

CHAPTER II
FINANCIAL MANAGEMENT
AND
BUDGETARY CONTROL

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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 the 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 foresight in anticipating revenue and 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 it should not be over or under expenditure. 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 2014-15 against 48 Grants/Appropriations is given in **Table 2.1**.

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

(₹ in crore)						
Nature of Expenditure	Original Grant/Appropriation	Supplementary Grant/Appropriation	Total	Actual Expenditure	Saving(-)/Excess(+)	Savings/Excess in percentage
Voted						
I Revenue	62630.99	7564.13	70195.12	62418.42	(-)7776.70	11.1
II Capital	6625.94	1733.96	8359.90	4324.70	(-)4035.20	48.3
III Loans and Advances	803.59	86.20	889.79	743.09	(-)146.70	16.5
Total Voted	70060.52	9384.29	79444.81	67486.21	(-)11958.60	15.1
Charged						
IV Revenue	9917.87	12.43	9930.30	10084.86	(+)154.56	1.6
V Capital	31.32	5.53	36.85	32.51	(-)4.34	11.8
VI Public Debt Repayment	14192.36	0.00	14192.36	5842.77	(-)8349.59	58.8
Total Charged	24141.55	17.96	24159.51	15960.14	(-)8199.37	33.9
Appropriation to Contingency Fund (if any)	Nil	Nil	Nil	Nil	Nil	-
Grand Total	94202.07	9402.25	103604.32	83446.35	(-)20157.97	19.5

Source: Appropriation Accounts 2014-15 and Appropriation Acts

The overall savings of ₹20,157.97 crore was the result of savings of ₹20,349.97 crore in 44 Grants and 21 Appropriations under the Revenue Section and 30 Grants and six Appropriations under the Capital Section (**Appendix 2.1**), offset by excess of ₹192.00 crore in one Appropriation under the Revenue Section. Overall savings increased from 18.2 per cent in the last year to 19.5 per cent in 2014-15 indicating increasing deficiency in the budgetary process.

Further, Audit analysed savings exceeding ₹100 crore in plan and non-plan category under voted section and observed that budget allocation of ₹10,133.86 crore remained unutilised under voted section as detailed in **Appendix 2.2**.

- In Revenue section, savings (₹6,605.21 crore) were mainly under plan schemes (₹5,097.87 crore) of 13 Grants and under non-plan schemes (₹1,507.34 crore) of four Grants.
- In the Capital section savings (₹3,528.65 crore) was under plan schemes (₹2,979.11 crore) of eight Grants and under non-plan schemes (₹549.54 crore) of three Grants.

2.3 Financial Accountability and Budget Management

2.3.1 Appropriation *vis-à-vis* Allocative Priorities

The appropriation audit revealed savings exceeding ₹50 crore and also more than 25 per cent of the total provision in 19 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	Expenditure	Savings and percentage	
Revenue-Voted					
1.	II Heads of States, Ministers and Headquarters Staff	539.61	397.82	141.79	26
2.	XIX Family Welfare	545.48	396.96	148.52	27
3.	XXI Housing	121.78	61.94	59.84	49
4.	XXII Urban Development	1264.88	316.05	948.83	75
5.	XXXV Panchayat	483.45	287.82	195.63	40
6.	XXXVI Rural Development	3102.30	2070.90	1031.40	33
7.	XXXVIII Irrigation	367.22	269.35	97.87	27
8.	XXXIX Power	177.38	104.76	72.62	41
Capital-Voted					
9.	XII Police	91.44	29.82	61.62	67
10.	XVII Education, Sports, Art and Culture	543.88	307.62	236.26	43
11.	XVIII Medical and Public Health	296.86	193.19	103.67	35
12.	XX Water Supply and Sanitation	268.20	127.90	140.30	52
13.	XXV Welfare of Scheduled Castes, Scheduled Tribes, Other Backward Classes and Minorities	285.93	40.26	245.67	86
14.	XXXVIII Miscellaneous Economic Services	1419.78	58.06	1361.72	96
15.	XXIX Agriculture	277.30	151.22	126.08	45
16.	XXXV Panchayat	460.00	217.83	242.17	53
17.	XXXVII Industries	715.13	349.30	365.83	51
18.	XXXVIII Irrigation	820.88	175.85	645.03	79
Capital-Charged					
19.	Public Debt Repayment	14192.36	5842.77	8349.59	59

Source: Appropriation Accounts 2014-15

2.3.2 Persistent savings

Persistent savings of ₹100 crore or more of the provision was noticed in four cases 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)		
		2012-13	2013-14	2014-15
Revenue – Voted				
1.	XX Water Supply and Sanitation	134.23 (20)	184.30 (24)	211.00 (24)
2.	XXII Urban Development	730.68 (70)	1,125.04 (84)	948.84 (75)
Capital – Voted				
3.	XXXVIII Irrigation	294.30 (53)	396.46 (66)	645.03 (79)
Capital – Charged				
4.	Public Debt Repayment	6878.40 (71)	6859.49 (68)	8349.59 (59)

Source: Appropriation Accounts for respective years.

