

CHAPTER – II
Financial Management
and Budgetary Control

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 charged Appropriations 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 seeks to ascertain whether the expenditure so incurred is in conformity with the law, relevant rules, regulations and instructions on the subject.

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 2013-14 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	Savings in Percentage
Voted						
I Revenue	52888.43	3636.83	56525.26	52788.15	3737.11	6.6
II Capital	9494.86	1171.23	10666.09	5513.18	5152.91	48.3
III Loans and Advances	210.37	1.37	211.74	208.32	3.42	1.6
Total Voted	62593.66	4809.43	67403.09	58509.65	8893.44	13.2
Charged						
IV Revenue	7911.50	535.56	8447.06	8536.79	-89.73	-
V Capital	51.05	134.25	185.30	129.87	55.43	29.9
VI Public Debt Repayment	10104.30	0.00	10104.30	3244.81	6859.49	67.9
Total Charged	18066.85	669.81	18736.66	11911.47	6825.19	36.4
Appropriation to Contingency Fund (if any)	Nil	Nil	Nil	Nil	Nil	-
Grand Total	80660.51	5479.24	86139.75	70421.12	15718.63	18.2

Source: Appropriation Accounts 2013-14 and Appropriation Acts

The overall savings of ₹15,718.63 crore was the result of savings of ₹16279.31 crore in 40 Grants and 17 Appropriations under the Revenue Section and 27 Grants and seven Appropriations under the Capital Section (**Appendix 2.1**), offset by excess of ₹560.68 crore in four Grants and four Appropriation under the Revenue Section and two Grants under Capital Section. Compared to previous year, savings increased to 18 per cent of the total Grant/Appropriation from 15 per cent indicating deficiency in budgetary process.

Further, Audit analysed the savings (₹8893.44 crore) in the Voted category and observed the following. Details are given in **Appendix 2.2**.

- In the Revenue section savings (₹3,157.63 crore) was mainly under plan schemes of eight Grants (₹2,666.95 crore) and under non-plan schemes of two Grants (₹490.68 crore).
- In the Capital section it (₹5,145.40 crore) was under plan schemes of five Grants (₹1,761.57 crore) and non-plan schemes of five Grants (₹3,383.83 crore).

2.3 Financial Accountability and Budget Management

2.3.1 Appropriation *vis-à-vis* Allocative Priorities

The appropriation audit revealed that savings exceeding ₹10 crore were also more than 20 per cent of the total provision in 26 cases as given in **Table 2.2**.

Table 2.2: List of Grants/Appropriations showing substantial savings

(₹ in crore)

Sl.No.	Grant number and Name	Total Grant/ Appropriation	Savings	Percentage of savings
Revenue – Voted				
1.	XIX Family Welfare	500.30	145.57	29.10
2.	XX Water Supply and Sanitation	764.91	184.30	24.09
3.	XXI Housing	148.61	34.19	23.01
4.	XXII Urban Development	1341.11	1125.04	83.89
5.	XXIV Labour, Labour Welfare and Welfare of Non-Residents	827.25	191.98	23.21
6.	XL Ports	47.42	12.29	25.92
Total		3629.60	1693.37	
Capital – Voted				
7.	XII Police	30.95	30.93	99.94
8.	XVII Education, Sports, Art and Culture	393.73	193.00	49.02
9.	XVIII Medical and Public Health	189.51	59.19	31.23
10.	XX Water Supply and Sanitation	368.50	113.33	30.75
11.	XXIII Information and Publicity	12.21	10.32	84.52
12.	XXV Welfare of Scheduled Castes, Scheduled Tribes, Other Backward Classes and Minorities	115.60	82.32	71.21
13.	XXVII Co-operation	261.40	208.98	79.95
14.	XXVIII Miscellaneous Economic Services	2813.03	2421.19	86.07
15.	XXIX Agriculture	225.62	56.70	25.13
16.	XXX Food	88.18	20.76	23.54
17.	XXXI Animal Husbandry	30.82	17.73	57.53
18.	XXXV Panchayat	60.87	32.29	53.05
19.	XXXVII Industries	747.54	165.38	22.12
20.	XXXVIII Irrigation	603.41	396.46	65.70
21.	XXXIX Power	46.82	43.42	92.74
22.	XL Ports	373.83	223.55	59.80
23.	XLI Transport	1861.72	1051.74	56.49
24.	XLVI Social Security and Welfare	63.10	24.36	38.61
Total		8286.84	5151.65	
Capital – Charged				
25.	XV Public Works	75.00	52.60	70.13
26.	Public Debt Repayment	10104.30	6859.49	67.89
Total		10179.30	6912.09	
Grand Total		22095.74	13757.11	

Source: Appropriation Accounts 2013-14

Sub-heads in which substantial savings were occurred, under Grants having savings in excess of ₹100 crore, are given in **Appendix 2.3**.

2.3.2 Persistent savings

In six cases, there were persistent savings in excess of ₹50 crore 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)		
		2011-12	2012-13	2013-14
Revenue – Voted				
1.	XX Water Supply and Sanitation	220.79 (37)	134.23 (20)	184.30 (24)
2.	XXII Urban Development	371.44 (58)	730.68 (70)	1125.04 (84)
Capital – Voted				
3.	XXV Welfare of Scheduled Castes, Scheduled Tribes, Other Backward Classes and Minorities	51.42 (51)	60.31 (66)	82.32 (71)
4.	XXIX Agriculture	135.03 (59)	129.92 (55)	56.70 (25)
5.	XXXVIII Irrigation	576.13 (78)	294.30 (53)	396.46 (66)
Capital – Charged				
6.	Public Debt Repayment	6252.31 (68)	6878.40 (71)	6859.49 (68)

Source: Appropriation Accounts 2011-12, 2012-13 and 2013-14.

Audit analysed the reason for persistent savings in one of the above Grants (Grant no.XXII Urban Development) and observations are included in **paragraph 2.5** of this Report. Further, in 63 sub-heads, 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 2.4**. Persistent savings in these sub-heads indicate that departmental officers were not exercised desired checks while preparing budget estimates.

