

CHAPTER - II

Financial Management and Budgetary Control



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2.1 Introduction

2.1.1 The Appropriation Accounts are accounts of the expenditure, voted and charged, of the Government for each financial year compared with the amounts of the voted grants and appropriations charged for different purposes as specified in the schedules appended to the Appropriation Acts. These Accounts list the original budget estimate, supplementary grants, surrenders and re-appropriation distinctly and indicate actual capital and revenue expenditure on various specified services *vis-à-vis* those authorised by the Appropriation Act in respect of both charged and voted items of budget. The Appropriation Accounts is thus a control document facilitating management of finances and monitoring of budgetary provision and are therefore complementary to the Finance Accounts.

2.1.2 Audit of appropriation by the Comptroller and Auditor General of India seeks to ascertain whether expenditure actually incurred under various grants is within the authorisation given under the Appropriation Act and that the expenditure required to be charged under the provision of the Constitution is so charged. It also ascertains whether the expenditure so incurred is in conformity with the law, relevant rules, regulations and instructions.

2.2 Summary of Appropriation Accounts

The summarised position of actual expenditure during 2009-10 against 44 grants/appropriations was as given in **Table 2.1**:

Table 2.1: Summarised Position of Actual Expenditure vis-à-vis Original/Supplementary provision

(₹ in crore)

	Nature of expenditure	Original grant/ appropriation	Supplementary grant / Appropriation	Total	Actual expenditure	Saving (-)/ Excess (+)
Voted	I Revenue	2,394.91	301.75	2,696.66	2,557.54	-139.12
	II Capital	879.15	150.54	1,029.69	685.20	-344.49
	III Loans and Advances	0.30	0	0.30	0.30	0.00
Total Voted		3,274.36	452.29	3,726.65	3,243.04	-483.61
Charged	IV Revenue	195.46	2.70	198.16	182.69	-15.47
	V Capital	Nil	Nil	Nil	Nil	Nil
	VI Public Debt- Repayment	86.22	0.07	86.29	86.29	0.00
Total Charged		281.68	2.77	284.45	268.98	-15.47
Appropriation to Contingency Fund (if any)		Nil	Nil	Nil	Nil	Nil
Grand Total		3,556.04	455.06	4,011.10	3,512.02	-499.08

The overall saving of ₹ 499.08 crore was the result of saving of ₹ 504.18 crore in 41 grants and 2 appropriations under Revenue Section, 24 grants under Capital Section and one grant (Public Debt-Repayments) under Loan Section, offset by excess of ₹ 5.10 crore in three grants under Revenue Section and one grant under Capital Section.

The savings/excesses were intimated (March 2010) to the Controlling Officers requesting them to explain the significant variations. Out of 480 sub-heads, explanations for variation were not received (September 2010) in respect of 147 sub-heads (Saving: 86 sub-heads and Excess: 61 sub-heads).

2.3 Financial Accountability and Budget Management

2.3.1 Appropriation vis-à-vis Allocative Priorities

The outcome of the appropriation audit reveals that in 17 cases, savings exceeded ₹ 1 crore in each case and also by more than 20 per cent of the total provision (**Appendix -2.1**). Against the total savings of ₹ 499.08 crore, savings of ₹ 152.13 crore (30 per cent)¹ occurred in two cases relating to two grants as indicated in **Table 2.2**.

Table 2.2: List of Grants with savings of ₹ 50 crore and above

(₹ in crore)

Sl. No.	No. and Name of the Grant	Original	Supplementary	Total	Actual Expenditure	Savings
	Capital-Voted					
1	34 - Roads and Bridges	135.29	3.42	138.71	75.08	63.63
2	41 - Urban Development & Housing Department	145.34	0.54	145.88	57.38	88.50
				TOTAL		152.13

Reasons for savings were mainly due to (i) non-receipt of funds from the GOI; (ii) non-receipt of claims and transfer of staff; and (iii) Ad-hoc payments to the contractors.

2.3.2 Persistent Savings

In six cases during the last five years, there were persistent savings of more than ₹ 1 crore in each case and also by 10 per cent or more of the total grant (**Table 2.3**).

¹Exceeding ₹ 50 crore in each case

Table 2.3: List of Grants indicating Persistent Savings during 2005-10*(₹ in crore)*

Sl. No.	No. and Name of the grant	Amount of savings				
		2005-06	2006-07	2007-08	2008-09	2009-10
Revenue-Voted						
1	19 - Irrigation & Flood Control	3.43(27.55)	3.51(18.25)	3.77(21.59)	34.70(56.45)	15.07(28.93)
2	29 - Development Planning, Economic Reforms and North Eastern Council Affairs	31.83(79.83)	14.31(58.51)	19.95(72.07)	12.54(61.81)	14.96(60.96)
3	39 - Sports & Youth Affairs	2.35 (28.42)	1.11 (14.70)	1.24 (16.92)	4.55 (45.45)	2.01(18.31)
Capital-Voted						
4	31 - Energy and Power	47.66 (35.09)	134.62 (77.84)	98.22 (71.65)	85.93 (62.23)	43.90(30.31)
5	34 - Roads & Bridges	39.43(40.19)	85.05 (62.26)	88.36 (58.34)	54.60 (26.62)	63.63(45.87)
6	40 - Tourism	11.68 (46.22)	17.78 (44.80)	19.32 (37.77)	64.72 (58.82)	23.91(32.77)

(Figures in the bracket indicate percentage to total provision)

Reasons for savings were mainly due to (i) non-receipt of funds from the GOI and restriction of the expenditure to the availability of funds, and (ii) non-receipt of claims.