Further analysis revealed that overall savings under the above Grants were due to persistent savings occurred under a few subheads, which indicated failure of the respective Controlling Officers and the Finance department in making a realistic assessment of the budget requirement based on the expenditure of the previous year and also the ability of the department to utilise the funds. Details of schemes where persistent savings of ₹10 crore or more are given in **Appendix 2.3**.

2.3.3 Excess over provision during 2014-15

The Appropriation Accounts disclosed excess expenditure of ₹192 crore under Revenue Section in one appropriation-‘Debt Charges’, which requires regularisation under Article 205 of the Constitution and the sub-heads in which expenditure exceeded the appropriation under the Grant are detailed in **Table 2.4**.

Table 2.4: Sub-heads in which expenditure exceeded the appropriation

(₹ in crore)

Sl. No.	Head of account and name of the scheme	Final Appropriation	Expenditure	Excess
2049-Interest Payments - Charged (Non-plan)				
1.	03-115-98-Fixed Time Deposits	520.00	626.62	106.62
2.	03-104-99-Interest on General Provident Fund	1408.87	1442.55	33.68
3.	03-108-99-State Life Insurance Official Branch	135.00	167.98	32.98
4.	01-101-97-Interest on Loans Bearing Interest (loans floated on or after 1.4.2011)	3284.04	3314.39	30.35
5.	03-115-99-State Savings Bank Deposits	95.00	122.14	27.14
6.	03-108-95-Kerala State Government Employees Group Insurance Scheme	78.00	98.64	20.64

Source: Detailed Appropriation Accounts 2014-15

In the above heads of account (except first item), interest transfers to respective account were carried out during the fag end of the year. However, in respect of interest transfers to fixed time deposits, the controlling officers did not take any

initiative to obtain the budget allocation though it was almost exhausted in December 2014.

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 33 Grants and seven Appropriations amounting to ₹1,818.86 crore for the years 2011-12 to 2013-14, to be regularised (October 2015) as summarised in **Table 2.5** and the year-wise and Grant-wise amounts of excess expenditure pending regularisation and the stage of consideration by the PAC are detailed in **Appendix 2.4**.

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
2013-14	6	4	560.68
Total	33	7	1818.86

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

2.3.5 Appropriation control weaknesses leading to excess expenditure

Article 266 (3) of the Constitution of India prohibits withdrawal of money from the Consolidated Fund of the State unless relevant Appropriation Acts under Article 204 and 205 of the Constitution of India are passed by the Legislature. The Executive has no power to spend more on the services over and above the budget grants authorised by the Legislature. As per paragraph 69 of Kerala Budget Manual, it is the responsibility of Administrative Departments, the Chief Controlling Officers, Subordinate Controlling Officers and Drawing and Disbursing Officers to enforce appropriation control over expenditure and conduct periodical reconciliation of figures of expenditure, so as to ensure that there is no unauthorised excess over appropriation. The estimates of budget should as far as possible be close to the actual expenditure likely to be incurred and the Estimating Officers should ensure that they are neither inflated nor under-pitched and is restricted to the amount required for actual expenditure during the year.

Even though majority of the Grants closed with savings at the end of the year, large number of subheads (schemes) within the Grant had excess expenditure over

the budget allocation provided under these heads. During 2014-15, overall excess expenditure of ₹953.71 crore was noticed under 757 sub heads (out of 4339 sub heads, excluding sub heads under debt, deposit, remittance and public debt heads). Further scrutiny revealed that in most of the cases, excess expenditure were the result of excess expenditure under the object heads 'Salaries', 'Wages', 'Travel Expenses' and 'Other Charges', below these subheads. As per Paragraph 67 of Kerala Budget Manual, disbursement of salaries, wages and pension are exempted from the purview of appropriation control.

Under the above circumstances, Audit decided to analyse the appropriation control weakness in selected 30 schemes (in heads other than salary, wages, etc.) implemented during 2014-15 with excess expenditure. Appropriation control weaknesses noticed by Audit, at the levels of Chief Controlling Officer, Drawing and Disbursing Officer, Treasury Officer and Finance Department are detailed below:

2.3.5.1 Chief Controlling Officer's level

(i) Issue of sanction without ensuring budget allocation

During 2014-15, for implementation of the scheme 'Protection of Kavus, Ponds and Altharas attached to temples (2250-00-800-99-P)' ₹ two crore was provided in the budget against which the Chief Controlling Officer (Secretary, Revenue (Devaswom) Department) issued sanctions to withdraw ₹10.65 crore to the Drawing and Disbursing Officers, resulting in an excess expenditure of ₹8.65 crore under the scheme. In reply to audit remarks, the Chief Controlling Officer stated (September 2015) that they had presumed that the Government would have provided ₹10 crore through Supplementary Demands for Grants (July 2015), as requested by the department. The reply was not acceptable as the Chief Controlling Officer should have ensured budget allocation before issuing sanction orders for withdrawal of funds by Drawing and Disbursing Officers.

