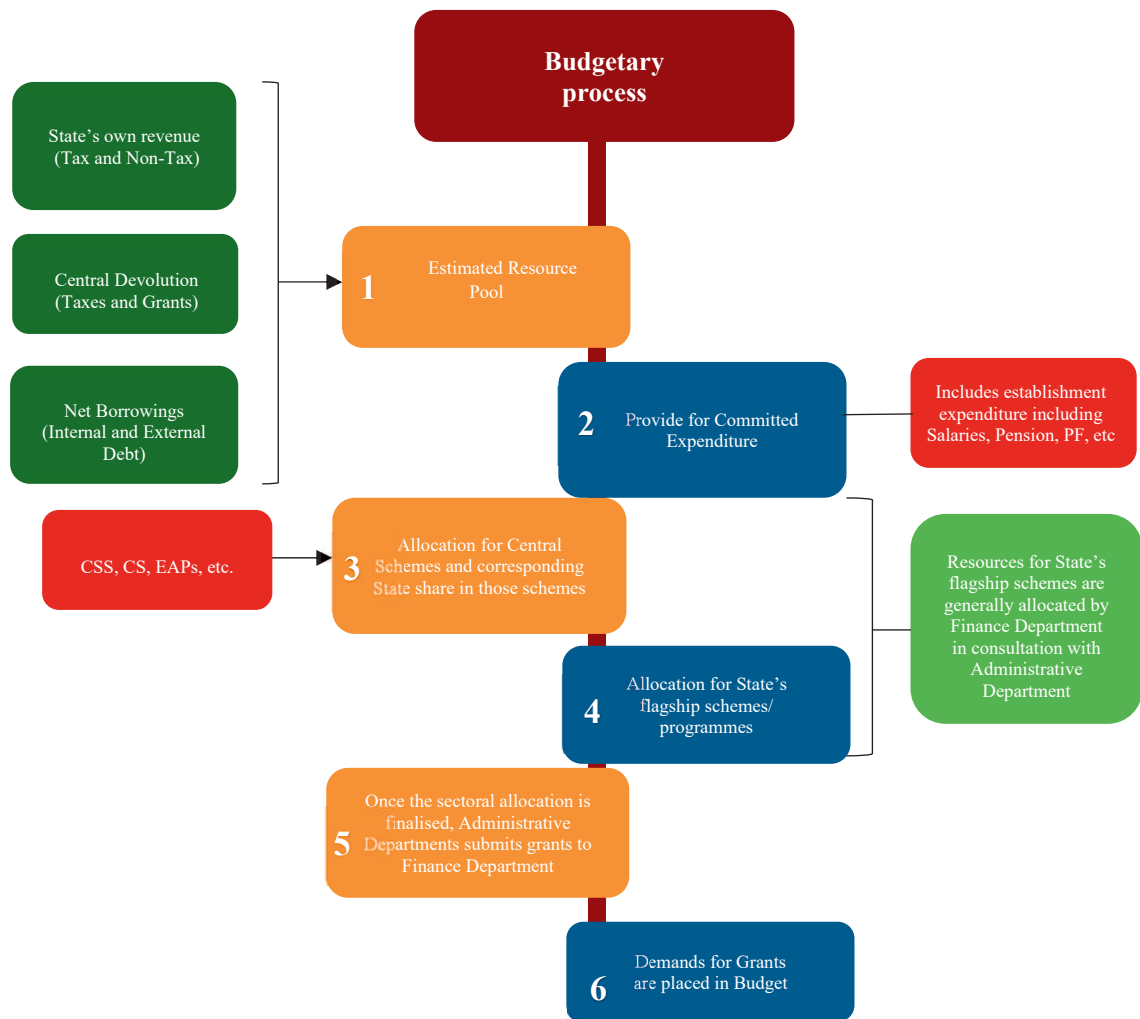


CHAPTER III BUDGETARY MANAGEMENT

3.1 Budget process

The annual exercise of budgeting is a means for detailing the roadmap for efficient use of public resources. Every year, during the month of July, the Budget Wing of the Finance Department issues a circular 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 budget preparation process is given below:



CSS: Centrally Sponsored Schemes; CS: Central Schemes; EAP: Externally Aided Projects

The Finance Bill, Annual Financial Statement (Budget), and Demands for Grants are mandated by Article 199, 202 and 203 of the Constitution of India respectively.

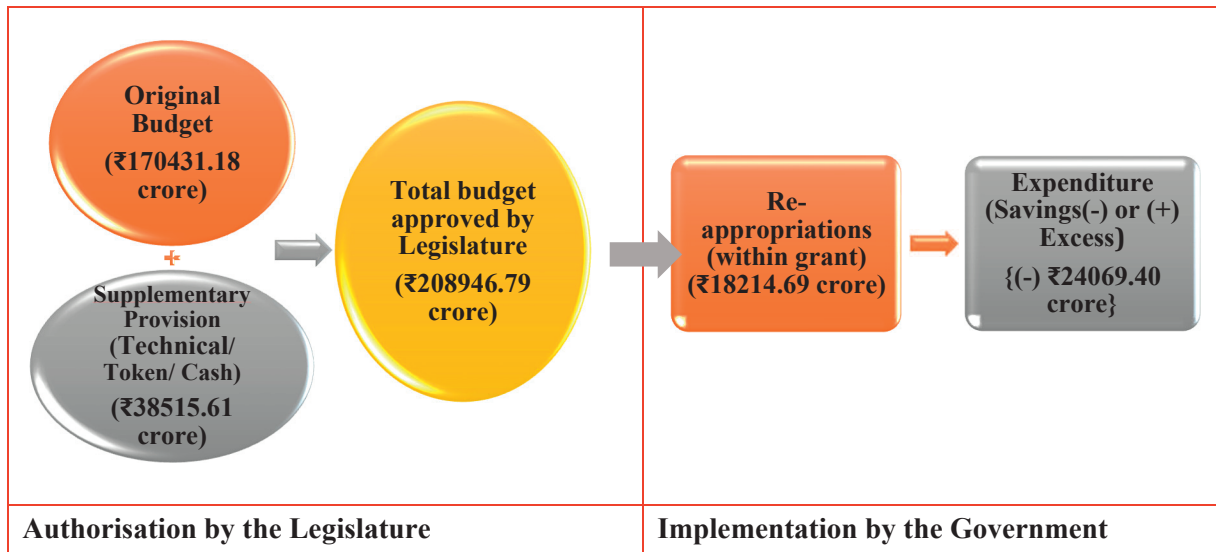
Article 202 of the Constitution of India requires laying of a statement of the estimated receipts and expenditure of the State for that year, as the "Annual Financial Statement" before the House or Houses of the Legislature of the State. The Annual Financial Statement should show expenditure charged on consolidated fund and other expenditure separately. It shall also distinguish expenditure on revenue account from other expenditure.

The Annual Financial Statement also called general budget, is placed prior to the commencement of the financial year in the State Legislature, in accordance with Article 202 of the Constitution. The estimates of receipts and disbursements in the Annual Financial Statement and of expenditure in the Demand for Grants are shown according to the accounting classification under Article 150 of the Constitution.

No money shall be withdrawn from the Consolidated Fund of the State except under appropriation made by law passed in accordance with provisions of Article 204 of the Constitution. Supplementary or Additional Grant or Appropriation is provided during the course of a financial year, in accordance with Article 205 of the Constitution. It is the provision for meeting expenditure in excess of the budgeted amount.

Legislative authorisation is the *sine qua non* for incurrence of all expenditure by the State Government. Rule 41 of the Kerala Financial Code states that the rules regarding the preparation and consolidation of the budget estimates and their passage through Legislature are contained in Kerala Budget Manual. The procedure for obtaining supplementary appropriations are also contained in the Kerala Budget Manual. It also prescribes the distribution of appropriations among controlling and disbursing officers, the responsibility of these officers for watching the progress of expenditure and ensuring that it does not exceed the appropriations, and fixes the authorities competent to sanction re-appropriation. As per the provisions contained in para 69 of the Kerala Budget Manual, the control of expenditure is exercised by the Administrative Departments through the hierarchy consisting of the Chief Controlling Officer, the Subordinate Controlling Officer and the Disbursing Officer.

Apart from supplementary grant, re-appropriation can also be used to re-allocate funds within a Grant in accordance with the procedure mentioned in para 86(3) of Kerala Budget Manual. Re-appropriation is the transfer, by competent authority, of savings from one unit of appropriation to meet additional expenditure under another unit within the same section (Revenue-Voted, Revenue-Charged, Capital-Voted, Capital-Charged) of the voted Grant or Charged Appropriation. The various components of budget authorised by the Legislature and actual implementation by the Government are depicted in the **Chart 3.1** below:

Chart 3.1: Budget authorised by the Legislature and actual implementation by the Government

Source: Based on the procedure prescribed in Budget Manual and Appropriation Accounts

3.1.1 Summary of total provisions, actual disbursements and savings/excess during the financial year

A summarised position of total budget provision, disbursement and savings/excess with its further bifurcation into voted/charged is shown in **Table 3.1**.

Table 3.1: Budget provision, disbursement and savings/excess during the financial year 2020-21

(₹ in crore)

Total Budget provision		Disbursements		Savings (-) /Excess (+)	
Voted	Charged	Voted	Charged	Voted	Charged
143219.41	65727.38	124436.83	60440.56	(-) 18782.58	(-) 5286.82

3.1.2 Charged and Voted Disbursement

The details of disbursements classified under charged and voted category during the five year period from 2016-17 to 2020-21 are furnished in **Table 3.2**.

Table 3.2: Charged and voted disbursements during the five year period from 2016-17 to 2020-21

(₹ in crore)

Year	Disbursement		Saving(-)/Excess (+)	
	Voted	Charged	Voted	Charged
2016-17	91365.15	20232.56	(-) 13518.40	(-) 6941.89
2017-18	104528.12	28928.84	(-) 11946.04	(+) 521.08
2018-19	108023.70	35697.89	(-) 20927.47	(+) 4274.17
2019-20	100174.27	63641.53	(-) 30890.28	(+) 243.47
2020-21	124436.83	60440.56	(-) 18782.58	(-) 5286.82

The overall savings of ₹24,069.40 crore in 2020-21 was the result of savings of ₹25,532.19 crore in 39 grants and 23 appropriations under revenue section and 22 grants and 10 appropriations under the Capital section, offset by excess of ₹1,462.79 crore in five grants and one appropriation under the revenue section and seven grants and one appropriation under Capital section. The overall savings decreased by 4.24 *per cent* from 15.76 *per cent* in the last year to 11.52 *per cent* in 2020-21. However, the variation of 11.52 *per cent* is significant, leading to overall savings of ₹24,069.40 crore under 37 Grants/appropriations, the reasons for which were either not appropriately explained or not furnished in the Appropriation Accounts.

