



CHAPTER III

BUDGETARY MANAGEMENT

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3.1 Introduction

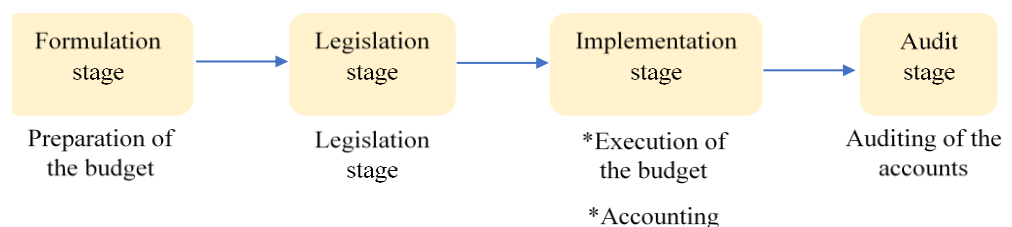
As per Article 202 of the Constitution of India, the Governor of a State shall, cause to be laid before the House or Houses of the Legislature of the State a statement of the estimated receipts and expenditure of the State for a financial year. This estimated statement of receipt and expenditure for a financial year named in the Constitution as the ‘Annual Financial Statement’ is commonly known as ‘Budget’.

The Finance Minister of Kerala presented the ‘Revised Budget’ for the State for the financial year 2021-22 on June 4, 2021 after the State elections in May 2021. An earlier budget was presented on 15th January by the former Finance Minister. Due to the impact of COVID-19, the previous year 2020-21 was not a standard year with respect to the performance of the economy and Government finances.

3.1.1 Budgetary Cycle

Normally, the budget preparing process starts in the third quarter of the financial year. The various stages as per Para 3 to 5 of Kerala Budget Manual (KBM) are as given in **Chart 3.1**.

Chart 3.1 Various Stages of Budgetary Cycle



a. Stages of budget preparation

The budget preparation occurs in stages *viz.*, (1) Estimates of expenditures and revenues, (2) First estimate of deficit, (3) Narrowing of deficit and (4) Budget is ready for presentation in the Legislature.

b. Execution of budget

This is a purely executive function undertaken jointly by the Finance department and the Administrative department. The focus is on the control of expenditure and control of appropriation.

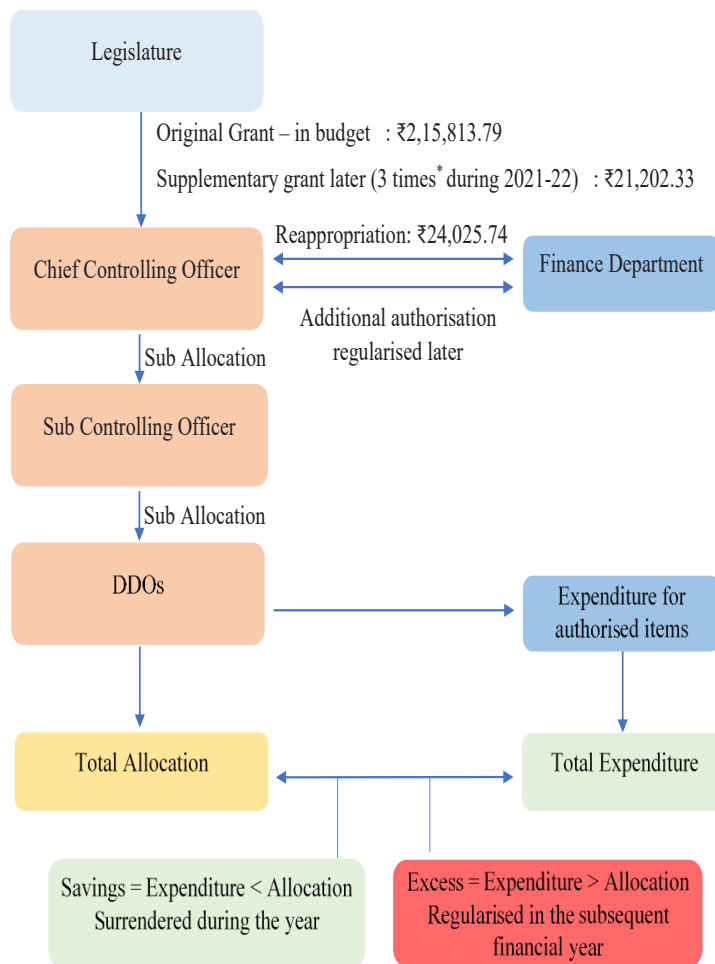
3.1.2 Budgetary documents

Apart from the Annual Financial Statement, the Budget has a number of other accompanying documents/ reports/ statements. The list of all the budgetary documents is given in **Appendix 3.1**.

3.1.3 Understanding the various measures for allocation and reallocation of funds

The flow of Allocation and the format of Appropriation Accounts is shown in **Chart 3.2** below:

Chart 3.2 Flow of Allocation



* Supplementary Demand for Grant (SDG) obtained on August 2021, October 2021 & March 2022

3.1.4 Audit of Budgetary Management through Appropriation Accounts

At the end of the financial year, the office of the Principal Accountant General (A&E) prepares Appropriation Accounts along with Finance Accounts. Appropriation Accounts are accounts of expenditure during a financial year compared with the sums specified in the schedules to Appropriation Act passed under Article 204 and 205 of the Constitution. Appropriation Accounts thus facilitate the understanding of utilisation of funds, the management of finances and monitoring of budgetary provisions and are, therefore, complementary to the Finance Accounts.

Appropriation Accounts are prepared on a gross basis without accounting for recoveries, whereas Finance Accounts are prepared on a net basis. Though the Government Accounts are presented in six tier classification, the Appropriation Accounts displays classification only up to four tier.

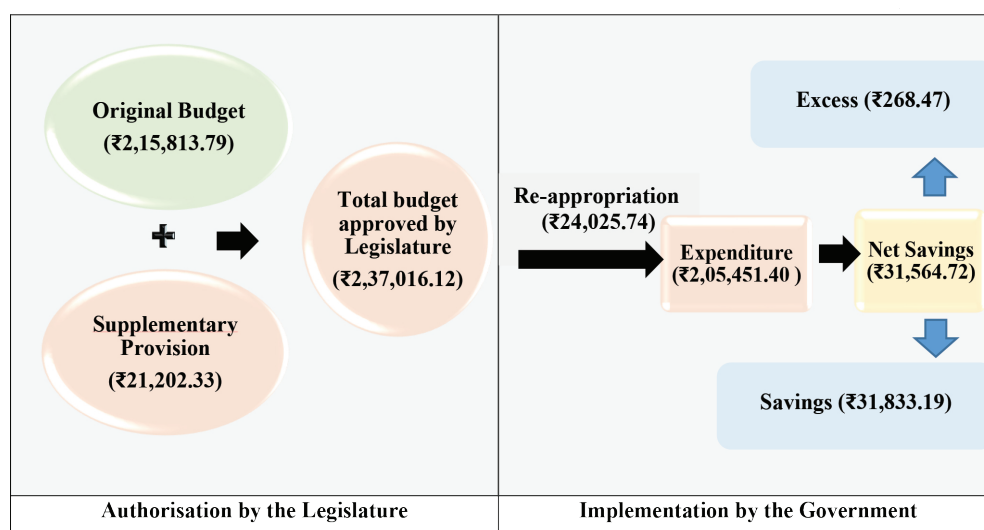
This chapter is based on the audit of Appropriation Accounts of the State which compares the allocative priorities in the various schedules of the Appropriation Act with actual expenditure.

3.2 Summary of Appropriation Accounts 2021-22

The various components of expenditure authorised by the Legislature and implemented by the Government are depicted in **Chart 3.3**.

Chart 3.3 : Expenditure authorised by the Legislature and actual implementation by the Government

₹ in crore)



Source: Appropriation Accounts.

The accounts depicted an overall savings of ₹31,833.19 crore offset by excess of ₹268.47 crore during the year 2021-22 resulting in net savings of ₹31,564.72 crore. However, in reality these savings were notional as there were no actual receipts / funds for surrender as explained below:

Against the Budgeted receipts of ₹2,14,478.66 crore, the actual receipts were ₹1,99,125.53 crore only, as shown in **Table 3.1**.

Table 3.1 : Budget vs Actuals

(₹ in crore)

SI No.	Items	Budgeted	Actual	Variation
1	Total Receipts	2,14,478.66	1,99,125.53	15,353.13
2	Total Expenditure	2,37,016.12	2,05,451.40 (- 6,325.87*)	31,564.72

*Net expenditure after deducting recoveries is ₹1,99,125.53 crore

It was further observed that the authorisation of additional amount of ₹21,202.33 crore through supplementary demands for grant was without actual availability of funds, indicating improper budgeting. Thus, the savings and the surrender on the estimated expenditure were notional, as the funds were not actually available for expenditure indicating an inflated budget.

3.2.1 Reconciliation between Finance Accounts and Appropriation Accounts

As the grants and appropriation in Appropriation Accounts are for gross amounts required for expenditure, the expenditure figures shown against them do not include recoveries of overpayments (ROP) pertaining to previous years adjusted in the accounts in reduction of expenditure. However, these ROPs are taken in the Finance Accounts, as such only the net expenditure figures are shown in the Finance Accounts.

As per Para 3.10 and 4.3 of General Directions contained in List of Major and Minor Heads (LMMH) of Controller General of Accounts, Recoveries of Overpayments pertaining to previous year(s) under Revenue Expenditure are to be recorded under the distinct minor head 'Deduct Recoveries of Overpayments (code 911)', below the concerned Major/ Sub Major head and in the case of Capital Expenditure 'Deduct-Receipts and Recoveries on Capital Account' are to be opened, wherever necessary below the relevant minor head under various Capital Major/Sub Major heads where the expenditure was initially incurred.

The reconciliation between the total expenditure as per Appropriation Accounts for the year 2021-22 and that shown in the Finance Accounts for that year is given in **Table 3.2** below:

Table 3.2 : Comparison of figures in Appropriation Accounts and Finance Accounts*(₹ in crore)*

Particulars	Revenue Voted	Capital Voted	Revenue Charged	Capital Charged	Total
Figures as per Appropriation Accounts	1,28,469.90	17,040.51	23,872.72	36,068.27	2,05,451.40
Deduct recoveries	6,144.61	162.58	18.50	0.18	6,325.87
Figures as per Finance Accounts	1,22,325.29	16,877.93	23,854.22	36,068.09	1,99,125.53*

*This includes an amount of ₹35,900 crore disbursed as repayment of public debt.

3.2.2 Summary of total budget provision, actual disbursements and savings/ excess during the financial year

The State was authorised to incur expenditure through 45 Grants and two Appropriations during 2021-22. Grants include either revenue or capital heads of expenditure or both. While 19 out of 45 Grants contain only voted items of expenditure, 26 Grants contained both voted and charged items of expenditure. Of the two charged appropriations, debt charges are revenue in nature whereas Public debt repayment are capital in nature. A summarised position of total budget provision and disbursement with its further bifurcation into voted/ charged during the year 2021-22 is given below in **Table 3.3**.

Table 3.3 : Number of Grants/Appropriations operated by the State in 2021-22*(₹ in crore)*

SI No.	Description	Total No. of Grants/ Appropriations	Items of Expenditure Voted/ Charged	Revenue	Capital	Budget Provision	Disbursements
A	Grants	45	Voted	44	29	1,60,240.49	1,45,510.41
			Charged	24	12	783.33	725.68
B	Appropriations	02	Charged	1	1	75,992.30	59,215.31
Total (A+B)						2,37,016.12	2,05,451.40

Source: Appropriation Accounts

The overall savings of ₹31,833.19 crore, when offset by excess of ₹268.47 crore in certain Grants/ Appropriations, led to a net savings of ₹31,564.72 crore under 38 Grants/ Appropriations. The savings/ excess under Grants/ Appropriations can be further split up into revenue/ capital account of expenditure as given below in **Table 3.4**.

