

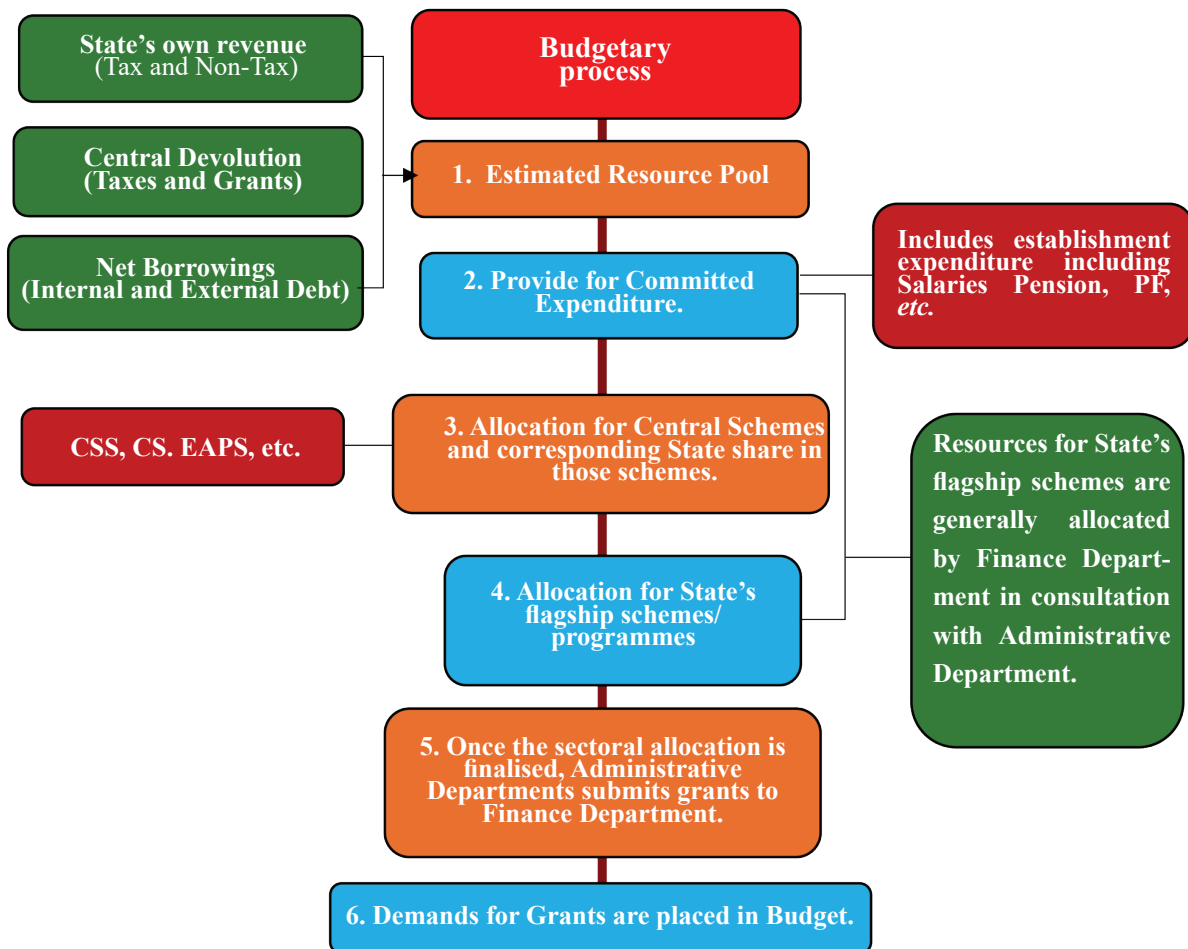


**CHAPTER III
BUDGETARY
MANAGEMENT**

CHAPTER III BUDGETARY MANAGEMENT

3.1 Budget Process

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’. A typical budget preparation process is given in the flow chart below:



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

As per the paragraph 3(1) of Kerala Budget Manual (KBM), the Budget Wing of the Finance Department is responsible for the preparation of the Annual budget. Every year, in July the Budget Wing 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 process of formulation of Budget for financial year 2022-23 started with the issuance (July 2021) of circular directing the Heads of Departments and other Estimating Officers under paragraph 31 of the KBM to furnish proposals for the Budget Estimates 2022-23 through a web based application, namely 'Budget Monitoring System'(BMS). As such, the dates for submission of Non-Plan estimates and Plan budget estimates were fixed at 31 August 2021 and 10 September 2021 respectively, and also revenue and other receipts by 15 September 2021. The controlling officers were directed to furnish proposals for the Revised Estimates for 2021-22 and Budget Estimates for 2022-2023 under Non-Plan heads (Salary/Non-Salary), Receipt heads, Debt heads, estimates of Grant-in-aid institutions and LSGs and estimates under Public Account using the relevant modules in the Tasks menu of the BMS. The estimates as generated in the 'BMS application' were to be sent to the Finance Department and Administrative Department simultaneously. The Administrative Department should record their comments and recommendations on the estimates and forward it to the Finance Department electronically within 10 days of receipt of the estimates from the controlling officers.

As soon as the Departmental Estimates are received, they are scrutinised (paragraph 3(3) of KBM) by the Finance Department minutely, in the light of the comments of the Administrative Departments, the figures of actual expenditure made available by the Accountant General, and the information available with the Finance Department and modified, wherever necessary. The availability of funds is then reviewed, and new schemes provided for to the extent practicable. The budget is ready for presentation to the Legislature by the end of February.

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 KBM.

The procedure for obtaining supplementary appropriations are also contained in paragraph 89 of KBM. Paragraph 62 of KBM 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 paragraph 69 of the KBM, the control of expenditure is exercised by the Administrative Departments through the hierarchy consisting of the Chief Controlling Officer, the Subordinate Controlling Officer

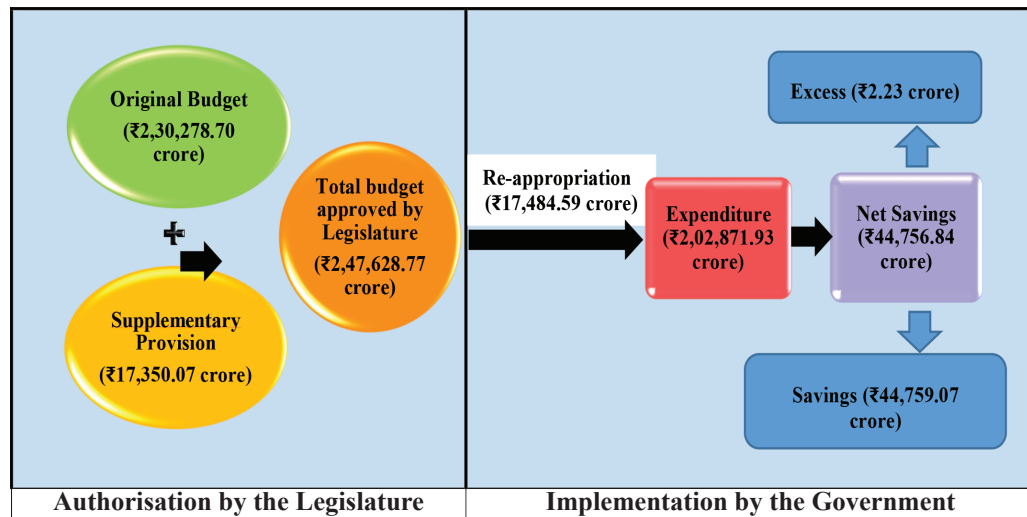
and the Disbursing Officer.

Apart from supplementary grant, re-appropriation can also be used to re-allocate funds within a Grant in accordance with the procedure mentioned in paragraph 86(3) of KBM. 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. Separate statements should be prepared in respect of appropriations affecting the “charged” and “voted” sections and revenue, capital portions under each grant.

