

CHAPTER II

FINANCIAL MANAGEMENT AND BUDGETARY CONTROL

2.1 Introduction

2.1.1 The Appropriation Accounts are accounts of the expenditure, voted and charged, of the Government for each financial year, compared with the amounts of 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 so incurred is in conformity with the law, relevant rules, regulations and instructions.

2.1.3 As per the Kerala Budget Manual, the Finance Department is responsible for preparation of the annual budget by obtaining estimates from various departments. The departmental estimates of receipts and expenditure are prepared by the Heads of Departments and other Estimating Officers and submitted to the Finance Department on prescribed dates. The Finance Department consolidates the estimates and prepares the Detailed Estimates called 'Demands for Grants'. In the preparation of the budget, the aim should be to achieve as close an approximation to the actuals as possible. This demands the exercise of foresight both in anticipating revenue and estimating expenditure. An avoidable extra provision in an estimate is as much a budgetary irregularity as an excess in the sanctioned expenditure. The budget procedure envisages that the sum provided in an estimate of expenditure on a particular item must be that sum which can be expended in the year and neither in excess nor lesser. A saving in an estimate constitutes as much of a financial irregularity as an excess in it. The budget estimates of receipts should be based on the existing rates of taxes, duties, fees, etc.

Deficiencies in the management of budget and expenditure and violation of the provisions of Budget Manual noticed in audit have been discussed in the subsequent paragraphs.

2.2 Summary of Appropriation Accounts

The summarised position of actual expenditure during 2012-13 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
Voted					
I Revenue	44604.11	4122.88	48726.99	46863.55	1863.44
II Capital	6487.21	275.68	6762.89	4696.58	2066.31
III Loans and Advances	815.96	298.86	1114.82	1136.15	-21.33
Total Voted	51907.28	4697.42	56604.70	52696.28	3908.42
Charged					
IV Revenue	7438.32	51.22	7489.54	7410.83	78.71
V Capital	75.80	2.36	78.16	47.14	31.02
VI Public Debt Repayment	9682.47	0	9682.47	2804.08	6878.39
Total Charged	17196.59	53.58	17250.17	10262.05	6988.12
Appropriation to Contingency Fund (if any)	Nil	Nil	Nil	Nil	Nil
Grand Total	69103.87	4751.00	73854.87	62958.33	10896.54

Source: Appropriation Accounts 2012-13 and Appropriation Acts

The overall savings of ₹10896.54 crore was the result of savings of ₹11,384.55 crore in 34 Grants and 21 Appropriations under the Revenue Section and 25 Grants and six Appropriations under the Capital Section (**Appendix 2.1**), offset by excess of ₹488.01 crore in 10 Grants and one Appropriation under the Revenue Section and four Grants under Capital Section.

The status of savings/excess (as per Appropriation Accounts) was intimated (July 2013) to the Controlling Officers, requesting them to explain the significant variations. Out of 1250 sub-heads in respect of which savings/excess were reported, explanations for variations were not received (August 2013) in respect of 826 sub-heads.

2.3 Financial Accountability and Budget Management

2.3.1 Appropriation vis-à-vis Allocative Priorities

The appropriation audit revealed that in 17 cases, savings exceeded ₹10 crore in each case and were also more than 20 per cent of the total provision. Details are given in **Table 2.2**.

Table 2.2: List of Grants/Appropriation with savings of ₹10 crore and above in each case and more than 20 per cent of the total provision*(₹in crore)*

Sl.No.	Grant number and Name	Total Grant/ Appropriation	Savings	Percentage of savings
Revenue - Voted				
1.	II Heads of States, Ministers and Headquarters Staff	375.44	75.94	20.23
2.	XX Water Supply and Sanitation	665.25	134.23	20.18
3.	XXII Urban Development	1048.97	730.68	69.66
4.	XXVI Relief on Account of Natural Calamities	556.99	135.57	24.34
5.	XLI Transport	190.33	45.48	23.90
Total		2836.98	1121.9	
Capital – Voted				
6.	XXV Welfare of Scheduled Castes, Scheduled Tribes, Other Backward Classes and Minorities	90.92	60.31	66.33
7.	XXVII Co-operation	85.85	18.59	21.65
8.	XXIX Agriculture	236.68	129.92	54.89
9.	XXXIII Fisheries	161.65	53.18	32.89
10.	XXXV Panchayat	51.86	42.16	81.30
11.	XXXVIII Irrigation	554.13	294.30	53.11
12.	XXXIX Power	23.75	23.75	100.00
13.	XL Ports	570.78	307.13	53.81
14.	XLI Transport	1360.09	457.08	33.61
Total		3135.71	1386.42	
Revenue – Charged				
15.	III Administration of Justice	97.53	23.81	24.41
Capital – Charged				
16.	XV Public Works	75.05	30.66	40.85
17.	Public Debt Repayment	9682.47	6878.39	71.04
Total		9757.52	6909.05	
Grand Total		15827.74	9441.18	

