

**CHAPTER-III:  
BUDGETARY  
MANAGMENT**



## Chapter III: Budgetary Management

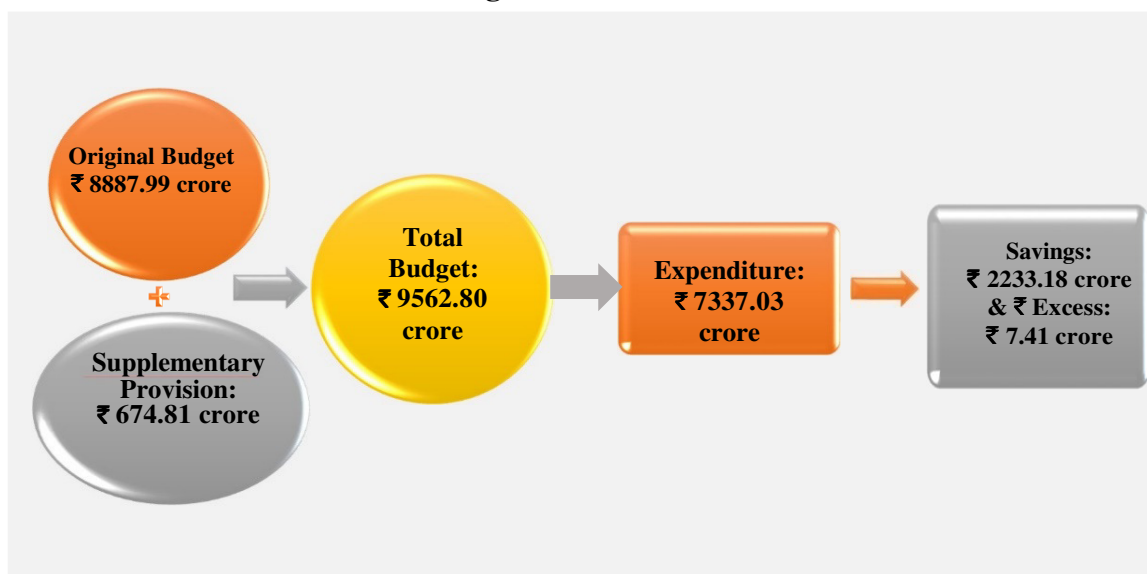
*This chapter is based on the Appropriation Accounts of the State and reviews the appropriations and allocative priorities of the State Government and reports on deviations from Constitutional provisions relating to budgetary management*

### 3.1 Introduction

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

The total amount approved by the State Legislature including the original and supplementary budgets, expenditure and savings during the year 2019-20 is depicted in the following Chart:

**Chart 3.1: Budget and its utilisation in 2019-20**



Source: Appropriation Accounts-2019-20

### 3.2 Budget Process

The annual exercise of budgeting is a means for detailing the roadmap for efficient use of public resources. 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. Anticipated receipts from Central Tax transfers and funding for Centrally Sponsored Schemes (CSS) are assessed and the quantum of funds required for committed expenditure on salaries, pension, repayment of loan, etc. are also to be worked out by Finance Department. Based on communication of the above assessment and projections of the Finance Department, the line Departments submit their budget proposals for approval by the Government. The State Government secures legislative approval for expenditure out of the Consolidated Fund of the State by presenting its Annual Budget and 47 Demands for Grants/ Appropriations. Every

Department has one Demand for Grant, to ensure that the Head of the Department takes responsibility for implementing the policy decisions and expending public funds for the intended purposes.

Supplementary or additional Grant/ Appropriation is provided during the course of the financial year for meeting expenditure in excess of the originally budgeted amount. Further, the State Government also re-appropriates/ re-allocates funds from various units of appropriation where savings are anticipated, to units where additional expenditure is envisaged (within the Grant/ Appropriation) during the year. The deficiencies as observed on budgeting are discussed in detail in succeeding paragraphs.

### 3.2.1 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 2015-20**

(₹ in crore)

Year	Total Budget provision			Disbursements			Saving (Net)		
	Voted	Charged	Total	Voted	Charged	Total	Voted	Charged	Total
2015-16	5368.40	510.64	5879.04	4010.63	492.65	4503.28	1357.77	17.98	1375.75
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

Source: Appropriation Accounts

### 3.2.2 Charged and voted disbursements

Break-up of total disbursement into Charged and Voted during the year 2019-20 is discussed herewith trend analysis during the last five years (2015-20).

**Table 3.2: total disbursement into charged and voted during the year 2019-20**

(₹ in crore)

Year	Disbursements			Net Saving/Excess		
	Voted	Charged	Total	Voted	Charged	Total
2015-16	4010.64	492.65	4503.29	1357.77	17.98	1375.75
2016-17	4164.04	608.11	4772.15	1793.30	3.64	1796.94
2017-18	5273.05	746.02	6019.07	1434.60	10.11	1444.71
2018-19	6222.87	860.54	7083.41	1311.49	33.17	1344.66
2019-20	6359.04	977.99	7337.03	2195.30	30.47	2225.77

Source: Appropriation Accounts

## 3.3 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 2019-20 are depicted in **Chart 3.1**.

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.

### **3.4 Comments on integrity of budgetary and accounting process**

#### **3.4.1 Unnecessary or excessive supplementary grants**

As per Rule 86 of Sikkim Financial Rule (SFR) 1979 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 ₹ 230.96 crore obtained in 24 cases (18 Revenue Grants and six Capital Grants) with ₹ 50.00 lakh or more in each case, 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**.

#### **3.4.2 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 13 Heads of Account proved either excessive or insufficient and resulted in saving/ excess of over ₹ 10.00 lakh as detailed in **Table 3.3**.