2.3.3 Excess over provision relating to previous years requiring regularisation

As per Article 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 Article, the regularisation of excess expenditure is done after the completion of discussion of the Appropriation Accounts by the Public Accounts Committee (PAC). However, the excess expenditure of ₹ 5 crore incurred during the years 2006-2009 remained to be regularised. The year-wise amount of excess expenditure pending regularization for grants/appropriations is summarised in **Table 2.4**.

Table 2.4: Excess over provision relating to previous years requiring regularisation*(₹ in crore)*

Year	Number of		Amount of excess over provision	Status of Regularization
	Grants	Appropriations		
2006-07	05 (Grant nos. 15,27,30,35,37)	01 (Public Service Commission)	2.64	Not yet discussed by PAC
2007-08	03 (Grant nos. 16,24,37)	-	0.38	-do-
2008-09	02 (Grant nos. 33, 10)	-	1.98	-do-
Total			5.00	

2.3.4 Excess over provision during 2009-10 requiring regularisation

Table 2.5 contains the summary of total excess in four grants amounting to ₹ 5.10 crore over the amount authorised for withdrawal from the Consolidated Fund of State during 2009-10 and requires regularisation under Article 205 of the Constitution.

Table 2.5: Excess over provision requiring regularisation during 2009-10*(₹ in crore)*

Sl. No.	Number and title of grant/appropriation		Total grant/appropriation	Expenditure	Excess
Voted Grants -					
1.	24	Legislature	8.35	8.40	0.05
2.	28	Personnel, Administrative Reforms and Training	32.69	35.82	3.13
3.	29	Development Planning, Economic Reforms and North Eastern Council Affairs	10.00	11.79	1.79
4.	33	Water Security & Public Health Engineering	10.68	10.81	0.13
Total:					5.10

2.3.5 *Unnecessary/excessive/inadequate supplementary provision*

Supplementary provision aggregating ₹ 58.35 crore obtained in 14 cases (₹ 10 lakh or more in each case) during the year proved unnecessary as the expenditure did not come up to the level of original provision as detailed in **Appendix-2.2**. In one case, supplementary provision of ₹ 19.17 crore proved insufficient by more than ₹ 1 crore leaving an aggregate uncovered excess expenditure of ₹ 3.13 crore as indicated in **Table 2.6** below:

Table 2.6: Supplementary provision proved insufficient by more than ₹ 1 crore*(₹ in crore)*

Sl. No.	Number Grant	Name of the Grants and Appropriation	Original Provision	Supplementary provision	Total	Expenditure	Excess
1	28	Personnel, Administrative Reforms and Training	13.52	19.17	32.69	35.82	3.13

2.3.6 *Excessive/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. Injudicious re-appropriation proved excessive or insufficient and resulted in savings/excess of over ₹ 26.76 crore in 36 sub-heads. There was excess of ₹ 20.10 crore in 19 sub-heads as detailed in **Appendix-2.3(A)** and savings of ₹ 6.66 crore in 17 sub-heads as detailed in **Appendix-2.3 (B)**.

2.3.7 *Substantial surrenders*

Substantial surrenders (the cases where more than 50 *per cent* of total provision was surrendered) were made in respect of 43 sub-heads on account of either delay in implementation of schemes/programmes or non-receipt of funds from Government of India. Out of the total provision amounting to ₹ 283.17 crore in these 43 sub-heads, ₹ 194.79 crore (69 *per cent*) were surrendered, which included *cent per cent* surrender in 17 sub-heads (₹ 28.34 crore). The details of such cases are given in **Appendix-2.4**.

2.3.8 Surrender in excess of actual saving

In five cases, the amount surrendered (₹ 50 lakh or more in each case) was in excess of actual savings indicating lack of or inadequate budgetary control in these departments. As against savings of ₹ 133.39 crore, the amount surrendered was ₹ 146.21 crore resulting in excess surrender of ₹ 12.82 crore. Details are given in **Appendix-2.5**.

2.3.9 Anticipated savings not surrendered

As per Sikkim Financial Rules, the spending departments are required to surrender the grants/appropriations or portion thereof to the Finance Department as and when the savings are anticipated. At the close of the year 2009-10, there were 21 grants/appropriations where despite the savings, no fund was surrendered by the concerned departments. The amount involved in these cases was ₹ 69.76 crore (13.84 per cent of the total savings) (**Appendix-2.6**).

