

CHAPTER-II: FINANCIAL MANAGEMENT AND BUDGETARY CONTROL

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 the budget. The 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. had 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 was within the authorisation given under the Appropriation Act and that the expenditure required to be charged under the provisions of the Constitution of India was so charged. It also ascertained whether the expenditure so incurred was 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 the year 2015-16 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 (+)	Amount surrendered	Amount surrendered on 31 March	Percentage of savings surrendered by 31 March
1		2	3	4	5	6	7	8	9(col.7/col.6)
Voted	I Revenue	4,073.16	82.23	4,155.39	3,349.62	(-)805.77	654.57	595.01	81
	II Capital	1,085.63	126.83	1,212.46	660.94	(-)551.52	483.52	427.30	88
	III Loans and advances	0.55	-	0.55	0.07	(-)0.48	0.48	0.48	100
Total Voted		5,159.34	209.06	5,368.40	4,010.63	(-)1,357.77	1,138.57	1,022.78	
Charged	IV Revenue	310.60	-	310.60	296.53	(-)14.07	15.55	15.55	1.11
	V Capital	0.00	0	0.00	0.00	0.00	0.00	0.00	0.00
	VI Public Debt- Repayment	200.04	0	200.04	196.12	(-)3.92	3.91	3.91	100
Total Charged		510.64	0	510.64	492.65	(-)17.99	19.46	19.46	
Appropriation to Contingency Fund (if any)		0	0	-	0	0	0	0	
Grand Total		5,669.98	209.06	5,879.04	4,503.28	(-) 1,375.76	1,158.03	1,042.24	

Source: Appropriation Accounts

The overall savings of ₹ 1,375.76 crore was the result of savings of ₹ 1,375.81 crore in 44 grants and two appropriations under Revenue Section, 24 grants under Capital Section offset by excess of ₹ 0.05 crore in one grant under Revenue Section.

The savings/excess were intimated (05 July 2016) to the Controlling Officers requesting them to explain the significant variations. Out of 291 sub-heads, explanations in respect of only 159 savings and 38 excess were received and the balance 94 was awaited (October 2016).

2.3 Financial accountability and budget management

2.3.1 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 had 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). Appropriation Accounts upto 2010-11 had been discussed by the PAC. However, excess expenditure amounting to ₹ 83.94 crore for the years 2010-2015 had not been regularised (March 2016). The year-wise amount of excess expenditure pending regularisation for grants/appropriations is summarised in **Table 2.2**.

Table 2.2: Excess over provisions relating to previous years requiring regularisations

(₹ in crore)

Year	Number of		Amount of excess over provision	Status of Regularisation
	Grants	Appropriations		
2010-11	04 (Grant Nos.24,33,37,24)	-	1.59	Under examination by PAC
2011-12	04 (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-
2014-15	05 (Grant Nos 3,8,31,33,42)	-	4.28	-do-
Total		83.94	83.94	

Source: Appropriation Accounts

2.3.2 Excess over provision during 2015-16 requiring regularisation

Table 2.3 contains the details of excess in one grant amounting to ₹ 5.32 lakh over authorisation from the Consolidated Fund of State during 2015-16 and requires regularisation under Article 205 of the Constitution of India.

Table 2.3: Excess over provision requiring regularisation during 2015-16

(₹ in lakh)

Sl. no	Number and title of grant/appropriation		Total grant/appropriation	Expenditure	Excess
A. VOTED					
1	36	Science, Technology & Climate change	203.75	209.07	5.32
Total					

Source: Appropriation Accounts

2.3.3 Appropriation vis-à-vis allocative priorities

The outcome of the appropriation audit revealed that in 29 cases, savings exceeded ₹ one crore in each case and also by more than 20 per cent of total provision (**Appendix 2.1**). Against the total savings of ₹ 1,375.81 crore, savings of ₹ 866.53 crore (62.98 per cent)¹ occurred in 11 cases relating to 10 grants as indicated in **Table 2.4**.