**Table 3.3: 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			Total	Actual Expd	Excess (+)/ Saving (-)
			Original	Supplementary	Re-appropriation			
1	2-Animal Husbandry	2403-101-61	3203.17	436.84	223.92	3863.93	3747.89	- 116.04
2	-do-	2405-001-60	363.06	-	13.44	376.50	393.43	+ 16.93
3	6-Ecclestical	2250-103-60	2.30	1530.00	14.08	1546.38	1507.52	- 38.86
4	7- Education	2202-01-101-63	24861.98	1400.00	28.68	26290.66	26264.92	-25.74
5	10- Finance	2071-01-117	7500.00	-	150.00	7650.00	7741.89	+ 91.89

Sl. No.	Number and name of Grant	Head of Account	Provisions				Actual Expd	Excess (+)/ Saving (-)
			Original	Supplementary	Re-appropriation	Total		
6	13- Health	2210-01-63	4235.40	1933.68	1347.19	7516.27	7544.44	+ 28.17
7	-do-	2211-001-16	739.20	12.43	70.42	822.05	806.52	- 15.53
8	14- Home	2070-115-60	1158.99	-	18.12	1177.11	1161.07	- 16.04
9	30- Police	2055-003-64	7499.89	49.00	950.00	8498.89	8472.00	-26.89
10	-do-	2055-003-67	2798.46	11.00	1160.45	3969.91	3776.45	- 193.46
11	31- Power	2801-01-80-001	17555.89	632.11	308.57	18496.57	18943.20	+ 446.63
12	35- Rural Dev	2501-01-001-45	1592.13	9.60	635.24	2236.97	2225.00	- 11.97
13	-do-	2501-01-001-48	1558.92	10.84	18.18	1587.94	1571.51	- 16.43

*Source: Detailed Appropriation Accounts*

From the table above it can be seen that the re-appropriation proved unnecessary in nine cases, as the re-appropriated amount ultimately resulted in savings of ₹ 10 lakh and above in every case. Similarly, in four 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.

### **3.4.3 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-trying 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.

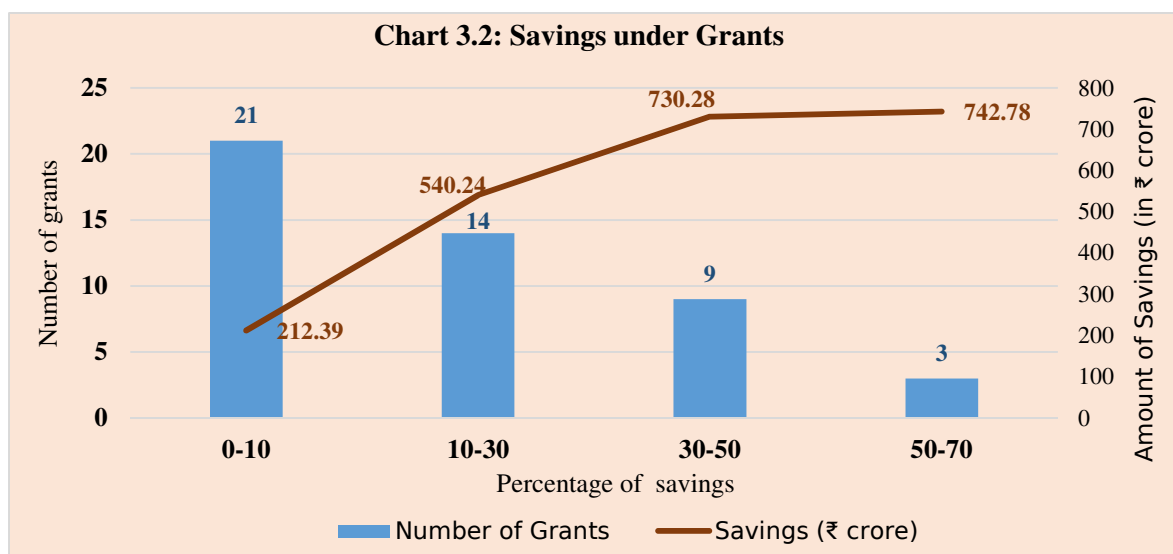
Audit analysed the instances of savings of more than ₹ one crore and surrenders more than ₹ 50 lakh to assess utilisation of budget allocation, the quantum of savings, percentage of surrenders as compared to total savings. The details are given in **Appendix 3.2.**

It was observed that that in 26 Grants, there was substantial savings of ₹ 1441.29 crore that ranged from ₹ 1.38 crore to ₹ 190.37 crore under Revenue Section and from ₹ 4.37 crore to ₹ 460.20 crore under Capital Section. The percentage of utilization of total provision in Revenue Section ranged between 44.50 per cent and 96.14 per cent and in Capital Section between 23.98 per cent and 77.73 per cent. It was seen that against total savings of ₹ 1,441.29 crore, an amount of ₹ 1,362.87 crore was surrendered and thus ₹ 78.42 crore was not surrendered.

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

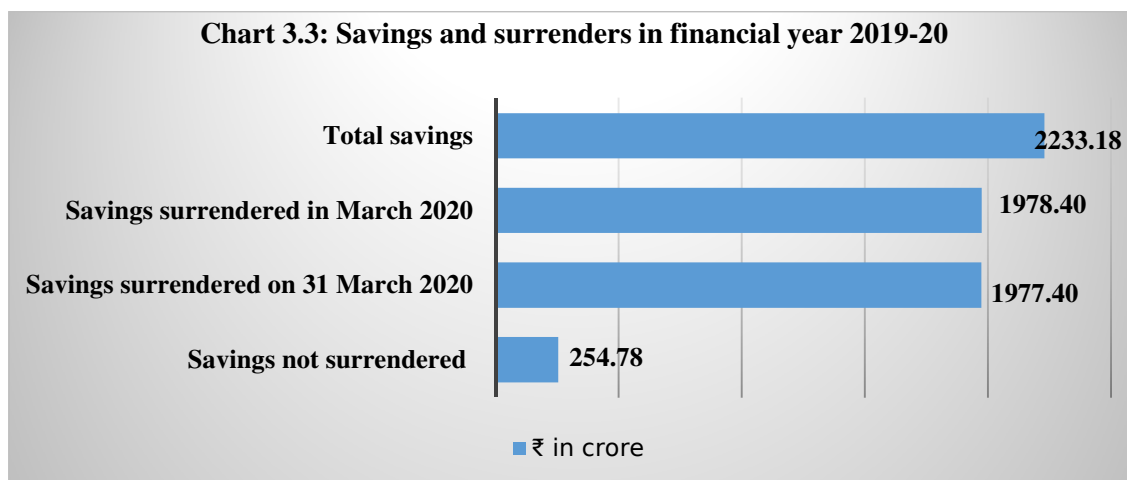
mechanism and weak scheme implementation capacities. Excessive savings also deprive other Departments of the funds that they could have utilized.

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 3.2**:



Source: VLC data and Appropriation Accounts

The details of savings surrendered during 2019-20 and on 31 March 2020 is given in the chart below:



Source: VLC data and Appropriation Accounts

From the chart above it can be seen that the State made total surrender of ₹ 1978.40 crore during March 2020 out of which ₹ 1977.40 crore (99.97 per cent) was surrendered on 31 March 2020.

