

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 2009-10 against 48 grants/appropriations is given in **Table 2.1**:

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

(` in crore)

Nature of expenditure	Original grant/ appropriation	Supplementary grant/ appropriation	Total	Actual expenditure	Saving(-)/ Excess(+)
Voted					
I Revenue	25712.74	2426.73	28139.47	25829.02	(-) 2310.45
II Capital	1647.91	944.80	2592.71	2076.09	(-) 516.62
III Loans and Advances	1036.33	402.26	1438.59	876.68	(-) 561.91
Total Voted	28396.98	3773.79	32170.77	28781.79	(-) 3388.98
Charged					
IV Revenue	5711.09	12.31	5723.40	5697.28	(-) 26.12
V Capital	70.87	2.73	73.60	2.75	(-) 70.85
VI Public Debt Repayment	12147.78	...	12147.78	2405.68	(-) 9742.10
Total Charged	17929.74	15.04	17944.78	8105.71	(-) 9839.07
Appropriation to Contingency Fund (if any)
Grand Total	46326.72	3788.83	50115.55	36887.50³⁰	(-) 13228.05

Source: *Appropriation Accounts of the State Government, 2009-10*

³⁰ These are gross expenditure figures without taking into account the recoveries adjusted in accounts as reduction of expenditure (revenue: ` 393.92 crore and capital: ` 19.46 crore, Total: ` 413.38 crore).

The overall savings of ` 13,228.05 crore was the result of savings of ` 13,317.11 crore in 35 grants and 18 appropriations under the Revenue Section and 24 grants and 11 appropriations under the Capital Section, offset by excess of ` 89.06 crore in nine grants and two appropriations under the Revenue Section and one grant under the Capital Section.

The status of savings/excess (as per Appropriation Accounts) was intimated (July 2010) to the Controlling Officers, requesting them to explain the significant variations. Out of 916 sub-heads in respect of which savings/excess were reported, explanations for variations were not received (August 2010) in respect of 745 sub-heads (Savings: 586 sub-heads and Excess: 159 sub-heads)

2.3 Financial Accountability and Budget Management

2.3.1 Appropriation vis-à-vis Allocative Priorities

The appropriation audit revealed that in 14 cases, savings exceeded ` 10 crore in each case and were also more than 20 per cent of the total provisions (**Appendix 2.1**). Against the total savings of ` 11768.45 crore, savings of ` 11629.49 crore (98.8 per cent) occurred in nine cases³¹ relating to eight grants and one appropriation as indicated in **Table 2.2**.

Table 2.2: List of Grants/Appropriation with savings of ` 50 crore and above

Sl. No.	Number and name of Grant/ Appropriation	Original	Supplementary	Total	Expenditure	Savings	Surrender	Net savings (-)/ excess (+)
Revenue (Voted)								
1.	XI District Administration and Miscellaneous	461.77	413.86	875.63	495.16	380.47	223.73	(-) 156.74
2.	XXI Housing	142.18	17.35	159.53	55.40	104.13	0.58	(-) 103.55
3.	XXII Urban development	876.28	0.85	877.13	345.91	531.22	524.92	(-) 6.30
4.	XXIV Labour and Labour Welfare	289.44	93.37	382.81	302.01	80.80	83.31	2.51
Capital (Voted)								
5.	XX Water supply and Sanitation	937.00	132.03	1069.03	523.30	545.73	555.00	9.26
6.	XXIX Agriculture	98.40	3.00	101.40	36.44	64.96	44.88	(-) 20.08
7.	XXXVIII Irrigation	227.35	127.97	355.32	235.26	120.06	130.11	10.05
8.	XLII Tourism	69.04	6.57	75.61	15.59	60.02	14.61	(-) 45.41
Capital (Charged)								
9.	Public debt repayment	12147.78	...	12147.78	2405.68	9742.10	9743.96	1.86
	Total	15249.24	795.00	16044.24	4414.75	11629.49	11321.10	(-)308.39

Source: Appropriation Accounts of the State Government, 2009-10

The reasons for the savings under 'Housing', Labour and Labour Welfare' and 'Tourism' were not furnished by the concerned departments. However, the savings under 'District Administration and Miscellaneous' (Revenue Section) were due to receipt of less assistance from Government of India towards the Tsunami Rehabilitation programme.

The savings under 'Urban Development' (Revenue Section) were mainly due to non-disbursement of funds for the Kerala Local Government Development Fund consequent on delay in setting up of an Asset Management Company,

³¹ Savings of ` 50 crore and above in each case.

poor response to tender calls, delay in land acquisition, etc., for works taken up under the Kerala Sustainable Urban Development Project and the Jawaharlal Nehru National Urban Renewal Mission as well as slow progress in the Integrated Housing and Slum Development Programme.