Table 3.4: Grants and Appropriations with excesses and savings

Description	Savings			Excess			Net Savings
	Revenue	Capital	Total amount (₹ in crore)	Revenue	Capital	Total amount (₹ in crore)	(₹ in crore)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8) = (4)-(7)
Grants	38	25	31,833.19	6	3	268.47	31,564.72
Appropriations	25	12		-	-		

Source: Summary of Appropriation Accounts

3.2.3 Charged and Voted Disbursements

The details of disbursements classified under charged and voted category during the five-year period from 2017-18 to 2021-22 are furnished in **Table 3.5** and **Table 3.6** respectively.

Table 3.5: Charged disbursements during the five-year period 2017-2022

Sl No.	Year	Provisions	Disbursements	Savings (-)/ Excess (+)	Variation (in per cent)
		Charged	Charged	Charged	
(1)	(2)	(3)	(4)	(5)	(6)
1	2017-18	28,407.77	28,928.85	(+) 521.08	1.83
2	2018-19	31,423.72	35,697.89	(+) 4,274.17	13.60
3	2019-20	63,398.06	63,641.53	(+) 243.47	0.38
4	2020-21	65,727.38	60,440.56	(-) 5,286.82	(-) 8.04
5	2021-22	76,775.63	59,940.99	(-) 16,834.64	(-) 21.93

Source: Appropriation Accounts for the respective years

Total disbursement of charged appropriations increased by 107.20 per cent from ₹28,928.85 crore in 2017-18 to ₹59,940.99 crore in 2021-22. There was significant variation in disbursements as compared to the provisions during 2021-22, which clearly indicates that the budgeted amount for the charged items of expenditure were highly inflated during the year.

**Table 3.6 : Voted disbursements during the five-year period
from 2017-18 to 2021-22**

(₹ in crore)

Sl No.	Year	Provision	Disbursement	Savings (-) / Excess (+)	Variation (in per cent)
		Voted	Voted	Voted	
(1)	(2)	(3)	(4)	(5)	(6)
1	2017-18	1,16,474.17	1,04,528.12	(-) 11,946.05	(-) 10.26
2	2018-19	1,28,951.18	1,08,023.71	(-) 20,927.47	(-) 16.23
3	2019-20	1,31,064.55	1,00,174.27	(-) 30,890.28	(-) 23.57
4	2020-21	1,43,219.41	1,24,436.83	(-) 18,782.58	(-) 13.11
5	2021-22	1,60,240.49	1,45,510.41	(-) 14,730.08	(-) 9.19

Source: Appropriation Accounts for the respective years

Total disbursement of voted Grants increased by 39.21 per cent from ₹1,04,528.12 crore in 2017-18 to ₹1,45,510.41 crore in 2021-22.

Though the savings under the voted items of expenditure decreased during 2021-22, the overall savings, i.e., both charged and voted items of expenditure taken together increased by 1.80 per cent from 11.52 per cent in 2020-21 to 13.31 per cent in 2021-22.

3.2.4 Audit of Appropriation Accounts

Audit of Appropriations by the CAG of India seeks to ascertain

- whether the expenditure actually incurred under various Grants is in accordance with the authorisation given in the Appropriation Act.
- whether the expenditure required to be charged under the provisions of the Constitution is so charged.
- whether the expenditure incurred is in confirmation with laws, relevant rules, regulations and instructions.

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

3.3 Accounting and budgetary processes

3.3.1 Misclassification of Expenditure in Government Accounts

Misclassification of expenditures and receipts has a great impact on the integrity of the financial statements. Annual Financial Statement distinguishes expenditure on revenue account from other expenditure. Classification of expenditure of revenue nature as capital expenditure or vice-versa, results in overstatement/ understatement of revenue expenditure and revenue deficit/ surplus. The

misclassification of the above nature observed in audit during the year 2021-22 are detailed below:

a. Misclassification of Revenue expenditure as Capital expenditure

Misclassification refers to accounting an income/ expenditure under wrong head of account.

As per Indian Government Accounting Standards (IGAS -2), Grants-in-aid are payments in the nature of assistance, donations or contributions made by one Government to another Government, body, institution or individual. These assistances disbursed by the grantor to a grantee shall be classified and accounted as revenue expenditure in the financial statement of the grantor irrespective of the purpose for which the funds are disbursed.

During the year 2021-22, an amount of ₹20 crore provided as financial assistance for the payment of gratuity liabilities of Kerala State Cashew Development Corporation (KSCDC) was misclassified under capital section under the head of account '4860-60-190-94—Modernisation and partial mechanisation of cashew factories of KSCDC' instead of revenue section. This was pointed out in the Notes to Account of Finance Accounts 2021-22.

Booking of financial assistance given to KSCDC as capital expenditure instead of revenue expenditure is inconsistent with the principles laid down in 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 ₹20 crore and understatement of revenue expenditure during 2021-22 in the Government Accounts.

Audit had pointed out similar misclassification in the previous years also. Though State Government rectified the anomaly by reclassifying the misclassification of previous years to a new revenue head of account '2852-08-600-79'- (P)(V)- 'Assistance for disbursing gratuity arrears to cashew workers' during 2021-22, the misclassification reoccurred in 2021-22.

b. Major works budgeted under Revenue Section instead of Capital

The object head '16 Major works' is of capital nature and 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 2021-22. An expenditure of ₹6.85 crore was incurred under Revenue Major Head '3054' against a budget provision of ₹7.83 crore during 2021-22. This misclassification has overstated the revenue deficit of the State by ₹6.85 crore.

3.3.2 Supplementary Demand for Grants

During the course of the year, the Government asks the Legislature for sums over and above the sums already granted by the Legislature vide Article 205 of the Constitution. This may be for

- a particular service/ function over and above the amount already authorised by it during the current year,
- or to meet expenditure on some ‘new service’ not contemplated in the Annual Financial Statement (budget) for the year.

Such sums sanctioned by the legislature are called supplementary grant as per para 87 of KBM.

During the year 2021-22, supplementary demands for grants amounting to ₹21,202.32 crore in 80 cases of 40 Grants and two Appropriations were obtained on three occasions viz. August 2021, October 2021 and March 2022. Audit scrutiny found that such supplementary demands were not based on accurate estimate of expenditure incurred so far or after proper estimation of the needs. Hence it was either in excess of the requirement or totally unnecessary in several cases. Cases of supplementary provision proved unnecessary/ excess of the requirement are given in **Table 3.7**.

Table 3.7 : Cases of supplementary provision proved unnecessary/ excess of the requirement

(₹ in crore)

Sl. No.	Supplementary provision	No. of grants/ appropriations	Cases	Amount	Savings
1	Unnecessary	17	22	1,948.99	22,237.33
2	Excess (where Supplementary provision > ₹25 crore)	18	21	13,722.09	2,326.18
	Total	35	43	15,671.08	24,563.51

Source: Compilation from VLC data

a. Unnecessary supplementary demand for grant

In 22 cases of supplementary demands in 17 Grants/ Appropriation, these demands were totally unnecessary as the savings from original allocation was much higher than the supplementary demands. Thus, the legislature had to authorise ₹1,948.99 crore, when there was a savings of ₹20,288.31 crore. The details of cases where supplementary provision proved unnecessary are given in **Appendix 3.2**.

This indicated the failure of the CCOs mentioned in **Appendix 3.2** as well as Secretary Finance to exercise the checks envisaged in the KBM sections.

As per para 89(1) of KBM, the primary responsibility in respect of proposals for supplementary appropriations is that of the Chief Controlling Officer, who should, therefore, act with utmost caution in submitting such proposals. If, after the close of the financial year, it is found that the supplementary grant obtained was wholly unnecessary or far in excess of actual requirements, it may occasion an adverse comment in the Audit Report, which will be examined by the Public Accounts Committee. The Chief Controlling Officer should, therefore while submitting proposals, explain to the satisfaction of Government that the expenditure could not be foreseen at the time the original estimates were framed and that the expenditure cannot, in the public interest, be postponed to the next financial year.

As per para 89 (2) of KBM, if a supplementary appropriation is required solely on account of insufficiency of the original appropriation placed at the disposal of the Controlling Officer, and there are resumed savings under the Grant known to the Finance Department, the Finance Department will, if convinced of its necessity, provide the additional funds required by revoking the resumption order, to the extent necessary, and re-appropriation of the funds so released.

Appendix 3.2 also shows 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 under these Grants.

b. Excessive Supplementary Demand for Grant

General directions given in paragraph 14 of the Kerala Budget Manual stipulates that the estimates are neither inflated nor under pitched, but as accurate as possible and to be restricted to the amount required for actual expenditure during the year.

In 21 cases under 18 Grants/ Appropriation, the supplementary provision of more than ₹25 crore obtained was in excess of actual expenditure. The details of cases where supplementary provision proved excessive are given in **Appendix 3.3**.

Supplementary demand should only be resorted to in exceptional and urgent cases. While obtaining a supplementary grant, the department has to keep in view the resources available or likely to be available during the year and exercise due caution while forecasting its additional budgetary requirement of funds.

Unnecessary or excessive Supplementary Demand for Grants indicates that the Chief Controlling Officers did not properly evaluate the actual requirement of funds for the remaining period of the financial year and monitor the progress of expenditure through the monthly statements of expenditure prescribed in the Budget Manual. This has resulted in huge savings under these Grants.

3.3.3 Re-appropriation

As per Para 83 of Kerala Budget Manual, 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. However, considerable re-appropriation from one sub-head to another must always be avoided and the process of re-appropriation should not be merely used to rectify omissions and lack of foresight.

Audit scrutiny of re-appropriations of above ₹ one crore in schemes having savings/ excess of above ₹25 crore disclosed unnecessary/ excess/ insufficient re-appropriations indicating inaccurate and unrealistic budgeting as shown below:

a. Insufficient Re-appropriations

Appropriation Accounts for the year 2021-22, disclosed insufficient re-appropriations in two schemes included under two Grants as shown in the **Table 3.8**.

Table 3.8 : Details of cases of insufficient re-appropriation

(₹ in crore)

Sl. No.	Grant No.	Head of accounts	Original	Supplementary	Re-appropriation	Total	Actual expenditure	Final Excess (+) Saving (-)
1	2	3	4	5	6	7=4+5+6	8	9=8-7
1	XVI	2075-00-800-72- Miscellaneous Payments and Other Liabilities (V) (P)	0	1,051.00	3,172.83	4,223.83	4,419.30	195.47
2	XVII	2202-03-103-99- Arts and Science Colleges (V) (NP)	440.23	0	150.27	590.50	765.31	174.81
Total			440.23	1,051.00	3,323.10	4,814.33	5,184.61	370.28

Source: Compilation from VLC data

The details for the reasons for providing entire allocation through re-appropriation are called for.

b. Unnecessary re-appropriations

It was also observed that amount of re-appropriations ordered in four schemes included under three Grants were unnecessary as the expenditure under these schemes did not come up to the level of original provision as shown in the **Table 3.9** below.