Source: Appropriation Accounts 2012-13

Savings exceeding ₹100 crore in each case are discussed below:

(i) Grant No. 'XX-Water Supply and Sanitation' (Revenue-Voted)

The grant closed with a saving of ₹134.23 crore. Saving occurred mainly under the head 2215 - Water Supply and Sanitation - 01 Water Supply, 800 - other expenditure, 67 Add-on project of 'Jalanidhi', which stood at ₹69.82 crore against the allotment of ₹109.82 crore. Reason for the saving has not been intimated. Also savings of ₹33.65 crore was noticed under 2215-01-Water Supply, 190-Assistance to Public sector and other undertakings, 99- Grant-in-Aid to the Kerala Water Authority.

(ii) Grant No. 'XXII-Urban Development' (Revenue – Voted)

Against the original provision of ₹1047.94 crore, the expenditure was ₹318.29 crore resulting in a savings of ₹730.68 crore. Eighty eight *per cent* of the savings (₹647.60 crore) was surrendered only on 30 March 2013. Savings occurred mainly under the heads 2217-Urban Development-05-Other Urban Development Schemes, 800-Other Expenditure, 89-Jawaharlal Nehru National Urban Renewal Mission (Central Assistance) (₹263.05 crore), 2217-Urban Development-80-General, 800-Other Expenditure, 91-Kerala Sustainable Urban Development Project (₹173.00 crore) and 2217-03-Integrated Development of Small and Medium Towns, 191-Assistance to Municipal Corporations, 74-Urban Infrastructure Development Scheme for Small and Medium Towns(ACA) (₹129.21 crore). Reasons for the savings have not been intimated.

(iii) Grant No. 'XXVI-Relief on Account of Natural Calamities' (Revenue-Voted)

The Grant closed with savings of ₹135.57 crore. In view of the above savings, the supplementary grant of ₹263.86 crore obtained in August 2012 proved excessive. Against the savings ₹124.63 crore was surrendered only on 30 March 2013. Savings occurred mainly under the heads 2245-Relief on account of Natural Calamities-02 Floods, Cyclones, etc., 106-Repairs and restoration of damaged roads and bridges, 99- Repairs and restoration of damaged roads and bridges due to non-incurring of anticipated expenditure.

(iv) Grant No. 'XXIX-Agriculture' (Capital-Voted)

The Grant closed with savings of ₹129.92 crore. As the expenditure of ₹106.76 crore did not come up to the original allocation of ₹226.47 crore, the supplementary grant of ₹10.21 crore obtained in February 2013 proved wholly un-necessary. Of the available saving of ₹129.92 crore, ₹103.73 crore was surrendered only on 30 March 2013. Savings occurred mainly under the head, 4702-Capital Outlay on Minor Irrigation-101-Surface Water, 84-Priority works under Minor Irrigation (₹47.13 crore). Reasons for savings has not been intimated.

(v) Grant No. 'XXXVIII – Irrigation' (Capital-Voted)

The grant closed with a savings of ₹294.30 crore. In view of the expenditure of ₹259.83 crore against the original provision of ₹529.13 crore, the Supplementary grant of ₹25.00 crore obtained in August 2012 proved wholly un-necessary. Against the available saving, ₹261.26 crore was surrendered only on 30 March 2013. Savings occurred mainly under the head, 4701-Capital Outlay on Medium Irrigation-80 General, 800-other expenditure, 79-AIBP-Support for other need based programme (₹141.50 crore). Out of this savings, ₹86.62 crore was due to non-receipt of approved projects under the scheme. Reasons for the balance savings have not been intimated.

(vi) Grant No. 'XL-Ports' (Capital -Voted)

Against the total grant of ₹570.78 crore, expenditure was only ₹263.65 crore resulting in a savings of ₹307.13 crore. Of this saving, ₹306.43 crore was surrendered only on 30 March 2013. Savings occurred mainly under 5051-Capital Outlay on Ports and Light Houses-01 Major Ports, 001-Direction and Administration, 98-Investments in Major Capital Projects (Ports) (₹300.00 crore). Withdrawal of the entire provision under this head by resumption was due to non-implementation of the proposed activities.