The savings under ‘Water Supply and Sanitation’ (Capital Section) were due to release of less funds as loan to the Kerala Water Authority consequent to the slow progress of works in the Kerala Water Supply Project assisted by the Japan International Co-operation Agency.

The savings under ‘Agriculture’ (Capital Section) were mainly due to non-issue of letter of credit for payment of pending bills, non-receipt of contractors’ bills in the case of National Bank for Agriculture and Rural Development assisted minor irrigation works, lift irrigation works, etc.

The savings under ‘Irrigation’ (Capital Section) were mainly due to lack of sufficient time for tendering and awarding the works after getting administrative sanctions under the scheme ‘Malabar Irrigation Package’ and non-payment of funds earmarked for compensation in land acquisition cases relating to major irrigation projects as well as want of sufficient letter of credit for payment for coastal zone management works under the Twelfth Finance Commission award.

The savings under ‘Public debt repayment’ were due to non-availing of overdraft and availing of less ways and means advances from Reserve Bank of India in view of the improved liquidity position of the State as well as non-availing of ways and means advances from Government of India.

2.3.2 Persistent savings

In seven cases, there were persistent savings in excess of ` 50 lakh in each case and also 20 *per cent* or more of the provision for the last three years as shown below:

Table 2.3: Persistent savings

(` in crore)

Sl. No.	Number and Name of Grant/Appropriation	Amount of saving (Percentage)		
		2007-08	2008-09	2009-10
Revenue Voted				
1	XXII Urban Development	414.99 (63)	148.16 (22)	531.22 (61)
Capital voted				
2	XXIX Agriculture	64.52 (68)	50.63 (62)	64.96 (64)
3	XXXI Animal Husbandry	13.74 (88)	3.72 (51)	2.97 (40)
4	XXXIV Forest	8.49 (44)	3.48 (20)	3.53 (21)
5	XXXVIII Irrigation	46.70 (22)	102.08 (33)	120.06 (34)
6	XXXIX Power	56.00 (85)	63.79 (92)	11.25 (96)
7	XLII Tourism	4.96 (32)	14.16 (45)	60.02 (79)

2.3.3 Drawal of funds to avoid lapse of budget grant

As per the provision of Article 40(c)(7) of the Kerala Financial Code Volume I, a Government servant should not, on any account, reserve or appropriate by transfer to a deposit or any other head or draw from the treasury and keep in a cash chest, any portion of an appropriation remaining unexpended during the year in order to prevent it from lapsing and use it for expenditure after the end

of the year. Funds provided in the budget are for actual expenditure to be incurred during the year and any unspent provision lapses at the close of the financial year. Audit scrutiny revealed instances of drawal of huge amounts and depositing them in the Treasury Savings Banks/Treasury Public Accounts or releasing them to the implementing agencies towards the close of the financial year 2009-10 to prevent them from lapsing as indicated in **Table 2.4**:

Table 2.4: Drawal of funds during 2009-10 to avoid lapse of budget grant
(` in crore)

Sl. No.	Name of the drawing officer	Amount drawn and date of drawal	Purpose of drawal	Present position
1.	Director of Scheduled Caste Development	6.00 (31 March 2010)	For core fund for Madrassa Teachers' Welfare Fund pension scheme	The Director stated (July 2010) that this amount along with ` four crore drawn on 31 March 2009 was released to the Madrassa Teachers Welfare Fund Board on 24 June 2010.
2.	- do -	77.28 (31 March 2010)	Loan waiver scheme	The Kerala State Scheduled Castes and Scheduled Tribes Development Corporation Ltd. is the implementing agency. No amount was utilized as of June 2010 as no direction was issued by the Director of Scheduled Caste Development for operationalising the scheme.
3.	Director of Scheduled Tribe Development	8.50 (19 March 2010)	Conservation-cum-Development Plan for Particularly Vulnerable Tribal Groups	The amount formed part of ` 9.60 crore released by Government of India in January 2009 for the scheme. The Director reported (August 2010) that the administrative sanction was issued only in February 2010 though the department obtained supplementary grant in July 2009. Only ` 1.57 crore was spent as of September 2010.
4.	Director of Sports and Youth Affairs	20.00 (16 March 2010) 55.00 (31 March 2010)	Renovation/Construction of stadia in connection with 35 th National Games	Only ` 2.94 crore was spent as of August 2010.
5.	Registrar of Co-operative Societies	13.42 (31 March 2010)	Reimbursement of interest loss to co-operative societies/banks under Agricultural Debtor's (Temporary Relief) Act, 2001.	The Registrar of Co-operative Societies stated (August 2010) that no amount was spent as of August 2010 as the pre-audit verification of the claim statements of societies/banks was not completed.
6.	Labour Commissioner	10.00 (31 March 2010)	Scheme for welfare of labourers from other States (Kerala Migrant Workers' Welfare Scheme)	The amount was transferred to the Kerala Building and other Construction Workers' Welfare Fund Board, the implementing agency. An amount of ` 9 crore was deposited in Treasury Fixed Deposit for creating a Corpus Fund. Out of the balance of ` one crore, ` 75 lakh was deposited in savings bank account. The actual expenditure as of September 2010 was only ` 10.39 lakh. The Board stated (October 2010) that initial steps for the registration of migrant labourers had been started.

