

**CHAPTER-IV:
QUALITY OF ACCOUNTS AND
FINANCIAL REPORTING
PRACTICES**

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A sound internal financial reporting system with relevant and reliable information significantly contributes to efficient and effective governance by the State Government. Compliance with financial rules, procedures and directives as well as the timeliness and quality of reporting on the status of such compliance is, thus, one of the attributes of good governance. Reports on compliance and controls, if effective and operational, assist the Government in meeting its basic stewardship responsibilities, including strategic planning and decision-making.

4.1 Funds outside Consolidated Fund or Public Account of the State

Article 266 (1) subject to the provisions of Article 267, provides that all revenues received by the Government of a State, all loans raised by that Government by the issue of treasury bills, loans or ways and means advances and all moneys received by that Government in repayment of loans shall form one consolidated fund to be entitled the 'Consolidated Fund of the State'. Article 266 (2) provides that all other public moneys received by or on behalf of the Government of a State shall be credited to the public account of the State, as the case may be.

It has been observed that funds meant to be credited to Consolidated Fund or Public Account are credited to bank accounts as detailed in the succeeding paragraphs.

4.1.1 Unaccounted Revenue and Expenditure transactions

The Sikkim Financial Rules (SFR) stipulates that all monies received by or on behalf of Government should be brought into Government account without delay; and "the head of every department/ office shall be responsible to ensure that all revenue, receipts or other sums due to Government are regularly and promptly assessed, realised and credited to Government account under the relevant head of account". Further, as per the provisions of Articles 266(3), 267(2) and 283(2) of the Constitution of India, no authority may incur any expenditure or enter into any liability involving expenditure or transfer of money for investment or deposit from Government account unless such expenditure or transfer, as the case may be, has been sanctioned by general or special orders of Government or by any authority to which power has been duly delegated in this behalf. The Power Department of Sikkim (PDS) is entrusted with management of electricity operations in the State. The activities of PDS include generation of electricity, supply of electricity, create, operate and maintain infrastructure required for distribution of electricity within the State. In addition, the PDS also conducts trading *i.e.*, selling and purchasing of electricity outside the State. As PDS is a Government Department, it is required to follow Government Accounting Rules for accounting of receipts and expenditure.

Table 4.1 shows the details of irregularities w.r.t accounting of receipts¹⁸ and expenditure during 2020-21 during audit of PDS.

Table 4.1: Irregularities w.r.t accounting of receipts and expenditure by PDS

(₹ in crore)

Particulars	Amount Involved	Audit Observations
Receipts		
Sale proceeds of electricity sold outside the State (Surplus Power)	136.58	Out of ₹ 170.89 crore received by the PDS during the year, an amount of ₹ 34.31 crore only was deposited into the Government Account and the remaining funds were credited into the bank account.
Royalty receipts from the HEPs located in the State	204.61	Royalty amounting to ₹ 204.61 crore from two HEPs ¹⁹ had not been credited into Government Account and was lying in the Bank Accounts maintained by the PDS. Out of the royalty receipts from two HEPs ²⁰ , ₹ 178.33 crore was utilised for repayment of loans availed by Sikkim Power Investment Corporation Limited (SPICL, a State PSU) from Power Finance Corporation (PFC).
Total	341.19	
Expenditure		
Purchase of electricity	206.70	During the winter season, the State experiences shortage in electricity. The PDS purchases electricity from the revenue earned by selling the surplus electricity and the expenditure was incurred from the same bank account in which the receipts from the sale of electricity outside the State are credited (Sl. No. 1). As such, the expenditures were being incurred without approval of Legislature and were not reflected in Government Accounts.
Repayment of Loans	198.33 ²¹	The SPICL had borrowed funds from PFC on the guarantee of GoS. The servicing of the loans availed by the SPICL from PFC was done from the royalty money received from two HEPs (Sl. No. 2). Therefore, these expenses were also not included in Government Account.
Total	405.03	

As can be seen from the above, Revenue Receipts of ₹ 341.19 crore earned from sale proceeds of electricity sold outside the State and royalty receipts from the HEPs located in the State, were not deposited in the Consolidated Fund of State by PDS. This led to understatement of Government Revenue Receipts by ₹ 341.19 crore and overstatement of Revenue Deficit and Fiscal Deficit to that extent. Further, an expenditure of

¹⁸ The PDS has three main sources of revenue (i) .sale proceeds of electricity sold to outside the State, (ii) Royalty receipts from the Hydro-electric Projects (HEPs) located in the State and (iii) sale proceeds of electricity within the state.

¹⁹ i). Chuzachen (GATI), ii) Teesta Stage III (Teesta Urja Ltd)

²⁰ i). Chuzachen (GATI): Out of royalty amounting to ₹ 31.32 crore, ₹ 16.04 crore was used by SPICL for servicing loan from PFC. The balance amount of ₹ 15.28 crore was with SPICL. ii) Teesta Stage III (Teesta Urja Ltd) royalty amounting to ₹ 173.29 crore was directly paid by this HEP to PFC for repayment of loans availed by SPICL.

²¹ Total Repayment through SPICL during the year was ₹ 198.33 crores (₹ 178.33 crore from two HEPs and ₹20 crore of SBS loan).

₹ 405.03 crore had been incurred without routing it through Government Accounts resulting in understatement of Government expenditure by ₹ 405.03 crore with consequential understatement of Revenue Deficit and Fiscal Deficit. This led to an overall understatement of Revenue Deficit and Fiscal Deficit by ₹ 63.84 crore during 2020-21.

It is pertinent to mention here that despite being pointed out in the previous Audit Report, no corrective measures to route the receipts and expenditure through the Government Account was taken by the State Government.

As per information received from the Power Department, royalty receipts of ₹ 34.31 crore received from three HEPs²² during the year were transferred to Government Account based on observation in previous year's Audit Report (State Finances Audit Report (Report No. 3 of 2021) for year ending March 2020).

Recommendation: Departments should adhere to the Government Accounting Rules and all the transactions of financial assistance to Departments and State Bodies should be routed through Government Accounts to reflect actual financial position of the State.

4.1.2 Sikkim State Electricity Regulatory Commission- Non creation of fund in Public Account

Government of Sikkim constituted (November 2003) 'Sikkim State Electricity Regulatory Commission' (SSERC) in terms with Section 82 (1) of the Electricity Act, 2003. Further, the State Government notified (October 2017) Sikkim Electricity Regulatory Commission (Fund, Annual Accounts, Audit and Budget) Rules, 2016 in exercise of power conferred by Sub section (2) of Section 180 read with Section 103, 104 and 106 of the Electricity Act, 2003.

Rule 3 (2) of the "Sikkim Electricity Regulatory Commission (Fund, Annual Accounts, Audit and Budget) Rules, 2016" provided for opening of a Fund under the Major Head 8235- General and Other Reserve Fund- 200- Other Fund -04- Sikkim Electricity Regulatory Commission and this shall be a non-lapsable and non-interest-bearing account. As per Rule 3 (5), all receipts of the SSERC were to be credited to the Fund.

However, the said fund was not created by the State Government as of March 2021. Thus, due to non-creation of the State Electricity Regulatory Commission Fund, the grants, fee and other receipts collected by the SSERC were being kept in a bank account. As on 31 March 2021, the SSERC Bank Account had a balance of ₹ 67.69 Lakh.

During the exit conference, the Finance Department stated that the Fund have been created under the Reserve Fund and Grants-in-Aid to the SSERC are being transferred to the Fund.

²² i) JorethangLopp (DANS Energy): ₹14.07 crore, ii) Dikchu (Sneha Kinetic): ₹ 12.35 crore and iii) Tashiding (Shiga Energy). ₹ 10.89 crore

4.1.3 Funds lying unutilised in the Bank Accounts of the Departments

Rule 28 of Sikkim Financial Rules, provides that no money shall be drawn from the treasury unless it is required for immediate disbursement. It is not permissible to draw money from the treasury in anticipation of demand or to prevent the lapse of budgetary grants.