2.3.3 Excess over provision during 2013-14

The Appropriation Accounts disclosed excess expenditure of ₹488.15 crore under Revenue Section (four Grants and four appropriations) and ₹72.53 crore under Capital Section (two Grants). This excess expenditure of ₹560.68 crore as summarized in **Table 2.4** requires regularisation under Article 205 of the Constitution.

Table 2.4: Excess over provision requiring regularisation during 2013-14

(₹ in crore)

Sl. No.	Number and title of Grant/Appropriation	Total Grant/Appropriation	Expenditure	Excess	Excess in Percentage
Voted Grants – Revenue					
1.	I State Legislature	65.37	65.70	0.33	0.5
2.	IV Elections	39.38	41.48	2.10	5.3

Sl. No.	Number and title of Grant/Appropriation	Total Grant/ Appropriation	Expenditure	Excess	Excess in Percentage
3.	XIII Jails	76.65	80.40	3.75	4.9
4.	XVI Pensions and Miscellaneous	12950.12	13321.36	371.24	2.9
Total – Voted Grants – Revenue		13131.52	13508.94	377.42	2.9
Charged Appropriations – Revenue					
5.	I State Legislature	0.53	0.61	0.08	15.1
6.	Debt Charges	8184.47	8293.58	109.11	1.3
7.	XV Public Works	0.71	0.98	0.27	38.0
8.	XVI Pensions and Miscellaneous	23.71	24.98	1.27	5.4
Total – Charged Appropriations – Revenue		8209.42	8320.15	110.73	1.3
Total-Revenue		21340.94	21829.09	488.15	2.3
Voted Grants – Capital					
9.	XV Public Works	1525.44	1597.97	72.53	4.8
10.	XXXII Dairy	0.23	0.23	(*)	
Total - Voted Grants – Capital		1525.67	1598.20	72.53	4.8
Grand Total		22866.61	23427.29	560.68	2.5

Source: Appropriation Accounts 2013-14

(*) ₹20000 only

2.3.4 Excess expenditure 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 27 Grants and three Appropriation amounting to ₹1258.18 crore for the years 2011-12 and 2012-13, was to be regularised (September 2014) 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 2.5**.

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

(₹ in crore)

Year	Number of		Amount of excess over provision
	Grant	Appropriation	
2011-12	13	2	770.17
2012-13	14	1	488.01
Total	27	3	1258.18

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

2.3.5 Unnecessary/Excessive Supplementary provision

Supplementary provisions aggregating to ₹1,249.51 crore, obtained in 30 Grants/Appropriation (₹ one crore or more in each case) during the year, proved unnecessary as the expenditure did not come up to the level of even the original provisions as detailed in **Appendix 2.6**. It was also observed that in seven out of above 30 Grants/Appropriation, supplementary grants were obtained while more than 50 per cent of the original provision remained unutilised as shown in **Table 2.6**.

Table 2.6: Unnecessary Supplementary provision in Grants/Appropriation having 50 per cent unutilised original budget allocation

(₹ in crore)

Sl. No.	Number and name of Grant		Original Provision	Actual Expenditure	Savings out of original provision	Supplementary provision
Revenue – Voted						
1	XXII	Urban Development	1269.86	216.07	1053.79 (83)	71.25
Capital – Voted						
2	XII	Police	1.01	0.02	0.99 (98)	29.94
3	XXXI	Animal Husbandry	26.90	13.09	13.81 (51)	3.92
4	XXXVIII	Irrigation	578.41	206.95	371.46 (64)	25.00
5	XL	Ports	367.90	150.28	217.62 (59)	5.93
6	XLI	Transport	1836.72	809.98	1026.74 (56)	25.00
Capital – Charged						
7	XV	Public Works	50.00	22.40	27.60 (55)	25.00
Total			4130.80	1418.79	2712.01 (66)	186.04

Figures in brackets are percentage of saving against original provision

In 19 Grants/Appropriations, against the additional requirement of ₹710.38 crore, supplementary grants of ₹1,535.68 crore obtained during the year proved excessive (**Appendix 2.7**). This shows that departmental officers requested for supplementary grant without assessing actual requirement of funds.

2.3.6 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.

Augmentation of funds through re-appropriation was resorted to by departmental officers. However, audit analysis revealed that

- augmentation of budget allocation was wholly unnecessary in some sub-heads as the final expenditure was less than the budget allocation (original and supplementary grant) provided under it; and

- in some cases, though the augmentation was done through re-appropriation, it was either in excess of the actual requirement or less than the actual requirement.

Failure of the departmental officers in assessing the actual requirement of funds for execution of the scheme/activity has resulted in unavoidable savings/excess under these sub-heads detailed as in **Appendix 2.8**.

2.3.7 Substantial surrenders

During the year, substantial surrenders (surrender involving more than 50 per cent of the total provision and more than ₹one crore in each case) were noticed in 185 sub-heads. Out of the total budget allocation of ₹14,791.85 crore available in these 185 sub-heads, ₹13,431.72 crore (91 per cent) was surrendered which included cent per cent surrender made in 61 sub-heads amounting to ₹2,161.50 crore, as detailed in **Appendix 2.9**. Major schemes (budget allocation exceeding ₹50 crore) for which budget allocation was made and subsequently surrendered during the year are given in **Table 2.7** below:

Table 2.7 : Details of major schemes in respect of which budget allocation was surrendered during the year

(₹in crore)

Sl. No.	Grant No.	Name of the Scheme (Head of Account)	Budget allocation	Expenditure	Amount of Surrender
1.	XXVIII	Investment in Major Capital Projects (5475-00-800-89-NP)	1250.00	Nil	1250.00
2.	XLI	Investment in Major Capital Projects (5075-60-800-79-NP)	1500.00	Nil	957.55
3.	XXVIII	Projects under Legislative Assembly Constituency Asset Development Scheme (5475-00-800-91-NP)	315.00	Nil	314.60
4.	XL	Investment in Major Capital Projects (5051-01-001-98-NP)	300.00	Nil	200.01
5.	XXII	Urban Infrastructure Development scheme for small and medium towns (ACA) (2217-03-191-74-P)	162.49	Nil	162.49
6.	XXVII	Share Capital Contribution to District Co-operative Banks (4425-00-107-85-P)	129.50	Nil	129.50
7.	XVII	Projects under LACADF (P) (4202-02-800-85-NP)	129.15	Nil	129.15
8.	XXII	Basic Services to the Urban Poor (2217-05-800-83-P)	72.03	Nil	72.03
9.	XXVII	Share capital contribution to Kerala State Co-operative Bank (4425-00-107-86-P)	70.00	Nil	70.00
Total			3928.17	Nil	3438.13

Source: Detailed Appropriation Accounts

The surrender of funds meant for implementation of the above scheme would have adversely affected the socio-economic development of the State.