### 3.4.3.1 Budget utilisation

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

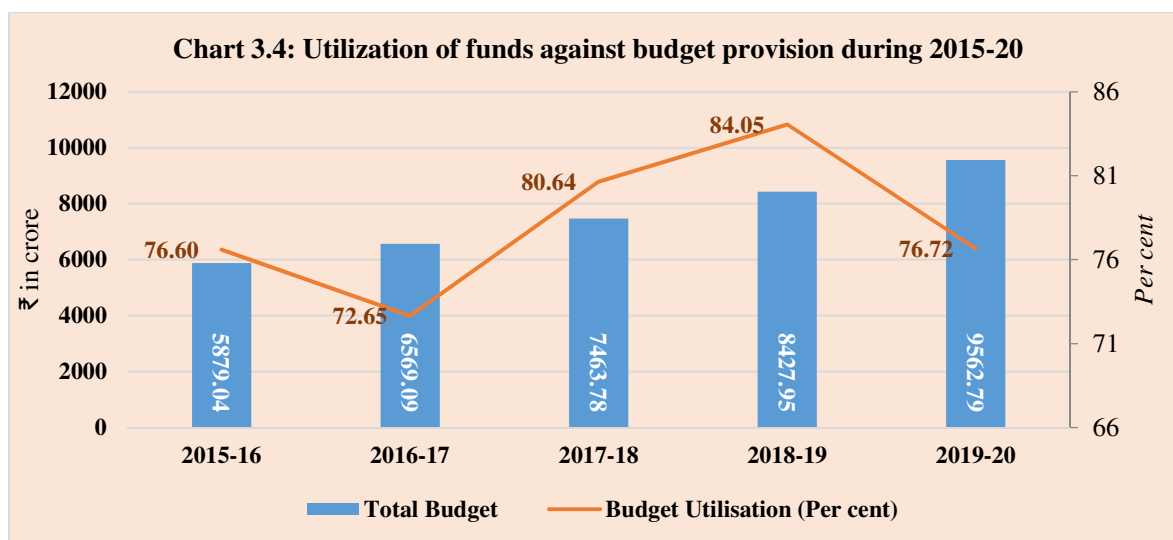
Table 3.4: Budget Utilization during 2015-16 to 2019-20

Year	Total Budget provision			Disbursements			Gross Saving			% of savings
	Voted	Charged	Total	Voted	Charged	Total	Voted	Charged	Total	
2015-16	5368.40	510.64	5879.04	4010.64	492.65	4503.29	1357.77	17.99	1375.76	23.40
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	25.014

Source: Appropriation Accounts

Review of overall utilisation of budget provisions relating to the period 2015-20 revealed that the Government had substantial savings ranging between 15.95 per cent and 27.35 per cent of total budget allocation and could utilize only 72.65 per cent to 85.05 per cent of total allocation during this period. The details are shown in **Appendix 3.3**.

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 3.4** also depicts the utilization of funds against the total budget provision during 2015-20.



Source: Appropriation Accounts

The utilization of budget after improving from 2016-17 to 2018-19 had again fell sharply during 2019-20.

### 3.4.3.2 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 84 sub-heads. Out of the total provisions amounting to ₹ 1267.16 crore in those 84 sub-heads, ₹ 991.21 crore constituting 78.22 per cent of total budget provision were surrendered, which included



35 sub-heads under which 100 *per cent* allocations (₹ 75.85 crore) were surrendered. The details of such cases as well as reasons thereof are given in **Appendix 3.4**.

It was found that during 2019-20, out of 84 sub-heads, 65 sub-heads (77 *per cent*) pertained to developmental works, which got hampered due to non-utilisation of budgetary allocation.

### **3.4.3.3 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 ₹ 2,233.18 crore, an amount of ₹ 1,978.08 crore (88.58 *per cent*) was surrendered during 2019-20, of which ₹ 1,977.40 crore (88.55 *per cent*) was surrendered on the last day of the year *i.e.* 31 March 2020. The total surrenders during 2019-20, under Revenue Head was ₹ 1,217.31 crore whereas under Capital Head it was ₹ 760.77 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, as surrendered funds could have been utilised fruitfully for other purposes.

## **3.4.4 Excess expenditure and its regularization**

### **3.4.4.1 Excess expenditure relating to 2019-20**

Excess expenditure over grants approved by the Legislature is in violation of the will of the Legislature. It is not only in contravention of the provisions requiring Legislative sanction but also indicative of bad planning, which could be avoided by keeping track of expenditure progression with budget allocated for the purpose.

As per Articles 204 and 205 of the Constitution of India, it is mandatory for a State Government to get the excess over a Grant/ Appropriation regularised by the State Legislature. Although no time limit for regularisation of expenditure has been prescribed under the Articles, the regularisation of excess expenditure is done after the completion of discussion of the Appropriation Accounts by the Public Accounts Committee (PAC).

During 2019-20 there was excess expenditure aggregating to ₹ 7.41 crore relating to three Grants as depicted in **Table 3.5**.

**Table 3.5: Excess over Provisions of 2019-20 Requiring Regularisation**

(₹ in crore)					
Sl. No.	Number and title of Grant/ Appropriation		Total grant/ appropriation	Expenditure	Excess
<b>VOTED Grants -</b>					
1	21	Labour	5.63	5.82	0.19
2	28	Personnel	19.79	22.59	2.79
3	31	Power	281.45	285.88	4.43
<b>Total</b>			<b>306.88</b>	<b>314.29</b>	<b>7.41</b>

*Source: Appropriation Accounts*

The excess expenditure of ₹ 7.41 crore for the year 2019-20 was required to be regularised as per above Articles of the Constitution of India.

**3.4.4.2 Grant-wise and 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) of the State are enumerated below in **Table 3.6**.

