

## CHAPTER II

### FINANCIAL MANAGEMENT AND BUDGETARY CONTROL

#### 2.1 Introduction

**2.1.1** 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, passed by the Legislature. These accounts list the original budget estimates, supplementary grants, 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 in respect of both charged and voted items of budget. Appropriation Accounts, thus, facilitate management of finances and monitoring of budgetary provisions and are therefore, supplementary to Finance Accounts. In Sikkim, no Budget Manual containing the procedures for preparation of the estimates of budget, subsequent action in respect of the budget communication, distribution of grants, watching the progress of revenue and control over expenditure etc., has yet been laid down.

**2.1.2** Audit of appropriation by the Comptroller and Auditor General of India (CAG) 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 provisions of the Constitution is so charged. It also ascertains whether the expenditure so incurred is in conformity with law, relevant rules, regulations and instructions.

#### 2.2 Summary of Appropriation Accounts

##### 2.2.1 Summarised position of expenditure and provision

The summarised position of actual expenditure during 2014-15 against 46 grants/appropriations is 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 (+)	Total amount surrendered	Amount surrendered on 31 March 2015	Percentage of savings surrendered by 31 March 2015 (col.7/col.6)
1		2	3	4	5	6	7	8	9
Voted	I Revenue	4,631.99	87.14	4,719.13	3459.11	(-)1,260.02	645.04	64.50	51
	II Capital	1,669.79	114.31	1,784.10	1,007.21	(-)776.89	716.15	71.81	92
	III Loans and Advances	0.55	-	0.55	0.07	(-)0.48	0.48	0.05	100
<b>Total Voted</b>		<b>6,302.33</b>	<b>201.45</b>	<b>6,503.78</b>	<b>4,466.39</b>	<b>(-)2,037.39</b>	<b>1,361.67</b>	<b>136.36</b>	

Nature of expenditure		Original grant/ Appropriation	Supplementary grant/ Appropriation	Total	Actual expenditure	Saving (-)/ Excess (+)	Total amount surrendered	Amount surrendered on 31 March 2015	Percentage of savings surrendered by 31 March 2015 (col.7/col.6)
Charged	IV Revenue	275.38	0.44	275.82	273.38	(-)2.44	13.81	1.38	(-)5.66
	V Capital	0.00	0	-	0.00	0.00	0.00	0.00	0
	VI Public Debt- Repayment	89.00	0	89.00	87.03	(-)1.97	1.97	0.20	100
<b>Total Charged</b>		<b>364.38</b>	<b>0.44</b>	<b>364.82</b>	<b>360.41</b>	<b>(-)4.41</b>	<b>15.78</b>	<b>1.58</b>	
Appropriation to Contingency Fund (if any)		0	0	-	0	0	0	0	
<b>Grand Total</b>		<b>6,666.71</b>	<b>201.89</b>	<b>6,868.60</b>	<b>4,826.80</b>	<b>(-)2,041.80</b>	<b>1,377.45</b>	<b>137.94</b>	

Source: Appropriation Accounts.

The overall savings of ₹ 2,041.80 crore was the result of savings of ₹ 2,046.07 crore in 44 grants and two appropriations under Revenue Section, 24 grants under Capital Section offset by excess of ₹ 4.27 crore in 05 grants under Revenue Section.

The savings/excess were intimated (July 2015) to the Controlling Officers requesting them to explain the significant variations. Out of 365 sub-heads, explanations in respect of 238 savings and 67 excess cases were received (July 2015).

### 2.2.2 Pendency in submission of Detailed Contingent (DC) Bills against Abstract Contingent (AC) Bills

As per Sikkim Financial Rule (SFR), every drawing and disbursing 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. The total amount of DC bills received during the period 2010-15 was ₹ 259.61 crore against the amount of AC bills of ₹ 332.13 crore (₹ 136.20 crore (OB) + ₹ 195.93 crore) leading to an outstanding balance of DC bills of ₹ 72.51 crore as on 31 March 2015 as given in the following table:

Table 2.2: 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
2010-11	136.20	29.85	166.05	50.25	30.26	115.80
2011-12	115.80	45.04	160.84	16.61	10.33	144.23
2012-13	144.23	50.11	194.34	53.12	27.33	141.22
2013-14	141.22	42.78	184.00	90.36	49.11	93.63
2014-15	93.63	28.15	121.78	49.27	40.46	72.51
<b>TOTAL</b>		<b>195.93</b>		<b>259.61</b>		

Source: Voucher Level Computerisation data of Office of the Sr. Deputy Accountant General (Accounts and Entitlement).