Table 2.4: 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
REVENUE – VOTED						
1	7 Human Resources and Development	500.93	25.03	525.96	465.31	60.65
2	12 Forestry and Environment Management	208.62	0.11	208.73	82.18	126.55
3	19 Irrigation and Flood Control	104.04	0.50	104.54	34.10	70.44
4	22 Land Revenue & Disaster Management	156.22	0	156.22	88.45	67.77
5	29 Development Planning, Economic Reforms and North Eastern Council Affairs	399.06	0.15	399.21	249.40	149.81
6	38 Social Justice, Empowerment and Welfare	169.90	4.74	174.64	105.96	68.68
CAPITAL – VOTED						
7	13 Health Care, Human Services and Family Welfare	120.97	0	120.97	66.18	54.79
8	22 Land Revenue & Disaster Management	104.03	0	104.03	49.70	54.33
9	31 Energy and Power	89.52	8.22	97.74	37.50	60.25
10	34 Roads and Bridges	166.89	61.67	228.56	129.10	99.46
11	35 Rural Management and Development	144.31	10.91	155.22	101.41	53.80
Total		2,164.49	111.33	2,275.82	1,409.29	866.53

Source: Appropriation Accounts

Savings were mainly due to i) Not demanding of resources by the implementing departments, (ii) Non-receipt of funds from Government of India (GoI), iii) Slow progress of work, and iv) Transfer and retirement of officers and staff.

2.3.4 Persistent savings

In twelve 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 2.5**).

Table 2.5: Lists of grants indicating persistent savings during 2011-12 to 2015-16

(₹ in crore)

Sl. no	No. and name of grant	Amount of savings				
		2011-12	2012-13	2013-14	2014-15	2015-16
REVENUE – VOTED						
1	12 – Forestry and Environment Management	15.82 (19.17)	101.24 (60.27)	69.95 (38.40)	109.25 (38.39)	126.55 (60.63)
2	19 - Irrigation & Flood Control	76.84 (65.46)	93.92 (62.64)	106.75 (72.46)	130.36 (87.75)	70.44 (67.38)
3	22 – Land Revenue and Disaster Management	163.20 (36.81)	172.04 (50.81)	130.03 (33.12)	93.31 (33.04)	67.77 (43.38)

¹ Exceeding ₹50 crore in each case

Sl. no	No. and name of grant	Amount of savings				
4	38 – Social Justice, Empowerment and Welfare	67.33 (46.90)	34.81 (33.67)	23.24 (23.05)	31.11 (26.43)	68.68 (39.33)
CAPITAL – VOTED						
5	2 – Animal Husbandry, Livestock, Fisheries and Veterinary	7.18 (47.90)	11.77 (80.45)	2.74 (42.15)	2.99 (66.47)	2.79 (64.72)
6	3 - Building and Housing	8.92 (32.77)	7.73 (21.04)	7.03 (23.25)	8.14 (21.84)	40.43 (69.19)
7	7 – Human Resource Development	6.95 (14.86)	19.86 (43.90)	20.20 (45.98)	21.02 (52.88)	20.31 (68.55)
8	31 - Energy and Power	39.28 (51.76)	60.69 (58.71)	24.24 (27.09)	37.40 (54.36)	60.25 (61.63)
9	34 - Roads & Bridges	151.39 (56.80)	48.09 (20.07)	77.87 (31.97)	146.79 (63.16)	99.46 (43.52)
10	35 – Rural Management & Development	57.94 (41.32)	34.93 (33.09)	12.78 (16.45)	29.93 (12.42)	53.80 (34.66)
11	40 – Tourism	127.19 (69.05)	108.15 (69.03)	108.37 (63.24)	154.54 (36.71)	42.95 (32.71)
12	41 – Urban Development and Housing	167.49 (74.48)	171.35 (77.61)	148.29 (70.98)	159.46 (69.34)	37.93 (48.28)

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

Savings were mainly due to (i) Delay in implementation of schemes (ii) Non-release of funds by GoI and iii) Progress of work not achieved.

