State Legislature.

Against the total Revenue Expenditure of ₹ 5,978.03 crore, State Government incurred an expenditure of ₹ 911.28 crore, constituting about 15.24 *per cent* in March 2022. However, out of ₹ 911.28 crore incurred in March 2022, ₹ 312.44 crore (34.29 *per cent*) was spent on the last day of the financial year *i.e.*, 31 March 2022.

The explanations for variations in expenditure vis-à-vis allocations were not provided in respect of 117 sub-heads (22.99 *per cent*) out of 509 sub-heads to the office of Sr. DAG (A&E).

During the period 2017-22, the Government had substantial savings ranging between 15.95 *per cent* and 23.73 *per cent* of total budget allocation and could utilise between 76.27 *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 2021-22, Supplementary provision aggregating ₹ 224.83 crore obtained in 18 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 18 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. Data from SIFMS of previous years may be used as indicator for fund requirement and incurring expenditure capacity.*
- *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;*

- *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.*
- *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; and*
- *The Education and Horticulture 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.*