

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 voted grants and appropriations charged for different purposes, as specified in the schedules appended to the Appropriation Acts. These accounts list the original budget estimates, supplementary grants, surrenders and re-appropriations distinctly and indicate actual capital and revenue expenditure on various specified services *vis-à-vis* those authorised by the Appropriation Act in respect of both charged and voted items of the budget. Appropriation Accounts thus facilitate the management of finances and monitoring of budgetary provisions and are, therefore, complementary to the Finance Accounts.

2.1.2 Audit of appropriations by the Comptroller and Auditor General of India seeks to ascertain whether the 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 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 2008-09 against 47 grants/appropriations is given in **Table 2.1**:

Table 2.1: Summarised position of Actual Expenditure vis-à-vis Original/Supplementary provisions

(Rupees in crore)

Nature of expenditure	Original grant/ appropriation	Supplementary grant/ appropriation	Total	Actual expenditure	Saving(-)/ Excess(+)
Voted					
I Revenue	23086.04	1839.66	24925.70	23463.17	(-) 1462.53
II Capital	1568.82	661.85	2230.67	1694.82	(-) 535.85
III Loans and Advances	772.09	488.08	1260.17	983.69	(-) 276.48
Total Voted	25426.95	2989.59	28416.54	26141.68	(-) 2274.86
Charged					
IV Revenue	5490.44	165.55	5655.99	5132.87	(-) 523.12
V Capital	0.57	31.22	31.79	31.51	(-) 0.28
VI Public Debt Repayment	10491.87	...	10491.87	5571.31	(-) 4920.56
Total Charged	15982.88	196.77	16179.65	10735.69	(-) 5443.96
Appropriation to Contingency Fund (if any)
Grand Total	41409.83	3186.36	44596.19	36877.37¹⁷	(-) 7718.82

(Source: Appropriation Accounts of the State Government, 2008-09)

¹⁷ These are gross expenditure figures without taking into account the recoveries adjusted in accounts as reduction of expenditure (revenue: Rs 372.18 crore and capital: Rs 30.73 crore, Total: Rs 402.91 crore).

The overall savings of Rs 7718.82 crore were the result of savings of Rs 7867.81 crore in 35 grants and 19 appropriations under the Revenue Section and 22 grants and six appropriations under the Capital Section, offset by excess of Rs 148.99 crore in eight grants under the Revenue Section and two grants and one appropriation under the Capital Section.

The status of savings/excesses (as per Appropriation Accounts) were intimated (7-15 July 2009) to the Controlling Officers, requesting them to explain the significant variations. Out of 2073 sub-heads, explanations for variations were not received (August 2009) in respect of 1732 sub-heads (Savings: 1174 sub-heads and Excess: 558 sub-heads).

2.3 Financial Accountability and Budget Management

2.3.1 Appropriation vis-à-vis Allocative Priorities

The outcome of appropriation audit reveals that in three cases, savings exceeded Rs 10 crore in each case and also by more than 20 per cent of the total provision (**Appendix 2.1**). Against the total savings of Rs 7867.81 crore, savings of Rs 852.49 crore (10.83 per cent¹⁸) occurred in five cases relating to four grants and one appropriation as indicated in **Table 2.2**.

Table 2.2: List of Grants/Appropriation with savings of Rs 50 crore and above
(Rupees in crore)

Sl. No.	Number and name of Grant/Appropriation	Original	Supplementary/ Surrender (-)	Total	Actual expenditure	Savings
Revenue (Voted)						
1.	XI District Administration and Miscellaneous	241.52	117.34/(-)8.10	350.76	250.05	100.71
2.	XVI Pensions and Miscellaneous	5000.59	265.33	5265.92	5169.93	95.99
3.	XXV Social Welfare including Welfare of Scheduled Castes/ Scheduled Tribes and Other Backward Classes	1147.65	237.44/(-)68.36	1316.73	1234.59	82.14
Revenue (Charged)						
4.	Debt charges	5392.95	126.85/(-)4.90	5514.90	5004.49	510.41
Capital (Voted)						
5.	XV Public Works	653.45	69.63/(-)18.20	704.88	641.64	63.24
	Total					852.49

(Source: Appropriation Accounts of the State Government, 2008-09)

The concerned departments could not furnish reasons for the savings under 'Pensions and Miscellaneous', 'Social Welfare including Welfare of Scheduled Castes/Scheduled Tribes and Other Backward Classes', 'Debt charges'. However, the savings under 'District Administration and Miscellaneous (Revenue Section)' were due to reclassification of expenditure incurred under the head of account 2053-00-800-94-Tsunami Rehabilitation Programme (other Additional Central Assistance) and the savings under 'Public Works (Capital Section)' were mainly due to delays in starting works under the Kerala State Transport Project and overestimation of the

¹⁸ Exceeding Rs 50 crore in each case.

requirement for rehabilitation and reconstruction of roads under the ‘Tsunami Rehabilitation Programme’.