2.3.5 Rush of expenditure

According to the SFR, rush of expenditure in the closing month of the financial year should be avoided. Contrary to this, the State Government incurred an expenditure of ₹ 823.44 crore (18.29 per cent of the total expenditure) during March 2016 out of which 530.87 crore (11.79 per cent of the total expenditure of the year) was spent on the last day i.e. 31 March 2016.

In 15 Major Heads under 13 grants, an expenditure of ₹ 295.55 crore during the month of March 2016 ranged between 50 and 100 per cent of the total expenditure as given in **Appendix 2.2** out of which in six cases, 100 per cent of total provision for the year 2015-16 was incurred in March, which was contrary to the aforesaid provision.

2.3.6 Unnecessary supplementary provision

Supplementary provision aggregating ₹ 158.21 crore obtained in 28 cases (18 revenue grants and 10 capital grants) (₹ 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 2.3**.

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 and resulted in savings of ₹ 10 lakh or more in six sub-heads. There was savings of ₹ 2.92 crore as detailed in **Appendix 2.4**.

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 77 sub-heads on account of either delay in

implementation of schemes/programmes or non-receipt of funds from GoI. Out of the total provision amounting to ₹ 699.67 crore in those 77 sub-heads, ₹ 499.41 crore (71.38 per cent) constituting 8.49 per cent of total budget provision (₹ 5,879.04 crore) were surrendered, which included 100 per cent surrender in 19 sub-heads (₹ 52.97 crore). The details of such cases are given in **Appendix 2.5**.

2.3.9 Surrender in excess of actual savings

In two 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 ₹ 44.44 crore, the amount surrendered was ₹ 47.83 crore resulting in excess surrender of ₹ 3.39 crore as indicated in **Table 2.6**.

Table 2.6: 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
REVENUE – VOTED					
1	10 Finance, Revenue and Expenditure	285.27	11.19	12.34	1.15
	Total	285.27	11.19	12.34	1.15
REVENUE – CHARGED					
2	43 Panchayati Raj Institutions	397.45	33.25	35.49	2.24
	Total	397.45	33.25	35.49	2.24
	Grand total	682.72	44.44	47.83	3.39

Source: Appropriation Accounts

2.3.10 Anticipated savings not surrendered

As per Sikkim Financial Rules (SFR), the spending departments are required to surrender the grants/appropriations or portion thereof to the FRED as and when the savings are anticipated. At the close of the year 2015-16, there were, however, three 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 ₹ 42.76 crore (3.10 per cent of the total savings) as indicated in **Table 2.7**.

Table 2.7: Details of anticipated savings not surrendered

(₹ in lakh)

Sl. No.	Grant No.	Name of grant/appropriation	Savings
1	11	Food and Civil supplies and Consumer Affairs	42.70
2	26	Motor Vehicles	0.02
3	32	Printing and Stationery	0.04
		Total	42.76

Further, in 14 grants/appropriations (with savings of ₹ one crore and above in each case), out of total savings of ₹ 788.33 crore, only ₹ 574.31 crore were surrendered leaving ₹ 214.02 crore (27.15 per cent) un-surrendered, details of which are given in **Appendix 2.6**. Besides, in 57 cases, (surrender of funds in excess of ₹ one crore or more), ₹ 908.09 crore (**Appendix 2.7**) were surrendered (major departments involved were Development, Planning, Economic Reforms and North Eastern Council; Social Justice, Empowerment and Welfare; Rural Management and Development and Land Revenue and Disaster

Management) on the last two working days of March 2016 indicating inadequate financial controls and also the fact that those funds could not be utilised for other development purposes.