As per information furnished by 12 CCOs (out of 47 CCOs in the State) to the office of Sr. Deputy Accountant General (A&E) Sikkim, an amount of ₹ 199.14 crore was lying in the Savings/ Current Accounts of these CCOs as on 31 March 2021 (Details are given in **Appendix 4.1**), outside the Government Account.

Even though this amount had already been accounted for as expenditure, it was lying un-utilised outside the Government Accounts. Thus, to the extent of amount kept lying in the bank accounts of the CCOs, the expenditure shown in the Annual Accounts cannot be asserted as correct or final. Moreover, the closing balance in the bank accounts results in overstatement of the Government expenditure. The unspent money lying as closing balances in the bank accounts at the end of year should be refunded into the Government account.

4.2 Off-Budget Borrowing

Off-budget borrowings or off-budget financing generally refer to use of those financial resources by the Government for meeting expenditure requirements in a particular year or years, which are not reflected in the budget for that year/ those years for seeking grant/ appropriation, hence remaining outside legislative control. They are financed through Government owned or controlled public sector enterprises or departmental commercial undertakings, which raise the resources through market borrowings on behalf of the Government. However, the Government has to repay such debt and/ or service the same from its budget. Therefore, off-budget borrowings/ financing involve *one*, payment of interest on recurrent basis and *second* repayment of the borrowings from budget as and when it is due.

Further, the Sikkim Fiscal Responsibility & Budget Management (SFRBM) Act, 2010 provides for prudent and sustainable debt management consistent with fiscal stability through limits on State Government's borrowings, including off-budget and achieving greater transparency in fiscal operation of the Government and conduct of fiscal policy in a medium-term fiscal framework²³ known as Medium-Term Fiscal Plan (MTFP) and for matters connected therewith or incidental thereto.

In line with SFRBM, the MTFP contains medium term fiscal objectives of the Government, evaluation of performance of the prescribed fiscal indicators in the previous year and the likely performance during the current year. Further, the MTFP also contains the policies of the State Government for the ensuing financial year relating to taxation, expenditure, borrowings and other liabilities, subsidies, lending and

²³ As per Section 3 of the SFRBM Act, the State Government has to lay before the State Legislature, a Medium-Term Fiscal Plan along with Budget. The Medium-Term Fiscal Plan (MTFP) sets forth a year rolling target for the prescribed fiscal indicators.

investments, guarantees, off-budget borrowings and activities of Public Sector Undertakings that have potential budgetary implication.

During the year 2020-21, the State Government repaid ₹ 140.85 crore worth of loans availed by three financial institutions²⁴ for implementation of various Government projects, and interest accrued thereupon. The borrowings by these Institutions had not formed part of the outstanding liabilities of the State Government during the respective years. Further, out of the total repayments made during the year, ₹ 109.26 crore worth of loans and interests were serviced directly by the State Government by debiting Minor Head 800-Other Expenditure under the respective Revenue Major Head and the remaining amount of ₹ 31.59 crore was repaid by debiting other regular heads of accounts (other charges). The details of loans availed by these Institutions, purpose of the loans and repayment made during the year are given in Table 4.2:

Table 4.2 Repayment of Off-Budget Borrowing through Budget during 2020-21

(₹ in crore)

Name of the Institution	Heads of Account	Bank/ Financial Institution	Loan Borrowed	Period of Loan	Purpose of Loan	Repayment during the year		Repayment by (Principal & Interest)
						Principal	Interest	
SHDB	2216-03-800-35-00-82	HUDCO	361.00	27.03.2017	Chief Minister Rural Housing Scheme-3000 houses	24.06	35.51	Rural Development Department
STCS	2210-01-800-00-44-91	CBI	300.00	2018-2019	Multi-speciality Hospital at Accheygang	21.50	28.19	Health and Family welfare Department
Total²⁵						45.56	63.70	
SIDICO ²⁶	Other Charges	HUDCO	200.00	2018-2019	Upgradation and improvement of existing roads in different districts with in State of Sikkim	11.69		Roads and Bridge Department
		NABARD	130.81	2018-2019	Strengthening and improvement of existing Highways in the State of Sikkim	13.07		
SIDICO	Other Charges	HUDCO	113.35	2013	Development of Pakyong Township	6.83		Commerce and Industry Department
Total Repayment by State Government						140.85		

²⁴ Sikkim Housing Development Board (SHDB), State Trading Corporation of Sikkim (STCS) and Sikkim Industrial Development and Investment Corporation Limited (SIDICO)

²⁵ The State Government has opened separate object heads for booking the repayment of loan raised by these two departments. The Institutions have given the details of Principal and interest repaid during the year.

²⁶ The repayment of loan (Principal + Interest) is booked as 'Other Charges' by Roads and Bridge Department (3054.80.001.35.44.50) and Commerce Department (2851.00.001.60.00.50). They didn't provide the details of principal and interest paid during the year.

Payment of interest worth ₹ 63.70 crore by debiting regular Major Head understated the interest payment head (Major Head 2049) which forms part of the committed liability of the State Government. Further, classifying the expenditure on repayment of loan (Principal) as Revenue Expenditure overstated the Revenue Expenditure to that extent. The repayment of Off-budget borrowings was 8.65 per cent of own resources (OTR and NTR) of the State (₹ 1,628.99 crore) and 2.21 per cent of Revenue Expenditure during the year 2020-21.

In addition, one SPSUs raised loans amounting to ₹ 278.64 crore during 2020-21 for implementation of various State Government Schemes/ Programmes, as detailed in Table 4.3:

Table 4.3: Off-Budget Borrowings during 2020-21

(₹ in crore)

Name of the Institution	Bank/ Financial Institution	Total Loan Amount (Rate of Interest)	Period of Repayment	Borrowings of the Institution during 2020-21	Maximum amount Guaranteed/ LOC issued	Purpose of Loan	Source of Repayment (Principal & Interest)
Sikkim Industrial Development and Investment Corporation Limited	HUDCO	200.00 (10%)	17 years	83.04	200.00	Up gradation & improvement of existing roads in different districts	Budgetary support (Roads & Bridges Department, GoS)
	NABARD	83.50 (10%)	14 years	83.50	92.78	-do- of existing Highways	
	Bank of Maharashtra	481.00 (7.5%)	17 years	112.10	481.00	Implementation of Sikkim Garib Awas Yojana	Budgetary Support (Rural Development Department, GoS)
Total				278.64			

Although, the repayment of above loans has not commenced as yet (October 2021), the purpose for which these loans have been raised is indicative of off-budget borrowings. Moreover, none of these loans amounting to ₹ 278.64 crore formed part of the outstanding liabilities of the State Government as of March 2021, which was violative of the FRBM Act. As such, these borrowings led to understatement of fiscal liabilities by ₹278.64 crore and fiscal deficit as well to that extent.

Controller (Accounts), Finance Department (FD) stated that the borrowings were made by the PSUs for funding the capital nature of work of the departments concerned. The Controller further stated that the State Government did not make these borrowings and the State Government had only stood as a guarantor for which, details are shown in Statement 9 of the Finance Accounts.

The contention of the Controller (Accounts) is not based on facts as the loans raised by SHDB and STCS and interest accrued thereupon were serviced by the State Government through Major Head 2216 and 2210 during the year 2020-21. Further the fact that the PSUs had borrowed funds for implementation of Government projects/ schemes, and the State Government was repaying these loans by providing budget annually, makes it amply clear these funds were borrowed to meet Government expenditure. These loans were availed through SPU's to keep the State's borrowings within the ceilings prescribed under FRBM Act.

Recommendation: *The Government may enhance the scope and coverage of budget provision by including the extra budgetary resources given to various State Government PSUS/entities for implementation of various State Government Schemes/ Programmes etc.*

4.3 Funds transferred directly to State Implementing Agencies

As per GoI decision (08 July 2015), all assistance to Centrally Sponsored Schemes (CSS) and Additional Central Assistance (ACA) under the various schemes would be released directly to the State Government and not to the Implementing Agencies (IA) in the State and hence these funds would be routed through the State Budget from 2015-16 onwards. However, during 2020-21, the GoI transferred ₹ 201.99 crore directly to IAs in the state (Details in **Appendix 4.2**). The amount of such funds transferred by GoI to IAs during 2020-21, had increased as compared to the previous year's amount which stood at ₹ 161.86 crore.