(vii) Grant No. 'XLI-Transport' (Capital -Voted)

The Grant closed with a saving of ₹457.08 crore, out of which ₹384.40 crore was surrendered on 24 July 2012 and 30 March 2013. Saving occurred mainly under 5075-Capital Outlay on Other Transport Services-60 Others, 800-other expenditure, 79-Investment in Major Capital Projects (other Transport Services) (₹9.48 crore) and 5075 Capital Outlay on Other Transport Services -60 others, 800-other expenditure, 84 Priority Schemes under ThFC (₹25.00 crore).

2.3.2 Persistent savings

In six cases, there were persistent savings in excess of ₹50 lakh in each case and also by 20 per cent or more of the provision for the last three years as shown in **Table 2.3**.

Table 2.3: Persistent savings*(₹in crore)*

Sl. No.	Number and Name of Grant/Appropriation	Amount of saving (percentage)		
		2010-11	2011-12	2012-13
Revenue – Voted				
1.	XX Water Supply and Sanitation	263.16 (40)	220.79 (37)	134.23 (20)
2.	XXII Urban Development	563.04 (60)	371.44 (58)	730.68 (70)
Capital – Voted				
3.	XXV Welfare of Scheduled Castes, Scheduled Tribes, Other Backward Classes and Minorities	37.90 (34)	51.42 (51)	60.31 (66)
4.	XXIX Agriculture	77.29 (61)	135.03 (59)	129.92 (55)
5.	XXXVIII Irrigation	204.65 (44)	576.13 (78)	294.30 (53)
Capital – Charged				
6.	Public Debt Repayment	10376.07 (84)	6252.31 (68)	6878.40 (71)

Source: Appropriation Accounts 2010-11, 2011-12 and 2012-13.

In 45 subheads, there were persistent savings in excess of ₹ five crore in each case of the provision for the last three years. Details are given in **Appendix 2.2**.

2.3.3 Excess over provision during 2012-13

The Appropriation Accounts disclosed excess expenditure of ₹469.75 crore under Revenue Section (10 Grants and one appropriation) and ₹18.26 crore under

Capital Section (four Grants). This excess expenditure of ₹488.01 crore requires regularization under Article 205 of the Constitution as summarized in **Table 2.4**.

Table 2.4: Excess over provision requiring regularization during 2012-13
(₹ in crore)

Sl. No.	Number and title of Grant/Appropriation	Total Grant/Appropriation	Expenditure	Excess
Voted Grants – Revenue				
1.	I State Legislature	57.51	57.72	0.21
2.	V Agricultural Income Tax and Sales Tax	170.60	180.38	9.78
3.	IX Taxes on Vehicles	57.43	58.24	0.81
4.	X Treasury and Accounts	150.53	151.73	1.20
5.	XII Police	1819.17	1975.32	156.15
6.	XIII Jails	72.07	72.59	0.52
7.	XVI Pensions and Miscellaneous	10765.04	11027.60	262.56
8.	XVII Education, Sports, Art and Culture	10634.21	10663.93	29.72
9.	XXXI Animal Husbandry	371.93	376.73	4.80
10.	XLII Tourism	206.27	210.20	3.93
Total – Voted Grants – Revenue		24304.76	24774.44	469.68
Charged Appropriations - Revenue				
11.	I State Legislature	0.45	0.52	0.07
Total – Charged Appropriations – Revenue		0.45	0.52	0.07
Total-Revenue		24305.21	24774.96	469.75
Voted Grants – Capital				
12.	XVII Education, Sports, Art and Culture	141.22	142.40	1.18
13.	XIX Family Welfare	0.24	0.24	... ³²
14.	XX Water Supply and Sanitation	336.00	352.91	16.91
15.	XXVIII Miscellaneous Economic Services	1.77	1.94	0.17
Total - Voted Grants – Capital		479.23	497.49	18.26
Grand Total		24784.44	25272.45	488.01

Source: Appropriation Accounts 2012-13

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). Excess expenditure occurred under 41 Grants and eight Appropriations amounting to ₹1104.75 crore for the years 1990-91 to 2011-12, was to be regularised (September 2013) as

³² ₹41,000 only

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 2.3**.