Similarly, out of total savings of ₹ 504.18 crore under 43 other grants/appropriations, amount in which savings of ₹ 1 crore and above were noticed in each grant/appropriation aggregating ₹ 119.64 crore representing 77.68 per cent of savings in those grants/appropriations were not surrendered, details of which are given in **Appendix-2.7**. Besides, in 34 cases, (surrender of funds in excess of ₹ 1 crore), ₹ 385.63 crore (**Appendix-2.8**) were surrendered on the last two working days of March 2010 indicating inadequate financial control resulting in the fact that these funds could not be utilised for other development purposes.

2.3.10 Expenditure without provision

As per Sikkim Financial Rules, expenditure should not be incurred on any scheme/service without the provision of funds. It was, however, noticed that expenditure of ₹ 0.30 crore was incurred in two cases as detailed in **Table 2.7** without any provision in the original estimates/supplementary demand and without any re-appropriation orders to this effect.

Table 2.7: Expenditure incurred without Provision during 2009-10

(₹ in crore)

Number and Name of		Amount of Expenditure without provision	Reasons/Remarks
Grants	Appropriations		
19	-	0.17	There was no budget allotment in the Demand as well as in the Supplementary book, but the expenditure incurred by the Department was passed by the PAO/East without verifying budget provision
19	-	0.13	-DO-
TOTAL		0.30	

The Pay and Accounts Office (East) in one case replied that the Irrigations & Flood Control Department has provision under the Head of account in Vote on Account. However, on finalisations of budget 2009-10 provision was not allocated under this Head of account.

2.3.11 *Rush of expenditure*

According to the Sikkim Financial Rule, rush of expenditure in the closing month of the financial year should be avoided. Contrary to this, expenditure exceeding ₹ 1 crore and also more than 50 per cent of the total expenditure for the year was incurred in respect of 27 heads and 52 heads during March 2010 and last quarter of the year 2009-10 respectively as listed in **Appendix-2.9**.

In five and four Cases, expenditure during the last quarter and March 2010 respectively, was up to 100 per cent of total provision during the year, which was contrary to aforesaid provision.

2.4 Non-reconciliation of Departmental figures

2.4.1 *Pendency in submission of Detailed Contingent (DC) Bills against Abstract Contingent (AC) Bills*

As per Sikkim Financial Rules, every drawing officer has to certify in each abstract contingent bill that detailed bills for all contingent charges drawn by him prior to the first of the current month have been forwarded to the respective controlling officers for countersignature and transmission to the Accountant General (Accounts and Entitlement). The total amount of DC bills received during the period 2004-10 was only ₹ 70.52 crore against the amount of AC bills of ₹ 656.88 crore leading to an outstanding balance of DC bills of ₹ 586.36 crore as on 31 March 2010. Year wise details are given in the following table.

Table 2.8: Details of AC Bills

(₹ in crore)

Year	Opening Balance	Addition during the year	Total Amount of AC bills	Amount of adjustment (DC bills)	DC bills as percentage to AC bills	Outstanding AC bills
2004-05	43.38	17.82	61.20	5.23	8.55	55.97
2005-06	55.97	17.77	73.74	6.99	9.48	66.75
2006-07	66.75	21.85	88.60	8.04	9.07	80.56
2007-08	80.56	41.39	121.95	5.19	4.26	116.76
2008-09	116.76	35.37	152.13	29.17	19.17	122.96
2009-10	122.96	36.30	159.26	15.90	9.98	143.36
Total			656.88	70.52		

Department-wise pending DC bills for the years up to 2009-10 is detailed in **Appendix-2.10**. Non-submission of DC bills for long periods after drawal of AC bills is fraught with the risk of misappropriation and therefore needs to be monitored closely.

2.5 Outcome of Review of Selected Grants

2.5.1 Land Revenue and Disaster Management Department

A review on budgetary procedure and control over expenditure for the period 2005-06 to 2009-10 was conducted (June 2010) in respect of Grant No. 22- Land Revenue and Disaster Management Department, Government of Sikkim.

Important points noticed during review are detailed below:

2.5.1.1 Summary of Appropriation Accounts

The summarised position of actual expenditure during 2005-06 to 2009-10 against appropriation for the Demand No. 22 pertaining to the Land Revenue and Disaster Management Department is given below:

Table 2.9: Summarised position of Demand 22

(₹ in crore)

Year	Section	Nature of expenditure	Original grant	Supplementary grant	Total	Actual expenditure	Savings	Surrender
2005-06	Voted	Revenue	24.61	12.96	37.57	35.10	2.47	2.54
		Capital	0.10	nil	0.10	0.03	0.07	0.01
2006-07	Voted	Revenue	49.36	0.18	49.54	35.90	13.64	3.45
		Capital	0.10	nil	0.10	0.02	0.08	0.08
2007-08	Voted	Revenue	51.96	14.05	66.01	65.97	0.04	0.02
		Capital	5.04	0.93	5.97	5.93	0.04	0.04
2008-09	Voted	Revenue	48.72	19.12	67.84	41.84	26.00	0.75
		Capital	6.09	15.40	21.49	18.41	3.08	3.08
2009-10	Voted	Revenue	61.98	4.67	66.65	39.47	27.18	5.21
		Capital	73.59	nil	73.59	31.97	41.62	41.62