The annual budget is tabled in the State Legislature by the Finance Minister each year. The Finance Minister of Kerala presented the Budget for the State for the financial year 2022-23 on March 11, 2022.

The various components of expenditure authorised by the Legislature and implemented by the Government are depicted in **Chart 3.1**.

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



Source: Compilation from VLC data

The accounts depicted an overall savings of ₹44,759.07 crore offset by excess of ₹2.23 crore during the year 2022-23 resulting in net savings of ₹44,756.84 crore. However, the fact remains that these savings were notional as there were no actual receipts / funds for surrender as detailed in **Table 3.1** below:

Table 3.1: Budget vs Actuals

(₹ in crore)

Sl No.	Budget		Actual Expenditure		Savings
	Original	Supplementary	Original	Supplementary	
1	2,30,278.70	17,350.07	2,02,871.93	-	44,756.84

Source: Appropriation Accounts for the year ended March 2023

The overall savings seen from above works out to ₹44,756.84 crore. It is also pertinent to mention here that the actual receipt in the Consolidated Fund was ₹1,95,343.80 crore and the actual expenditure was ₹2,02,871.93 crore during the year. This had led to an excess expenditure of ₹7,528.13 crore, which was met from the Public Account. Thus, the savings as worked out here (₹44,756.84 crore) is actually a notional savings, which had happened due to unnecessary supplementary budget.

The overall budget savings of ₹44,756.84 crore (more than supplementary provision) is indicative of the fact that instead of taking supplementary provision of ₹17,350.07 crore, Government could have made re-appropriations for meeting its additional requirements. This indicates poor budgetary management.

3.2 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 2022-23 under Part A and Part B schemes along with their percentage to total State Plan outlay is shown in **Table 3.2**.

Table 3.2: Comparison of category wise Gender Budget allocation against Total State Plan outlay excluding allocation to Local Bodies from 2017-18 to 2022-23

(₹ in crore)

Year	Total State Plan outlay*	Total Part 'A' Scheme allocation**	Total Part 'B' scheme allocation	Percentage of allocation in Part A scheme to total State Plan outlay	Percentage of allocation in Part B scheme of total State Plan outlay
(1)	(2)	(3)	(4)	(5) = (3/2) x100	(6) = (4/2) x100
2017-18	20,273.00	916.50	1,399.32	4.52	6.90
2018-19	22,150.00	1,267.28	1,973.05	5.72	8.91
2019-20	23,110.00	1,420.15	2,461.48	6.15	10.65
2020-21	20,707.00	1,509.33	2,300.54	7.29	11.11
2021-22	20,607.00	1,346.91	2,678.49	6.54	13.00
2022-23	22,322.00	1,619.82	3,045.38	7.26	13.64

* Excludes allocation to Local Bodies

**Includes allocation for Transgenders: ₹5.8 crore in 2022-23, ₹ five crore in 2019-20 to 2021-22, ₹ four crore in 2018-19 and ₹ three crore in 2017-18

Source: Gender budget document of respective years

The Gender budget document displays the Part A and Part B scheme categories against the Total State Plan outlay wherein both the categories showed an increasing trend as compared to the previous year.

The Part A and Part B categories when compared against the Original Budget Provision of respective years, the percentage allocation of the Part A category and Part B category were less than one *per cent* and two *per cent* respectively over the years as shown in **Table 3.3**.

Table 3.3: Comparison of category-wise Gender Budget allocation against Original Budget provision from 2017-18 to 2022-23

(₹ in crore)

Year	Budget Provision (Original)	Total Part 'A' scheme allocation	Total Part 'B' scheme allocation	Percentage of Part 'A' to Original Budget Provision	Percentage of Part 'B' to Original Budget Provision
(1)	(2)	(3)	(4)	(5) = (3/2) *100	(6) = (4/2) *100
2017-18	1,33,897.86	916.50	1,399.32	0.68	1.05
2018-19	1,42,809.88	1,267.28	1,973.05	0.89	1.38
2019-20	1,60,613.01	1,420.15	2,461.48	0.88	1.53
2020-21	1,70,431.18	1,509.33	2,300.54	0.89	1.35
2021-22	2,15,813.79	1,346.91	2,678.49	0.62	1.24
2022-23	2,30,278.70	1,619.82	3,045.38	0.70	1.32

Source: Appropriation Accounts and Gender budget document of respective years

During 2022-23, an amount of ₹1,619.82 crore was allocated in Part A category for 89 schemes under 15 grants/ sub sectors. The schemes of four grants as shown in the **Table 3.4** were examined and it was observed that there were savings under the grants/ sub sectors. The details of Schemes are given in **Appendix 3.1**.

Table 3.4: Savings in Grants/ sub-sectors under Part A schemes (Women schemes with allocation of 90-100 per cent)

(₹ in crore)

Sl No.	Grants/ Sub sectors	No. of Schemes	Budget allocation	Expenditure	Savings	Percentage of savings against Budget allocation
1	XII-Police	2	6.08	3.29	2.79	45.89
2	XXIV- Labour, Labour Welfare and Welfare of Non-residents	3	23.20	14.57	8.63	37.19
3	XXXVI-Rural Development	3	325.75	166.17	159.58	48.99
4	XLVI-Social Security and Welfare	24	165.42	105.10	60.32	36.46
	Total	32	520.45	289.13	231.32	44.45

Source: Gender budget document 2022-23, VLC compilation and reply furnished by State Planning Board

There was an overall savings of about 45 *per cent* in women schemes in Part A as shown in **Table 3.4** above. Savings under these women specific schemes indicate that the allocations for gender budgeting were not translated into effective implementation of the schemes.

To take stock of what the Gender budget schemes have achieved on the ground, it was envisaged in the Gender budget document 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. Though it was informed by Finance Department that these performance reporting of Gender Budget schemes will be taken up by Kerala State Planning Board, no document was presented till date. State Planning Board has replied (September 2023) that Financial Performance of Gender Budget schemes is being prepared and will be submitted to the State Government along with the Annual Plan documents 2024-25.

3.3 Summary of Appropriation Accounts 2022-23

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 utilization of funds, the management of finances and monitoring of budgetary provisions and are, therefore, complementary to the Finance Accounts.

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.

3.3.1 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, ROPs are deducted from the Gross expenditure and only the net expenditure figures shown 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 2022-23 and that shown in the Finance accounts for that year is given in **Table 3.5** below:

Table 3.5: 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	1,24,106.77	16,835.45	25,795.97	36,133.74	2,02,871.93
Deduct recoveries	7,948.15	200.88	3.65	0.07	8,152.75
Figures as per Finance Accounts	1,16,158.62	16,634.57	25,792.32	36,133.67	1,94,719.18

3.3.2 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 2022-23. Grants include either revenue or capital heads of expenditure or both. While 16 out of 45 Grants contain only voted items of expenditure, 29 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 2022-23 is given below in **Table 3.6**.

Table 3.6: Number of Grants/ Appropriations operated by the State in 2022-23

(₹ in crore)

Sl No.	Description	Total No. of Grants/ Appropriations	Items of Expenditure Voted/ Charged	Revenue	Capital	Budget Provision	Disbursements
A	Grants	45	Voted/ Charged	44	29	1,66,426.22	1,41,714.63
B	Appropriations	02	Charged	1	1	81,202.55	61,157.30
Total (A+B)						2,47,628.77	2,02,871.93

Source: Appropriation Accounts

The overall savings of ₹44,759.07 crore, when offset by excess of ₹2.23 crore in certain Grants/ Appropriations, led to a net savings of ₹44,756.84 crore under 44 Grants/ Appropriations. The savings/excess under Grants/ Appropriations can be further split up into revenue/ capital account of expenditure as given below in **Table 3.7**.

