



**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 depict 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 2017-18 against 47 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 (Col. 7/6)
1		2	3	4	5	6	7	8	9
Voted	I Revenue	4,312.60	389.60	4,702.20	3,749.32	-952.88	742.92	678.75	77.90
	II Capital	1,311.10	693.81	2,004.91	1,523.28	-481.73	382.28	361.18	79.36
	III Loans/ advances	0.55	0	0.55	0.45	-0.10	0.10	0.10	100
<b>Total Voted</b>		<b>5,624.25</b>	<b>1,083.41</b>	<b>6,707.66</b>	<b>5,273.05</b>	<b>-1,434.71</b>	<b>1,125.30</b>	<b>1,040.03</b>	<b>78.44</b>
Charged	I Revenue	412.68	0.82	413.50	403.39	-10.11	10.08	3.08	99.70
	II Capital	327.10	15.53	342.63	342.63	0.00	0	0	0
	III Public Debt- Repayment					0.00	0	0	0
<b>Total Charged</b>		<b>739.78</b>	<b>16.35</b>	<b>756.13</b>	<b>746.02</b>	<b>-10.11</b>	<b>10.08</b>	<b>3.08</b>	<b>99.70</b>

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 (Col. 7/6)
Appropriation to Contingency Fund	0	0	0	0	0			
<b>Grant Total</b>	<b>6,364.03</b>	<b>1,099.76</b>	<b>7,463.79</b>	<b>6,019.07</b>	<b>-1,444.82</b>	<b>1,135.38</b>	<b>1,043.11</b>	

Source: Appropriation Accounts

The overall savings of ₹1,444.82 crore was the result of savings of ₹1,445.58 crore under 47 grants/appropriations, offset by excess of ₹ 0.76 crore in one grant under Revenue Section. The overall savings of ₹1,444.82 crore stood at 19.36 per cent of total grants/appropriations which showed poor financial management by the State. It also indicated that budget estimates were not prepared properly and the activities were not executed in a planned manner.

The savings/excess were intimated (4 July 2018) to the Controlling Officers requesting them to explain the significant variations. Out of 240 sub-heads, explanations in respect of only 191 savings and 25 excess cases were received upto 31 July 2018 and explanations regarding the balance 22 savings and two excess cases were received after 31 July 2018.

## 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 2011-12 had been discussed by the PAC. However, excess expenditure amounting to ₹ 82.20 crore for the years 2012-2017 had not been regularised (September 2018). The year-wise amount of excess expenditure pending regularisation for grants/appropriations is summarised in **Table 2.2:**

Table 2.2: Excess over provision requiring regularisation

(₹ in crore)

Year	Number of		Amount of excess over provision	Status of Regularisation
	Grants	Appropriations		
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	Under examination by PAC
2013-14	15 (Grant Nos. 3,5,7,8,9, 10, 16,24,26,30,31,32,34,35,42)	-	55.77	Under examination by PAC
2014-15	05 (Grant Nos 3,8,31,33,42)	-	4.28	Under examination by PAC
2015-16	01 (Grant no 36)	-	0.05	Under examination by PAC
2016-17	NIL			
<b>TOTAL</b>			<b>82.20</b>	

Source: Appropriation Accounts

**2.3.2 Excess over provisions during 2017-18 requiring regularisation**

Table 2.3 contains the summary of total excess in one grant amounting to ₹ 0.76 crore over authorisation from the Consolidated Fund of State during 2017-18 and requires regularisation under Article 205 of the Constitution:

**Table 2.3: Excess over provisions requiring regularisation during 2017-18**

(₹ in crore)

Sl. No.	Number and title of Grant/Appropriation		Total grant/appropriation	Expenditure	Excess
<b>A. VOTED Grants -</b>					
1	34	Roads and Bridges	94.87	95.63	0.76
<b>TOTAL</b>					<b>0.76</b>

Source: Appropriation Accounts

Such excess expenditure over grants approved by the Legislature are in violation of the will of the Legislature and the basic principle of democracy that not a rupee can be spent without the approval of the House of the People/State Legislative Assembly, and, therefore needs to be viewed seriously.

