

**CHAPTER-III:
BUDGETARY MANAGMENT**

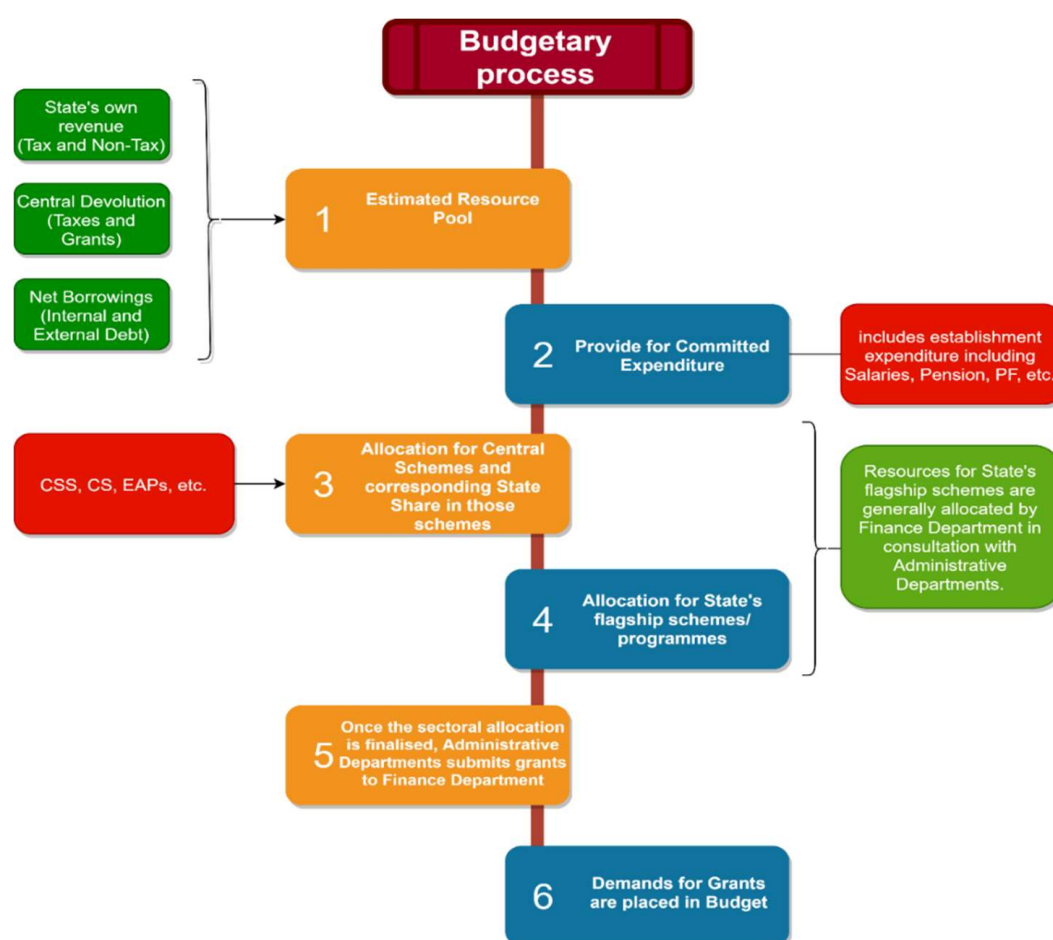
Chapter-III

Budgetary Management

3.1 Budget Process

In compliance with Article 202 of the Constitution of India, in respect of every financial year, a statement of the estimated receipts and expenditure of the State for that year, called “The Annual Financial Statement (Budget)” is to be laid before the State Legislature. The estimates of the expenditure show “charged” and “voted” items¹⁵ of expenditure separately and distinguish expenditure on revenue account from other expenditure. Legislative authorisation is necessary before incurring any expenditure by the State Government. A typical budget preparation process in a State is given in Chart 3.1.

Chart 3.1 Budgetary process



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.

¹⁵ **Charged Expenditure:** Certain categories of expenditure (e.g. Salaries of Constitutional authorities, loan repayments, etc.) constitute a charge on the Consolidated Fund of the State and are not subject to vote by the Legislature. **Voted Expenditure:** All other expenditures are voted by the Legislature.