Table 3.7: Grants and Appropriations with excesses and savings

Description	Savings			Excess			Net Savings (₹ in crore)
	Revenue	Capital	Total amount (₹ in crore)	Revenue	Capital	Total amount (₹ in crore)	
Grants (Voted/Charged)	44	29	44,759.07	2	1	2.23	44,756.84
Appropriations (only Charged)	01	01		-	-		

Source: Summary of Appropriation Accounts

3.3.3 Charged and Voted Disbursements

The summarised position of voted and charged disbursements for the period from 2018-19 to 2022-23 is shown in **Table 3.8**.

Table 3.8: Charged and Voted disbursements during the five-year period 2018- 2023
(₹ in crore)

Sl No.	Year	Provisions		Disbursements		Savings(-)/ excess(+) (percentage of variation in bracket)	
		Voted	Charged	Voted	Charged	Voted	Charged
1	2018-19	1,28,951.18	31,423.72	1,08,023.71	35,697.89	(-) 20,927.47(16)	(+) 4,274.17(14)
2	2019-20	1,31,064.55	63,398.06	1,00,174.27	63,641.53	(-) 30,890.28(24)	(+) 243.47(0.4)
3	2020-21	1,43,219.41	65,727.38	1,24,436.83	60,440.56	(-) 18,782.58(13)	(-) 5,286.82(8)
4	2021-22	1,60,240.49	76,775.63	1,45,510.41	59,940.99	(-) 14,730.08(9)	(-) 16,834.64(22)
5	2022-23	1,65,469.06	82,159.71	1,40,942.23	61,929.70	(-) 24,526.83(15)	(-)20,230.01(25)

Source: Appropriation Accounts for the respective years

Voted disbursements increased by 30.47 per cent from ₹1,08,023.71 crore in 2018-19 to ₹1,40,942.23 crore in 2022-23. Similarly, charged disbursements increased by 73.48 per cent from ₹35,697.89 crore in 2018-19 to ₹61,929.70 crore in 2022-23.

The savings under voted and charged items of expenditure increased during 2022-23 as compared to the previous year and as a result the overall savings (variation between grant/ appropriation and expenditure) increased by 4.76 per cent from 13.31 per cent in 2021-22 to 18.07 per cent in 2022-23.

3.3.4 Budget marksmanship

Budget Marksmanship is about examining the relations between the budget

projections of revenue and expenditure against actual receipt and spending. The World Bank's Public Expenditure and Financial Accountability (PEFA) measures the Budget Reliability in terms of Aggregate Expenditure Outturn and Expenditure Composition Outturn.

3.3.4.1 Aggregate Budget Outturn

Aggregate Budget Outturn measures the extent to which the aggregate budget expenditure outturn/ actual expenditure reflects the amount originally approved, both in terms of less than approved and in excess of approved. During 2022-23, out of 45 Grants and two appropriations, the provision under revenue section was made in 44 grants and one appropriation and provision under Capital section was made in 29 grants and one appropriation.

Table 3.9: Extent to which the actual expenditure reflects the original approved Budget

(₹ in crore)

Description	Original Approved Budget (BE)	Actual Outturn (percentage in brackets)	Difference between Actual and BE*
Revenue	1,58,541.44	1,49,902.74 (95)	(-) 8,638.70
Capital	71,737.26	52,969.19 (74)	(-) 18,768.07
Total	2,30,278.70	2,02,871.93 (88)	(-) 27,406.77

*Excess of actuals over original provision is denoted as (+) figure and shortage of actuals over original provision is denoted as (-) figure

In Capital section, deviation in outturn compared with BE was (-) 26.16 %. This was due to deviation between 0 and ± 25 per cent in seven grants, between ± 25 to ± 50 per cent in 12 grants/ appropriation, between ± 50 per cent to ± 75 per cent in six grants, between ± 75 per cent to ± 100 in three grant and more than 100 per cent in two grants.

3.3.4.2 Expenditure Composition Outturn

Expenditure Composition Outturn measures the extent to which re-allocations between the main budget categories during execution have contributed to variance in expenditure composition.

Table 3.10: Extent to which the re-allocation (Revised Estimate) between the budget categories contributed to variance in Actual expenditure

(₹ in crore)

Description	Original Approved Budget (BE)	Revised Estimate (RE)	Actual	Difference between BE & RE	Difference between Actual and RE*
(1)	(2)	(3)	(4)	(5)	(6)
Revenue	1,58,541.44	1,50,332.75	1,49,902.74	8,208.69	(-)430.01
Capital	71,737.26	53,279.61	52,969.19	18,457.65	(-)310.00
Total	2,30,278.70	2,03,612.36	2,02,871.93	26,666.34	(-)740.43

*Excess of actuals over revised estimate is denoted as (+) figure and shortage of actuals over revised estimate is denoted as (-) figure

In Revenue section, deviation in outturn compared with RE was (-) 0.29 per cent. This was due to deviation between 0 and ± 25 per cent in 41 grants/ appropriation, between ± 25 per cent to ± 50 per cent in four grants.

In Capital section, deviation in outturn compared with RE was (-) 0.58 per cent. This was due to deviation between 0 and ± 25 per cent in 15 grants/ appropriation, between ± 25 to ± 50 per cent in nine grants and between ± 50 per cent to ± 75 per cent in six grants. No provision in capital section, was made in respect of 16 grants²⁶ and one appropriation.

3.4 Appropriation Accounts 2022-23

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.

3.5 Comments on integrity of Budgetary and Accounting process

3.5.1 Non-regularisation of expenditure incurred by way of additional authorisation

Paragraph 95(3) of the KBM provides for additional authorization of funds by the Administrative department with the concurrence of the Finance Department in cases not involving 'new service' and where the requirement of funds is urgent and expenditure cannot be postponed till the supplementary grants of next batch are voted. But all such cases are required to be regularised before the close of the financial year by providing additional funds to cover the expenditure either through re-appropriation or by obtaining supplementary grant.

It was observed that an expenditure of ₹231.68 crore was incurred in seven cases under five grants during 2022-23 without having any provision in the original budget estimates/ Supplementary demands and without issuing any re-appropriation orders to this effect to regularise the expenditure as shown in **Table 3.11** below:

²⁶ Grant no. 1 to 11, 13,16,19,26 & 43 and Appropriation 'Debt Charges'

Table 3.11: Expenditure incurred by way of additional authorisation pending regularisation
(₹ in crore)

Sl No.	Grant	Scheme	Expenditure
1	IV-Elections	2015-00-103-99-C-Assembly and Parliament	2.10
2	XII-Police	4055-00-207-88-V-Installation of CCTV cameras in Police Stations	3.00
3	XII-Police	4055-00-207-97-C-Other Buildings	0.08
4	XXI-Housing	4216-80-201-94-V-Flats/ quarters for Govt. Employees/ Higher Officers at KSHB Land in Kozhikode	1.35
5	XXXVII-Industries	4859-02-004-88-V-Scheme for Special Assistance as loan from Government of India for Capital Expenditure	25.00
6	XXXVII-Industries	4885-01-190-98-V-The Kerala Financial Corporation -Investments	200.00
7	XXXVIII-Irrigation	4711-02-103-99-C-Civil Works	0.15
		Total	231.68

Source: Appropriation Accounts

Incurring of expenditure by the department on the strength of additional authorisation without regularising it either through re-appropriation or by obtaining supplementary grant is in violation of the provision of para 95(3) of the KBM.

3.5.2 Misclassification of Expenditure in Government Accounts

Misclassification of transactions as revenue/capital are characterised by lack of application of rules of classification of transactions under relevant heads.