A critical analysis of appropriations revealed the following irregularities as shown below:

Table 2.10: Cases of supplementary provision obtained proved excess over actual expenditure

(₹ in crore)

Year	Section	Original provision	Supplementary provision	Total	Actual expenditure	Savings
2005-06	Revenue	24.61	12.96	37.57	35.10	2.47
2006-07	Revenue	49.36	0.18	49.54	35.90	13.64
2008-09	Revenue	48.72	19.12	67.84	41.84	26.00
2009-10	Revenue	61.98	4.67	66.65	39.47	27.18

It was seen that against the additional requirement of ₹ 10.49 crore (2005-06), supplementary grants of ₹ 12.96 crore was obtained, resulting in savings of ₹ 2.47 crore. Similarly, during 2006-07 also, supplementary grants of ₹ 0.18 crore was unnecessary as the final expenditure of ₹ 35.90 crore was within the original provision of ₹ 49.36 crore. Furthermore, even during 2008-09, supplementary grants of ₹ 19.12 crore was

unnecessary as the final expenditure of ₹ 41.84 crore was within the original provision of ₹ 48.72 crore. The situation persisted in 2009-10 also where the expenditure was well within the original provision but supplementary provision of ₹ 4.67 crore was obtained.

The Department stated (June 2010) that against the supplementary provision of ₹ 12.96 crore during 2005-06, there was a re-appropriation of ₹ 10.60 crore within the grant, surrender of ₹ 2.06 crore and balance amount were utilised except supplementary provision of ₹ 8.56 lakh for capacity building and computerisation of cadastral survey remaining unutilised. The Department's reply itself manifests the fact that ₹ 8.56 lakh provided during supplementary for capacity building and computerisation of cadastral survey was not warranted. Further, the Department did not reply the reasons for surrender of ₹ 2.06 crore.

Similarly, the Department stated (June 2010) that against the supplementary provision of ₹ 0.18 crore during 2006-07, except the supplementary of ₹ 0.10 crore, rest have been utilised. The Department attributed the non-utilisation of ₹ 0.10 crore to the NIC, New Delhi who did not submit their demand. The reply indicated unrealistic anticipation on requirement of fund that resulted in unnecessary provision of grant in supplementary.

Further reply of the Department (June 2010) indicated that the supplementary provision of ₹ 19.12 crore during 2008-09, except the savings of ₹ 25.83 crore under Natural Calamity, rest have been utilised. The Department's reply itself showed that the supplementary of ₹ 15.06 crore sought under 2245-Natural Calamity was not warranted.

2.5.1.2 Excess savings

Budget is formulated based on the activities to be undertaken for a year and the provision/requirement of fund to discharge the payments thereto. Audit analysis for the year 2005-06 to 2009-10 revealed that the savings under MH 2245-Natural Calamity was persistently above ₹ 2 crore except for the year 2007-08. There were substantial savings ranging from 8 to 57 per cent as shown below:

Table 2.11: Substantial Savings under Natural Calamity

(₹ in crore)

Year	Major Head	Grant	Expenditure	Savings (%)
2005-06	MH 2245 NC	29.89	27.44	2.45 (8)
2006-07	MH 2245 NC	40.77	27.45	13.32 (33)
2008-09	MH 2245 NC	53.44	27.61	25.83 (48)
2009-10	MH 2245 NC	46.70	19.90	26.81 (57)

Similarly, in capital head also during 2008-09 and 2009-10, there were substantial savings of above ₹ 2 crore ranging from 14 to 80 per cent of grant as shown below:

Table 2.12 Substantial Saving under Capital head*(₹ in crore)*

Year	Major Head	Grant	Expenditure	Savings (%)
2008-09	MH 4059-80-51-23-81 capital outlay on public works	21.49	18.41	3.08 (14)
2009-10	MH 4059-51-60 long term construction of assets damaged during 2005-06 floods (ACA)	68.59	30.98	37.61 (55)
	MH 4059-51-72 purchase of land for development schemes.	5.00	0.99	4.01 (80)

Thus, taking into account the quantum of above savings, it may be inferred that the estimated budget was not realistic.

The Department stated (June 2010) that the savings were mainly due to the non- receipt of demand/bills from the executing Department, DC's Office and also the non-availability of land at Government approved rates. The fact, however, remains that since the provision have been made, the Department could have coordinated and monitored the activities to utilise the budget allotment.

2.5.1.3 Non-surrender of fund

As per Sikkim Financial Rules, the spending department is required to surrender the grants/appropriations or portion thereof to the Finance Department as and when the savings are anticipated. At the close of the year 2006-07 and 2008-09, there was savings of ₹ 13.64 crore and ₹ 26.01 crore respectively. However, only ₹ 3.45 crore and ₹ 0.75 crore have been surrendered leaving a balance of ₹ 10.19 crore and ₹ 25.26 crore being not surrendered as shown below:

Table 2.13: Non surrender of Savings during 2006-09*(₹ in crore)*

Year	Section	Total grant (Original plus Supplementary)	Actual expenditure	Savings	Surrender	Savings not surrendered
2006-07	Revenue	49.54	35.90	13.64	3.45	10.19
2008-09	Revenue	67.85	41.84	26.01	0.75	25.26

Similarly, at the close of the year 2009-10, under MH 2245-05-101 transfer to reserve fund & deposit account (CRF), there was savings of ₹ 717.50 lakh, which was not surrendered as shown below:

Table 2.14: Non-surrender of Savings during 2009-10*(₹ in crore)*

SI No	Major Head	Grant	Expenditure	Savings not surrendered
1	MH 2245-05-101 transfer to reserve fund & deposit account (CRF)	26.87	19.70	7.17

The reasons as to why the grant was not surrendered could not be stated to Audit.