Sl. No.	Name of the drawing officer	Amount drawn and date of drawal	Purpose of drawal	Present position
7.	Director of Public Instruction	4.58 (31 March 2010)	For the project '1000 books for 1003 schools' using Twelfth Finance Commission award.	The amount was disbursed to Kerala Book Marketing Society by demand draft. The Secretary of the Society stated (October 2010) that only ` 1.24 crore could be utilised as of September 2010 as the publishers had not supplied all the books selected by the Director of Public Instruction.

The irregular deposit of funds enabled the departments to avoid lapse of budget provision and to bypass budgetary compulsions to spend the amount before the close of the financial year. Further, utilising funds voted for expenditure during a financial year in the subsequent year amounted to bypassing the control of the Legislature over expenditure out of the Consolidated Fund of the State. Moreover, as the funds drawn were not spent during the financial year, the Government accounts did not reflect the factual position.

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 ` 530.12 crore for the years 1990-91 to 2008-09 was still to be regularised (October 2010) as summarised in **Table 2.5**. 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 2.5: Excess over provisions relating to the previous years requiring regularisation
(` in crore)

Year	Number of		Amount of excess over provision
	Grant	Appropriation	
1990-91	1	...	0.36
1992-93	1	...	0.04
1995-96	2	...	22.44
1996-97	...	1	0.00 ³²
1997-98	1	...	3.93
1998-99	1	..	7.88
2000-01	1	...	14.65
2001-02	2	...	29.08
2002-03	1	1	18.82
2003-04	3	1	129.83
2004-05	2	...	15.85
2005-06	1	...	21.27
2006-07	2	1	7.16
2007-08	1	1	154.78
2008-09	7	1	104.03
Total	26	6	530.12

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

³² ` 32,791 only

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 2009-10 requiring regularisation

The Appropriation Accounts disclosed excess of ` 89.06 crore over the authorization from the Consolidated Fund of the State during 2009-10 in 10 grants and two appropriations. Out of this, excess of ` 65.99 crore in Grant No.XL-Ports (` 28.55 crore) and in Grant No.XLII- Tourism (` 37.44 crore) did not require regularization because the excess occurred due to booking of expenditure by the Accountant General (A&E) under these grants to adopt the authorized classification even though provision was actually available under another grant (No.XI- District Administration and Miscellaneous). Excess of ` 23.07 crore over authorization from the Consolidated Fund of the State in respect of eight grants and two appropriations required regularization under Article 205 of the Constitution as summarized in **Table 2.6**:

Table 2.6: Excess over provision requiring regularisation during 2009-10

(` in crore)

Sl. No.	Number and title of grant/appropriation	Total grant/appropriation	Expenditure	Excess	Surrender
Voted Grants – Revenue					
1.	III Administration of Justice	203.48	203.59	0.11	1.44
2.	V Agricultural Income Tax and Sales Tax	130.99	136.81	5.82	0.11
3.	VII Stamps and Registration	98.75	104.30	5.55	2.06
4.	IX Taxes on Vehicles	32.32	33.98	1.66	Nil
5.	XXVIII Miscellaneous Economic Services	53.03	54.33	1.30	0.37
6.	XXXI Animal Husbandry	211.15	213.83	2.68	2.24
7.	XXXIV Forest	212.46	215.68	3.22	4.63
Voted Grants – Capital					
8.	XIX Family Welfare ³³	
Total Voted		942.18	962.52	20.34	10.85
Charged Appropriation-Revenue					
9.	XI District Administration and Miscellaneous	1.03	1.05	0.02	Nil
10.	XVI Pensions and Miscellaneous	12.78	15.49	2.71	0.21
Total Charged		13.81	16.54	2.73	0.21
Grand Total		955.99	979.06	23.07	11.06

Source: Appropriation Accounts of the State Government, 2009-10

Note: The actual excess expenditure in the above 10 grants/appropriation would be ` 34.13 crore if the surrender of funds amounting to ` 11.06 crore made on 31 March 2010 in Grant Nos.III, V, VII, XXVIII, XXXI, XXXIV and XVI is also taken into account. However, the excess disclosed in the Appropriation Accounts (` 23.07 crore) only has been shown in the above table as requiring regularisation.