3.2 Appropriation Accounts

Appropriation Accounts are accounts of the expenditure of the Government for each financial year, compared with the amounts of grants voted and appropriations charged for different purposes as specified in the schedules appended to the Appropriation Act passed under Article 204 and 205 of the Constitution of India. Appropriation Accounts are on Gross basis. These Accounts depict the original budget provision, 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 budget. Appropriation Accounts thus facilitate understanding of utilisation of funds, the management of finances and monitoring of budgetary provisions and are, therefore, complementary to the Finance Accounts.

Audit of appropriations by the CAG seeks to ascertain whether the expenditure actually incurred under various grants is in accordance with the authorisation given under the Appropriation Act and that the expenditure required to be charged under the provisions of the Constitution (Article 202) is so charged. It also ascertains whether the expenditure incurred is in conformity with the laws, relevant rules, regulations and instructions.

3.3 Comments on integrity of budgetary and accounting process

The results of audit scrutiny of Appropriation Accounts are detailed in the subsequent paragraphs.

3.3.1 Misclassification of capital expenditure as revenue expenditure and charged expenditure as voted expenditure and *vice versa*.

Misclassification of expenditures and receipts has a great impact on the integrity of the financial statements. Article 202 of the Constitution prescribes that, in respect of every financial year, a statement of the estimated receipts and expenditure of the State for that year, called the "Annual Financial Statement" (or the "Budget"), is to be laid before House or Houses of the State Legislature. The estimates of expenditure are classified under 'charged' (such expenditure as is not to be submitted to the vote of the Legislative Assembly under the provisions of the Constitution) and 'voted' items of expenditure separately.

Annual Financial Statement distinguishes expenditure on revenue account from other expenditure as explained in Chapter II.

Article 24 to 26 of Kerala Account Code Vol 1 categorise the primary units of appropriation. There are specific object heads meant for obtaining provision for acquisition of Capital Assets and other Capital Expenditure. These object heads pertaining to booking of expenditure of capital nature should correspond with capital major heads only. Classification of expenditure of revenue nature as capital expenditure or *vice-versa*, results in understatement/overstatement of revenue expenditure and revenue surplus/deficit, respectively.

The misclassification of the above nature observed in audit during the year 2020-21 is detailed as follows:

- **Misclassification of Revenue expenditure as Capital expenditure**

It is observed that during the year 2020-21, an amount of ₹46.50 crore was debited to the Head of account 4860-60-190-94 (V) (P), a Capital Expenditure head. However, the amount was utilised for disbursement of gratuity to the workers of Kerala State Cashew Development Corporation (KSCDC), and hence is a Revenue Expenditure. Booking of assistance given to KSCDC as Capital expenditure instead of revenue expenditure is inconsistent with the principles laid down in Indian Government Accounting Standards (IGAS) 2 which prescribes principles of accounting and classification of Grants-in-aid in the Financial Statements of the Government both as a Grantor and as a Grantee. This misclassification has resulted in overstatement of investment by ₹46.50 crore and understatement of revenue expenditure. This misclassification i.e., booking of assistance given to KSCDC as Capital Expenditure instead of Revenue Expenditure occurred in 2019-20 too and was pointed out in the State Finances Audit Report for the year ended March 2020. However, the misclassification has recurred.

- **Misclassification of charged expenditure as voted expenditure**

As per Article 202 of the Constitution, any sums required to satisfy any judgement, decree or award of any court or arbitral tribunal shall be the expenditure charged to the Consolidated Fund of the State. An amount of ₹1.09 crore was debited to the head of account 3435-60-800-93 (NP) as voted expenditure being the amount required to comply with the direction of the Hon'ble Supreme Court of India. However as per Article 202 of the Constitution of India, this should have been classified as charged expenditure. The misclassification has led to the violation of the provisions of Article 202 of the Constitution. Similar misclassification of amount required to comply with the directions of the Court was observed during 2019-20 also and was pointed out in the State Finances Audit Report for the year ended March 2020. However, the misclassification has recurred.

3.3.1.1 Other Misclassifications

- **Misclassification of Investment**

Government of Kerala incurred ₹2.05 crore from the head of account 4859-02-004-97 Indian Institute of Information Technology-Kerala, Pala (IIIT-K, Pala) for the construction of building and infrastructure development of permanent campus at Pala. As the expenditure is in the nature of investment, the amount should have been booked under investment head under 4859-02-190-94 Indian Institute of Information Technology – Kerala, Pala and not under the minor head 004–Research and Development.

3.3.2 Unnecessary or excessive Supplementary Demand for Grants

As per Article 205 of the Constitution, a Supplementary or Additional Grant or Appropriation over the provision made by the Appropriation Act for the year can be made during the current financial year but not after the expiry of the current financial year as is necessary to meet-

- i. Expenditure on ‘Schemes of New Expenditure’ to be taken up within the current financial year.
- ii. Inadequacy of provision.
- iii. Fresh expenditure but not technically “Schemes of New Expenditure.”
- iv. Omissions of provision.

When such additional expenditure is found to be inevitable and there is no possibility of effecting savings within the Grant to cover the excess by Re-Appropriation, the Secretary in the Department concerned proposes to the Finance Department for Supplementary or Additional Grant or Appropriation.

There were savings against total budget provision at the end of the financial year for which supplementary provision was obtained in 33 grants and two appropriations. Out of these, in 18 cases of 15 grants the supplementary demand for grants obtained was unnecessary as either the final expenditure did not come even up to the level of original Grants or no expenditure was incurred even after obtaining Supplementary Demand for Grants (**Table 3.3**).

In 19 cases of 15 Grants and one Appropriation, the Supplementary provision of more than ₹50 lakh obtained was in excess of actual expenditure as detailed in **Table 3.4**.

Table 3.3: Details of cases where supplementary provision proved unnecessary

(₹ in crore)

Sl. No.	Name of the Grant	Original	Supplementary	Actual expenditure	Savings out of Provisions
Revenue (Voted)					
1	I-State Legislature	110.72	17.82	109.06	19.48
2	XII-Police	3777.57	3.00	3324.21	456.36
3	XVI-Pensions and Miscellaneous	30642.72	100.00	26281.35	4461.37
4	XVII-Education, Sports, Art and Culture	20823.11	140.67	16768.78	4195.00
5	XXII-Urban Development	2159.41	201.47	1480.83	880.05
6	XXIV-Labour, Labour Welfare and Welfare of Non-Residents	951.53	199.49	849.24	301.78
7	XXV-Welfare of Scheduled Castes, Scheduled Tribes, Other Backward Classes and Minorities	2817.70	6.17	2695.28	128.59
8	XXXIII-Fisheries	415.63	1.50	323.23	93.90
9	XXXV-Panchayat	820.13	177.00	805.64	191.49
10	XXXVII-Industries	601.75	44.96	582.99	63.72
	Total	63120.27	892.08	53220.61	10791.74
Revenue (Charged)					
11	I-State Legislature	0.81	0.15	0.73	0.23
12	XI-District Administration And Miscellaneous	1.12	0.22	1.09	0.25
13	XII-Police	5.19	0.45	4.77	0.87
14	XV-Public Works	2.68	0.01	1.65	1.04
15	XVIII-Medical and Public Health	0.13	0.03	0.11	0.05
	Total	9.93	0.86	8.35	2.44

Sl. No.	Name of the Grant	Original	Supplementary	Actual expenditure	Savings out of Provisions
Capital (Voted)					
16	XXII-Urban Development	187.01	9.51	103.00	93.52
17	XXIX-Agriculture	240.94	42.88	223.46	60.36
	Total	427.95	52.39	326.46	153.88
Capital (Charged)					
18	XXXVIII-Irrigation	6.61	2.19	6.35	2.45
	Total	6.61	2.19	6.35	2.45
	Grand Total	63564.76	947.52	53561.77	10950.51

General directions given in para 14 of the Kerala Budget Manual stipulate that the estimates are neither inflated nor under pitched, but as accurate as possible and that it is restricted to the amount required for actual expenditure during the year. However, it can be seen from **Table 3.3** that for all these 18 cases of 15 grants, supplementary provision was totally unnecessary since there were savings in the original provision itself.

Table 3.4: Details of cases where supplementary provision (₹50 lakh or more in each case) proved excessive.

(₹ in crore)

Sl. No.	Name of the Grant	Original	Supplementary	Actual Expenditure	Savings out of Provisions
Revenue (Voted)					
1	XI-District Administration and Miscellaneous	694.27	116.65	794.60	16.32
2	XVIII-Medical and Public Health	7142.48	1542.90	8025.35	660.03
3	XXI-Housing	103.97	21.50	121.77	3.70
4	XXIII-Information And Publicity	92.97	21.66	110.80	3.83
5	XXX-Food	1796.14	5147.52	6007.26	936.40
6	XXXIX-Power	386.92	572.94	910.49	49.37
7	XLVI-Social Security And Welfare	7603.03	6565.93	13796.94	372.02
	Total	17819.78	13989.10	29767.21	2041.67
Revenue (Charged)					
8	XXXVIII-Irrigation	0.05	1.51	1.51	0.05
	Total	0.05	1.51	1.51	0.05

Sl. No.	Name of the Grant	Original	Supplementary	Actual Expenditure	Savings out of Provisions
Capital (Voted)					
9	XVII-Education, Sports, Art and Culture	366.35	100.61	386.33	80.63
10	XXI-Housing	37.77	20.88	39.41	19.24
11	XXXI-Animal Husbandry	23.33	5.16	27.10	1.39
12	XXXV-Panchayat	202.10	224.00	399.32	26.78
13	XXXVII-Industries	842.28	204.86	916.54	130.60
14	XL-Ports	73.65	43.96	85.62	31.99
15	XLI-Transport	1511.09	1309.22	2806.46	13.85
	Total	3056.57	1908.69	4660.78	304.48
Capital (Charged)					
16	XV-Public Works	30.00	193.52	200.98	22.54
17	XL-Ports	0.00	40.80	40.70	0.10
18	XLI-Transport	0.00	0.76	0.16	0.60
19	LXI-Public Debt Repayment	24878.18	19914.70	38927.85	5865.03
	Total	24908.18	20149.78	39169.69	5888.27
Grand Total		45784.58	36049.08	73599.19	8234.47

It can be seen from **Table 3.3** that there were sufficient savings in the original budget allocation for these grants. Hence, the option of re-appropriation of funds within the Grant/Appropriation (between heads of account where savings are noticed and heads of accounts which require funds) could have been resorted to by the Chief Controlling Officers instead of proposing Supplementary Demands for Grants. This has led to huge savings for these Grants.