Out of ₹ 201.99 crore, major portion *i.e.* ₹ 82.14 crore (40.66 *per cent*) was transferred for Mahatma Gandhi National Rural Guarantee Program, and other schemes were: Swadesh Darshan Scheme- ₹ 24.43 crore (12.09 *per cent*), Organic Value Chain Development of NE Region- ₹ 12.44 crore (6.16 *per cent*), National Programme for Dairy Development - ₹ 10.47 crore (5.18 *per cent*), Special Accelerated Road Development Programme (SARDP) for NER financed by National Investment Fund (NIF)- ₹ 8.14 crore (4.03 *per cent*), MPLAD (Member of Parliament Local Area Development) Scheme - ₹ 7.74 crore (3.83 *per cent*), and Sikkim State AIDS Control Society - ₹ 7.74 crore (3.83 *per cent*).

As the funds were not routed through the State Budget/ State treasury system, the Annual Finance Accounts did not capture these funds and to that extent, the State's receipts and expenditure as well as other fiscal variables/ parameters derived from them did not represent the complete picture. Further, direct transfers from the GoI to the SIAs run the risk of poor oversight.

4.4 Non transfer of Education Cess to Public Account led to overstatement of Revenue Receipts

The State Government enacted (26 April 2007) the Sikkim Educational Cess on Alcoholic Beverages Act (Act), 2007 to provide for levy of Educational Cess (EC) on India Made Foreign Liquor (IMFL) and Beer in the State of Sikkim. Section 4 of the Act stipulates that the EC is to be levied, assessed and recovered along with Excise duties. As per Section 7 of the Act, the State Government was required to make rules for carrying out the purposes of this Act.

We noticed that despite a lapse of 14 years from the passage of the Act for levying the Educational Cess, rules for carrying out the purposes of this Act have not been made (March 2021) and the cess collected between 2007-08 and 2020-21 amounting to ₹ 64.35 crore was credited to the Consolidated Fund of the State. Since the Educational Cess levied by the State Government was meant for a specific purpose, ideally a separate Fund should have been created by the State Government.

The Department, while accepting the fact that the rules have not been framed, assured (April 2021) that appropriate rules would be framed expeditiously.

4.5 Utilisation Certificates

4.5.1 Delay in submission of Utilisation Certificates of Grants-in-Aid

Rule 115 of SFR states that in the case in which conditions are attached with the utilisation of a grant in the form of specification or particular objects or expenditure or the time within which the money must be spent, or otherwise, the sanctioning authority shall be primarily responsible for certifying to the Accountant General, where necessary, the fulfilment of conditions attached to grant, unless there is any special rule or order to the contrary. Further, Rule 116 (1) of the SFR stipulates that every grant made for a specific object is subject to implied conditions: (i) that the grant shall be spent upon the object within a reasonable time of one year from the date of issue of the letter sanctioning grant and (ii) that any portion of the amount which is not ultimately required for expenditure upon that object shall be duly surrendered to Government.

Utilisation Certificates (UCs) outstanding beyond the specified periods indicate absence of assurance on utilisation of the grants for intended purposes and the expenditure shown in the accounts to that extent cannot be treated as final.

Grantor obtains assurance through means of UCs about proper utilisation of the funds placed at the disposal of the Grantee for the sanctioned purpose. Any delay in furnishing UCs to the Grantor or an inaccuracy in such reporting essentially undermines the control mechanism designed to prevent the diversion from the intended purposes as well as timely utilisation of grants. To the extent of non-receipt of UCs, the expenditure shown in accounts cannot be treated as final nor can it be confirmed that the amount has been expended for the purpose sanctioned.

Department-wise status of outstanding UCs as per the records of the office of the Sr. Deputy Accountant General (Accounts & Entitlement) {(Sr. DAG) (A&E)} Sikkim is given at **Appendix-4.3**.

Table 4.5: Age-wise arrears in submission of Utilisation Certificates

(₹ in crore)

Year	Opening Balance		Additions*		Clearance		Closing Balance	
	Nos.	Amount	Nos.	Amount	Nos.	Amount	Nos.	Amount
Up to 2018-19	1533	193.71	230	87.06	459	108.56	1304	172.21
2019-20	1304	172.21	306	65.96	174	34.18	1436	203.99
2020-21**	1436	203.99	279	56.46	323	68.17	1392	192.28

Source: Finance Accounts and VLC data

*This column represents UCs due to be submitted during the year. ** Except sanction orders state otherwise, Utilization Certificates for grants disbursed during 2019-2020 become due during 2020-2021.

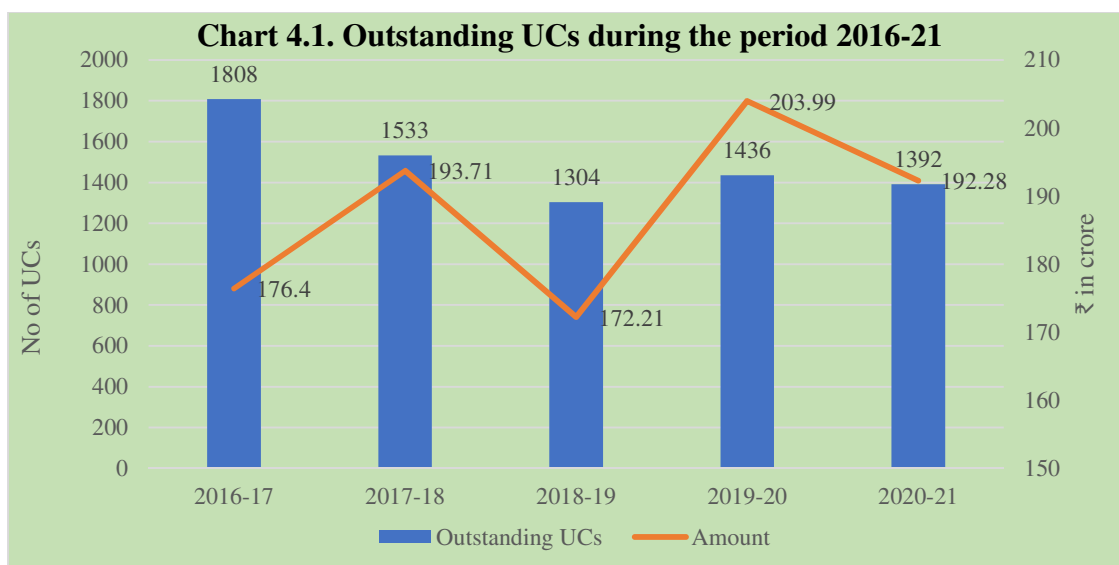
Year-wise break-up of outstanding UCs for the period 2003-21 is given in **Table 4.6**.

Table 4.6: Year wise break up of outstanding UCs

Year due for Submission	Number of UCs	Amount (₹ in crore)
2003-04	213	1.24
2004-05	47	1.35
2005-06	55	0.92
2006-07	38	1.13
2007-08	22	1.40
2008-09	98	4.88
2009-10	109	6.44
2010-11	93	4.85
2011-12	30	0.48
2012-13	28	1.43
2013-14	22	5.69
2014-15	17	3.66
2015-16	15	0.29
2016-17	37	1.84
2017-18	64	12.17
2018-19	89	43.89
2019-20	136	44.16
2020-21	279	56.46
Total	1,392	192.28

As can be seen from the table above, out of 1,392 outstanding UCs involving ₹ 192.28 crore, 213 outstanding UCs amounting to ₹ 1.24 crore which were due for submission in 2003-04, were still awaited as on 31 March 2021.

High pendency of UCs was fraught with the risk of mis-appropriation, thus it is imperative that the State Government should monitor this aspect closely and hold the concerned persons accountable for submission of UCs in a timely manner.