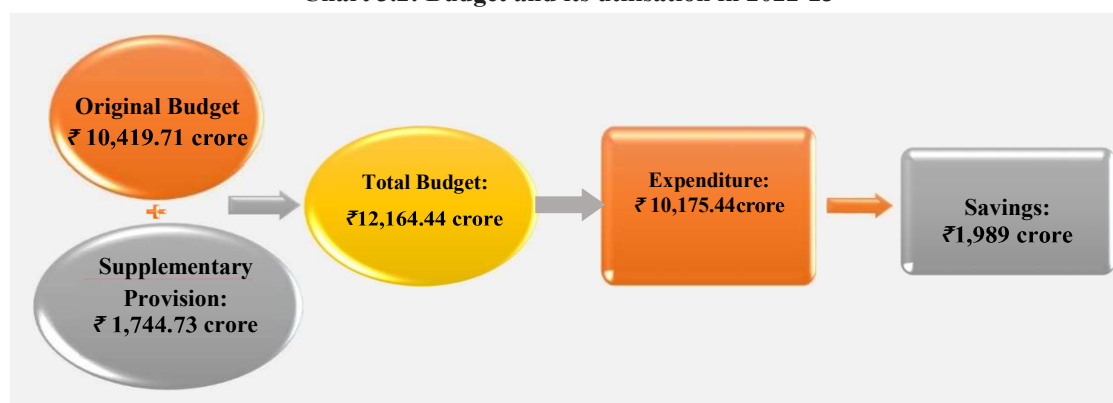
The Annual Financial Statement, also called general budget, is placed prior to the commencement of the financial year in the State Legislature, in accordance with Article 202 of the Constitution. The estimates of receipts and disbursements in the Annual Financial Statement and of expenditure in the Demand 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No money shall be withdrawn from the Consolidated Fund of the State except under appropriation made by a law passed in accordance with provisions of the Article 204 of the Constitution.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 2022-23 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 2022-23



*Source: Appropriation Accounts-2022-23
Supplementary provisions in August 2022, September 2022 and March 2023*

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 2018-23

(₹ in crore)

Year	Total Budget provision			Disbursements			Gross Savings		
	Voted	Charged	Total	Voted	Charged	Total	Voted	Charged	Total (per cent)
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)
2022-23	11,195.08	969.36	12,164.44	9,222.08	953.36	10,175.44	1,973.00	16.00	1,989.00 (16.35)

Source: Appropriation Accounts

Review of overall utilisation of budget provisions relating to the period 2018-23 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 3.1**. Large amount of savings in allocated funds indicated inaccurate assessment of Receipts.

3.1.2 Budget marksmanship

Aggregate Budget Outturn

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

Table 3.2: Aggregate Budget Outturn 2022-23

(₹ in crore)

Description	Original Approved Budget (BEs)	Actual Outturn	Difference between Actual and BEs*
Revenue	8,602.92	7,630.72	(-)972.20
Capital	1,816.79	2,544.72	(+)727.93
Total	10,419.71	10,175.44	(-)244.27

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

In Revenue section, deviation in outturn compared with BE was (-) 14.19 per cent. This was due to deviation between 0 and ± 25 per cent in 38 grants, between ± 25 per cent to ± 50 per cent in six grants and between 50 per cent to ± 100 per cent in three grants.

In Capital section, deviation in outturn compared with BE was (+) 37.04 per cent. This was due to deviation between 0 and ± 25 per cent in nine grants, between ± 25 per cent to ± 50 per cent in seven grants, between 50 per cent to ± 100 per cent in six grants and equal to or more than 100 per cent in five grants. However, no provision was made in respect of 20 grants of the Capital section.

Expenditure Composition Outturn

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

Table 3.3: Expenditure Composition Outturn 2022-23

(₹ in crore)

Description	BEs	Revised Estimate (REs)	Actual Outturn	Difference between REs and BEs	Difference between Actual and RE*
Revenue	8,602.92	8,459.20	7,630.72	-143.72	(-)828.48
Capital	1,816.79	2,964.08	2,544.72	1,147.29	(-)419.36
Total	10,419.71	11,423.28	10,175.44	1,003.57	(-)1,247.84

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

In Revenue section, deviation in outturn compared with RE was (-) 12.45 per cent. This was due to deviation between 0 and ± 25 per cent in 40 grants, between ± 25 per cent to ± 50 per cent in five grants and between 50 per cent to ± 100 per cent in two grants.

In Capital section, deviation in outturn compared with RE was (-) 16.00 per cent. This was due to deviation between 0 and - 25 per cent in 16 grants and one grant namely Culture which was + 4.80 per cent, between -25 per cent to -50 per cent in four grants, between 50 per cent to -100 per cent in five grants and equal to or more than 100 per cent in one grant. However, no provision was made in respect of 20 grants of the Capital section.

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 2022-23 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 ₹ 497.02 crore obtained during the year ending March 2023 (₹ 50.00 lakh or more in each case) pertaining to 22 cases (16 under Revenue Section and six 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 3.2*.

3.3.2 Unnecessary or excessive or insufficient re-appropriations

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 52 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 3.3*.

From *Appendix 3.3*, it can be seen that out of 52 cases, re-appropriations was unnecessary in 42 cases while in 10 cases, the re-appropriation proved to be excessive resulting in savings 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 Government¹⁶.

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 3.4*.

Out of the total gross savings of ₹ 1,989 crore (including excess of ₹ 9.41 crore), it was observed that under Voted section, there were substantial savings of ₹ 1,982.41 crore (excluding excess of ₹ 9.41 crore) crore which were above ₹ one crore for each grant.