Table 3.9 : Details of cases of Unnecessary re-appropriation

(₹ in crore)

Sl. No.	Grant No.	Head of Accounts	Original	Supplementary	Re-appropriation	Total	Actual expenditure	Final Excess (+) Saving (-)
1	2	3	4	5	6	7=4+5+6	8	9=8-7
1	XXIX	2401-00-109-65-Umbrella Scheme on Krishi Unnathi Yojana and other CSS (60% CSS) (V) (P)	87.25	0	20.25	107.50	59.66	(-) 47.84
2		2702-01-001-99-Establishment (V) (NP)	143.54	0	14.80	158.34	131.66	(-) 26.69
3	XXXVI	2515-00-102-35-National Rurban Mission (NRuM) (60% CSS) (V) (P)	50	0	11.28	61.28	31.63	(-) 29.65
4	XLIII	3604-00-200-81-Funds for Development Expenditure -6th SFC Recommendations (V) (NP)	4,768.00	0	58.00	4,826.00	4,523.35	(-)302.65
Total			5,048.79	0	104.33	5,153.12	4,746.30	(-)406.83

Source: Compilation from VLC data

c) Excess re-appropriation

The augmentation of funds through re-appropriation in seven schemes under five Grants were in excess of actual requirement as shown in the **Table 3.10** below.

Table 3.10 : Details of cases of Excess re-appropriation*(₹ in crore)*

Sl No	Grant No:	Schemes	Original	Supplementary	Re-appropriation	Total	Actual	Excess (+) Saving (-)
1	XII	2055-00-109-99- District Force (V) (NP)	3,004.06	25.01	498.50	3,527.57	3,482.18	(-) 45.39
2		3054-80-191-37- Maintenance of Road Assets as per Sixth SFC Recommendations (V)NP)	65.52	0	77.01	142.53	104.58	(-) 37.95
3	XV	3054-80-800-92- Kerala Road Fund (V) (P)	0	0	435.20	435.20	175.21	(-) 259.99
4		5054-04-337-80- Payment of Compensation for Land Acquisition (V) (P)	0	142.00	75.00	217.00	142.02	(-) 74.97
5	XVII	2202-01-102-99- Teaching Grant (V) (NP)	4,759.27	0	722.81	5,482.08	5,453.49	(-) 28.59
6	XXIX	2401-00-001-96- Strengthening of Agricultural Administration and introduction of Training and Visiting System of Extension (V) (NP)	415.61	0	46.69	462.30	436.01	(-) 26.29
7	XLVI	2235-02-102-47- Integrated Child Development Service (60 per cent CSS) (V) (P)	470.00	0	46.77	516.77	481.28	(-) 35.50
Total			8,714.46	167.01	1,901.98	10,783.45	10,274.77	(-) 508.68

Source: Compilation from VLC data

The injudicious re-appropriations at various stages and incurring expenditure without provisions, clearly indicate the weak internal controls/ monitoring mechanism at both the budget allocation levels and the re-appropriation stage.

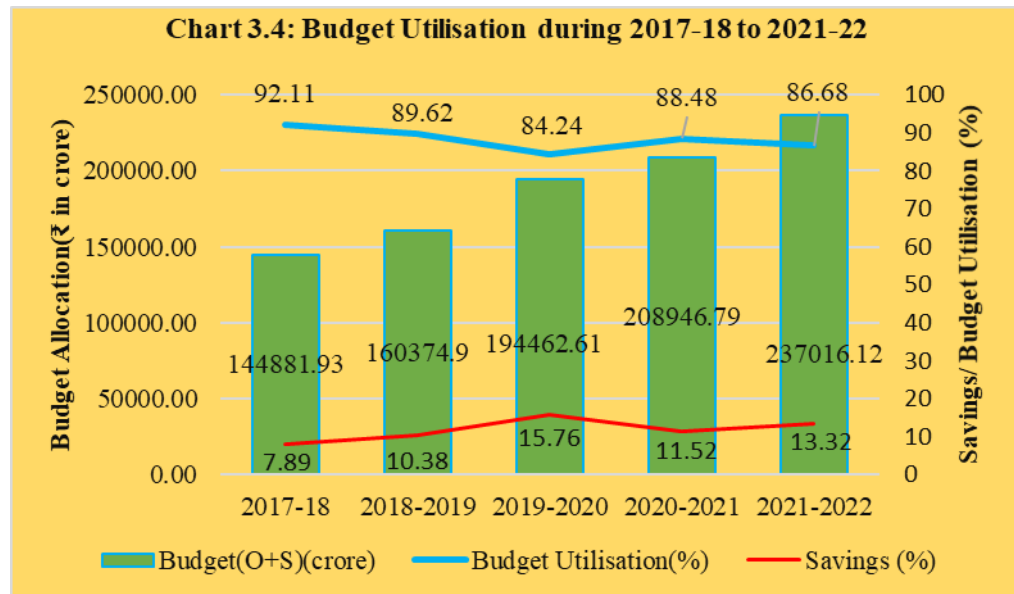
3.3.4 Unspent amount in Grants

As per para 14 of Kerala Budget Manual, the estimates should always receive the careful personal attention of the officers who submit them, who should ensure that they are neither inflated nor underpitched, but as accurate as practicable. This is possible only if the Estimating Officers keep themselves thoroughly acquainted with the flow of revenue and expenditure. While provision should be made for all items that can be foreseen, it is essential that it is restricted to the amount required for actual expenditure during the year. The general tendency to underestimate expenditure should be avoided, and a realistic picture of the finances of the department should be presented.

Budgetary allocations based on unrealistic proposals, poor expenditure monitoring mechanism, weak scheme implementation/ 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.

3.3.4.1 Budget Utilisation during 2017-18 to 2021-22

Chart 3.4 shows the budget utilisation for the period from 2017-18 to 2021-22.



Source: Compilation from VLC data

From the **Chart 3.4** above, it is evident that the utilisation of budget provision ranged from 92.11 per cent in 2017-18 to 86.68 per cent in 2021-22. The highest percentage of utilisation was recorded in 2017-18 (92.11 per cent). There has been a persistent non-utilisation of budget provision from 7.89 per cent in 2017-18 to 11.52 per cent in 2020-21 which further increased to 13.32 per cent in 2021-22.

3.3.4.2 Total Savings in Grants/ Appropriations

During 2021-22, out of 45 Grants and two Appropriations, there were net savings of ₹31,564.72 crore in 38 Grants/ Appropriations, of which a total amount of ₹30,251.32 crore was surrendered. **Table 3.11** shows the details of savings/ surrender.

Table 3.11: Details of Savings/ surrender

							(₹ in crore)
SI No.	Grant / App	No.	Provision	Expenditure	Savings	Surrender	Savings excluding surrender
1	Grant	45	1,61,023.82	1,46,236.09	14,787.73	13,692.73	1,095.00
2	Appropriations	2	75,992.30	59,215.31	16,776.99	16,558.59	218.40
	Total	47	2,37,016.12	2,05,451.40	31,564.72	30,251.32	1,313.40

Source: Compilation from VLC data

Distribution of the number of Grants/ Appropriations grouped by the percentage of utilisation along with total savings are given in **Table 3.12**.

Table 3.12 : Grants/ appropriations grouped by the percentage of utilisation

								(₹ in crore)
SI No.	Category (Budget Utilisation in per cent age)	No. of Grant/ Appropriation	Provision	Expenditure	Savings	Surrender	Balance	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	
1	Less than 30	0	0	0	0	0	0	
2	30-50	2	7,742.68	2,784.74	4,957.94	4,847.10	110.84	
3	50-70	1	52,458.58	35,899.99	16,558.59	16,558.59	0	
4	70-90	17	53,103.83	44,120.03	8,983.80	8,321.87	661.93	
5	90-100	23	84,016.99	82,728.36	1,288.63	511.59	777.04	
6	Above 100	4	39,694.04	39,918.27	(-)224.24	12.17		
	Total	47	2,37,016.12	2,05,451.39	31,564.72	30,251.32	1,549.81	

Source: Compilation from VLC data

Table 3.12 shows that there was no Grant with Budget utilisation of less than 30 per cent. However, under two Grants namely XXII-Urban Development and XXXVI-Rural Development, the percentage of utilisation was between 30 and 50 per cent.

a. Grant No XXII – Urban Development

The Grant relates to implementation of various urban development schemes. The GoI/ State Government has implemented many programmes for the urban

development in the State which covers infrastructure for education, Health, Solid waste management, cultural heritage protection, markets etc.

There were persistent savings ranging between 38 *per cent* and 62 *per cent* in Grant 22 – Urban Development during all the past five years as shown in **Table 3.13** below:

Table 3.13 : Persistent saving under Grant XXII-Urban Development

(₹ in crore)

Sl No	Grant No,	Year	Budget allocation	Expenditure	Savings	Percentage Savings to Budget allocation
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	XXII-Urban Development	2017-18	1,815.18	681.13	1,134.05	62.48
		2018-19	2,976.25	1,192.24	1,784.01	59.94
		2019-20	2,208.59	1,093.98	1,114.61	50.47
		2020-21	2,564.54	1,590.94	973.60	37.96
		2021-22	2,102.18	956.00	1,146.18	54.52

Source: Compilation from VLC data

As improving urban infrastructure is a challenge faced by the State, the repeated low utilisation of budgeted amount under the Grant is a cause for concern.

b. Grant No. XXXVI -Rural Development

The Grant relates to implementation of rural development programmes for meeting the needs of the rural people in matters of sustainable economic activity, shelter and hygiene concerns, rural infrastructure and connectivity.

Audit noticed that there was persistent savings ranging between 46 *per cent* and 75 *per cent* in Grant 36 – Rural Development during all the past five years as shown in **Table 3.14** below:

Table 3.14 : Persistent saving under Grant XXXVI –Rural Development

(₹ in crore)

Sl No	Grant No,	Year	Budget allocation	Expenditure	Savings	Percentage to Budget allocation
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	XXXVI-Rural Development	2017-18	4,047.19	1,013.85	3,033.34	74.95
		2018-19	3,871.93	1,182.11	2,689.82	69.47

Sl No	Grant No,	Year	Budget allocation	Expenditure	Savings	Percentage to Budget allocation
		2019-20	5,466.53	1,550.72	3,915.81	71.63
		2020-21	5,366.38	2,881.35	2,485.03	46.31
		2021-22	5,640.50	1,828.74	3,811.76	67.58

Source: Compilation from VLC data

It is evident from the Table above that unrealistic estimation of the anticipated expenditure continued over the years resulting in huge savings under the Grant.

The reasons for repeated low utilisation in these Grants may be examined by Government, and corrective action may be taken.

3.3.4.3 Grants having large savings

The analysis on savings in Grants/ Appropriations grouped under categories viz. Grants having savings greater than ₹100 crore and Grants (divided into revenue/ capital and voted/ charged) having savings more than 50 per cent of the budget allocation are given in **Table 3.15** below:

Table 3.15 : Details of savings in Grants/ Appropriations

(₹ in crore)								
Sl No.	Category	Grant/ App	No.	Provision	Expenditure	Savings	Surrender	Savings excluding surrender
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1	Savings > ₹100 crore	Grant	19	64,954.02	51,212.70	13,741.32	12,604.83	1,136.49
		Appropriation	1	52,458.58	35,900.00	16,558.58	16,558.58	0
		Total	20	1,17,412.60	87,112.70	30,299.90	29,163.41	1,136.49
2	Saving >50 per cent of Budget allocation (Grants categorised into revenue/ capital and voted/ charged)	Grant	13	6,640.26	2,109.04	4,531.22	4,479.11	52.11
		Appropriation	0	0	0	0	0	0
		Total	13	6,640.26	2,109.04	4,531.22	4,479.11	52.11

Source: Compilation from VLC data

- Audit observed that in 19 Grants and one appropriation having savings exceeding ₹100 crore each, the budget allocation amounting to ₹30,299.91 crore remained un-utilised in Revenue and Capital Sections. Out of this, an amount of ₹29,163.41 crore (96.25 per cent) was surrendered as shown in **Appendix 3.4**.
- On further scrutinising the Grants/ Appropriations on the basis of revenue/ capital account and as voted/ charged items of expenditure, it was observed that in 13 grants involving two Revenue Voted, eight Revenue Charged and six Capital Voted items of expenditure, the utilisation of budgeted amount was less than 50 per cent as shown in **Appendix 3.5**.