2.3.2 Expenditure without provision

As per the Kerala Budget Manual, expenditure should not be incurred on a scheme/service without provision of funds. It was, however, noticed that expenditure of Rs 23.86 crore was incurred in 11 cases as detailed in **Table 2.3** without any provision in the original estimates/supplementary demand and without any re-appropriation orders to this effect.

Table 2.3: Expenditure incurred without provision during 2008-09

(Rupees in crore)

Sl. No.	Number and name of Grant/Appropriation	Head of Account	Amount of expenditure without provision
1.	XXV Social Welfare including Welfare of Scheduled Castes/ Scheduled Tribes and Other Backward Classes	2235-02-800-85	2.11
2.	XXIX Agriculture	2401-00-800-33	6.67
3.		6401-00-190-87	0.90
4.	XXXI Animal Husbandry	2403-00-800-68	4.00
5.	XXXII Dairy	2404-00-195-92	1.00
6.		2404-00-195-91	0.50
7.		2404-00-800-77	3.48
8.	XXXIV Forest	2406-01-102-90	1.00
9.	XXXVII Industries	4851-00-195-63	1.03
10.		6860-04-101-95	2.00
11.	XLI Transport	3056-00-800-98	1.17
	Total		23.86

(Source: Detailed Appropriation Accounts 2008-09)

2.3.3 Drawal of funds to avoid lapse of budget grant

As per the provision of Article 40 (c) of the Kerala Financial Code Volume I, no money is to be drawn from the treasury unless it is required for immediate disbursement. In respect of the cases mentioned below, the amounts were drawn at the fag end of the financial year and were credited to Treasury Savings Bank accounts or kept as Demand Drafts for eventual transfer to other institutions, to avoid lapse of budget provision. The departments could not furnish the details of utilisation of these cases as of July 2009.

(i) Directorate of Health Services

Rupees one crore was drawn on 30 March 2009 and deposited in the Treasury Savings Bank account of the Director for release to the ‘Society for Medical Assistance to the poor’. However, the lists of beneficiaries were finalised only in July 2009.

(ii) Directorate of Fisheries

The Director of Fisheries drew (31 March 2009) Rs 9.50 crore and transferred the amount to the Special Treasury Savings Bank account in the District Treasury, Thiruvananthapuram for meeting the financial requirement of the Kerala Fishermen Debt Relief Commission. The amount remained unutilised as of July 2009.

(iii) Directorate of Sports and Youth Affairs

- The Director of Sports and Youth Affairs withdrew Rupees one crore on 30 March 2009 in the form of a demand draft in favour of the

Managing Director, Kerala Police Housing and Construction Corporation for carrying out the work of 'Renovation of Jimmy George Indoor Stadium'. The demand draft was retained (August 2009) in the Directorate.

- Three demand drafts for Rupees one crore each were drawn on 30/31 March 2009 by the Director of Sports and Youth Affairs for construction of stadia at Nedumkandom Grama Panchayat, Alappuzha and Muvattupuzha Municipalities. The demand drafts were transferred to the Secretary, Nedumkandom Grama Panchayat and Muvattupuzha Municipality in May 2009. The demand draft meant for Alappuzha stadium was not transferred as of July 2009.
- The Director of Sports and Youth Affairs drew Rs 1.50 crore and Rs 1.30 crore on 31 March 2009 for renovation of a swimming pool at Thiruvananthapuram and for maintenance and development of playfields respectively. The amounts were kept in Treasury Savings Bank accounts pending sanction of the Government to transfer the amount to the National Games Secretariat in the first case and non-identification of the list of beneficiaries in the second case.