2.3.8 Surrender in excess of actual saving

In 20 Grants/Appropriations the amounts surrendered (₹ one crore or more in each case) was in excess of the actual savings indicating lack of or inadequate financial control. As against savings of ₹8,462.38 crore, the amount surrendered was ₹8,745.66 crore, resulting in excess surrender of ₹283.28 crore. Details are given in **Appendix 2.10**. Out of this excess surrender of ₹283.28 crore, ₹153.11 crore occurred under the Grant no.XVII-Education, Sports, Art and Culture (Revenue-voted).

2.3.9 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 2013-14, there were, however, two Grants and one Appropriation in which savings occurred but no part of which had been surrendered by the concerned departments. The amount involved in these cases was ₹147.43 crore, the details of which are given in **Table 2.8**.

Table 2.8 : Grants/Appropriations in which savings occurred but no part of which had been surrendered

			(₹ in crore)
Sl. No.	Number and name of Grant/Appropriation		Savings
Revenue - Voted			
1.	XV	Public works	145.24
Capital - Voted			
2.	XIV	Stationery and Printing and Other Administrative Services	2.17
Revenue - Charged			
3.	XLVI	Social Security and Welfare	0.02
Total			147.43

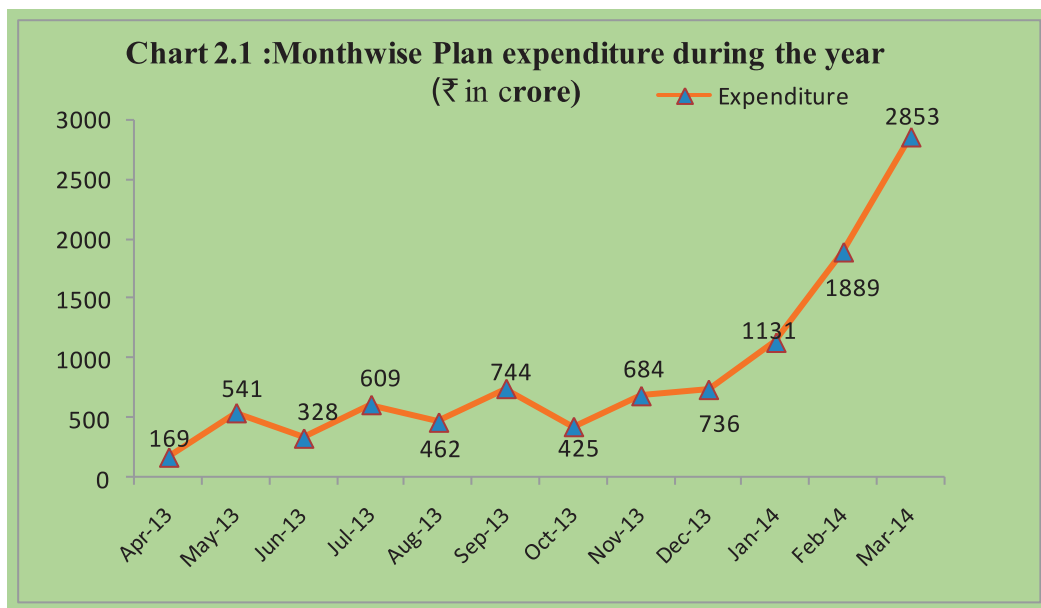
Source: Appropriation Accounts for 2013-14

Similarly, out of the total savings of ₹6,342.57 crore under 36 Grants/Appropriations with savings of rupees one crore and above in each Grant/Appropriation, 18 per cent of savings amounts aggregating ₹1,132.03 crore were not surrendered, details of which are given in **Appendix 2.11**. Besides, in 62 major heads under 36 Grants/Appropriations, ₹15,302.56 crore (**Appendix 2.12**) was surrendered on 31 March 2014 (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.

2.3.10 Rush of Expenditure

The State Legislature had passed the Appropriation Bill for the financial year 2013-14 and it became an Act on 17.7.2013. Consequently, the budget allocations were available to departmental officers for utilisation for the purposes earmarked in the budget. Paragraph 91(2) of Kerala Budget Manual states that rush of expenditure in the closing month of the financial year should be avoided. The departmental officers are required to regulate the flow of expenditure in such a

manner that there is no rush of expenditure, particularly during the closing month of the financial year.



Audit analysed the trend in withdrawal of plan funds (2013-14) provided in the budget and observed that more than 50 per cent of the funds were drawn during the last quarter (and 27 per cent during last month) as shown in **Chart 2.1**. Further, Audit analysed the plan expenditures of March 2014 and observed that majority of the plan expenditure incurred during March 2014 was under four major heads, viz. 2225-Welfare of Scheduled Castes, Scheduled Tribes, Other Backwards classes and Minorities (₹570.28 crore), 2202-General Education (₹358.93 crore), 2401-Crop Husbandry (₹164.25 crore) and 2230-Labour and Employment (₹135.41 crore). Further scrutiny of expenditure under the above major heads revealed that plan expenditures were for activities/schemes continuing from the previous year and therefore the flow of expenditure could have been regulated throughout the year and year end rush of expenditure could have been avoided. Major ongoing activities/schemes for which audit noticed a rush of expenditure in March 2014 were given in **Table 2.9**.