2.3.6 Unnecessary/Excessive/Inadequate Supplementary provision

Supplementary provisions aggregating ` 542.09 crore, obtained in 17 cases of ` 50 lakh or more in each case during the year, proved unnecessary as the expenditure did not come up to the level of the original provisions as detailed in **Appendix 2.3**.

³³ The total grant, expenditure and excess expenditure relating to this grant was ` 57,000, ` 61,000 and ` 4,000 respectively.

In 27 cases, against the additional requirement of ` 1,545.32 crore, supplementary grants of ` 2,832.43 crore were obtained, resulting in savings exceeding ` one crore and above in each case, aggregating ` 1,287.11 crore (**Appendix 2.4**).

In six cases, supplementary provisions of ` 49.93 crore proved insufficient by more than ` one crore in each case, leaving an aggregate uncovered excess expenditure of ` 21.27 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. There were excesses/savings of more than ` two crore in 87 sub-heads even after reappropriation as detailed in **Appendix 2.6**. Reasons for the variations were not furnished by the department/Government.

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 test check of re-appropriation orders relating to 12 grants issued by the Finance Department revealed that in respect of 365 out of 797 items (46 *per cent*), the reasons given for withdrawal of provision/additional provision 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 provision³⁴ were surrendered) were made in respect of 366 sub-heads on account of either non-implementation or slow implementation of schemes/ programmes. Out of the total provision amounting to ` 1,283.84 crore in these 366 sub-heads, ` 1040.76 crore (81 *per cent*) was surrendered, which included *per cent* surrender in 44 sub-heads, the details of which are given in **Appendix 2.7**.

2.3.10 Surrender in excess of actual saving

In 21 cases (grants) the amounts surrendered (` 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 ` 10,822.04 crore, the amount surrendered was ` 10,989.36 crore, resulting in excess surrender of ` 167.32 crore. Details are given in **Appendix 2.8**.

2.3.11 Injudicious surrender

In seven grants, surrender of ` 11.06 crore (` 10 lakh or more in each case) made on 31 March 2010 proved injudicious as there were eventual excesses

³⁴ Total provision refers to Original provision plus Supplementary provision.

under these grants at the close of the financial year. Details are given in **Appendix 2.9**.

2.3.12 Anticipated savings not surrendered

As per Para 91 of the Kerala Budget Manual, spending departments are required to surrender grants/appropriations or portions thereof to the Finance Department as and when savings are anticipated. At the close of the year 2009-10, 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 ` 22.54 crore (0.2 per cent of the total savings) the details of which are given in **Appendix 2.10**.

Similarly, out of the total savings of ` 1,935.22 crore under 19 grants/appropriations with savings of ` one crore and above in each grant/appropriation, amounts aggregating ` 870.72 crore (45 per cent of savings) were not surrendered, details of which are given in **Appendix 2.11**. Besides, in 33 cases, (surrender of funds in excess of ` 10 crore), ` 3,477.53 crore (**Appendix 2.12**) was surrendered on the last two working days of March 2010, indicating inadequate financial control and the fact that these funds could not be utilised for other development purposes.

2.3.13 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 47 sub-heads listed in **Appendix 2.13**, expenditure of ` 10 crore and above and also more than 50 per cent of the total expenditure for the year was incurred in March 2010. **Table 2.7** 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 2.7: Cases of rush of expenditure towards the end of the financial year 2009-10

(` in crore)

Sl. No.	Major Head	Total expenditure during the year	Expenditure during the last quarter of the year		Expenditure during March 2010	
			Amount	Percentage of total expenditure	Amount	Percentage of total expenditure
1.	2075 -Miscellaneous General Services	659.98	357.12	54.11	293.29	44.44
2.	2204 - Sports and Youth Services	141.54	112.59	79.55	103.07	72.82
3.	2215 - Water Supply and Sanitation	357.97	195.81	54.70	188.53	52.67
4.	2216 – Housing	55.40	34.83	62.87	30.60	55.23
5.	2217 - Urban Development	345.91	224.37	64.86	222.97	64.46
6.	2225 - Welfare of SC/ST and Other Backward Classes	745.25	438.66	58.86	300.05	40.26
7.	2245 - Relief on Account of Natural Calamities	232.77	155.89	66.97	133.33	57.28
8.	2501- Special Programmes for Rural Development	63.32	52.65	83.15	52.42	82.79
9.	2506 -Land Reforms	11.72	11.72	100.00	11.72	100.00
10.	2551 - Hill Areas	23.54	23.06	97.96	20.10	85.39
11.	2810 - New and Renewable Energy	62.10	59.89	96.44	56.44	90.89
12.	2851 - Village and Small Industries	209.93	121.06	57.67	89.67	42.71
13.	3051 - Ports and Light Houses	47.97	34.21	71.32	32.68	68.13
14.	3055 - Road Transport	15.00	15.00	100.00	0.00	0.00
15.	3452 – Tourism	133.06	78.73	59.17	60.53	45.49