Department-wise pending DC bills for the years up to 2014-15 are detailed in **Appendix 2.1**. As would be seen from the appendix, the main defaulting departments were Police (₹ 8.93 crore), Labour (₹ 6.99 crore), Horticulture and Cash Crops Development (₹ 6.31 crore), Tourism and Civil Aviation (₹ 6.25 crore) and Food Security and Agriculture (₹ 5.51 crore).

Non-submission of DC bills for long periods after drawing the AC bills is fraught with the risk of misappropriation and therefore, needs to be monitored closely. It may also be mentioned that the expenditure, having already been booked as such in the books of accounts, distorts the magnitude of expenditure besides quality of the same remaining unascertained.

### *2.2.3 Review of pendency in submission of DC bills in the Health Care, Human Services and Family Welfare Department*

A review of the advances granted and their subsequent adjustment in the Health Care, Human Services and Family Welfare Department showed that ₹ 2.59 crore drawn towards various advances viz. Contingency advance, T.A. advance and Medical advance was lying unadjusted for long period of time.

Rule 20 (5) of Sikkim Services (Medical Facilities) Amendment Rules, 2007 states that ‘The amount of advance should be adjusted against the claim for reimbursement of expenditure as admissible under these rules and the balance, if any, recovered from the pay of the Government Servant concerned in ten equal monthly instalments’.

Rule 216 (2) states that ‘The right of a Government Servant to Travelling allowance including Daily Allowance shall be forfeited or deemed to have been relinquished if the claim for it is not preferred within one year from the date on which the journey is completed. The advance so granted shall be recovered from his pay or any other dues in one instalment by the authority competent to sanction such advance’.

Sub-Para 7.6 of Para 7 below Rule 227 of Sikkim Financial Rules, 1979 stipulates ‘The Advance Register should be reviewed by the Head of Department/Office at frequent intervals to ensure that the advance do not remain outstanding for more than the period stipulated for settlement. The Controlling Officer should ensure that every effort is made to get the work done or supplies completed against the advances expeditiously’.

Sub-Para 7.16 and 7.17 of Para 7 below Rule 227 of SFR states that ‘The Controlling Officer/DDO of the Department/Office shall obtain the copy of statement containing details of AC bills drawn and DC bills adjusted by each department from the PAO regularly and should verify from his records kept in the Advance Register and reconcile with the PAO monthly and Office of the Accountant General, Sikkim at the time of reconciliation of accounts or dates fixed by that office’ and ‘After reconciliation with the Office of the Accountant General, Sikkim, a certificate of reconciliation and adjustment effected is to be obtained by the Department for record and references’.

Moreover, a certificate has also been printed on the Abstract Contingent Bill form clearly mentioning that ‘the detailed contingent bills for all the contingents for advance drawn more than three months before have been submitted’.

In spite of the above rule provision, advances were lying un-adjusted for long periods without any reasons on record.

Besides, the following irregularities were also noticed:

- In one case of medical advance, the second and the subsequent bills of advances had been adjusted, though, the first advance remained unadjusted. The department failed to take any action to settle the advance and recover the balance amount from the Government servant.
- A certificate has to be given on the Abstract Contingent Bill form clearly mentioning that 'the detailed contingent bills for all the contingents for advance drawn more than three months before have been submitted' which is to be certified by the DDO at the time of drawing the AC bills. The DDOs however, certified all AC bills without ascertaining the pending unsettled advances.
- The outstanding advances as on 31 March 2015 as shown in the records of Office of the Sr. Deputy Accountant General, Sikkim was ₹ 2,58,62,332. However, outstanding advances as reflected in the Departmental records was only ₹ 76,05,367. The reason for difference was due to non-reconciliation with the records of PAO as well as Office of the Sr. Deputy Accountant General, Sikkim as per the rules *ibid*.
- Details of 36 cases of various advances amounting to ₹ 20,99,725 have not been recorded in the advance register thus leading to difficulty in tracking the recipients of the advances which ultimately had the risk of non-adjustment of advances.
- The Advance Register has never been reviewed by the Head of the Department/Office at frequent intervals to ensure that the advance do not remain outstanding for more than the period stipulated for settlement.
- The Advance Register for 2014-15 (Non-Plan) could not be produced to audit.