2.3.11 Pendency in submission of Detailed Contingent Bills against Abstract Contingent Bills

An Abstract Contingent (AC) bill is drawn with the sanction of the competent authority as an advance when expenditure of contingent nature or of a special nature is required to be incurred. These bills are adjusted once the expenditure is actually incurred by furnishing the expenditure vouchers through a Detailed Contingent (DC) bill. As per 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 (CO) for countersignature and transmission to the Accountant General (AG). The total amount of DC bills received during the period 2011-16 was ₹ 228.74 crore against the amount of AC bills of ₹ 297.40 crore (₹115.80 crore (OB) + ₹ 181.60 crore) leading to an outstanding balance of AC bills of ₹ 68.66 crore as on 31 March 2016 as 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
2011-12	115.80	45.04	160.84	16.62	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
2015-16	72.51	15.52	88.03	19.37	22.01	68.66
Total		181.60		228.74		

Source: Voucher level computerisation data of AG, Sikkim

Department-wise pending AC bills for the years up to 2015-16 are detailed in **Appendix 2.8**. As would be seen from the Appendix, the main defaulting departments were Police (₹ 7.10 crore), Labour (₹ 6.99 crore), Horticulture and Cash Crops Development (₹ 6.10 crore), Tourism and Civil Aviation (₹ 5.80 crore) and Social Justice, Empowerment and Welfare (₹ 5.77 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 expenditure in the books of accounts, distorts the magnitude of expenditure besides authenticity of the same remained unascertained.

2.3.12 Review on pendency in submission of DC bills in the Police Department

An examination by audit of the advances granted and their subsequent adjustment in respect of 18 Drawing and Disbursing Officers (DDOs) of the Police Department showed that ₹ 7.10 crore drawn towards various advances, viz. contingency, TA and Medical were lying unadjusted for long.

1 As per the SFR an Advance Register in Form-3 has to be maintained by each Department/Office which 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.

Test check of records of seven DDOs² revealed the following:

- One DDO i.e. Crime Branch had not even maintained the Advance Register, due to which, recipients of advances of ₹ 67,660 pertaining to the year 2009, as noticed from the voucher level computerisation data maintained by AG, Sikkim, remained unknown.
- Six DDOs did not maintain the Advance Register in the prescribed format.
- The Advance Register was never examined by the Head of the Department/Office to ensure that the advance do not remain outstanding for more than the period stipulated for settlement.

2 As per SFR regular reconciliation by the CO/DDOs had to be done with the records of the PAO and AG, Sikkim.

- Test check of records of seven DDOs however, revealed that this was not done due to which outstanding advances shown in the records of AG, Sikkim of ₹ 4.56 crore as on 31 March 2016 did not match with the amount of ₹ 3.75 crore reflected in the departmental records leading to a difference of ₹ 0.80 crore.

3 Sub-Para 7.7 below Rule 227 *ibid* stipulates ‘As soon as the work is done or supply is received, a DC bill in Form-2 should be prepared. Major, Minor and Detailed heads shall be given in full form as depicted in the Demands for grant in all the DC bills which should, as far as possible, be typed/printed.’

- However, as seen from the records of the Police Department, out of outstanding advances worth ₹ 4.56 crore, ₹ 2.82 crore were for the purchase of arms and ammunitions. For the supply of the arms and ammunitions, the Department made full payment as demanded by the supplier. As verified, material worth ₹ 2.29 crore were received but the Department never prepared DC bills in Form-2 as prescribed and hence, the advances remained pending. The supplier neither submitted the final bills nor did the Department take any action for follow up.
- Further, a certificate had also been printed on the AC bill form clearly mentioning ‘the DC 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.

Thus, non-adherence of the Rule, non-compliance of instructions and certification of bill without due diligence and lack of follow-up action not only by the DDOs concerned but also by the Head of Department/COs had resulted in accumulation of outstanding advances.

² Police Hqrs, Crime, Communication, IRB 3rd Battalion, Reserve Line, Training and DIG Range

Not settling of advances carries with it the risk of fraud and misappropriation of public funds and causes lack of transparency in expenditure reporting system.