Sl. No.	Major Head	Total expenditure during the year	Expenditure during the last quarter of the year		Expenditure during March 2010	
			Amount	Percentage of total expenditure	Amount	Percentage of total expenditure
16.	4058 - Capital Outlay on Stationery and Printing	1.25	0.86	68.80	0.75	60.00
17.	4059 - Capital Outlay on Public Works	65.34	37.14	56.84	31.52	48.24
18.	4202 - Capital Outlay on Education, Sports, Art and Culture	49.46	31.80	64.29	11.13	22.50
19.	4216 - Capital Outlay on Housing	8.91	6.30	70.71	4.90	54.99
20.	4225 - Capital Outlay on Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	37.88	27.85	73.52	23.55	62.17
21.	4235 Capital Outlay on Social Security and Welfare	3.84	3.60	93.75	3.16	82.29
22.	4250 Capital Outlay on other Social Services	1.84	1.29	70.11	0.87	47.28
23.	4402 Capital Outlay on Soil and Water Conservation	13.21	8.87	67.15	5.99	45.34
24.	4403 Capital Outlay on Animal Husbandry	4.11	2.39	58.15	1.84	44.77
25.	4405 Capital Outlay on Fisheries	69.86	56.44	80.79	39.96	57.20
26.	4406 Capital Outlay on Forestry and Wild life	13.22	8.21	62.10	5.89	44.55
27.	4425 Capital Outlay on Co-operation	43.93	40.63	92.49	33.12	75.39
28.	4515 Capital Outlay on other Rural Development Programmes	5.00	5.00	100.00	5.00	100.00
29.	4701 Capital Outlay on Medium Irrigation	47.62	42.67	89.61	33.93	71.25
30.	4702 Capital Outlay on Minor Irrigaion	18.61	10.28	55.24	9.56	51.37
31.	4711 Capital Outlay on Flood Control Projects	145.11	110.57	76.20	99.36	68.47
32.	4853 Capital Outlay on Non-Ferrous Mining and Metallurgical Industries	8.00	8.00	100.00	0.00	0.00
33.	4858 Capital Outlay on Engineering Industries	1.32	1.32	100.00	0.00	0.00
34.	4859 Capital Outlay on Telecommunication and Electronic Industries	115.69	90.30	78.05	57.37	49.59
35.	4860 Capital Outlay on Consumer Industries	13.55	13.05	96.31	13.05	96.31
36.	4885 Capital Outlay on Industries and Minerals	46.00	45.00	97.83	0.00	0.00
37.	5051 Capital Outlay on Ports and Light Houses	36.19	30.23	83.53	5.01	13.84
38.	5056 Capital Outlay on Inland and Water Transport	10.91	9.20	84.33	9.11	83.50
39.	5075 Capital Outlay on other Transport Services	90.33	79.44	87.94	67.11	74.29
40.	5452 Capital Outlay on Tourism	15.59	14.58	93.52	14.15	90.76

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 Abstract Contingent bills 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 there against. The Detailed Contingent (DC) bills in respect of such claims should be submitted to the controlling authority for countersignature not later than the 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 maintained by the Accountant General (A&E), 17 AC bills drawn by 12 DDOs upto March 2010 involving ` 2.05 crore were not adjusted as of July 2010 due to non-receipt of DC bills, details of which are enumerated in **Appendix 2.14**. Year-wise details are given in **Table 2.8**.

Table 2.8: Pendency in submission of Detailed countersigned Contingent bills against Abstract Contingent bills

(` in crore)

Year	AC bills		DC bills		DC bills as percentage of AC bills	Outstanding AC bills	
	Number	Amount	Number	Amount		Number	Amount
2008-09	546	3.96	544	3.92	99	2	0.04
2009-10	367	5.98	352	3.99	66	15	2.01
Total		9.94		7.91		17	2.05

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 2009-10 also. One hundred and fifty six Controlling Officers did not reconcile expenditure amounting to ` 22,995.88 crore as of June 2010. In respect of 62 Controlling Officers (given in **Table 2.9**), amounts exceeding ` 10 crore in each case remained unreconciled during 2009-10.