Despite the standing instructions, circulars, etc. issued by the Government on the subject and also a revised guideline for drawal of advances, submission of detailed contingent bills for adjustment of advances, etc. by Finance, Revenue and Expenditure Department in April 2013, effective steps were not taken to adjust these old outstanding advances.

Thus, non-adherence of the rule, non-compliance of instructions, certification of bill without due diligence and lack of follow-up actions not only by the DDOs concerned but also by the Heads of departments/Controlling Officers had resulted in accumulation of outstanding advances. Non-settlement of advances carries with it the risk of fraud and misappropriation of public fund and causes non-transparency in expenditure reporting system.

## **2.3 Financial accountability and budget management**

### **2.3.1 Appropriation vis-à-vis allocative priorities**

The outcome of the appropriation audit revealed that in 36 cases, savings exceeded ₹ one crore in each case and also by more than 20 *per cent* of total provision (**Appendix 2.2**). Against the total savings of ₹ 2,046.07 crore, savings of ₹ 1,572.00 crore (76.83 *per cent*)<sup>1</sup> occurred in 12 cases relating to 11 grants as indicated in **Table 2.3**.

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<sup>1</sup> Exceeding ₹50 crore in each case.

Table 2.3: List of Grants with savings of ₹ 50 crore and above

(₹ in crore)

Sl. No.	No. and Name of Grant	Original	Supplementary	Total	Actual expenditure	Savings
<b>REVENUE - VOTED</b>						
1	Finance, Revenue and Expenditure	1,147.61	19.45	1,167.06	786.71	380.35
2	Forestry and Environment Management	244.98	39.54	284.52	175.26	109.25
3	Health Care, Human Services and Family Welfare	276.95	0.50	277.45	200.01	77.43
4	Irrigation and Flood Control	148.76	0.01	148.77	18.41	130.36
5	Land Revenue and Disaster Management	280.37	2.00	282.37	189.06	93.31
6	Development Planning, Economic Reforms and North Eastern Council Affairs	92.91	0.14	93.05	13.06	79.99
7	Rural Management and Development	251.67	1.62	253.30	168.99	84.31
8	Panchayat Raj Institutions	408.43	0	408.43	353.74	54.70
<b>CAPITAL – VOTED</b>						
9	Land Revenue & Disaster Management	180.33	0	180.33	78.83	101.50
10	Roads and Bridges	222.38	10.00	232.38	85.59	146.79
11	Tourism	380.83	40.07	420.90	266.36	154.54
12	Urban Development and Housing	219.21	10.75	229.96	70.50	159.46
<b>TOTAL</b>		<b>3,854.43</b>	<b>124.08</b>	<b>3,978.52</b>	<b>2,406.52</b>	<b>1,571.99</b>

Source: Appropriation Accounts.

Savings were mainly due to i) Resources not released by FRED as fund from GOI was received at fag end of financial year, (ii) Lottery prize not claimed, iii) Non-release of payment by PAO due to curtailment of resource under State Plan, iv) Vacant posts not filled up and transfer of OS, v) Surrender of fund not accepted as it was granted under supplementary demand, vi) Progress of work not achieved and vii) Non-passing of bills by PAO.

### 2.3.2 Persistent savings

In seven cases, during the last five years, there were persistent savings of more than ₹ one crore in each case and also by 10 per cent or more of the total grant (Table 2.4).

Table 2.4: Lists of Grants indicating persistent savings during 2010-11 to 2014-15

(₹ in crore)