2.5.1.4 Cases of irregular re-appropriation of fund

Sikkim Financial Rules enjoins that re-appropriation of funds shall be made only when it is known or anticipated that the re-appropriation from the unit from which funds are to be transferred will not be utilised in full. Audit analysis revealed non-observance of the rules resulting in incorrect re-appropriation as shown below:

Table 2.15: Unnecessary re-appropriation

(₹ in lakh)

Year	MH affecting the grant	Total grant (Original plus Supplementary)	Actual expenditure	Excess	Amount of Re-appropriation
2005-06	2029-01 Dir. and Admn.	70.38	78.32	7.94	0.07
2006-07	2029-101-60 Collection charges, District Collectorate	211.85	222.26	10.41	0.24

The reduction of provision by way of re-appropriation was totally unnecessary while there was excess expenditure. Reasons for re-appropriation could not be stated.

Table 2.16: Re-appropriation in excess of available savings

(₹ in lakh)

Year	MH affecting the grant	Total grant (Original plus Supplementary)	Actual expenditure	Savings	Amount of re-appropriation
2006-07	2053-094-60 Sub-divisional establishments	123.46	121.05	2.41	3.34
	2506-800-60 Land Bank Scheme	30.00	29.93	0.07	30.00

The reasons for re-appropriation in excess of available savings could not be furnished.

Table 2.17: Injudicious augmentation by re-appropriation of funds

(₹ in lakh)

Year	MH affecting the grant	Total grant (Original plus Supplementary)	Actual expenditure	Savings	Amount of re-appropriation
2007-08	2029-101-60 Collection charges, District Collectorate	248.81	248.60	0.21	0.27

While the total expenditure was within the grant, augmentation of fund by way of re-appropriation proved injudicious. The reasons for such re-appropriations could not be stated.

2.5.1.5 Non-utilisation of funds

Budget allotment is provided based on the proposed activities to be undertaken for a year. Audit analysis on the review of grants for the year 2005-06 revealed that an amount

of ₹ 18.56 lakh provided for various activities as shown below was not utilised.

Table 2.18: Non-utilisation of fund

(₹ in lakh)

Year	MH affecting the grant	Grant	Expenditure	Savings
2005-06	2245-80-800-81 DMS & ERP (NEC).	10.00	Nil	10.00
	2245-80-800-81 Capacity building	2.36	Nil	2.36
	2506-103-84 Computerisation of cadastral survey.	6.20	Nil	6.20

Similarly, an amount of ₹ 9.36 lakh provided for Agrarian Studies and Computerisation of Land Records under MH 2506-00-103 (100% CSS) during 2009-10 was also not utilised.

The Department stated (June 2010) that the funds could not be utilised as the details for upgradation of the District Data Centres were under process and not submitted by the Districts.

2.5.1.6 Substantial surrenders

Substantial surrenders were made in respect of four of the heads of account during 2009-10 either due to slow implementation or non-implementation of schemes/programmes as shown below:

Table 2.19 Substantial surrenders

(₹ in crore)

SI No	Major Head	Total grant	Amount of surrender	Percentage of surrender
1	MH 2245-02-101-71 Gratuitous relief	1.00	0.45	45
2	MH 2245-02-800-73 Other works	18.65	4.62	25
3	MH 4059-80-51-72 Purchase of land for development schemes	5.00	4.59	92
4	4059-80-51-60-53 Long term const. of assets damaged during 2005-06 floods ACA	68.59	37.61	55
	Total	93.24	47.27	51

Audit analysis revealed that the quantum of surrender in the above four heads of account ranged between 25 and 92 *per cent* and on an average, the surrender in respect of these heads of account sums up to 51 *per cent*.

2.5.1.7 Rush of expenditure

As per Note 3 under Rule 84 of Sikkim Financial Rules, 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, expenditure during the last quarter under one of the heads during 2008-09 was 100 *per cent*. Similarly, during 2009-10, expenditure during the last quarter under three head of account ranged from 44 to 100 *per cent* of the total expenditure as shown below:

Table 2.20: Rush of expenditure

(₹ in lakh)

Year	Head of account	Expenditure incurred during January - March 2010	Expenditure incurred in March 2010	Total expenditure	Percentage of total expenditure incurred during	
					January - March 2010	March 2010
2008-09	2506 Land Reforms	3.34	2.89	3.34	100	86.53
2009-10	4059-80-51-60-53 ACA	1,353.11	1,210.82	3,097.54	44	39
	3451-92-60 District Offices, Untied Fund	33.63	31.63	38.83	87	81
	2506-00-800-60-72 Land Bank Schemes	1,239.00	1,207.50	1,239.00	100	97

The Department stated (June 2010) that the reasons were due to receipt of bills from the executing departments in the last quarter and also added that the compilation and registration were done in bulk by the districts and submitted in bills in the last quarter. But the fact remains that this was in violation of Sikkim Financial Rules.