3.3.3 Excess, unnecessary or insufficient re-appropriation

‘Re-appropriation’ - means the transfer, by a competent authority, of savings from one unit of appropriation to meet additional expenditure under another unit within the same grant or charged appropriation. The Government is thus allowed to re-appropriate provisions from one unit of appropriation to another within the same Grant, thus altering the destination of an original provision for one purpose to another, subject to the limits and restrictions laid down.

Appropriation Accounts for the year 2020-21, disclosed insufficient re-appropriations of above ₹ one crore in three schemes with excess expenditure exceeding ₹25 crore viz. Legislative Assembly(V) (NP) ₹51.47 crore (Grant No IV), Major District Roads-Development and improvements(V)(P) ₹180.55

crore (Grant No. XV) and Fixed Time Deposits(C)(NP) ₹541.19 crore (Debt Charges).

It was also observed that amount of re-appropriations ordered in 11 schemes included under nine grants was unnecessary as the expenditure under these schemes either did not come up to the level of original/supplementary provision. Out of these 11 schemes, three schemes viz. Kerala State Transport Project (World Bank Aided) (V) (P) ₹244.54 crore (Grant No. XV), Grant-in-aid for the management and control of COVID-19 NHM (100 *per cent* CSS) (V) (P) ₹219.38 crore and National Health Mission (CSS 60:40) (V) (P) ₹235.66 crore (Grant No. XVIII) had savings of more than ₹200 crore.

The augmentation of funds through re-appropriation in two schemes included under two grants was in excess of actual requirement.

The details of re-appropriations mentioned in the preceding paras above ₹ one crore in cases of Savings/Excess exceeded ₹25 crore are furnished in **Appendix 3.1**.

Paragraph 86(3) of Kerala Budget Manual stipulates 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 the Legislature. However, a test check of re-appropriation orders relating to 10 Grants issued by Finance Department revealed that in respect of 701 out of 1,299 items, (53.96 *per cent*) the reasons given for withdrawal of provision or augmentation of provision in the re-appropriation orders were of general nature like ‘expenditure is less than anticipated’, ‘reduced provision is sufficient to meet the expenditure’ etc; which indicated the non-compliance of the provisions of Kerala Budget Manual and inadequate expenditure control mechanism.

3.3.4 Unspent amount and surrendered appropriations and/ or large savings/ surrenders

The golden rule for all Estimating Officers should be to provide in the budget for everything that can be foreseen and to provide only as much as is necessary. The Administrative and Finance Departments should, in checking the estimates, apply unrelentingly the proven and well-tried check of average of previous actuals with known or reasonably foreseeable facts which may modify that average.

When the need for surrender manifests itself, the Controlling Officers should carefully estimate the amounts that they can surrender. The aim should be to surrender as much as they can so as to keep the expenditure just within the modified Grant.

Budgetary allocations based on unrealistic proposals, poor expenditure monitoring mechanism, weak scheme implementation capacities/ weak internal controls promote release of funds towards the end of the financial year, and

increase the propensity of the Departments to retain huge balances outside the Government account in Bank Accounts. Excessive savings also deprives other Departments of the funds which they could have utilised.

Out of 45 Grants and two appropriations, there was a total savings (Gross) of ₹25,532.19 crore related to 41 Grants and two Appropriations, of which a total amount of ₹24,290.05 crore was surrendered.

Audit further observed that in 20 grants and one appropriation having savings exceeding ₹100 crore each, the budget allocation amounting to ₹23,956.68 crore remained unutilised in Revenue and Capital Sections. Out of this, an amount of ₹22,772.07 crore (95.05 per cent) was surrendered as detailed in **Appendix 3.2**.

Further analysis revealed that surrender of funds (in excess of ₹10 crore in each case) amounting to ₹24,263.47 crore was made in 37 Grants and one appropriation at the end of March as shown in **Appendix 3.3**.

Distribution of the number of Grants/Appropriations grouped by the percentage of utilisation along with total savings are given in **Chart 3.2** and savings and surrenders before close of the financial year 2020-21 are given in **Chart 3.3**.

Chart 3.2 shows that there was no grant with Budget utilisation of less than 50 per cent. Under four grants, the percentage of utilisation was between 50 and 70 per cent.

It was further observed that eight schemes included in these four grants as shown in **Table 3.5** have no budget utilisation at all, as entire provisions made in the original/supplementary budget were either completely withdrawn by re-appropriation or surrendered in full.

Chart 3.2: The distribution of the number of Grants/Appropriations grouped by the percentage of utilisation along with total savings

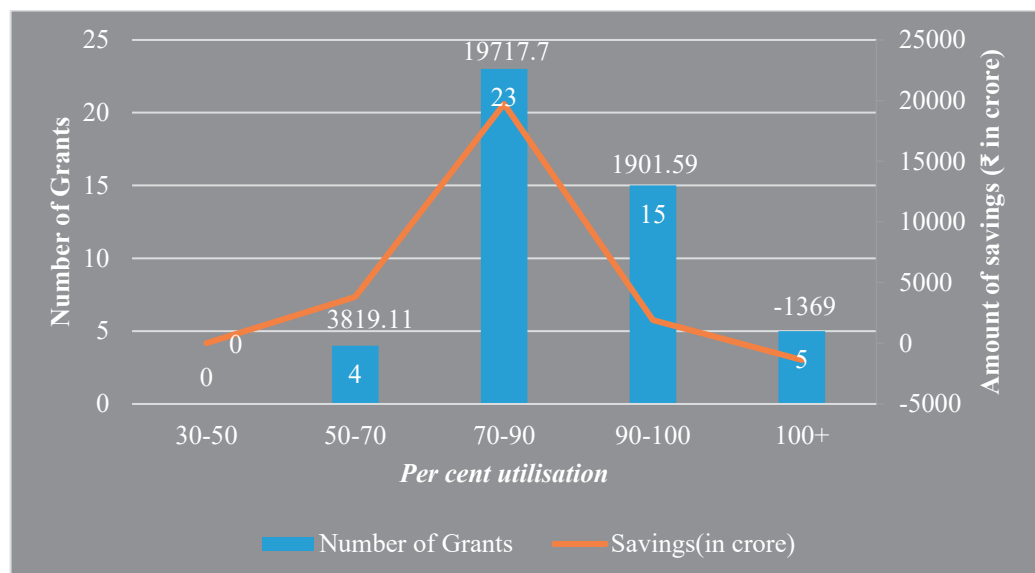
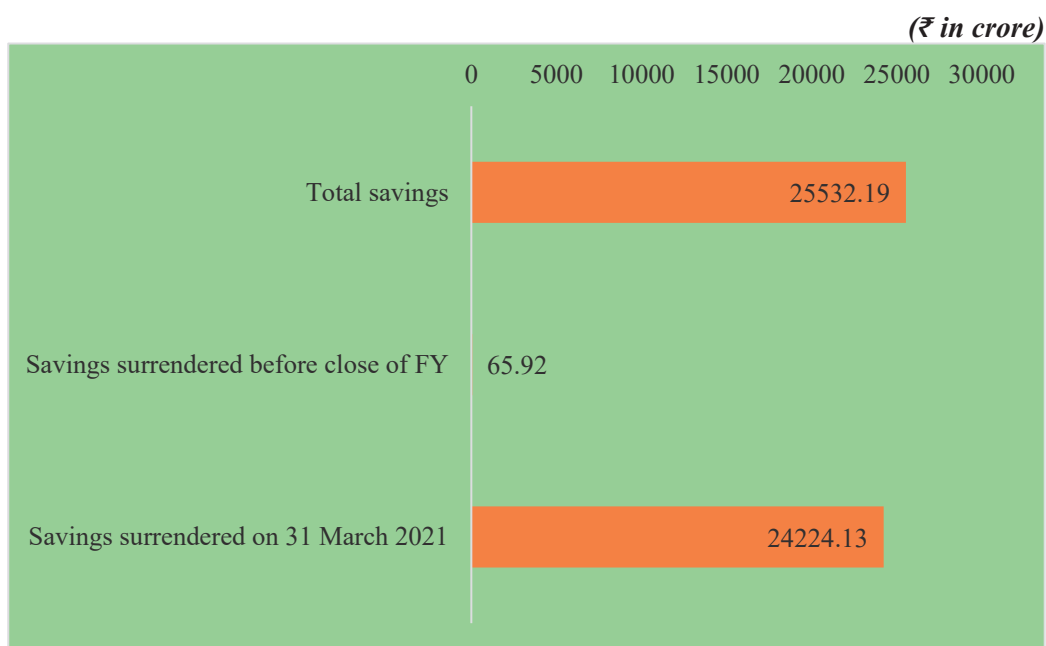


Table 3.5 : Schemes without Budget Utilisation

(₹ in crore)