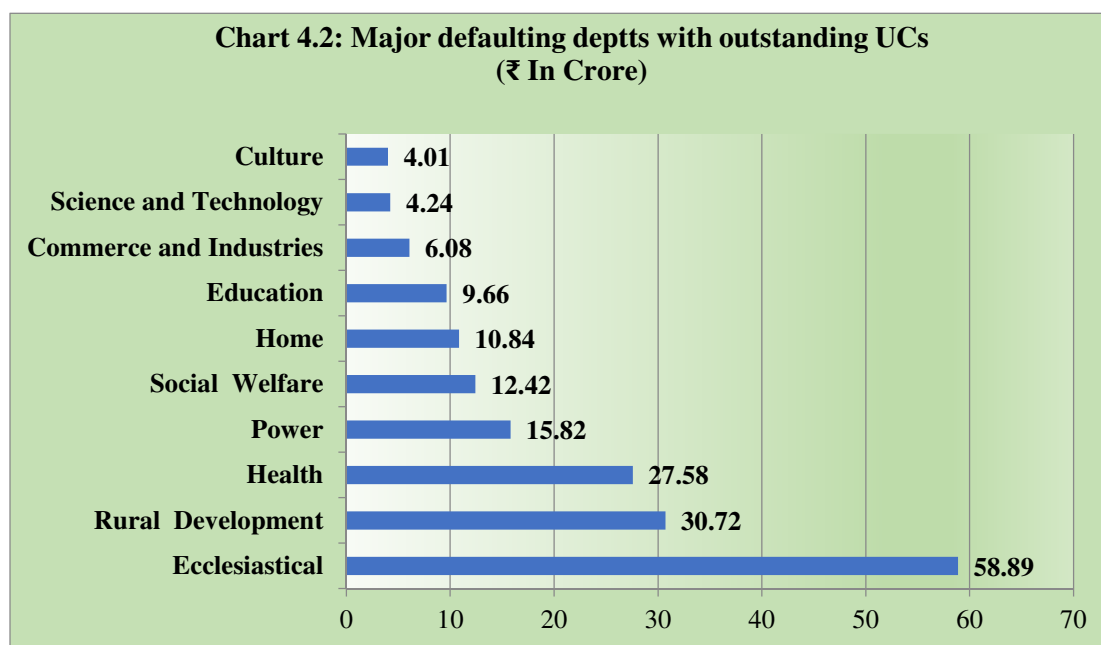


As can be seen from the Chart above, the State has managed to reduce its number of outstanding UCs from 1,808 in 2016-17 to 1,392 in 2020-21.

The major defaulting departments are listed in **Table 4.7**.

Table 4.7: Major defaulting departments who had not submitted UCs

Major Defaulting Department	Number	Amount (₹ in crore)	Percentage of outstanding UCs
Ecclesiastical	116	58.89	30.63
Rural Development	91	30.72	15.98
Health	26	27.58	14.34
Power	20	15.82	8.22
Social Welfare	336	12.42	6.45
Home	16	10.84	5.64
Education	15	9.66	5.02
Commerce and Industries	20	6.08	3.16
Science and Technology	20	4.24	2.20
Culture	141	4.01	2.08



The major defaulting department which failed to submit utilisation certificates with ten per cent or more of the total outstanding UCs were Ecclesiastical with ₹ 58.89 crore (30.63 per cent), Rural Development ₹ 30.71 crore (15.98 per cent), Health ₹ 27.58 crore (14.34 per cent) and Social Welfare – 20.18 crore (10 per cent).

4.5.2 Outcome of review on pendency in submission of UCs in Department of Health and Family Welfare

A review of pending UCs in respect of Grants-in-aid sanctioned by Health and Family Welfare Department (HFWD) to various bodies and authorities as recorded in the VLC data of the office of Sr. Deputy Accountant General (A&E) Sikkim was conducted in September 2021.

The HFWD had sanctioned Grants-in-aid to various organisations from time to time for activities relating to the Health Sector. The names of these bodies are given as below:

- i) State Health Society for implementing the National Health Mission.
- ii) State Medical Council
- iii) State Pharmacy Council
- iv) State Nursing Council
- v) State Dental Registration Tribunal
- vi) State Appropriate Authority (PC&PNDT)
- vii) Sikkim Blood Transfusion Council
- viii) Sowa Rigpa

4.5.2.1 Pendency of Utilisation Certificates

Age-wise break-up of pending UCs in respect of Grants-in-aid sanctioned by the HFWD to various organisations, as per the VLC data is depicted in the **Table 4.8**.

Table 4.8: Age-wise break up of pending UCs

Year	No. of Grants-in-aid for which UCs not received	Amount of Grant (₹ in crore)
2014-15	1	3.25
2017-18	2	3.00
2018-19	10	11.04
2019-20*	9	5.29
2020-21	4	5.00
Total	26	27.58

*Grants of ₹ 20 lakh was paid to five organisations though a single voucher in March 2020 (Vr. No. 5718) and shown as a single case of grant in the Books of Deputy Accountant General.

Out of total 26 cases for which UCs were pending, major share (13 cases) of the pending UCs involving Grants-in-aid of ₹ 21.50 crore (77.96 per cent) pertained to the State Health Society implementing the NHM Programme (earlier NRHM).

Table 4.9: Grantee-wise break up of pending UCs

Sl. No.	Name of Grantee Organisation	No. of UCs pending	Value of Grant for which UCs pending (₹ in crore)
1	State Health Society	13	21.50
2	Sikkim Blood Transfusion Council	02	0.14
3	Sikkim Manipal University	01	5.00
4	Sikkim Medical Council	03	0.20
5	Sikkim Nursing Council	01	0.20
6	Sikkim Pharmacy Council	02	0.09
7	Sikkim Dental Registration Tribunal	03	0.15
8	Sowa Rigpa	01	0.30
Total		26	27.58

4.5.2.2 Audit Observation

➤ **Non-reconciliation of receipt of UCs with Sr. Deputy Accountant General**

Audit verification of the grants released by the HFWD up to March 2021 vis-à-vis the UCs shown pending in the books of Sr. DAG (A&E) revealed that seven UCs for grants valuing ₹ 8.73 crore had been received by the HFWD. However, the status of receipt of these UCs had not been reconciled by the HFWD with the office of Sr. Deputy Accountant General (A&E). Details of the UCs received but not reconciled are depicted in the Table 4.10:

Table 4.10: Unreconciled UCs with A & E office

Sl. No.	Name of Grantee Organisation	Year of Grant	No. of UCs	Value of Grant for which UCs received but not reconciled (₹)
1	State Health Society	2013-14	01	3.25
2	Sikkim Manipal University	2017-18	01	5.00
3	Sikkim Medical Council	2019-20	01	0.05
4	Sikkim Nursing Council	2017-18 (2); 2019-20 (1)	03	0.13
5	Sowa Rigpa	2019-20	01	0.30
	Total		07	8.73

The HFWD Department had not maintained any Register to record and monitor the payment of Grants-in-aid to the grantee organisations and the receipt of the UCs against each GIA.

➤ **Non-adherence of regulations while sanctioning Grants-in-aid**

Eight organisations had regularly received Grants-in-aid from the HFWD. It was seen that the HFWD did not adhere to even the basic provisions of SFR while sanctioning Grants-in-aid to these organisations, as elucidated below:

- The HFWD had not indicated in the sanction orders whether the Grants-in-aid were recurring or non-recurring in nature. The sanction orders neither specified the objectives for which the Grants-in-aid were given, nor the conditions attached to the Grants-in-aid. The sanction orders also did not specify the time limit within which the grants or each instalment of the same were to be spent.
- No certificates to the effect that the unspent balance of the previous grant had either been surrendered to Government or taken into account while sanctioning the subsequent grants to the same organisations for the same purposes, were incorporated in the sanction letters of recurring Grants-in-aid.
- Whether organisations receiving grants exceeding ₹1 lakh per annum of recurring nature or ₹ 5 lakh non-recurring of nature had maintained subsidiary accounts of such grants, could not be ascertained from the records in the HFWD.
- No records were available in the HFWD to show whether the sanctioning authority had certified to the Sr. DAG (A&E), the fulfilment of the conditions attached to the grants, in the cases where conditions were attached to the

utilisation of a grant in the form of specification of particular objects or expenditure or the time within which the money must be spent, or otherwise.