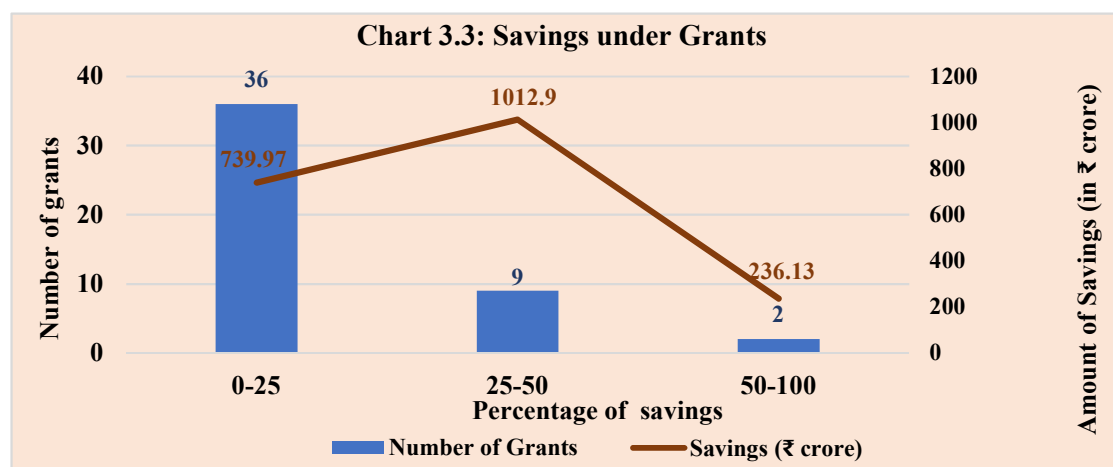
Audit observed that against total gross savings of ₹ 1,989.00 crore (including excess of ₹ 9.41 crore), an amount of ₹ 1,320.39 crore was surrendered, and ₹ 668.61 crore remained to be surrendered as on 31 March 2023. Further, in Grant No. 31 (Power)

¹⁶ Against 52 cases, it was noticed that savings of more than ₹10 lakh occurred in 45 cases and excess occurred in seven cases. Audit analysis revealed that against 45 cases of savings, 18 cases had savings of more than ₹ one crore and against seven cases of excess, two cases (Education and Tourism & Civil Aviation) have excess of more than ₹ one crore.

and Grant No. 39 (Sports and Youth Affairs), the surrender amount (₹ 3.38 crore and ₹ 2.58 crore respectively) was more than the savings of ₹ 3.18 crore and ₹ 2.31 crore respectively.

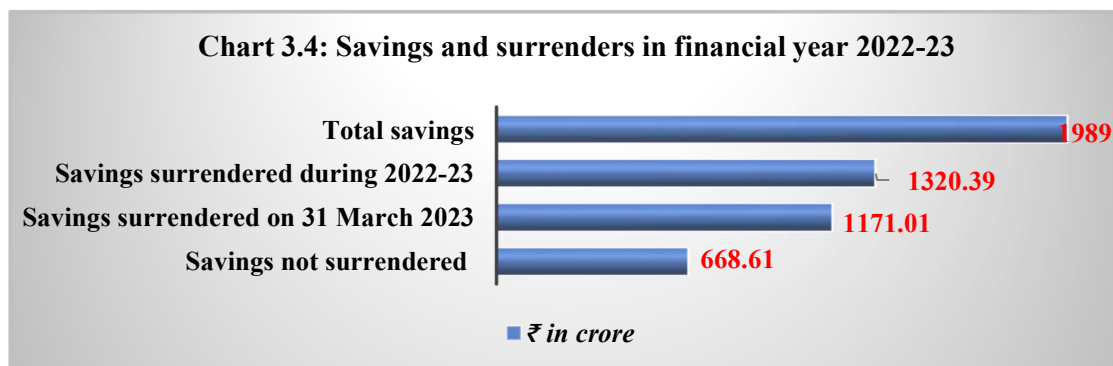
Thus, it is observed that the State's Budgetary allocations were based on unrealistic proposals as there is saving which indicated poor expenditure monitoring mechanism and weak scheme implementation capacities.