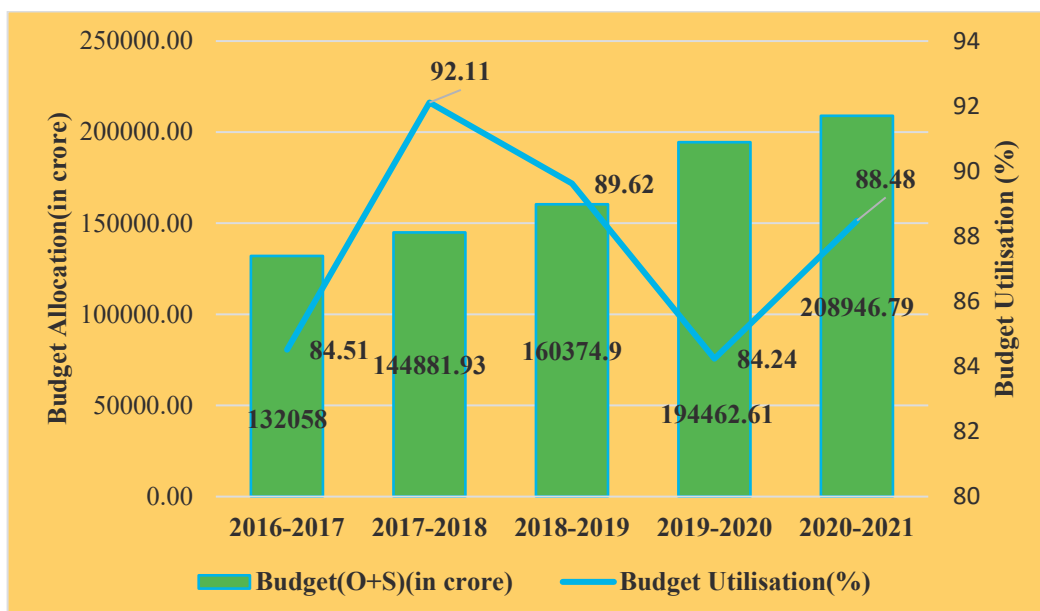
Sl. No	Grant No. and Name	Head of Account and Scheme Name	Original Grant	Supplementary Grant	Total Grant	Actual Expenditure	Percentage of Utilisation
1	XXII-Urban Development	2217-80-001-91- Contribution to the Municipal Common Service Central Pension Fund (V) (NP)	0.00	100.00	100.00	0.00	Nil
2	XXVIII-Miscellaneous Economic Services	5475-00-115-99-Major Infrastructural Development Projects (V) (P)	1000.00	0.00	1000.00	0.00	Nil
3	XXXVI-Rural Development	2501-06-789-98- Pradhan Mantri Awas Yojana (PMAY - Gramin) (60% CSS) (V) (P)	24.00	0.00	24.00	0.00	Nil
		2501-06-796-98- Pradhan Mantri Awas Yojana (PMAY - Gramin) (60% CSS) (V) (P)	12.00	0.00	12.00	0.00	Nil
		2515-00-102-31- Incentivising District Plans - Rural (V) (P)	20.00	0.00	20.00	0.00	Nil
		2515-00-800-48- Kudumbasree (V) (P)	200.00	0.00	200.00	0.00	Nil
4	XXXVIII-Irrigation	4711-01-103-82-Flood Management and Border Area Programme 2020-25 (75% CSS) (V) (P)	196.76	0.00	196.76	0.00	Nil
		4711-01-103-83- Nabard RIDF assistance for Kuttanad (V) (P)	29.10	0.00	29.10	0.00	Nil

Chart 3.3: Savings and surrenders before close of financial year 2020-21



Audit scrutiny revealed that out of the total savings of ₹25,532.19 crore, an amount of ₹65.92 crore only was surrendered before the close of the financial year which works out to 0.26 per cent. It was also observed that ₹24,224.13 crore was surrendered on 31 March 2021.

Chart 3.4: Budget Utilisation during 2016-17 to 2020-21



Audit observed that budget utilisation ranged from 84.51 per cent in 2016-17 to 88.48 per cent in 2020-21. The highest percentage of utilisation was recorded in 2017-18 (92.11 per cent). The percentage of budget utilisation declined from

92.11 per cent in 2017-18 to 84.24 per cent in 2019-20 and increased to 88.48 per cent in 2020-21.

3.3.5 Excess expenditure and its regularisation

Article 205(1) (b) of the Constitution provides that if any money has been spent on any service during a financial year in excess of the amount granted for that service and for that year, the Governor shall cause to be presented to the Legislative Assembly of the State, a demand for such excess. This implies that, it is mandatory for a State Government to get excesses over grants/appropriations regularised by the State Legislature for the financial year.

Although no time limit for regularisation of excess expenditure has been prescribed under the Article, the regularisation of excess expenditure is done after the completion of discussion of the Appropriation Accounts by the Public Accounts Committee. Failure to do so is in contravention of constitutional provisions and defeats the objective of ensuring accountability by the Legislature of the executive over utilisation of public money.

3.3.5.1 Excess expenditure relating to financial year 2020-21

Excess expenditure over the provision for the year is not only in contravention of the provisions requiring Legislative sanction but also indicative of bad planning, which could be avoided by keeping track of expenditure progression with budget made for the purpose. Cases of excess expenditure over the provision of the financial year are examined.

A summary of excess disbursements over Grants/Appropriations during 2020-21 are furnished in **Table 3.6** and details of excess disbursements over the authorisation from the Consolidated Fund of the State are given in **Table 3.7**.

Table: 3.6 Summary of excess disbursements over grants/appropriations during the year 2020-21

(₹ in crore)

Name of Grant	Voted		Charged	
	Revenue	Capital	Revenue	Capital
IV-Elections	54.74			
XV-Public Works	268.10			
XX-Water Supply and Sanitation	4.47			
XLI-Transport	0.74			
XLII-Tourism	6.18			
Debt Charges			797.61	
XV-Public Works		141.14		
XVIII-Medical and Public Health		26.59		

Name of Grant	Voted		Charged	
	Revenue	Capital	Revenue	Capital
XX-Water Supply and Sanitation		108.41		
XXVII-Co-operation		19.30		
XXXIII-Fisheries		23.12		
XXXIV-Forest		0.40		
XLII-Tourism		11.93		
XVIII-Medical and Public Health				0.06
Total Excess	334.23	330.89	797.61	0.06
Grand Total				1462.79

Excess expenditure incurred in five grants (Revenue Voted) (₹334.23 crore), seven grants (Capital Voted) (₹330.89 crore) and two appropriations under Revenue Charged (₹797.61 crore) and Capital Charged (₹0.06 crore) amounting to a total of ₹1,462.79 crore requires regularisation.

Table 3.7: Major head wise details of Grants which incurred excess expenditure during the financial year

(₹ in crore)

Sl No.	Grant No.	Major Head	Major Head Description	Total provision	Expenditure	Excess	Reasons for excess stated by the Department
1	2	3	4	5	6	7= 6-5	8
1	V	2040	Taxes on Sales, Trade etc.	19.68	34.23	14.55	Reply awaited
2	IV	2015	Elections	282.25	336.99	54.74	Reply awaited
3	XI	2250	Other Social Services	117.40	166.83	49.43	Reply awaited
4	XV	3054	Roads and Bridges	3195.71	3548.52	352.81	Reply awaited
		4059	Capital Outlay on Public Works	160.07	175.80	15.73	Reply awaited
		5054	Capital Outlay on Roads and Bridges	2653.25	2778.67	125.42	Reply awaited
5	XVIII	4210	Capital Outlay on Medical and Public Health	290.07	316.72	26.65	Reply awaited
6	XX	2215	Water Supply and Sanitation	401.93	406.40	4.47	Reply awaited
		4215	Capital Outlay on Water Supply and Sanitation	1037.75	1146.16	108.41	Reply awaited

Sl No.	Grant No.	Major Head	Major Head Description	Total provision	Expenditure	Excess	Reasons for excess stated by the Department
7	XXVII	6425	Loans for Co-operation	65.13	87.98	22.85	Reply awaited
8	XXVIII	5465	Investment in General Financial and Trading Institutions	0	400.00	400.00	Reply awaited
9	XXIX	4401	Capital Outlay on Crop Husbandry	5.37	6.96	1.59	Reply awaited
		4402	Capital Outlay on Soil and Water Conservation	74.73	77.35	2.62	Reply awaited
		4435	Capital Outlay on Other Agricultural Programmes	14.65	18.77	4.12	Reply awaited
		6401	Loans for Crop Husbandry	0.00	3.00	3.00	Reply awaited
10	XXX	6408	Loans for Food, Storage and Warehousing	2.28	3.84	1.56	Reply awaited
11	XXXI	4403	Capital Outlay on Animal Husbandry	15.36	21.22	5.86	Reply awaited
12	XXXIII	4405	Capital Outlay on Fisheries	200.76	223.88	23.12	Reply awaited
13	XXXIV	4406	Capital Outlay on Forestry and Wild Life	87.99	88.39	0.40	Reply awaited
14	XXXVI	2501	Special Programme for Rural Development	344.32	495.49	151.17	Reply awaited
		2515	Other Rural Development Programmes	716.27	868.98	152.71	Reply awaited
15	XXXVII	4860	Capital Outlay on Consumer Industries	62.18	77.13	14.95	Reply awaited
		6851	Loans for Village and Small Industries	124.53	142.58	18.05	Reply awaited
		6860	Loans for Consumer Industries	83.30	109.44	26.14	Reply awaited
		6885	Other Loans to Industries and Minerals	57.52	58.80	1.28	Reply awaited
16	XXXVIII	2711	Flood Control and Drainage	54.50	67.39	12.89	Reply awaited
17	XLI	3056	Inland Water Transport	48.25	51.20	2.95	Reply awaited
		7053	Loans for Civil Aviation	0.00	2.27	2.27	Reply awaited
		7055	Loans for Road Transport	1474.91	1742.98	268.07	Reply awaited

Sl No.	Grant No.	Major Head	Major Head Description	Total provision	Expenditure	Excess	Reasons for excess stated by the Department
		7056	Loans for Inland Water Transport	10.97	90.07	79.10	Reply awaited
18	XLII	3452	Tourism	182.44	188.62	6.18	Reply awaited
		5452	Capital Outlay on Tourism	233.34	245.27	11.93	Reply awaited
19	Debt Charges	2049	Interest Payments	20178.03	20975.64	797.61	Reply awaited

3.3.5.2 Persistent excesses

Audit observed that Persistent excess expenditure occurred in one Appropriation viz. Debt charges. The excess expenditure under Debt charges decreased from ₹1,097.61 crore (7.83 per cent) in 2017-18 to ₹797.61 crore in 2020-21 (3.95 per cent), the details of which are shown in **Table 3.8**.

Table 3.8: Persistent Excess

Description of Grant/ Appropriation	(₹ in crore)			
	2017-18	2018-19	2019-20	2020-21
Debt Charges				
Budget provision	14022.37	15868.46	18995.63	20178.03
Expenditure	15119.98	16926.15	19215.27	20975.64
Excess	1097.61	1057.69	219.64	797.61

Sufficient provision may be made in the Budget estimates of the Government to avoid the incurrence of repeated excess expenditure over the appropriation.

The instances of persistent excess expenditure were brought to the notice of the Government and the reply is awaited.

3.3.5.3 Regularisation of excess expenditure of previous financial years

Excess expenditure remaining without regularisation for extended periods dilutes legislative control over the executive. Accordingly, all the excess expenditure relating to previous years (2011-12 to 2019-20) not yet regularised, are examined.