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 ₹ one crore. Funds drawn out of Contingency Fund are subsequently recouped to the fund through supplementary provisions.

During the financial year 2015-16 no advance was drawn out of the Contingency Fund.

2.5 Outcome of review of selected grants

2.5.1 Grant 19 - Irrigation and Flood Control Department

An audit examination of the budgetary procedure and control over expenditure for the period 2011-12 to 2015-16 in respect of Grant No. 19- Irrigation and Flood Control Department, Government of Sikkim was conducted. Audit findings are given below:

2.5.1.1 Summarised position

The summarised position of actual expenditure against grants during 2011-12 to 2015-16 in respect of Grant No. - 19 pertaining to the Irrigation and Flood Control Department 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(-)	Surrender
2011-12	Voted	Revenue	108.97	8.41	117.38	40.54	(-)76.84(65)	76.53
	Voted	Capital	6.21	0.00	6.21	2.91	(-) 3.30 (53)	3.30
2012-13	Voted	Revenue	147.95	2.00	149.95	56.03	(-) 93.92 (63)	94.78
	Voted	Capital	10.83	0.00	10.83	7.12	(-) 3.72 (34)	3.51
2013-14	Voted	Revenue	147.24	0.06	147.31	40.56	(-) 106.75(72)	107.37
	Voted	Capital	4.69	0.00	4.69	3.79	(-) 0.90 (19)	0.40
2014-15	Voted	Revenue	148.76	0.01	148.77	18.41	(-) 130.36 (88)	0.00
	Voted	Capital	5.70	0.00	5.70	4.25	(-) 1.45 (25)	0.00
2015-16	Voted	Revenue	104.04	0.50	104.54	34.10	(-) 70.44(67)	70.28
	Voted	Capital	11.57	0.00	11.57	1.15	(-) 10.42 (90)	10.42

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 during the years 2011-12 to 2015-16 under the Revenue Heads were unnecessary as the final expenditure 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 63 to 88 *per cent* of the provision were noticed under Revenue Heads and 19 to 90 *per cent* under Capital Heads.

2.5.1.4 Surrender in excess of actual savings

During the years 2012-13 and 2013-14 under Revenue Head, the amount surrendered was in excess of actual savings indicating lack of or inadequate budgetary control. As against savings of ₹ 200.67 crore, the amount surrendered was ₹ 202.15 crore resulting in excess surrender of ₹ 1.48 crore.

2.5.1.5 Substantial surrenders

Substantial surrenders were made in 51 cases. The percentage of surrenders ranged from 32 to 100 *per cent* as detailed in **Appendix 2.9**. The surrenders were mainly due to delay in implementation of schemes, non-receipt of funds from GoI, delay in sanction of Centrally Sponsored Schemes, etc.

2.5.1.6 Anticipated savings not surrendered

In terms of SFR, the 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 No- 19 revealed that despite the savings, no fund was surrendered in the following cases:

Table 2.10: Details of anticipated savings not surrendered

(₹ in crore)

Year	Name of the scheme	Total grant	Actual expenditure	Saving
2011-12	Anti-Erosion/Flood Management Works (State share)	0.72	0.00	0.72
	Anti-Erosion/Flood Management Works (State share)	0.86	0.30	0.56
2013-14	Jhora training work/River training work at Sinotar, Temi, Phase I (NEC)	0.55	0.25	0.30
	River Training work along Rani Khola below Adampool, East Sikkim (NEC)	0.40	0.20	0.20
2014-15	AIBP (E)	16.00	0.00	16.00
	AIBP (W)	5.00	0.00	5.00
	AIBP (N)	5.00	0.00	5.00
	AIBP (S)	3.00	0.00	3.00
	Anti-Erosion/Flood Management Works (ACA) East	61.00	2.31	58.69
	Anti-Erosion/Flood Management Works (ACA) West	10.00	0.00	10.00
	Anti-Erosion/Flood Management Works (ACA) North	10.00	0.06	9.94
	Anti-Erosion/Flood Management Works (ACA) South	21.00	0.06	20.94
	Minor Works (East)	0.45	0.00	0.45
	Jhora training work/River training work at Sinotar, Temi, Phase I (NEC)	0.68	0.18	0.50
			Total	131.30