Table 2.9 : Funds utilised for major activities in March 2014

(₹ in crore)

Major head	Scheme/Activity	Funds utilised	
		In March	Total
2202	Pre-matric Scholarship for minorities (75% CSS)	109.65	109.65
2230	Plantation rehabilitation scheme	40.00	40.00
2230	Income Support to workers in traditional sector activities	55.00	75.00
2225	Block Grants for revenue expenditure	68.72	89.96
2225	Assistance for education to Scheduled Caste students	89.27	170.23
2225	House to houseless (SCP)	55.99	99.23
2225	Pooled fund for SCP	76.11	177.30
2401	Rashtriya Krishi Vikas Yojana	56.40	236.81

Source : Detailed Appropriation Accounts 2013-14

2.3.11 Delay in withdrawal of funds for new schemes

As per the existing system in the State, all new schemes announced in the annual budget and existing schemes involving deviation in terms of some components are to be considered for clearance by Working Group (WG) constituted in the Department, headed by the Secretaries of Administrative Department. After clearance by WG, Administrative Sanction (AS) is accorded by Administrative Department in consultation with the Finance Department. Funds for implementation of the scheme could be drawn from the Consolidated Fund only after completion of the above formalities. Further, AS is required for all schemes which do not require clearance of WG. In order to avoid delay in utilisation of plan funds, noticed in previous years, Finance (Planning B) Department, issued circular instructions to all the Heads of Administrative departments to convene WG and to clear the scheme proposals before 30 June 2013, mainly to provide sufficient time for Finance Department to release fund.

Audit test-checked 40³⁰ schemes with budget allocation in excess of ₹50 lakh in the original budget, which required WG clearance and AS and funds were withdrawn only during the month of March 2014. In spite of instructions about timely utilisation of funds, inordinate delay was noticed at various stages in respect of the 40 schemes test-checked in audit.

Table 2.10: Time taken at various stages

Stage	Time taken for clearance			Total number of schemes
	Below 3 months	3 to 6 months	More than 6 months	
Working Group	2	5	23	30
Administrative sanction	27	3	10 ³¹	40
Withdrawal of funds	27	9	4	40

As can be seen from the table;

- WG cleared only two out of the 30 schemes within the time stipulated in the above circular. Thus, the intended objective of the Finance department could not be achieved due to administrative delay in convening the WG.
- Three schemes took three to six months time and ten schemes (for which AS alone was required) took more than six months, indicating the laxity in according the AS by the Administrative Departments.
- Thirteen schemes took more than three months to draw the funds after the clearance by WG and obtaining AS.

Further analysis by Audit revealed that

- In majority of the test checked cases, the amounts shown as expenditure under respective heads of accounts were parked either in Treasury Savings

³⁰ 30 new schemes which were to be cleared by WG and 10 existing schemes for which only AS was required

³¹ For these schemes AS alone was required

Bank account or in other bank accounts.

- In 18 schemes, ₹96.80 crore shown as expended in Government account, remained blocked up in Treasury Savings Bank account or other bank account without being utilised at the end of June 2014.
- Funds for implementing 20 schemes (₹57.64 crore) were drawn on the last working day of the financial year, knowing that the money cannot be spent in that financial year.

Thus, in spite of specific directions to speed up scheme implementation process, Government machinery continued to lag behind at every stage of its administrative process, resulting in rush of expenditure during the fag end of financial year.

2.3.12 Unexplained re-appropriations

Paragraph 86 (3) of the Kerala Budget Manual lays down that the authority sanctioning re-appropriations should satisfy itself 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 was 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 322 out of 574 items (56 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. Thus, proper/detailed reasons for re-appropriations were not explained by various departments which is violative of the provisions of paragraph 86(3) of Kerala Budget Manual.

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 DC 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, 56 AC bills drawn by 31 DDOs up to March 2014 involving ₹1.79 crore were not adjusted as of June 2014 due to non-receipt of DC bills, details of which are enumerated in **Appendix 2.13**. Year-wise details are given in **Table 2.11**. 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 2.11: 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
2011-12	384	4.04	1	0.15
2012-13	417	3.84	2	0.22
2013-14	402	5.48	53	1.42
Total	1203	13.36	56	1.79

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

Audit noticed that two AC bills for ₹30 lakh (₹15 lakh each drawn during 2011-12 and 2012-13) drawn by Principal Agricultural Officer, Thrissur and one AC bill for ₹6.89 lakh (2012-13) drawn by Accounts Officer, City Police Office, Kochi were pending for more than one year.

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. During the year reconciliation for 70.72 per cent of the total receipts (₹26,610.19 crore out of ₹37,627.44 crore) and 67.10 per cent of the total expenditure (₹38,122.72 crore out of ₹56,810.69 crore) were completed. However, 20 Chief Controlling Officers, whose total transactions exceeded ₹50 crore did not reconcile their expenditure with the accounts maintained by Principal Accountant General (A&E). The details are shown in **Appendix 2.14**. This was not only violative of the provisions of paragraph 74 of Kerala Budget Manual but also indicative of doubts about the correctness of the expenditure figures supplied by departments concerned and the figures booked by Principal Accountant General (A&E), Kerala.

2.5 Review of Grant number XXII – Urban Development

According to the procedure laid down in Kerala Budget Manual, the Budget wing of the Finance department issues a circular every year, to all Heads of Departments and other estimating officers, requesting them to take steps for the preparation and submission of the Departmental estimates of Revenue and Expenditure for the ensuing financial year. The Departmental estimates are

scrutinized by the Finance Department in the light of the comments of the Administrative Departments, the figures of actual expenditure made available by the Accountant General and the information available with the Finance Department, modified wherever necessary and included in the budget.

The Departmental estimates are forwarded to the State Planning Board in the case of State Plan schemes and the Board allocates the total plan outlay fixed by Finance Department to different sectors and sub-sectors of the schemes based on the estimates and after detailed discussion with Departmental heads, forwards it to Finance Department for inclusion in the Budget.

Since persistent savings were noticed during the last three years under Grant No. XXII – Urban Development, a review was conducted to assess the accuracy in budgeting process and to ascertain the reasons for persistent savings noticed under the Grant. The total budget provision, expenditure and savings under Revenue and Capital sections of Grant for the years 2011-12 to 2013-14 are detailed in **Table 2.12:**

Table 2.12: Budget Allocation and expenditure under Grant No. XXII
(₹ in crore)

Year	Category	Budget Allocation	Expenditure	Savings	Percentage of savings
2011-12	Revenue	645.52	274.08	371.44	58
	Capital	90.78	90.28	0.50	1
2012-13	Revenue	1048.97	318.3	730.67	70
	Capital	13.60	3.60	10.00	74
2013-14	Revenue	1341.11	216.07	1125.04	84
	Capital	4.52	3.20	1.32	29

Source: Detailed Appropriation Accounts of the respective years

The savings under revenue sector increased from 58 per cent to 84 per cent, indicating deficient budgetary process in the department.