Year wise details of excess expenditure to be regularised up to the year ending 31 March 2020 are shown in **Table 3.9**.

Table 3.9: Abstract of pendency of regularisation

Year	Number of Grants/Appropriations	Excess expenditure to be regularised
2011-12	2	24.50

Year	Number of Grants/Appropriations	Excess expenditure to be regularised
2012-13	5	40.44
2013-14	10	560.69
2014-15	1	192.00
2015-16	4	230.76
2016-17	8	141.17
2017-18	9	3545.44
2018-19	6	4463.15
2019-20	3	665.37
Total	48	9863.52

Excess expenditure of previous financial years in respect of 31 Grants and 17 Appropriations amounting to ₹9,863.52 crore from the year 2011-12 to 2019-20 as detailed in **Appendix 3.4** are yet to be regularised. This indicates inadequate expenditure control.

3.3.6 Grant-in-aid for creation of capital assets

Grants-in-aid are payments in the nature of assistance, donations or contributions made by one government to another government, body, institution or individual. Grants-in-aid are given for specified purpose of supporting an institution including construction of assets.

As per IGAS 2, Grant-in-aid (GIA) disbursed by a grantor to a grantee shall be classified and accounted for as revenue expenditure irrespective of the purpose for which the funds disbursed as Grants-in-aid are to be spent by the grantee, except in cases where it has been specifically authorised by the President on the advice of the Comptroller and Auditor General of India.

However, Audit has noticed instances of classifying Grant-in-aid as Capital expenditure, which has led to understatement of Revenue Deficit (**Table 3.10**).

Table 3.10: Extent of classification of GIA as Capital Expenditure

	(₹ in crore)				
	2016-17	2017-18	2018-19	2019-20	2020-21
GIA booked as Capital Expenditure	179.45	169.13	85.04	14.70	46.50
Total Capital Expenditure	10125.95	8748.87	7430.54	8454.80	12889.65
Share of GIA in Capital Expenditure (in per cent)	1.77	1.93	1.14	0.17	0.36
Impact on Revenue Deficit –understated	179.45	169.13	85.04	14.70	46.50

There has been a persistent misclassification of Grant-in-aid as Capital Expenditure year after year for the five year period from 2016-17 to 2020-21.

3.4 Comments on transparency of budgetary and accounting process

3.4.1 Lumpsum budgetary provisions

Lumpsum provision is a budgetary provision without identifying the exact object of expenditure and it is against transparency. As per Para 14 of Kerala Budget Manual, except when unavoidable, as in the case of repairs and maintenance of buildings, lumpsum demands should not be made. However, Audit observed that lumpsum provisions are made in the Budget for the financial year 2020-21. The details of the Grants having heads of account with lumpsum provision and their utilisation are given in **Table 3.11**.

Table 3.11: Lumpsum provisions and its utilisation

(₹ in crore)

Sl. No.	Grant No. and Head of Account	Original Provision	Expenditure	Audit observation
1	III Administration of Justice 2014-103-96-Setting up of Fast Track Special Courts for the Trail of POCSO Cases (60 % CSS) (P) (V) - lumpsum provision	21.00	9.64	The entire budget provision was redistributed to various other detailed heads within the same sub head. The lumpsum provision indicates lack of transparency. The budget utilisation of the scheme under the detailed head as against the original provision works out to 45.90 <i>per cent</i> only.
2	XXXVII Industries 4885-60-800-96 – Provision for revival/Diversification of State Public Sector undertakings Lumpsum provision (P) (V)	30.00	Nil	The entire provision was Re-appropriated/surrendered. Provision of ₹16.62 crore was redistributed to various other loan major heads through a series of Re-appropriation orders. No expenditure was incurred under the head during the year. Unnecessary provision of funds indicates inadequate budgetary control.
3	XL Ports 5051-80-800-98- Augmentation of Workshop and Stores Organisation (P) (V)	4.00	0.68	The entire lumpsum provision made under the sub-head was redistributed to other heads of account with in the same sub-head of account. The budget utilisation of the scheme under the detailed head as against the original provision works out to 17 <i>per cent</i> only. The lumpsum provision indicates lack of transparency and the

Sl. No.	Grant No. and Head of Account	Original Provision	Expenditure	Audit observation
				excessive provision of funds indicates inadequate budgetary control.
4	XLVI Social Security and Welfare 2235-02-102-62-Psycho Social Services to Adolescent Girls (P) (V)	26.80	22.36	The entire lumpsum provision under 102-62 was redistributed to other heads of account with in the same sub head of account. The lumpsum provision indicates lack of transparency.

3.4.2 Defective Budgeting

3.4.2.1 Lack of transparency– Operation of Omnibus Object Head 34 - Other Charges

As per para 9(7) of Kerala Budget Manual (KBM), for the purpose of departmental control, it is necessary to analyse the expenditure on a scheme in terms of inputs such as salaries, grant-in-aid, investments, etc. and as per para 29 of KBM, the detailed head “Other Charges” is a residuary head that will embrace all charges which cannot appropriately be brought to account under any other detailed head.

The object head, being the last tier of classification, exhibits the object/nature of expenditure, required to be prepared by exercising high degree of accuracy. However, Audit noticed that though there are separate standard object heads for Machinery & Equipment, Materials & Supplies, Motor Vehicles, Rent Rate and Taxes, Electricity Charges, Water charges etc., expenditure amounting to a total of ₹2,236.30 crore on these items had been budgeted/ booked under the Omnibus Object Head 34-Other Charges during 2020-21 (Statement No.4B of Finance Accounts for the year 2020-21). Routine and indiscriminate operation of Object head 34-Other charges renders the accounts opaque.

3.4.2.2 Non- allocation of funds for the Scheduled Caste Sub-Plan (SCSP) / Tribal Sub-Plan (TSP) component of the Centrally Sponsored Schemes.

Para 13.4 of the Budget Circular of the Government of India for the year 2020-21 specifies that the Government of India has been earmarking separate allocations for the Scheduled Castes Sub Plan (SCSP) and Tribal Sub Plan (TSP) from the Financial Year 2011-12 onwards. Government of India release for Centrally Sponsored schemes includes the funds for SCSP and TSP components also. As per para 13.4 of the Budget Circular, for incurring expenditure, State Government has to provide sufficient provision under the General, SCSP & TSP components of the Scheme. However, Audit noticed that entire provision had been made in the General component head of two schemes having SCSP and TSP components viz. Rashtriya Uchchatar Shiksha Abhiyaan - RUSA (65 per cent CSS) and Pradhan Mantri Kaushal Vikas Yojana and at the end of the year, budget provision had been re-appropriated to the heads “789

Special Component Plan for Scheduled Castes” and “796 Tribal Area Sub Plan” from the General Component head, which is against the guidelines contained in Para 13.4 of the Budget circular of the GoI for the year 2020-21.

3.4.2.3 Major works budgeted under Revenue section instead of Capital

The object head ‘16 Major works’ should not have been opened under the revenue expenditure head. However, Audit noticed that the object head ‘16 Major works’ was operated under the head ‘3054-Roads & Bridges 80- General-800 Other Expenditure- 95 Road Safety works’ during 2020-21.

3.5 Comments on effectiveness of budgetary and accounting process

3.5.1 Budget projection and gap between expectation and actual

Efficient management of tax administration/other receipts and public expenditure holds the balance for the achievement of various fiscal indicators. Budgetary allocations based on unrealistic proposals, poor expenditure monitoring mechanism, weak scheme implementation capacities/ weak internal controls lead to sub-optimal allocation among various developmental needs. Excessive savings in some departments deprive other departments of the funds which they could have utilised.

Summarised position of Actual Expenditure *vis-à-vis* Budget (Original/Supplementary) provisions during the financial year is given below in **Table 3.12**.

Table 3.12 : Summarised position of Actual expenditure and Budget

(₹ in crore)

Nature of expenditure		Original Grant/ App.	Supplementary Grant /App.	Total	Actual expenditure	Net of Savings (-)	Surrender during March	per cent of expenditure to Provision
Voted	I. Revenue	110796.40	15054.01	125850.41	108953.04	16897.37	15980.85	86.57
	II. Loans and Advances	1514.71	672.56	2187.27	2548.35	(-)361.08	84.69	116.51
	III. Capital Voted	12885.74	2295.99	15181.73	12935.44	2246.29	2147.92	85.20
Total		125196.85	18022.56	143219.41	124436.83	18782.58	18213.46	86.88
Charged	Revenue Charged	20319.53	331.55	20651.08	21254.93	(-)603.85	197.31	102.92
	Public Debt	24878.18	19914.70	44792.88	38927.85	5865.03	5854.09	86.91
	Loans and Advances Charged	0.00	0.48	0.48	0.16	0.32	0.32	33.39

Nature of expenditure	Original Grant/ App.	Supplementary Grant /App.	Total	Actual expenditure	Net of Savings (-)	Surrender during March	per cent of expenditure to Provision
Capital Charged	36.62	246.32	282.94	257.62	25.32	24.87	91.05
Total	45234.33	20493.05	65727.38	60440.56	5286.82	6076.59	91.96
Appropriation to Contingency Fund (if any)	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Grand Total	170431.18	38515.61	208946.79	184877.39	24069.40	24290.05	88.48

Source: Appropriation Accounts.

Original Budget, Revised Estimate and Actual Expenditure during 2016-17 to 2020-21 are given in **Table 3.13**.