Sl. No.	No. and Name of Grant	Amount of savings				
		2010-11	2011-12	2012-13	2013-14	2014-15
<b>REVENUE – VOTED</b>						
1	19 - Irrigation & Flood Control	28.05 (39.01)	76.84 (65.46)	93.92 (62.64)	106.75 (72.46)	130.36 (87.75)
2	22 - Land Revenue and Disaster Management	35.60 (54.63)	163.20 (36.81)	172.04 (50.81)	130.03 (33.12)	93.31 (33.04)
3	38 - Social Justice, Empowerment and Welfare	62.64 (52.29)	67.33 (46.90)	34.81 (33.67)	23.24 (23.05)	31.11 (26.43)
<b>CAPITAL – VOTED</b>						
4	31 - Energy and Power	65.89 (66.72)	39.28 (51.76)	60.69 (58.71)	24.24 (27.09)	37.40 (54.36)
5	34 - Roads and Bridges	125.54 (58.80)	151.39 (56.80)	48.09 (20.07)	77.87 (31.97)	146.79 (63.16)
6	40 - Tourism	54.87 (52.81)	127.19 (69.05)	108.15 (69.03)	108.37 (63.24)	154.54 (36.71)
7	41 – Urban Development and Housing	149.37 (81.76)	167.49 (74.48)	171.35 (77.61)	148.29 (70.98)	159.46 (69.34)

Source: Appropriation Accounts. (Figures in the bracket indicate percentage to total provision).

Savings were mainly due to (i) non-release of fund by Government of India and State Government, (ii) improper reconciliation, (iii) progress of work not achieved.

### 2.3.3 Rush of expenditure

According to the SFR, rush of expenditure in the closing month of the financial year should be avoided. Contrary to this, expenditure exceeding ₹ one crore and also more than 50 per cent of the total expenditure for the year was incurred in respect of 15 heads amounting to ₹ 225.03 crore (16.44 per cent of total expenditure during the year) during March 2015 and ₹ 855.41 crore (62.49 per cent of total expenditure during the year) in 28 heads during last quarter of the year 2014-15 as listed in **Appendix 2.3**.

In six cases, three during the last quarter and another three during March 2015, expenditure was up to 100 per cent of total provision during the year, which was contrary to the aforesaid provision.

### 2.3.4 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, excess expenditure amounting to ₹ 84.76 crore for the years 2009-2014 had not been regularised (March 2015). The year-wise amount of excess expenditure pending regularisation for grants/appropriations is summarised in **Table 2.5**.

**Table 2.5: Excess over provisions relating to previous years requiring regularisation**

(₹ in crore)

Year	Number of		Amount of excess over provision	Status of Regularisation
	Grants	Appropriations		
2009-10	04 (Grant Nos. 24,28,29,33)	-	5.10	Under examination by PAC
2010-11	04 (Grant Nos. 24,33,37,24)	-	1.59	-do-
2011-12	03 (Grant Nos. 16,26,42,24)	-	0.20	-do-
2012-13	18 (Grant Nos. 3,5,9,16,17,24,25,26,27,31,32,33,34,35,36,40,42)	Governor	22.10	-do-
2013-14	15 (Grant Nos. 3,5,7,8,9,16,24,26,30,31,32,34,35,42,10)	-	55.77	-do-
<b>TOTAL</b>			<b>84.76</b>	

Source: Appropriation Accounts.

### 2.3.5 Excess over provision during 2014-15 requiring regularisation

**Table 2.6** contains the summary of total excess in 5 grants/appropriations amounting to ₹ 4.28 crore over authorisation from the Consolidated Fund of State during 2014-15 and requires regularisation under Article 205 of the Constitution.

Table 2.6: Excess over provision requiring regularisation during 2014-15

(₹ in lakh)

Sl. No.	Number and title of Grant/Appropriation		Total grant/appropriation	Expenditure	Excess
<b>VOTED</b>					
1	3	Buildings	1,962.86	2,044.98	82.12
2	8	Election	1,623.48	1,637.35	13.87
3	31	Energy and Power	13,398.74	13,635.52	236.78
4	33	Water Security and Public Health Engineering	1,838.83	1,926.65	87.82
5	42	Vigilance	635.20	642.39	7.19
<b>TOTAL</b>			19,459.11	19,886.89	427.78

Source: Appropriation Accounts.

### 2.3.6 Unnecessary supplementary provision

Supplementary provision aggregating ₹ 163.24 crore obtained in 28 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 2.4**.

### 2.3.7 Excessive/insufficient 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 excess/savings ₹ 10 lakh or more in each case in 11 sub-heads. There was excess of ₹ 3.14 crore in 4 sub-heads as detailed in **Appendix 2.5** and savings of ₹ 2.18 crore in 7 sub-heads as detailed in **Appendix 2.6**.