Table 2.9: List of controlling officers where amounts exceeding ` 10 crore in each case remained unreconciled during 2009-10

(` in crore)

Sl. No.	Name of the controlling officer	Amount not reconciled
1.	Secretary to Government, General Administration (BW) Department	98.40
2.	Principal Secretary to Government, Finance Department	8,568.56
3.	Director of Survey and Land Records	51.48
4.	Commissioner of Land Revenue	460.64
5.	Excise Commissioner	80.62
6.	Commissioner of Transport	46.48
7.	Director of Treasuries	733.22
8.	Principal Secretary to Government, Revenue (F) Department	15.00
9.	Director General of Police (Prisons)	74.19
10.	Controller of Stationery	15.43
11.	Director of Printing	45.84
12.	Commandant, Fire and Rescue Services	46.78
13.	Chief Engineer, Buildings and Local Works, Public Works Department	243.39
14.	Chief Engineer, National Highways, Public Works Department	206.84
15.	Chief Engineer, Roads and Bridges, Public Works Department	1,563.83

Sl. No.	Name of the controlling officer	Amount not reconciled
16.	Director of State Lotteries	501.79
17.	Director of Public Instruction	2,525.47
18.	Director of Collegiate Education	524.61
19.	Director of Vocational Higher Secondary Education	111.74
20.	Principal Secretary to Government, Higher Education (B) Department	171.54
21.	Director, Sports and Youth Affairs	75.00
22.	Director of Archeology	10.45
23.	Chief Electrical Inspector	10.95
24.	Secretary, Kerala Sports Council	14.08
25.	Chairman, Science Technology and Environment Department	65.37
26.	Registrar, Mahatma Gandhi University	23.21
27.	Director of Higher Secondary Education	1,920.53
28.	Text Book Officer	43.63
29.	Director of Indian Systems of Medicine	79.68
30.	Administrative Officer, Employees State Insurance	58.18
31.	Director, Regional Cancer Centre	26.86
32.	Director of Homoeopathy	39.23
33.	Director of Health Services	699.17
34.	Secretary to Government, Health and Family Welfare Department	130.00
35.	Secretary to Government, Water Resources (WS B) Department	507.53
36.	Chief Town Planner	37.27
37.	Director, Kerala Sustainable Urban Development Project	150.00
38.	Director of Urban Affairs	102.48
39.	Labour Commissioner	86.15
40.	Director of Training	40.43
41.	Director of Scheduled Castes Development	539.55
42.	Secretary to Government, Local Self Government Department	10.03
43.	Secretary to Government, Revenue (SLMC) Department	121.93
44.	Registrar of Co-operative Societies	24.73
45.	Director of Agriculture	449.42
46.	Chief Engineer, Irrigation and Administration	327.54
47.	Director of Civil Supplies	21.43
48.	Director of Animal Husbandry	141.80
49.	Director of Fisheries	26.59
50.	Chief Conservator of Forests	101.98
51.	Director of Panchayats	16.69
52.	Commissioner of Rural Development	280.21
53.	Secretary, Kerala Khadi and Village Industries Board	18.95
54.	Director of Industries and Commerce Department	82.00
55.	Secretary to Government, Information Technology Department	77.67
56.	Chief Engineer, Project I (Irrigation)	38.22
57.	Chief Engineer, Project II (Irrigation)	16.58
58.	Secretary to Government, Transport (C) Department	30.00
59.	Director of State Water Transport	16.68
60.	Director of Tourism	55.48
61.	Director of Social Welfare	309.84
62.	Secretary, Land Board	19.55
	Total	22,932.92

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 ` 100 crore. Till the close of the year, ` 26.27 crore drawn (26 March 2010) under '6216 Loans for Housing' was not recouped to the Fund.

2.6 Review of Selected Grants

A review of budgetary procedure and control over expenditure for 2009-10 conducted in July-August 2010 relating to 'Grant No XXVII-Co-operation' and 'Grant No. XXXVII – Industries ' revealed the following:

2.6.1 Persistent savings

Persistent savings were noticed in Grant No. XXVII (Co-operation) and Grant No. XXXVII (Industries) both under Revenue and Capital during the consecutive three years from 2007-08 to 2009-10.