During 2022-23, capital expenditure amounting to ₹12.35 crore were shown as revenue expenditure even though the expenditure were of capital in nature as detailed in **Table 3.12**.

Table 3.12: Incorrect classification of expenditure

(₹ in crore)

Sl No.	Head of Account	Nature of expenditure	Amount of expenditure	Name of DDO
1	2055-00-115-98-41(P)(V) Modernisation of Police Department	Setting up of Cyber Security Centre (Cyber-Dome)	0.52	State Police Chief, Police Headquarters
2	2225-02-102-71(P)(V) Edamalakudi Comprehensive Development Package	Road Construction	3.25	Director of ST Development
3	2230-03-101-80(P)(V) Setting up of New ITIs	Construction of ITI building	4.45	The Director of Training, Industrial Training Department
4	2551-60-101-97(P)(V) Development of Hill Areas Kasaragod Package	Construction of residential facilities (Girl's hostel and teachers' quarter)	4.13	Director of Medical Education
		Total	12.35	

Source: Compiled from vouchers received at A&E office

Misclassification between revenue and capital expenditure has a bearing on revenue account and the fiscal indicator viz., revenue surplus/deficit.

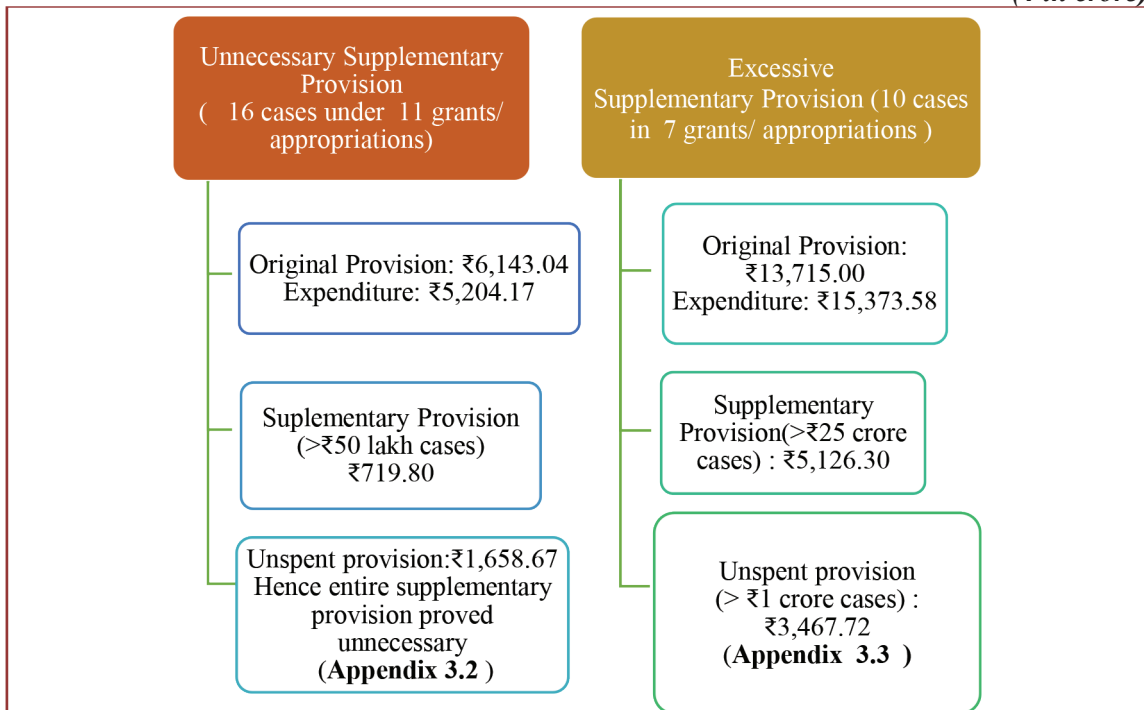
In reply (October 2023) to audit enquiry, Finance Department informed that directions have already been given to the concerned Administrative Departments for issuing sanction orders for the reclassification of the expenditure.

3.5.3 Unnecessary /Excessive supplementary grants

Test checked cases of supplementary provisions showed instances of unnecessary and excessive provisions (**Appendix 3.2** and **Appendix 3.3**) as detailed in **Chart 3.2**.

Chart 3.2: Unnecessary/Excessive Supplementary provision

(₹ in crore)



Source: Compilation from VLC data

From the above, it was noticed that there were instances where supplementary provision provided were unnecessary/excessive as original provisions were enough to take care of the expenditure. The State Government should ensure that supplementary estimates are made based on realistic requirements.

3.5.4 Re-appropriation

As per Para 83 of KBM, 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 and excessive re-appropriations. There were cases of insufficient re-appropriations of above ₹one crore which resulted in final excess expenditure of above ₹one crore indicating inaccurate and unrealistic budgeting.

3.5.4.1 Unnecessary/ Excessive/ insufficient re-appropriation of Funds

Audit scrutiny of re-appropriations of funds during 2022-23 revealed cases of unnecessary/excessive /insufficient re-appropriation of funds (**Appendix 3.4**) as detailed below:

- In 16 cases under seven grants, additional funds (cases above ₹one crore) of ₹1,691.46 crore provided by way of re-appropriations proved unnecessary, as it resulted in unspent provision (cases above ₹25 crore) of ₹3,515.97 crore.
- In 11 cases under six grants, additional funds (cases above ₹one crore) of ₹1,944.64 crore provided through re-appropriations were excessive resulting in unspent provision (cases above ₹25 crore) of ₹1,116.26 crore.
- In five cases under four grants, additional funds of ₹625.76 crore provided through re-appropriation (cases above ₹one crore) were insufficient as it resulted in excess expenditure of ₹20.68 crore.

3.5.5 Unspent provisions against budget allocation and large savings/surrenders

As per para 14 of KBM, 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 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.

3.5.5.1 Grants having large savings

There were 33 cases of unspent provisions, each exceeding ₹100 crore and above under 25 grants/appropriation, which aggregated ₹43,074.45 crore. Large unspent provisions, i.e., more than ₹2,000 crore were in the areas of Revenue Voted under ‘Education, Sports, Art and Culture’, ‘Rural Development’, ‘Social Security and Welfare’, Capital Voted under ‘Water Supply and Sanitation’ Revenue Charged

under Public Debt Repayment as indicated in the **Appendix 3.5**.

In nine grants/ appropriations, there was recurrence of savings of above 10 per cent against the Budget Provision during the period 2018-19 to 2022-23 as shown in **Table 3.13**. The details are given in **Appendix 3.6**.

Table 3.13: Grants with savings above 10 per cent against the Budget Provision during the period 2018-2023

(in percentage)

Sl No.	Grant	2018-19	2019-20	2020-21	2021-22	2022-23
1	21-Housing	66	61	12	26	36
2	22-Urban development	60	51	38	55	19
3	24-Labour, Labour Welfare and Welfare of Non-Residents	15	47	24	20	46
4	28-Micellaneous Economic Services	50	61	27	15	12
5	29-Agriculture	24	44	17	21	30
6	36- Rural Development	70	72	46	68	60
7	37-Industries	30	55	12	23	28
8	38-Irrigation	33	37	41	12	25
9	40-Ports	24	34	22	23	26

Source: Compilation from VLC data

3.5.5.2 Surrender of savings

The following **Table 3.14** depicts the distribution of the number of grants/ appropriations grouped by percentage of utilisation along with total savings in each group and surrender thereon.