3.3.4.4 Persistent savings under Grants

Under 34 Grants, there were persistent savings during the last five years as indicated in **Appendix 3.6**. The percentage of savings ranged between 0.61 per cent to 94 per cent.

3.3.4.5 Savings under Centrally Sponsored Schemes and welfare schemes intended for weaker sections

The scrutiny of appropriation accounts revealed that in 72 schemes related to seven Grants the utilisation of budgeted amount was very low as indicated in **Appendix 3.7**. Thus, as against a total budget provision of ₹6,646.52 crore in these seven Grants, the total utilisation was only ₹1,127.31 crore (16.96 per cent). Under these seven Grants, the list of CSS and other welfare schemes of the State as extracted from **Appendix 3.7** are shown in **Table 3.16** below:

Table 3.16 List of CSS and other welfare schemes

(₹ in crore)

Sl No.	Schemes	No. of Schemes	Budget	Expenditure	Percentage of Utilisation
1	Centrally Sponsored Schemes	17	2,428.71	816.89	33.63
2.	Housing	3	597.41	61.95	10.37
3.	Women	1	15.50	1.71	11.02
4.	SC/ST development	2	14.00	6.53	46.64
	Total	23	3,055.62	887.08	29.03

Source: Compilation from VLC data

The huge savings under the above schemes indicated that the targeted beneficiaries were deprived of the intended benefits.

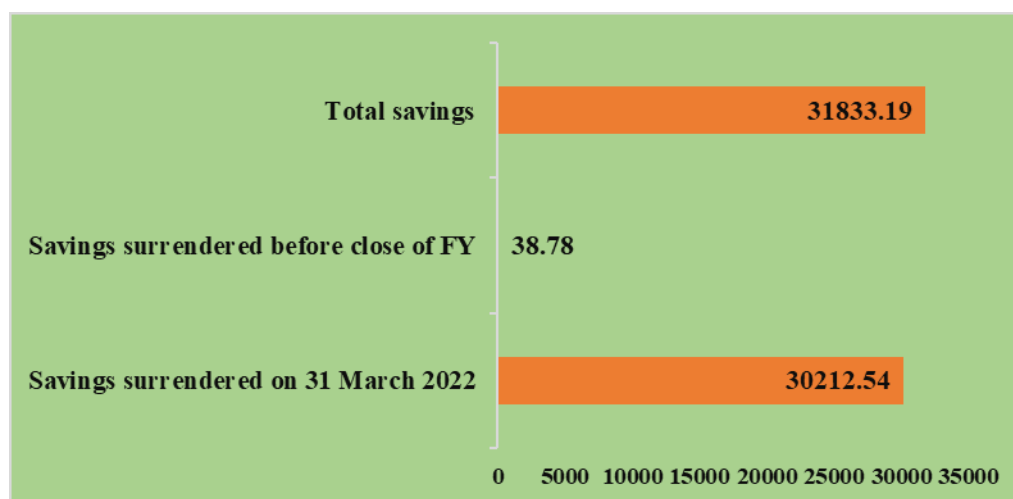
Various reasons given by the departments for the savings under these seven Grants and one appropriation included the restrictions prevailed in the State during the second phase of the pandemic period, fewer conduct of cultural and public activities post pandemic period, non-approval of scheme by State Government etc.

3.3.4.6 Surrender of Savings

As per para 91 of KBM, all anticipated savings should be surrendered to the Finance Department, through the Administrative Department, explaining the reason therefore, immediately as they are foreseen, without waiting till the end of the year, unless they are required to meet excesses under other units, which are definitely foreseen at the time. In contravention to the above provision of KBM, out of the total savings of ₹31,833.19 crore, an amount of ₹38.78 crore only was surrendered before the close of the financial year and a huge amount of ₹30,212.54 crore was surrendered on 31 March 2022 as shown in **Chart 3.5**.

Chart 3.5: Savings and surrenders before close of financial year 2021-22

(₹ in crore)



Source: VLC data and details collected from A&E office

*An amount of ₹1,581.87 crore was not surrendered at the close of the financial year

3.3.5 Excess expenditure and its regularisation

Article 204(3) of the Constitution provides that subject to the provisions of Articles 205 and 206, no money shall be withdrawn from the Consolidated Fund except under appropriation made by Law by the State Legislature.

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 over utilisation of public money by the Executive.

3.3.5.1 Excess expenditure relating to financial year 2021-22

As per para 97(1) of Kerala Budget Manual, it is always the responsibility of the department administering a grant to ensure that the actual expenditure does not exceed the amount placed at its disposal by the Legislature. If expenditure over and above this amount becomes unavoidable, it is open to the department to obtain a supplementary grant before the close of the financial year. As such, excess expenditure which comes to notice after the expiry of the financial year is always looked upon as an irregularity.

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.

A summary of excess disbursements over Grants/ Appropriations during 2021-22 are furnished in **Table 3.17** and scheme-wise details of excess disbursements (₹ five crore and above) over the authorisation from the Consolidated Fund of the State during 2021-22 are given in **Appendix 3.8**.

Table: 3.17 : Summary of excess disbursements over Grants/ Appropriations during the year 2021-22

(₹ in crore)

Sl No.	Name of Department / Grant	Voted	
		Revenue	Capital
1	VII-Stamps and Registration	4.10	
2	XIII-Jails	17.69	
3	XVI-Pensions and Miscellaneous	190.28	
4	XXVIII-Miscellaneous Economic Services	0.83	
5	XXXI-Animal Husbandry	24.34	
6	XL-Ports	0.45	
7	XII-Police		14.81

Sl No.	Name of Department / Grant	Voted	
		Revenue	Capital
8	XVII-Education, Sports, Art and Culture		15.77
9	XXXIV-Forest		0.20
	Total Excess	237.69	30.78
	Grand Total		268.47

Source: Summary of Appropriation Accounts

Excess expenditure incurred in six Grants (Revenue Voted ₹237.69 crore) and three Grants (Capital Voted ₹30.78 crore) amounting to a total of ₹268.47 crore requires regularisation. The reasons given by the departments under various Grants in this regard are given in **Table 3.18**.

Table 3.18 : Reasons furnished by departments for excess expenditure

Sl No.	Name of Department/ Grant	Reasons for excess expenditure
1	XII-Police	Excess expenditure incurred primarily under components such as salary, wages, office expenses, rent, other charges, POL and vehicle hire charges. This included the following: <ul style="list-style-type: none"> Expenditure on fuel charges increased due to increased police patrolling in handling of pandemic situation in the State. Hiring of large number of vehicles during Legislative Assembly elections. Salary component increased due to the payment of deferred salaries to the employees.
2	XIII-Jails	Revision of pay and allowances of the employees as per the eleventh pay revision commission.
3	XVI-Pensions and Miscellaneous	<ul style="list-style-type: none"> Due to increase in rate of Medical allowances as per State Government orders on 11th pension revision. Consequent on the implementation of 11th pay revision. For clearing the pending claims under Karunya Benevolent Fund For settling Land Acquisition Related (LAR) claims
4	XXVIII-Miscellaneous Economic Services	<ul style="list-style-type: none"> Hike in Salary and DA due to the 11th Pay Revision. For meeting the expenditure in connection with infusing the share capital subscription (15% share) by the State Government in Kerala Gramin Bank for recapitalisation For settling the claims of works executed by the KSTP under the Rebuild Kerala Initiative projects aided by the KFW. Tax devolution to KIIFB to bridge the shortfall for 2021-22 in its Asset and Liability Management (ALM) projection calculated at an annual growth of 10% over its revenues from Petrol/Diesel cess and share of Motor Vehicle tax. For settling claims of LAC-ADS* expected during the financial year 2021-22.

Source: Compiled from the replies received from various departments

*Legislative Assembly Constituency – Asset Development Scheme

Out of nine Grants, departments relating to five Grants did not furnish any specific reasons for the excess expenditure.

The excess expenditure incurred by departments for foreseeable items of expenditure such as expenditure relating to implementation of 11th pay revision indicates that the budget estimates were not prepared on realistic basis.

Incurring expenditure in excess of Grants approved by the State Legislature is in violation of the Article 205 of the Constitution which 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. As such, it is mandatory for a State Government to get excesses over grants/ appropriations regularised by the State Legislature at the earliest and, in future, such un-voted expenditure may be completely stopped as this vitiates the system of budgetary and financial control and encourages financial indiscipline in management of public resources.

3.3.5.2 Regularisation of excess expenditure of previous financial years

Excess expenditure remaining without regularisation for extended periods dilutes legislative control over the executive.

The excess expenditure relating to previous years (2016-17 to 2020-21) which were not regularised up to the year ending 31 March 2021 are shown in **Table 3.19**.

Table 3.19: Abstract of pendency of regularisation

(₹ in crore)

SI No.	Year	Number of Grants/ Appropriations	Excess expenditure to be regularised
1	2016-17	8	141.17
2	2017-18	9	3,545.44
3	2018-19	6	4,463.16
4	2019-20	3	665.37
5	2020-21	14	1,462.79
6	Total	40	10,277.93

Source: Details collected from Public Accounts Committee(PAC) section

Excess expenditure of previous financial years in respect of 29 Grants and 11 Appropriations amounting to ₹10,277.93 crore from the year 2016-17 to 2020-21 as detailed in **Appendix 3.9** are yet to be regularised.

3.4 Comments on transparency of budgetary and accounting process

3.4.1 Irregular use of system of token provision

As per para 9(6) of Kerala Budget Manual, Sub-heads form the 4th tier of classification in Government accounts, and generally reflect the schemes or activities undertaken under a programme (represented by the minor head). For example, the programme for the prevention and control of diseases may consist of schemes for the eradication of Malaria, control of Tuberculosis, eradication of Smallpox, control of Leprosy, and the like. Accordingly, the sub-heads under the minor head “Prevention and control of diseases may” include “National Malaria Eradication Programme”, “B. C. G. Vaccination”, “Smallpox Eradication”, and “Leprosy Control Schemes—S. E. T. Centres”.

As per Appendix 3 of General Financial Rules 2017, provision for a ‘token demand should not be made in the Budget Estimates for the purpose of seeking approval in principle for big schemes without the full financial implications being worked out and got approved by the appropriate authorities. In accordance with instructions contained in Paragraph (VIII) of Appendix (5), a ‘token’ demand can be made during the course of a year for a project/ scheme when the details thereof are ready and funds are also available for undertaking it but it cannot be started without parliament’s approval, it being in the nature of a ‘New Service/ New Instrument of Services’. However, token provision for 355 schemes have been provided in the Budget estimate for the year 2021-22. The Grants provided with maximum numbers of token provision during 2021-22 are given in **Table 3.20**.

Table 3.20: Grants with maximum number of token provisions

Sl No.	Grant No.	Grant Description	No. of Sub-heads (schemes)
1	XVII	Education, Sports, Art and Culture	32
2	XVIII	Medical and Public Health	30
3	XVI	Pension and Miscellaneous	28
4	XXXVII	Industries	26
5	XV	Public Works	19
6	XXV	Welfare of Scheduled Caste, Scheduled Tribes, Other Backward Classes and Minorities	19

Source: Compilation from VLC data

Practice of meeting expenditure with an anticipation of savings in other heads was indicative of poor budgetary process.