**Table 3.6: Grant-wise and Detail Head wise excess disbursement over Total Provision Fund of State during 2019-20**

(₹ in lakh)

Sl. No.	Grant No.	Major Head	Major Head Description	Total provision after re-appropriation and surrender	Expenditure	Excess	In per cent	Reasons for excess
1	2	3	4	5	6	7= 5-6		8
1	3	4059	01-051-81	0	23.10	23.10	100	Reasons for the excess is yet to be received from Finance Department as on Jan 2021.
2	12	2402	00-800-44	173.5	180.95	7.45	4.29	
3	12	2406	01-101-66-44	2372.74	2479.5	106.76	4.50	
4	12	2406	102-38-00-66	0.56	0.61	0.05	8.93	
5	13	2210	110-63-74-90	0	201.81	201.81	100.00	
6	13	7475	110-63-74-57	0	522.18	522.18	100.00	
7	29	4575	06-101-00-72	193.74	196.74	3.00	1.55	
8	33	4215	101-71-00-72	500	1500	1000	200.00	
9	35	2505	01-702-37-81	100	114.58	14.58	14.58	
10	38	2235	02-102-52-71	0	0.32	0.32	100.00	
11	40	5452	01-101-50-86	0.01	551.64	551.63	100.00	
12	41	4217	03-051-75-51	0	397.77	397.77	100.00	
<b>Total</b>				<b>3340.55</b>	<b>6169.20</b>	<b>2828.65</b>	<b>84.68</b>	

Source: Detailed Appropriation Accounts

Thus it can be seen that excess expenditure of ₹ 28.29 crore had taken place under 12 heads of accounts. The excess expenditure during the year ranged between 1.55 per cent to 200 per cent.

**3.4.4.3 Regularisation of excess expenditure of previous financial years**

Excess expenditure remaining unregularised for extended periods dilutes Legislative control over the Executive. Accordingly, all the excess expenditure relating to previous years (2015-20) not yet regularised, is given in the table below:

Moreover, Appropriation Accounts up to 2011-12 had been discussed by the PAC. It was observed that the State Government had yet to get regularised, the excess expenditure amounting to ₹ 83.28 crore pertaining to 40 grants and two appropriation for the years 2012-13 to 2018-19. The department had not furnished any explanation for non-regularisation of the excess expenditure (December 2020). The details of excess expenditure over the budget provision pending regularisation are given in **Table 3.7**.

**Table 3.7: 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

Year	Number of Grants	Appropriations	Amount of excess over provision	Status of Regularisation
2013-14	15 Grants - Grant Nos. 3, 5, 7, 8, 9, 10, 16, 24, 26, 30, 31, 32, 34, 35, 42	-	55.77	Under examination by PAC
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	Under examination by PAC
2017-18	01 Grant - Grant No 34	-	0.76	Under examination by PAC
2018-19	01 Grant - Grant no 39 01 Appropriation	Governor	0.32	Under examination by PAC
<b>TOTAL</b>			<b>83.28</b>	

Source: Appropriation Accounts

The department has accepted the audit point and assured that the excess expenditure against demands for grant will be regularised as and when Public Account Committee submits its Report.

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

#### 3.5.1 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 utilized.

The position of total budget allocation, utilization of allocation and surrender under Revenue, Capital, Loans and Advances Sections of Voted and Charged expenditures in 2019-20 is shown in Table 3.8.

**Table 3.8: Summarised position of Actual Expenditure vis-à-vis Budget (Original/ Supplementary) provisions during 2019-20**

(₹ in crore)

		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
Voted	I Revenue	6727.36	179.10	6906.46	5621.37	(-) 1292.50	1187.20	1186.77	91.85
	II Capital	1150.82	495.71	1646.53	736.95	(-) 909.58	760.15	759.90	83.57
	III Loans/ advances	1.35	0	1.35	0.72	(-) 0.63	0.62	0.62	98.41
<b>Total Voted</b>		<b>7879.53</b>	<b>674.81</b>	<b>8554.34</b>	<b>6359.04</b>	<b>(-) 2202.71</b>	<b>1947.97</b>	<b>1947.29</b>	<b>88.44</b>
Charged	I Revenue	594.36	0	594.36	564.21	(-) 30.15	30.11	30.11	99.87
	II Capital	414.10	0	414.10	413.78	(-) 0.32	0	0	0.00
	III Public Debt- Repayment	0.00	0	0	0	0	0	0.00	0.00
<b>Total Charged</b>		<b>1008.46</b>	<b>0</b>	<b>1008.46</b>	<b>977.99</b>	<b>(-) 30.47</b>	<b>30.11</b>	<b>30.11</b>	<b>98.82</b>
<b>Grant Total</b>		<b>8887.99</b>	<b>674.81</b>	<b>9562.80</b>	<b>7337.03</b>	<b>(-) 2233.18</b>	<b>1978.08</b>	<b>1977.40</b>	<b>88.58</b>

Source: Appropriation Accounts.

During the year 2019-20, savings increased to 23.35 per cent of total budget allocation as compared to 15.96 per cent during previous year.

The overall savings of ₹ 2,225.77 crore was net result of total savings of ₹ 2,233.18 crore in 40 Grants and two Appropriations under Revenue Section and 23 Grants and one Appropriation under Capital Section offset by excess of ₹ 7.41 crore in three Grants (Grant No. 21, 28 and 31 under Revenue Section).

Further, against the savings of ₹ 2,233.18 crore, an amount of ₹ 1,978.08 crore (88.58 per cent) was surrendered during March 2020, of which ₹ 1,977.40 crore (88.55 per cent) was surrendered on the last day of the year *i.e.*, 31 March 2020. The remaining savings of ₹ 254.78 crore (11.42 per cent) was not surrendered at all. Thus, this surrendered amount was not available for other needy departments who could have used it.

The details of Original Budget, Revised Estimate and Actual Expenditure during 2015-20 is given in **Table 3.9**.

**Table 3.9: Original Budget, Revised Estimate and Actual Expenditure during 2015-20**

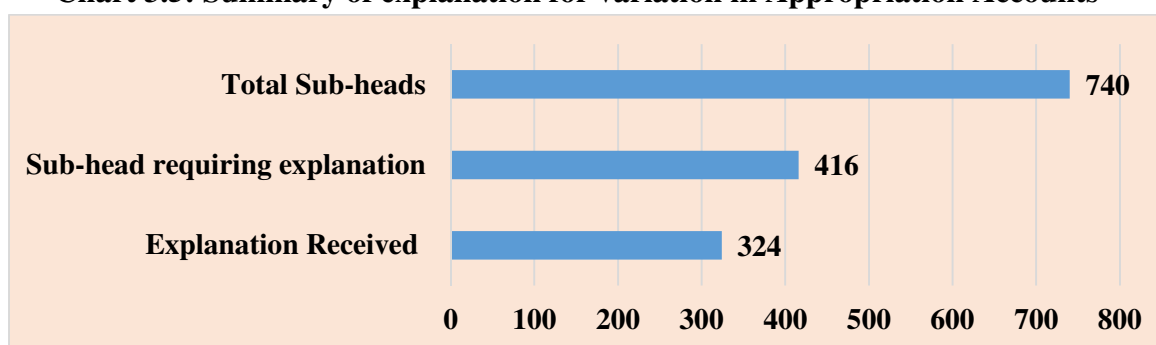
(₹ in crore)