Table 3.14: Grants/appropriations grouped by the percentage of utilisation, savings and surrender thereon

(₹ in crore)

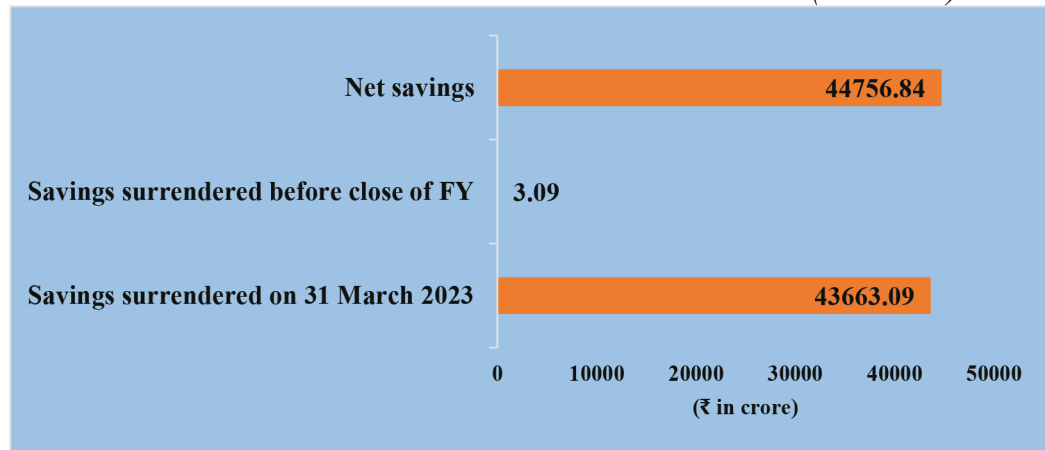
Sl No.	Category (Budget Utilisation in percentage)	No. Grant/ Appropriation	Provision	Expenditure	Savings	Surrender	Balance
1	Less than 30	0	0	0	0	0	0
2	30-50	2	9,969.62	4,313.85	5,655.77	5,649.90	5.87
3	50-70	6	60,625.96	39,419.30	21,206.66	20,898.61	308.05
4	70-90	22	85,356.59	71,587.44	13,769.15	13,293.65	475.50
5	90-100	17	91,676.60	87,551.34	4,125.26	3,824.02	301.24
	Total	47	2,47,628.77	2,02,871.93	44,756.84	43,666.18	1,090.66

Source: Compilation from VLC data

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 net savings of ₹44,756.84 crore, an amount of ₹3.09 crore only was surrendered before 31 March 2023 and a huge amount of ₹43,663.09 crore was surrendered on 31 March 2023 as shown in **Chart 3.3**.

Chart 3.3: Savings and surrenders before close of financial year 2022-23

(₹ in crore)



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

*An amount of ₹1,090.66 crore was not surrendered at the close of the financial year 2022-23.

3.5.6 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.

3.5.6.1 Excess expenditure relating to financial year 2022-23

As per para 97(1) of KBM, 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 poor 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 2022-23 are furnished in **Table 3.15**.

Table: 3.15: Summary of excess disbursements over Grants/ Appropriations during the year 2022-23

(₹ in crore)

Sl No.	Name of Department/Grant	Charged	
		Revenue	Capital
1	IV- Elections	2.10	
2	XXV- Welfare of Scheduled castes, scheduled tribes, other backward classes and minorities	0.05	
3	XII-Police		0.08
	Total Excess	2.15	0.08
	Grand Total		2.23

Source: Summary of Appropriation Accounts

Excess expenditure incurred in three appropriations amounting to a total of ₹2.23 crore requires regularisation. The reasons given by the departments in this regard are given in **Table 3.16**.

Table 3.16: Reasons furnished by Finance Department for excess expenditure

Sl No.	Name of Grant/ HoA	Reasons for excess expenditure
1	IV-Elections (Revenue Charged) 2015-00-103-99 – Assembly and Parliament	Excess expenditure of ₹2.10 crore was incurred to pay printing charges to Keltron. This additional expenditure was not regularised either by Supplementary demand for grant (SDG) or Final re-appropriation as Final SDG was already presented in the Legislature at that time and there was only a token provision under the Charged Section of Grant IV for re-appropriation.

Sl No.	Name of Grant/ HoA	Reasons for excess expenditure
2	XXV- Welfare of Scheduled castes, scheduled tribes, other backward classes and minorities (Revenue Charged) 2225-01-800-23 Debt Waiver of Scheduled Castes	Excess expenditure of ₹0.05 crore was due to reclassification of expenditure from 2225-01-800-57 to 2225-01-800-23 towards disbursement of amount to Udumbannor Service Co-operative Bank. Finance Department informed that specific instructions have been given to the concerned Administrative Department for initiating action for regularising the excess expenditure.
3	XII-Police (Capital Charged) 4055-00-207-97-01-Other Buildings	Excess expenditure of ₹0.08 crore was incurred for which the Finance department did not receive any proposal from the Controlling Officer 'The Chief Engineer, PWD Buildings and Local Works' to regularise the excess expenditure by way of re-appropriation or by Supplementary grant.

Source: Compiled from the reply received from Finance department

Incurring expenditure in excess of Grants approved by the State Legislature is in violation of the Article 205 of the Constitution of India.

3.5.6.2 Regularisation of excess expenditure of previous financial years

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

Year-wise details of excess expenditure to be regularised upto the year ending 31 March 2022 are shown in **Table 3.17**.

Table 3.17: Abstract of pendency of regularisation

(₹ in crore)

Sl 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	2021-22	9	268.47
Total		49	10,546.40

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

Excess expenditure of previous financial years amounting to ₹10,546.40 crore from the year 2016-17 to 2021-22 as detailed in **Appendix 3.7** are yet to be regularised. This is in violation of the Article 205 of the Constitution of India.

3.6 Comments on transparency of budgetary and accounting process

3.6.1 Unnecessary token provision in Original Grant

It was observed that from 2018-19 to 2022-23, token provisions were made in 140 subheads(schemes) persistently under various grants as shown in **Table 3.18**

which remained token provisions without augmentation of the provisions through re-appropriations or Supplementary grant. The list of 140 schemes is detailed in **Appendix 3.8**.

Table 3.18: Grants with the number of schemes where token provision was made repeatedly from 2018-19 to 2022-23 with no expenditure

Sl No.	Grant	No. of Sub-heads (Schemes)
1	XVI-Pensions and Miscellaneous	16
2	XV-Public Works	13
3	XXV-Welfare of Scheduled Castes, Scheduled Tribes, Other Backward Classes and Minorities	12
4	XVIII-Medical and Public Health	12
5	LX-Debt Charges	10
6	XVII-Education, Sports, Art and Culture	8
7	XII-Police	8
8	VI-Land Revenue	7
9	XXVIII-Miscellaneous Economic Services	6
10	XXIV-Labour, Labour Welfare and Welfare of Non-Residents	6
11	XXIX-Agriculture	5
12	XI-District Administration and Miscellaneous	5
13	II-Heads of States, Ministers and Headquarters Staff	4
14	XXXVII-Industries	3
15	XXXV-Panchayat	3
16	XLI-Transport	3
17	XIV-Stationery and Printing and Other Administrative Services	3
18	XXXVIII-Irrigation	2
19	XXXIV-Forest	2
20	XLVI-Social Security and Welfare	2
21	XLV-Miscellaneous Loans and Advances	2
22	XXI-Housing	1
23	VIII-Excise	1
24	XXX-Food	1
25	XIX-Family Welfare	1
26	IX-Taxes on Vehicles	1
27	XXXIX-Power	1
28	XLII-Tourism	1
29	VII-Stamps and Registration	1
	Total	140

Source: Compilation from VLC data

The schemes were kept alive during the last five years without the budgetary implications being worked out or any expenditure being incurred during the years. This indicates department lacked proper estimation of provision and execution of financial plan. Also, the practice of meeting expenditure with an

anticipation of savings in other heads was indicative of poor budgetary process.