Audit also noticed that out of these 355 schemes, in 304 schemes (86 per cent) no expenditure was incurred. In 51 schemes, expenditure was incurred by way of Supplementary grant/ re-appropriation. This indicates that token provision was provided in these cases without assessing the actual requirement of funds for the

schemes. As such, the need for token provision should be reviewed by the State Government where provision for token demand are made in the Budget Estimates repeatedly over the years for the purpose of seeking in principle approval for big schemes without the full financial implications being worked out.

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-a-vis* Budget (Original/ Supplementary) provisions during the financial year is given below in **Table 3.21**.

Table 3.21 : 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
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Voted	I. Revenue	1,26,690.59	12,905.52	1,39,596.10	1,28,469.90	(-) 11,126.20	10,465.08	92.03
	II. Loans and Advances	1,544.94	1,167.10	2,712.04	2,830.51	118.47	221.08	104.57
	III. Capital Voted	12,580.84	5,351.50	17,932.35	14,210.00	(-) 3,722.35	2,946.96	79.24
Total		1,40,816.37	19,424.12	1,60,240.49	1,45,510.41	(-) 14,730.08	13,633.12	90.81
Charged	Revenue Charged	22,518.07	1,603.35	24,121.42	23,872.72	(-) 248.70	36.31	98.97
	Public Debt	52,446.25	12.33	52,458.58	35,900.00	(-) 16,558.59	16,558.58	68.43
	Loans and Advances Charged	0	23.78	23.78	23.78	0	0	100.00
	Capital Charged	33.10	138.75	171.85	144.49	(-) 27.36	23.31	84.08
Total		74,997.42	1,778.21	76,775.63	59,940.99	(-) 16,834.64	16,618.20	78.07
Appropriation to Contingency Fund (if any)		Nil	Nil	Nil	Nil	Nil	Nil	Nil
Grand Total		2,15,813.79	21,202.33	2,37,016.12	2,05,451.40	(-) 31,564.72	30,251.32	86.68

Source: Appropriation Accounts

The trend in overall savings against the overall provision in the budget during 2017-18 to 2021-22 is shown in **Table 3.22**.

Table 3.22 : Trends in overall savings against overall provision

(₹ in crore)

	2017-18	2018-19	2019-20	2020-21	2021-22
Original Budget	1,33,897.86	1,42,809.88	1,60,613.01	1,70,431.18	2,15,813.79
Supplementary Budget	10,984.08	17,565.02	33,849.60	38,515.61	21,202.33
Total Budget	1,44,881.94	1,60,374.90	1,94,462.61	2,08,946.79	2,37,016.12
Actual Expenditure	1,33,456.97	1,43,721.60	1,63,815.80	1,84,877.39	2,05,451.40
Savings	11,424.97	16,653.30	30,646.81	24,069.40	31,564.72
Percentage of Savings	7.89	10.38	15.76	11.52	13.32

Source: Appropriation Accounts

Although, the supplementary provision of ₹21,202.33 crore during the year constituted only nine *per cent* of the original provision as against 22 *per cent* in the previous year (2020-21), yet the overall savings against the overall provision increased from 11.52 *per cent* in 2020-21 to 13.32 *per cent* in 2021-22.

3.5.2 Missing/ incomplete explanation for variation from the budget

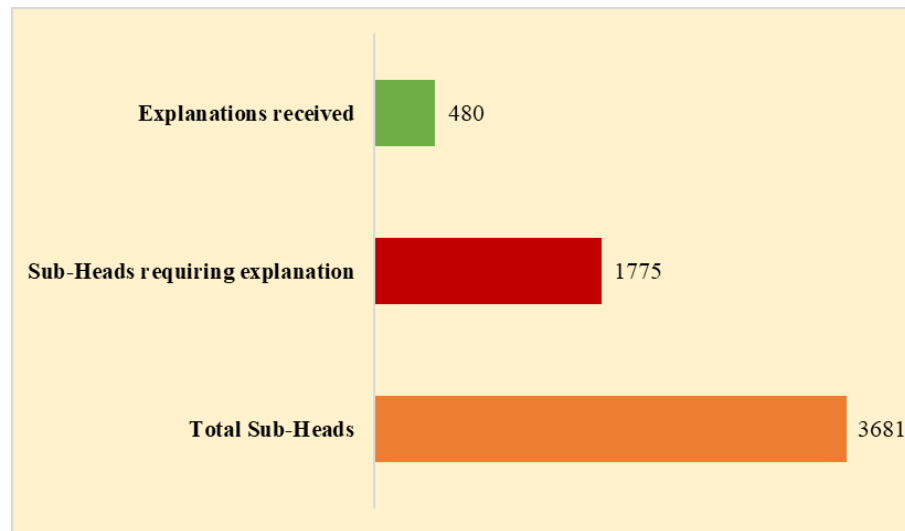
Apart from showing the expenditure against the approved budget, Appropriation Accounts also provide explanation for cases where the expenditure varies significantly from the budgeted provision including supplementary provision.

The threshold levels for inclusion of detailed comments in the Appropriation Accounts are as per the limits approved by the PAC. The norms for selection of sub-heads for comments and for detailed comments are given in the introductory portion of the Appropriation Account of the respective years.

In audit of Appropriation Accounts of 2021-22, it was noticed that the Controlling Officers have not provided explanation/specific reasons for the variations in the expenditure *vis-a-vis* budgeted allocation in about 73 *per cent* of the cases.

Out of the total 3,681 Sub-heads, explanation for variation were required in respect of 1,775 Sub-heads. However, appropriate reasons for variations in 1,295 Sub-heads were not furnished by the Controlling Officers of Government Departments. In respect of the Sub-heads involved, the total number of Sub-heads in the accounts, those requiring explanation for variation, and the Sub-heads where explanation was received for variations from allocations, are given in **Chart 3.6**.

Chart 3.6: Summary of Explanation for Variation in Appropriation Accounts



Source: Appropriation Accounts

Absence of explanation for variation between the budgeted allocation and its utilisation, limits legislative control over budget as a means of ensuring financial accountability of the Government.

3.5.3 Performance Budgeting

As per para 53 of Kerala Budget Manual, Performance budgeting is essentially a technique of presenting the operations of Government in both financial and physical terms, thus enabling evaluation of the performance of each department. It provides a meaningful classification of the activities of Government, that serves to establish a proper relationship between inputs and outputs.

The Public Accounts Committee (PAC), in its 140th report for the period 2008-11, has recommended to introduce the Performance budgeting in all the departments in dealing with development activities in a time bound basis. Subsequently, the State Government as per orders of January 2014 decided to introduce the performance budgeting in six departments as an initial step and this was also included in the Statement of Action Taken on the recommendation of the PAC. However, it is seen that performance budget of only three departments namely Agriculture Development & Farmers Welfare Department, Forest & Wildlife Department and Water Resources Department is prepared and presented along with the budget papers as against the recommendation of 140th report of PAC. The matter has been referred to State Government for remarks.

Thus, even after a lapse of 12 years since the recommendations of the PAC, the State Government had implemented the Performance budgeting documents along with the Budget only for three departments, indicating a lackadaisical approach being taken by the Government in implementing the recommendations of the PAC.

3.5.4 Withdrawal of Supplementary provision through re-appropriation

Re-appropriation by a competent authority allows the transfer of savings from one unit of appropriation to another within the same Grant. Though Supplementary Grants voted by the Assembly during the course of the year is for a definite purpose, so as to ensure that a Supplementary Grant shall be used for the purpose for which it is voted, Audit noticed that in the following schemes shown in **Table 3.23** the entire amounts given through supplementary provisions were withdrawn through re-appropriation.

Table 3.23: Re-appropriation made after obtaining supplementary provision

(₹ in crore)

Sl. No	Grant No.	Head of account	Schemes	Supplementary provision	Re-appropriation
1	XVII- Education, Sports, Art And Culture	2202-03-102-99 (V)(NP)	Kerala University	20.00	(-) 20.00
		4202-04-800-87 (V)(P)	Thakazhi Memorial Museum	5.00	(-) 5.00
2	XVIII-Medical And Public Health	2210-05-105-49 (V)(NP)	Medical College, Painav, Idukki	1.50	(-) 2.47
		2210-05-105-98 (V)(NP)	Allopathy Medical College, Thiruvananthapuram	3.00	(-) 22.65
3	XIX-Family Welfare	2211-00-003-95 (V)(P)	Basic Training for ANMs/ LHV's-(CSS- 60:40)	1.00	(-) 3.38
		2211-00-003-96 (V)(P)	Maintenance And Strengthening of Health and Family Welfare Training Centres(HFWTCs)-(CSS-60:40)	1.00	(-) 1.60
4	XXVIII-Miscellaneous Economic Services	3454-02-203-98 (V)(P)	Setting up of a Computer Division in the Directorate	0.06	(-) 0.31
5	XXXVII-Industries	4851-00-800-99 (C)(NP)	Payment of compensation in LAR cases	75.00	(-) 75.00
			Total	106.56	(-) 130.41

Source: Compilation from VLC data

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

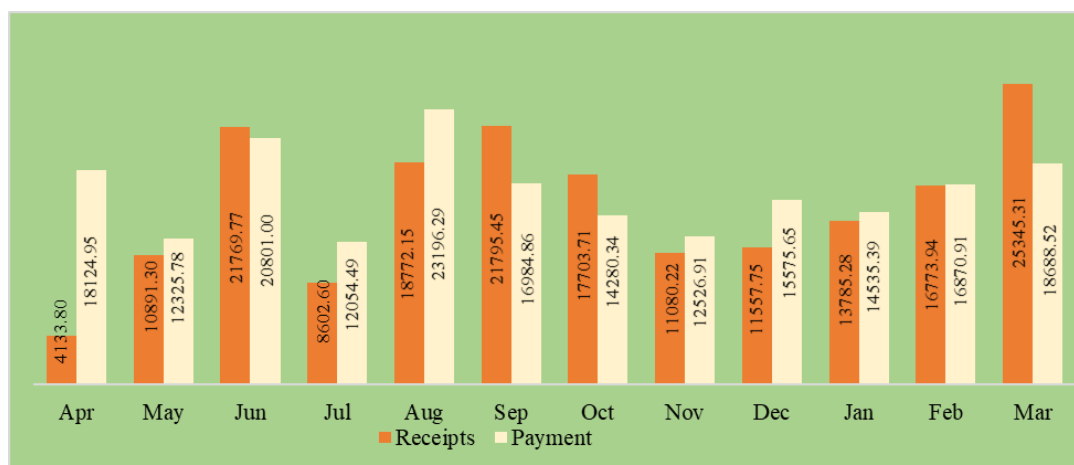
3.5.5 Rush of Expenditure

Government funds should be spent evenly throughout the year. The rush of expenditure towards the end of the financial year is regarded as a breach of financial propriety.

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 3.7: Monthly receipts and expenditure during the financial year for the State

(₹ in crore)



Source: Monthly Civil Accounts 2021-22

From **Chart 3.7**, it can be seen that for 2021-22, the monthly spread of receipts and expenditure of the State were not generally even across all the months.

Audit observed that for three Grants shown in **Table 3.24**, more than 25 per cent of the expenditure was incurred in March alone.