2.3.4 Excess over provisions relating to previous years requiring regularisation

As per Article 205 of the Constitution of India, it is mandatory for a State Government to get excesses over grants/appropriations regularised by the State Legislature. Although no time limit for regularisation of expenditure has been prescribed under the Article, the regularisation of excess expenditure is done after the completion of discussion of the Appropriation Accounts and the connected Audit Report by the Public Accounts Committee (PAC). However, excess expenditure amounting to Rs 7421.30 crore for the years 1990-91 to 2007-08 was still to be regularised (September 2009) as summarised in **Table 2.4**. The year-wise and grant-wise amounts of excess expenditure pending regularisation and the stage of consideration by the PAC are detailed in **Appendix 2.2**.

Table 2.4: Excess over provisions relating to the previous years requiring regularisation
(Rupees in crore)

Year	Number of		Amount of excess over provision
	Grant	Appropriation	
1990-91	1	...	0.36
1992-93	1	...	0.04
1993-94	1	1	0.73
1995-96	6	...	22.92
1996-97	1	1	0.01
1997-98	2	...	4.16
1998-99	1	..	7.88
2000-01	1	...	14.65
2001-02	2	...	29.08
2002-03	3	1	25.60
2003-04	7	3	1292.75
2004-05	2	2	5839.91
2005-06	1	...	21.27
2006-07	2	1	7.16
2007-08	1	3	154.78
Total	32	12	7421.30

(Source: As per records maintained by Principal Accountant General (Audit))

Non-regularisation of excesses over grants/appropriations over the years is a breach of legislative control over appropriations.

2.3.5 Excess over provision during 2008-09 requiring regularisation

The Appropriation Accounts disclosed excess of Rs 148.99 crore over the authorisation from the Consolidated Fund of the State during 2008-09 in 10 grants and one appropriation. Out of this, excess of Rs 44.52 crore in Grant No.XXXIV-Forest (Rs 0.17 crore) and in Grant No.XL-Ports (Rs 44.35 crore) did not require regularisation because the excess occurred due to booking of expenditure by the Accountant General (A&E) under these grants to adopt the authorised classification even though a provision was actually available under another Grant (No.XI-District Administration and Miscellaneous). Excess of Rs 104.47 crore over authorisation from the Consolidated Fund of the State in respect of eight grants and one appropriation require regularisation under Article 205 of the Constitution and are summarised in **Table 2.5** below:

Table 2.5: Excess over provision requiring regularisation during 2008-09

(Rupees in crore)

Sl. No.	Number and title of grant/appropriation	Total grant/appropriation	Expenditure	Excess
Voted Grants – Revenue				
1.	I State Legislature	29.59	30.01	0.42
2.	VII Stamps and Registration	82.18	85.73	3.55
3.	IX Taxes on Vehicles	29.84	30.08	0.24
4.	XII Police	959.92	960.20	0.28
5.	XV Public Works	1243.50	1342.73	99.23
6.	XLIII Compensation and Assignments	2269.69	2270.13	0.44
Voted Grants-Capital				
7.	XII Police	0.27	0.47	0.20
8.	XIX Family Welfare	0.14	0.18	0.04
Total Voted		4615.13	4719.53	104.40
Charged Appropriation-Capital				
9.	XXXVIII Irrigation	30.37	30.44	0.07
Total Charged		30.37	30.44	0.07
Grand Total		4645.50	4749.97	104.47

(Source: Appropriation Accounts of the State Government, 2008-09)

Note: The actual excess expenditure in the above nine grants/appropriation would be Rs 114.91 crore when the surrender of funds amounting to Rs 10.44 crore made in Grant Nos.I, VII, IX and XII is also taken into account. However, the excess disclosed in Appropriation Accounts (Rs 104.47 crore) only has been shown in the above Table as requiring regularisation.

A scrutiny of transactions under Grant No.XV Public Works revealed that the Finance Department authorised (June 2008 to February 2009) the Public Works Department to spend Rs 102.31 crore additionally under the heads of account ‘3054-80-800-93 Sabarimala Works’ (Rs 26.84 crore), ‘3054-80-800-95 Road Safety Works’ (Rs 0.54 crore), ‘3054-80-800-96 Flood Damage Repairs’ (Rs 24.64 crore) and ‘3054-80-800-97 Special Repairs to Communications’ (Rs 50.29 crore) during 2008-09 under the provisions of Paragraph 95 (3) of the Kerala Budget Manual before the close of the financial year. According to this provision, the expenditure had to be regularised during the year either by re-appropriation or by obtaining supplementary grants and that grants as a whole were not to be exceeded before the supplementary

grants had been made by the Legislature. However, the Public Works Department did not obtain sufficient funds either through re-appropriation or by supplementary grants to regularise the expenditure, with the result that the revenue portion of the grant was exceeded by Rs 99.23 crore due to incurring of expenditure based on the additional authorisation, the responsibility for which vested with the Chief Controlling Officer.