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	1		21.12
1996-97		1	... ³³
1997-98	1		3.93
1998-99	1		7.88
2000-01	1		14.65
2001-02	2		29.08
2003-04	3		128.61
2006-07	1		1.28
2008-09	5	1	103.57
2009-10	8	2	23.07
2010-11	1	2	0.15
2011-12	15	2	771.01
Total	41	8	1104.75

Source: As per records maintained by the Principal Accountant General (G&SSA)

2.3.5 Unnecessary/Excessive/Inadequate Supplementary provision

Supplementary provisions aggregating ₹548.31 crore, obtained in 26 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 2.4**.

In 18 cases, against the additional requirement of ₹1,732.86 crore, supplementary grants of ₹2,412.29 crore were obtained, resulting in savings aggregating ₹679.43 crore (**Appendix 2.5**).

In eight cases, supplementary provision of ₹1,762.41 crore proved inadequate by more than ₹ one crore in each case, leaving uncovered excess expenditure of ₹469.30 crore (**Appendix 2.6**).

2.3.6 Excessive/unnecessary/insufficient 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 127 sub-heads even after re-appropriation as detailed in **Appendix 2.7**. Reasons for the variations were not furnished by the department/Government.

³³ ₹32,791 only

2.3.7 Substantial surrenders

Substantial surrenders (surrender involving more than 50 *per cent* of the total provision) were made in respect of 302 sub-heads on account of either non-implementation or slow implementation of plan schemes/programmes. Out of the total provision amounting to ₹3,129.78 crore in these 302 sub-heads, ₹2,496.77 crore (80 *per cent*) was surrendered which included cent *per cent* surrender in 39 sub-heads amounting to ₹914.79 crore as indicated in **Appendix 2.8**. Major surrenders include (i) ₹129.21 crore under 2217-03-191-74 Urban Infrastructure Development scheme for small and medium towns (ACA)(Plan) and (ii) ₹300 crore under 5051-01-001-98-Investment in major capital projects (Ports)(Non-plan).

2.3.8 Surrender in excess of actual saving

In 25 Grants the amounts surrendered (₹50 lakh or more in each case) was in excess of the actual savings indicating lack of or inadequate financial control. As against savings of ₹620.13 crore, the amount surrendered was ₹892.56 crore, resulting in excess surrender of ₹272.43 crore. Details are given in **Appendix 2.9**. Out of ₹272.43 crore, ₹108.94 crore was under the Grant no.XV-Public Works.

2.3.9 Injudicious surrender

In six Grants, surrender of ₹486.40 crore (₹10 lakh or more in each case) proved injudicious as there were eventual excesses under these Grants/Appropriations at the close of the financial year. Of this, ₹463.22 crore was under Grant no.XVII Education, Sports, Art and Culture, which includes ₹175.50 crore under 2202-02-800-50 Right of Children to Free and Compulsory Education. Details are given in **Appendix 2.10**.

2.3.10 Anticipated savings not surrendered

As per Paragraph 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 2012-13, there were, however, seven 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 ₹86.66 crore, the details of which are given in **Appendix 2.11**.

Similarly, out of the total savings of ₹10,676.87 crore under 32 Grants/Appropriations with savings of rupees one crore and above in each Grant/Appropriation, 38 *per cent* of savings amounts aggregating ₹4,066.91 crore were not surrendered, details of which are given in **Appendix 2.12**. Besides, in 45 major heads under 29 Grants ₹3,927.33 crore (**Appendix 2.13**) was surrendered on 31 March 2013 (surrender of funds in excess of ₹10 crore in each major head), indicating inadequate financial control and the fact that these funds could not be utilised for other development purposes.

2.3.11 Rush of expenditure at the end of financial year 2012-13

According to Paragraph 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 60 sub-heads listed in **Appendix 2.14**, expenditure of ₹10 crore and above and also more than 50 *per cent* of the total expenditure for the year was incurred in March 2013. In 24 Major Heads, more than 50 *per cent* of expenditure was incurred during the last month of the financial year, details are given in **Appendix 2.15**. Some major withdrawals made during March 2013, for which budget allocations were available at the beginning of the financial year, were ₹223.68 crore under 5051-01-001-99 Development of Vizhinjam Deep Water International Transshipment terminal and ₹796.04 crore under 2075-00-103-98 Commission for agents in ‘State Lotteries’.

2.3.12 Unexplained re-appropriations

Paragraph 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 1137 out of 2105 items (54 *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.