2.6.2 Belated surrender of funds

As per the provisions in the Kerala Budget Manual, reappropriation and surrender proposals for a financial year are to be sent not later than 15th February of the year. Audit scrutiny revealed that reappropriation proposals were sent by the Director of Handloom and Textiles and the Director of Coir Development only in March 2010. The dates of sending reappropriation proposals were not furnished by the Director of Industries and Commerce. Surrender proposals were sent by the Director of Handloom and Textiles, the Director of Industries and Commerce and the Director of Coir Development only on the last day of the financial year. Similarly, the Registrar of Co-operative Societies sent reappropriation proposals on 16 February 2010 and 31 March 2010 and surrender proposals on 31 March 2010. As surrender of funds was made on the last day of the financial year, the funds could not be allocated to needy departments.

2.6.3 Drawal of funds to avoid lapse of budget provision

Financial rules prohibit drawal of funds at the close of the financial year with a view to prevent lapse of budget provisions. However, the following Drawing and Disbursing Officers drew ` 119.27 crore meant for various schemes on the last day of the financial year (31 March 2010) and disbursed the same to the implementing agencies. It is apparent that this was done to prevent lapse of budget provisions.

Table 2.10: Drawal of funds on the last day of financial year

Name of Drawing and Disbursing Officer	Number of bills	Amount (` in crore)
The Registrar of Co-operative Societies	16	46.75
The Director of Coir Development	16	30.53
The Director of Industries and Commerce	26	40.49
The Director of Handloom and Textiles	2	1.5
Total	60	119.27

2.6.4 Parking of funds in bank accounts

The State Government accorded administrative sanction (March 2010) for setting up a Common Facility Centre each in Garment cluster, Kollam, in Ethnic Food Processing Women cluster, Pala, Kottayam and in Printer's cluster, Ernakulam at a cost of ` 35.48 lakh, ` 98.97 lakh and ` 51.33 lakh respectively. The Centres were to be established with the help of Kerala Bureau of Industrial Promotion (K-Bip)³⁵. As per orders of the Government, the Director of Industries and Commerce drew (29 March 2010) ` 1.86 crore and deposited it in bank accounts of K-Bip. As no formal sanction had been received from the Development Commissioner (MSME³⁶), New Delhi by K-Bip for disbursement of the amount to the clusters, the amount remained unutilised in the bank accounts as of July 2010.

2.7 Outcome of inspection of treasuries

There were 23 District Treasuries, 186 sub-treasuries and 12 Stamp depots in the State as of March 2010. The Accountant General (A&E) inspected 145 treasuries (District Treasury: 23; sub-treasuries: 117 and Stamp depot: 5). Some of the irregularities and deficiencies noticed in the functioning of treasuries are mentioned in the succeeding paragraphs:

2.7.1 Excess payment of pension

There was excess payment of pension/family pension amounting to ` 31.98 lakh in 1006 cases in 92 treasuries (including 13 district treasuries) during 2009-10. 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 ` 31.98 lakh, treasuries³⁷ recovered ` 2.92 lakh and the balance amount of ` 29.06 lakh remained to be recovered as of March 2010.

2.7.2 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 1163 such unoperated accounts in 53 treasuries were not closed and the balance transfer-credited to Revenue Deposit.

³⁵ A State autonomous body for promoting the potential business opportunities and highlight the ideal business climate prevailing in Kerala to the entrepreneurs.

³⁶ Micro, Small and Medium Enterprises

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

2.7.3 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 once in three years, where payment of pension is made through money orders. These provisions are made to prevent fraudulent payments. However, in 308 cases, in 69 treasuries as listed in **Appendix 2.15**, mustering of pensioners was pending for two to three years.

2.8 Public Works Deposits

Public Works Deposits comprise transactions of the following categories:

- (a) Cash deposits from subordinates as security.
- (b) Cash deposits from contractors as security including percentage deduction from the bills
- (c) Deposits for works to be done
- (d) Sums due to contractors on closed accounts
- (e) Sums due to other Governments on closed accounts
- (f) Miscellaneous deposits

A test check conducted in July 2010 of the accounts of 17³⁸ Divisions (out of 121 Divisions) holding ` 231.62 crore under Public Works Deposits as on 31 March 2010 revealed the following:

2.8.1 General deficiencies

The deficiencies in financial control and non-observance of rules noticed during audit are detailed below

- According to para 15.4.1 (iii) of the Kerala Public Works Account Code, balances unclaimed for more than three completed account years should lapse and the amounts thereof should be credited to Government as ‘lapsed deposits’ in the month of March each year. It was noticed that in 13³⁹ out of 17 divisions, lapsed deposits amounting to ` 3.37 crore were not credited to Government account. In the remaining four divisions, details regarding lapsed deposits could not be ascertained as the information regarding dates of deposit was not available.
- The sub-head “Miscellaneous Deposits’ is intended for the temporary accommodation of statutory deductions such as the Family Benefit Scheme, Life Insurance, Sales tax, etc., and other items pending immediate clearance by credit/transfer to the respective heads of account. The total amount outstanding as of March 2010 in 17 Divisions worked

³⁸ Buildings division, Alappuzha, Ernakulam, Kollam, Kottayam, Kozhikode and Thiruvananthapuram; Harbour Engineering division, Kannur; Roads division, Alappuzha, Ernakulam, Kannur, Kollam, Kottayam, Kozhikode and Thiruvananthapuram; Special buildings division, Thiruvananthapuram and National Highway division, Kozhikode and Thiruvananthapuram.