Director of Urban Affairs and Chief Town Planner are the Chief Controlling Officers for the heads of account coming under ‘Grant No. XXII-Urban Development’. Major schemes coming under this Grant were implemented through three agencies viz. Kerala Sustainable Urban Development Project (KSUDP), Kudumbashree and Suchitwa Mission. Audit scrutinised the budgetary process of the Urban Affairs Department, Office of the Chief Town Planner and the three agencies and the observations are given below:

2.5.1 Budget provision in excess of annual requirement made by department/implementing agencies

The Departmental estimates/Annual Plan proposals submitted by the Heads of Department, showing their annual requirement of fund is the basic document for the preparation of budget. **Table 2.13** shows that the budget allocations were much higher than the proposals given by the implementing agencies.

Table 2.13 : Budget allocation made in excess of proposals given

(₹ in crore)

Sl. No.	Name of scheme	Year	Amount proposed by implementing agencies	Total budget provision	Amount utilised	Savings	% of savings
1.	Integrated Housing and slum development programme	2012-13	29.90	40.00	13.90	26.10	65
		2013-14	20.60	50.31	12.84	37.47	74
2.	Basic Services to the Urban Poor (BSUP)	2012-13	54.69	57.28	43.14	14.14	25
		2013-14	54.68	72.03	Nil	72.03	100
3.	Kerala Sustainable Urban Development Project	2012-13	260.00	273.00	100.00	173.00	63
4.	Rajiv Awas Yojana (RAY)	2011-12	Token	1.00	Nil	1.00	100
Total			419.87	493.62	169.88	323.74	66

Source: Detailed Appropriation Accounts and information collected from departments

It could be seen that the budget allocation was 18 per cent in excess of the proposal given by the implementing agencies and the percentage of utilisation was only 34 per cent of the allocation and there was no justification for the excess allocation. The Finance Department stated that the resource estimate/budget estimate would vary with the proposals submitted by the departments in certain cases as the annual plan was finalised with modification suggested by Planning Commission of Government of India. This reply cannot be accepted as the Finance Department made the allocation without considering the scope for expenditure or confirming the correctness of the proposals/modifications made by the Planning Commission.

Swarna Jayanti Shahari Rozgar Yojana, a Centrally sponsored scheme (shared in the ratio 75:25 between GoI and GoK) with Central share due to the scheme was directly transferred to implementing agency (Kudumbashree) without routing it through State budget. An amount of ₹49.32 crore (from 2011-12 to 2013-14) was provided in the budget, which was much higher than State share due for release during the period. Consequently a saving of ₹43.38³² crore occurred under this head of account.

2.5.2 Under-utilisation of budget allocation

Substantial savings were noticed under a few heads of account due to various reasons and the instances are summarised below:

a) Provisions made in the budget, anticipating GoI release

Non-submission of utilisation certificates, reduced utilisation of funds and non-submission of detailed project reports by the departments/implementing agencies contributed to non-release of Grant by GoI. This resulted non-utilisation of budget allocation in respect of the Centrally sponsored schemes. Details are given in **Table 2.14**.

³² During 2012-13, ₹5.94 crore was released, being the additional GOI grant for the year 2011-12 received through State budget

Table 2.14 : Savings under centrally sponsored schemes
(₹ in crore)

Sl. No.	Head of account and name of scheme	Year	Total budget provision	Expenditure	Savings	Percentage of savings
1.	2217-80-800-74(P) Integrated low cost sanitation project(100% CSS)	2011-12	6.65	1.25	5.40	81
		2012-13	7.93	Nil	7.93	100
		2013-14	5.00	3.75	1.25	25
2.	2217-80-800-72(P) Preparation of city sanitation plans for 20 Municipalities (100% CSS)	2012-13	0.80	Nil	0.80	100
		2013-14	0.80	Nil	0.80	100
3.	2217-80-800-70 (P) Rajiv Awas Yojana (RAY) (50% CSS)	2012-13	49.20	18.52	30.68	62
		2013-14	134.00	3.31	130.69	98
4.	2217-05-800-82 (P) Capacity building of Urban Local bodies	2011-12	7.72	Nil	7.72	100
5.	2217-05-800-87(P) National Urban Information System Scheme(75% CSS)	2011-12	0.24	Nil	0.24	100
		2012-13	0.24	Nil	0.24	100
		2013-14	0.24	Nil	0.24	100

Source: Detailed Appropriation Accounts

b) Savings due to non-release of funds to implementing agencies

Budget allocations made in anticipation of GOI release, were not released to implementing agencies due to treasury restriction, even after receipt of GOI share which resulted in savings under following heads of account:

- An amount of ₹14.06 crore released by GOI (9.9.2013) being the Central share of the scheme 'Basic Services to the Urban Poor' was not released (August 2014) by State Government, though budget allocation of ₹72.03 crore under the head of account 2217-05-800-83 (P) was available.
- Similarly, no fund was released against the provision of ₹7.50 crore made in the budget for release of State share corresponding to Central share (in respect of Swarna Jayanthi Shahari Rozgar Yojana) which resulted in savings under this head.

c) Persistent savings

It was observed that substantial portion of the budget allocation remained unutilised due to non-achievement of projected financial outlays in respective years. The Finance Department/Administrative department/Planning Board made budget allocation without considering the previous years' expenditure which resulted in persistent savings under the head of accounts given in **Table 2.15**.