Particulars	2015-16	2016-17	2017-18	2018-19	2019-20
Original Budget	5669.98	5884.43	6364.02	7133.82	8887.99
Supplementary Budget	209.06	684.66	1099.75	1294.13	674.79
Revised Estimate	5879.04	6569.09	7463.77	8427.95	9562.80
Actual Expenditure	4503.29	4772.15	6019.07	7083.41	7337.03
Gross Savings	1375.75	1796.95	1445.48	1344.85	2233.18
Percentage of saving	23.40	27.35	19.37	15.96	23.35

Source: Appropriation Accounts

The savings/ excess were intimated (17 September 2020) to the Controlling Officers by Office of Sr. DAG (A&E) requesting them to explain the significant variations. Out of 740 sub-heads, explanations in respect of 54 sub-heads (48 savings and six excess) were received up to 30 September 2020 and explanations in respect of 270 sub-heads (237 saving and 33 excess) were received after 30 September 2020. Thus, explanations in respect of 416 sub-heads (56.22 per cent) were not received. The status is depicted in the **Chart 3.5** below:

**Chart 3.5: Summary of explanation for variation in Appropriation Accounts**



Source: A&E Office

### 3.5.2 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 utilize 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 3.10**.

**Table 3.10: 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	3	BHD	19.71	23.82	43.53	35.86	7.67
2	7	Education	32.30	13.60	45.90	20.10	25.80
3	13	Health	34.38	21.83	56.21	44.30	11.91
4	14	Home	4.99	0.10	5.09	4.32	0.77
5	22	LRD	18.07	74.00	92.07	85.05	6.02
6	30	Police	--	1.50	1.50	1.00	0.50
7	31	Power	42.35	4.82	47.17	20.41	26.76
8	33	Irrigation	133.72	18.39	152.11	59.22	92.89
9	34	Roads & Bridges	160.72	211.32	372.04	189.58	182.46
10	35	Rural Dev.	509.91	95.48	605.39	145.19	460.20
11	38	Social Welfare	25.01	2.07	27.08	10.99	16.09
12	39	Sports & Youth	16.32	3.30	19.62	15.25	4.37
13	40	Tourism	24.95	12.92	37.87	29.81	8.05
14	41	Urban Dev	34.96	0.41	35.37	19.88	15.49
15	43	PRI	318.85	0.05	318.90	280.27	38.63
16	47	Skill Dev	14.26	-	14.26	1.61	12.65

*Source: Appropriation Accounts*

It is seen that there was substantial saving of more than ₹ 50 lakh observed in 16 cases under the Capital Section. The Departments were unable to spend not only the entire supplementary provision or parts thereof but also the original budget provision. As a result, the unutilised funds could not be made use of. At the same time, some of the schemes remained incomplete due to want of funds. Thus, the intended benefit of the unfinished schemes could not be extended to the public at large in such cases and also might have led to escalation of project cost.

There were 233 incomplete projects at the end of 2019-20 (Reference *Appendix 2.5*). Out of these, there were 26<sup>27</sup> 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*.

The 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.

<sup>27</sup> Sports & Youth Affairs-2 Projects; Police – 2 Projects; Power – 1 Project; Education – 13 Projects and UDD – 8 Projects

**3.5.3 Schemes on which no expenditure was made**

Several policy initiatives taken up by Government are partially or not executed due to non-approval of scheme guidelines/ modalities, non-commencement of works for want of administrative sanction, non-release of budget, etc. This deprives the beneficiaries of intended benefits. Savings in such schemes deprives other Departments of the funds which they could have utilized. The details are given in **Table 3.11**.

**Table 3.11: Details of the schemes with Nil expenditure for which allocations of ₹ 10 lakh and above were made**

(₹ in lakh)

Sl. No.	Grant No. & Department	Detailed Head	Scheme Name	Approved outlay	Revised outlay	Actual expenditure
1	5- Culture	4202-04-800-60-48	Community Centre at Tarku	10.00	10.00	Nil
2	19- Irrigation	2702-01-103-47-76	Anti-Erosion/ FMW (ACA)	35.00	35.00	
3	19- Irrigation	2702-01-103-48-76	Anti-Erosion/ FMW)ACA)	70.70	70.70	
4	19- Irrigation	2711-01-103-60-44-72	Flood Control & River Training	11.36	11.36	
5	19- Irrigation	2702-01-103-60-45-76	Anti-Erosion/FMW (ACA)	239.77	239.77	
6	30-Police	4055-211-60-75	Constt of police Qtr & Station	50.00	50.00	
7	33- PHE	4215-01-101-60-71-71	WSS for Soreng in West Sikkim	183.15	183.15	
8	33- PHE	4215-01-101-60-71-72	WSS for Chakung	96.96	96.96	
9	33- PHE	4215-01-101-62-00-76	Pollution Abatement of Rani Chu	1000.00	1000.00	
10	34- Roads	5054-04-337-62-00-78	Link road from Amlsay to Sokpay	41.27	41.27	
11	37- Transport	3055-00-201-62-00-81	Integrated depot management system	28.64	28.64	
12	40- Tourism	5452-01-101-60-00-86	Dev. of Buddhist Circuit at Tashiding	592.00	592.00	