2.3.13 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 that out of ₹290.88 crore transferred and deposited in Treasury Savings Bank/Treasury Public Accounts by the department officers in 57 cases to avoid lapsing of funds, ₹220.42 crore remained unutilized as on July 2013. Out of the above 57 cases, the unutilised amount totaling ₹179.64 crore (out of ₹225.12 crore) exceeded ₹ five crore in each case in 14 cases as detailed in **Appendix 2.16**.

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.

2.4 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 Principal Accountant General (A&E), Kerala not later than the 20th of the succeeding month.

According to the records maintained by the Principal Accountant General (A&E) Kerala, 75 AC bills drawn by 47 DDOs up to March 2013 involving ₹1.75 crore were not adjusted as of June 2013 due to non-receipt of DC bills, details of which are enumerated in **Appendix 2.17**. Year-wise details are given in **Table 2.6**. Non-submission of DC bills leads to retention of advance amount drawn with the drawing officer and the advance drawn remains unaccounted under the proper heads of account.

Table 2.6: Pendency in submission of Detailed countersigned Contingent bills against Abstract Contingent bills

(₹ in crore)

Year	AC bills		Outstanding AC bills	
	No. of Items	Amount	No. of Items	Amount
2009-10	367	5.98	1	0.10
2010-11	395	3.52	1	0.06
2011-12	384	4.04	13	0.72
2012-13	417	3.84	60	0.87
Total	1563	17.38	75	1.75

Source: Information compiled by Principal Accountant General (A&E)

Audit noticed that one AC bill for ₹10 lakh drawn by Principal Agricultural Officer, Thrissur during 2009-10 and one AC bill for ₹5.50 lakh drawn by District Educational Officer, Malappuram during 2010-11 were not settled by presenting DC bills, even after lapse of two years.

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, Paragraph 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 Principal Accountant General (A&E), Kerala. Even though non-reconciliation of departmental figures is being pointed out regularly in CAG's Audit Reports, lapses on the part of the Controlling Officers in this regard continued to persist during 2012-13 also. Fifty five Controlling Officers did not reconcile expenditure amounting to ₹6920.44 crore as of June 2013. In respect of 30 Controlling Officers, amounts exceeding ₹10 crore in each case amounting to ₹6866.29 crore remained un-reconciled during 2012-13. The details are shown in **Appendix 2.18**.

2.5 Review of Selected Grants

Review of budget proposals, actual expenditure and fund management in respect of Grant No. XXIX Agriculture revealed the following.

2.5.1 Budget provision and expenditure

During 2012-13, provision was made in 220 sub-heads for this Grant, which included 112 plan heads and 108 non plan heads. Persistent savings were noticed under Capital Section during the last five years as shown in **Table 2.7**.

Table 2.7: Budget provision, expenditure and savings in Capital Section during the last five years

(₹ in crore)

Year	Budget Provision	Expenditure	Savings and its percentage
2008-09	82.00	31.37	50.63 (61.75)
2009-10	101.48	36.50	64.98 (64.03)
2010-11	126.95	49.67	77.28 (60.87)
2011-12	227.45	92.39	135.06 (59.37)
2012-13	236.68	106.76	129.92 (54.89)

Source : Detailed Appropriation Accounts for respective years

Savings ranged from 55 per cent to 64 per cent in the Capital Section. The high percentage of savings indicates over-estimation of actual requirements or poor control over expenditure during these years.

2.5.2 Savings under several heads

The Government in their Budget circular for 2012-13 (August 2011) instructed to prepare the budget estimates of expenditure as accurately as possible so that the amounts proposed did not turn out to be either excessive or inadequate. But contrary to this, provisions made under many sub heads during 2012-13 were excessive, resulting in huge savings in the Grant. Scrutiny of records and

Appropriation Accounts revealed a total savings of ₹353.81 crore under 151 sub heads. Savings of ₹ one crore and above out of these, noticed under 44 sub heads amounting to ₹312.76 crore are shown in **Appendix 2.19**. Further, analysis of the reasons for savings revealed that in the case of non-plan heads, savings was mainly due to over-estimation of pay, dearness allowance and wages and in the case of plan heads on account of non-implementation or slow implementation of the schemes/programmes. Although the outlay fixed for each scheme in the Annual Plan programme is usually taken as the basis for proposing provision in the Budget for plan schemes, the Controlling Officers had not taken into account the past performance and the institutional capacity of the department for effective implementation of schemes during formulation of budget. Huge savings and excess expenditure under several heads show the non-observance of Government direction.