**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 ₹ 1,444.72 crore in the State, savings of ₹ 706.62 crore (48.94 per cent)<sup>1</sup> occurred in nine cases relating to nine grants (six Revenue and three Capital) as indicated in Table 2.4:

**Table 2.4: List of grants with savings of ₹ 50 crore and above**

(₹ in crore)

Sl. No.	Grant No.	Name of Grant/Appropriation	Original	Supplementary	Total	Actual expenditure	Saving
<b>REVENUE - VOTED</b>							
1	12	Forestry & Environment Management– Revenue Voted	215.86	1.50	217.36	119.34	98.02
2	15	Horticulture & Cash Crops Management– Revenue Voted	151.01	14.29	165.30	78.70	86.60
3	19	Water Resources& River Development Department Revenue Voted	158.41	19.02	177.43	43.63	133.80
4	22	Land Revenue and Disaster Management– Revenue Voted	129.02	8.88	137.90	81.85	56.05
5	35	Rural Management and Development - Revenue Voted	238.23	42.20	280.43	209.79	70.64
6	38	Social Justice, Empowerment and Welfare– Revenue Voted	155.89	19.23	175.12	118.48	56.64
<b>CAPITAL – VOTED</b>							
7	31	Energy and Power– Capital Voted	118.75	30.02	148.77	75.79	72.98
8	33	Water Security and Public Health Engineering– Capital Voted	119.45	13.41	132.85	58.59	74.26
9	40	Tourism– Capital Voted	96.90	25.52	122.42	64.79	57.63
<b>TOTAL</b>							<b>706.62</b>

Source: Appropriation Accounts

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

Savings were mainly due to i) Non-receipt of funds from Government of India (GoI), ii) Non-completion of the schemes, iii) Non release of resources by the Finance, Revenue and Expenditure Department (FRED), iv) Non-receipt of anticipated bills for payment and v) Adjustment of mobilisation advance by Pay and Accounts Office which was not communicated to FRED.

**Recommendation:** *The budget should be more realistic taking into account the funds received from GoI, progress of works, timely release of resources from FRED.*

### 2.3.4 Persistent savings

In ten 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 2013-14 to 2017-18**

(₹ in crore)

Sl. No.	No. and name of Grant	Amount of Savings				
		2013-14	2014-15	2015-16	2016-17	2017-18
<b>REVENUE – VOTED</b>						
1	12 – Forestry and Environment Management	69.95 (38.40)	109.25 (38.39)	126.55 (60.63)	87.53 (40.05)	98.02 (45.09)
2	19 - Water Resource and River Development	106.75 (72.46)	130.36 (87.75)	70.44 (67.38)	131.36 (81.44)	133.80 (75.41)
3	22 –Land Revenue and Disaster Management	130.03 (33.12)	93.31 (33.04)	67.77 (43.38)	57.41 (34.18)	56.05 (40.65)
4	38 – Social Justice, Empowerment and Welfare	23.24 (23.05)	31.11 (26.43)	68.68 (39.33)	48.85 (33.24)	56.64 (32.34)
<b>CAPITAL – VOTED</b>						
5	2 – Animal Husbandry, Livestock, Fisheries and Veterinary	2.74 (42.15)	2.99 (66.47)	2.79 (64.72)	15.92 (82.26)	3.12 (62.78)
6	7 – Human Resource Development	20.20 (45.98)	21.02 (52.88)	20.31 (68.55)	21.72 (41.44)	24.47 (29.14)
7	31 - Energy and Power	24.24 (27.09)	37.40 (54.36)	60.25 (61.63)	53.14 (48.07)	72.97 (49.05)
8	34 - Roads and Bridges	77.87 (31.97)	146.79 (63.16)	99.46 (43.52)	161.61 (65.46)	57.58 (16.42)
9	40 – Tourism	108.37 (63.24)	154.54 (36.71)	42.95 (32.71)	12.14 (23.20)	57.63 (47.08)
10	41 – Urban Development and Housing	148.29 (70.98)	159.46 (69.34)	37.93 (48.28)	43.20 (50.69)	43.07 (33.94)

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

Savings were mainly due to i) Delay in submission of bills, ii) Non-release of funds by GoI, iii) Progress of work not achieved, iv) Delay in process of land acquisition, v) Non-receipt of anticipated bills for payment and vi) Non-utilisation of funds due to release of funds in the end of the year.