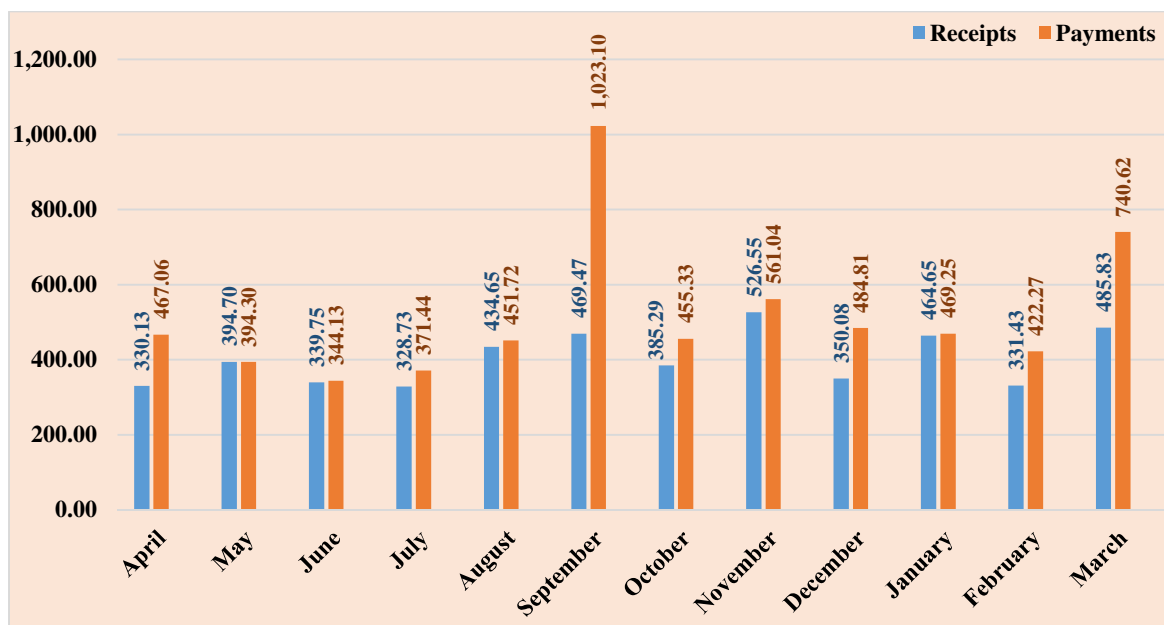
*Source: Detailed Appropriation Accounts*

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 2019-20. It was noticed that in respect of 12 schemes for which budget allocation of ₹ 23.59 crore was made, not a single rupee was spent. Reasons for non-utilisation were not on record.

**3.5.4 Rush of Expenditure**

Government funds should be evenly spent throughout the year. The rush of expenditure towards the end of the financial year is regarded as a breach of financial propriety. Instruction regarding this are available in Financial Rule of the State. 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 3.6: Monthly receipts and expenditure during the FY for the State



As can be seen from the chart above, the receipts were paced more or less evenly across all the months during the financial year 2019-20. However, the pattern of expenditure during 2019-20 revealed that the State Government incurred an expenditure of ₹ 740.62 crore, constituting about 11.97 per cent of the total expenditure of ₹ 6,185 crore, in March 2020. Except during the months of September and March, the expenditure was evenly spread during the year.

However out of ₹ 740.62 crore incurred in March 2020, ₹ 108.53 crore (14.67 per cent of the total expenditure of March 2020) was spent on the last day of the financial year i.e., 31 March 2020.

It was observed that seven departments had spent about 31 per cent to 68 per cent of their expenditure in March 2020. Details are given below:

Table 3.12: Grants with more than 50 per cent of expenditure in March alone

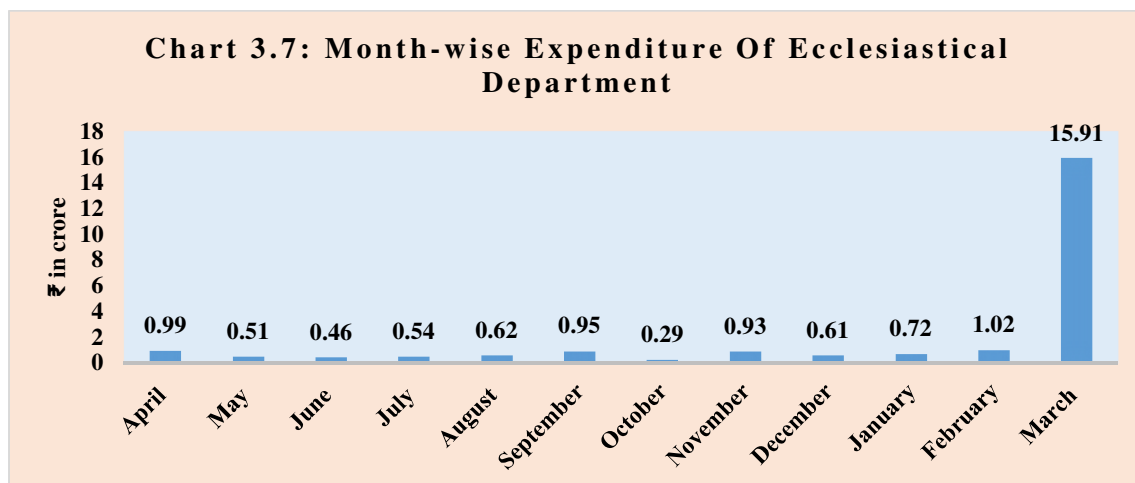
(₹ in crore)

Sl. No.	Grant No.	Description	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	6	Ecclesiastical	1.96	2.11	1.83	17.66	23.56	15.91	67.55
2	46	Municipal Affairs	4.43	2.21	0.00	6.92	13.56	6.92	51.04
3	1	Agriculture	11.51	20.87	13.38	93.96	139.72	66.46	47.57
4	38	Social Welfare	14.06	52.44	33.66	102.22	202.38	84.06	41.54
5	3	Building	10.69	12.96	10.99	41.83	76.46	30.91	40.43
6	5	Culture	3.04	4.24	3.40	13.77	24.46	7.78	31.80
7	22	Land Revenue	21.35	54.65	22.35	82.29	180.63	56.38	31.21

Source: VLC data



The Ecclesiastical Department (Grant– 6) had incurred about 68 *per cent* of its annual expenditure in March 2020. The details of month-wise expenditure of this department expenditure during the year 2019-20 is depicted in 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.

### **3.5.5 Review of selected grants**

Grant No. 34 –Roads and Bridges Department (RBD), 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 these grants. Outcome of the audit is discussed in the succeeding paragraphs. The audit examination of the budgetary procedure and control over expenditure for the period 2015-16 to 2019-20 of RBD was conducted during October-November 2020.