Table 2.15 : Schemes which showed persistent Savings
(₹ in crore)

Sl. No.	Head of account and name of scheme	Year	Budget provision	Expenditure	Savings	Percentage of savings
1.	2217-80-800-91(P) Kerala Sustainable Urban Development Project	2011-12	105.00	50.00	55.00	52
		2012-13	273.00	100.00	173.00	63
		2013-14	250.00	50.00	200.00	80

Sl. No.	Head of account and name of scheme	Year	Budget provision	Expenditure	Savings	Percentage of savings
<p>This is an Asian Development Bank assisted project, with a project outlay of ₹1,422.47 crore, expected to be completed by June 2016. So far, only ₹560.93 crore was released to the implementing agency under this head of account. Project Director informed that delay in acquisition of land in urban areas, public objection against solid waste and sewerage projects, need for re-tendering due to revision of schedule of rates, etc affected the smooth progress of the project. Consequently, entire budget allocation could not be utilised in any of the years.</p>						
2.	2217-03-191-74 (P)Urban Infrastructure Development for Small and Medium Town (Additional Central Assistance)	2011-12	70.30	0.06	70.24	99
		2012-13	129.21	Nil	129.21	100
		2013-14	162.49	Nil	162.49	100
<p>This is a Centrally sponsored scheme, started in 2006-07 and was expected to be completed by March 2014. Against the total project outlay of ₹427.78 crore, ₹329.12 crore has been released to the implementing agency. The project aimed at installing solid waste treatment plant, drinking water project and sewerage projects in Municipalities. Project Director informed that out of 11 solid waste treatment projects eight were not started or cancelled due to public protest. In the case of drinking water projects acquisition of land, permission for road cutting, etc., caused delay in implementation of the project.</p>						
3.	2217-05-800-89(P)Jawaharlal Nehru National Urban Renewal Mission (Central Assistance)	2011-12	175.60	108.18	67.42	38
		2012-13	374.67	66.62	308.05	82
		2013-14	471.17	25.00	446.17	95
<p>This is a Central sector scheme started in 2005 and was expected to be completed by March 2014. The scheme is intended to provide drinking water facilities, sewerage project, solid waste treatment plant, public transport system, etc in Thiruvananthapuram and Kochi Corporations. Against the total project outlay of ₹1140.87 crore, only ₹585.12 crore was released to the implementing agencies. Project Director intimated that apart from purchase of buses for public transport system, all other projects faced public protest, which caused delay in implementation.</p>						
4.	2217-05-191-80 (P)Integrated Housing and slum development programme (in Municipal Corporations)	2011-12	16.50	Nil	16.50	100
		2012-13	12.00	Nil	12.00	100
		2013-14	15.00	Nil	15.00	100
5.	2217-05-192-81 (P)Integrated Housing and slum development programme (in Municipalities)	2011-12	38.50	6.75	31.75	82
		2012-13	28.00	13.90	14.10	50
		2013-14	35.31	12.84	22.47	63
<p>The above two schemes were intended to provide houses to urban poor and Kudumbashree was the nodal agency for implementing the schemes. Kudumbashree submitted the budget proposals based on the proposals received from Urban Local Bodies(ULBs). However, failure of the ULBs to implement the project as expected resulted in non-withdrawal of funds by Kudumbashree and consequent savings under the heads.</p>						
6	2217-80-192-91(P) Modernisation of slaughter houses	2011-12	13.00	Nil	13.00	100
		2012-13	15.00	Nil	15.00	100
		2013-14	10.00	6.45	3.55	36
<p>Scheme could not be implemented due to non-receipt of feasible project proposals from ULBs, non-acquiring of land and public protest in the first two years. However, during the year 2013-14, ₹ 6.45 crore was released to 15 ULBs in March 2014.</p>						

Source: Detailed Appropriation Accounts and information received from departments

Thus an amount of ₹1754.95 crore was not utilised by the departments/ implementing agencies due to various reasons mentioned above resulted in savings under the respective sub-heads. The budget could have been prepared by

analyzing the expenditure trend of previous years and also taking into account constraints faced by the agencies in implementation of the schemes.

2.5.3 Surrender of savings

According to Paragraph 91 of Kerala Budget Manual all the anticipated savings should be surrendered to the Finance Department, through the Administrative Department, explaining the reason there for, immediately without waiting till the end of the year, unless they are required to meet excess under other units, which are definitely foreseen at the time. According to Paragraph 93 of Kerala Budget Manual the surrender proposals should reach the Administrative Department not later than 15 February. Though substantial savings were available under a number of heads of account, surrender proposals were not initiated in the departments as stipulated in the Budget Manual. During the last three years, the Heads of Department/Implementing agencies surrendered an amount of ₹2135.47 crore on 30/31 March, thereby defeating the very purpose of surrender of funds to Finance Department.

Even after huge savings occurred under the Grant year after year, proper rectificatory mechanism was not put in place during the budget preparation process which indicates lack of adequate budgetary control and oversight from the department.

2.6 Inspection of treasuries

There were 23 District Treasuries, 191 sub-treasuries and 12 Stamp depots in the State as of March 2014. The Principal Accountant General (A&E), Kerala inspected 147 treasuries including Directorate of Treasuries and three Regional Directorates (District Treasuries: 22; sub-treasuries: 109 and Stamp depot: 12). Irregularities and deficiencies noticed during the inspection of treasuries are mentioned in the succeeding paragraphs.

2.6.1 Excess payment of pension

During the course of treasury inspection excess payment on account of pension/ family pension amounting to ₹1.01 crore was noticed in 1979 cases. 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 above excess payment, ₹0.18 crore involved in 680 cases have already been recovered. Details are shown in **Table 2.16**.

Table 2.16: Excess pension that remains to be recovered

(₹ in lakh)

Sl. No.	Details of Excess paid pension	Excess paid		Recovered		Balance	
		No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
1	Excess payment of pension	268	33.32	106	7.99	162	25.33
2.	Excess payment of family pension	91	22.71	17	1.33	74	21.38
3.	Excess payment of festival allowance and Medical allowance	1596	26.64	554	8.26	1042	18.38
4.	Excess payment of inter-state pension	24	18.76	3	0.30	21	18.46
Total		1979	101.43	680	17.88	1299	83.55

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

2.6.2 Retention of excess cash balance

According to Rule 309 of Kerala Treasury Code Vol.I, every year in January, Government fixes the maximum cash balance for each District Treasury for the next financial year. The District Treasury Officer in turn fixes the cash balance for each Sub Treasury in the district. The actual cash balance in treasury should ordinarily be kept much below the normal maximum balance fixed for a treasury so that Government's credit balance in the Reserve Bank of India may be as large as possible. More over excess retention of cash balance in treasuries may cause loss of revenue to the State by way of loss of interest on investment, payment of interest on ways and means advances, etc. Excess retention of cash balance was noticed in 90 treasuries/sub treasuries on 825 occasions during the financial year. The Director of Treasuries admitted the facts and stated that circular instructions were issued to the District Treasury Officers/Sub-Treasury Officers to avoid retention of excess cash.