2.3.6 Unnecessary/Excessive/Inadequate Supplementary provision

Supplementary provisions aggregating Rs 537.36 crore obtained in 20 cases of Rs 50 lakh or more in each case during the year proved unnecessary as the expenditure did not come upto the level of the original provisions as detailed in **Appendix 2.3**.

In 13 cases, against the additional requirement of Rs 699.47 crore, supplementary grants of Rs 1351.74 crore were obtained, resulting in savings (in spite of surrender of Rs 319.85 crore at the fag end of the year) exceeding Rs one crore and above in each case, aggregating Rs 332.42 crore. (**Appendix 2.4**)

In two cases, supplementary provisions of Rs 273.37 crore proved insufficient by more than Rupees one crore in each case, leaving an aggregate uncovered excess expenditure of Rs 102.78 crore (**Appendix 2.5**).

2.3.7 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. The excesses/savings were more than Rupees two crore in 72 sub-heads as detailed in **Appendix 2.6**. Reasons for the variations were not furnished by the department/Government.

A few cases are discussed below:

In Grant No. XV, Rupees 30.68 crore was provided under '3054-80-800-97 Special Repairs to Communications'. Further, an amount of Rs 3.23 crore was augmented through re-appropriation for clearance of pending bills of contractors up to 31 December 2007 bringing the total provisions to Rs 33.91 crore. However, the year ended with an excess expenditure of Rs 55.86 crore.

In Grant No. XVII, under '2202-03-104-99 Salaries to staff under direct payment system', Rs 154.70 crore was withdrawn on the last working day of the financial year 2008-09 through re-appropriation, thereby reducing the original provision to Rs 302.81 crore. However, the final expenditure was Rs 429.07 crore, resulting in excess over the provision by Rs 126.27 crore.

2.3.8 Unexplained re-appropriations

Para 86 (3) of the Kerala Budget Manual lays down that the authority sanctioning re-appropriations should satisfy himself that the reasons given in the sanctions are full, frank and forthright and are not in vague terms such as 'based on actual requirement', 'based on trend of expenditure', 'expenditure is less than that anticipated', etc., as they have to be incorporated in the Appropriation Accounts which are examined by the Public Accounts Committee of Legislature. However, a scrutiny of re-appropriation orders issued by the Finance Department revealed that in respect of 617 items (30.28

per cent) scrutinised out of 2037 items, the reasons given for withdrawal of provisions in re-appropriation orders were of general nature like 'expenditure is less than anticipated', 'reduced provision is sufficient to meet the expenditure', etc.

2.3.9 Substantial surrenders

Substantial surrenders (where more than 50 per cent of the total provisions¹⁹ were surrendered) were made in respect of 372 sub-heads on account of either non-implementation or slow implementation of schemes/ programmes. Out of the total provision amounting to Rs 1357.86 crore in these 372 sub-heads, Rs 1033.64 crore (76 per cent) was surrendered, which included cent per cent surrender in 26 sub-heads, the details of which are given in **Appendix 2.7**.

A few cases of substantial surrenders are discussed below:

Rupees eight crore was provided for 'Development of schools under NABARD assisted scheme (2202-02-800-74). The entire provision was withdrawn due to non-implementation of the scheme. During 2006-07 and 2007-08 also, the entire provision of Rs five crore and Rs 15 crore respectively remained unutilised.

2.3.10 Surrender in excess of actual saving

In 20 cases (grants) the amounts surrendered (Rs.50 lakh or more in each case) was in excess of the actual savings indicating lack of or inadequate budgetary control. As against savings of Rs 581.67 crore, the amount surrendered was Rs 692.69 crore, resulting in excess surrender of Rs 111.02 crore. Details are given in **Appendix 2.8**.

A case where surrender was made in excess of the actual saving is discussed below:

Under Grant no. XX, Rs 315.39 crore was surrendered on 31 March while the grant showed a saving of Rs 270.65 crore (excess surrender of Rs 44.74 crore). This grant showed substantial savings during 2006-07 and 2007-08 which indicated that the budget provisions were not made in a realistic way.

2.3.11 Anticipated savings not surrendered

As per Para 91 of the Kerala Budget Manual, spending departments are required to surrender grants/appropriations or portion thereof to the Finance Department as and when savings are anticipated. At the close of the year 2008-09, there were, however, five 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 176.29 crore (2.24 per cent of the total savings) (**Appendix 2.9**).