➤ ***Absence of system for one-to-one mapping of grants with submission of UCs by the State Health Society***

The NHM implemented by the State Health Society (SHS) is an ongoing scheme of the GoI since 2005, which is funded in the ratio 90:10 between the Centre and the State. Scrutiny of records relating to the payment of grants by the HFWD to the SHS for implementing the NHM and the submission of UCs by the SHS revealed the following:

- The HFWD regularly released Central share and the State share to the SHS for NHM as Grants-in-aid in several tranches every year. While submitting UCs, the SHS indicated the amounts of Grants-in-aid received during the year, amount of outstanding balance of Grants-in-aid of previous years' grants, interest earned during the year, total amount utilised during the year and the closing balance at the end of the year.
- There was no system of mapping one-to-one utilisation of the individual Grants-in-aid sanctioned by the HFWD to the SHS with individual components of the NHM. Hence it was not possible to determine the actual status of utilisation of each tranche of Grants-in-aid paid to the SHS during a particular year. To this extent, the status of pendency of UCs shown against each grant in the VLC data also did not reflect true picture of the state of affairs of utilisation of the Grants-in-aid paid to the SHS by the HFWD for implementation of the NHM. The HFWD therefore needs to devise a suitable methodology to track the utilisation of the grants released to the SHS in consultation with the office of the DAG (A&E).

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

The drawal of contingent charges on items of expenditure by a State Government, for which final classification and supporting vouchers is not available at the time of drawal are made on 'Abstract Contingent' (AC) Bills. Initially made as advance, its subsequent adjustments are ensured through submission of Detailed Contingent (DC) bills within a stipulated period of drawal of AC bill. DC bill consists of abstract of expenditure along with sub-vouchers for amount drawn through AC bill. Drawing and Disbursing Officers (DDOs) are required to present DC bills duly countersigned by the Controlling Officer in all these cases within period prescribed in the State Treasury Rules.

Circular No. 168/Fin (Accts) dated 27 December 1983 issued by Finance Department GoS, states that DDOs are required to present DC Bills containing vouchers in support of final expenditure within three months of the withdrawal of AC Bills. Besides, the DDOs should not make payments through AC Bills unless DC Bills for previous month have been submitted to the Controlling Officers. Non-submission of DC Bills renders the expenditure under AC Bills opaque. Details of AC Bills outstanding as on 31 March 2021 are given below.

Table 4.11: Details of AC Bills

Year	AC Bills Drawn		DC Bills submitted		Unadjusted AC Bills	
	No.	Amount (₹ in crore)	No.	Amount (₹ in crore)	No.	Amount (₹ in crore)
Upto 2018-19	19065	573.89	16704	523.24	2361	50.65
2019-20	754	15.16	403	9.48	351	5.68
2020-21	521	20.82	100	1.97	421	18.85
Total	20340	609.87	17207	534.69	3133	75.18

Source: NTA and VLC data of office of the Sr. DAG (A&E).

It was seen that out of ₹20.82 crore drawn through 521 AC Bills during 2020-21, ₹11.19 crore (54 per cent) was drawn through 151 AC Bills in March 2021 and of this, ₹ 9.05 crore (80.88 per cent) was drawn through 49 AC Bills on the last day of the financial year. Significant expenditure against AC Bills in the last month of the financial indicates that the draws were made primarily to exhaust the budget provisions and points to inadequate budgetary planning.

Year-wise trend of Unadjusted AC bills for the period 2001-2021 is given below.

Table 4.12: Year-wise break-up of Unadjusted AC bills

Year	AC Bills Drawn		DC Bills Submitted		Unadjusted AC Bills	
	No.	Amount (₹ in Crore)	No.	Amount (₹ in Crore)	No.	Amount (₹ in Crore)
2001-2002	731	10.26	675	10.08	56	0.18
2002-2003	1,215	22.70	1080	21.04	135	1.66
2003-2004	1,427	18.10	1235	16.68	192	1.42
2004-2005	1,135	16.46	1013	15.13	122	1.33
2005-2006	989	17.77	890	16.66	99	1.11
2006-2007	1,147	21.85	1039	19.43	108	2.42
2007-2008	1,143	41.39	1031	40.46	112	0.93
2008-2009	1,137	35.38	1031	32.33	106	3.05
2009-2010	1,048	36.30	947	34.29	101	2.01
2010-2011	890	29.85	826	29.36	64	0.49
2011-2012	1,002	45.04	926	43.72	76	1.32
2012-2013	854	50.11	747	47.79	107	2.32
2013-2014	824	42.78	734	41.99	90	0.79
2014-2015	876	28.15	803	23.12	73	5.03
2015-2016	940	15.52	839	13.63	101	1.89
2016-2017	1,263	26.05	1042	23.32	221	2.73
2017-2018	1,312	38.39	1063	28.54	249	9.85
2018-2019	1,131	77.78	782	65.66	349	12.12
2019-2020	754	15.16	403	9.48	351	5.68
2020-2021	521	20.82	100	1.97	421	18.85
Total	20,340	609.87	17,207	534.69	3,133	75.18

Source: VLC Data

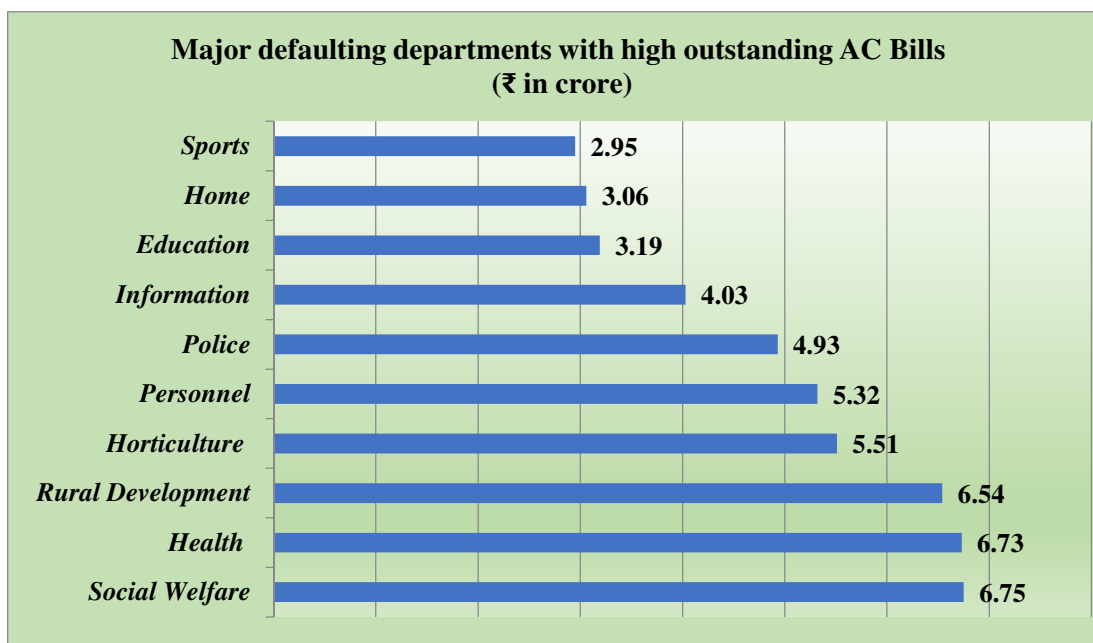
Out of 3,133 unadjusted AC bills involving ₹75.18 crore, 56 oldest outstanding AC Bills amounting to ₹ 0.18 crore pertaining to 2001-02, department-wise details are given in **Appendix-4.4**.

The major defaulting departments with high outstanding AC Bills as on 31 March 2021 are given in the chart below:

Table 4.13: Major defaulting departments who had not submitted AC bills

Sl. No.	Departments	No.	Amount (₹ in crore)	Percentage of outstanding AC Bills
1	Social Welfare	202	6.75	8.98
2	Health	184	6.73	8.94
3	Rural Development	197	6.54	8.72
4	Horticulture	154	5.51	7.33
5	Personnel	107	5.32	7.08
6	Police	404	4.93	6.56
7	Information	23	4.03	5.36
8	Education	129	3.19	4.24
9	Home	298	3.06	4.07
10	Sports	113	2.95	3.92

Chart-4.3: Departments with high outstanding AC Bills as on 31 March 2021



As can be seen from the Chart 4.3 and Table 4.12 above, Social Welfare Department was at the top with ₹ 6.75 crore (8.98 *per cent* of total outstanding AC bills) worth of outstanding AC bills. In terms of number of outstanding AC bills, Police Department with 404 numbers and Home Department with 298 numbers of outstanding AC bills were the top defaulters.