2.5.3 Excess expenditure

Although the Grant showed an overall saving of ₹256.28 crore, the department exceeded the expenditure limit set by the Legislature through grants by ₹97.53 crore in 57 cases. Excess expenditure was more than ₹ one crore and also by more than 10 *per cent* of the total provision in each case under 11 sub heads amounting to ₹82 crore as shown in **Appendix 2.20**.

2.5.4 Rush of expenditure

It was noticed that more than 80 *per cent* in excess of budget provision was seen expended during the last two months under 21 schemes as shown in **Appendix 2.21**. The rush of expenditure was attributed mainly to delay in issuing Administrative Sanctions, in receiving plan proposal, etc.

2.5.5 Non-surrender/Non-re-appropriation of savings

As per Para 91 of the Kerala Budget Manual, spending departments are required to surrender Grants/Appropriations or portions thereof as and when savings are anticipated. Although substantial savings occurred under seven heads, no part of it was re-appropriated or surrendered. Details are given in **Table 2.8**.

Table 2.8: Non-surrender/Non-re-appropriation of savings

(₹ in crore)

Sl. No.	Head of account	Budget	Expenditure	Saving
1.	2415 Agricultural Research and Education-01-277-99-Kerala Agricultural University - Grant-in-Aid (P)	55.00	54.00	1.00
2.	2415 Agricultural Research and Education - 03-277-98-Infrastructure Development of Kerala Veterinary & Animal Sciences University – Rural Infrastructure Development Fund (RIDF) XVI (P)	20.00	0.00	20.00
3.	2415 Agricultural Research and Education - 03-277-99-Kerala veterinary and Animal sciences University (NP)	39.26	37.26	2.00

Sl. No.	Head of account	Budget	Expenditure	Saving
4.	2702 Minor Irrigation -01-800-88-Punja dewatering by pumps-subsidy (NP)	6.25	4.75	1.50
5.	4702 Capital Outlay on Minor Irrigation-00-102-98-National Hydrology Project (P)	1.87	0.94	0.93
6.	2551 Hill Areas-01-800-92-Other Programmes: Research, Monitoring & Evaluation and Training(P)	3.37	0.45	2.92
7.	4551 Capital Outlay on Hill Areas-01-800-99-Hill Area Development Authority (RIDF) (P)	25.00	0.00	25.00

Source: VLC data compiled by O/o the PAG (A&E), Kerala

On this being pointed out by Audit, the Government stated that the saving of ₹25.00 crore under ‘4551 Capital Outlay on Hill Areas -01-800-99-Hill Area Development Authority (RIDF) (P)’ was due to the non-sanctioning of RIDF scheme by Government even though proposals for ₹24.50 crore were furnished by Hill Area Development Agency. Government had decided not to recommend fresh projects to NABARD. As the Government was expecting an enhancement in allocation of RIDF during 2013-14, the Hill Area Development Agency presumed that budget provision of ₹25.00 crore need not be surrendered. The unutilized amount should have been surrendered sufficiently early so that it could be utilized for other schemes.

2.5.6 Surrender/Re-appropriation of savings on the last working day of the financial year

According to paragraph 93 (1) of the Kerala Budget Manual, the proposals for re-appropriation and surrender should reach Finance Department not later than 25 February every year. But the Director of Agriculture had submitted the proposals for surrender of funds to Government on 31 March 2013.

During 2012-13, out of the total saving of ₹353.81 crore, an amount of ₹246.85 crore was surrendered on the last working day of the financial year indicating lack of realistic financial planning and weak financial control which resulted in deprivation of funds for other development purposes. Also, the re-appropriations in respect of 108 heads for a total amount of ₹56.29 crore were made on the last working day of the year.

2.5.7 Inadequate/Unnecessary Supplementary Grants

The supplementary provision of ₹10.24 crore under the head ‘4702 Capital Outlay on Minor Irrigation -00-101-93-Minor Irrigation Class I Works-NABARD Assisted Scheme (P)’ proved inadequate as an amount of ₹5.04 crore was reappropriated later to provide for the excess expenditure under the same head.

The supplementary provisions of ₹22.02 crore shown in **Table 2.9**, obtained for various schemes proved unnecessary as the entire supplementary provision was not utilized.