Similarly, out of the total savings of Rs 6581.85 crore under 29 other grants/appropriations (savings of Rupees one crore and above in each grant/appropriation) amounts aggregating Rs 901.69 crore (13.7 per cent of savings) were not surrendered, details of which are given in **Appendix 2.10**. Besides, in 33 cases, (surrender of funds in excess of Rs 10 crore), Rs 1509.87 crore (**Appendix 2.11**) was surrendered on the last two working days of

¹⁹ Total provision refers to Original plus Supplementary.

March 2009 indicating inadequate financial control and the fact that these funds could not be utilised for other development purposes.

2.3.12 Rush of expenditure

According to Para 91 (2) of the Kerala Budget Manual, rush of expenditure in the closing month of the financial year should be avoided. Contrary to this, in respect of 25 sub-heads listed in **Appendix 2.12**, expenditure of Rs 10 crore and above and also more than 50 per cent of the total expenditure for the year was incurred in March 2009. **Table 2.6** also presents the Major Heads where more than 50 per cent expenditure was incurred either during the last quarter or during the last month of the financial year.

Table 2.6: Cases of rush of expenditure towards the end of the financial year 2008-09

(Rupees in crore)

Sl. No.	Major Head	Total expenditure during the year	Expenditure during last quarter of the year		Expenditure during March 2009	
			Amount	Percentage of total expenditure	Amount	Percentage of total expenditure
1.	2053-District Administration	152.22	89.56	59	58.96	39
2.	2217-Urban Development	553.16	453.84	82	363.95	66
3.	2225- Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	508.17	279.36	55	161.40	32
4.	2501-Special Programmes for Rural Development	37.18	24.20	65	19.00	51
5.	2505-Rural Employment	24.20	13.17	54	10.30	43
6.	2506-Land Reforms	5.21	5.21	100	5.04	97
7.	2551-Hill Areas	14.10	11.76	83	9.42	67
8.	3055-Road Transport	24.41	19.34	79	19.31	79
9.	3435-Ecology and Environment	3.37	2.09	62	1.37	41
10.	4215-Capital Outlay on Water Supply and Sanitation	30.00	22.68	76	22.68	76
11.	4217-Capital Outlay on Urban Development	20.00	20.00	100	20.00	100
12.	4225-Capital Outlay on Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	31.29	21.36	68	20.95	67
13.	4235-Capital Outlay on Social Security and Welfare	2.28	2.06	90	2.06	90
14.	4401-Capital Outlay on Crop Husbandry	0.89	0.54	61	0.49	55
15.	4402-Capital Outlay on Soil and Water Conservation	13.48	11.80	88	7.63	57
16.	4403-Capital Outlay on Animal Husbandry	3.62	2.56	71	1.86	51
17.	4405-Capital Outlay on Fisheries	30.06	17.17	57	13.28	44
18.	4406-Capital Outlay on Forestry and Wildlife	12.52	7.22	58	6.27	50
19.	4700-Capital Outlay on Major Irrigation	107.19	64.78	60	47.37	44
20.	4851-Capital Outlay on Village and Small Industries	26.63	16.08	60	6.73	25
21.	4859-Capital Outlay on Telecommunication and Electronic Industries	39.38	24.38	62	14.38	37
22.	4885-Other Capital Outlay on Industries and Minerals	151.00	131.00	87	131.00	87
23.	5051-Capital Outlay on Ports and Lighthouses	44.93	24.31	54	24.20	54

Sl. No.	Major Head	Total expenditure during the year	Expenditure during last quarter of the year		Expenditure during March 2009	
			Amount	Percentage of total expenditure	Amount	Percentage of total expenditure
24.	5053–Capital Outlay on Civil Aviation	45.00	45.00	100	25.00	56
25.	5056–Capital Outlay on Inland Water Transport	11.76	8.85	75	3.95	34
26.	5465–Investments in General Financial and Trading Institutions	10.00	10.00	100	10.00	100
27.	6216–Loans for Housing	261.10	259.05	99	258.00	99
28.	6217–Loans for Urban Development	1.70	1.00	59	1.00	59
29.	6405 – Loans for Fisheries	14.11	13.61	96	13.61	96
30.	6408 – Loans for Food Storage and Warehousing	1.56	1.39	89	1.17	75
31.	6425 – Loans for Co-operation	64.87	63.19	97	26.44	41
32.	6515 – Loans for other Rural Development Programmes	1.56	1.56	100
33.	6801 – Loans for Power Projects	5.71	5.71	100	5.71	100
34.	6857 – Loans for Chemicals and Pharmaceutical Industries	7.00	7.00	100	7.00	100