Trends of persistent savings are being highlighted in the Report of the CAG on State Finances every year but no corrective measures had been taken by the departments concerned to correct the situation. We suggest strong action against the erring officials.

### 2.3.5 *Rush of expenditure*

As per Note 3 of Rule 84 of Sikkim Financial Rules, 1979 rush of expenditure, particularly in the closing month of the financial year, is to be regarded as a breach of financial regularity and should be avoided. Contrary to this, expenditure under 42 Major Heads (22 grants/appropriations) incurred during the month of March 2018 was ₹ 413.50 crore, which ranged between 52 and 100 *per cent* of the total expenditure under those MH as detailed in **Appendix 2.2**. In 14 cases, 100 *per cent* expenditure for the year 2017-18 was incurred in March, which was contrary to the extant rules. Rush of expenditure towards the end of the year is indicative of weak budgetary and monetary control.

**Recommendation: Responsibility may be fixed against the Controlling Officers for breach of financial discipline.**

### 2.3.6 *Unnecessary supplementary provision*

Supplementary provision aggregating ₹ 269.33 crore obtained in 32 cases (20 revenue grants and 12 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 *Substantial surrenders*

Substantial surrenders (the cases where more than 50 *per cent* of total provision was surrendered) were made in respect of 99 sub-heads mainly due to delay in implementation of schemes/programmes and non-receipt of funds from GoI. Besides this, the surrenders were made on account of non-completion of works, delay in selection of construction sites, less procurement of stock materials, late tendering of work, *etc.* Out of the total provision amounting to ₹ 841.03 crore in those 99 sub-heads, ₹ 665.32 crore constituting 79.11 *per cent* of total budget provision (₹ 841.03 crore) were surrendered, which included 100 *per cent* surrender in 38 sub-heads (₹ 139.72 crore). The details of such cases are given in **Appendix 2.4**.

### 2.3.8 *Anticipated savings not surrendered*

As per Rule 84 of the Sikkim Financial Rules, 1979 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 2017-18, in 15 grants/appropriations (with savings of ₹ one crore and above in each case), out of total savings of ₹ 784.63 crore, only ₹ 548.78 crore were surrendered leaving ₹ 235.85 crore (30.06 *per cent*) un-surrendered, details of which are given in **Appendix 2.5**. Besides, in case of 51 Major Heads (27 Grants/Appropriations), (surrender of funds in excess of one crore or more), ₹ 868.47 crore (details given in **Appendix 2.6**) was surrendered (major department involved with surrender of more than 100 crore was Water Resources & River Development) on the last working day, *i.e.*, on 31 March 2018 indicating inadequate financial controls and also the fact that those funds could not be utilised for other development purposes.

**Recommendation: Financial control may be strengthened so that anticipated savings may be surrendered well in time.**

## 2.4 Non-reconciliation of Departmental figure

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

As per Sikkim Financial Rules, 1979, 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 2013-18 was ₹ 101.55 crore against the amount of AC bills of ₹ 179.43 crore {₹ 28.44 crore (OB) + ₹ 150.89 crore} leading to an outstanding balance of DC bills of ₹ 77.78 crore as on 31 March 2018 as given in the following table:

**Table 2.6: Details of AC Bills**

(₹ in crore)

Year	Opening <sup>2</sup> Balance (Nos.)	Addition during the year (Nos.)	Amount of adjustment (DC bills) (Nos.)	Outstanding AC bills (Nos.)
2013-14	28.44 (1,343)	42.78 (825)	41.38 (688)	29.84 (1,480)
2014-15	29.84 (1,480)	28.15 (879)	22.22 (795)	35.77 (1,564)
2015-16	35.77 (1,564)	15.52 (940)	11.39 (805)	39.90 (1,699)
2016-17	39.90 (1,699)	26.05 (1,264)	19.21 (953)	46.74 (2,010)
2017-18	46.74 (2,010)	38.39 (1,314)	7.35 (591)	77.78 (2,733)
<b>Total</b>		<b>150.89 (5,222)</b>	<b>101.55 (3,832)</b>	

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

Figures in parenthesis represent number of bills.