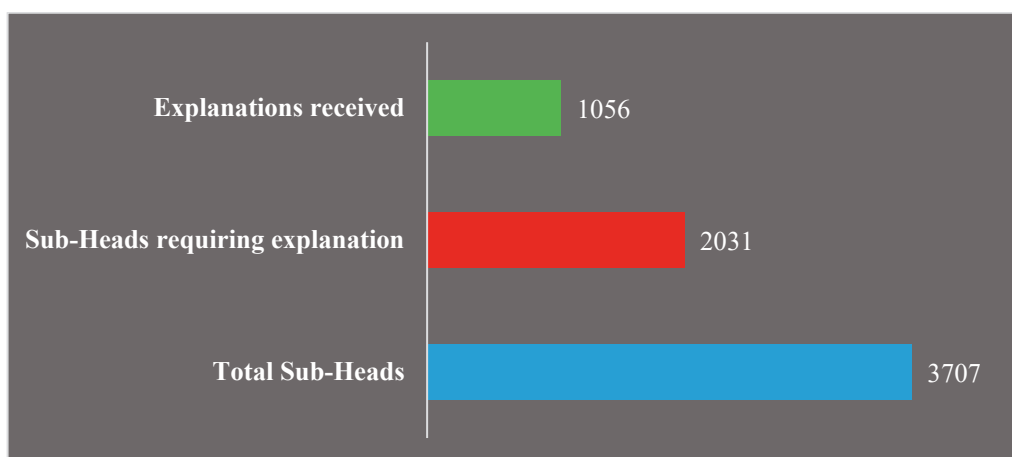
Table 3.13: Original Budget, Revised Estimate and Actual expenditure during the period 2016-17 to 2020-21

(₹ in crore)

	2016-17	2017-18	2018-19	2019-20	2020-21
Original Budget	122593.50	133897.86	142809.88	160613.01	170431.18
Supplementary Budget	9464.50	10984.08	17565.02	33849.60	38515.61
Revised Estimate	104296.99	111351.52	124678.88	125642.93	128382.63
Actual Expenditure	111597.71	133456.97	143721.60	163815.80	184877.39
Saving /excess	20460.29	11424.97	16653.30	30646.81	24069.40
Percentage of Saving	15.49	7.89	10.38	15.76	11.52

Audit observed that the percentage of supplementary provision to the original provision has increased from 7.72 per cent in 2016-17 to 22.60 per cent in 2020-21 which indicates poor planning and budgeting.

There were a total of 3,707 sub heads of which 2,031 sub heads require explanation for variations between the budget provision and actual expenditure in the Appropriation Accounts during the year 2020-21. Out of this, only 1,056 explanations were received, as shown in **Chart 3.5**.

Chart 3.5: Summary of Explanation for Variation in Appropriation Accounts

3.5.2 Supplementary Budget and Opportunity Cost

At times, while obtaining supplementary provision, the Departments report to Legislature large additional requirement for different purposes under various schemes/activities; but finally they are unable to spend not only the entire supplementary provision or parts thereof but also the original budget provision. As a result, the unutilised funds could not be made use of. At the same time, some of the schemes remained incomplete due to want of funds. Thus, the intended benefit of the unfinished schemes could not be extended to the Public at large in such cases. Further, this leads to escalation of project cost.

Audit observed that though a total budget provision of ₹12,465.18 crore including supplementary provision was obtained under Capital Section in 22 grants, ₹2,216.10 crore (17.78 per cent) remained unutilised as detailed in **Appendix 3.5**.

If the excessive budgetary provision is not made, it could have been utilised for other needy departments.

The details of incomplete projects costing above ₹25 crore which could have utilised this amount are shown in **Table 3.14**.

Table 3.14: Details of incomplete projects costing above ₹25 crore*(₹ in crore)*

Sl No	Name of Scheme/Project (having estimated cost of ₹25 crore or more)	Estimated cost of scheme/project	Yearwise Expenditure incurred during 2016-21		Target year of completion	Expenditure as of 31 March 2021	Physical progress of the work (in per cent)	Funds required for completion of remaining work
			Year	Expenditure				
1	Kuttanad Package-FMP-Modernisation of Thanneermukkom Bund to manage salinity	255.33	2016-17	52.12	2018	141.81	55	113.52
			2017-18	16.81				
			2018-19	8.54				
			2019-20	0.90				
			2020-21	Nil				

Sl No	Name of Scheme/Project (having estimated cost of ₹25 crore or more)	Estimated cost of scheme/project	Yearwise Expenditure incurred during 2016-21		Target year of completion	Expenditure as of 31 March 2021	Physical progress of the work (in per cent)	Funds required for completion of remaining work
			Year	Expenditure				
2	Thuravoor-Pamba Road renovation and construction of Thycattussery Nerekadavu by-pass from 1/790 to 6/530 (2 nd reach)	98.99	2016-17	#	2017	49.29	55	49.70
			2017-18	42.95				
			2018-19	6.34				
			2019-20	Nil				
			2020-21	*				
3	Construction of Kannattu Willington bridge across Kumbalam Kayal	64.00	2016-17	Expenditure details awaited	2016	67.21	90	Reason for excess expenditure is awaited
			2017-18					
			2018-19					
			2019-20					
			2020-21					

#commenced in 2013- No expenditure upto 2016-17

*Expenditure not furnished by the department

3.5.3 Major policy pronouncements in budget and their actual funding for ensuring implementation

Several schemes for which provision was made in budget were not executed, and thus deprived the beneficiaries of intended benefits. Savings in such schemes deprives other departments of the funds which they could have utilised.

Audit observed that budget provision of ₹10 crore and above was made in 19 schemes included in 11 Grants but no expenditure was incurred in any of these schemes. These schemes were also not withdrawn in revised outlay. (**Appendix 3.6**). Out of these 19 schemes, two schemes viz. National Scheme for modernisation of Police and other forces (CSS) (Grant No. XII), Basic Amenities in Village Offices (Grant No. XV) were announced in the budget for financial year 2019-20 too with no actual funding.

3.5.4 Financial power being flouted - in relation to re-appropriation

‘Re-appropriation’ - means the transfer, by a competent authority, of savings from one unit of appropriation to another within the same Grant, thus altering the destination of an original provision for one purpose to another, subject to the limits and restrictions laid down. The provisions relating to re-appropriation will be laid down in individual State Budget Manuals. However, there are certain broad instructions that are universally applicable:

1. Limitation for Executive:

- (i) No re-appropriation is permissible from Capital to Revenue & *vice versa*.

(ii) No re-appropriation is permissible from Voted to Charged & *vice versa*.

(iii) No re-appropriation is permissible from one Grant to another.

However, based on the availability of savings in individual Grants, authorization of Legislature through Supplementary Grant can be obtained by the Government during the course of the year for utilising Savings in other sections of the Grants. These are generally referred to as technical supplementaries.

2. Generally, Finance Department has powers to sanction re-appropriation from one Major, Minor or Sub Head to another; and Ministers of respective departments can sanction re-appropriation between Heads subordinate to Minor Head, if this does not involve the undertaking of a recurring liability.
3. Permissible re-appropriations within the Grant or Appropriations of a year can be sanctioned at any time within the year but not after the expiry of the year.
4. No re-appropriation shall be made for any purpose whatsoever from Supplementary Grants voted by the Assembly for a definite purpose, so as to ensure that a Supplementary Grant shall be used for the purpose for which it is voted.
5. In a case in which provision made in the Budget under a Sub Head is expected to be exceeded, re-appropriation should ordinarily be postponed until a reliable forecast is possible, as the information available in the earlier part of the year is not always a safe guide for re-appropriations.
6. No expenditure should, however, be incurred on an object for which no provision exists in the budget.
7. No re-appropriation should be made for a New Service not contemplated in the budget for the year nor for an object not specifically included in that estimates and for which no provision has been made.
8. No re-appropriation should be made which involve the undertaking of liability which is likely to be extended beyond the financial year.

Audit observed that re-appropriations were made from five Grants after obtaining supplementary provision as detailed in **Table 3.15**.

Table 3.15 : Re-appropriation made after obtaining supplementary provision

(₹ in crore)

Sl. No.	Grant No.	Head of account	Supplementary provision	Re-appropriation
1	I-State Legislature	2011-02-101-99 (V) (NP)	0.75	-0.92
2	XVIII-Medical and Public Health	2210-03-103-99 (V) (NP)	0.22	-31.53
3	XXXVII-Industries	2851-00-004-99 (V) (P)	1.01	-3.37

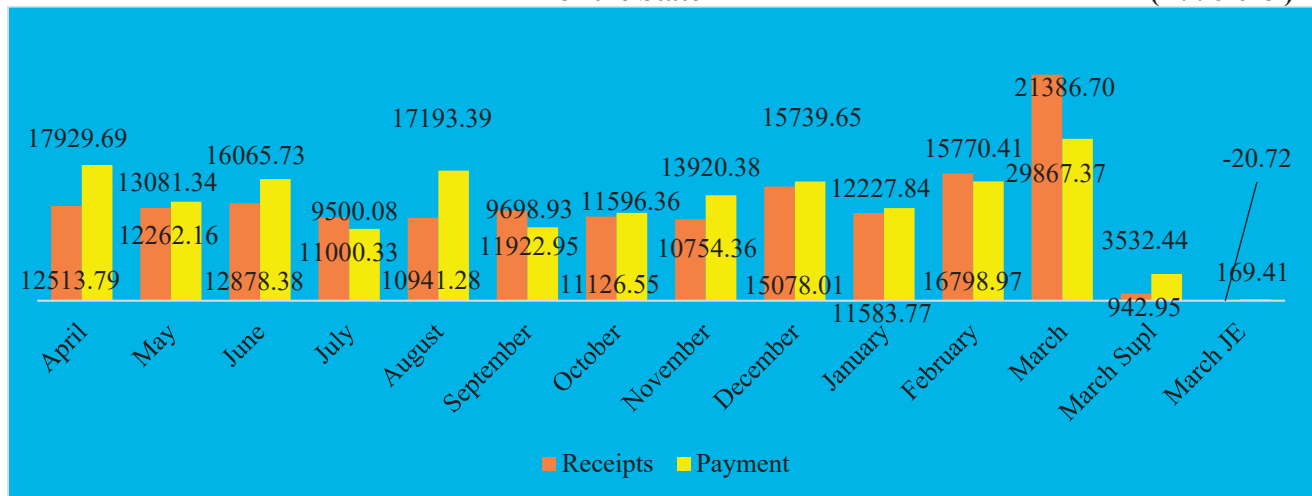
Sl. No.	Grant No.	Head of account	Supplementary provision	Re-appropriation
4	Debt Charges	2049-01-115-96 (C) (NP)	5.19	-6.58
5	Debt Charges	2049-01-115-97 (C) (NP)	0.99	-1.66

Withdrawal of supplementary provision, through re-appropriation orders, has defeated the objective of supplementary grant.

3.5.5 Rush of Expenditure

As per para 91(2) of the Kerala Budget Manual the flow of expenditure should be so regulated throughout the year that there is no rush of expenditure, particularly during the closing months of the financial year.

Chart 3.6: Monthly receipts and expenditure during the financial year for the State (₹ in crore)



From **Chart 3.6**, it can be seen that for 2020-21, the monthly spread of receipts and expenditure of the State was not generally even as was observed in the year 2019-20.

