

CHAPTER II FINANCIAL MANAGEMENT AND BUDGETARY CONTROL

2.1 Introduction

2.1.1 The 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. These Accounts list the original budget estimate, supplementary grants, surrenders and re-appropriation 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. The Appropriation Accounts is thus a control document facilitating management of finances and monitoring of budgetary provisions and are therefore complementary to Finance Accounts.

2.1.2 Audit of appropriation by the Comptroller and Auditor General of India 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 the law, relevant rules, regulations and instructions.

2.2 Summary of Appropriation Accounts

The summarised position of actual expenditure during 2008-2009 against 44 grants/appropriations was as given in **Table 2.1**.

Table 2.1: Summarised position of actual expenditure vis-à-vis original/supplementary provision

(Rupees in crore)

	Nature of Expenditure	Original grant/ Appropriation	Supplementary grant/ Appropriation	Total	Actual Expenditure	Saving (-)/ Excess (+)
<i>Voted</i>	I Revenue	2,103.76	168.18	2,271.94	2,131.06	-140.88
	II Capital	827.69	143.91	971.60	611.78	-359.82
	III Loans and Advances	0.25	Nil	0.25	0.25	0.00
Total Voted		2,931.70	312.09	3,243.79	2,743.09	-500.70
Charged	IV Revenue	156.43	7.00	163.43	165.24	1.81
	V Capital	Nil	Nil	Nil	Nil	Nil
	VI Public Debt- Repayment	77.61	Nil	77.61	76.28	-1.33
Total Charged		234.04	7.00	241.04	241.52	0.48
Appropriation to Contingency Fund (if any)		Nil	Nil	Nil	Nil	Nil
Grand Total		3,165.74	319.09	3,484.83	2,984.61*	-500.22

* These are gross expenditure including actual recoveries in 5 grants (3,19,31,34 and 35) amounting to Rs. 2.69 crore under Revenue.

The overall saving of Rs. 500.22 crore was the result of actual saving of Rs. 502.20 crore in 42 grants and 2 appropriations under Revenue Section, 28 grants under Capital Section and one grant (Public Debt-Repayments) under Loan Section, offset by excess of Rs 1.98 crore in three grants under Revenue Section and one grant under Capital Section.

The savings/excesses (Detailed Appropriation Accounts) were intimated (July 2009) to the Controlling Officers requesting them to explain the significant variations. Explanations for variation were not received (November 2009) in respect of 70 sub-heads (Saving: 50 sub-heads and Excess: 20 sub-heads).

The departments which did not submit the reasons for having substantial savings/excess expenditure are detailed below:

Table 2.2

(Rupees in lakhs)

Sl.No	Grant No. and Name	Head of Account	Amount
Excess			
1	10, Finance, Revenue & Expenditure	2071.01.101	32.12
2	38, Social Justice, Empowerment and Welfare	2215.01.789.00	24.73
Savings			
1	6, Ecclesiastical	2250.00.103.00	131.33
2	33, Water Security & Public Health Engineering	4215.01.101.60	149.78
3	33, Water Security & Public Health Engineering	4215.02.106.61	125.09
4	38, Social Justice, Empowerment and Welfare	4235.02.102.39	500.00

2.3 Financial Accountability and Budget Management

2.3.1 Appropriation vis-à-vis Allocative Priorities

The outcome of the appropriation audit reveals that in 11 cases, savings exceeded Rs. 10 crore in each case and also by more than 20 per cent of total provision (**Appendix 2.1**). Against the total savings of Rs. 502.20 crore, savings of Rs. 205.27 crore (40.87 per cent) occurred in 3¹ cases relating to 3 grants as indicated in **Table 2.3**.

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

(Rupees in crore)

Sl. No.	No. and Name of the Grant	Original	Supplementary	Total	Actual Expenditure	Savings
	Capital-Voted					
1	31-Energy and Power	133.08	5.00	138.07	52.14	85.94
2	34-Roads and Bridges	162.78	42.31	205.09	150.49	54.60
3	40-Tourism	105.75	4.27	110.02	45.29	64.73
				Total		205.27

Reasons for savings were mainly due to (i) non-receipt of funds from the GOI, (ii) excess provision proposed in the Budget, (iii) non receipt of funds from North East Council and (iv) non utilisation of fund due to receiving it at the fag end of the year.