Department-wise pending DC bills for the years up to 2017-18 are detailed in **Appendix 2.7**. It would be seen from the Appendix that the main defaulting departments were Horticulture and Cash Crops Development (₹ 7.33 crore); Social Justice, Empowerment and Welfare (₹ 7.24 crore); Health Care, Human Services and Family Welfare (₹ 6.65 crore); Personnel, Administrative Reforms, Training, Public Grievances, Career Options and Employment Skill Development and Chief Minister's Self Employment Schemes (₹ 5.33 crore); Tourism (₹ 5.12 crore); Labour (₹ 4.77 crore) and Development Planning, Economic Reforms and North Eastern Council Affairs (₹ 4.03 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 also remained unascertained.

<sup>2</sup> The figure for Opening Balance and adjusted DC Bills will keep changing based on adjustment of figure for that year.



***Recommendation: Monitoring mechanism may be put in place to ensure that DC Bills are submitted within the prescribed time. Disciplinary action should be initiated against the Drawing & Disbursing Officers and Treasury Officers for not complying with provisions of extant rules and allowing subsequent AC Bills without ensuring submission of DC Bills against already drawn AC Bills.***

#### ***2.4.2 Outcome of Review on pendency in submission of DC bills in Social Justice, Empowerment and Welfare Department***

The Social Justice, Empowerment and Welfare Department through its three Divisions, viz; Welfare Division, Women and Child Welfare Division and Nutrition Cell implements various schemes and programmes to uplift the vulnerable sections of the society especially the Scheduled Tribes, Schedules Caste, Other Backward Classes, women and children.

The review conducted (August 2018) on AC bills drawn during the period 2013-14 to 2017-18 revealed the following:

##### ***2.4.2.1 Discrepancies in Departmental figure against the figures maintained by the office of the Sr. DAG, A&E, Sikkim***

According to Sub-Para 7.16 and 7.17 of Para 7 below Rule 227 of Sikkim Financial Rules, 1979, 'The Controlling Officer/Drawing and Disbursing Officer of the Department/Office is required to obtain the copy of statement regularly from Pay and Accounts Office (PAO) and the statement as obtained should be verified from his records kept in the Advance Register and reconcile with the PAO monthly and reconciliation of accounts done with the Office of the Accountant General, Sikkim at the time of reconciliation of accounts. 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.

It was noticed that Voucher Level Computerisation (VLC) data maintained by the Office of the Senior Deputy Accountant General (Accounts & Entitlement), {Sr. DAG, (A&E)}, Sikkim showed ₹ 7.29 crore outstanding from 2000-01 to 2017-18 towards various advances, viz., Impersonal Advances (Contingency) - ₹ 7.25 crore and Personal Advances (Medical and Tour Advances) - ₹ 0.04 crore were lying unadjusted which did not match with the Department's figures, viz. Impersonal Advances (Contingency) - ₹ 4.89 crore and Personal Advances (Medical - ₹ 0.05 crore and Tour Advances - ₹ 0.04 crore) - ₹ 0.09 crore. In spite of the standing rule provision, the Department has not properly reconciled the figures leading to a difference of ₹ 2.31 crore. The year wise pendency of advances in respect of the Department with that of the figures maintained by the office of the Sr. DAG (A&E) office is shown in the table below:

Table 2.7: Details of Advances

(Amount in ₹)