Source: Detailed Appropriation Accounts

2.5.1.7 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. Analysis of budget provision and actual

expenditure for the period 2011-12 to 2015-16 covered under review revealed that there were substantial savings of 02 to 100 *per cent* indicating inaccurate and unrealistic budget estimates as detailed below:

Table 2.11: Details of substantial savings

(₹ in crore)

Year	Name of the scheme	Total grant	Actual expenditure	Savings	% of savings
2011-12	Anti-Erosion/Flood Management Works (ACA) East	9.16	8.98	0.18	2
	Anti-Erosion/Flood Management Works (State share)	0.72	0.00	0.72	100
	Anti-Erosion/Flood Management Works (State share)	0.86	0.30	0.56	65
	Anti-Erosion/Flood Management Works (State share)	0.72	0.56	0.16	22
2012-13	AIBP (N)	2.20	1.98	0.22	10
	Anti-Erosion/Flood Management Works (ACA) East	12.80	12.27	0.53	4
	Anti-Erosion/Flood Management Works (ACA) South	5.79	5.63	0.16	3
2013-14	Jhora training work/River training work at Sinotar, Temi, Phase I (NEC)	0.55	0.25	0.30	55
	River Training work along Rani Khola below Adampool, East Sikkim (NEC)	0.40	0.20	0.20	50
2014-15	AIBP (E)	16.00	0.00	16.00	100
	AIBP (W)	5.00	0	5.00	100
	AIBP (N)	5.00	0	5.00	100
	AIBP (S)	3.00	0	3.00	100
	Anti-Erosion/Flood Management Works (ACA) East	61.00	2.31	58.69	96
	Anti-Erosion/Flood Management Works (ACA) West	10.00	0	10.00	100
	Anti-Erosion/Flood Management Works (ACA) North	10.00	0.06	9.94	99
	Anti-Erosion/Flood Management Works (ACA) South	21.00	0.06	20.94	100
	Minor Works (East)	0.45	0	0.45	100
	Jhora training work/River training work at Sinotar, Temi, Phase I (NEC)	0.68	0.18	0.50	74
2015-16	Anti-Erosion/Flood Management Works (ACA) South	3.35	3.17	0.18	5

Source: Detail Appropriation Accounts

The reasons for the savings were mainly due to non-submission of bills pertaining to Public Works in time, not-sanctioning of schemes due to non-fulfilment of Central norms, delay in sanctioning of Centrally Sponsored Schemes etc.

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 ₹ 40.07 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
2011-12	2702 Anti Erosion/Flood Management Works (State share)	0.72
2014-15	2702-AIBP (E)	16.00
	2702-AIBP (W)	5.00
	2702-AIBP (N)	5.00
	2702-AIBP (S)	3.00
	2702 Anti Erosion/Flood Management Works (ACA) West	10.00
	2702- Minor Works (East)	0.45
	Total	40.17

Source: Appropriation Accounts

Reasons for non-utilisation of funds were neither on record nor given by the Department.

2.5.1.9 Excess over provision

Total excess amounting to ₹ 2.46 crore over authorisation from the Consolidated Fund of State during 2011-12 to 2014-15 is detailed in **Table 2.13**.