### 2.3.8 Substantial surrenders

Substantial surrenders (the cases where more than 50 per cent of total provision was surrendered) were made in respect of 49 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 ₹ 679.07 crore in those 49 sub-heads, ₹ 498.65 crore (73.43 per cent) constituting 7.25 per cent of total budget provision (₹ 6,868.60 crore) were surrendered, which included cent per cent surrender in 17 sub-heads (₹ 112.03 crore). The details of such cases are given in **Appendix 2.7**.

### 2.3.9 Surrender in excess of actual savings

In three 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 related departments. As against savings of ₹ 175.91 crore, the amount surrendered was ₹ 199.76 crore resulting in excess surrender of ₹ 23.85 crore as indicated in **Table 2.7**.

Table 2.7: Surrender in excess of actual savings (₹ 50 lakh or more)

(₹ in crore)					
Sl. No.	No. and Name of Grant/Appropriation	Total grant/appropriation	Savings	Amount surrendered	Amount surrendered in excess
	<b>REVENUE - CHARGED</b>				
1	10 - Finance, Revenue and Expenditure	251.90	0.35	12.04	11.69
	<b>TOTAL</b>	<b>251.90</b>	<b>0.35</b>	<b>12.04</b>	<b>11.69</b>
	<b>CAPITAL - VOTED</b>				
2	7 - Human Resources and Development	39.75	21.02	22.39	1.37
3	40 - Tourism	420.90	154.54	165.33	10.79
	<b>TOTAL</b>	<b>460.65</b>	<b>175.56</b>	<b>187.72</b>	<b>12.16</b>
	<b>GRAND TOTAL</b>	<b>712.55</b>	<b>175.91</b>	<b>199.76</b>	<b>23.85</b>

Source: Appropriation Accounts.

### 2.3.10 Anticipated savings not surrendered

As per SFR, the spending departments are required to surrender the grants/appropriations or portion thereof to the Finance, Revenue and Expenditure Department (FRED) as and when the savings are anticipated. At the close of the year 2014-15, there were however, eight grants/appropriations in which savings occurred but no part of which had been surrendered by the concerned departments. The amount involved in those cases was ₹ 142.85 crore (6.98 per cent of the total savings) as indicated in Table 2.8.

Table 2.8: Details of anticipated savings not surrendered

(₹ in lakh)			
Sl. No.	Grant No.	Name of grant/appropriation	Savings
1	4	Co-operation	0.26
2	12	Forestry and Environment Management	100.22
3	19	Irrigation and Flood Control	13,056.59
4	19	Irrigation and Flood Control	144.70
5	21	Labour	204.54
6	21	Labour	278.00
7	32	Printing and Stationery	0.18
8	36	Science , Technology and Climate Change	500.55
		<b>TOTAL</b>	<b>14,285.04</b>

Further, in 18 grants/appropriations (with savings of ₹ 1 crore and above in each case), out of total savings of ₹ 1,386.85 crore, only ₹ 698.71 crore were surrendered leaving ₹ 688.15 crore (49.61 per cent) unsurrendered, details of which are given in Appendix 2.8. Besides, in 52 cases, (surrender of funds in excess of ₹ 1 crore or more), ₹ 1,229.35 crore (Appendix 2.9) were surrendered (major departments involved were Urban Development and Housing, Tourism and Civil Aviation, Roads and Bridges, Forest, Environment and Wildlife Management and Land Revenue and Disaster Management) on the last two working days of March 2015 indicating inadequate financial controls and also the fact that those funds could not be utilised for other development purposes.

## 2.4 Contingency Fund

The Contingency Fund of the State had been established under the Contingency Fund Act 1957 in terms of provisions of Articles 267(2) and 283(2) of the Constitution of India.



Advances from the fund are to be made only for meeting expenditure of an unforeseen and emergent character, postponement of which till its authorisation by the Legislature would be undesirable. The fund is in the nature of an imprest and its corpus is ₹ 1 crore. Funds drawn out of Contingency Fund are subsequently recouped to the fund through supplementary provisions.

During the last financial year an amount of ₹ 1 crore was given to Election Department out of the fund which was recouped during the current financial year.