The State Government should review the schemes where repeated token provisions are made in the Budget estimates over the years.

3.7 Comments on effectiveness of budgetary and accounting process

3.7.1 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.

The total provision for expenditure in 2022-23 was ₹2,47,628.77 crore. The actual gross expenditure during the year was ₹2,02,871.93 crore. This resulted in savings of ₹44,756.84 crore in 2022-23 of which ₹43,663.09 crore (97.56 per cent) was surrendered on 31 March 2023 and ₹3.09 crore (0.01 per cent) was surrendered before the close of the financial year.

Summarised position of Actual Expenditure vis-a-vis Budget (Original/ Supplementary) provisions during the financial year 2022-23 is given below in **Table 3.19**.

Table 3.19: Summarised position of Actual expenditure and Budget

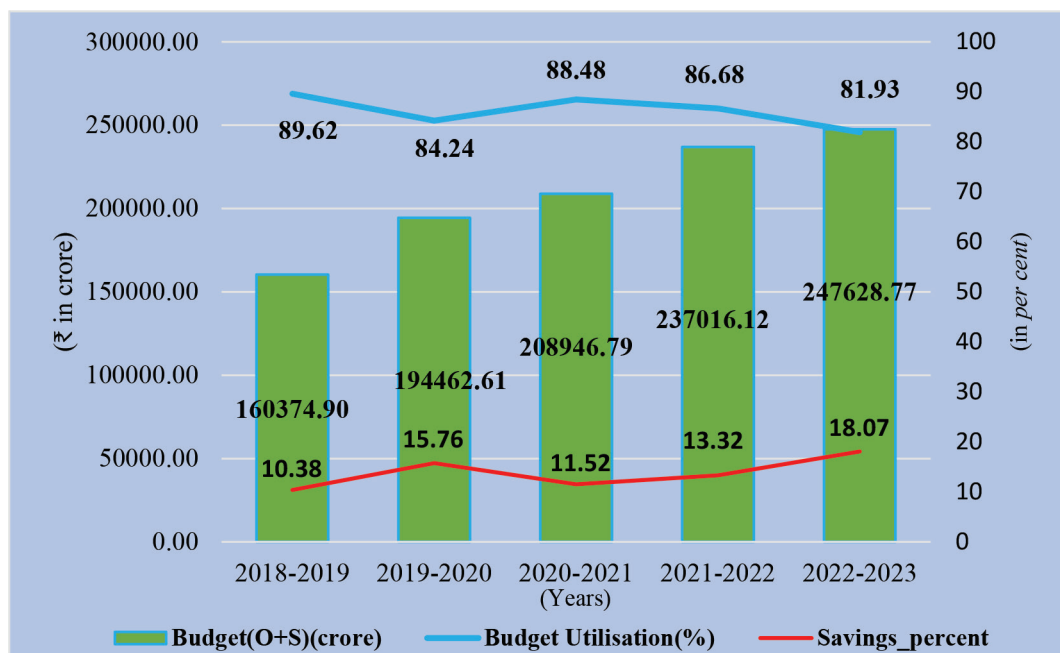
(₹ in crore)

Nature of expenditure		Original Grant/ App	Supplementary Grant/ App.	Total	Actual expenditure	Savings	Surrender during 2022-23	per cent of expenditure to Provision
Voted	I. Revenue	1,32,051.77	11,193.19	1,43,244.96	1,24,106.77	(-)19,138.19	17,931.15	86.64
	II. Loans and Advances	1,630.86	1,346.23	2,977.09	2,790.76	(-)186.33	351.67	93.74
	III. Capital Voted	14,878.05	4,368.96	19,247.01	14,044.69	(-)5,202.32	5,226.59	72.97
Total		1,48,560.68	16,908.38	1,65,469.06	1,40,942.22	(-) 24,526.84	23,509.41	85.18
Charged	Revenue	26,489.67	262.75	26,752.42	25,795.97	(-)956.45	883.17	96.42
	Public Debt	55,197.75	0	55,197.74	35,980.76	(-)19,216.99	19,216.99	65.19
	Loans and Advances	0	0.31	0.31	0.17	(-)0.14	0.14	54.84
	Capital	30.60	178.63	209.24	152.81	(-) 56.42	56.47	73.03
Total		81,718.02	441.69	82,159.71	61,929.71	(-) 20,230.00	20,156.77	75.38
Appropriation to Contingency Fund (if any)		Nil	Nil	Nil	Nil	Nil	Nil	Nil
Grand Total		2,30,278.70	17,350.07	2,47,628.77	2,02,871.93	(-) 44,756.84	43,666.18	81.93

Source: Appropriation Accounts

The **Chart 3.4** displays the budget utilisation, the utilisation percentage in relation to budget allocation, and the percentage of savings for the period 2018–19 to 2022–2023.

Chart 3.4: Budget Utilisation during 2018-19 to 2022-23



Source: Compilation from VLC data

From the **Chart 3.4** above, it is evident that the utilisation of budget provision ranged from 81.93 per cent to 89.62 per cent during the five-year period with the lowest recorded in 2022-23 with a huge savings of 18.07 per cent of the Budget Provision. Trends in the original budget, revised estimate, and actual expenditure for the period 2018-19 to 2022-23 are given in **Table 3.20**.

Table 3.20: Trends in overall savings against overall provision

	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023
Original Budget	1,42,809.88	1,60,613.01	1,70,431.18	2,15,813.79	2,30,278.70
Supplementary Budget	17,565.02	33,849.60	38,515.61	21,202.33	17,350.07
Total Budget (TB)	1,60,374.90	1,94,462.61	2,08,946.79	2,37,016.12	2,47,628.77
Revised Estimate (RE)	1,46,750.35	1,71,536.69	1,64,292.70	2,08,086.26	2,03,612.36
Actual Expenditure (AE)	1,43,721.59	1,63,815.80	1,84,877.38	2,05,451.40	2,02,871.93
Savings	16,653.31	30,646.81	24,069.41	31,564.72	44,756.84
Percentage of Supplementary to the original provision	12.30	21.08	22.60	9.82	7.53

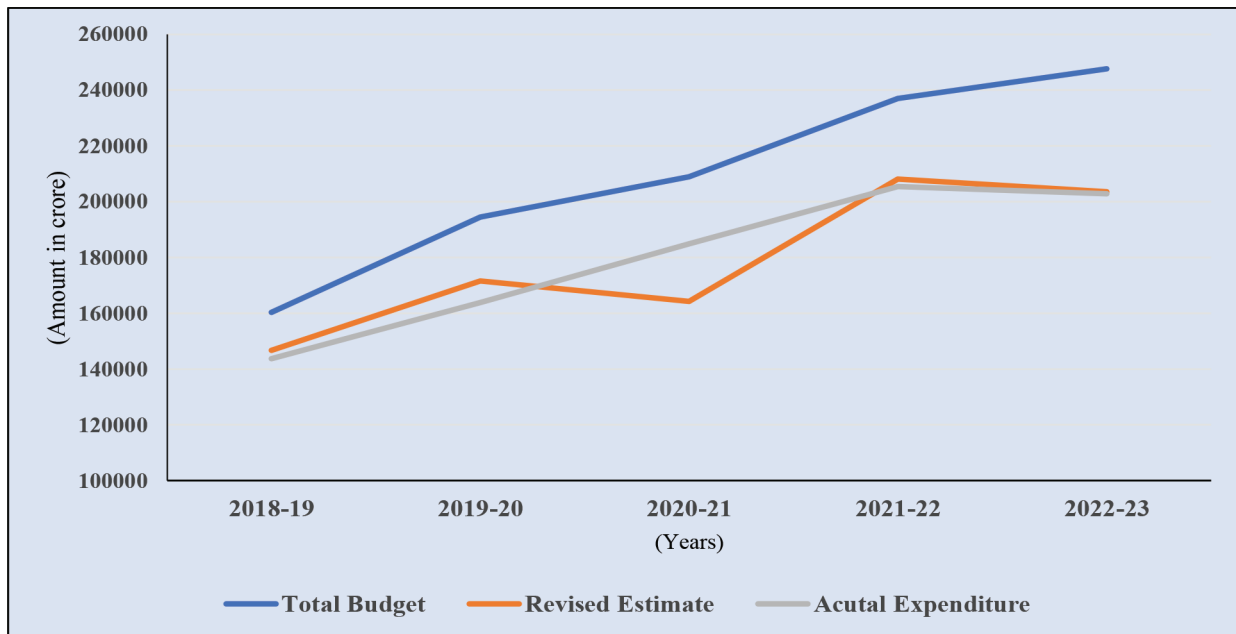
	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023
Percentage of overall Savings/excess to the overall provision	10.38	15.76	11.52	13.32	18.07
TB-RE	13,624.55	22,925.92	44,654.09	28,929.86	44,016.41
RE-AE	3,028.76	7,720.89	(-)20,584.68	2,634.86	740.43
(TB-RE) as per cent of TB	8.50	11.79	21.37	12.21	17.78
(RE-AE) as per cent of TB	1.89	3.97	(-)9.85	1.11	0.30