Furthermore, the distribution of number of Grants grouped by the percentage of savings along with total savings (Voted and Charged) during the year 2022-23 in each group is explained in **Chart 3.3:**



Source: VLC data and Appropriation Accounts

Details of savings and surrendered during 2022-23 and on 31 March 2023 are given in **Chart 3.4.**

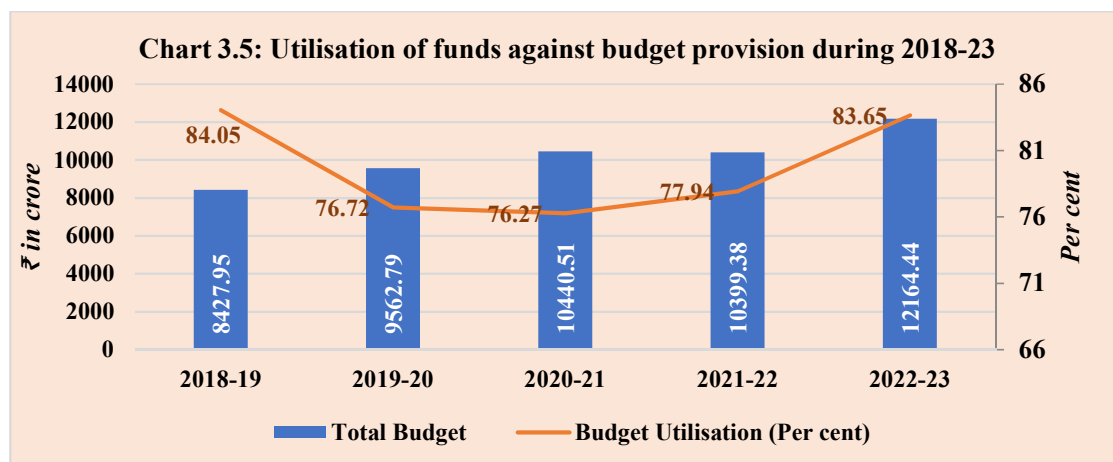


Source: VLC data and Appropriation Accounts

Thus, absence of proper planning and control over expenditure by the departments has resulted in surrender of ₹ 1,320.39 crore during the year 2022-23 out of which, 88.69 per cent was surrendered on 31 March 2023. The percentage of surrenders on 31 March to total surrenders has decreased from 95 per cent in 2021-22 to 88.69 per cent in 2022-23.

3.3.3.1 Budget utilisation

Chart 3.5 depicts the utilisation of funds against the total budget provision during 2018-23.



Source: Appropriation Accounts

The utilisation of budget improved during 2022-23 as the government was able to utilise 83.654 per cent of the total allocation made in the budget.

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 55 sub-heads. Out of the total provisions of ₹ 804.57 crore in those 55 sub-heads, ₹ 663.31 crore constituting 82.44 per cent of total budget provision were surrendered, which included 15 sub-heads under which 100 per cent allocations (₹ 59.90) were surrendered. The details of such cases as well as reasons thereof are given in *Appendix 3.5*. The surrender of allocations has improved over the last year wherein cases in which more than 50 per cent of total provisions was surrendered in respect of 109 sub-heads amounting to ₹ 2,014.74 crore.

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 ₹ 1,989 crore, ₹ 1,320.14 crore (66.37 per cent) was surrendered during 2022-23, of which, ₹ 1,171.01 crore (83.45 per cent) was surrendered on the last day of the year *i.e.* 31 March 2023.

The total surrenders during 2022-23 (in excess of one crore or more), under Revenue Head was ₹ 687.29 crore whereas under Capital Head, it was ₹ 608.79 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 by the concerned departments.

3.3.4 Excess expenditure and its regularisation

As per Article 204 of the Constitution of India, no money shall be withdrawn from the Consolidated Fund of the State except under appropriation made by law passed in accordance with the provisions of the Article. Further, as per Article 205 of the Constitution of India. It is mandatory for a State Government to get excesses over grants/appropriations regularized by the State Legislature. Although no time limit for

regularization of expenditure has been prescribed under the Article, the regularization of excess expenditure is done after the completion of discussion of the Appropriation Accounts by the Public Accounts Committee.

3.3.4.1 Excess expenditure

Excess expenditure over the provision for the year 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 made for the purpose.

Table 3.4: Excess expenditure during 2022-23 requiring regularization

Grant No/ Appropriation	Grant No/Appropriation detailed	Amount of excess expenditure required to be regularized (₹ in crore)
10	Finance	9.41
Total		9.41

Source: Appropriation Accounts

Table 3.4 shows that there was an excess disbursement of ₹ 9.41 crore over the authorisation made by the State Legislature under one Grant during 2022-23.

Further, excess expenditure remaining unregularised for extended periods dilutes legislative control over expenditure. It was observed that excess expenditure of ₹ 12.82 crore pertaining to 11 grants and one appropriation for the years 2014-15 to 2019-20 were yet to be regularised by PAC. Details of excess expenditure over the budget provision pending regularisation are given in **Table 3.5**.

Table 3.5: 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		-	-	-
2021-22		-	-	-
Total			12.82	

Source: Appropriation Accounts

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

3.4 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 2022-23 are shown in **Table 3.6**.