Year	Figure of A&E office			Department figure			
	Contingency Advance	Medical/ TA advance	Total	Contingency Advance	Medical advance	TA advance	Total
2000-01	8,273	0	8,273	0	0	0	
2001-02	1,71,52,567	0	1,71,52,567	1,69,02,240	0	0	1,69,02,240
2002-03	1,25,586	0	1,25,586	5,59,214	0	0	5,59,214
2003-04	16,95,829	0	16,95,829	0	0	0	0
2004-05	12,54,796	0	12,54,796	0	0	0	0
2005-06	5,43,063	0	5,43,063	0	0	0	0
2006-07	95,646	0	95,646	0	0	0	0
2007-08	1,91,239	0	1,91,239	0	0	0	0
2008-09	52,02,683	0	52,02,683	51,12,000	0	0	51,12,000
2009-10	75,54,726	0	75,54,726	0	0	0	0
2010-11	47,728	0	47,728	0	50,000	90,000	1,40,000
2011-12	2,01,878	0	2,01,878	10,29,652	0	41,680	10,71,332
2012-13	77,762	0	77,762	7,180	0	20,000	27,180
2013-14	15,61,963	0	15,61,963	3,89,000	0	0	3,89,000
2014-15	16,73,988	50,000	17,23,988	3,990	0	1,22,000	1,25,990
2015-16	1,75,77,594	0	1,75,77,594	1,73,21,990	50,000	0	1,73,71,990
2016-17	1,13,78,247	2,20,000	1,15,98,247	42,30,396	2,00,000	35,000	44,65,396
2017-18	61,78,364	1,45,750	63,24,114	33,84,569	1,00,000	1,95,750	36,80,319
<b>TOTAL</b>	<b>7,25,21,932</b>	<b>4,15,750</b>	<b>7,29,37,682</b>	<b>4,89,40,231</b>	<b>4,00,000</b>	<b>5,04,430</b>	<b>4,98,44,661</b>

Source: Office of the Sr. DAG (A&E) and Departmental figures

**Recommendation:** Timely reconciliation may be done with figures of the PAO and AG's office to avoid discrepancies in accounts.

#### 2.4.2.2 Delay in adjustment of outstanding AC bills

Rule 20 (5) of Sikkim Services (Medical Facilities) Amendment Rules, 2007 stipulates that 'The amount of advance should be adjusted against the claim for reimbursement of expenditure as admissible under this rules and the balance, if any, recovered from the pay of the Government Servant concerned in ten equal monthly instalments'. Similarly, as per Rule 213 and 216 of Sikkim Financial Rules, the head of Department may with the concurrence of the Finance Department sanction a tour advance. The amount of advance granted under this section shall be adjusted immediately on the completion of the tour or by the 31 March whichever is earlier. Advances drawn in the month of March may, however, be adjusted on completion of the tour or by the 30th April whichever is earlier.

It was observed (August 2018) in audit that the Department neither initiated any action to adjust the advances nor did the Government servant submit the final bills to adjust the medical and tour advances amounting to ₹ 9.04 lakh pertaining to the years 2010-11 to 2017-18.

Further, contingency advances for supply and implementation of schemes amounting to ₹ 4.89 crore were also yet to be adjusted.

The details of outstanding advances are shown below:

**Table 2.8: Details of year-wise outstanding advances**

(Amount in ₹)

Period of Pendency	Nutrition Cell		Women & Child Welfare		Welfare Division		Total	
	Contingency advance	Personal advance	Contingency advance	Personal advance	Contingency advance	Personal advance	Contingency advance	Personal advance
More than 10 years	0	0	5,59,214	0	1,69,02,240	0	1,74,61,454	0
More than 5 years and less than 10 years	51,12,000	0	36,832	1,81,680	10,00,000	0	61,48,832	1,81,680
More than 2 years and less than 5 years	3,89,000	0	3,990	20,000	1,73,21,990	1,72,000	1,77,14,980	1,92,000
Upto 2 years	8,956	0	80,550	0	76,14,965	5,30,750	76,14,965	5,30,750
<b>Total</b>	<b>55,09,956</b>	<b>0</b>	<b>6,80,586</b>	<b>2,01,680</b>	<b>4,27,49,689</b>	<b>7,02,750</b>	<b>4,89,40,231</b>	<b>9,04,430</b>

It can be seen from the above table that the delay in adjustment of outstanding advances of ₹ 1.75 crore was more than ten years and an amount of ₹ 0.63 crore was lying unadjusted for five to ten years, ₹ 1.79 crore was lying unadjusted for two to five years and ₹ 0.81 crore was lying unadjusted for upto two years.