2.3.2 Persistent Savings

In 4 cases, during the last five years there were persistent savings of more than Rupees one crore in each case and also by 14 per cent or more of the total grant (**Table 2.4**).

Table 2.4: List of Grants indicating Persistent Savings during 2004-09

(Rupees in crore)

Sl. No.	No. and Name of the Grant	Amount of savings				
		2004-05	2005-06	2006-07	2007-08	2008-09
	Revenue-Voted					
1	39- Sports & Youth Affairs	1.22 (31)	2.35 (28)	1.11 (14.70)	1.24 (16.92)	4.55 (45.45)
	Capital-Voted					
2	31- Energy and Power	35.81 (26)	47.66 (35)	134.62 (77.84)	98.22 (71.65)	85.93 (62.23)
3	40- Tourism	10.13 (62)	11.68 (46)	17.78 (44.80)	19.32 (37.77)	64.72 (58.82)
4	34- Roads & Bridges	59.50 (48.17)	39.43 (40.19)	85.05 (62.26)	88.36 (58.34)	54.60 (26.62)

(Figures in the bracket indicate percentage to total provision)

Reasons for savings were mainly due to (i) non-receipt of funds from the GOI (ii) excess

¹Exceeding Rs. 50 crore in each case.

provision proposed in the Budget and (iii) non utilisation of funds due to receiving it at the fag end of the year.

2.3.3 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, but the regularisation of excess expenditure is done after the completion of discussion of the Appropriation Accounts by the Public Accounts Committee (PAC). However, the excess expenditure amounting to Rs. 38.80 crore for the years 2004-2008 was yet to be regularised as detailed in **Table 2.5**.

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

(Rupees in crore)

Year	Number of		Amount of excess over provision	Status of Regularisation
	Grants	Appropriations		
2004-05	04 (Grant nos 2,10,23,24)	01 (Governor)	24.82	Recommended for regularisation by PAC in February 2009.
2005-06	07 (Grant nos 2,3,7,10,14,23,24)	02 (Governor and Public Service Commission)	10.96	Not yet discussed by PAC
2006-07	05 (Grant nos 15,27,30, 35,37)	01 (Public Service Commission)	2.64	Not yet discussed by PAC
2007-08	03 (Grant nos 16,24,37)	-	0.38	Not yet discussed by PAC
Total			38.80	

2.3.4 Excess over provisions during 2008-09 requiring regularisation

Table 2.6 contains the summary of total excess in two grants amounting to Rs. 1.98 crore over authorisation from the Consolidated Fund of State during 2008-09 and requires regularisation under Article 205 of the Constitution.

Table 2.6: Excess over provision requiring regularisation during 2008-09

(Rupees in crore)

Sl. No.	Number and title of grant/appropriation	Total grant/appropriation	Expenditure	Excess
A. Voted Grants -				
33	Water Security & Public Health Engineering	10.26	10.33	0.07
B. Charged Grants -				
10	Finance, Revenue and Expenditure	154.46	156.37	1.91
Total: A and B		164.72	166.70	1.98

(Reasons for the eventual excesses has not been intimated)

2.3.5 Unnecessary/Excessive/Inadequate supplementary provision

Supplementary provision aggregating Rs. 129.77 crore obtained in 20 cases, (Rs. 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 2.2**. In case of grant no.10 pertaining to Finance, Revenue & Expenditure Department, supplementary provision of Rs. 5.99 crore proved insufficient by more than Rs. 1 crore leaving an aggregate uncovered excess expenditure of Rs. 1.91 crore (Original Provision Rs.148.47 crore and total expenditure Rs. 156.37 crore).

2.3.6 Excessive/unnecessary 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 savings/excess of over Rs 3.34 crore under 8 sub-heads. There was excess of Rs. 0.97 crore in 04 sub-heads as detailed in **Appendix 2.3(A)** and savings of Rs. 2 crore in 04 sub-heads as detailed in **Appendix 2.3 (B)**.

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 48 sub-heads on account of either non-implementation or slow implementation of schemes/programmes. Out of the total provision amounting to Rs. 2.17 crore on these 48 schemes, Rs. 1.93 crore (89 *per cent*) were surrendered, which included *cent per cent* surrender on 16 schemes (Rs. 42.94 crore). The details of such cases audited/verified by Audit are given in **Appendix 2.4**.