Table 2.9: Unnecessary supplementary grant

(₹ in crore)

Sl. No.	Details of Scheme	Amount obtained as supplementary
1.	'2415-03-277-99-Kerala Veterinary and Animal Sciences University (NP)'	2.00
2.	2401-00-001-96-Strengthening of Agricultural Administration and introduction of training and visiting system of extension (NP)	0.02
3.	2401-00-104-86-Special Support Scheme for Farm Sector (NP)	20.00
Total		22.02

Source: Detailed Appropriation Accounts 2012-13

2.5.8 Insufficient/Injudicious surrender

The reduction made through surrender proved insufficient under 16 heads as even after the withdrawal of ₹24.02 crore through surrender, an amount of ₹3.99 crore remained unutilized.

Analysis of the resumption orders revealed that reduction through surrender amounting to ₹3.89 crore under 17 schemes were unnecessary as the expenditure incurred under these schemes exceeded the budget provisions. The surrender of non-existent surplus funds indicates the inability of the department to assess the eventual savings/excess accurately.

2.5.9 Re-appropriation and surrender of funds without ensuring availability

According to paragraph 84(3) of the Kerala Budget Manual, if the appropriation under a unit is reduced by re-appropriation or resumption, the expenditure debitable to the unit should be restricted to the reduced re-appropriation/surrender. It was noticed that, under 12 heads where allotments were reduced on the basis of resumption orders, excess expenditure amounting to ₹4.49 crore had occurred. The availability of funds was not properly assessed while issuing re-appropriation/resumption orders.

2.5.10 Surrender/Re-appropriation of major part of budget provision without utilization

Major portion of the grant is seen surrendered in the case of nine schemes. Out of the total budget provision of ₹62.97 crore under these heads, an amount of ₹59.17 crore was surrendered without utilization. Major part of the budget provision is seen re-appropriated without utilization under eight heads. Out of the total budget provision of ₹24.45 crore, amount of ₹24.13 crore was re-appropriated.

2.6 Inspection of treasuries

There were 23 District Treasuries, 188 sub-treasuries and 12 Stamp depots in the State as of March 2013. The Principal Accountant General (A&E), Kerala

inspected 133 treasuries (District Treasuries: 23; sub-treasuries: 107 and Check-post treasury: 3). Irregularities and deficiencies noticed during the inspection of treasuries are mentioned in the succeeding paragraphs.

2.6.1 Excess payment of pension

There was excess payment of pension/family pension amounting to ₹1.29 crore in 454 cases in 114 treasuries (including 17 district treasuries) during 2012-13. The main reasons for these excess payments were errors in calculation of revised pension, continuance of higher rate of family pension after expiry of authorized period, non-deduction of commuted portion of pension from basic pension, payment of ineligible festival allowance and medical allowance to family pensioners who are also in receipt of regular pension, and incorrect calculation of dearness relief. Out of the excess payment of ₹1.29 crore, treasuries recovered ₹0.48 crore and the balance amount of ₹0.81 crore remained to be recovered as of March 2013.

Year-wise details of excess pension including those pointed out during treasury inspection in earlier years that remains to be recovered as on 31 March 2013, were as shown below:

Table 2.10: Excess pension that remains to be recovered

(₹ in crore)

Year	Excess payment of Pension	Amount yet to be recovered
2008-09	0.35	0.01
2009-10	0.32	0.03
2010-11	0.59	0.01
2011-12	0.88	0.06
2012-13	1.29	0.81
Total	3.43	0.92

Source: Data furnished by O/o the PAG (A&E), Kerala

2.6.2 Non-submission of vouchers in support of payments

Two hundred and eighty one items of vouchers for expenditure of ₹2.56 crore were not received from 19 District Treasuries during 2012-13 (**Appendix 2.22**), out of which 102 vouchers (amounting ₹1.49 crore) related to Thiruvananthapuram District Treasury.

2.7 Analysis of Budgetary Assumptions

Every year while presenting the budget the details of the proposals of projected receipts and expenditure including new schemes to be implemented during the ensuing financial year are announced. An analysis of the budgetary assumptions relating to the new schemes proposed to be implemented in six Departments were made to ascertain:

- whether funds were made available for the schemes announced in the budget and
- whether these schemes were implemented.