Table 3.6: Summarised position of Actual Expenditure vis-à-vis Budget (Original/ Supplementary) provisions during 2022-23

(₹ in crore)

Particulars	Grant/ Appropriation			Actual expenditure	Gross Saving (-) / Excess (+) Total	Amount surrendered		Percentage of savings surrendered (Col. 7/6)	
	Original	Supplementary	Total			On 31 March			
1	2	3	4	5	6	7	8	9	
Voted	I Revenue	7,802.36	192.43	7,994.79	6,845.11	(-) 1,149.68	699.90	547.71	60.88
	II Capital	1,647.28	1,551.65	3,198.93	2,376.60	(-) 822.33	609.45	603.64	74.02
	III Loans/ advances	1.35	0	1.35	0.37	(-)0.98	0.98	0.97	100
Total Voted	9,450.99	1,744.08	11,195.07	9,222.08	(-) 1,972.99	1,310.33	1,152.32	66.41	
Charged	I Revenue	800.56	0.64	801.20	785.62	(-)15.58	15.58	15.58	100
	II Capital	168.16	0	168.16	167.75	(-)0.41	0.41	0.41	100
	III Public Debt- Repayment	0	0	0	0	0	0	0	0
Total Charged	968.72	0.64	969.36	953.37	(-)15.99	15.99	15.99	100	
Grant Total	10,419.71	1,744.73	12,164.44	10,175.45	(-) 1,988.99	1,326.33	1171.01	66.68	

Source: Appropriation Accounts

During the year 2022-23, savings decreased to 16.35 per cent of total budget allocation as compared to 22.06 per cent during the previous year which in turn shows a better utilisation of the budget as compared to previous year.

The overall savings of ₹ 1,989 crore was net result of total savings of ₹ 1,165.27 crore in 45 Grants and two Appropriations under Revenue Section and ₹ 823.73 crore in 28 Grants under Capital Section.

The details of Original Budget, Revised Estimate and Actual Expenditure during 2018-23 are given in **Table 3.7**.

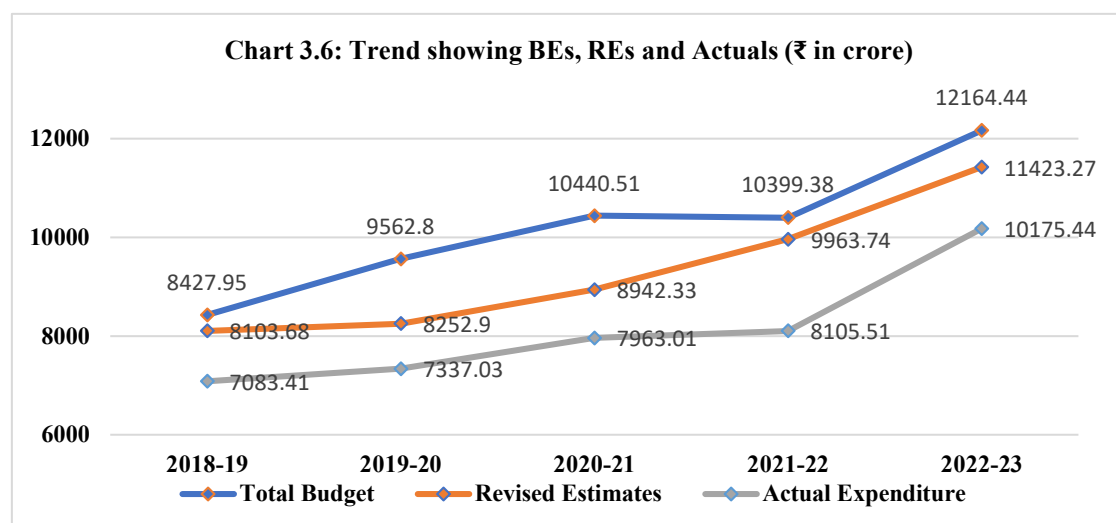
Table 3.7: Original Budget, Revised Estimate and Actual Expenditure during 2018-23

(₹ in crore)

Particulars	2018-19	2019-20	2020-21	2021-22	2022-23
Original Budget	7,133.82	8,887.99	9,285.92	9,852.85	10,419.71
Supplementary Budget	1,294.13	674.79	1,154.59	546.53	1,744.73
Total Budget (TB)	8,427.95	9,562.80	10,440.51	10,399.38	12,164.44
Revised Estimate (RE)	8,103.68	8,252.90	8,942.33	9,963.74	11,423.27
Actual Expenditure (AE)	7,083.41	7,337.03	7,963.01	8,105.51	10,175.44
Gross Savings	1,344.85	2,233.17	2,477.50	2,293.87	1,989.00
Percentage of supplementary to original provision	18.14	7.59	12.43	5.55	16.74
Percentage of saving to the overall provision	15.96	23.35	23.73	22.06	16.35
TB-RE	324.27	1,309.90	1,498.18	435.64	741.17
RE-AE	1,020.27	915.87	979.32	1,858.23	1,247.83
(TB-RE) as percentage of TB	3.85	13.70	14.35	4.19	6.09
(RE-AE) as percentage of TB	12.11	9.58	9.38	17.87	10.26

Source: Annual Financial Statement and Appropriation Accounts

Table 3.7 shows that supplementary provision of ₹ 1,744.73 crore during 2022-23 constituted 16.74 per cent of the original provision as against 5.55 per cent in the previous year.