(ii) Submission of surrender proposals without assessing the expenditure

During 2014-15, an amount of ₹1.60 crore out of ₹1.75 crore provided under the scheme 'Kerala Institute for Labour and Employment - Grant-In-Aid (2230-03-800-94-P)' was drawn by Kerala Institute for Labour and Employment in two installments (₹0.60 crore in October 2014 and ₹1.00 crore in March 2015) and credited into Treasury Savings Bank (TSB). Out of the above, an amount of ₹1.01 crore was expended and the unutilised balance of ₹0.59 crore remained in the TSB. The Chief Controlling Officer without considering the unutilised amount lying in TSB, forwarded proposals to the Finance Department for surrender of ₹0.74 crore resulted in excess expenditure of ₹0.59 crore under the head.

(iii) Expenditure without budget provision

Token provision (₹1000) was provided under the scheme ‘Payment of cost for the Deployment of CRPF (2055-00-800-99-NP)’ for meeting the expenditure in connection with the deployment of Central Reserve Police Force. An amount of ₹6.43 crore was booked through Inter State Settlement adjustment and intimated (January 2015) to the Chief Controlling Officer (Director General of Police) by the PAG (A&E) to arrange sufficient budget provision under the sub head. The Chief Controlling Officer did not make any effort to obtain additional budget provision but surrendered the token provision which resulted in excess expenditure to the tune of ₹6.43 crore.

Audit also observed excess expenditure of ₹5.67 crore under the sub head ‘Criminal Investigation Branch (2055-00-101-99)’ for meeting Travelling Allowance (Tour) of policemen and ₹7.28 crore was booked against the budget provision of ₹1.61 crore. Thus, failure to monitor the expenditure against allotment by the Sub Controlling Officer and lapse on the part of Controlling Officer (Director General of Police) in obtaining sufficient additional funds to regularise the excess expenditure, resulted in excess under the head.

(iv) Non-reconciliation of expenditure

To enable the Controlling Officers of the departments to exercise effective control over expenditure and to keep it within the budget grants and also 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 PAG (A&E), Kerala. Non-reconciliation of the departmental expenditure by the Chief Controlling Officer led to erroneous surrender/re-appropriation of budget allocation, which resulted in excess expenditure of ₹9.18 crore under 11 sub-heads test-checked in audit.

The Chief Controlling Officers replied that variation in expenditure was due to deviation occurred in the reporting of expenditure by Division Offices under their control. The reply is not acceptable as it was the duty of Chief Controlling Officer to reconcile the expenditure with the figures booked by the PAG (A&E) before submitting surrender/re-appropriation proposals.

(v) Non-regularisation of additional authorisations

When an additional appropriation is required urgently, the authority concerned should obtain authorisation from Finance Department before incurring expenditure. The Chief Controlling Officer should later ensure that these additional authorisations are regularised by re-appropriation/supplementary demands for grant before the close of the financial year. Failure to ensure this procedure resulted in excess expenditure of ₹8.66 crore in nine schemes test-checked in audit.

2.3.5.2 Drawing and Disbursing Officer's level

(i) *Expenditure incurred from the allocation of another scheme*

For the implementation of the scheme 'Establishment of Casualty Facilities in Taluk Head Quarters Hospitals (4210-01-110-64-P)', no amount was provided during 2014-15. However, Public Works Department, Electrical Division, Kozhikode had spent (August 2014) ₹1.16 crore from the budget allocation provided under the sub-head '4202-01-202-99'(using the letter of credit²⁸ under the scheme) and the amount was booked under 4210-01-110-64-P.

(ii) *Non-reporting of expenditure incurred by Drawing and Disbursing Officers to Chief Controlling Officers*

Expenditure of ₹0.32 crore incurred by two Drawing and Disbursing Officers (Sheristadars of Collectorates, Kottayam and Kozhikode) under the scheme 'District Police Complaints Authority (2055-00-001-94-NP)' was not reported to the Chief Controlling Officer (Director General of Police) which resulted in the surrender of entire budget allocation of ₹0.38 crore under the scheme by Chief Controlling Officer resulting in excess expenditure of ₹0.32 crore.

2.3.5.3 Finance Department's level

(i) *Resumption orders issued without proposals from Chief Controlling Officer*

An amount of ₹3.75 crore was provided under the scheme 'Construction of buildings for Government Presses (4058-00-103-99-P)', and ₹1.86 crore was spent during 2014-15 by the Chief Engineer, Buildings, the Chief Controlling Officer of the sub head. However, it was seen that the Director of Printing, who is not the Chief Controlling Officer of the sub head, submitted a proposal to surrender the whole budget provision of ₹3.75 crore and consequent resumption by Finance Department resulted in an excess expenditure of ₹1.86 crore under the head.

Against the provision of ₹0.46 crore under the scheme 'Miscellaneous - Other Charges (2075-00-800-92-NP-C)', ₹0.56 crore was spent during 2014-15. But Finance Department sanctioned resumption of the whole provision without any proposal by the Chief Controlling Officer (Secretary, Revenue (B) Department) resulting in excess expenditure of ₹0.56 crore under the scheme.