2.5.1.8 Variation between the budget estimates and actual

The variation between the budget estimates (BE) and actual of revenue receipts for the years 2005-06 to 2009-10 in respect of Land Revenue and Disaster Management Department are shown below:

Table 2.21: Variation between the budget estimates and actual

(₹ in crore)

Year	Budget Estimate	Actuals	Variations excess (+)/shortfall (-)	Percentage of variation
2005-06	0.81	0.61	(-)0.20	(-)25
2006-07	0.89	0.78	(-)0.11	(-)12
2007-08	0.92	2.75	(+)1.83	(+)199
2008-09	1.11	1.95	(+) 0.84	(+)75
2009-10	3.45	2.71	(-)0.74	(-)21

Audit analysis revealed that there was shortfall in receipt during 2005-06 and 2006-07 ranging by 25 and 12 per cent respectively. But in contrast, the receipt was in excess during 2007-08 and 2008-09 by 199 and 75 per cent respectively. The receipt again fell short by 21 per cent during 2009-10. The huge variation and fluctuation in revenue receipt points to the fact that framing of budget estimate was not realistic.

The Department stated (June 2010) that the main source of revenue being the acquisition of land by the Government, it was difficult to frame the target and the target framed was only probable.

2.5.2 Urban Development and Housing Department

A review on budgetary procedure and control over expenditure for the period 2005-06 to 2009-10 was conducted (June-July 2010) in respect of "Grant No. 41- Urban Development and Housing Department (UD&HD)", Government of Sikkim, whose summarised position of actual expenditure against grants during the period covered under audit are detailed below:

2.5.2.1 Summary of Appropriation Accounts

The summarised position of actual expenditure against grants during 2005-06 to 2009-10 in respect of Demand No. 41 pertaining to the Urban Development and Housing Department is given below:

Table 2.22

(₹ in crore)

Year	Section	Nature of expenditure	Original grant	Supplementary grant	Total	Actual expenditure	Savings	Surrender
2005-06	Voted	Revenue	18.80	0.48	19.28	17.41	1.87	1.66
		Capital	5.13	9.80	14.93	2.88	12.04	2.22
2006-07	Voted	Revenue	23.51	0.08	23.59	12.59	10.99	10.98
		Capital	19.59	1.74	21.33	5.00	16.33	16.23
2007-08	Voted	Revenue	10.86	1.62	12.48	12.11	0.36	0.34
		Capital	18.91	1.00	19.91	7.60	12.30	12.30
2008-09	Voted	Revenue	16.21	7.24	23.45	23.06	0.39	0.34
		Capital	41.65	1.76	43.41	27.47	15.94	15.93
2009-10	Voted	Revenue	17.63	2.56	20.19	18.99	1.21	1.14
		Capital	145.34	0.54	145.88	57.38	88.49	89.35
Total		Revenue	87.01	11.98	98.99	84.16	14.82	14.46
		Capital	230.62	14.84	245.46	100.33	145.10	136.03

2.5.2.2 Unnecessary/excessive supplementary provision

Savings in a grant or appropriation indicates that the expenditure could not be incurred as estimated and planned. It points to poor budgeting or shortfall in performance depending upon the circumstances and the purpose for which the original grant or appropriation was provided. However, review of Grant No. 41 in respect of UD&HD for the last five years from 2005-06 to 2009-10 revealed the following:

Against the budget provision of ₹ 98.99 crore (including supplementary provision of ₹ 11.98 crore) under the revenue head during the period from 2005-06 to 2009-10, the actual expenditure was ₹ 84.16 crore resulting in saving of ₹ 14.82 crore constituting 18 per cent of the total provision. In view of the final savings of ₹ 14.82 crore, the supplementary provision of ₹ 11.98 crore was unnecessary.

Similarly, under capital account against the budget provision of ₹ 245.46 crore (including supplementary provision of ₹ 14.84 crore) during the same period, the actual expenditure was ₹ 100.33 crore resulting in saving of ₹ 145.10 crore representing 59 per

cent of the total provision. As a result of final savings of ₹ 145.10 crore, the supplementary provision of ₹ 14.84 crore was unnecessary.