**Table 3.24: Grants with more than 25 per cent of expenditure in March alone
(Descending order of percentage)**

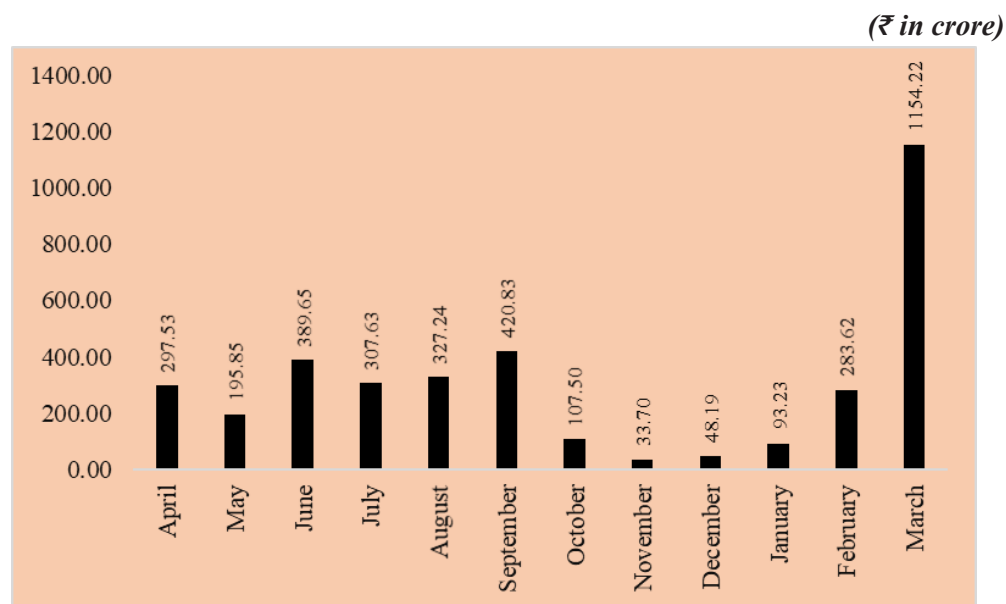
(₹ in crore)

Sl. No	Grant No.	Description	Ist Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total	Expenditure in March	Expenditure in March as percentage of total expenditure
1	XXVIII	Miscellaneous Economic Services	883.04	1,055.70	189.39	1,583.54	3,711.67	1,154.22	31.10
2	XLIII	Compensation and Assignments	893.52	1,732.96	2,382.57	4,651.04	9,660.09	2,814.59	29.14
3	XV	Public Works	971.70	1,255.01	1,368.65	2,751.54	6,346.90	1,783.61	28.10

Source: Compilation from VLC data

The month wise expenditure of Grant XXVIII-Miscellaneous Economic Services with very high percentage of expenditure in March is shown in **Chart 3.8** below:

Chart 3.8: Month wise expenditure of Miscellaneous Economic Services with very high percentage of expenditure in March



Source: Compilation from VLC data

Further, the scheme wise analysis of expenditure of ₹one crore or more, as mentioned in **Appendix 3.10**, has revealed that the entire expenditure was incurred in March during the year 2021-22 in 55 schemes, the incurrence of expenditure in March was very high in three schemes viz. two schemes in Grant No. XXVIII Miscellaneous Economic Services (₹447.07 crore) and one scheme

in Grant No. XXV Welfare of Scheduled Castes, Scheduled Tribes, Other Backward Classes and Minorities (₹159 crore).

3.6 Gender Budgeting in Kerala

Gender Budget of the State discloses the expenditure proposed to be incurred within the overall budget on schemes which are designed to benefit women fully or partly. Government of Kerala started placing the Gender Budget statement as a separate document along with the budget papers in the Legislature from 2017-18 onwards. Kerala Gender Budget has two Parts: Part A includes 90 to 100 *per cent* women specific schemes and Part B includes 30 to 90 *per cent* women specific schemes.

The total allocation earmarked for women across different departments for the period 2017-18 to 2021-22 under Part A and Part B along with their percentage to total State Plan outlay is shown in **Table 3.25**.

Table 3.25 : Gender Budget Statement: Allocation of State Plan/ Budgetary Resources for Girls/ Women (with a specific allocation for Transgenders) from 2017-18 to 2021-22

(₹ in crore)

Year	Total State Plan outlay*	Total Part 'A' allocation**	Total Part 'B' allocation	Percentage of allocation in Part A to total State Plan outlay	Percentage of allocation in Part B of total State Plan outlay
2021-22	20,607.00	1,346.91	2,678.49	6.54	13.00
2020-21	20,707.00	1,509.33	2,300.54	7.29	11.11
2019-20	23,110.00	1,420.15	2,461.48	6.15	10.65
2018-19	22,150.00	1,267.28	1,973.05	5.72	8.91
2017-18	20,273.00	916.50	1,399.32	4.52	6.90

Source : Gender budget document and Annual Plan (Volume I)

* Excludes allocation to Local Bodies

** Includes allocation for Transgenders: ₹ five crore in 2019-20 to 2021-22, ₹ four crore in 2018-19 and ₹ three crore in 2017-18

Table 3.25 shows that the growth in allocation under Part A schemes have been slower from 2017-18 to 2021-22 as compared to Part B schemes.

Audit examined the following women specific schemes (90-100 *per cent*) under the Grant XLVI-Social Security and Welfare. It was noticed that there were

savings from 2017-18 to 2021-22 under these schemes, aggregate of which ranged between 15 per cent and 79 per cent of the total allocation as shown in Table 3.26 below:

Table 3.26 : Details of women specific schemes (90-100 per cent)

(₹ in crore)

Sl No.	Head of Account	Schemes	Items	2017-18	2018-19	2019-20	2020-21	2021-22	Total
1	2235-02-103-80-V(P)	Gender Park	Budget allocation	11.00	12.10	10.50	14.59	15.50	63.69
			Expenditure	0.00	0.90	7.80	2.72	1.71	13.12
			Savings	(-) 11.00	(-) 11.20	(-) 2.70	(-) 11.87	(-) 13.80	(-) 50.57
			Percentage of savings	100.00	92.53	25.76	81.39	88.98	79.40
2	2235-02-103-90-02-V(P)	Gender awareness programme implemented by Kerala Women's Development Corporation	Budget allocation	1.00	1.00	1.85	1.70	1.40	6.95
			Expenditure	1.00	0.00	0.25	0.75	0.75	2.75
			Savings	0.00	(-)1.00	(-)1.60	(-)0.95	(-)0.65	(-)4.20
			Percentage of savings	0.00	100.00	86.49	55.88	46.43	60.43
3	2235-02-103-90-03-V(P)	Gender awareness programme implemented by Kerala Womens' Commission.	Budget allocation	1.35	1.50	2.14	2.14	2.13	9.26
			Expenditure	0.80	0.81	1.29	1.59	2.03	6.52
			Savings	(-)0.55	(-)0.69	(-)0.85	(-)0.55	(-)0.10	(-)2.74
			Percentage of savings	40.78	45.97	39.62	25.63	4.81	29.58
4	2235-02-103-89-00-V(P)	Programme on Finishing School for Women	Budget allocation	1.75	1.50	1.75	1.25	1.34	7.59
			Expenditure	1.25	0.25	0.25	1.60	1.00	4.35
			Savings	(-)0.50	(-)1.25	(-)1.50	0.35	(-)0.34	(-)3.24
			Percentage of savings	28.57	83.33	85.71	28.18	25.37	42.66
5	2235-60-200-72-03-V(P)	Rehabilitation of Unwed Mothers and their Children (Sneha Sparsham)	Budget allocation	2.50	2.50	2.50	5.03	2.00	14.53
			Expenditure	2.50	2.50	1.09	4.26	2.00	12.34
			Savings	0	0	(-) 1.41	(-) 0.78	0	(-) 2.19
			Percentage of savings	0	0	56.50	15.46	0	15.07

Source : Compiled from VLC data.

Audit noticed that in the Part A schemes identified above, there were neither much improvement in the budgetary allocation over the years nor the utilisation was achieved to the full extent, resulting in persistent savings over the years in the schemes.

It was envisaged in the gender budget of 2019-20 to present a Statement on the Financial Performance of the Gender Budget schemes of previous year together with a Gender audit of major schemes to take stock of what the schemes have achieved on the ground. It was, however, noticed that the State Government has not reported on the performance of Gender Budget schemes during 2020-21 or 2021-22 to gauge the effectiveness of the schemes targeted to benefit women.

In reply to audit enquiry, the Finance Department stated that performance reporting of schemes included in Gender Budget has not been taken up by the department as the same was intended to be taken up by the Kerala State Planning Board. The matter has been referred to State Planning Board for specific remarks on non-reporting of performance of Gender Budget schemes.

It is imperative that the State Government should insist that the respective Departments submit performance reports along with the proposal for Gender Budget of current year to bring about transparency in public spending for the socio-economic empowerment of women in the State through various schemes.

Several deficiencies were observed in one of the schemes for Women empowerment in Kerala, which was featured in the CAG's Audit Report No. 4 of 2018, Government of Kerala, wherein the Kudumbashree programme for empowerment of women was poorly implemented. There was no effective monitoring of the working of Micro Enterprises for ensuring sustained operation and profitability of the ventures. Works were awarded to Programme Implementation Agencies by following an opaque selection process. Kudumbashree did not tender works and ensure the selection of competent agencies resulting in the schemes not being able to deliver the intended results. Financial Management was poor and the audited Statements of Accounts carried material mis-statements. Internal control systems were weak. The programme mentioned above for empowerment of women is a one off case and the Government should proactively look into other such schemes where the intended benefits could not be extended to the targeted women beneficiaries. Unless the provisions and allocations for gender budgeting are translated into effective implementation of the schemes followed by robust monitoring mechanism, the entire objective of gender budgeting would remain defeated.

Review of Selected Grant - Review on Budgetary Process and Appropriation Control

Introduction

A review of Budgetary Procedures followed, and methodology employed for control over expenditure in respect of two selected grants over a three-year period from 2019-20 to 2021-22 was conducted for this report. These grants are

1. Grant No. XXVIII-Miscellaneous Economic Services
2. Grant No. XXVI- Relief on Account of Natural Calamities

3.7 Review of Grant No. XXVIII-Miscellaneous Economic Services

Grant No. XXVIII provides for allocation of ₹4,390.57 crore during 2021-22 under the following functional Major Heads

3454 – Census Survey and Statistics: ₹143.69 crore

3475 – Other General Economic Services: ₹99.72 crore

5465 – Investment in General Financial and Trading Institutions: 0

5475 – Capital Outlay on Other General Economic Services: ₹ 4,147.16 crore

Grant No. XXVIII is a General Grant controlled by eight³⁰ Chief Controlling Officers. The Controlling Officers are responsible for ensuring appropriation control in each unit of appropriation of the Grant. The review on budgetary process and appropriation control was conducted in respect of schemes implemented by two controlling officers viz., Principal Secretary, Planning and Economic Affairs and Additional Chief Secretary, Finance Department based on quantum of expenditure incurred by them.

3.7.1 Budget allocation, Expenditure and Savings

Capital Expenditure constitutes the major portion of the allocation under this Grant. Budget allocation and expenditure under revenue and capital sections of Grant XXVIII during the last three years are given in **Table 3.27**.

³⁰ Principal Secretary, Planning and Economic Affairs Department; Additional Chief Secretary, Finance Department; Secretary, State Land Board; Inspector General of Registration; Chief Engineer, Building and Local Works; Director of Economic and Statistics; Controller, Legal Metrology; and Director of Panchayats.