**Recommendation:** It may be ensured that the outstanding personal advances be recovered from the defaulters from their salaries and for other advances the DDOs may evolve a system for settlement of the advances in a timely manner.

**2.4.2.3 Improper and non-maintenance of advance registers**

Sub-Para 7.6 of Para 7 below Rule 227 of Sikkim Financial Rules, 1979 stipulates that the Advance Register should be reviewed by the Head of Department/Office at frequent intervals to ensure that the advances 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.

The Social Justice, Empowerment and Welfare Department is having three Divisions under its control, viz Welfare Division, Women and Child Welfare Division and Nutrition Cell which maintained separate advance registers till 2015-16. However, since 01 November 2015 the Department has maintained one combined Advance Register.

While verifying these Advance Registers, it was observed that the Advance Registers were never examined by the Head of the Department/Office to ensure that the advances did not remain outstanding for more than the period stipulated for settlement and to monitor the submission of detailed bills there-against. Further, the Department could produce Advance Registers to Audit only from 2014-15 onwards in respect of Welfare Division and Women and Child Welfare Division and from 2006-07 onwards in respect of Nutrition Cell. Hence, in the absence of Advance Registers prior to that period, the Audit could not exercise necessary checks.

Thus, non-adherence of the Rules and non-compliance with instructions resulted in accumulation of huge outstanding advances amounting to ₹ 7.29 crore. Non-settlement of

advances within the scheduled period indicated deficient financial management and lack of effective control and monitoring over expenditure by the Controlling Officers.

**Recommendation: Advances should be monitored closely for effective control and action should be taken against officials who failed to adjust advances in a timely manner.**

## 2.5 Contingency Fund

The Contingency Fund of the State had been established under the Contingency Fund Act, 1957 in terms of provision 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 2017-18, an amount of ₹ 0.31 crore which was drawn as advance from the Contingency Fund during 2016-17, has been recouped from the Major Head 2015-Election.

## 2.6 Outcome of review of selected grants

### 2.6.1 Grant No. 19–Water Resources and River Development Department

An audit examination of the budgetary procedure and control over expenditure for the period 2013-14 to 2017-18 in respect of Grant No. 19-Water Resources and River Development Department, Government of Sikkim was conducted during August 2018. Audit findings are given below:

#### 2.6.1.1 Summarised position

The summarised position of actual expenditure against grants during 2013-14 to 2017-18 in respect of Grant No. 19-Water Resources and River Development Department is given in **Table 2.9**:

**Table 2.9 Summarised position of actual expenditure**

(₹ in crore)

Year	Section	Nature of expenditure	Original grant	Supplementary grant	Total	Actual expenditure	Excess(+) Savings(-)	Surrender	Remained to be surrendered
2013-14	Voted	Revenue	147.25	0.06	147.31	40.56	(-) 106.75(72)	107.37	00
	Voted	Capital	4.69	0.00	4.69	3.79	(-) 0.90 (19)	0.40	0.50
2014-15	Voted	Revenue	148.76	0.01	148.77	18.41	(-) 130.36 (88)	0	130.36
	Voted	Capital	5.70	0.00	5.70	4.25	(-) 1.45 (25)	0.00	1.45
2015-16	Voted	Revenue	104.04	0.50	104.54	34.10	(-) 70.44 (68)	70.28	0.16
	Voted	Capital	11.57	0.00	11.57	1.15	(-) 10.42 (90)	10.42	00
2016-17	Voted	Revenue	154.59	6.71	161.30	29.94	(-) 131.36 (81)	131.35	0.01
	Voted	Capital	10.00	0.44	10.44	0.79	(-) 9.65 (92)	9.65	00
2017-18	Voted	Revenue	158.41	19.02	177.43	43.63	(-) 133.80 (75)	133.72	0.08
	Voted	Capital	4.41	0.56	4.97	1.91	(-) 3.06 (62)	3.00	0.06

Source: Appropriation Accounts

Figures in brackets indicate percentage of savings/excess to total provision

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

**2.6.1.2 Unnecessary/excessive supplementary provision**

Savings in a grant or appropriation indicate that the expenditure could not be incurred as estimated and planned. It was noticed that supplementary grants of ₹ 6.00 lakh (2013-14), ₹ one lakh (2014-15), ₹ 50 lakh (2015-16), ₹ 6.71 crore (2016-17) and ₹ 19.02 crore (2017-18) under the Revenue Head and ₹ 44 lakh (2016-17) and ₹ 56.00 lakh (2017-18) under the Capital Head were unnecessary as the final expenditure under these heads were within the original provision.