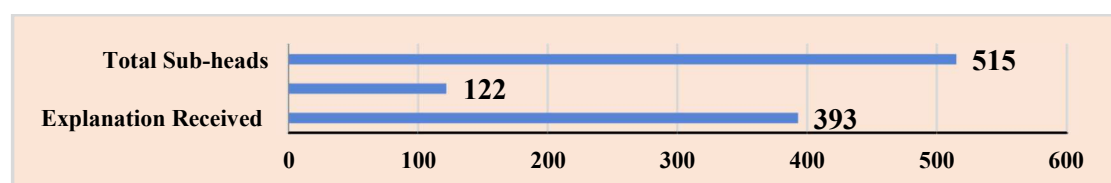
From the above Chart, it can be seen that over the years from 2018-19 to 2022-23, the Revised Estimate (REs) was always lower than the Total Budget (TB) of the State. The gap between the REs and the TB showed an increasing trend wherein during 2019-20 and 2020-21, the gap was more than 10 per cent indicating larger estimation error. However, the gap reduced during 2021-22 but slightly increased to 6.09 per cent in 2022-23.

In terms of percentage, the RE was 3.85 per cent lower than TB in 2018-19 which increased to 6.09 per cent in 2022-23. Further, the percentage of Actual Expenditure (AE) during the same period was also lower than the REs throughout and it ranged between 9.8 per cent and 17.87 per cent. As such, the supplementary provisions during the years 2018-19 to 2022-23 proved unnecessary since the expenditure did not come up to the level of original budget provisions.

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

The savings/excess were intimated to the Controlling Officers by the Office of Sr. DAG (A&E), Sikkim requesting them to explain the significant variations. Out of 515 sub-heads explanations for variations in respect of 393 sub-heads were received. Thus, explanations in respect of remaining 122 sub-heads (21.75 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 department's 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 3.8**.

Table 3.8: 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
CAPITAL (Voted)							
1	2	Animal Husbandry & VS	2.24	0.09	2.33	1.76	0.57
2	3	Buildings & Housing	76.46	211.58	288.05	259.05	29.00
3	5	Culture	25.57	12.30	37.87	34.66	3.21
4	7	Education	165.37	98.53	263.90	149.54	114.36
5	13	Health and Family Welfare	27.79	23.75	51.54	36.87	14.67
6	19	Water Resources	103.52	35.00	138.52	99.80	38.72
7	30	Police	3.92	1.05	4.97	2.23	2.74
8	31	Power	95.08	131.98	227.06	225.46	1.60
9	33	Public Health Engineering	105.13	20.67	125.80	89.87	35.94
10	34	Roads and Bridges	254.16	64.99	319.15	190.46	128.69
11	35	Rural Development	283.89	488.45	772.34	648.80	123.54
12	39	Sports and Youth Affairs	20.39	18.47	38.86	29.46	9.40
13	40	Tourism & Civil Aviation	237.52	189.00	426.52	210.91	215.61
14	41	Urban Development	127.95	165.58	293.53	238.43	55.10

Source: Appropriation Account

It is seen that there was substantial savings of more than ₹ 50 lakh in 14 cases under Capital Section. As can be seen from **Table 3.8**, seven 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 101 incomplete projects at the end of 2022-23 (Reference **Appendix 2.4A**). Out of these, there were 30 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. Therefore, proper budget estimations would have helped finance department in reallocating the unused funds in areas where there was a requirement.

The Finance Department stated that (December 2023) in future more realistic estimation will be made.

3.4.3 Review of selected grants

A review of budgetary procedure and control over expenditure in respect of selected grant *i.e.*, 12 - Forest and Environment Department was conducted wherein magnitude of variations in original grants, supplementary demands and actual expenditure were analysed.

3.4.3.1 Grant No. 12 - Forest and Environment

(i) Introduction

Grant 12 - Forest and Environment Department includes Major Heads 2045 - Other Taxes and Duties on Commodities and Services, 2402-Soil & Water Conservation, 2406 - Forestry and Wildlife, 3435 - Ecology and Environment and 4406 - Capital Outlay on Forest & Wildlife.