2.3.8 Anticipated savings not surrendered

As per Sikkim Financial Rules, the spending departments are required to surrender the grants/appropriations or portion thereof to the Finance Department as and when the savings are anticipated. At the close of the year 2008-09, there were, however, 15 grants/appropriations in which savings occurred but no part of which had been surrendered by the concerned departments. The amount involved in these cases was Rs. 11.96 crore (2.38 *per cent* of the total savings) (**Appendix 2.5**).

Similarly, out of total savings of Rs. 502.20 crore under 12 other grants/appropriations (savings of Rs. 1 crore and above were indicated in each grant/appropriation) amount of Rs. 57.65 crore (11.47 *per cent* of total savings) were not surrendered, details of which are given in **Appendix 2.6**. Besides, in 26 cases, (surrender of funds in excess of Rs. 1 crore), Rs. 309.07 crore were (**Appendix 2.7**) surrendered on the last two working days of March 2009 indicating inadequate financial control and the fact that these funds could not be utilised for other developmental purposes.

2.3.9 Rush of expenditure

According to the Sikkim Financial Rule, rush of expenditure in the closing month of the financial year should be avoided. Contrary to this, in respect of 29 heads listed in **Appendix 2.8**, expenditure exceeding Rs. 1 crore and also more than 50 *per cent* of the total expenditure for the year was incurred in March 2009.

As per Note 3 under Rule 84 of SFR, rush of expenditure, particularly in the closing months of the financial year, is to be regarded as a breach of financial propriety and should be avoided. It was, however, noticed that the department did not follow the rules and incurred huge expenditure in March and last quarter of the years 2006-09 as detailed in the appendix.

The expenditure during the last quarter was up to 100 *per cent* of total provision during the year. Further, expenditure was also up to 100 *per cent* of total expenditure in March 2009, which was contrary to aforesaid provision.

2.4 Non-reconciliation of Departmental figures

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

As per Sikkim Financial Rule, every drawing 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 2004-2009 was only Rs. 98.16 crore against the amount of AC bills of Rs. 309.10 crore (Rs. 43.38 crore (OB) + 265.72 crore) leading to an outstanding balance of DC bills of Rs. 210.94 crore as on 31 March 2009. Year wise details are given in the following table.

Table 2.7

(Rupees in crore)

Year	Amount of AC bills			Amount of DC bills	DC bills as percentage to AC bills	Outstanding AC bills
	Opening Balance	Addition	Total			
2004-05	43.38	17.82	61.20	5.23	8.55	55.97
2005-06	55.97	17.77	73.74	6.99	9.47	66.75
2006-07	66.75	64.61	131.36	36.04	27.43	95.32
2007-08	95.32	85.53	180.85	9.92	5.48	170.93
2008-09	170.93	79.99	250.92	39.98	15.93	210.94
Total		265.72		98.16		

Non submission of DC bills for long periods after drawal of AC bills is fraught with the risk of misappropriation and therefore needs to be monitored closely

2.5 Conclusion and Recommendation

This chapter deals with the position of actual expenditure against 44 Grants/Appropriations during 2008-09. It was observed that there is an overall saving of Rs. 500.22 crore and excess expenditure of Rs. 1.98 crore during 2008-09. This excess expenditure of 2008-09 compounded with an excess expenditure amount of Rs. 38.80 crore pertaining to 2004-08, requires regularisation by the Legislature under Article 205 of the Constitution of India. A rush of expenditure was also observed towards the end of the year. In respect of 29 Major Heads, more than 50 *per cent* of the total expenditure during the year was incurred in the last month of the financial year, despite clear directions to the contrary. The Abstract Contingent Bills had not been adjusted for long periods of time which was fraught with the risk of mis-appropriation and therefore needs to be monitored closely.

Budgetary controls should be strengthened in all the Government departments, particularly in the departments where savings/excesses persisted for last five years. Issuance of re-appropriation/surrender orders at the end of the year should be avoided. A close and rigorous monitoring mechanism should be put in place by the DDOs to adjust the Abstract Contingent Bills within sixty days from the date of drawal of the amount.