**2.6.1.3 Persistent savings**

Persistent savings in the grants were indicative of inaccurate budget estimation and a tendency of the department concerned to overestimate the requirement of funds. Persistent and substantial savings during 2013-14 to 2017-18 ranged between 68 and 88 per cent of the provision were noticed under Revenue Heads. Similarly, there were persistent savings under Capital Heads which ranged between 19 and 97 per cent during the entire review period from 2013-14 to 2017-18 as detailed in the table above.

**2.6.1.4 Surrender of funds less than actual savings**

There was surrender of less than the actual savings during the review period (2013-14 to 2017-18). As against savings of ₹ 572.71 crore, the amount surrendered was only ₹ 442.72 crore<sup>3</sup> and balance amount of ₹ 130.61 crore during 2013-14 to 2017-18 under Revenue Head was not surrendered. Similarly, under the Capital head, out of ₹ 25.48 crore, ₹ 23.47 crore was surrendered and balance of ₹ 2.01 crore was not surrendered indicating inadequate financial control.

**2.6.1.5 Anticipated savings not surrendered**

In terms Rule 84 of Sikkim Financial Rules, 1979, 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 funds were surrendered in the following cases indicating inadequate financial controls (**Table 2.10**):

**Table 2.10: Details of anticipated saving not surrendered**

(₹ in lakh)

Year	Name of the scheme	Total grant	Actual expenditure	Savings
2013-14	Jhora Training work/ River Training Work at Sinotar, Temi (Phase I) (NEC)	54.79	24.78	30.01
	River Training Work along Rani Khola below Adampool (NEC)	40.00	19.59	20.41
2014-15	Minor Irrigation	14,289.00	1,382.69	12,906.31
	Water Sector Management (Grant under 13 FC)	100.00	45.06	54.94
	Jhora Training work / River Training Work at Sinotar, Temi	68.00	18.00	50.00
	RTW along Rani Khola below Adampool (NEC)	35.78	0.58	35.20
<b>TOTAL</b>		<b>14,587.57</b>	<b>1,490.70</b>	<b>13,096.87</b>

Source: Detailed Appropriation Accounts

**Recommendation: Financial control needs to be strengthened so that anticipated savings may be surrendered well in time so that they may be utilised for other development purposes.**

<sup>3</sup> During 2013-14 there was excess of surrender by ₹ 0.62 crore under revenue head.

### 2.6.1.6 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 required for them. Analysis of budget provision and actual expenditure for the period 2013-14 to 2017-18 covered under review revealed that in six cases there were substantial savings (50 per cent and above) as detailed below (Table 2.11):

Table 2.11: Details of substantial savings

(₹ in lakh)

Year	Name of the scheme	Total grant	Actual expenditure	Savings	% of savings
2013-14	Jhora Training Work/River Training Work at Sinotar, Temi (NEC)	54.79	24.78	30.01	55
	River Training Work along Rani Khola below Adampool (NEC)	40.00	19.59	20.41	51
2014-15	Minor Irrigation	14,289.00	1,382.69	12,906.31	90
	Water Sector Management (Grant under 13 FC)	100.00	45.06	54.94	55
	Jhora Training Work/River Training Work at Sinotar, Temi	68.00	18.00	50.00	74
	River Training Work along Rani Khola below Adampool (NEC)	35.78	0.58	35.20	98

Source: Detailed Appropriation Accounts

The reasons for the savings were not found on record.

### 2.6.1.7 Non-utilisation of funds

The estimates of expenditure should be as accurate as possible. An avoidable excess in an estimate is as much a financial irregularity as an excess in actual expenditure.