³⁹ Buildings division, Alappuzha, Ernakulam, Kottayam and Kozhikode; Harbour Engineering division, Kannur; National Highway division, Kozhikode and Thiruvananthapuram; Roads division, Alappuzha, Kannur, Kottayam, Kozhikode and Thiruvananthapuram and Special Buildings division, Thiruvananthapuram.

out to ` 23.59 crore, indicating that funds credited were not paid to the respective agencies.

- In five⁴⁰ Divisions, bills amounting to ` 1.54 crore were not paid for want of Special Letter of Credit from the Government, even though the entire amounts were received as deposits from the department and the works had already been completed.

2.8.2 Irregular deposit of funds for Government works

The Public Works Department (PWD) is the executing agency for all Government works and provision of funds for such works is included in the Public Works Budget. Non-Government works are also executed by PWD out of funds deposited in cash or otherwise placed at its disposal and are termed 'deposit works'. According to clause 10.3.39 of the Kerala PWD Manual, works of Government departments executed by PWD when the provisions are included in those departments' budgets are treated as deposit works. The manual also prescribes that no deposit need be insisted upon in such cases. Only indication of willingness to accept debit raised by PWD is necessary. This is to ensure that only actual expenditure incurred during the year is debited to the concerned heads. In 11 (out of 17) test-checked divisions, ` 71.80 crore was remaining as deposit relating to Civil Departments as of March 2010. Details are given in **Appendix 2.16**. The following cases were also seen:

In seven⁴¹ out of these divisions, ` 6.37 crore was received as deposit during March 2010 for 52 works.

In three⁴² divisions, four works were at standstill. Even though agreements were executed for all the four works during 2004-05 and 2005-06 the reasons for not commencing the works were not intimated by the divisions except in the case of one division where the work had been abandoned subsequently. However, in this case, the deposit had not been refunded.

In three divisions⁴³, though ` 1.53 crore was received as deposit between April 2003 and August 2008 from Tourism, Jails, Animal Husbandry and Scheduled Castes Development Departments, works for ` 0.86 crore only were arranged in April 2009 and works for the remaining amount of ` 0.67 crore had not been arranged as of July 2010.

The lodging of budgeted funds in PW deposits even though such a procedure was not required under the rules to take up Government works, enabled Civil Departments to prevent lapse of budget provision and to retain unspent balances at the end of the financial year and use the same in subsequent years. This was highly irregular and negated the financial control of the Legislature over the Consolidated Fund.

⁴⁰ Buildings division, Kozhikode, National Highway division, Kozhikode; Roads division, Kollam and Thiruvananthapuram and Special buildings division Thiruvananthapuram.

⁴¹ Buildings division, Alappuzha, Ernakulam, Kottayam, Kozhikode and Thiruvananthapuram; Harbour Engineering division, Kannur and Special Buildings division, Thiruvananthapuram.

⁴² Special Buildings division, Thiruvananthapuram; Roads Division, Ernakulam and Buildings Division, Ernakulam

⁴³ Roads Division, Kollam; Buildings division, Kottayam and Buildings division, Kozhikode.

2.9 Conclusion

During 2009-10, expenditure of ` 36887.50 crore was incurred against total grants and appropriations of ` 50115.55 crore, resulting in savings of ` 13228.05 crore. The overall savings were the net result of savings of ` 13317.11 crore, offset by excess of ` 89.06 crore. Excess expenditure of ` 23.07 crore, in eight grants and two appropriations during 2009-10 required regularisation under Article 205 of the Constitution of India. Apart from this, regularization of excess expenditure under Article 205 of the Constitution of India was pending for ` 530.12 crore from 1990-91 to 2008-09 as of October 2010. In 33 cases, surrenders of funds amounting to ` 3477.53 crore were made on the last two working days of the financial year, while in 19 grants/appropriations, savings amounting to ` 870.72 crore were not surrendered. In 21 cases, ` 167.32 crore was surrendered in excess of actual savings. In 87 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 ` two crore.

2.10 Recommendations

- Budgetary controls need be strengthened in all the Government departments.
- Re-appropriation/surrender of funds may be done at the earliest in order to make the funds available to the needy departments of the Government.