Table 2.13: Details of Excess over provision

(₹ in crore)				
Year	MH affecting the grant	Total grant	Actual expenditure	Excess
2011-12	2702 Anti Erosion/Flood Management Works (State share)	1.00	2.45	1.45
	AIBP (North)	0.47	0.49	0.02
2012-13	2702 AIBP (South)	1.14	1.20	0.06
2013-14	2702 Wages (Hqrs)	0.44	0.92	0.48
2014-15	2702 Wages (Hqrs)	0.60	1.05	0.45
Total		3.65	6.11	2.46

Source: Appropriation Accounts

2.5.1.10 Unnecessary/excessive re-appropriation of funds

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 re-appropriation of ₹ 0.27 crore, in 2011-12, ₹ 0.25 crore and ₹ 0.20 crore in 2013-14 in two schemes and ₹ 0.20 crore in 2014-15 under Revenue Head were unnecessary as the final expenditure remained within the original provisions, with even nil expenditure for 2014-15. Details are as follows:

Table 2.14: Details of unnecessary/excessive re-appropriation of funds

(₹ in crore)					
Year	Name of the scheme	Original budget	Re-appropriation	Total	Actual expenditure
2011-12	Anti-Erosion/Flood Management Works (State share)	0.59	0.27	0.86	0.30
2013-14	Jhora training work/River training work at Sinotar, Temi, Phase I (NEC)	0.30	0.25	0.55	0.25
	River Training work along Rani Khola below Adampool, East Sikkim (NEC)	0.20	0.20	0.40	0.20
2014-15	Minor Works (East)	0.25	0.20	0.45	0

Source: Appropriation Accounts

2.5.1.11 Rush of expenditure

As per Note 3 under Rule 84 of SFR, rush of expenditure, particularly in the closing month of the financial year, is to be regarded as a breach of financial propriety and should be avoided. Contrary to this, rush of expenditure during the closing month of the financial year was noticed in nine Major Heads under review. The expenditure ranged from 10 to 38 per cent of the total expenditure under Grant-19 as shown below:

Table 2.15: Statement showing the rush of expenditure

(₹ in lakh)

Year	Major Head	Final grant	Expenditure upto previous month (February)	Expenditure during March	Total expenditure	Percentage of expenditure during last month to total expenditure
2011-12	2702-Minor irrigation	3,519.42	3,035.91	452.58	3,488.49	13
2011-12	4711-Flood control projects	291.05	210.08	80.96	291.04	28
2012-13	2702- Minor irrigation	4907	3,725.64	1,265.90	4991.53	25
2012-13	2711-Flood control and drainage	610	452.47	158.75	611.22	26
2012-13	4711-Flood control projects	732.39	591.84	119.91	711.76	17
2013-14	2702-Minor irrigation	3,783.61	3,442.60	403.13	3845.73	10
2013-14	4711-Flood control projects	429.49	245.39	134.08	379.46	35
2014-15	4711-Flood control projects	570	340.37	84.93	425.30	20
2015-16	4711-Flood control projects	115.5	71.69	43.79	115.48	38

Source: Voucher level computerisation data of AG, Sikkim

2.6 Conclusion and Recommendations

The State Government had not brought out a Budget Manual detailing the procedures for preparation of budget estimates, realisation of revenue, control over expenditure etc. Against the total provision of ₹ 5,879.04 crore during 2015-16, an expenditure of ₹ 4,503.28 crore was incurred. This resulted in an unspent provision of ₹ 1,375.76 crore (23.40 per cent). Excess expenditure of ₹ 83.99 crore during 2010-11 to 2015-16 required regularisation under Article 205 of the Constitution of India. While supplementary provision of ₹ 158.21 crore in 28 cases was unnecessary, re-appropriation of funds in six cases was made injudiciously resulting in savings over provision. In 57 cases, ₹ 908.09 crore was surrendered on the last two working days of the financial year. An amount of ₹ 68.66 crore drawn during 2011-16 as advances remained unsettled distorting the amount of expenditure being shown as such.

A Budget Manual should be prepared immediately enumerating detailed procedures for better financial management.

The budget should be more realistic and cases of persistent non-utilisation of funds, excessive provision of funds should be avoided.