(Source: Information furnished by Accountant General (A&E))

An example of rush of expenditure is discussed below:

A budget provision of Rs 4.06 crore was made under ‘2506-800-99-Strengthening of Revenue Machinery and updating of Land Records’ (a 50 per cent Centrally sponsored scheme). In July 2008, Rs 4.74 crore was also obtained as a supplementary grant. Even though funds were allotted as early as in July 2008, 97 per cent of the total expenditure (Rs 5.21 crore) was incurred only in March 2009, indicating that the scheme was not implemented at a proper pace. During 2006-07 and 2007-08 also, 56 per cent and 84 per cent of the provisions respectively remained unutilised.

2.4 Non-reconciliation of departmental figures

2.4.1 Pendency in submission of Detailed Countersigned Contingent bills against Abstract Contingent bills

According to Rule 187 (d) of the Kerala Treasury Code, all contingent claims that require the countersignature of the controlling authority after payment are to be initially drawn by the Drawing and Disbursing Officer (DDO) from the treasury by presenting an Abstract Contingent bill in the prescribed form (Form TR 60). Abstract Contingent (AC) bills can be drawn only by an authorised officer for the items of expenditure listed in Appendix 5 to the Kerala Financial Code. The DDO should maintain a register of AC bills and monitor submission of detailed bills thereagainst. The Detailed Contingent (DC) bills in respect of such claims are submitted to the controlling authority for countersignature not later than 10th of the month succeeding that to which they relate. The detailed bills pertaining to a month’s claim should reach the Accountant General (A&E) not later than the 20th of the succeeding month.

According to the records of the Accountant General (A&E), 59 AC bills involving Rs 65.51 lakh in four departments were not adjusted as of March

2009 due to non-receipt of DC bills, details of which are enumerated in **Appendix 2.13**. Year-wise details are given in **Table 2.7**.

Table 2.7: Pendency in submission of Detailed countersigned Contingent bills against Abstract Contingent bills

(Rupees in crore)

Year	Amount of AC bills	Amount of DC bills	DC bills as percentage of AC bills	Outstanding AC bills
2001-02	7.46	7.37	99	0.09
2006-07	2.75	2.65	96	0.10
2007-08	2.34	2.33	99	0.01
2008-09	3.96	3.51	88	0.45
Total	16.51	15.86		0.65

(Source: Information furnished by Accountant General (A&E))

2.4.2 Unreconciled Expenditure

To enable the Controlling Officers of the departments to exercise effective control over expenditure, to keep it within the budget grants and to ensure accuracy of their accounts, Para 74 of the Kerala Budget Manual stipulates that the expenditure recorded in their books should be reconciled by them every month during the financial year with that recorded in the books of the Accountant General (A&E). Even though non-reconciliation of departmental figures is being pointed out regularly in the Audit Reports, lapses on the part of the Controlling Officers in this regard continued to persist during 2008-09 also. Sixty-nine Controlling Officers did not reconcile expenditure amounting to Rs 6328.70 crore as of July 2009. In respect of the following Controlling Officers, amounts exceeding Rs 10 crore in each case remained unreconciled during 2008-09, the details of which are given in **Table 2.8**.

Table 2.8: List of controlling officers where amounts exceeding Rs 10 crore in each case remained unreconciled during 2008-09

(Rupees in crore)

Sl. No.	Name of the controlling officer	Amount not reconciled
1.	Chief Electoral Officer, Legislature Complex	13.94
2.	Commissioner of Land Revenue	102.99
3.	Secretary to Government, Finance Department	15.53
4.	Secretary to Government, General Administration (BW) Department	88.96
5.	Controller of Stationery	16.55
6.	Director of Printing	42.89
7.	Commandant General, Fire & Rescue Services	38.40
8.	Secretary to Government, Revenue (B) Department	11.98
9.	Secretary to Government, Revenue (SLMC) Department	196.70
10.	Director of Public Instruction	2,211.30
11.	Director of Higher Secondary Education	1,794.17
12.	Director of Medical Education	283.09
13.	Director of Health Services	521.08
14.	Director of Scheduled Castes Development	10.12
15.	Director of Scheduled Tribes Development	26.73
16.	Commissioner of Rural Development	144.23
17.	Secretary to Government, Housing Department	122.79
18.	Director of Tourism	42.49