(ii) *Additional authorisations not regularised by the Finance Department*

Against the budget provision of ₹1.50 crore under the scheme 'Inter-State Waters including Cauvery (2701-80-800-94-34-NP)', an expenditure of ₹2.10 crore was incurred resulting in excess expenditure of ₹0.61 crore. Though, excess expenditure was incurred based on the additional authorisation issued (December 2014), proposals (by the Chief Engineer, Irrigation Research Board, Kerala) for

²⁸ Letter of Credit is the authority specifying the monthly limits of withdrawals from treasuries, issued by Government to the Divisional Officers in the Public Works, Public Health Engineering and Forest Departments.

regularisation of additional authorisations was not acted upon by the Finance (Budget) wing resulting in excess expenditure of ₹0.61 crore.

Finance Department stated (October 2015) that proposal for regularising the amount through Supplementary Demands for Grants forwarded by the Controlling Officer was not considered as sufficient savings within the Grant was anticipated. It was also stated that proposals for re-appropriation was not given by the Controlling Officer in time.

2.3.5.4 At Treasury Level

Payments made by Treasury in excess of budget provision

During 2014-15, under the scheme 'Land Acquisition for new Railway over bridges (5054-80-800-73-NP)' an amount of ₹2.91 crore was provided and expenditure was incurred by Public Works Department based on the Letter of Credit issued for the purpose. It was the responsibility of the Treasury Officer/Bank to ensure that cheques issued in excess of permitted limits were not honoured. However, ₹3.99 crore was spent against a provision of ₹2.91 crore during 2014-15. The excess expenditure was due to payment of an amount of ₹1.08 crore by the Sub Treasury Officer, Koyilandy to the Special Tahsildar, Land Acquisition, Koyilandy in March 2015 on the basis of an order issued by the Finance Department (March 2015) with direction to the Sub Treasury Officer, Koyilandy to make the payment only if sufficient budget provision was available under the sub head. The expenditure under the head should have been incurred only through Public Works Division accounts after obtaining Letter of Credit. On this being pointed out by Audit, Sub Treasury Officer, Koyilandy stated (October 2015) that the bill was passed only after receiving authorisations from authorities concerned. The reply was not acceptable as expenditure under a sub-head regulated by the system of Letter of Credit should have been passed only if necessary Letter of Credit was available. Thus failure on the part of the treasury officer in enforcing appropriation control through Letter of Credit resulted in excess expenditure.

2.3.6 Unnecessary/Excessive Supplementary provision

Supplementary provisions aggregating to ₹1,029.57 crore, obtained in 23 Grants (₹ 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 2.5**. It was also observed that in six out of above 23 Grants, 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 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
Capital – Voted						
1.	XXI	Housing	65.65	27.06	38.59	8.00
2.	XXV	Welfare of Scheduled Castes, Scheduled Tribes, Other Backward Classes and Minorities	273.03	40.26	232.77	12.90
3.	XXXI	Animal Husbandry	23.30	11.37	11.93	2.00
4.	XXXII	Dairy	0.00	0.00	0.00	1.93
5.	XXXVIII	Irrigation	804.88	175.85	629.03	16.00
6.	XXXIX	Power	37.80	0.87	36.93	5.00
Total			1204.66	255.41	949.25	45.83

Further analysis of the Supplementary provisions obtained in various Grants revealed the following;

- In view of the final savings, supplementary allocations obtained in 22 Grants under Revenue (voted) section could have been avoided as the additional budget allocations were sought for all the existing schemes.
- In five Grants under Revenue (voted) section, supplementary allocations obtained for new services during March 2015 could have been limited to token provision as the final expenditure was less than the original budget allocation.

In 23 Grants, against the additional requirement of ₹4,711.14 crore, supplementary budget allocation of ₹7,257.86 crore obtained during the year proved excessive (**Appendix 2.6**). The departmental officers while making proposals for supplementary grant did not assess the actual requirement of funds resulted in avoidable savings.

2.3.7 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 as detailed in **Appendix 2.7**.

2.3.8 Surrender of budget allocations

As per paragraph 91 of the Kerala Budget Manual, the Administrative Departments should surrender all anticipated savings before the close of the financial year to Finance Department as and when they are foreseen, unless they are required to meet the excesses under other units of appropriation.

During 2014-15, ₹17,585.39 crore (17 per cent) out of the total budget allocation (₹1,03,604.32 crore) was surrendered at the end of the financial year. Substantial surrender of the budget allocation was noticed in two Grants as given in **Table 2.7**.

Table 2.7: Grants in which substantial portion of the budget allocation was surrendered

(₹ in crore)

Grant number	Budget Allocation	Amount surrendered	Percentage of surrender
XXVIII Miscellaneous Economic Services	1,554.32	1,190.32	76.58
XXII Urban Development	1,341.38	945.77	70.51

Source: Detailed Appropriation Accounts for 2014-15

In Grant numbers XXII and XXVIII substantial surrenders had occurred under the schemes shown in **Table 2.8**.