Further analysis of the supplementary provision obtained during the period from 2005-06 to 2009-10 revealed that the supplementary provision of ₹ 15.32 crore (one revenue head for 2005-06 and capital head for entire period under review) was obtained in anticipation of higher expenditure. However, the final expenditure of ₹ 117.74 crore was even less than the original grant of ₹ 249.50 crore. The savings of ₹ 146.97 crore under the grant, thus, exceeded the entire supplementary provision amounting to ₹ 15.32 crore indicating unnecessary allotment of additional funds in these cases as detailed below:

Table 2.23

(₹ in crore)

Year	Section	Nature of expenditure	Original grant	Supplementary grant	Total	Actual expenditure	Savings
2005-06	Voted	Revenue	18.80	0.48	19.28	17.41	1.87
		Capital	5.13	9.80	14.93	2.88	12.04
2006-07	Voted						
		Capital	19.59	1.74	21.33	5.00	16.33
2007-08	Voted						
		Capital	18.91	1.00	19.91	7.60	12.30
2008-09	Voted						
		Capital	41.65	1.76	43.41	27.47	15.94
2009-10	Voted						
		Capital	145.34	0.54	145.88	57.38	88.49
Total		Revenue	18.88	0.48	19.28	17.41	1.87
		Capital	230.62	14.84	245.46	100.33	145.10
Total (Rev. + Cap.)			249.50	15.32	264.74	117.74	146.97

2.5.2.3 Persistent savings

Savings in the grants were indicative of inaccurate budget estimation and a tendency of the concerned department to overestimate the requirement of funds. Persistent and substantial savings ranging from 37 per cent to 85 per cent of the provision were noticed under Capital Head during the entire period of last five years from 2005-06 to 2009-10 under Grant No. 41 as detailed below:

Table 2.24

(₹ in crore)

Year	Section	Nature of expenditure	Original grant	Supplementary grant	Total	Actual expenditure	Savings (Figure in brackets indicates percentage to total provision)
2005-06	Voted	Capital	5.13	9.80	14.93	2.88	12.04 (81)
2006-07	Voted	Capital	19.59	1.74	21.33	5.00	16.33 (77)
2007-08	Voted	Capital	18.91	1.00	19.91	7.60	12.30 (62)
2008-09	Voted	Capital	41.65	1.76	43.41	27.47	15.94 (37)
2009-10	Voted	Capital	145.34	0.54	45.88	57.38	88.49 (61)

2.5.2.4 Non-utilisation of fund

Budget provision is provided based on the proposed activities to be undertaken during the year. However, audit analysis on the review of the Grant No. 41 – UD&HD for the years 2005-06 to 2009-10 revealed that an amount of ₹ 999.99 lakh pertaining to the year 2005-06 provided for various activities were not utilised as detailed below:

Table 2.25

(₹ in lakh)

Year	Major Head	Final Grant	Remarks
2005-06	2217-80-800-63-66-50 Other Charges	19.99	Supplementary budget
	4217-03-051-70-66-71 Preparation of Master Plan	310.00	-do-
	4217-03-051-70-66-72 Implementation of Master Plan	300.01	-do-
	4217-03-051-70-66-73 Infrastructure Development	369.99	-do-
Total		999.99	

2.5.2.5 Unutilised provision and surrender thereof

Rules require that all savings should be surrendered as soon as the possibility of savings is foreseen, given the trend of expenditure. Savings should also not be held in reserve for possible future excesses. It was, however, noticed that in the following nine cases during the period from 2005-06 to 2009-10 (except 2008-09) involving a total savings of ₹ 1,006.23 lakh, no surrender was made.

Table 2.26

(₹ in lakh)

Year	Major Head	Savings	Amount surrendered	Amount not surrendered
2005-06	2217-80-800-63-66-50 OC	9.99	Nil	9.99
	4217-03-051-70-66-71 Preparation of Master Plan	310.00	Nil	310.00
	4217-03-051-70-66-72 Implementation of Master Plan	300.01	Nil	300.01
	4217-03-051-70-66-73 Infrastructure Development	369.99	Nil	369.99
2006-07	4217-03-051-68-45-82 Storm Water Drainage along 31A NH	9.68	Nil	9.68
2007-08	2059-80-053-61-66-27 MW	1.08	Nil	1.08
2009-10	2217-80-800-61 Garbage Disposal	1.18	Nil	1.18
	2217-80-001-00-44-02 Wages	2.45	Nil	2.45
	2217-80-800-61-48-01 Salaries	1.85	Nil	1.85
Total		1,006.23		1,006.23

2.5.2.6 Surrender in excess of anticipated saving

Further, it was also noticed that during the year 2009-10, the Department injudiciously surrendered ₹ 85.75 crore under the Head 4217-03-051-71- Jawaharlal Nehru National

Urban Renewal Mission resulting in excess expenditure under the concerned head involving an amount of ₹ 0.87 crore.

2.5.2.7 *Rush of expenditure*

As per Note 3 under Rule 84 of Sikkim Financial Rules, 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 last quarter were noticed during grant review. Rush of expenditure during the last quarter ranged from 35 to 100 *per cent* of the total expenditure as shown below.