Sl. No.	Name of the controlling officer	Amount not reconciled
19.	Secretary to Government, Information Technology Department	20.00
20.	Director of Panchayats	16.43
21.	Director, Ground Water Department	15.83
22.	Chief Engineer (Buildings and Local Works)	12.62
23.	Executive Director, Jalandi	54.08
24.	Registrar, Cochin University of Science & Technology	21.30
	Total	5,824.20

(Source: Information furnished by Accountant General (A&E))

2.5 Advances from Contingency Fund

The Contingency Fund of the State has been established under The Kerala Contingency Fund Act, 1957 in terms of provisions of Article 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 nature, 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 Rs 100 crore. Till the close of the year, Rs 5.84 crore drawn (17 March 2009) under '2015 Election' was not recouped to the Fund.

2.6 Review of Selected Grants

A review of budgetary procedure and control over expenditure for 2008-09 conducted in July 2009 relating to 'Grant No. XXV Social Welfare including Welfare of Scheduled Castes/Scheduled Tribes and Other Backward Classes' and 'Grant No. XXIX Agriculture' revealed the following:

2.6.1 Defective budgeting and lack of control over expenditure

- According to the provisions of the Kerala Financial Code and the Kerala Budget Manual, the estimates of expenditure prepared by a department should be for the expenditure as anticipated in the ensuing financial year with reference to the existing sanctions and actual requirements. The Chief Controlling Officers are required to keep a constant watch over current and anticipated expenditure. It was noticed that in 'Grant No. XXV' and 'Grant No. XXIX', there were aggregate savings of Rs.177.49 crore and Rs.154.47 crore respectively, indicating that the budgeting was defective and monitoring by the controlling officers was inadequate. Some instances where substantial saving/excess had occurred are indicated in **Appendix 2.14**.
- Para 29 (1) of the Kerala Budget Manual stipulates that provisions for salaries should be worked out based on the number of incumbents likely to be on duty in the coming year (regardless of the sanctioned strength) and the actual pay likely to be drawn by them. Contrary to this, the Drawing and Disbursing Officers under Grant No. XXV and XXIX made provisions for salaries based on sanctioned strength. Hence, considerable savings under the salary head were noticed as indicated in **Appendix 2.15**.

2.6.2 Non-utilisation of provision

As per para 64 (2) of the Kerala Budget Manual, the grants made by the Legislature are to be used in the manner and for the purpose for which these are intended according to laws/rules and regulations made thereunder. However, it was seen that in some cases, almost the entire budgetary provision was re-appropriated without incurring any expenditure. This shows that the budget provisions in these cases were made without assessing the actual requirement. Details are given in **Appendix 2.16**.

2.6.3 Drawal of funds to avoid lapse of budget grant

In the following cases, funds were drawn during the year and parked in Treasury Savings Bank accounts or as demand drafts to avoid their lapse:

2.6.3.1 Directorate of Agriculture

- The Director of Agriculture drew Rupees one crore on 7 March 2009 for implementation of the Kisan Abhiman Scheme and deposited it in the Special TSB account. Subsequently, Rupees four crore was also deposited to this account on 31 March 2009. However, the amount remained unutilised as of July 2009. The department stated (August 2009) that the scheme was intended to disburse monthly pension to 10,000 farmers on a regular basis covering all the 14 districts but because of the declaration of the code of conduct of the Lok Sabha Election, all action towards the implementation of the programme was put on hold. The department also stated that the selection process of the eligible farmers had been started after the election.
- The Additional Director of Agriculture (Crop Protection) drew Rs 5.06 crore on 31 March 2009 for the Crisis Management Fund and deposited it in the Special Treasury Savings Bank account maintained in the District Treasury, Thiruvananthapuram. The amount has not been utilised as of July 2009.

2.6.3.2 Directorate of Scheduled Castes Development

- The Director of Scheduled Castes Development drew Rupees four crore on 31 March 2009 towards core deposit to the welfare fund of Madrasa Teachers and deposited in his Treasury Savings Bank account. The Director stated (July 2009) that the expenditure could be incurred only after receiving directions from the General Administration Department of the Government.
- As part of strengthening of the State and District Level Training and Monitoring Cell, the Director of Scheduled Castes Development drew Rs 22.44 lakh on 30 March 2009 for payment to KELTRON²⁰ for supply of 66 laptops with BSNL modems. The amount was retained as a demand draft in the Directorate for which Government sanction was awaited (July 2009).