The details of new schemes announced in the budget speech 2012-13 falling under these six departments, their budget provision and expenditure were as shown below:

Table 2.11: Status of implementation of schemes during the year

(₹ in crore)

Sl. No.	Name of Department	Number of new schemes			Amount		No of schemes implemented
		Announced in the budget speech	For which amount was specifically stated in the Budget speech		Provision made in the Budget	Expenditure	
			Number	Amount			
1.	Sports and Youth Affairs	9	8	10.85	@	0.76*	Nil
2.	Agriculture	10	8	536.00	12.00	13.97	2
3.	Scheduled Caste Development	6	5	117.50	@	53.45 ³⁴	2
4.	Social Justice	5	4	17.30	6.63	6.80	1
5.	Scheduled Tribe Development	5	4	3.40	@	0.27	Nil
6.	Tourism	5	3	15.45	15	3.97	1
	Total	40	32	700.50	33.63	79.22	6

Source : Budget documents and information collected from departments

@ Only token provisions are made

* Funds transferred to implementing agencies were not utilized (August 2013)

The scheme-wise details of amount announced in the budget speech, provision, expenditure and status of implementation are shown in **Appendix 2.23**.

Out of 40 new schemes announced, only six schemes were implemented. The total amount required for implementation of 32 schemes announced in the budget was ₹700.50 crore. But a provision of only ₹33.63 crore was made in the budget. However, an amount of ₹79.22 crore was spent for the implementation.

Government stated (September 2013) that after presentation of budget, Finance Department would send instructions to all Departments to initiate steps for implementation of the schemes mentioned in the budget speech. Initially token provision is made in the budget and sufficient funds provided after completing the procedures like formulation of DPR, issue of Administrative Sanction, etc. No separate mechanism was established in Finance Department for monitoring implementation of budget announcements. Government have constituted a monitoring committee in June 2013 chaired by Chief Secretary to monitor implementation of schemes announced in the budget.

³⁴ Diverted from SC corpus fund, meant for implementation of other schemes.

2.7.1 Non-implementation of schemes in the previous two years

Audit also examined the schemes announced in the budget speech for the years 2010-11 and 2011-12 in respect of Sports and Youth Affairs department and Tourism department. The extent of implementation of new schemes was as detailed below:

Table 2.12: Status of implementation of schemes in the past two years

(₹ in crore)

Sl. No.	Name of Department	Number of new schemes			Amount	
		Announced in the budget speech	For which amount was specifically stated in the Budget speech		Provision made in the Budget	Expenditure
			Number	Amount		
Sports and Youth Affairs						
1.	2010-11	7	6	424.20	1.00	1.00
2.	2011-12	6	3	1.75	-	6.25 ³⁵
Tourism						
1.	2011-12	6	4	1.65	0.50	0.50
Total		19	13	427.60	1.50	7.75

Source : Budget documents and information collected from departments

Out of 19 schemes announced no schemes were implemented. The amount required for the implementation of schemes as announced in the budget speech was ₹427.60 crore. However, provision made during the respective years was only ₹1.50 crore. Even though provision was made in the subsequent years the schemes were not implemented.

The budget speech reflects the priority of the Government and is a reflection of policy direction for the citizen. If the schemes announced are not implemented, the sanctity and importance of the budget speech gets defeated.

2.8 Conclusion

Against the total provision of ₹73,854.87 crore, the expenditure was ₹62,958.33 crore, which led to a saving of ₹10,896.54 crore (15 per cent³⁶). An excess of ₹488.01 crore was also incurred under 15 Grants/Appropriation, requiring regularization under Article 205 of the Constitution. An excess expenditure of ₹1,104.75 crore was not regularized so far. While supplementary provision of ₹548.31 crore obtained in 26 cases was unnecessary, re-appropriation of funds in 127 cases was made injudiciously, resulting in either unutilized provision or excess over provision. In 45 cases, ₹3,927.33 crore was surrendered on the last day of the financial year, while in seven grants/appropriation savings amounting to ₹86.66 crore were not surrendered. Even though, non-reconciliation of departmental figures is being pointed out regularly in CAG's Audit Reports,

³⁵ ₹6.25 crore was drawn during 2012-13 in respect of two schemes and transferred to National Games Secretariat.

³⁶ Saving in capital section was 31 per cent.

during 2012-13 also 55 Controlling Officers did not reconcile expenditure amounting to ₹6,920.44 crore as of June 2013. Adequate provisions were not being made for new schemes announced in the budget.

2.9 Recommendations

In addition to reiterating the recommendations made in the previous Audit Reports for exercising the much needed appropriation control in incurring expenditure, re-appropriating budget allocations and surrendering unutilized budget allocations, Audit specifically recommends that real time integrated Management Information System should be put in place. This would enable the Controlling officers as well as Finance Department in judicious allocation and utilisation of funds.

Government may also ensure that necessary budget allocations are made for implementing the new schemes announced in the budget speech.