2.6.3 Short/non-recovery of rent of residential quarters

House rent at the rate of two *per cent* of basic pay (as per paragraph 14 of GO(P) 85/2011/Fin dated 16 February 2011) is to be recovered with effect from the date of coming over to the revised scale in the case of employees residing in Government quarters and whose scale of pay is 21240-37040 and above. In the case of employees covered under UGC/AICTE scale of pay, rent at the rate of four *per cent* of their basic pay is to be recovered (paragraph 14 of the Pay Revision Orders 2009). During the year, short/non-recovery of house rent were noticed in 80 cases amounting ₹4.29 lakh in 50 treasuries

2.7 Analysis of Budgetary Assumptions

Budget document is presented by the Finance Minister every year in the State Legislature giving an estimation of the anticipated revenue and expenditure of the

Government, along with the highlights of new schemes to be introduced in the ensuing year in accordance with the vision of the Government. Audit conducted a study to ascertain the progress in implementation of new schemes announced in the budget speech 2013-14 by selecting 40 schemes having projected outlay of Rupees five crore or more. Audit also examined further progress in implementation of new schemes announced in the previous years' budget speech which was included in Paragraph 2.7 of Audit Report on State Finances 2012-13.

2.7.1 Status of implementation of new schemes announced in the budget speech 2013-14

The department-wise budget allocation and expenditure of forty new schemes with projected outlay of Rupees five crore or more are as detailed in **Table 2.17**.

Table 2.17 : Status of implementation of new schemes

(₹ in crore)

Sl. No	Name of department	Number of new schemes	Number of schemes for which			Amount announced in the budget speech	Amount provided in the budget	Amount drawn for the scheme	Amount utilised in next financial year(*)
			Token amount provided	Fund provided but not drawn	Funds utilised				
1	Agriculture	4	1	1	2	65.00	35.45	24.85	4.50
2	Animal Husbandry	2	0	1	1	46.00	2.50	2.00	0.04
3	Fisheries	1	1	0	0	65.00	0.00	0.00	0.00
4	Health and Family Welfare	5	1	0	4	51.00	28.00	27.76	3.50
5	Higher Education	5	2	0	3	54.00	6.75	5.18	1.46
6	Industries	2	1	1	0	15.00	0.01	0.00	0.00
7	Information Technology	3	2	1	0	51.00	10.00	0.00	0.00
8	Labour and Rehabilitation	1	1	0	0	7.00	0.00	0.00	0.00
9	Minority Welfare	1	0	0	1	5.00	5.00	19.00 ³³	2.09
10	Power	1	0	0	1	8.00	4.00	4.00	0.00
11	Public Works	7	6	1	0	86.00	0.01	0.00	0.00
12	Social Justice	2	2	0	0	15.50	0.00	0.00	0.00
13	Water Transport	1	1	0	0	5.00	0.00	0.00	0.00
14	Urban Development	2	1	0	1	15.00	0.50	0.19	0.00
15	Water Resources	3	1	2	0	80.15	15.00	0.00	0.00
	Total	40	20	7	13	568.65	107.22	82.98	11.59

Source: Budget speech 2013-14 and information received from departments

The above table shows that no expenditure was incurred in the year in which the Budget announcement was made. Only 10.8 per cent of the amount provided for the schemes in the budget was utilised even as of 31 August 2014 in respect of 13 schemes. Audit analysed the reason for non-implementation and delay in implementation of the 27 schemes and observed the following:

³³ Re-appropriated an amount of ₹14 crore from 2225-04-183-99 (P)

* Position as on 31 August 2014

(i) Non-submission of project proposals by the departments

It was observed that the Administrative Departments did not submit/initiate project proposals in respect of the seven schemes given in **Table 2.18**.

Table 2.18: Schemes for which no project proposals was submitted

Sl. No	Name of scheme/Department	Remarks of the department
1.	Professional education scholarship for students hailing from economically backward among forward communities (Higher Education)	Sanction for creation of new posts was not received. Hence scheme was not implemented.
2.	Placement cells in all colleges, polytechnics and ITIs to ensure placement to students (Higher Education)	No action was taken by the Director, Collegiate Education to implement the scheme and Director, Technical Education and the Director, Employment and Training did not submit any project proposals since the placement cells are already functioning under Engineering colleges, polytechnics and ITIs.
3.	Career Development training centres in each district (Labour and Rehabilitation)	No project proposal was submitted as the department could not conduct a study about the scheme.
4.	Farmer's producer societies and farmers' markets – markets with cold storage facilities (Agriculture)	Project proposals were not submitted to Government. Awareness training for formation of farmer production company has been done.
5.	Integrated Mental Health Programme - Life long shelter homes for mentally challenged children (Social Justice)	No project proposal was submitted as the department did not have any experience in implementation of the scheme.
6.	Water taxi service connecting Railway-bus stations with nearby places at Thrissur, Alappuzha, Kottayam and Chengannur (Water Transport)	No action was initiated by the Water Transport Department on the plea that the scheme did not pertain to them.
7.	Establishment of modern mechanized parking systems in urban areas (Urban Development)	The department did not initiate any action as project proposals were not obtained from ULBs

Source: Budget speech 2013-14 and information received from departments

In order to expedite implementation of scheme, it was stated in the budget that the plan formulation would be completed in the months of April and May and services of technical experts would be utilised at various levels. It was also stated that the responsibility of execution of each scheme is vested with a specific official subject to the general control by the Government Secretaries and Heads of Departments.