²⁰ Kerala State Electronics Development Corporation.

2.7 Outcome of inspection of treasuries

There are 23 District Treasuries and 180 Sub-treasuries in the State as of March 2009. The Accountant General (A&E) inspected 152 treasuries (DT: 23; ST: 129). Some of the irregularities and deficiencies noticed in the functioning of treasuries are mentioned below:

2.7.1 Excess payment of pension

There was excess payment of pension/family pension amounting to Rs 35.32 lakh in 1286 cases in 117 treasuries (including 11 district treasuries) during 2008-09. The main reasons for excess payments were errors in calculation of revised pension, non-reduction of family pension after expiry of authorised period, payment of ineligible festival allowance, medical allowance and incorrect calculation of dearness relief. Out of the excess payment of Rs 35.32 lakh, treasuries²¹ recovered Rupees five lakh and the balance amount of Rs 30.32 lakh remained to be recovered as of March 2009.

2.7.2 Excess retention of cash

In January 2000, Government enhanced the maximum amount of cash balance that could be retained in all the treasuries from Rs 9.72 crore to Rs 12.99 crore. Separate limits were also fixed for each treasury. Rule 309 of the Kerala Treasury Code stipulates that the actual cash balance of the District Treasuries and Sub-treasuries should be kept much below the maximum balance prescribed for it and at all times at a minimum so that the Government's credit balance with the Reserve Bank of India is at the maximum. On verification of the cash balance statement of the treasuries during 2008-09, it was found that the treasuries retained cash in excess of the prescribed limit by Rs 4.06 lakh to Rs 27.04 crore. This resulted in drawal of Ways and Means Advances by Government to that extent. On three days i.e., on 9 June 2008, 25 September 2008 and 26 September 2008, retention of excess cash in treasuries exceeded the quantum of Special Ways and Means Advances which showed that on these days, Special Ways and Means Advances could have been avoided. Thus retention of cash in treasuries in excess of the prescribed limits by the Government resulted in avoidable payment of interest of Rs 9.33 lakh on Ways and Means Advances.

2.7.3 Status of unoperated Treasury Savings Bank account

As per Rules 28 and 40 of the Treasury Savings Bank Rules, Treasury Savings Bank accounts which remain unoperated for more than five completed financial years will cease to earn interest and balance under such accounts should be transfer-credited to Revenue Deposit. It was noticed that 2117 such unoperated accounts in 71 treasuries were not closed and transfer-credited to Revenue Deposit.

2.7.4 Mustering of pensioners

In terms of Rule 280 (a) of the Kerala Treasury Code Vol.I, the Treasury Officer should conduct mustering of pensioners annually in the case of pensioners/family pensioners/Pension Treasury Savings Bank holders and

²¹ 25 treasuries have recovered full amount and in respect of others part recovery has been made.

once in three years, where payment of pension is made through money orders. These provisions are made to prevent fraudulent payments. However, in 118 cases in 28 treasuries as listed in **Appendix 2.17**, mustering of pensioners was pending for two to three years.

2.8 Conclusions

During 2008-09, expenditure of Rs 36877.37 crore was incurred against the total grants and appropriations of Rs 44596.19 crore, resulting in savings of Rs 7718.82 crore. The overall savings were the net result of savings of Rs 7867.81 crore, offset by excess of Rs 148.99 crore. Excess expenditure of Rs 104.47 crore, in eight grants and one appropriation during 2008-09 requires regularisation under Article 205 of the Constitution of India. Apart from this, regularisation of excess expenditure of Rs 7421.30 crore from 1990-91 to 2007-08 was pending as of September 2009 under Article 205 of the Constitution of India. In 33 cases, surrender of funds amounting to Rs 1509.87 crore were made on the last two working days of the financial year, while in 29 grants/appropriations, savings amounting to Rs 901.69 crore were not surrendered. In 20 cases, Rs 111.02 crore was surrendered in excess of actual savings. In 72 cases, augmentation/reduction of provisions by re-appropriation proved either in excess of requirement or insufficient as the final expenditure of the re-appropriated sub-heads resulted in savings/excess by more than Rupees two crore.

2.9 Recommendations

Budgetary controls should be strengthened in all the Government departments. Issuance of re-appropriation/surrender orders at the end of the financial year should be avoided.