EXECUTIVE SUMMARY

Background

This Report on the Finances of the Government of Sikkim is being brought out with a view to assess objectively the financial performance of the State during the year 2014-15. 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 2015, 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 2015. 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 and primary deficit. The State had maintained revenue surplus during last five years. During current year, the revenue surplus was decreased while the fiscal deficit increased as compared to the previous year. The increase of fiscal deficit resulted in primary deficit during the year.

The State may need to give special attention to the fall in Revenue Surplus and rise in fiscal deficit.

Revenue Receipts

Revenue receipts steadily increased from ₹ 2,151.70 crore in 2010-11 to ₹ 4,087.64 crore in 2014-15. The State's own resources contributed ₹ 851.31crore (20.83 *per cent*) in the revenue receipts of the State during 2014-15. The balance was in the form of transfers from Government of India being the 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 of ₹ 46.71 crore. Grants-in-aid from GOI increased from ₹ 2,244.41 crore in 2013-14 crore to ₹ 2,427.00 in 2014-15. The tax revenue (₹ 527.54 crore) exceeded the projection of Thirteenth Finance Commission (TFC) (₹ 317.37 crore), whereas non-tax revenue receipts (₹ 323.77 crore) was less by ₹ 279.52 crore (46.33 *per cent*) in comparison to TFC projections (₹ 603.29 crore).

Revenue and Capital expenditure

The overall revenue expenditure of the State increased by 10.96 *per cent* from ₹ 3,025.06 crore in 2013-14 to ₹ 3,356.64 crore in 2014-15. While revenue expenditure constituting 76.92 *per cent* of the total expenditure grew by ₹ 331.58 crore over the previous year, the expenditure incurred under Capital head which constituted 22.47 *per cent* of the total expenditure increased by ₹ 68.77 crore over the previous year.

Funds aggregating to ₹ 362.61 crore were spent on 156 incomplete projects which were scheduled to be completed by 31 March 2015. Therefore, the benefits of the projects did not reach the intended beneficiaries in time.

Developmental expenditure of ₹ 1,714.19 crore in 2010-11 increased to ₹ 2,998.37 crore in 2014-15, but its share in total expenditure decreased from 69.44 *per cent* to 68.71 *per cent* during the period.

The share of committed expenditure in the revenue expenditure was 54.33 *per cent* leaving meagre funds for creation of assets.

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

Government investment

The return from investment was 0.89 *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

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 not yet been laid down.

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 excess expenditure of ₹ 4.28 crore of 2014-15 compounded with an excess expenditure of ₹ 84.76 crore pertaining to 2009-14 requires regularisation by the Legislature under Article 205 of the Constitution of India. Out of the total provision amounting to ₹ 679.07 crore in 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 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.

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.

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

Financial Reporting

There were deficiencies in furnishing utilisation certificates (UCs) in time against grants/loans paid, non-furnishing of detailed information about financial assistance paid to various Institutions and non-submission of accounts in time. There was delay in placement of Separate Audit Reports to the Legislature and arrears in finalisation of accounts by the Autonomous Bodies/Authorities.

The sanctioning authority/concerned department may evolve a mechanism to gather the UCs promptly and look into the delays in submission to identify the bottlenecks and address them.