Audit observed that schemes were not commenced due to non submission of proposals by the departments, absence of proper monitoring at Government level, lack of services of technical experts in plan formulation and non-identification of responsible officials for execution of the schemes.

(ii) Non-allocation and release of funds by Government

Though departments obtained administrative sanction (AS) for the following schemes, funds were not released by Government during 2013-14 due to various reasons as detailed in **Table 2.19**.

Table 2.19 : Schemes for which no funds released even after obtaining AS

Sl.No.	Name of scheme	Remarks
Agriculture		
1.	Agricultural complex in Thrissur with participation of Animal Husbandry, Dairy Development and Fisheries departments and with central assistance	Though AS for ₹2.00 crore has been issued (12.2.2014) for the scheme and ACA of ₹0.60 crore received on 28.2.2014, State share along with ACA has not been released to the Department. Government did not specify the implementing agency also.
Information Technology		
2.	Modern building for Kerala State IT Mission	AS for ₹10 crore was accorded by the Administrative Department only on 12.2.2014. Finance department rejected the proposal (26.3.2014) on the ground that the Administrative Department has not completed all the procedural formalities, funds could be met from next year's allocation.
3.	Setting up of an 'Innovation Zone' at Kochi as part of student entrepreneurship programme	AS for ₹10 crore was accorded on 31.12.2013. But funds were not released for the project.
4.	Setting up of electronic fabrication laboratory each at Technopark TVM and Start up Village Kochi	AS accorded on 14.3.2014 for ₹7.10 crore. Finance Department sanctioned the amount subject to the condition that the required funds shall be found out from the matching savings within the grant.
Industries		
5.	Coir Export Processing Park at Alappuzha	AS obtained on 12.11.2013 for ₹4.95 crore But the proposal for providing funds under Supplementary Grant was not accepted

Source: Budget speech 2013-14 and information received from departments

In the second review meeting convened (July 2013) by Additional Chief Secretary (P&ARD and Labour) to watch the progress of implementation of budget speech announcements 2013-14, it was suggested that in the case of schemes for which token provision were included in the Supplementary Demands for Grants of July 2013, the department concerned should immediately move for additional authorization. But in the above cases even though the departments concerned requested for release of funds, but was not provided, which resulted in non-implementation of these projects.

The remaining 15 schemes were analysed and audit observed the following:

- In nine schemes, no expenditure was incurred after obtaining administrative approval due to delay in identifying beneficiaries, delay in execution of work entrusted to Public Works/Water resources Departments, etc.

- In three schemes AS was not given by Government for want of environmental clearance, pending purchase of land and pending clearance from railways.
- In respect of the remaining three schemes, proposals of two schemes were rejected by Government and investigation study was under progress in one scheme.

(iii) Utilisation of funds

Audit noticed that only ₹11.59 crore out of a total amount of ₹82.98³⁴ crore drawn for 13 schemes was actually expended as on 31 August 2014. Unutilised amount of ₹69.69 crore was parked in commercial banks/treasury accounts due to reasons such as works were at various levels of execution, delay in utilisation of financial assistance already given to the beneficiaries, etc.

2.7.2 Status of implementation of new schemes of previous years' budget speech

Audit also examined further progress in implementation of new schemes announced in the budget speech from 2010-11 to 2012-13 which was included in Paragraph 2.7 of Audit Report on State Finances for the year ended 31 March 2013. Out of 59 new schemes reviewed during the previous year, funds were drawn in respect of 17 schemes as on 31 March 2013. It was also noticed that funds were drawn during 2013-14 for 12 more schemes for which no funds were drawn during the previous years. Other 30 schemes were either dropped or not implemented due to reasons such as non-availability of fund, non-submission of project proposals etc.

Thus, majority of the schemes did not materialize due to lack of initiative in implementation by the administrative departments concerned and laxity on the part of Finance Department in releasing funds and hence remained only in budget speech, which is indicative of lack of planning, deficiencies in execution despite Government's intention expressed through budget speech.

2.8 Conclusion

As in the previous year, this year also there was overall savings (₹15,718.63 crore) against the total budget allocation of ₹86,139.75 crore. Fifty seven Grants/Appropriations under Revenue section and 34 Grants/Appropriations under Capital section had savings, which indicated deficiency in budgetary process or incapability of departmental officers in utilisation of funds provided in the budget. Failure of the departmental officers in assessing the actual requirement of funds for execution of the scheme/activity has resulted in unavoidable savings/excess under a few sub-heads. Substantial portion (91 per cent) of the budget allocation

³⁴ ₹1.70 crore was returned to respective Medical colleges by KMSCL

was surrendered in 185 sub-heads and which included cent *per cent* surrender made in 61 sub-heads.

Though there was instruction to convene meetings of working group and clear the project proposals before 30 June 2013, delay in convening the same and clearing project proposals caused delayed withdrawal of funds. As substantial portion of the plan allocation was drawn during the last quarter of the financial year, the funds were either parked in Treasury Savings Bank account or other bank accounts. Grant no. XXII-Urban Development (under revenue section), continued to show huge savings year after year due to deficiency in the budgetary process in the department. Without assessing the requirement of funds and also capacity of the implementing agency to utilise budget allocation, huge funds were provided in the budget for implementation of Central sector schemes. Consequently, budget allocations remained unutilised at the end of the year. Only 13 out of 40 new schemes (projected outlay of five crore or more) announced in the budget speech for 2013-14 was implemented and expenditure incurred was only 10.8 *per cent* of the amount provided for the scheme in the budget. This showed non-materialisation of proposals made in the budget speech.

2.9 Recommendations

After analysing the Appropriation Accounts and conducting a study on selected issues following recommendations are made for consideration of the Government.

- The Finance Department may be guided by reports pointing out persistent savings in past years to make their budget estimation more realistic.
- The expenditure statements/warning slips issued by the Accountant General (A&E) to the Controlling Officers should be used effectively to control appropriation during the year.
- Budget proposals for schemes under Grant number XXII-Urban Development may be routed through Director of Urban Affairs to ensure realistic estimation in budget.
- System of convening Working Group, issuing Administrative Sanction, etc. may be reviewed by Finance Department to avoid delay in utilisation of funds provided in the budget.