The office of Sr. DAG (A&E) has been highlighting the status of outstanding DC bills to the Finance Department on monthly basis, however the outstanding balances persisted. Due to the non-submission of DC bills, there was no assurance that

expenditure has actually been incurred before the close of the financial year, for the stated purpose. Department-wise pending DC bills for the years up to 2020-21 are detailed in **Appendix 4.5**.

Expenditure against AC bills at the end of the year indicates poor public expenditure management and may point to the drawal being done primarily to exhaust the budget provision. Non-adjustment of advances for long periods is fraught with the risk of misappropriation and therefore, requires close monitoring by the respective DDOs for ensuring submission of DC bills. Further, to the extent of non-receipt of DCC bills, the expenditure shown in the Finance Accounts cannot be asserted as correct or final.

4.7 Indiscriminate use of Minor head 800

The omnibus Minor Head 800 relating to Other Receipts/ Other Expenditure is to be operated only in cases where the appropriate Minor Head has not been provided under a Major Head in the accounts. If such instances occur on a regular basis, it is the responsibility of the State Government to discuss with the Sr. Deputy Accountant General (A&E) and obtain approval to open appropriate Minor Heads.

During the year 2020-21, the State Government booked ₹ 435.11 crore (7.76 per cent of total revenue receipts) under 800-Other Receipts under 31 Revenue Receipts Heads and ₹ 867.14 crore (11 per cent of the Revenue and Capital expenditure) under 800-Other Expenditure under 31 Expenditure Heads.

Instances where a substantial proportion (50 per cent or more) of the receipts and expenditure were classified under the Minor Head 800-Other Receipts/ Other Expenditure during 2020-21 are given in the tables below:

Table 4.14: Significant expenditure booked under Minor Head 800 – Other Expenditure during financial year (50 per cent or more)

(₹ in crore)				
Major Head	Major Head Description	Total Expenditure	Expenditure under Minor Head 800	Per cent
4216	Capital Outlay on Housing	15.00	15.00	100
4225	Welfare of SC/ST/OBC	6.19	6.19	100
2852	Industries	6.15	6.15	100
2810	Non-Conventional Sources of Energy	1.94	1.94	100
2435	Other Agricultural Programmes	15.86	15.86	100
2407	Plantations	6.51	6.51	100
4801	Capital Outlay on Power Projects	161.90	159.40	98
2216	Housing	77.85	72.27	93
2217	Urban Development	178.98	157.61	88
2245	Relief on Account of Natural Calamities	141.71	101.70	72
2075	Miscellaneous General Services	26.43	14.65	55.43

Table 4.15: Significant receipts booked under Minor Head 800 – Other Receipts during financial year (50 per cent or more)

(₹ in crore)

Major Head	Major Head Description	Total Receipts	Receipt under Minor Head 800	Per cent
0217	Urban Development	2.91	2.91	100
0801	Power	346.05	346.05	100
0515	Other Rural Development	1.09	1.09	100
0853	Non-ferrous Mining and Metallurgical Industries	0.16	0.16	100
0235	Social Security and Welfare	0.47	0.47	100
0702	Minor Irrigation	0.18	0.18	100
0220	Information and Publicity	0.13	0.13	100
0056	Jails	0.01	0.01	100
0070	Other Administrative Services	12.00	11.37	95
0059	Public Works	14.24	12.89	91
0406	Forestry and Wild Life	14.88	12.11	81
1452	Tourism	3.44	2.57	75
0071	Pension and other retirement benefit	4.43	3.30	75
0425	Co-operation	0.04	0.02	65
0403	Animal Husbandry	1.24	0.72	58
0029	Land Revenue	13.33	7.52	56

Classification of large amounts under the omnibus Minor Head 800 affects transparency in financial reporting and distorts proper analysis of allocative priorities and quality of expenditure.

4.8 Suspense and Remittances

The Finance Accounts reflect the net balances under Suspense and Remittance Heads. The outstanding balances under these heads are worked out by aggregating the outstanding debit and credit balances separately under various heads. The position of gross figures under major suspense heads for the last three years is given in Table 4.16.

Table 4.16: Outstanding Balances under Suspense and Remittance Heads

(₹ in crore)

Particulars	2018-19		2019-20		2020-21	
	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
<i>(I) Major Head (MH) 8658- Suspense</i>						
Minor Head	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
101-PAO - Suspense	21.48	20.57	5.20	1.05	8.35	5.43
Net	Dr 0.91		Dr 4.15		Dr.2.92	
102-Suspense Account (Civil)	28.66	29.56	2.46	2.98	14.46	13.83
Net	Cr 0.90		Cr 0.52		Dr 0.63	
112 – Tax Deducted at Source	50.82	57.17	8.83	16.91	11.31	20.40
Net	Cr 6.35		Cr 8.08		Cr 9.09	
123-AIS Suspense	0.01	0.33	0.01	0.33	0.01	0.34
Net	Cr 0.32		Cr 0.32		Cr 0.33	

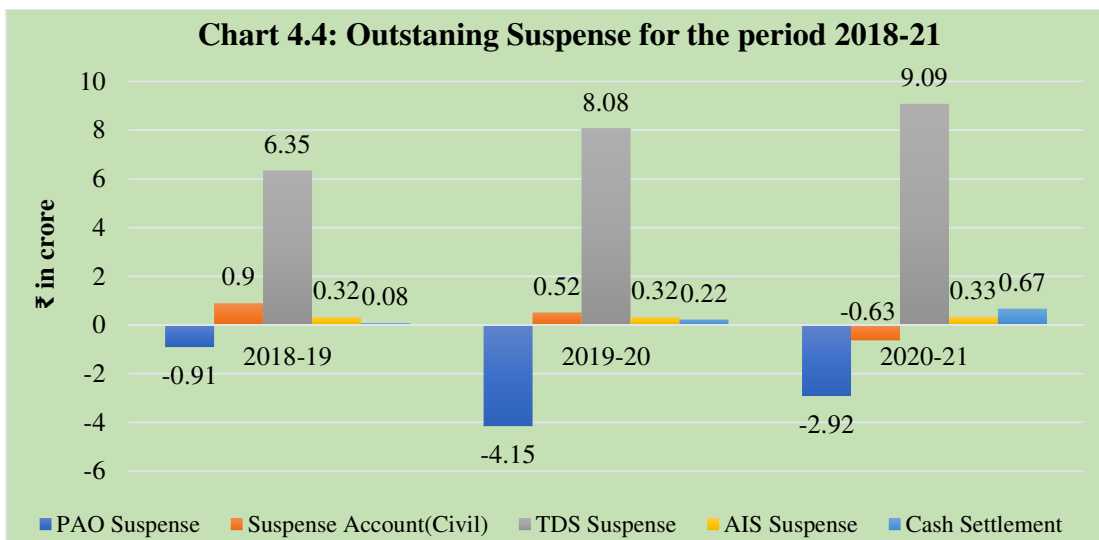
Particulars	2018-19		2019-20		2020-21	
	135-Cash Settlement between Sikkim and other States	2.83	2.75	0.31	0.09	0.86
Net	Dr 0.08		Dr 0.22		Dr 0.67	
(II) MH 8658- Cash Remittance and adjustment between officers rendering accounts to same Accounts Officers						
102-Public Works Remittances	2162.11	2416.17	3473.54	3622.89	1768.08	2282.71
Net	Cr 254.06		Cr 49.35		Cr 514.63	
103-Forest Remittances	33.22	49.90	120.38	130.61	47.47	48.80
Net	Cr 16.68		Cr 10.23		Cr 1.33	
108-Other Remittances	121.05	124.50	233.23	231.99	82.29	79.99
Net	Cr 3.45		Dr 1.24		Dr 2.30	

Source: Finance Account

Outstanding debit balance under 101-PAO Suspense head would mean that payments have been made by the State on behalf of PAOs of Central Government, which were yet to be recovered. Outstanding credit balance would mean that payments have been received by the State on behalf of a PAO, which were yet to be paid.