## 2.5 Outcome of review of selected grants

### 2.5.1 Grant 35 - Rural Management and Development Department

A review on budgetary procedure and control over expenditure for the period 2010-11 to 2014-15 was conducted (August-September 2015) in respect of “Grant No.35 - Rural Management and Development Department”, Government of Sikkim. Significant observations made during the review are detailed below:

#### 2.5.1.1 Summarised position

The summarised position of actual expenditure against grants during 2010-11 to 2014-15 in respect of Grant No. 35 pertaining to the Rural Management and Development Department is given below:

**Table 2.9: Details of actual expenditure against grants received**

(₹ in crore)

Year	Section	Nature of expenditure	Original Grant	Supplementary Grant	Total	Actual expenditure	Excess(+) Savings(-)	Amount surrendered
2010-11	Voted	Revenue	46.98	11.95	58.93	54.60	(-)4.33(7)	2.19
	Voted	Capital	86.74	-	86.74	64.29	(-)22.45(26)	20.36
2011-12	Voted	Revenue	51.16	10.48	61.64	55.98	(-)5.66(9)	6.20
	Voted	Capital	103.35	36.88	140.23	82.29	(-)57.94(41)	52.09
2012-13	Voted	Revenue	48.65	3.63	52.28	56.08	(+)3.80(7)	2.62
	Voted	Capital	98.20	7.36	105.56	70.62	(-)34.94(33)	34.81
2013-14	Voted	Revenue	100.02	-	100.02	119.62	(+)19.60(19)	0.48
	Voted	Capital	77.46	0.25	77.71	64.92	(-)12.79(19)	24.66
2014-15	Voted	Revenue	251.67	1.62	253.30	168.89	(-)84.41(33)	83.27
	Voted	Capital	498.48	31.46	240.89	210.96	(-)29.93(12)	20.08
<b>Total</b>	<b>Voted</b>	<b>Revenue</b>	<b>707.91</b>	<b>27.68</b>	<b>526.16</b>	<b>455.17</b>		<b>94.76</b>
	<b>Voted</b>	<b>Capital</b>	<b>575.18</b>	<b>75.95</b>	<b>651.13</b>	<b>493.08</b>		<b>152</b>

Source: Appropriation Accounts. Figures in brackets indicate percentage of savings/excess to total provisions.

The analysis of actual expenditure against the grants received revealed the following:

#### 2.5.1.2 Unnecessary/excessive supplementary provision

Savings in a grant or appropriation indicate 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. It was noticed that supplementary grants of ₹ 36.88 crore, ₹ 7.36 crore, ₹ 0.25 crore, during the years 2011-12, 2012-13, 2013-14 respectively under the Capital Heads and ₹ 1.62 crore during the year 2014-15 under the Revenue Head were unnecessary as the final expenditure of ₹ 82.29 crore, ₹ 70.62 crore, ₹ 64.92 crore and ₹ 168.89 crore under those heads were within the original provision.

### 2.5.1.3 Persistent savings

Persistent 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 12 to 41 *per cent* of the provision were noticed under Capital Heads during the entire review period from 2010-11 to 2014-15 under Grant No. 35 as detailed in **Table 2.9**.

### 2.5.1.4 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 thereto. Further, analysis of budget provision and actual expenditure for the period 2010-11 to 2014-15 covered under review revealed that there were substantial savings of 26 and 41 *per cent* under Capital Heads during 2010-11 to 2012-13 and substantial saving of 33 *per cent* under Revenue Head during 2014-15 respectively indicating inaccurate and unrealistic budget estimates.

### 2.5.1.5 Surrender in excess of actual savings

During the years 2011-12 and 2013-14 under Revenue and Capital Heads respectively, the amount surrendered was in excess of actual savings indicating lack of or inadequate budgetary control. As against savings of ₹ 18.45 crore, the amount surrendered was ₹ 30.86 crore resulting in excess surrender of ₹ 12.41 crore.