Table 2.8: Schemes in which substantial portion of the budget allocation was surrendered

(₹ in crore)

Grant No.	Name of the scheme	Budget Allocation	Amount Surrendered
XXII	2217-05-800-89-Jawahar Lal Nehru National Urban Renewal Mission (Central Assistance)-P-V	535.13	449.54
	2217-03-191-74-Urban Infrastructure Development Scheme for Small and Medium Towns (ACA)-P-V	184.55	142.03
	2217-80-800-70-Rajiv Awaz Yojana (RAY) (50% CSS)-P-V	101.07	100.68
	2217-80-800-91-Kerala Sustainable Urban Development Project-P-V	150.00	100.00

Grant No.	Name of the scheme	Budget Allocation	Amount Surrendered
XXII	2217-05-800-83-Basic Services to the Urban Poor (BSUP)-P-V	81.81	38.95
	2217-05-192-81-Integrated Housing and Slum Development Programme (State Scheme)-P-V	40.00	35.59
	2217-80-800-76-Ayyan Kali Urban Employment Guarantee Scheme-P-V	30.00	23.17
	2217-05-192-82-Swarna Jayanthi Shahari Rozgar Yojana (S.J.S.R.Y) (75% CA)-P-V	24.12	19.62
	2217-05-191-80-Integrated Housing and Slum Development Programme (State Scheme)-P-V	17.14	17.14
	2217-05-191-86-Swarna Jayanthi Shahari Rozgar Yojana (S.J.S.R.Y) (75% CA)-P-V	16.08	13.08
	2217-80-192-91-Modernisation of Slaughter Houses (50% CSS)-P-V	10.00	10.00
	2217-80-800-74-Integrated low cost sanitation project (100% CSS)-P-V	5.00	5.00
XXVIII	5475-00-800-92-Major Infrastructural Development Projects-P-V	1225.00	1171.15
	3454-02-112-94-India Statistical Strengthening Project (ISSP) (100% CSS)-P-V	10.63	10.42

Source: Detailed Appropriation Accounts for 2014-15

In the case of Grant No. XXII, under-utilisation of budget allocation was due to non-implementation of schemes as anticipated. Though it was noticed in previous years also, no remedial action was taken by departmental authorities to rectify this inflating of budget proposals.

Further analysis revealed that substantial surrenders (surrenders involving more than 50 per cent of the total allocation and more than ₹one crore in each case) were noticed in 277 sub-heads, amounting to ₹5,361.89 crore. In 102 subheads, entire budget allocation amounting to ₹747.73 crore was surrendered and in 46 cases, this was ₹ five crore and above as detailed in **Appendix 2.8**.

In 10 schemes, no budget allocation was provided through original/supplementary budget but funds were brought in through re-appropriation. It was also seen that ₹48.75 crore out of ₹112.42 crore re-appropriated was surrendered indicating the injudicious re-appropriation of funds.

In respect of nine schemes (where budget allocations placed at the disposal of the Chief Engineer, Buildings and Local Works, Public Works Department) budget allocations for 2013-14 and 2014-15 amounting to ₹153.74 crore and ₹42.08 crore respectively, were surrendered at the end of the years. Audit observed that these allocations could not be utilised as the sanction for withdrawal of fund was not accorded by Government.

2.3.9 Surrender in excess of actual saving

In 14 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 ₹8,988.30 crore, the amount surrendered was ₹9,077.56 crore, resulting in excess surrender of ₹89.26 crore. Details are given in **Appendix 2.9**. In this regard Audit analysed reasons for this deficient surrenders and observed the following:

- Chief Controlling Officer/Controlling officer should collect expenditure details from all the sub controlling officers/Drawing and Disbursing Officers under his control and ascertain the actual savings in respect of each unit of appropriation from which he/she proposes surrender of budget allocation. This procedure was not scrupulously followed and expenditure under each unit of appropriation under his/her control were arrived at with available information. Based on this, surrender proposals were forwarded to Finance Department, which ultimately resulted in surrender of funds in excess of actual savings.
- It is the responsibility of departmental officers to ensure that expenditure booked by the PAG is reconciled with the expenditure details available in the department and misclassification, if any, occurred at the treasury level or any other levels should be rectified. However, Audit noticed that it was not done by the departments in which this erroneous surrender had taken place. This also led to surrender of funds in excess of actual savings.

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. This procedure was not followed under two Grants and three Appropriations. Savings of ₹74.95 crore were not surrendered by the departments before the close of the financial year and the major amount of ₹72.62 crore was under Grant No. XXXIX Power (Revenue-voted).

₹2,931.92 crore (28 *per cent*) out of the total savings of ₹10,377.14 crore under 45 Grants/Appropriations with savings of ₹ one crore and above in each Grant/Appropriation were not surrendered as detailed in **Appendix 2.10**.