Source: Appropriation Accounts, VLC data and demand for grants

Although, the supplementary provision of ₹17,350.07 crore during the year constituted only seven *per cent* of the original provision as against nine *per cent* in the previous year (2021-22), yet the overall savings against the overall provision increased significantly from 13.32 *per cent* in 2021-22 to 18.07 *per cent* in 2022-23.

The trends of Total budget, Revised Estimate and Actuals during 2018-19 to 2022-23 are shown in **Chart 3.5**.

Chart 3.5: Trends of Total Budget, Revised Estimate and Actuals during 2018-19 to 2022-23



Source: Appropriation Accounts, VLC data and demand for grants

From the above **Chart 3.5**, it can be seen that during the period from 2018-19 to 2022-23, the Revised Estimate (RE) was always lower than the Total Budget (TB) of the State. The gap between the RE and the TB showed a fluctuating trend wherein during the first three years, the gap rose sharply from below 10 *per cent*

to about 21 per cent and then fell sharply to 12 per cent in 2021-22. However, the gap again rose to about 18 per cent in 2022-23 indicating larger estimation error during the year.

3.7.2 Missing/ incomplete explanation for variation from the budget

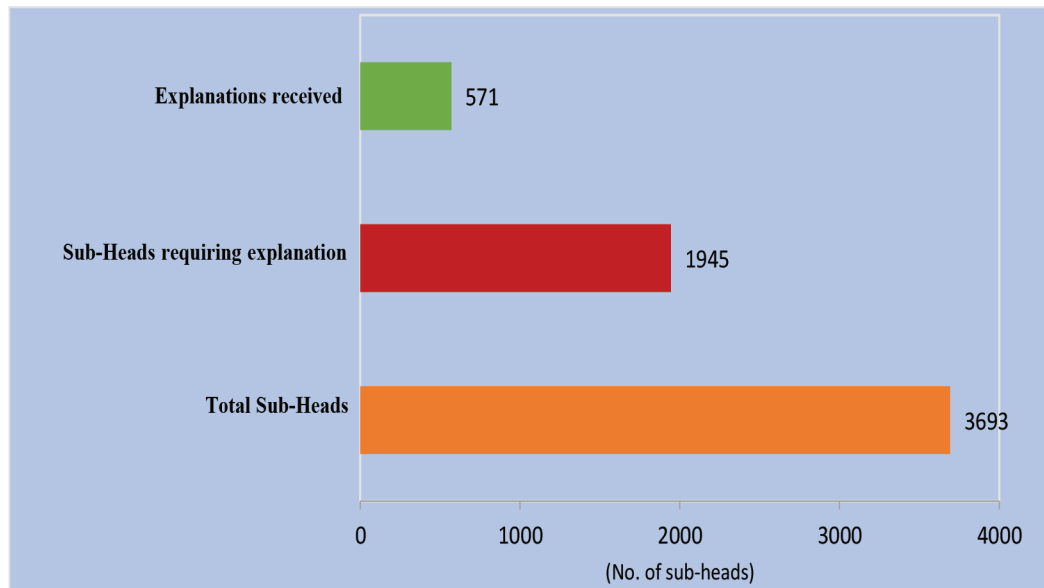
Apart from showing the expenditure against the approved budget, Appropriation Accounts also provide explanation for cases where the expenditure varies significantly from the budgeted provision including supplementary provision.

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 2022-23, it was noticed that the Controlling Officers have not provided explanation/specific reasons for the variations in the expenditure vis-à-vis budgeted allocation in about 70.64 per cent of the cases.

Out of the total 3,693 Sub-heads, explanation for variation were required in respect of 1,945 Sub-heads. However, appropriate reasons for variations in 1,374 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.

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

Every year, budget is placed before the Kerala Legislative Assembly. The Budget Speech by the State Finance Minister provides the broad framework of expenditure for the current financial year in different sectors and explains the priorities of the Government by way of pronouncement of new projects/ schemes for the social and economic welfare of the people of the State.

As per information furnished by the Finance department (October 2023), the State Government initiated 27 new schemes during 2022-23 of which 14 schemes were implemented or in final Stages of implementation, and 13 schemes were not implemented. No budget provision was provided for any of these 13 schemes, of which in eight schemes no project proposals were submitted by the Administrative department. The summarised details of new schemes are given in **Table 3.21** below and the detailed list of the schemes are given in **Appendix 3.9**.

Table 3.21: Summarised details of new schemes/ projects announced in budget speech 2022-23

Sl No.	Category	Numbers	Remarks
1	Schemes commenced/ implemented	14	Schemes were either commenced or in the final stages of implementation.
2	Schemes not implemented	13	<ul style="list-style-type: none"> ➤ In all 13 Schemes there was no actual budget provision provided. ➤ In eight schemes, the Administrative departments did not submit any proposals
	Total Schemes	27	

The State Government should back the schemes announced with adequate funds and timely submission of project proposals for its implementation and also to ensure that the provisions and allocations are translated into effective implementation of the schemes followed by robust monitoring mechanism.