### 2.5.1.6 Substantial surrenders

Substantial surrenders were made in respect of 22 heads of accounts during the period under review (2010-15) either due to non-receipt of funds from Government of India or non-completion of work. The percentage of surrenders ranged from 51 to 100 *per cent* as shown below:

**Table 2.10: Details of substantial surrenders**

(₹ in crore)

Year	Major Head	Total Provision	Amount surrendered	Percentage of amount surrendered
2010-11	4215-Water Supply Scheme for Central Pandam in East Scheme (NLCPR)	10	9.98	99
	4215-Water Supply Scheme from Chakmakey and Ringyang under Soreng Sub-Division, West District (NLCPR)	3	3	100
	4215-Water Supply Scheme at Rabdantse in West Sikkim (NLCPR)	2	2	100
	4215-Swajal Dhara (100% CSS)	2.88	2.35	82
2011-12	2215-Roof Water Harvesting(Plan)	3.2	3	94
	4216-Cultural Village at Yangang(Plan)	3	2	67
	4515-Picnic Spot cum dev. of Garden at Lower Lingzey Busty under Sumin Lingzey GPU	1	1	100
	4515-Construction of Rural Playground (SPA)	1	1	100
	4515-Forest Land Compensation for Const. of Rishi Kutir, Solophok (Plan)	1.5	1.5	100

Year	Major Head	Total Provision	Amount surrendered	Percentage of amount surrendered
2012-13	2501-Power Subsidies	2	2	100
	4215-WSS for Central Pandam (NLCPR)	10	10	100
	4215-WSS – Rabdentse	1.80	1.80	100
	4215-Construction of BDO office including Land Compensation	2	1.02	51
	4515-Construction of Kisan Bazaar	2.50	1.77	71
	4515-Rural Community Centre	2.5	2.5	100
2013-14	4215-WSS for Central Pandam (NLCPR)	1	1	100
	4215-Schemes under NABARD	1.50	1.50	100
	5054-Beautification and development of Historical Place at Kabi Lungchok, North Sikkim	4	4	100
2014-15	2216- House Upgradation	8	8	100
	2501-National Rural Livelihood Mission	0.5	0.5	100
	2215-Nirmal Bharat Abhiyan	10	8.12	81
	4515-Rural Tourism, Rock Garden at Zoom and Village Tourism	1	1	100

Source: Appropriation Accounts.

### 2.5.1.7 Anticipated savings not surrendered

In terms of Sikkim Financial Rules, spending departments are required to surrender the grants/appropriation or portion thereof to the FRED as and when the savings are anticipated. Audit analysis of Grant 35 revealed that despite the savings, no fund was surrendered in following cases:

**Table 2.11: Details of anticipated savings not surrendered**

Year	MH affecting the grant	Total grant (Original + Supplementary)	Actual expenditure	Amount of re-appropriation	Saving	Amount surrendered
2010-11	2515-Assistance to Gram Panchayats	10.21	Nil	Nil	10.21	Nil
	4215-Construction of WSS around Pakyong Airport Complex	28.20	11.58	Nil	16.62	Nil
	4216-Mukhya Mantri Awaas Yojana	209.00	195.72	Nil	13.28	Nil
	4216-Const. of B.D.O including Land Compensation	63.36	48.84	Nil	14.52	Nil
2011-12	2515-Grants-in-Aid to Sikkim Institute to Rural Development	95.00	80.00	Nil	15.00	Nil
	4215-Water Supply Scheme at Rabdantse in West Sikkim (NLCPR)	240.00	69.00	Nil	171.00	Nil
	5054-Major Works	50.00	8.40	(-) 6.79	34.81	Nil
2012-13	3054-Head Office Establishment	64.92	48.61	4.98	21.29	Nil
	4215-Village Water Supply Scheme (State Plan)	70.49	Nil	Nil	70.49	Nil
	4215-Village Water Supply Scheme (HCM's Tour)	10.00	Nil	Nil	10.00	Nil
2013-14	2216-Purchase of Electric Chullah with utensils.	1,500.00	1,200.00	(-) 289.00	11.00	Nil
	4215-Village Water Supply Scheme (State Plan)	50.00	27.95	Nil	22.05	Nil
2014-15	3054-Maintenance and Repair (wages)	100.00	116.00	36.00	20.00	Nil
	4215-National Rural Drinking Water Programme (State)	1,500.00	Nil	Nil	1,500.00	Nil
	5054-Construction of Bridges	85.00	75.00	Nil	10.00	Nil
<b>TOTAL</b>					<b>1,980.26</b>	<b>Nil</b>

Source: Detail Appropriation Accounts.