Besides, ₹13,305.35 crore under 30 major heads (**Appendix 2.11**) was surrendered only on 31 March 2015 (surrender of funds in excess of ₹10 crore and more than 25 *per cent* of the budget allocation in each major head).

2.3.11 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 810 out of 1159 items (70 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., which indicated that the departments were not following 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 to which they relate. The DC bills pertaining to a month’s claim should reach the PAG (A&E), Kerala not later than the 20th of the succeeding month for accounting and monitoring the AC Bills.

According to the records maintained by the PAG (A&E) Kerala, 38 AC bills drawn by 24 DDOs up to March 2015 involving ₹1.64 crore were not adjusted as of August 2015 due to non-receipt of DC bills as detailed in **Appendix 2.12**. Year-wise details are given in **Table 2.9**. Non-submission of DC bills would lead to retention of advance amount drawn with the drawing officers and the advance drawn remains unaccounted under the proper heads of account.

Table 2.9: 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
2013-14	402	5.48	2	0.04
2014-15	260	4.31	36	1.60
Total	662	9.79	38	1.64

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

One AC bill drawn by Accounts Officer, District Police Office, Thrissur (Rural) in October 2013 (for ₹2.30 lakh) and another one drawn by Accounts Officer, District Police Office, Thrissur in February 2014 (for ₹1.50 lakh) were pending for more than one year.

2.4.2 Un-reconciled expenditure

According to paragraph 74 of the Kerala Budget Manual, the expenditure recorded in the books of the Controlling Officer of the department should be reconciled every month with that recorded in the books of the PAG (A&E), Kerala to exercise effective control over expenditure and to keep it within the budget grants and also to ensure accuracy of their accounts. During the year, reconciliation for 73.46 per cent of the total receipts (₹30,107.68 crore out of ₹40,984.93 crore excluding the figures maintained by the PAG (A&E)) and 66.04 per cent of the total expenditure (₹42,881.43 crore out of ₹64,935.26 crore excluding the figures maintained by the PAG (A&E)) were completed. However, 40 Chief Controlling Officers, whose total transactions exceeded ₹50 crore did not reconcile their expenditure with the accounts maintained by PAG (A&E) as shown in **Appendix 2.13**. This was not only in violation 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 PAG (A&E), Kerala.

2.5 Review on Budgetary process and appropriation control - Directorate of Technical Education

The Directorate of Technical Education coordinates various technical education activities in the State and supports 12 Engineering colleges, 49 Polytechnic Colleges, three Fine Arts Colleges, 39 Technical High Schools, 17 Commercial Institutes and 42 Tailoring and Garment making centres. The overall appropriation status of the heads of account controlled by the Director of Technical Education shows an overall excess of ₹52.01 crore, ₹15.96 crore and ₹0.58 crore respectively from 2012-13 to 2014-15. But, non/under-utilisation of budget allocation were noticed in many sub-heads/schemes, which led to surrender of allocation during the fag end of the year. Hence, the Audit study was focused on the budgetary process/appropriation control failures in sub-heads/schemes, leading to excess and savings during the past three years and the observations are summarised below;

2.5.1 Excesses under non-plan schemes of Revenue section

Total non-plan schemes under the control of the Director of Technical Education and number of schemes in which either budget allocation was under-utilised or over expended are given in **Table 2.10**.

Table 2.10: Status of utilisation in non-plan schemes

(₹ in crore)

Year	Total schemes		Excess		Saving	
	Number	Amount	Number of schemes	Amount	Number of schemes	Amount
2012-13	30	318.00	16	49.81	8	1.33
2013-14	35	394.72	12	28.98	14	8.26
2014-15	40	464.08	7	12.22	15	19.91

Audit analysis revealed the reasons for this deficiency as under;

(i) *Preparation of budget estimates*

While submitting the budget proposals for the ensuing financial year to Finance Department, the departmental controlling officers should consider the actual expenditure of the previous year and the actual expenditure for the first five months of the current year. However, this exercise was not followed scrupulously by departmental officers and saving/excess was mainly due to this failure.

It was also observed that faulty calculation of the budget estimates by the departmental officers while preparing the revised estimates of the current year, led to underestimation/overestimation of revised estimates.

(ii) *Re-appropriations with the Grant*

Before submitting the last batch of proposals for re-appropriation/supplementary/surrender to the Finance Department, the Chief Controlling Officers/Estimating Officers should carefully assess their final requirements for the year, on the basis of the actual expenditure during the first nine or ten months and the anticipated expenditure during the rest of the financial year. Departmental officers should also reconcile the expenditure figures booked by the PAG (A&E), to maintain accuracy in the process. Failure to reconcile the departmental figures with the figures booked by the PAG (A&E) resulted in excess/savings under certain schemes even after re-appropriation of budget allocation within the Grant.

2.5.2 Substantial savings under plan schemes of Revenue and Capital section

Substantial portion of budget allocation remained unutilised (during last two years) under revenue section as the scheme implementation process was not being reviewed periodically. In the centrally sponsored schemes shown in **Table 2.11**, budget allocations were not required in most of the cases for the disbursement of merit scholarships sanctioned by AICTE/MHRD, Government of India as the system of disbursement²⁹ was changed and transfer of funds to the State Government from Government of India was stopped.