The variation in net balance of the components under Suspense is given below:

- The net debit balance under the PAO suspense head decreased from ₹ 4.15 crore in 2019-20 to ₹ 2.92 crore in 2020-21. On clearance/ settlement of this, the cash balance of the State Government will increase.
- The Civil Account suspense head became Dr balance from ₹ 0.52 crore (Cr) in 2019-20 to ₹0.63 crore (Dr) in 2020-21.
- Receipts on account of TDS are credited to TDS suspense and the balances under this suspense head are to be cleared when the receipts of TDS are transferred to the Income Tax Department. There was outstanding credit balance of ₹ 9.09 crore under this head as on 31 March 2021.
- The net AIS suspense balance during all three years remained almost same at ₹ 0.32 crore to ₹ 0.33 crore.
- The Cash Settlement balance between Sikkim and other states increased to ₹ 0.67 crore in 2020-21 as against previous year's balance of ₹ 0.22 crore.



4.9 Reconciliation of Receipts and Expenditure between CCOs and Sr. Deputy Accountant General (A&E):

To exercise effective control of expenditure, to keep it within the budget grants and to ensure accuracy of their accounts, all Chief Controlling Officers (CCOs) are required to reconcile the Receipts and Expenditure recorded in their books every month during the financial year with the figures accounted for in the office of the Senior Deputy Accountant General (A&E). For the financial year 2020-21 all the CCOs, completed reconciliation for all Revenue and Capital expenditure of ₹ 7,882.53 crore; and Revenue Receipt of ₹ 5607.82 crore respectively.

Table 4.17: Status of reconciliation during the three years 2018-19 to 2020-21

Year	Total No. of Controlling Officers	Fully Reconciled	Partially Reconciled	Not reconciled at all
Receipts				
2018-19	38	38	Nil	Nil
2019-20	38	38	Nil	Nil
2020-21	38	38	Nil	Nil
Expenditure				
2018-19	47	47	Nil	Nil
2019-20	47	47	Nil	Nil
2020-21	47	47	Nil	Nil

As per the records of office of Sr. DAG (A&E), the State Government had reconciled 100 *per cent* of all their Receipts and Expenditure through CCOs and DDOs with the figures booked in the accounts of the Sr. DAG (A&E).

4.10 Reconciliation of Cash Balances

Under a resolution passed in the year 1968-69, the State Bank of Sikkim (SBS) has been vested with the responsibility by the GoS of receiving money on behalf of Government and making all Government payments and keeping custody of the balances of government. It was seen that there were differences in cash balances as per the records of Sr. DAG (A&E) and SBS each year. As per records of Sr. DAG (A&E), the

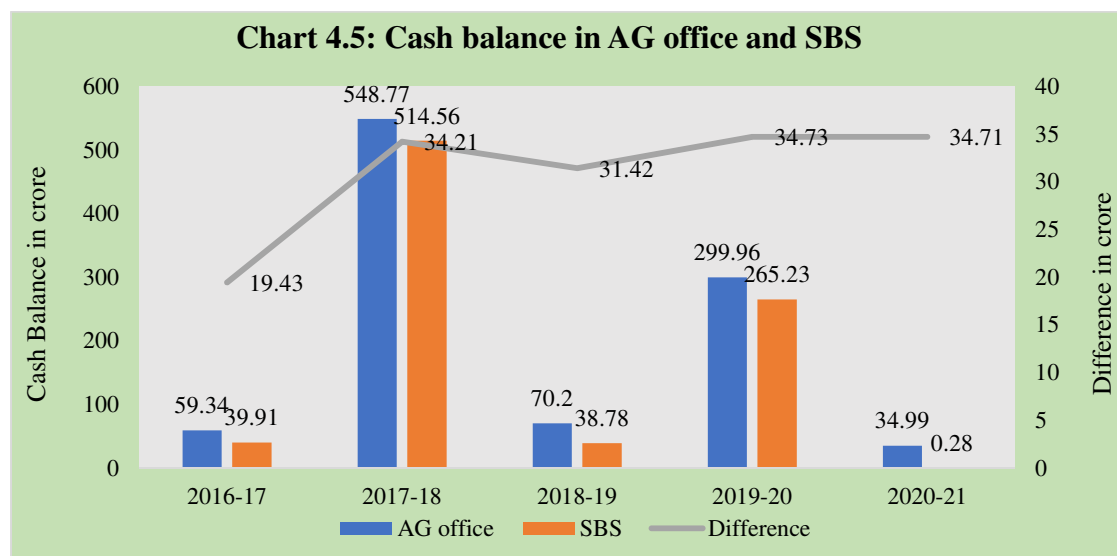
cash balance of Government with the State Bank of Sikkim as on 31 March 2021 was ₹ 34.99 crore. But as per the record of the State Bank of Sikkim, the cash balance stood at ₹ 0.28 crore leaving behind an unreconciled balance of ₹ 34.71 crore.

The difference in cash balance between the figures of Sr. DAG (A&E) and SBS for the last five years is shown below:

Table 4.18: Differences in cash balances

Financial Year	As per records of office of Sr. DAG (A&E)	As per records of State Bank of Sikkim (SBS)	Difference
2016-17	59.34	39.91	19.43
2017-18	548.77	514.56	34.21
2018-19	70.20	38.78	31.42
2019-20	299.96	265.23	34.73
2020-21	34.99	0.28	34.71

The difference was mainly due to non-reconciliation of figures by the State Treasuries with the SBS.



4.11 Compliance with Accounting Standards

Three Indian Government Accounting Standards (IGASs) have been notified by the Ministry of Finance, GoI viz., IGAS 1- Guarantees given by the Government, IGAS 2- Accounting and classification of Grants-in-aid and IGAS 3- Loans and Advances made by Government. These three Accounting Standards describe the disclosure norms for Guarantees, Principles for Accounting and Classification of Grants-in-aid and disclosure norms for Loans and Advances made by Government in the Financial Statements of Government respectively.

The disclosure requirements as per IGAS -1, IGAS 2 and IGAS-3 have been complied with in the Finance Accounts of Government of Sikkim.

4.12 Non-submission of Accounts of Autonomous Bodies

The audit of accounts of 14 Autonomous Bodies (ABs) of State Government has been entrusted to the CAG under Section 20(1) of the C&AG (DPC) Act, 1971 in the State.

Sixty-three accounts of above 14 ABs were pending for submission to Audit with pendency ranging between one and 13 years. Sikkim Khadi and Village Industries Board had highest pendency as it had not submitted accounts of 12 years. The AB-wise details of pendency are given in **Appendix 4.6**.

4.13 Non-submission of information on financial assistance given to Autonomous Bodies/ Authorities

In order to identify new institutions which, attract audit under Sections 14 and 15 of the CAG's (DPC) Act, 1971, the State Government/ Heads of the Departments are required to furnish to Audit every year detailed information about the financial assistance given to various institutions, the purpose of assistance granted and the total expenditure of the institutions. None of the departments had submitted this information though specifically called for.

The substantially funded Autonomous Bodies/ Authorities are required to submit their annual accounts for audit by the CAG under the provision *ibid*. A total of 53 annual accounts of 24 Autonomous Bodies/ Authorities for the period from 2014-15 to 2020-21 had not been received in the office of Principal Accountant General till October 2021 as detailed in **Appendix 4.7**. The age-wise delay in submission of accounts is detailed in the table below.

Table 4.19: Statement Showing Age-wise Non-furnishing of Accounts

Sl. No.	Range of delays in number of years	Total number of accounts
1	Five years and above	5
2	Three and four years	14
3	Two years and below	34
	Total	53

Due to non-finalisation of accounts, the same could not be audited. Thus, it could not be ensured whether the grants and expenditure had properly been accounted for and whether the purpose for which the grants were provided had actually been achieved.