Table 3.27: Budget allocation and expenditure for the last three years*(₹ in crore)*

Year	Category	Budget allocation	Expenditure	Savings (-)/ Excess (+)	Percentage of Savings/ Excess
2019-20	Revenue	402.70	167.20	(-)235.50	58.48
	Capital	5,782.45	2,218.48	(-)3,563.97	61.63
2020-21	Revenue	192.59	155.29	(-)37.30	19.37
	Capital	4,457.28	3,254.60	(-)1,202.68	26.98
2021-22	Revenue	243.41	244.24	0.83	0.34
	Capital	4,147.16	3,470.03	(-)677.13	16.32
Total	Revenue	838.70	566.73	(-) 271.97	32.43
	Capital	14,386.89	8,943.11	(-) 5,443.78	37.84

Source : Appropriation Accounts 2019-20 to 2021-22

From **Table 3.27** it can be seen that there were significant savings under this Grant over the years except under revenue during 2021-22. The percentage of savings under capital head ranged between 16 per cent to 62 per cent during the period 2019-20 to 2021-22.

Almost the entire capital allocation under the grant is for three major initiatives as given in **Table 3.28**.

Table 3.28 : Capital allocation under Grants*(₹ in crore)*

Year	Rebuild Kerala Initiative			Major Infrastructural Development Projects			Payment to KIIFB		
	Budget Allocation	Expenditure	(-) Savings/ (+) Excess	Budget Allocation	Expenditure	(-) Savings/ (+) Excess	Budget Allocation	Expenditure	(-) Savings/ (+) Excess
2019-20	1,000.00	7.34	(-)992.66	2,543.30	0	(-)2,543.30	2,200.00	2,200.00	0
2020-21	1,000.00	611.60	(-)388.40	1,000.00	0	(-)1,000.00	2,420.00	2,172.86	(-) 247.14
2021-22	1,830.00	898.30	(-)931.70	790.00	0	(-)790.00	1,500.00	2,390.15	(+) 890.15
Total	3,830.00	1,517.24	(-)2,312.76	4,333.30	0	(-)4,333.30	6,120.00	6,763.01	(+)643.01

Source: Detailed Appropriation Accounts 2019-20 to 2021-22

3.7.1.1 Post Flood Projects under the Rebuild Kerala Initiative

State Government formed Rebuild Kerala Initiative (RKI) vide G.O.(P) No.16/2018/P&EA dated 09 November 2018 with detailed framework and separate mechanism to co-ordinate various activities/ administrative measures that aim to rebuild Kerala in a speedy and effective manner in the aftermath of the disaster caused by rain and floods in August 2018. With support from World Bank Agencies, RKI has developed a holistic plan to rebuild Kerala through Rebuild Kerala Development Programme (RKDP). The RKI is the dedicated State level institutional modality for formulating and co-ordinating the implementation of a resilient Kerala, and is mandated to develop, co-ordinate, facilitate and monitor the RKDP through a participatory and inclusive process. The entire rebuilding process of post flood Kerala comes under the framework of Rebuild Kerala Initiative.

As per the guidelines for operational strategy and institutional framework of Rebuild Kerala Initiative, RKI will focus on building assets that are most resilient to natural calamities like floods. RKI also envisages implementation of smart technologies in utilities, early warning systems, setting up predictive tools for disaster management, improved technology solution for relief work etc to improve the overall responsiveness of the State to tackle any such disaster in future and to improve the efficiency of delivery of civic services during such catastrophes.

External Loan and its Utilisation under RKI

Government of Kerala availed loan from World Bank - ‘First Resilient Kerala Program Development Policy Financing’ amounting to ₹1,779.58 crore during September 2019 and another loan from German Bank (KfW) ‘Climate Loan Kerala (Programme)’ amounting to ₹868.45 crore in March 2021 for enhancing the State’s resilience against the impact of natural disasters and climate change. In addition, State Government also entered into another agreement with KfW for an assistance of 170 million Euros for Climate Resilient Reconstruction after flooding in Kerala in November 2019 which is in reimbursement mode.

(i) Utilisation of First resilient Kerala Program Development Policy Financing loan and Climate Loan Kerala (Programme) – ‘5475-00-115-94’

State Government received an amount of ₹1,779.58 crore as loan component of Additional Central Assistance for Externally Aided Projects- ‘First Resilient Kerala Program Development Policy Financing’ in September 2019 for the implementation of Rebuild Kerala Development Programme (World Bank Loan). State Government also received an amount of ₹868.45 crore as loan component of Additional Central Assistance for Externally Aided Projects-‘Climate Loan Kerala’ in March 2021(German Bank KfW

loan). The funds received are being provided to RKI by debiting the head of account '5475-00-115-94 -Post Flood Projects under the Rebuild Kerala Initiative'.

Year-wise receipt of loan from GoI and expenditure incurred for the period from 2019-20 to 2021-22 are shown in **Table 3.29**.

Table 3.29 : Utilisation of funds under RKI

(₹ in crore)

Year	Source	Loan received	Date of receipt of loan	Budget Provision	Expenditure
2019-20	World Bank	1,779.58	4 September 2019	1,000.00	7.34
2020-21	KfW	868.45	24 March 2021	1,000.00	511.60
2021-22	-	-	-	1,830.00	773.30
Total		2,648.03		3,830.00	1,292.24

Source: Appropriation Accounts 2019-20 to 2021-22, Details collected from Finance Department

Scrutiny revealed that even though an amount of ₹2,648.03 crore has been received as World Bank and KfW loans for implementation of Rebuild Kerala Development Programme during 2019-20 to 2021-22, an amount of ₹1,292.24 crore only was released to RKI as on March 2022 indicating slow progress in implementation of the scheme. The State Government replied (March 2023) that RKI is a multi-sector and multi-year programme involving several Government departments and agencies, and these projects undergo various stages *viz.* preparation of DPR, Administrative sanction, technical sanction, tendering *etc.* before entering into actual implementation. The expenditure was very less during 2019-20 as only a very few projects were in the implementation stage. However, the expenditure had gained momentum during 2020-21 and 2021-22. The funds are allocated on a quarterly basis to various implementing agencies and departments considering the progress and necessity.

The reply is not tenable as even after a lapse of three years of receipt of funds by the State Government, there has not been much progress in the implementation of the scheme.

The component wise details of expenditure incurred under '5475-00-115-94' indicate that the utilisation of funds under RKDP was very poor as

given in **Appendix 3.11**. Road works under this scheme were implemented by Project Management Unit (RKI), Engineering Wing of Local Self Government Department, Kerala State Transport Project (KSTP) and Public Works Department. Status of road works as on 31 March 2022 are given in **Appendix 3.12**.

(ii) Utilisation of Loan for Climate Resilient Reconstruction after flooding in Kerala- ‘5475-00-115-93’

Government of Kerala also entered into an agreement with German Bank, KfW in November 2019 whereby a total loan of €170 million would be provided by the bank for the reconstruction of flood damaged roads in Kerala. The loan is in reimbursement mode. A new sub head ‘5475-00-115-93- Post Flood Projects under the Rebuild Kerala Initiative (KfW aided)’ was opened in October 2020 for the classification of expenditure relating to the scheme implemented under the RKI with the assistance of KfW. State Government provided funds amounting to ₹225 crore under the above head of account during 2020-21 and 2021-22 through reappropriation from the head of account ‘5475-00-115-94-01 Roads of Local Self Government (RKI)’ as shown below in **Table 3.30**.

Table 3.30 : Details of funds provided for implementation of Projects with assistance of KfW

(₹ in crore)

Schemes	Year	Budget allotment	Amount given by Re-appropriation
5475-00-115-93 Post Flood Projects under the Rebuild Kerala Initiative (KfW Aided-RKDP Project Loan)	2020-21	0	100
	2021-22	0	125

Source: Appropriation Accounts of the respective years

State Government transfer credited the amounts to the Plan Scheme Treasury Savings Bank (PSTSB) Account No. 799012700000152 of Kerala State Transport Project (KSTP) for implementing the scheme. KSTP incurred an expenditure of ₹93.35 crore (41 *per cent*) by utilising the funds as on 31 March 2022. The status of the works is given in **Appendix 3.13**.

The slow progress in implementation of Rebuild Kerala Development Programme by RKI had adversely affected the post flood projects in the State which were required to be implemented urgently in the State. RKI replied that the majority of RKI projects were at the initial stages of Administrative and Technical sanctions in 2019-20 which led to the large savings in 2019-20. It was also replied that most of the projects were multiyear and multi sector projects and there was increase in the expenditure for RKI projects in 2020- 21 and 2021-22. The reply is not tenable as the works have not been completed even after a lapse of three years of receipt of funds.

3.7.1.2 Major Infrastructure Development Projects ‘5475 -00 -115-99’

The State Government is providing lumpsum amount for implementation of various infrastructure development projects falling under several Grants under a single head of account ‘5475-00-115-99(P)- Major Infrastructure Development Projects’.

The year wise details of lumpsum provision made under the head of account ‘5475-00-115-99- Major Infrastructure Development Projects’ are given below in **Table 3.31**.

Table 3.31 : Details of Lumpsum Provision provided under ‘5475-00-115-99-Major Infrastructure Development Projects’

(₹ in crore)

Financial Year	Total Funds provided under 5475-00-115-99	Amount Re-appropriated	Amount Surrendered
2019-20	2,543.30	--	2,543.30
2020-21	1,000.00	--	1,000.00
2021-22	790.00	118.28	671.72

Source: Appropriation Accounts 2019-20 to 2021-22, Government of Kerala, Details collected from Finance Department

Lumpsum Provision is a budgetary provision without identifying the exact object of expenditure. As per para 14 of the Kerala Budget Manual, except when unavoidable, as in the case of repairs and maintenance of buildings, lumpsum demand should not be made. However, lumpsum provision is being provided under the head of account ‘5475-00-115-99 (P) Major Infrastructural Development Projects’ to avoid lapse of funds at the end of each year while providing funds separately for various high priority schemes under different heads of account. As the Heads of Accounts pertaining to various schemes fall under different Grants, re-appropriation of funds is not technically possible and

hence, Finance Department would issue orders reallocating the funds to various Departments for implementing the Infrastructure Projects and the expenditure for the Projects are met through additional authorisation. The expenditure met from additional authorisation would be subsequently regularised by re-appropriation/supplementary demands for grants. The entire lumpsum provision provided under the head of account 5475-00-115-99 under Grant XXVIII would be shown as surrendered at the end of the year. This Head of Account is controlled and operated by Secretary, Planning and Economic Affairs Department.

A scrutiny of records relating to the allocation of funds from this head of account revealed that funds are being allocated for various ongoing infrastructure Projects like Cochin Metro Rail Project (Grant XLI), Vizhinjam International Sea Port (Grant XL), Kannur International Airport Ltd (Grant XLI) etc. All these items of expenditure should have been met from the budget provision of respective Grants. Making Lumpsum Provision under the head of account is in violation of provisions contained in Kerala Budget Manual. As the entire budget allocation is showed as surrendered in the Accounts, the quantum of funds that has been allocated from this head of account and the various infrastructure projects for which funds were allocated could not be ascertained. This has also resulted in over estimation of budget provision under Grant XXVIII and resultant inclusion of comments in Appropriation Accounts every year.