²⁹ Government of India has started transfer of benefit directly to the students' bank account

Table 2.11: List of schemes in which budget provision proved unnecessary
(₹ in crore)

Sl. No.	Name of Scheme	Financial Year	Budget allocation	Amount surrendered
1	Scholarship to GATE qualified PG students in other Engineering Colleges (100% CSS) (2203-00-112-68)	2014-15	3.00	3.00
2	Scholarship to GATE qualified PG students in College of Engineering, Thrissur (100% CSS) (2203-00-112-95)	2013-14	3.00	1.64
		2014-15	3.00	3.00
3	Scholarship to GATE qualified PG students in College of Engineering, Kannur (100% CSS) (2203-00-112-69)	2013-14	1.38	0.98
		2014-15	1.50	1.50
4	Scholarship to GATE qualified PG students in Rajiv Gandhi Institute of Technology, Kottayam (100% CSS) (2203-00-112-74)	2013-14	1.00	0.40
		2014-15	1.50	1.50
5	Merit-cum Means Scholarship for Minorities for Professional and Technical Courses(100% CSS) (2203-00-107-98)	2014-15	50.00	49.72
6	Scholarship to GATE qualified PG students in College of Engineering, Thiruvananthapuram (100% C.S.S) (2203-00-112-97)	2013-14	5.50	3.67
		2014-15	6.60	6.60
7	Scholarship to GATE qualified PG students in other Engineering Colleges (100% CSS) (2203-00-112-68)	2013-14	3.00	2.14

Similarly, lack of review on the progress of implementation of the projects executed by Public Works Department, under capital section resulted in under-utilisation and surrender of budget allocation at the fag end of the financial year. Instances noticed during the last two years are given in **Table 2.12**.

Table 2.12: Under-utilisation of budget allocations resulted in surrenders
(₹ in crore)

Sl. No.	Scheme	Financial Year	Budget	Amount surrendered
1	Development of other Engineering Colleges (4202-02-105-90-P)	2014-15	5.00	5.00
2	Rajiv Gandhi Institute of Technology, Kottayam (One Time ACA) (4202-02-105-91-P)	2014-15	1.00	1.00
3	Government College of Engineering, Kannur (One Time ACA) (4202-02-105-92-P)	2014-15	1.00	1.00
4	Government College of Engineering, Thrissur (One Time ACA) (4202-02-105-93-P)	2014-15	1.00	1.00
5	Projects under Legislative Assembly Constituency Asset Development Scheme (LACADS) (4202-02-800-85-P)	2014-15	10.00	10.00
6.	Fine Arts Institutions Buildings (4202-04-101-99-P)	2013-14	1.50	0.95
		2014-15	1.00	1.00
7	Buildings (One Time ACA) (4202-02-105-94-P)	2013-14	3.00	3.00
8	College of Engineering Thiruvananthapuram (One Time ACA) (4202-02-105-95-P)	2013-14	1.00	1.00

2.5.3 Faulty surrender

An amount of ₹3.50 crore for the Kerala Technological University (2203-00-102-97- P) and ₹1.50 crore for Centre for Engineering Research and Development (2203-00-112-72-P) was provided during 2014-15 and placed at the disposal of Kerala Technological University. However, the Director of Technical Education who was not the Controlling Officer forwarded (March 2015) surrender proposals of ₹1.50 crore each under these heads unnecessarily to Finance Department and the Finance Department sanctioned the resumption orders injudiciously resulting in excess expenditure aggregating ₹3 crore under these schemes.

2.6 Overstated expenditure

Financial Rules prohibit withdrawal of money from treasury unless it is required for immediate disbursement. However, in some cases departmental officers withdraw budget allocation at the end of the year, to avoid lapse of budget, and keep them either in Treasury Savings Bank account or outside the Government without being spent. This has resulted in overstatement of the total expenditure of the Grant as the amount remained unutilised even after the close of financial year. Audit noticed a few instances of under-utilisation of Government funds as detailed in **Table 2.13**.

Table 2.13: Details of overstated expenditure

(₹ in crore)

Name of Scheme and implementing institution	Amount drawn	Year of drawal	Unutilised amount	Reasons for non-utilisation/ delay in utilisation
Additional Tribal Sub Plan Package, Scheduled Tribes Development Directorate	135.75	2014-15	116.21	The scheme aims at integrated sustainable development of scheduled tribe population in selected locations. The funds were transferred to the joint account of respective District Collectors and Tribal Development Officers for implementing the scheme. Though an amount of ₹135.75 crore was withdrawn, Administrative Sanction issued for only ₹85.23 crore, indicating lack of urgency in the matter.
Kasaragod Package 2551-60-101-97, District Collector, Kasaragod	19.30	2013-14	11.95	The scheme targeted integrated development of Kasaragod district mainly in the areas of schools, hospitals, roads, bridges, etc. Funds drawn in 2013-14 and 2014-15 for implementing 26 and 25 schemes respectively. However, works were delayed due to various reasons such as non-finalisation of detailed project report, rainy season, delay in issuing Technical Sanction, delay in acquiring land, etc. Unutilised balance funds were kept in the account of respective implementing officers such as PWD, District Panchayat, District Collector, etc.
	68.40	2014-15	68.03	