Table 2.27

(₹ in lakh)

Year	Major/SubMajor/Minor/Sub-Detailed Heads	Final grant	Expenditure upto previous month (February)	Expenditure during the month (March)	Total expenditure	Percentage of expenditure during last month to total expenditure
2007-08	2015 Elections	20.00	4.08	15.91	19.99	80
	2059 Public Works	414.66	207.56	205.99	413.55	50
	2217-01-001-60-44-74 Training/Capacity Building	17.60	1.15	13.75	14.90	92
	4216-80-800 Social Housing	14.40	0.03	14.32	14.35	100
	4217-03-051-72 Schemes funded by NABARD	400.00	2.59	190.80	193.39	99
	4216 Capital Outlay on Housing	14.40	0.03	14.32	14.35	100
	4217 Capital Outlay on Urban Development	1,970.11	296.23	443.62	739.85	60
2008-09	2015 Elections	10.00	1.00	4.15	5.15	81
	2059 Public Works	104.93	51.17	53.83	105.00	51
	2217 Urban Development	578.02	296.39	259.77	556.16	47
	3054 Roads and Bridges	40.00	Nil	40.01	40.01	100
	2217 Urban Development	1,301.05	713.38	634.23	1,347.61	47
	4215 Capital Outlay on Water Supply & Sanitation	2,013.80	310.99	240.42	551.41	44
	4217 Capital Outlay on Urban Development	2,233.22	1,023.67	1,158.72	2,182.39	53
2009-10	2045 Other Taxes and Duties and Commodities and Services	55.85	58.30	45.03	103.78	43
	2217 Urban Development	686.96	408.33	217.17	625.50	35
	2217(P) Urban Development	937.88	444.74	445.97	893.88	50
	3475 Other General Economic Services	139.00	Nil	92.08	92.08	100
	4216 Capital Outlay on Housing	12.82	Nil	12.72	12.72	100
	4217 Capital Outlay on Urban Development	14,555.87	2,772.91	2,847.65	5,620.56	51

2.5.2.8 *Variation between the budget estimates and actuals*

The variation between the budget estimates (BE) and actuals of revenue receipts for the years 2007-08 to 2009-10 in respect of Grant No. 41-UD&HD are shown below:

Table 2.28

(₹ in crore)

Year	Budget Estimate	Actuals	Variations excess (+)/ shortfall (-)	Percentage of variation
2007-08	0.74	1.27	(+) 0.53	(+) 71.62
2008-09	0.74	1.48	(+) 0.74	(+) 100.00
2009-10	0.94	2.37	(+) 1.43	(+) 152.13

Analysis of variation between the budget estimates and actuals for the last three years (2007-08 to 2009-10) revealed that there was excess realisation of receipts ranging from 72 per cent to 152 per cent. Though there were increasing trend in actual receipts, the budget estimates in each year was not increased considering the trend in increase in actual receipts. As a result, there were huge variation (more than 71 per cent) in budget estimates and actuals. The huge variation in revenue receipt points to the fact that framing of budget estimate was not realistic.

2.5.2.9 Non-submission of liability statement

The heads of the departments and subordinate authorities concerned shall submit to the Finance Department detailed estimates and such other material as may be called for by the department from time to time for preparation of the budget and the demands for grants. The grants or appropriations shall be utilised to cover the charges, including the liabilities, if any, of the past year(s), to be paid during the financial year or to be adjusted in the accounts of the financial year for which such grant or appropriation is sanctioned. Thus, for actual requirement of grants for any financial year, the department should include the liabilities of the earlier year(s) in their budget estimate while submitting the same to the Finance Department.

Scrutiny revealed (July-August 2010) that there were huge liability of the previous years as below:

Table 2.29

(₹ in lakh)

Year	Opening Balance	Addition	Clearance	Closing balance
2006-07	NA	789.10	nil	789.10
2007-08	789.10	407.81	275.29	921.62
2008-09	921.62	953.00	855.67	1,018.95
2009-10	1,018.95	104.94	580.28	543.61

Though there is huge amount of liabilities in each year excepting 2005-06, the Department while submitting the budget estimate to the Finance Department did not include the liability statement which is deficient on entirety of budget requirement of the department. Thus, budget estimate without liabilities lacks true and fair picture of the actual budget requirement of the Department which may eventually result not only in excess expenditure over sanctioned grant but also facilitate the accumulation of the

pending liabilities.

2.6 Conclusion and Recommendation

This chapter deals with the position of actual expenditure against 44 Grants/Appropriations during 2009-10. It was observed that there is an overall savings of ₹ 504.18 crore and excess expenditure of ₹ 5.10 crore during 2009-10. This excess expenditure of 2009-10 compounded with an excess expenditure of ₹ 5.00 crore pertaining to 2006-09, requires regularisation by the Legislature under Article 205 of the Constitution of India. A rush of expenditure was also observed towards the end of the year. In respect of 27 Major Heads, more than 50 *per cent* of the total expenditure during the year was incurred in the last month of the financial year, despite clear directions to the contrary. The Abstract Contingent Bills had not been adjusted for long periods of time which was fraught with the risk of mis-appropriation and therefore needs to be monitored closely.

Budgetary controls should be strengthened in all the Government departments, particularly in the departments where savings/excesses persisted for last five years. Issuance of re-appropriation/surrender orders at the end of the year should be avoided. A close and rigorous monitoring mechanism should be put in place by the DDOs to adjust the Abstract Contingent Bills within sixty days from the date of drawal of the amount.