(ii) Budget and Expenditure

The overall position of budget provisions, actual disbursement and savings under the grant for the last four years (2019-20 to 2022-23) is given below:

Table 3.9: Budget and Expenditure during the year 2019-20 to 2022-23

(₹ in crore)

Year	Section	Budget provision	Total	Expenditure	Unutilised provision (percentage)
2019-20	Revenue-Original (V)	262.00	268.85	154.11	(-)114.74(42.68)
	Supplementary	6.85			
	Capital-Original (V)	2.18	2.18	2.08	(-)0.10(4.59)
	Supplementary	0	0	0	0
2020-21	Revenue-Original (V)	226.82	239.26	160.39	(-)78.87(32.96)
	Supplementary	12.44			
	Capital-Original (V)	4.40	4.40	1.10	(-)3.30(75.00)
	Supplementary	0	0	0	0
2021-22	Revenue-Original (V)	269.43	269.43	156.18	(-)113.25(42.03)
	Supplementary	0			
	Capital-Original (V)	3.02	3.13	1.01	(-)2.12 (67.73)
	Supplementary	0.10			
2022-23	Revenue-Original (V)	291.70	293.50	152.68	(-)140.82 (47.98)
	Supplementary	1.80			
	Capital-Original (V)	2.15	2.15	0.53	(-)1.62(75.35)
	Supplementary	0	0	0	0

Source – Appropriation Accounts of respective years

The above table show that un-utilised budget provision under Capital (Voted) ranged between 4.59 per cent and 75.35 per cent, which reflected inadequacy in management of budget of the State Government.

While accepting the audit observation, the Forest and Environment Department stated (December 2023) the unutilised budget provision under Capital (Voted) is attributed to non-receipt of Central Share to the extent of tentative allocation and receipt of central fund at the last quarter of the financial year.

(iii) Non-surrender of savings

As per Sikkim Financial Rule 84 Surrender of savings - Departments of Government shall surrender to the Finance Department, before the close of the financial year, all the anticipated savings noticed in the grants or appropriations controlled by them.

The position of savings and surrenders under Grant-12-Forest and Environment Department during 2019-23 has been depicted in table below:

Table 3.10: Non-surrender of savings under Grant-12*(₹ in crore)*

Year	Total Provision		Savings		Amount surrendered (Percentage)	
	Revenue	Capital	Revenue	Capital	Revenue	Capital
2019-20	268.84	2.18	114.74	0.11	64.87 (56.53)	0.11 (100)
2020-21	239.25	4.40	78.86	3.30	30.49 (38.66)	3.30 (100)
2021-22	269.43	3.12	113.25	2.12	44.02 (38.87)	2.11 (100)
2022-23	293.50	2.15	140.82	1.62	60.48 (42.95)	1.62 (100)

Source – Appropriation Accounts

From the above table, it can be seen that there has been persistent savings since 2019. Despite having persistent savings ranging from ₹ 78.86 crore to ₹ 140.82 crore, the fund allocation in the grant was not adjusted over the years. Further, out of the savings, the amount surrendered in revenue section was mostly less than 50 per cent which indicated improper budget management in the department, however, in case of capital section surrendered was 100 per cent of savings.

The Forest and Environment Department stated (December 2023) that huge saving in last four year was due to improper accounting procedure followed by the Office of the Deputy Accountant General (Accounts and Entitlement) in respect of expenditure incurred on the Head of Account: 2406-04-103-State Compensatory Afforestation (SCA).

The reply was not tenable as the source of figure is Appropriation Accounts of the state and the Department should have reconciled the figures before its finalization. Further, prior to finalisation of Appropriation Accounts, ample opportunities are given to the Department for rectifications, if any. Moreover, audit observed that there is a substantial savings even after considering Department's contention as detailed below:

Table 3.11: Substantial Savings during 2019-20 to 2022-23*(₹ in crore)*

Year	Total Provision	Savings as per Appropriation Account	Expenditure as per Department figures	Savings as per Department figures
	Revenue	Revenue	Revenue	Revenue
2019-20	268.84	114.74	44.95	30.21
2020-21	239.25	78.86	47.72	31.14
2021-22	269.43	113.25	70.00	56.75
2022-23	293.50	140.82	80.00	60.82

(iv) Persistent savings

It was observed during scrutiny of Budget Documents that persistent savings have occurred under the Revenue Section and Capital Section from 2020-21 to 2022-23 as given in **Table 3.12**.

Table 3.12: Budget and Expenditure during 2020-21 to 2022-23

Particulars	Year-wise Savings (-)/ Excess (+) with percentage		
	2020-21	2021-22	2022-23
Revenue	(-)78.86 (32.96)	(-)113.25 (42.03)	(-)140.82 (47.98)
Capital	(-)3.30 (75.02)	(-)2.12 (67.69)	(-)1.62 (75.24)

(₹ in crore)

Source: Appropriation Accounts of the respective year

v) Unnecessary supplementary grants

As per Article 205 of the Constitution, a Supplementary or Additional Grant or Appropriation over the provision made by the Appropriation Act for the year can be made during the current financial year but not after the expiry of the current financial year. When such additional expenditure is found to be inevitable and there is no possibility of effecting savings within the grant to cover the excess by re-appropriation, the Secretary in the Department concerned proposes to the Finance Department for supplementary or additional grant or appropriation.