#### **3.5.5.1 Budgetary control/ monitoring system**

Financial Management involves efficient and effective use of financial resources to achieve the objectives of the organisation. Roads & Bridges Department is entrusted with the onus of providing basic infrastructure in the State, which involves planning, construction and maintenance of Roads & Bridges. The Department’s vision is to create well developed network of roads, bridges and other transport infrastructure facilities for improved productivity and economic efficiency of transport that will act as catalyst to expedite the development of the State of Sikkim. 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 RBD bypassed the mandatory provisions of Financial Rules *etc.*, resulting in persistent savings of project funds, surrender of project funds less than actual *saving*, unnecessary/ excessive re-appropriation of scheme funds as discussed in the following paragraphs:

The summarised position of actual expenditure against grants during 2015-16 to 2019-20 in respect of Grant No. 34 – Roads and Bridges Department is given below:



Table 3.13: Summarised position of actual expenditure

(₹ in crore)

Year	Section	Original grant	Supplementary	Total	Actual Expenditure	Excess + savings -	Surrender	Remained to be surrendered
2015-16	Capital	166.89	61.68	228.57	129.1	-99.47	53.21	46.26
	Revenue	66.28	0	66.28	60.91	-5.37	1.14	4.23
2016-17	Capital	124.79	122.1	246.89	85.29	-161.6	85.61	75.99
	Revenue	77.53	4.34	81.87	71.69	-10.18	10.16	0.02
2017-18	Capital	206.08	144.56	350.64	293.05	-57.59	21.36	36.23
	Revenue	81.56	13.31	94.87	95.63	+0.76	1.63	-
2018-19	Capital	168.81	257.58	426.39	364.75	-61.64	19.46	42.18
	Revenue	109.77	33.03	142.8	132.37	-10.43	3.01	7.42
2019-20	Capital	160.72	211.32	372.04	189.58	-182.46	44.86	137.6
	Revenue	218.29	11.65	229.94	191.06	-38.88	33.31	5.57
<b>Total</b>	<b>Capital</b>	<b>827.29</b>	<b>797.24</b>	<b>1624.53</b>	<b>1061.77</b>	<b>-562.76</b>	<b>224.5</b>	<b>338.26</b>
	<b>Revenue</b>	<b>552.39</b>	<b>62.33</b>	<b>614.72</b>	<b>551.66</b>	<b>-63.06</b>	<b>49.25</b>	<b>13.81</b>
<b>Grand Total</b>		<b>1379.68</b>	<b>859.57</b>	<b>2239.25</b>	<b>1613.43</b>	<b>-625.82</b>	<b>273.75</b>	<b>352.07</b>

Source: Appropriation Accounts

### 3.5.5.2 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 RBD obtained supplementary provision of ₹ 859.57 crore (Capital ₹ 797.24 crore and Revenue ₹ 62.33 crore) during 2015-16 to 2019-20 (*Reference: Table 3.13*).

It was seen that under Capital Head during 2015-16 and 2016-17, the supplementary provisions of ₹ 61.68 crore and ₹ 122.10 crore was not required as the Department could not utilise even the original budget provision. Similarly, under Revenue Head during 2016-17, there were unnecessary supplementary provisions of ₹ 4.34 crore which was not utilised by the Department at all. The unnecessary obtaining of Supplementary Provision kept in the budget without utilisation resulted in non-adherence to State Financial Rules.

### 3.5.5.3 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. Persistent and substantial savings during 2015-16 to 2019-20 ranged between seven *per cent* and 17 *per cent* of the provision under Revenue Heads. Similarly, there were persistent savings under Capital Heads which ranged between 14 *per cent* and 65 *per cent* during the entire review period from 2015-16 to 2019-20. However, there was excess expenditure of ₹ 0.76 crore during 2017-18 under Revenue Head. The details are given in **Table 3.13** above. Thus, inaccurate estimation by the Department of required funds led to persistent savings under both Capital as well as Revenue Head.

### 3.5.5.4 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 2015-16 to 2019-20, against the saving of ₹ 625.82 crore, RBD surrendered ₹ 273.75 crore (44 per cent) leading to non-surrender of saving of ₹ 352.07 crore (56 per cent). The details are shown below:

**Table 3.14: Surrender of funds less than actual savings**

(₹ in crore)

Year	Section	Saving	Surrendered	Saving not surrendered
2015-16	Capital	-99.47	53.21	46.26
	Revenue	-5.37	1.14	4.23
2016-17	Capital	-161.6	85.61	75.99
	Revenue	-10.18	10.16	0.02
2017-18	Capital	-57.59	21.36	36.23
	Revenue	+ 0.76	1.63	-2.39
2018-19	Capital	-61.64	19.46	42.18
	Revenue	-10.43	3.01	7.42
2019-20	Capital	-182.46	44.86	137.6
	Revenue	-37.84	33.31	4.53
<b>Total</b>	<b>Capital</b>	<b>-562.76</b>	<b>224.50</b>	<b>338.26</b>
	<b>Revenue</b>	<b>-63.06</b>	<b>49.25</b>	<b>13.81</b>
<b>Grand Total</b>		<b>-625.82</b>	<b>273.75</b>	<b>352.07</b>

Source: Appropriation Accounts

Audit observed that surrender of funds was less than the actual savings during the entire review period (2015-16 to 2019-20) except in Revenue Sector during 2017-18, under this grant.

Against aggregate savings of ₹ 562.76 crore during 2015-20 under Capital Head, only ₹ 224.50 crore (40 per cent) was surrendered and ₹ 338.26 crore (60 per cent) was not surrendered. Similarly, under Revenue Head, against the total savings of ₹ 63.06 crore, only ₹ 49.25 crore (78 per cent) was surrendered leaving an amount of ₹ 13.81 crore (22 per cent) non-surrendered. Further, during 2017-18, there was excess expenditure of ₹ 0.76 crore under Revenue Head. Failure to surrender the amount of ₹ 352.07 crore (Revenue ₹ 13.81 + Capital ₹ 338.26 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.

### 3.5.5.5 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 as shown in below:

**Table 3.15: Funds not surrendered**

(₹ in lakh)

Year	Name of the scheme	Head	Total grant	Actual expenditure	Savings
2016-17	Externally Aided Project	5054-337-95	44.28	16.37	27.91
2017-18	Special Plan Assistance	5054-337-91	27.91	2.44	25.47
<b>Total</b>			<b>72.19</b>	<b>18.81</b>	<b>53.38</b>

Source: Detailed Appropriation Accounts

Audit analysis of surrender under Grant No- 34 revealed that despite savings, no funds were surrendered in case of two schemes.

### 3.5.5.6 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 for the period 2015-16 to 2019-20 covered under review revealed that in two Major Heads there were substantial savings as detailed below:

**Table 3.16: Substantial savings during 2015-20**

(₹ in crore)

Year	Name of the scheme	Total Grant	Actual expenditure	Savings	% of Saving
2015-16	5054 –Capital Outlay on Roads and Bridges	228.56	129.10	99.46	44
2016-17	5054-Roads and Bridges	246.90	85.29	161.61	65
	<b>Total</b>	<b>475.46</b>	<b>214.39</b>	<b>261.07</b>	

Source: Appropriation Accounts

The reasons for the savings were not found on record.