### 2.5.1.8 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 the grant revealed that an amount of ₹ 20.66 crore provided for various activities were not utilised as indicated below:

**Table 2.12: Details of non-utilisation of funds**

(₹ in lakh)

Year	MH affecting the grant	Amount of grant
2010-11	2515-Grants to ZillaParishads/District Level Panchayats	20.00
	2515-Assistance to Gram Panchayats	10.00
	4215-Village Water Supply Scheme (State Plan)	17.75
2011-12	4515-Rural Tourism, Rock Garden at Zoom and Village Tourism at Chirbirey and Maghigaon (NLCPR)	377.49
2012-13	4215-Village Water Supply Scheme (State Plan)	70.49
	4215-Village Water Supply Scheme (HCM's Tour)	10.00
2014-15	4215- NRWDP (Central Share)	1,500.00
<b>TOTAL</b>		<b>2,005.73</b>

Source: Appropriation Accounts.

### 2.5.1.9 Expenditure without provision

As per SFR, expenditure should not be incurred on a scheme/service without provision of funds. It was however, noticed that expenditure of ₹ 0.38 crore was incurred in three cases as detailed in Table 2.13 without any provision in the total grant.

**Table 2.13: Details of expenditure without provision**

(₹ in crore)

Year	MH affecting the grant	Total grant (Original + Supplementary)	Actual expenditure	Excess
2010-11	2215-03-800-36.00.76-RuralHousing Scheme	0	0.02	0.02
2011-12	2515-00-800-72-00-27-Minor Works	0	0.20	0.20
2012-13	2501-101-00-44-73-Power Subsidies	0	0.16	0.16
<b>TOTAL</b>			<b>0.38</b>	

Source: Appropriation Accounts.

### 2.5.1.10 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 last quarter was noticed in the grant under review. Rush of expenditure during March of the period under review ranged from 05 to 21 per cent of the total expenditure as shown below:

**Table 2.14: Trend of rush of expenditure**

(₹ in crore)

Particulars	2010-11	2011-12	2012-13	2013-14	2014-15
Expenditure during April to December	89.80	96.76	86.14	125.62	305.68
Expenditure during January to February	11.82	12.56	18.02	49.62	22.62
Expenditure during March (Percentage of expenditure during March to total expenditure in bracket)	17.27 (14)	28.95 (21)	22.55 (18)	9.30 (5)	50.97 (13)
<b>TOTAL</b>	<b>118.89</b>	<b>138.27</b>	<b>126.71</b>	<b>184.54</b>	<b>379.27</b>

Source: Voucher Level Computerisation data of Office of the Sr. Deputy Accountant General (Accounts and Entitlement). Figures in brackets indicate percentage of expenditure in March to total expenditure.

Further analysis revealed that significant rush of expenditure during the closing month of the year ranging from 25 to 84 *per cent* of total expenditure were noticed in 11 Heads under Grant No. 35 as detailed in **Appendix 2.10**.

## **2.6 Conclusion and Recommendations**

Against the total provision of ₹ 6,868.60 crore during 2014-15, an expenditure of ₹ 4,826.80 crore was incurred. This resulted in an unspent provision of ₹ 2,041.80 crore (29.72 *per cent*). Excess expenditure of ₹ 89.04 crore during 2009-10 to 2014-15 required regularisation under Article 205 of the Constitution. While supplementary provision of ₹ 163.24 crore in 28 cases was unnecessary, re-appropriation of funds in 11 cases was made injudiciously resulting in either un-utilised provision or excess over provision. In 52 cases, ₹ 1,229.35 crore was surrendered on the last two working days of the financial year. ₹ 72.51 crore drawn during 2010-15 as advances remained to be settled, distorting the amount of expenditure being shown as such.

Budget should be prepared keeping in view the actual requirement of funds and it should neither be under/over pitched. Budgetary control should be strengthened to avoid cases of provision remaining unutilised. The Controlling/Disbursing Officers may keep a close and constant watch over the progress of expenditure against the sanctioned allotment in order to avoid savings/excess especially in departments where persistent savings/excess were noticed. They may also specially strengthen monthly expenditure control and monitoring mechanism.

All the departments should closely monitor the expenditure against the allocation and incurring of excess expenditure over the grants should be strictly avoided.

Rush of expenditure during the last quarter of the financial year particularly in the month of March are required to be avoided. The departments should forecast the budget in close proximity to actual requirements and the FRED should take effective steps to prepare a Budget Manual enumerating detailed procedures for better financial management.