Name of Scheme and implementing institution	Amount drawn	Year of drawal	Unutilised amount	Reasons for non-utilisation/ delay in utilisation
JNNURM, Kochi Corporation	10.21	2.2010 to 3.2012	5.5	The scheme was meant for various projects under JNNURM. No amount was expended after 2010-11, under this scheme. Unutilised amount was kept in TSB account at District Treasury Ernakulam.
Akshaya E-literacy programme, District Collector, Alappuzha	3.96	2006-07 to 2010-11	3.43	The scheme was to e-literate the people in Alappuzha district. The scheme was discontinued from May 2012 as most of the families were e-literate. Unutilised balance kept at District Treasury, Alappuzha remitted back (May 2015) to Government account at the instance of Audit.
Strengthening of District Planning Machinery, District Planning Office Pathanamthitta	6.33	2010-11 to 2014-15	6.22	The scheme was meant for construction of building to respective District Planning Offices. Delay in implementation was due to delay in tendering process, delay in identification of land, non-suitability of land, etc. The balance funds were kept in the TSB account of District Planning Officers concerned.
District Planning Office, Kottayam	3.62	2010-11 to 2013-14	3.57	
District Planning Office, Palakkad	6.1	2009-10 to 2013-14	2.29	
District Planning Office, Kozhikode	7.79	2013-14 to 2014-15	7.53	
Total	261.46		224.73	

2.7 Inspection of treasuries

There were 23 District Treasuries, 193 sub-treasuries, 12 Stamp depots and one e-treasury functioning in the State as of March 2015. The PAG (A&E), Kerala inspected 127 treasuries including Directorate of Treasuries (District Treasuries:22; Sub-treasuries: 104). Irregularities and deficiencies noticed during the inspection of treasuries are mentioned in the succeeding paragraphs.

2.7.1 Excess payment of pension

During the course of treasury inspection, excess payment on account of pension/ family pension amounting to ₹0.90 crore was noticed in 1241 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 authorised 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, ₹0.23 crore involved in 536 cases have already been recovered as shown in **Table 2.14**.

Table 2.14: 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	129	26.92	64	9.03	65	17.89
2.	Excess payment of family pension	105	41.50	35	7.92	70	33.58
3.	Excess payment of festival allowance and Medical allowance	990	13.82	433	4.78	557	9.04
4.	Excess payment of inter-state pension	17	7.94	4	1.71	13	6.23
Total		1241	90.18	536	23.44	705	66.74

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

2.7.2 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. Moreover 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 92 treasuries/sub treasuries on 822 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.

2.7.3 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) has 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 has to be recovered (paragraph 14 of the Pay Revision Orders 2009). During the year, short/non-recovery of house rent was noticed in 37 cases amounting ₹2.99 lakh in 18 treasuries, of which ₹0.23 lakh in respect of 13 cases was recovered.

2.8 Conclusion

During the year, overall savings out of the total budget allocation of ₹1,03,604.32 crore was ₹20,157.97 crore. Overall savings increased from 18.2 *per cent* in the last year to 19.5 *per cent* in 2014-15 indicating increasing deficiency in the

budgetary process. Persistent savings of ₹100 crore or more of the budget provision for the last three years was noticed in four Grants/Appropriation. Substantial savings in two Grants (Urban Development and Irrigation) was due to unrealistic assessment of budgetary requirement by the departmental officers and the Finance department ignoring the expenditure of the schemes of previous years. Excess expenditure of ₹192 crore was noticed under one appropriation- 'Debt Charges' (in revenue section), which requires regularisation under Article 205 of the Constitution along with excess expenditure for the years 2011-12 to 2013-14 amounting to ₹1,818.86 crore. Appropriation control weakness at the levels of Chief Controlling Officer, Drawing and Disbursing Officer, Treasury Officer and Finance Department was noticed and this led to excess expenditure in schemes test-checked in Audit. In view of the final savings, supplementary allocations obtained in 22 Grants under Revenue (voted) section could have been avoided as the additional budget allocations were sought for all the existing schemes. Director of Technical Education (the estimating officer) had not taken due care in the realistic preparation of budget estimates and in reconciliation of departmental figures with that booked by PAG (A&E) which led to budgetary failures.

2.9 Recommendations

- Finance department and Chief Controlling Officers of the Grants/ Appropriations should make use of the Monthly Appropriation Accounts prepared by PAG (A&E) and insist on departmental reconciliation before processing the proposals for Supplementary Demands for Grants and surrender of budget allocation.
- Government may issue directions to all departmental controlling officers to review implementation of scholarship schemes of GoI in which direct benefit transfer system was introduced to avoid unnecessary savings in schemes.