### 3.5.5.7 Non-utilisation of funds

The estimates of expenditure should be as accurate as possible. An avoidable excess in an estimate is as much a financial irregularity as an excess in actual expenditure. Test check of sub-heads for detailed analysis revealed that the Department did not utilise the entire budget provision (more than ₹ 50.00 lakh) and surrendered the budget allotment as shown in **Table 3.17**.

**Table 3.17: Non utilisation of funds**

(₹ in lakh)

Sl. No.	Year	Major Head effecting the Grant	Amount not utilised
1	2015-16	3054 -797 Transfer of Reserve Fund /Deposit Account	400.00
2		5054-68 Construction of Bridges in West Sikkim	184.48
3		5054-70 Construction of Bridges in East Sikkim	190.20
4	2016-17	5054 Capital Outlay-70 Construction of Bridges in West Sikkim	187.20
5	2017-18		187.20
6	2018-19		187.20
7	-do-	2059- 35 Maintenance of Roads and Bridges	100
<b>Total</b>			<b>1436.28</b>

Source: Appropriation Accounts

Audit analysis on the review of the grant revealed that in respect of seven cases consisting of three Major Heads, an amount of ₹ 1436.28 lakh provided for various activities was not utilised. Further, it was observed that during the period 2016-19, the Department made a budget provision of ₹ 187.20 lakh for each financial year under MH 5054-Capital outlay ‘Construction of Bridges in West Sikkim’, but the entire provision was surrendered every year without incurring any expenditure. Reasons for non-utilisation was not on record.

### **3.5.5.8 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 9 to 32 *per cent* of the total expenditure as shown below:

**Table 3.18: Rush of Expenditure during 2015-20**

Particular	(₹ in crore)				
	2015-16	2016-17	2017-18	2018-19	2019-20
Expenditure during April to December	154.55	123.83	256.42	253.76	272.75
Expenditure during January to February	15.41	18.51	36.01	98.18	40.07
Expenditure during March	20.06	14.64	126.25	145.19	67.82
<b>Total</b>	<b>190.02</b>	<b>156.98</b>	<b>388.68</b>	<b>497.13</b>	<b>380.64</b>
(Percentage of Expenditure during March)	11	9	32	29	18

Source: VLC figures

During the month of March the expenditure incurred by the Department ranged from nine *per cent* in 2016-17 to 32 *per cent* in 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 utilize the unspent budget.

Hence, the budgetary management and control over expenditure for the period 2015-16 to 2019-20 in respect of Grant No. 34 Roads & Bridges Department, Government of Sikkim revealed that against total provision of ₹ 2,239.25 crore, expenditure of ₹ 1613.43 crore was incurred, resulting in unspent provision of ₹ 625.82 crore (28 *per cent*), cases of unnecessary Supplementary provision (₹ 188.12 crore), surrender of funds less than actual savings (₹ 352.07 crore) and anticipated savings of ₹ 53.38 crore not surrendered. There were cases of persistent and substantial savings, non- utilisation of funds, unnecessary rush of expenditure during the month of March during 2017-18 (32 *per cent*) and expenditure in excess of provision was also noticed.

## **3.6 Conclusion**

Budgetary assumptions of the State Government were not very realistic during 2019-20 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 were ₹ 2,233.18 crore, accounting for about a fourth (23.35 *per cent*) of the budget provision. However, the Controlling Officers surrendered savings of ₹ 1978.08 crore, during last month of the year, with major portion of savings (₹ 1977.40 crore) being surrendered on the last day of the financial year 2019-20.

During 2019-20, excess expenditure of ₹ 7.41 crore had taken place in three Grants which was the largest during the period 2015-20. Moreover, an excess expenditure of ₹ 83.28 crore in respect of previous years (from 2012-13 to 2018-19) was pending for regularization by the PAC/State Legislature.

During 2019-20, State Government incurred an expenditure of ₹ 740.62 crore, constituting about 11.97 *per cent* of the total Revenue expenditure of ₹ 6185 crore, in March 2020 (except during the months of September 2019 and March 2020). However out of ₹ 740.62 crore incurred in March 2020, ₹ 108.53 crore (14.67 *per cent* of the total Revenue expenditure of March 2020) was spent on the last day of the financial year *i.e.*, 31 March 2020.

The explanations for variations in expenditure *vis-à-vis* allocations were not provided in respect of 416 sub-heads out of 740 sub-heads (56.22 *per cent*) to the Sr. Dy Accountant General (A&E) in respect of significant number of heads of accounts.

During the period 2015-20, the Government had substantial savings ranging between 15.96 *per cent* and 27.35 *per cent* of total budget allocation and could utilize between 72.65 *per cent* and 85.04 *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 2019-20, Supplementary provision aggregating ₹ 230.96 crore obtained in 24 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 13 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.

The review of the budgetary procedure and control over expenditure for the period 2015-16 to 2019-20 of **Grant No. 34 –Roads and Bridges Department (RBD)** showed:

- Under Capital Head during 2015-16 and 2016-17, the supplementary provisions of ₹ 61.68 crore and ₹ 122.10 crore proved unnecessary as the Department could not utilise even the original budget provision. Similarly, under Revenue Head during 2016-17, there were unnecessary supplementary provisions of ₹ 4.34 crore.
- Persistent/substantial savings during 2015-16 to 2019-20 ranged between seven *per cent* and 17 *per cent* of the provision under Revenue Heads. Similarly, there were persistent savings under Capital Heads that ranged between 14 *per cent* and 65 *per cent* during the entire review period from 2015-16 to 2019-20. However, there was excess expenditure of ₹ 0.76 crore during 2017-18 under Revenue Head.
- During 2015-16 to 2019-20 against the saving of ₹ 625.82 crore, RBD surrendered ₹ 273.75 crore (44 *per cent*) leading to non-surrender of saving of ₹ 352.07 crore (56 *per cent*).
- During the period 2016-19, the Department made a budget provision of ₹ 187.20 lakh for each financial year under MH 5054-Capital outlay ‘Construction of Bridges in West Sikkim’, but the entire provision was surrendered every year without incurring any expenditure.

### **3.7 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 are in violation of the approvals of the Legislature. It therefore, needs to be viewed seriously and got regularized at the earliest.*
- *The Roads and Bridges Department (RBD) 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.*