Audit analysis showed that supplementary provisions of ₹13.83 crore (Revenue-voted) proved unnecessary as the expenditure of ₹ 381.58 crore did not come up even to the level of original provision of ₹ 682.03 crore as shown in **Table 3.13**.

Table 3.13: Unnecessary supplementary grants under Grant No.12

Sl. No.	Head of accounts	Year	Original Budget	Supplementary	Actual expenditure	Savings out of Original Provision
1	2406- Forestry and Wildlife	2019-20	223.12	6.78	131.92	(-)91.20
2	3435- Ecology and Environment	2019-20	13.69	0.66	4.09	(-)9.60
3	2406- Forestry and Wildlife	2020-21	191.83	4.49	125.91	(-)65.92
4	4406 - Capital Outlay on Forestry and Wildlife	2021-22	3.02	0.10	1.01	(-)2.01
5	2406- Forestry and Wildlife	2022-23	250.37	1.80	118.65	(-)131.72
	Total		682.03	13.83	381.58	300.45

(₹ in crore)

Source – Appropriation Accounts

It was noticed that in the case of 2406-forestry and wildlife, budget estimation was not objective as despite significant amount of provision left unspent in the past five years, budget allocation has not seen significant changes. This indicated poor budget management within the department.

While accepting the audit observation, the Forest and Environment Department stated (December 2023) that supplementary grant was obtained in the budget heads of the State earmarked sector only where there was no surplus provision in the Sector to utilise the same by way of re-appropriation of fund. Reply of the Department is not tenable as the Department should have obtained the supplementary grant as per the actual requirement.

(vi) Unnecessary re-appropriation of funds

Re-appropriation is transfer of funds within a grant from one unit of appropriation, where savings are anticipated, to another unit where additional funds are needed.

During 2019-20 and 2021-22, it was observed that reduction of provision (exceeding ₹ one crore in each case) by re-appropriation orders (Sl.No.1 and 2 of Table) proved injudicious as there was excess expenditure under these cases.

Table 3.14: Statement showing unnecessary re-appropriation of funds

(₹ in crore)

Year	Number and name of Grant/ Head of account	Original grant	Supplementary grant	Re-appropriation	Total	Expenditure	Saving (-)/ Excess (+)
2019-20	2402-102-800-44	12.30	0	(-)4.11	8.19	8.92	(+)72.96
2021-22	2406-01-001	54.17	0	2.93	51.24	52.01	(+)77.42

Source: Appropriation Accounts

While accepting the fact, the Forest and Environment Department stated (December 2023) that expenditure of ₹ 72.96 lakh under the budget head: 2402-102-800.44.00.02-Wages during 2019-20 was due to inadvertent booking of expenditure.

3.5 Conclusion

Budgetary assumptions of the State Government were not very realistic during 2022-23 and budgetary estimates were off the mark to a considerable extent, and control over the execution and monitoring of budget was inadequate.

The budgetary system of the State Government was not up to the mark, as overall utilisation of budget was 83.65 per cent of total grants and appropriations during 2022-23.

Against the overall savings of ₹ 1,989 crore, ₹ 1,320.14 crore (66.37 per cent) was surrendered during 2022-23, of which, ₹ 1,101.71 crore (83.45 per cent) was surrendered on the last day of the year i.e. 31 March 2023.

Supplementary provision aggregating ₹ 497.02 crore obtained during the year ending March 2023 (₹ 50.00 lakh or more in each case) pertaining to 22 cases (16 under Revenue Section and six under Capital Section) proved unnecessary as the total expenditure did not come up to the level of the original provisions.

There was an excess disbursement of ₹ 9.41 crore over the authorisation made by the State Legislature under one Grants during 2022-23. Further, 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.

The explanations for variations in expenditure vis-à-vis allocations were not provided in respect of 122 sub-heads (21.75 per cent) out of 515 sub-heads to the office of Sr. DAG (A&E).

3.6 Recommendations

- Finance department needs to formulate a realistic budget based on reliable estimates of needs of the Departments and their capacity to utilise the allocated resources.

- *An appropriate control mechanism needs to be instituted by the Finance department to enforce proper implementation and monitoring of budget and 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.*
- *As the issue of persistent savings is being highlighted in the Reports of the CAG on State Finances every year and no corrective measure has been taken by the departments, The Finance Department should strengthen monitoring mechanism reduce persistent savings.*
- *Controlling Officers should be instructed to explain the variation in expenditure from the allocation to facilitate proper analysis of budget and preparation of Appropriation Accounts.*
- *The Forest and Environment Department should strengthen its budgetary management on basis of realistic estimates so that financial resources can be allocated/ utilised efficiently and effectively to achieve intended objectives.*
- *The Forest and Environment Department should design and implement an effective monitoring system to ensure timely utilisation of funds to avoid persistent savings.*