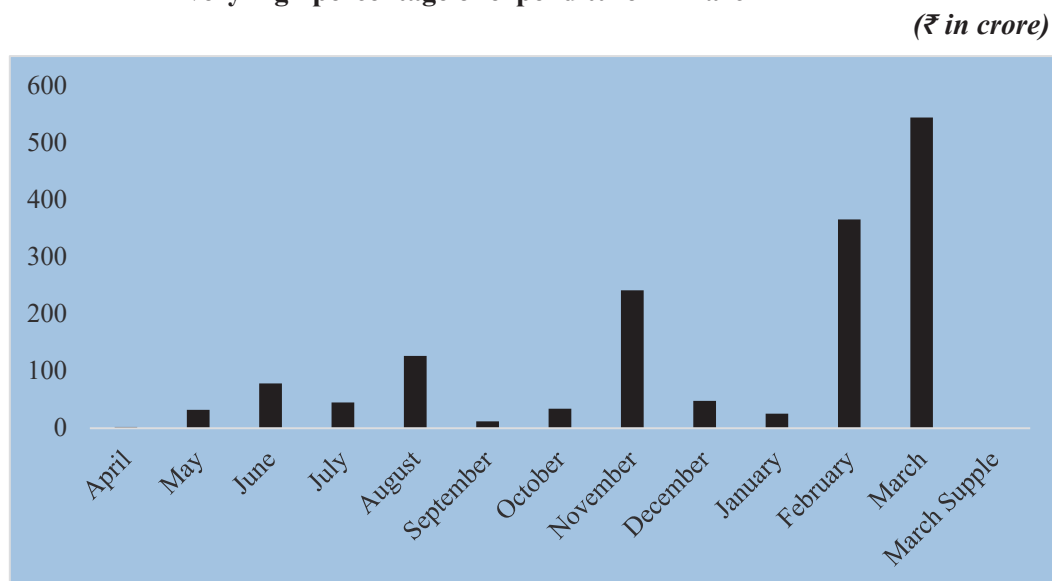
Audit observed that for four Grants shown in **Table 3.16**, more than 25 per cent of the expenditure was incurred in March alone.

**Table 3.16: Grants with more than 25 per cent of expenditure in March alone
(Descending order of percentage)**

(₹ in crore)

Sl. No	Grant No.	Description	Ist Qtr	2 nd Qtr	3 rd Qtr	4 th Qtr	Total	Expenditure in March	Expenditure in March as percentage of total expenditure
1	XX	Water Supply and Sanitation	112.09	182.94	323.03	934.44	1552.50	543.72	35.02
2	XV	Public Works	1132.68	1205.56	1105.18	2673.90	6117.32	1629.08	26.63
3	Public Debt Repayment	Public Debt Repayment	13746.20	7172.74	6144.37	11864.54	38927.85	10026.54	25.76
4	XXXVI	Rural Development	967.78	657.61	721.17	1655.38	4001.94	1005.92	25.14

Chart 3.7: Month wise expenditure of Water supply and Sanitation with very high percentage of expenditure in March



Further, the scheme wise analysis of expenditure of ₹one crore or more, as mentioned in **Appendix 3.7**, has revealed that the entire expenditure was incurred in March during the year 2020-21 in 61 schemes, the incurrence of expenditure in March was very high in three schemes viz. one each in Grant No. XXVIII Miscellaneous Economic Services (₹400 crore), Grant No. XXV

Welfare of Scheduled Castes, Scheduled Tribes, Other Backward Classes and Minorities (₹140 crore) and in Grant No. XVI Pensions and Miscellaneous (₹100 crore).

3.5.6 Review of Selected Grant - Review on Budgetary process and Appropriation Control - Grant No XXII- Urban Development

The Central/State Government have implemented many programmes for the urban development in the State which covers infrastructure for education, health, justice, solid waste, markets, street pavements and cultural heritage protection. The Grant No XXII is controlled by four³³ Controlling Officers in two³⁴ Administrative Departments. The controlling officers are responsible for ensuring appropriation control in each unit of appropriation of the Grant. A review was conducted to ascertain the budgetary process and utilisation of funds earmarked for various schemes implemented by all the four controlling officers. Defective budgetary and appropriation control was noticed in the schemes implemented by all these controlling officers.

3.5.6.1 Budget allocation and expenditure

Budget allocation and expenditure under revenue and capital sections of Grant XXII during the last three years are given in **Table 3.17**.

Table 3.17: Budget allocation and expenditure for the last three years

(₹ in crore)

Year	Category	Budget allocation	Total	Expenditure	Savings	Percentage of Savings during the year
2018-19	Revenue Original(V)	2601.86	2912.91	1129.37	1783.54	61.23
	Supplementary	300.00				
	Capital Original(V)	0.01				
	Supplementary	11.04				
2019-20	Revenue Original(V)	1970.92	2196.93	1084.78	1112.15	50.62
	Supplementary	51.00				
	Capital Original(V)	175.01				
	Supplementary	0.00				
2020-21	Revenue Original(V)	2159.41	2557.39	1583.83	973.56	38.07
	Supplementary	201.47				
	Capital Original(V)	187.01				
	Supplementary	9.51				

Source: Appropriation Accounts 2018-19 to 2020-21, Government of Kerala.

³³ Director of Urban Affairs (formerly Director of Municipal Administration), The Chief Town Planner, The Secretary to Government, Local Self Government Department and The District Collector, Thiruvananthapuram

³⁴ Local Self Government Department and Revenue Department

3.5.6.2 Savings

Table 3.18 shows that more than 38 *per cent* of the budget allocation remained unutilised during the last three years.

Moreover, scrutiny of Appropriation Accounts for the years 2018-19 to 2020-21 showed that in 37 schemes, implemented by the three Controlling officers³⁵, surrender of funds is more than fifty *per cent* of the budget allocations. Out of these 37 schemes, 21 schemes had surrender more than one crore as detailed in **Appendix 3.8**.

It was stated in reply that the expenditure under the head of account could not be incurred in respective years due to 20 *per cent* plan cut effected by Government, Bills not passed by Treasury due to closing down of office in connection with corona out break and deferring the scheme in the working group as part of policy decision of Government.

However, audit observed that, during the above period there were repeated cases of savings of more than ₹10 crore each under 13 schemes as detailed in **Appendix 3.9**. Moreover, the savings year after year indicated failure of the respective Controlling Officers and the Finance Department in making a realistic assessment of the budgetary requirement based on the expenditure of the previous year and the ability of the department to utilise the funds allotted.

It was also observed that in respect of 16 schemes the entire budget allocation remained unutilised in the respective years and was surrendered at the end of the year. Out of these 16 schemes, in six schemes the amount of entire budget allocation surrendered were more than ₹ one crore is given in **Table 3.18**. The surrender of entire provision indicated failure on the part of the department for its proper utilisation. As a result, the objectives of the schemes/ programmes for which the funds were provided for, could not be achieved.

Table 3.18: Schemes in which entire budget allocation was surrendered.

(₹ in crore)				
Sl. No:	Scheme	Year	Budget allocation	Amount Surrendered
Director of Urban Affairs				
1.	2217-05-051-98-(V)(P) Construction of New Building for the Newly formed Municipalities	2018-2019	15.00	15.00
		2019-2020	10.00	10.00
2.	2217-05-800-69-(V)(P) Incentivising District Plans - Urban	2018-2019	10.00	10.00
3.	2217-05-191-36-(V)(P) Thiruvananthapuram Development Authority	2019-2020	15.00	15.00

³⁵ Director of Urban Affairs (formerly Director of Municipal Administration), The Chief Town Planner and the Secretary to Government, Local Self Government Department.

Sl. No:	Scheme	Year	Budget allocation	Amount Surrendered
4.	2217-80-001-91-(V)(NP) Contribution to the Municipal Common Service Central Pension Fund	2020-2021	100.00	100.00
5.	4217-60-800-93-(C)(P) Payment of compensation in LAR cases	2019-2020	1.49	1.49
Secretary to Government, Local Self Government Department				
6.	2217-05-800-70-(V)(P) Interest Subsidy to the Housing Loan availed by permanent contingent employees of Municipalities and Corporations	2018-2019	1.00	1.00

3.5.6.3 Unnecessary/excessive supplementary budget provision

Audit of Appropriation Accounts for the period 2018-19 to 2020-21, revealed that supplementary provision amounting to ₹411.97 crore made by two controlling officers proved unnecessary/excessive as the expenditure did not come up to the level of even original provisions as detailed in **Table 3.19**. Since there were sufficient savings in the original budget allocation, the option of re-appropriation of funds between heads of account (where savings were noticed) within the grant/appropriation could have been resorted to by the Controlling Officers (for heads of accounts which require funds) instead of proposing Supplementary Demands for Grants(SDG).

Table 3.19: Unnecessary/excessive supplementary budget provision

(₹ in crore)

Year	Major Head	Name of Controlling Officer	Sum of Budget original amount	Sum of expenditure	Sum of Budget supplementary amount
2018-19	2217	Secretary to Government, Local Self Government Department	1001.00	699.85	200.00
2019-20	2217	Director of Urban Affairs	996.04	283.84	1.00
2020-21	2217	Secretary to Government, Local Self Government Department	1170.01	977.06	41.08
	4217	Secretary to Government, Local Self Government Department	187.01	102.99	9.51
	2217	Director of Urban Affairs	951.44	471.25	160.38
Total					411.97

Source: Appropriation Accounts 2018-19 to 2020-21, Government of Kerala

3.5.6.4 Unspent provision not surrendered

During the course of the financial year, if it is found that the budget grant cannot be utilised in full, then the funds in excess of requirements are to be surrendered by the Disbursing Officers. Subsequently, the Chief Controlling Officer has to remit back the savings of the Grant to the Finance Department. Scrutiny of the detailed Appropriation Accounts for the years 2018-19, 2019-20 and 2020-21 revealed that the budget grant which cannot be utilised in full and the funds in excess of requirement has not been surrendered in the financial year in respect of six schemes as shown in **Table 3.20**. In respect of the scheme (Sl.No.6) controlled by the Secretary to Government, Local Self Government Department, balance to be surrendered during the year 2020-21 is ₹12 crore, which is 61.53 per cent of the net budget.