Due to non-finalisation of accounts, the stakeholders were not able to assess financial status of these bodies. Besides, delay in finalisation of accounts carries the risk of financial irregularities remaining undetected apart from violation of the provision of the respective legislations under which these bodies were constituted.

Thus, there is a need for the Autonomous Bodies/ Authorities to submit their accounts to Audit in a timely manner.

4.14 Misappropriations, losses, thefts, etc.

State Financial Rules lay down detailed instructions regarding responsibility for losses sustained through fraud or negligence of individuals, loss or destruction of Government property and report thereof to the Police/ Accountant General.

There were six cases of misappropriation involving Government money amounting to ₹ 264 lakh {RDD (₹ 97.40 lakh), Transport Department (₹ 8.78 lakh), Building & Housing (₹ 157.56 lakh) and Finance Department (₹ 0.26 lakh)} out of which an amount

of ₹ 1.78 lakh was recovered from the SNT driver in February 2020. The unrecovered amount of ₹ 262.22 lakh is lying pending at the end of 2019-20 where the final action was still pending. The department-wise break-up of pending cases and age-wise analysis of misappropriation cases are as following.

Table 4.20: Profile of pending cases of misappropriation, loss, defalcation, etc.

Age-profile of the pending cases				Nature of the cases	Action taken by the Department	Amount Received
Range in years	Number of cases	Name of the Department	Amount involved ₹ in lakh			
0-5	02	RDD	7.99	Cash transaction was not recorded in the cash book	Action yet to be taken by the Department	Nil
			89.41	Short supply of stock materials by Block Office to the Beneficiaries	Enquiry conducted by the O/o the ADC (Dev), Rabongla, South Sikkim	Nil
	01	BHD	157.56	Misappropriation	Case under investigation by Vigilance dept	Nil
	01	Food & Supplies	2.24	Misappropriation	Case has been registered by the Vigilance dept and under investigation	
5-10	02	Finance	00.26	Cash embezzlement by staff	The person involved in the case is still untraceable. The proposal for write-off Government money involved is under process	Nil
		Transport	01.78	Shortage of POL during transportation in SNT tanker	Driver of the SNT tanker involved. Departmental enquiry under process	₹1.78 lakh deposited vide bank receipt no. 19205-1100/529 dated 20.02.2020
15-20	01	Transport	07.00	Shortage of POL during transportation in SNT tanker	Case referred to Vigilance Department for investigation	Nil
Total	06		264.00			1.78

Source: Departmental and audited figures

4.15 Follow up action on State Finances Audit Report

The preparation of Report on State Finances started in 2008-09 and the Reports for the years 2009-10 and 2012-13 had been discussed by the Public Accounts Committee (PAC). PAC recommended compliance with the recommendations as contained in the Report of the Comptroller and Auditor General of India on State Finances for 2009-10. In respect of the Report for the year 2010-11, the PAC stated that it would appreciate the setting up of a prudent financial management mechanism and that persistent planning may be required wherever there is need to do so. Reports on State Finances upto 2012-13 have been discussed in the PAC and 2013-14 to 2018-19 have not been

discussed by the PAC and report of 2019-20 yet to be placed in the Legislative Assembly.

4.16 Conclusion

During the year 2020-21, all the Controlling Officers reconciled the Government receipts and expenditure with the figures in the books of the Sr. DAG (A&E).

Audit noticed that Revenue Receipts of ₹ 341.19 crore earned from sale proceeds of electricity sold outside the State and royalty receipts from the HEPs located in the State, were not deposited in the Consolidated Fund of State by PDS. This led to understatement of Government Revenue Receipts by ₹ 341.19 crore and overstatement of Revenue Deficit and Fiscal Deficit to that extent. Further, an expenditure of ₹ 405.03 crore had been incurred without routing it through Government Accounts resulting in understatement of Government expenditure by ₹ 405.03 crore with consequential understatement of Revenue Deficit and Fiscal Deficit. This led to an overall understatement of Revenue Deficit and Fiscal Deficit by ₹ 63.84 crore during 2020-21.

As on 31 March 2021, the SSERC Bank Account had a balance of ₹ 67.69 Lakh and due to non-creation of the State Electricity Regulatory Commission Fund, the grants, fee and other receipts collected by the SSERC were being kept in a bank account.

As informed by 12 CCOs to the office of Sr. Deputy Accountant General (A&E) Sikkim, an amount of ₹ 199.14 crore was lying in the Savings/ Current Accounts of these CCOs as on 31 March 2021.

During the year 2020-21, the State Government repaid ₹ 140.85 crore worth of loans availed by three financial institutions for implementation of various Government projects, and interest accrued thereupon. The borrowings by these Institutions had not formed part of the outstanding liabilities of the State Government during the respective years.

The GoI transferred ₹ 201.99 crore directly to Implementing Agencies (IAs) in the state, during 2020-21. The amount of such funds transferred by GoI to IAs during 2020-21, had increased as compared to the previous year's amount (₹ 161.86 crore).

The Educational Cess levied by the State Government was meant for a specific purpose, ideally a separate Fund should have been created by the State Government. However, despite a lapse of 14 years from the passage of the Act for levying the Educational Cess, rules for carrying out the purposes of this Act have not been made (March 2021) and the cess collected between 2007-08 and 2020-21 amounting to ₹ 64.35 crore was credited to the Consolidated Fund of the State.

The practice of not furnishing UCs in a timely manner resulted in pendency of large number of UCs. At the end of March 2021, 1392 UCs involving an aggregate amount of ₹ 192.28 crore were pending for submission even after a lapse of one to seventeen years by various departments.

Out of 521 AC bills amounting to ₹20.82 crore drawn during the year 2020-21, 151 AC bills amounting to ₹11.19 crore (54 per cent) were drawn in March 2021. DC Bills in respect of a total of 3133 AC bills amounting to ₹75.18 crore as on 31 March 2021 were not received.

During year 2020-21, the State government booked 7.76 per cent of total revenue receipts and 11 per cent of total expenditure under Minor Head 800- Other Receipts and Minor Head 800-Other Expenditure.

Non-furnishing of detailed information about financial assistance given to various institutions and non-submission of accounts by 14 Autonomous Bodies/ Authorities as per timelines led to non-compliance with Financial Rules. There were also delays in placement of SARs to Legislature.

There were six cases of misappropriation involving Government money in respect of four Departments with the money value of ₹2.64 crore at the end of 2020-21 where final action was pending.

4.17 Recommendations

- *Departments should adhere to the Government Accounting Rules and all the financial transactions, should be routed through Government Accounts, to reflect actual financial position of the State.*
- *The Government may enhance the scope and coverage of budget provision by including the extra budgetary resources given to various State Government PSUs/ entities for implementation of various State Government Schemes/ Programmes etc.*
- *Finance Department may draw up an action plan for monitoring and ensuring submission of all pending UCs especially keeping in view that UCs from 2003-04 onwards are still due for submission. Release of subsequent grants should be linked with submission of outstanding UCs.*
- *Finance Department may make special efforts to settle old outstanding AC bills specially keeping in view that submission of DC bills from 2001-02 onwards are still pending for submission. At the same time, the DDOs should be asked to ensure that the DC bills are submitted within prescribed time, in order to stem the accretion of unadjusted AC bills. Advances should be monitored closely for effective control and old outstanding AC bills should be adjusted by making special efforts in a time bound manner.*
- *Timely reconciliation may be done with figures of the PAO and AG's office to avoid discrepancies in Accounts. The special efforts to be taken for reconciliation of State Bank of Sikkim and PAO figures.*
- *In order to make accounts transparent, the Government should operate appropriate Minor Heads instead of booking under Minor Head 800.*

- *Finance Department should consider evolving a system to expedite the process of compilation and submission of annual accounts by autonomous bodies in order to assess their financial position.*
- *The Government may take appropriate measures to get the unspent money lying in the bank accounts, refunded into the Government account and may also frame suitable orders to this effect.*
- *The Government should prepare a time bound framework for taking prompt action in cases of misappropriation, loss, theft, etc. and strengthening the internal control system in Departments to prevent recurrence of such cases.*