3.7.1.3 Financial Assistance to KIIFB

The Kerala Infrastructure Investment Fund Board is a statutory body constituted (November 1999) and controlled by State Government under the Kerala Infrastructure Investment Fund Act, 1999 with the objective of providing investment for critical and large infrastructure projects in the State. Every year, State Government sets apart petroleum cess and a share of motor vehicle tax collected to KIIFB through regular budget provision under capital account. In addition to the petroleum cess and share of motor vehicle tax, the State Government has also provided additional funds to KIIFB as assistance for repayment and redemption of obligations during 2021-22. The year wise details of budget provision and release of funds to KIIFB during 2019-20 to 2021-22 are shown in **Table 3.32** below:

Table 3.32 : Year-wise details of budget provision and release of funds to KIIFB*(₹ in crore)*

Sl No	Scheme	year	Budget	Expenditure	Savings (-)/ Excess (+)
1	5475-00-115-96-Assistance to KIIFB on repayment and redemption of obligations	2021-22	0	322.07	(+)322.07
2	5475-00-115-97- Share of KIIFB from cess on petrol and diesel	2019-20	550.00	550.00	0
		2020-21	605.00	539.00	(-)66.00
		2021-22	500.00	500.00	0
3	5475-00-115-98- Share of KIIFB from motor vehicle tax	2019-20	1,650.00	1,650.00	0
		2020-21	1,815.00	1,633.85	(-)181.15
		2021-22	1,000.00	1,568.08	(+)568.08

Source: Detailed Appropriation Accounts 2019-20 to 2021-22

Excess amount of ₹322.07 crore was provided through re appropriation under '5475-00-115-96' during 2021-22 to bridge the shortfall in its Asset Liability Management projection calculated at an annual growth rate of 10 per cent over its revenues from motor vehicle tax and petrol and diesel cess. An amount of ₹568.08 crore was also provided by re appropriation under '5475-00-115-98' in 2021-22 to provide the balance fund towards the share of motor vehicle tax as stipulated in Section 7(1) of Kerala Infrastructure Investment Fund Act.

3.7.1.4 Other Issues noticed

Expenditure incurred without budget provision

A scrutiny of the detailed Appropriation Accounts for the years 2020-21 and 2021-22 has revealed that there were three schemes in which expenditure was incurred without any original/ supplementary budget provision in the financial year as shown in the **Table 3.33** given below.

Table 3.33 : Expenditure incurred without any budget provision*(₹ in crore)*

Sl.No	Schemes	Year	Budget allotment	Expenditure
<i>Additional Chief Secretary, Finance Department</i>				
1	5475-00-115-96 Assistance to KIIFB on Repayment and Redemption of Obligation	2021-22	0	322.07

Sl.No	Schemes	Year	Budget allotment	Expenditure
2	5465-01-190-96-01(V/NP) Participation in the issue of shares in the Regional Rural Banks	2021-22	0	94.12
Principal Secretary, Planning and Economic Affairs				
3	5475-00-115-93 Post Flood Projects under the Rebuild Kerala Initiative (KfW Aided- RKDP Project Loan)	2020-21	0	100.00
		2021-22	0	125.00

Source: Detailed Appropriation Accounts of the respective years

The funds for expenditure were brought through reappropriation orders for incurring of expenditure for schemes without original budget provision, which could have been foreseen while proposing budget estimates, is in contravention to the provisions of budget manual (Para 95 of the Kerala Budget Manual).

Surrender in excess of actual savings

As per Paragraph 91 of the Kerala Budget Manual, the Administrative Department 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 financial year, if it is found that the budget grant cannot be utilized in full, 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. Due care must be taken to submit surrender proposals accurately in time to have optimal allocation of available funds between schemes.

On a scrutiny of Appropriation accounts, it is seen that excess surrender led to excess expenditure over and above the budget allocation in one scheme as detailed in **Table 3.34** given below:

Table 3.34 : Surrender in excess of actual savings

(₹ in lakh)

Sl No	Schemes	Year	Budget provision	Amount Surrendered	Net Budget	Expenditure	Excess Expenditure
Principal Secretary, Planning and Economic Affairs Department							
1	5475-00-190-99(P) Vision Varkala Infrastructure Development Corporation (VIVID)	2020-21	350.00	116.66	233.34	250.00	16.66

Source: Detailed Appropriation Accounts 2020-21, Compilation from VLC data

The injudicious surrender indicated inadequate appropriation checks exercised by departmental officers in the above mentioned head of account.

3.7.2 Grant No. XXVI- Relief on Account of Natural Calamities

Grant No. XXVI- Relief on Account of Natural Calamities covers the functional Major head 2245- Relief on Account of Natural Calamities. The Grant is meant for providing immediate relief to victims of natural disasters. There are 28 schemes under the Grant.

The Grant is controlled by one Controlling Officer viz., Principal Secretary to Government, Revenue and Disaster Management Department. Budget allocation and expenditure in respect of Grant No.XXVI for the last three years are given in **Table 3.35**.

Table 3.35 : Budget allocation and expenditure

(₹ in crore)

Year	Category	Budget allocation	Expenditure	Savings (-) / Excess (+)	Percentage of Savings/ Excess	No. of Schemes
2019-20	Revenue	1,935.22	2,044.32	109.10	5.64	28
2020-21	Revenue	1,282.79	958.25	(-)324.54	25.30	28
2021-22	Revenue	1,287.05	1,233.97	(-)53.08	4.12	29
	Total	4,505.06	4,236.54	(-)268.52	5.96	

Source: Appropriation Accounts 2019-20 to 2021-22, Compilation from VLC data

3.7.2.1 Savings

Scrutiny of Appropriation Accounts for the years 2019-20 to 2021-22 showed that in 20 schemes, utilisation of budget provision is less than 50 per cent as shown in **Appendix 3.14**. Scrutiny also revealed that five schemes have savings greater than ₹25 crore as shown in **Table 3.36** below:

Table 3.36 : Schemes where savings were greater than ₹ 25 crore

(₹ in crore)

SI No	Scheme	Year	Budget Allocation	Expenditure	Savings
02- Floods. Cyclones etc.					
1	2245-02-113-99 Assistance for Repairs/ Reconstruction of Houses (V)(NP)	2020-21	360.31	63.71	296.60

Sl No	Scheme	Year	Budget Allocation	Expenditure	Savings
2	2245-02-122-99(V)(NP) Repairs and Restoration of Damaged Irrigation and Flood Control Works	2020-21	219.60	0.40	219.20
3	2245-02-101-94(V)(NP) Other items	2019-20	313.38	248.59	64.79
4	2245-02-106-99(V)(NP) Repairs and Restoration of Damaged Roads and Bridges	2019-20	77.35	28.36	48.99
		2020-21	77.35	47.43	29.92
5	2245-02-101-98 (V)(NP) Food and Clothing	2021-22	50.00	13.71	36.29

Source : Detailed Appropriation Accounts 2019-20 to 2021-22, Compilation from VLC data

All these schemes are to be implemented by utilizing assistance received from State Disaster Response Fund (SDRF) for providing immediate relief to victims of various natural disasters like cyclone, drought, fire, flood, landslide etc. (refer to para 2.5.2.1). Disaster Management Department replied that heavy floods in 2019-20 and covid pandemic and lock down in 2020-21 adversely affected the progress of works under ‘2245-02-106-99 Repairs and Restoration of Damaged roads and Bridges’. The reply is not acceptable as State Disaster Response Fund is meant for providing immediate relief to the victims of natural disasters. The poor utilisation of SDRF had resulted in denial of benefits of various schemes to the intended beneficiaries.

3.7.2.2 Persistent savings

Audit scrutiny revealed that there was persistent savings during 2019-20 to 2021-22 in 10 schemes as given in **Appendix 3.15**. Savings year after year indicated failure of the Controlling Officers and Finance Department in making a realistic assessment of the budgetary requirement based on the expenditure of the previous year and the inability of the department to utilize the funds allotted.

3.7.2.3 Unspent provision not surrendered

During the course of the financial year, if it is found that the budget grant cannot be utilized 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 2019-20, 2020-21 and 2021-22 revealed that the budget grant which cannot be utilized in full and the funds in excess of requirement has not been surrendered in the financial year in respect of three schemes as shown in **Table 3.37**.

Table 3.37 : Schemes in which unspent budget provision not surrendered
(₹ in lakh)

Sl. No	Schemes	Year	Net Budget	Expenditure	Balance to be surrendered
Secretary to Government, Revenue and Disaster Management Department					
1	2245-02-113-99(NP) Assistance for Repairs/ Reconstruction of Houses	2019-20	67,604.08	67,420.84	183.24
		2020-21	6,410.42	6,371.28	39.14
		2021-22	9,183.54	9,169.13	14.41
2	2245-80-102-95 (NP) Cyclone Risk Mitigation Infrastructure (75 % CSS)	2021-22	5,824.88	4,400.17	1,424.71
3	2245-80-800-80 (NP) Other Miscellaneous Relief Expenditure	2021-22	9.22	1.39	7.83

Source: Detailed Appropriation Accounts 2019-20 to 2021-22 and Compilation from VLC data

Non surrendering of the savings is in violation of provisions contained in Paragraph 91 of Kerala Budget Manual.

3.7.2.4 Expenditure incurred without budget provision

A scrutiny of the detailed Appropriation Accounts for the period 2019-20 and 2020-21 has revealed that there were two schemes in which expenditure was incurred without any original/supplementary budget provision in the financial year as shown in the **Table 3.38** given below.

Table 3.38 : Expenditure incurred without any budget provision

(₹ in lakh)

Sl. No.	Schemes	Year	Budget allotment	Expenditure
Secretary to Government, Revenue and Disaster Management Department				
1	2245-80-102-93 Other Disaster Management Programmes (Including School Safety)-ODMS (100% CSS)	2019-20	0	4.20
		2020-21	0	39.64

Sl. No.	Schemes	Year	Budget allotment	Expenditure
2	2245-80-102-94 Training of Community Volunteers in Disaster Response in selected 30 most flood prone districts of India (Aapda Mitra) in Kottayam District (Plan-100%CSS)	2019-20	0	21.21

Source: Detailed Appropriation Accounts 2019-20, 2020-21 and 2021-22

The funds for expenditure were brought through reappropriation orders for incurring of expenditure for schemes without original budget provision, which could have been foreseen while proposing budget estimates, is in contravention to the provisions of Budget Manual (Para 95 of the Kerala Budget Manual).

Conclusions

- *Poor Implementation of Rebuild Kerala Development Programme adversely affected the Post Flood Projects in the State which were required to be implemented urgently.*
- *Expenditure incurred without budget provision through reappropriation orders indicated the failure of officials concerned in assessing actual requirements of funds.*
- *Savings year after year shows laxity on the part of Government officials to formulate a realistic budget based on the needs of the Departments and their capacity to utilise the allocated resources.*

3.8 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. These savings may also be seen in the context that, against the Budgeted receipts of ₹2,14,478.66 crore, the actual receipts available for meeting the budgeted expenditure of ₹2,37,016.12 crore was only ₹1,99,125.54 crore. This implied that the savings and the surrender on the estimated expenditure are notional, as the funds were not actually available for expenditure indicating weak budget formulation leading to an inflated budget.
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.

3.9 Recommendations

1. *State Government needs to ensure that departments submit budget proposal which reflect their financial requirements to the closest possible. The Finance department also needs to conduct a thorough scrutiny of the budget so that unrealistic estimates does not get passed in the budget.*
2. *An appropriate budget monitoring and control mechanism needs to be instituted to ensure that anticipated savings are identified and surrendered within the specified time and demands for supplementary grants made as per actual requirements depending on the remaining budgetary positions of the departments.*
3. *The State Government should ensure that expenditure incurred exceeding the limits approved by the Legislature are seriously viewed and regularised at the earliest so that the spirit of Article 205 of the Constitution is preserved.*
4. *The State Government should review the schemes where token provisions has been made especially in cases of persistent occurrences and not in respect of the new service/ new instrument of services. The Government should ensure compliance to the provisions of Appendix 3 of General Financial Rules 2017, while making token provisions.*
5. *All departments dealing with developmental activities need to introduce performance budget along with the budget papers in the Legislative Assembly to provide an adequate link between the financial outlay and the physical targets achieved.*
6. *Performance report of previous year needs to be incorporated in the Gender Budget of respective year to ascertain the effectiveness of the schemes targeted to benefit women.*