Table 3.20: Schemes in which unspent budget provision not surrendered

(₹ in crore)					
Sl No	Scheme	Year	Net Budget	Expenditure	Balance to be surrendered
Chief Town Planner					
1	2217-05-001-65-(V)(NP) District Planning Units	2019-2020	23.05	22.78	0.27
		2018-2019	22.49	22.24	0.25
		2020-2021	20.31	20.09	0.22
Director of Urban Affairs					
2	2217-05-191-35-(V)(P) Greater Cochin Development Authority	2018-2019	0.16	0.00	0.16
3	2217-80-001-97-(V)(NP) Municipal Secretaries	2020-2021	5.15	4.81	0.34
		2018-2019	5.60	5.39	0.21
		2019-2020	6.26	6.14	0.12
4	2217-80-001-99-(V)(NP) Directorate of Urban Affairs	2020-2021	4.43	4.32	0.11
5	2217-80-800-76-(V)(P) Ayyan Kali Urban Employment Guarantee Scheme	2020-2021	105.21	104.21	1.00
Secretary to Government, Local Self Government Department					
6	4217-01-800-99-(V)(P) Capital Region Development Project	2020-2021	19.50	7.50	12.00

3.5.6.5 Expenditure incurred without budget provision

A scrutiny of the detailed Appropriation Account for the period 2018-19, 2019-20 and 2020-21, has revealed that there are instances of incurring expenditure without any original/supplementary budget provision in the financial year against the Sub heads/schemes as shown in **Table 3.21**. The funds for expenditure were brought through re-appropriation orders for the schemes which were recurring in nature and are for foreseeable items of expenditure such as World Bank aided project and *Attukal Pongala*. In two cases, even the funds provided through re-appropriation could not be completely utilised and resulted in surrender of ₹7.62 crore (Sl. No. 4 & 7). Incurring of expenditure for schemes without original budget provision, which would have foreseen while proposing budget estimates, is contravention of the provisions of budget manual (para 95 of the Kerala Budget Manual).

In six cases (Sl No. 4 to 9) entire provision was provided only to the general component of the scheme and at the end of the year budget provision was re-appropriated from General component to the SC & ST component. This is not a sound practice in budgeting.

Table: 3.21: Schemes in which expenditure incurred without budget provision

(₹ in crore)

Sl No.	Scheme	Year	Budget allotment	Expenditure	Surrender
Director of Urban Affairs					
1	2217-80-800-63-(V)(P) Urban Solid Waste Management Initiative (USWMI)	2018-2019	0.00	2.00	0.00
		2019-2020	0.00	0.41	0.00
2	2217-05-800-89-(V)(P) Jawahar Lal Nehru National Urban Renewal Mission	2018-2019	0.00	26.05	0.00
		2020-2021	0.00	0.26	0.00
3	2217-05-796-99-(V)(P) National Urban Livelihood Mission (NULM) (60% CSS) (Tribal Sub Plan)	2018-2019	0.00	0.61	0.00
		2019-2020	0.00	1.84	1.22
4	2217-05-796-98-(V)(P) Pradhan Mantri Awas Yojana (PMAY) (60% CSS) (Tribal Sub Plan)	2018-2019	0.00	0.16	0.00
5	2217-05-796-98-(V)(P) Pradhan Mantri Awas Yojana (PMAY) (60% CSS) (Tribal Sub Plan)	2019-2020	0.00	4.05	0.00
6	2217-05-789-99-(V)(P) National Urban Livelihood Mission (NULM) (60% CSS) (Special Component Plan)	2018-2019	0.00	6.00	0.00
		2019-2020	0.00	9.61	6.40

Sl No.	Scheme	Year	Budget allotment	Expenditure	surrender
7	2217-05-789-98-(V)(P) Pradhan Mantri Awas Yojana (PMAY) (60% CSS) (Special Component Plan)	2018-2019	0.00	4.09	0.00
8	2217-05-789-98-(V)(P) Pradhan Mantri Awas Yojana (PMAY) (60% CSS) (Special Component Plan)	2019-2020	0.00	6.71	0.00
9	2217-05-191-36-(V)(P) Thiruvananthapuram Development Authority	2020-2021	0.00	3.10	0.00
The Secretary to Government, Local Self Government Department					
10	2217-80-800-59-(V)(P) Assistance to Clean Kerala Company for Waste Treatment Activities	2020-2021	0.00	5.00	0.00
11	2217-05-800-66-(V)(P) Kerala Urban Service Delivery Project (KUSDP) - World Bank Aided	2020-2021	0.00	0.50	0.00
The District Collector, Collectorate, Thiruvananthapuram					
12	2217-01-800-94-(V)(P) Assistance to <i>Attukal Pongala</i> Festival	2018-2019	0.00	2.27	0.00
		2019-2020	0.00	1.52	0.00
		2020-2021	0.00	3.75	0.00

3.5.6.6 Unnecessary re-appropriation

Augmentation of funds through re-appropriation was resorted to by the departmental officers if the funds provided through original demands for grants are found insufficient and savings are available under another unit of appropriation with the Grant. However, audit analysis revealed that in 14 sub-heads, the re-appropriation was wholly unnecessary as the final expenditure was less than the budget allocation. Out of these 14 sub-heads, in the head of account operated by Secretary to Government, Local Self Government Department, unnecessary re-appropriation was ₹9.97 crore which is detailed in **Table 3.22**.

Table 3.22: Unnecessary re-appropriations*(₹ in crore)*

Sl No.	Scheme	Year	Budget allocation	Re-appropriation	Expenditure	Savings
Secretary to Government, Local Self Government Department						
1.	4217-01-800-99-(V)(P) Capital Region Development Project	2020-2021	9.52	9.97	7.50	11.99

3.5.6.7 Administrative Expenses not met from Central Pension Fund

According to Kerala Municipality (Employees Death-Cum-Retirement Benefit) Rules 1996, the administrative expenses of the pension scheme for the employees under the regular establishment of urban local bodies, such as establishment expenditure, travelling allowance, stationery, furniture, contingent expenditure etc. of the pension section of the Directorate of Urban Affairs were to be initially met from the sub head '2217-80-001-96' (Centralised Pension Scheme for Kerala Municipal Employees Establishment Charges). After the close of the year, the amount so spent should be remitted back to the Government Account from the Central Pension Fund. Audit observed that during the period from 2018-19 to 2020-21 though an amount of ₹2.30 crore was spent from Government accounts towards administrative expenses of the scheme as shown in **Table 3.23**. Director of Urban Affairs did not remit back the amount to the Government by debit to CPF.

Table 3.23: Amount spent from Government towards administrative expenses*(₹ in crore)*

Head of account	Year	Expenditure as incurred by the department
2217-80-001-96	2018-19	0.84
	2019-20	0.79
	2020-21	0.67
Total		2.30

3.5.6.8 Delay in submitting surrender proposals

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 the Finance Department as and when they are foreseen, unless they are required to meet excesses under other units of appropriation. During the course of the financial year, if it is found that the budget grant cannot be utilised in full, then the funds in excess of requirements are to be surrendered by the disbursing officers. Subsequently, the Chief Controlling Officer has to remit back the savings of the Grant to the Finance Department

As per para 93(1) of Kerala Budget Manual, the latest date of receipt of surrender proposal in the Administrative Department from the Chief Controlling Officer has been fixed as 10 March of the financial year. However, a scrutiny revealed that surrender proposals were sent to Administrative Department belatedly in respect of Grant XXII by various controlling officers during 2018-19 to 2020-21 as shown in **Table 3.24**.

Table 3.24: Delayed submission of surrender proposals to Administrative Department

Year	Date of sending surrender proposal to Administrative Department
Director of Urban Affairs	
2018-19	25 May 2019
2019-20	01 June 2020
2020-21	28 April 2021
Chief Town Planner	
2018-19	05 April 2019
2019-20	21 April 2020
2020-21	31 March 2021

Source: Details collected from Directorates

Similarly, Secretary to Government, Local Self Government Department who is also the controlling officer in respect of certain sub heads of account under Grant XXII had also not submitted surrender proposals in respect of funds under his control to Finance Department on time (due date as per Kerala Budget Manual is 20 March) as shown in **Table 3.25**.

Table 3.25: Submission of surrender proposals to Finance Department

Year	Date of sending surrender proposal to Finance Department
2018-19	25 April 2021
2019-20	Proposal not seen to have submitted
2020-21	16 April 2021

Source: Details collected from LSGD Department

Non-submission of surrender proposal, submission of surrender proposals on the last day of the financial year and submission in the succeeding financial year are against the provisions contained in the Budget Manual which would defeat the very purpose of surrender of funds. This indicates the laxity on the part of the department in exercising financial control. The Department replied that the date of sending surrender proposals during 2019-20 would be intimated to Audit later as the file concerned could not be traced out at present.

3.6 Good Practices

It is observed that in 2020-21 there is no low budget utilisation of less than 50 per cent in any of the grants, which was observed in seven grants in 2019-20, which is commendable.

3.7 Conclusions

1. Variations between the total grants/appropriation and expenditure incurred led to savings which indicates improper scrutiny of budget estimates at various levels of Government and poor budget management.
2. The supplementary demands for grants obtained in cases where the final expenditure either did not come up to the level of original grants or no expenditure was incurred even after obtaining supplementary demands for grants shows laxity on the part of departmental officers in assessing actual requirement of funds.
3. Excess, unnecessary or insufficient re-appropriation indicated that departmental officers failed in assessing actual requirement of funds in heads of accounts under their control.
4. Excess expenditure requiring regularisation indicates inadequate expenditure control.

3.8 Recommendations

1. *Government should be more realistic in its budgetary assumptions and ensure efficient control mechanisms to curtail savings/ excess expenditure.*
2. *Government should enforce its commitment to achieve its promised/intended objectives for overall development of the State through improved execution, monitoring and financial management of schemes/projects.*
3. *Government needs to reconcile the differences in the amounts relating to its investment in the State PSUs with regard to equity, loans and guarantees shown in its accounts and the accounts of the concerned PSUs.*
4. *Excess expenditure over grants approved by the Legislature are in violation of the will of the Legislature. It therefore, needs to be viewed seriously and regularised at the earliest.*
5. *Adopt good practices of Central Government, where Technical and Token Supplementary are encouraged, with Cash Supplementary being the last resort, after all options of utilising the savings has been exhausted.*
6. *State Government needs to formulate a realistic budget based on reliable assumptions of the needs of the Departments and their capacity to utilise the allocated resources.*

- 7. An appropriate control mechanism needs to be instituted by the Government to enforce proper implementation and monitoring of budget to ensure that savings are curtailed, large savings within the Grant/Appropriation are controlled and anticipated savings are identified and surrendered within the specified timeframe.*
- 8. Controlling Officers need to be made aware of their responsibility to explain the variation in expenditure from the allocation to facilitate proper analysis of budget and preparation of meaningful Appropriation Accounts.*