

Executive Summary

Background

This Report on the Finances of the Government of Sikkim is being presented to the State Legislature, along with the Finance and Appropriation Accounts, with a view to assess objectively the financial performance of the State during the year 2012-13. The aim of this Report is to provide the State Government with timely inputs based on actual data so that there is a better insight into both well performing as well as ill performing schemes/programmes of the Government. In order to give a perspective to the analysis, an effort has been made to compare the normative assessment made by the Finance Commission (XIII FC). A comparison has been made to see whether the State has given adequate fiscal priority to the developmental, social sector and capital expenditure and whether the expenditure has been effectively absorbed by the intended beneficiaries.

The Report

Based on the audited accounts of the Government of Sikkim for the year ended March 2013, this Report provides an analytical review of the Annual Accounts of the State Government. The Report is structured in three Chapters.

Chapter I is based on the audit of Finance Accounts and makes an assessment of the Government of Sikkim's fiscal position as on 31 March 2013. It provides an insight into trends in committed expenditure, borrowing pattern and a brief account of Central funds transferred directly to the State implementing agencies through off budget route.

Chapter II is based on audit of Appropriation Accounts and gives the grant-by-grant description of appropriations and the manner in which the allocated resources were managed by the service delivery departments.

Chapter III is an inventory of Sikkim Government's compliance with various reporting requirements and financial rules.

The Report also has an appendage of additional data collated from several sources in support of the findings.

Audit findings and recommendations

The fiscal position of the State is viewed in terms of key fiscal parameters – revenue surplus, fiscal deficit, primary deficit, etc. The State had maintained revenue surplus during the last five year period. The State witnessed fiscal deficit during the last five years but the deficit was steadily declining. The State however, maintained primary surplus during last two years. During the current year, the revenue surplus and primary surplus increased as the fiscal deficit decreased as compared to the previous year.

Revenue Receipts

Revenue receipts showed progressive increase from ₹ 1,497.71 crore in 2007-08 to ₹ 2,345.37 crore in 2009-10 but decreased to ₹ 2,151.70 crore in 2010-11 and again increased to ₹ 2,872.11 crore in 2011-12. It further increased by ₹ 416.25 crore (14.49 per cent) to ₹ 3,288.36 crore in 2012-13. The State's own resources contributed ₹ 737.48 crore (22.42 per cent) in the revenue receipts of the State during 2012-13. The balance was transfers from Government of India in the form of State's share of taxes and grants-in-aid contributions.

There was an increase in the State's Share of Union taxes and duties compared to previous year by ₹ 86.83 crore. Grants-in-aid from GOI increased from ₹ 1,722.50 crore in 2011-12 to ₹ 1,852.40 crore in 2012-13. The tax revenue (₹ 435.48 crore) exceeded the projection of TFC (₹ 254.86 crore), whereas non-tax revenue receipts (₹ 302 crore) was less by ₹ 120.61 crore (28.53 per cent) in comparison to TFC projections (₹ 422.61 crore).

Revenue and Capital expenditure

The overall revenue expenditure of the State increased by 3.20 per cent from ₹ 2,429.61 crore in 2011-12 to ₹ 2,507.39 crore in 2012-13. While revenue expenditure constituting 75 per cent of the total expenditure grew by ₹ 77.78 crore over the previous year, the expenditure incurred under capital head which constituted 25 per cent of the total expenditure increased by ₹ 226.59 crore over the previous year.

There were 416 incomplete projects (Estimated cost: ₹ 2,694.95 crore) as on 31 March 2013 in which ₹ 1,135.55 crore were blocked, out of which 308 works (Estimated cost: ₹ 1,737.13 crore and actual expenditure incurred as on 31 March 2013: ₹ 910.79 crore) were due to be completed by 31 March 2013.

Developmental expenditure of ₹ 1469.04 crore in 2008-09 increased to ₹ 2367.72 crore in 2012-13. Its share in aggregate expenditure also decreased from 73.72 per cent to 70.58 per cent during the period.

The share of committed expenditure in the non-plan revenue expenditure was 82.71 per cent leaving meagre funds for creation of assets.

The State needs to reduce its committed expenditure in the overall non-plan revenue expenditure. The State also needs to ensure effective implementation of incomplete projects so that the benefits reach the intended beneficiaries in time.

Funds transferred directly from the Government of India to the State implementing agencies

There is no single agency monitoring its use and there is no readily available data on how much is actually spent in any particular year on major flagship schemes and other important schemes which are being implemented by State implementing agencies but are funded directly by the GOI.

A system has to be put in place to ensure proper accounting of these funds and the updated information should be validated by the State Government as well as the Accountant General (Accounts & Entitlement).

Government investment

The return from investment was 1.57 *per cent*. Some of the Companies/Corporations were under perennial loss. Effective steps need to be taken by the State Government either to revive the units or close down the units incurring losses to avoid further financial burden on the Government.

Financial management and budgetary control

There was savings of ₹ 1447.59 crore and excess expenditure of ₹ 22.10 crore against 46 Grants/Appropriations during 2012-13. This excess expenditure of 2012-13 compounded with an excess expenditure of ₹ 8.87 crore pertaining to 2008-12 requires regularisation by the Legislature under Article 205 of the Constitution of India. Out of a provision of ₹ 946.23 crore in 62 subheads, ₹ 720.95 crore (76.19 *per cent*) constituting 13.45 *per cent* of the total budget provision of the State were surrendered, which included *per cent* surrender in 11 subheads. A rush of expenditure was observed towards the end of the year. In respect of 33 Major Heads under 22 grants and 16 Major Heads under 12 grants, more than 50 *per cent* of the total expenditure was incurred in the last quarter and last month of the year 2012-13, despite clear directions to the contrary. The Abstract Contingent Bills had not been adjusted for long periods of time. Failure to adjust these bills is fraught with the risk of misappropriation and therefore needs to be monitored closely.

Budgetary controls should be strengthened in all the Government departments, particularly in the departments where savings/excess 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 the amounts are drawn.

Financial Reporting

There were deficiencies in furnishing utilisation certificates in time against grants/loans received, non-furnishing of detailed information about financial assistance received by various Institutions and non-submission of accounts in time. There was delay in placement of Separate Audit Reports to Legislature and arrears in finalisation of accounts by the Autonomous Bodies/Authorities. An effective mechanism needs to be put in place to ensure timely placement of reports, finalisation of accounts.