Test check of sub-heads for detailed analysis revealed that the Department did not utilise the entire budget provision (more than ₹ 50 lakh) and surrendered the budget allotment. Audit analysis on the review of the grant revealed that in respect of 13 cases consisting of four Major Heads, an amount of ₹ 193.51 crore provided for various activities was not utilised as indicated below (Table 2.12):

Table 2.12: Details of non-utilisation of funds

(₹ in lakh)

Year	MH affecting the grant	Amount of Grant
2013-14	MH 2705 – Command Area Development & Water management	200.00
2015-16	MH 2701 – National Hydrology Project under Accelerated Irrigation Benefit Programme (AIBP) (ACA)	280.00
	MH 4711 – Storm Water Drainage at Gangtok (NEC)	300.60
	MH 4711 JTW/ AEW outside the defined boundary of Namchi (NEC)	70.00
	MH 4711 JTW/ AEW at Tathangchu (NEC)	50.00
	MH 4711 JTW/ AEW at TuminLingi (NEC)	136.00
	MH 4711 JTW/ AEW at Majhigoan (NEC)	75.00
2016-17	MH 2702 – Repair, renovation and rejuvenation under AIBP (ACA)	1,800.00
	MH 2702 - National Hydrology Project under AIBP (ACA)	300.00
	MH 2702 – Anti Erosion and Flood Management Works (ACA)	6,436.32
2017-18	MH 2702 – Pradhan Mantri Krishi Sinchai Yojana	3,600.00
	MH 2702 – Anti Erosion and Flood Management Works (ACA)	5,802.84
	MH 4711 JTW/ AEW at Tumin Lingi (NEC)	300.00
<b>TOTAL</b>		<b>19,350.76</b>

Source: Detailed Appropriation Accounts

Neither were the reasons for non-utilisation of funds on record nor furnished to Audit by the Department.

### 2.6.1.8 Excess over provision

Against the total grant of ₹ 35.35 crore under the Minor Irrigation during (MH-2702) 2013-14, there was an expenditure of ₹ 36.11 crore resulting in an excess of ₹ 0.76 crore over authorisation from the Consolidated Fund of State as detailed below (Table 2.13):

Table 2.13: Details of Excess over provision

(₹ in crore)

Year	Major Head affecting the grant	Total grant	Actual expenditure	Excess
2013-14	MH 2702 – Minor Irrigation	35.35	36.11	0.76
<b>TOTAL</b>				<b>0.76</b>

Source: Detailed Appropriation Accounts

### 2.6.1.9 Rush of expenditure

As per Note 3 under Rule 84 of Sikkim Financial Rules, 1979, 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 the grant under review as shown below (Table 2.14):

Table 2.14: Statement showing the rush of expenditure

(₹ in crore)

Particular	2013-14	2014-15	2015-16	2016-17	2017-18
Expenditure during April to December	36.45	16.13	26.30	21.90	22.67
Expenditure during January to February	2.53	4.84	7.52	2.38	4.65
Expenditure during March	5.37	1.41	1.44	6.45	18.22
(Percentage of Expenditure during March)	12.11	6.30	4.08	20.99	40.01
<b>TOTAL</b>	<b>44.35</b>	<b>22.38</b>	<b>35.26</b>	<b>30.73</b>	<b>45.54</b>

Source: Departmental Figures

It can be seen from the above table that during the year 2017-18, the Department spent ₹ 18.22 crore (40.01 per cent) out of total expenditure of ₹ 45.54 crore during the month of March. The expenditure in the month of March incurred by the Department ranged from 4.08 to 40.01 per cent during 2013-14 to 2017-18.

## 2.7 Conclusion

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 ₹ 7,463.79 crore during 2017-18, an expenditure of ₹ 6,019.07 crore was incurred. This resulted in an unspent provision of ₹ 1,444.82 crore (19.36 per cent). Excess expenditure of ₹ 82.96 crore during 2012-13 to 2017-18 required regularisation under Article 205 of the Constitution of India. While supplementary provision of ₹ 269.33 crore in 32 cases was unnecessary, in 51 cases, ₹ 868.47 crore was surrendered on the last working day of the financial year. An amount of ₹ 77.79 crore drawn during 2013-18 as advances remained unsettled distorting the amount of expenditure being shown as spent.