3.7.4 Rush of Expenditure

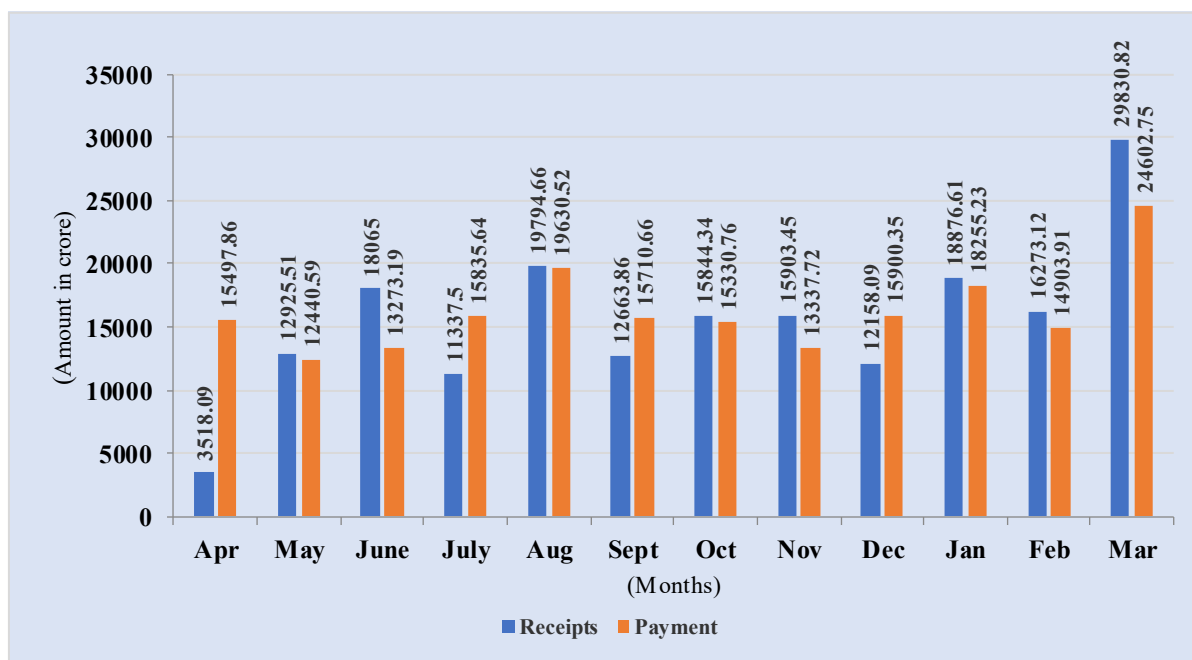
Government Funds should be spent evenly throughout the year. Maintaining a steady pace of expenditure is a crucial component of sound public financial management, as it obviates fiscal imbalances and temporary cash crunches arising out of unanticipated heavy expenditure.

As per para 91(2) of the KBM, 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 2022-23

Chart 3.7 shows that for 2022-23, the monthly spread of receipts and expenditure of the State were not generally even across all the months.

Audit scrutiny also revealed that under nine grants, the expenditure incurred in the month of March alone was more than 20 per cent of total expenditure incurred under the grant. The expenditure incurred during the 4th quarter of the year in the above grants ranged between 25 per cent and 61 per cent. The details of expenditure in March alone (in order of descending percentage) and quarterly basis are shown in **Table 3.22**.

Table 3.22: Grants with more than 20 per cent of expenditure in March alone (Descending order of percentage)

(₹ in crore)

Sl No	Grant	Allocation during 2022-23	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Expenditure in March	Total Expenditure during 2022-23	Expenditure in 4th qtr as percentage of total expenditure	Expenditure in March 2023 as percentage of total expenditure
1	XXXIX-Power	472.30	6.01	124.42	87.76	209.94	190.21	428.14	49.04	44.43
2	XX-Water Supply and Sanitation	4,201.21	25.06	670.20	86.92	1,214.35	572.64	1,996.53	60.82	28.68
3	XV-Public Works	7,371.58	1,241.83	895.68	1,056.36	2,037.80	1,355.43	5,231.67	38.95	25.91

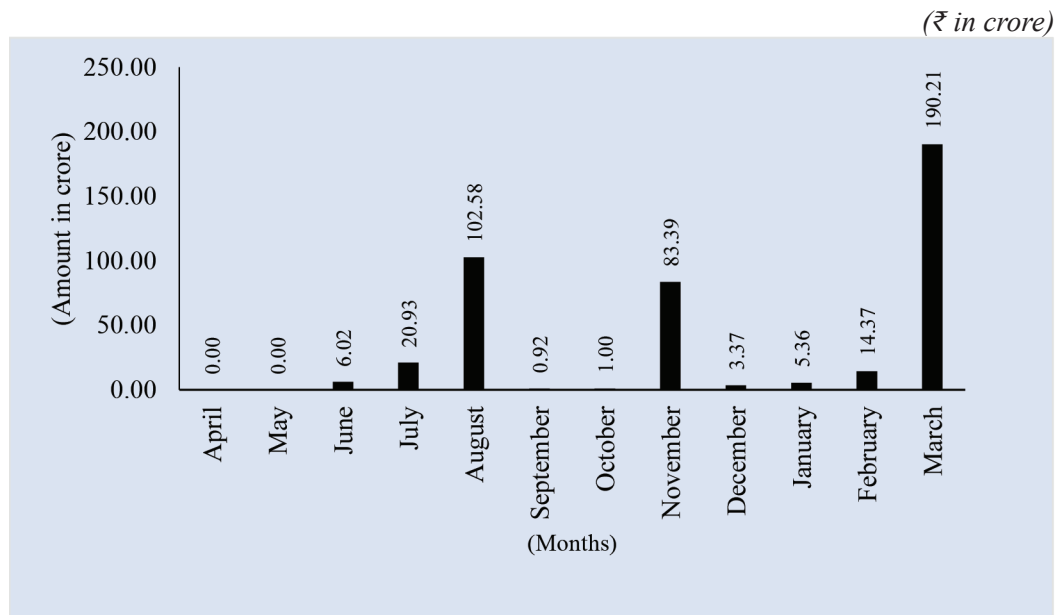
Sl No	Grant	Allocation during 2022-23	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Expenditure in March	Total Expenditure during 2022-23	Expenditure in 4th qtr as percentage of total expenditure	Expenditure in March 2023 as percentage of total expenditure
4	XLIII-Compensation and Assignments	11,053.66	1,249.07	1,538.51	2,547.41	4,227.53	2,394.77	9,562.52	44.21	25.04
5	XLV-Miscellaneous Loans And Advances	660.43	152.19	165.48	172.88	162.65	161.31	653.20	24.90	24.69
6	XLI-Transport	3,065.73	558.05	504.00	613.69	937.33	640.84	2,613.07	35.87	24.52
7	XXXVI-Rural Development	5,768.41	455.22	1,265.12	623.08	1,060.52	766.13	3,403.94	31.16	22.51
8	XXXVII-Industries	1,926.71	232.06	286.60	290.63	548.67	292.45	1,357.96	40.40	21.54
9	XXII-Urban Development	1,931.72	537.48	232.12	372.60	421.16	322.68	1,563.36	26.94	20.64

Source: Monthly Appropriation accounts

The rush of expenditure towards the end of the financial year is regarded as a breach of financial propriety.

The month wise expenditure of the Grant XXXIX-Power with very high percentage of expenditure in March are shown in **Chart 3.8**:

Chart 3.8: Month wise expenditure of Grant XXXIX-Power with very high percentage of expenditure in March



Source: Compilation from VLC data

Further, the scheme wise analysis of expenditure of rupee one crore or more, as mentioned in **Appendix 3.10**, has revealed that the entire expenditure was incurred in March during the year 2022-23 in 47 schemes, the incurrence of expenditure in March was very high in three schemes viz. one scheme in Grant No. XXVIII - Miscellaneous Economic Services (₹200.00 crore) and two schemes in Grant No. XLI - Transport (₹397.35 crore).

3.8 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 three selected grants during a three-year period from 2020-21 to 2022-23 was conducted for this report. These grants are.

1. Grant No. XXIV- Labour, Labour Welfare and Welfare of Non Residents
2. Grant No. XLII - Tourism
3. Grant No. XL – Ports

3.8.1 Review of Grant No. XXIV- Labour, Labour Welfare and Welfare of Non-Residents

3.8.1.1 Introduction

The broad objectives of the Department are to maintain peaceful atmosphere in the labour sector as a whole; decent working conditions and improved quality of life to the workers; ensure co-operation and healthy relation between the employers and the employed; systematic implementation of the various labour laws throughout the State; enhancing social security coverage of workers through better policies and programmes etc. The policies, programmes and schemes of the Department are implemented through seven²⁷ Controlling Officers (CO's) and 11 various Tribunals in two²⁸ Administrative Departments

Grant No. XXIV provides for allocation of ₹1,421.85 crore during 2022-23 under the following functional Major Heads

1. 2230 – Labour, Employment and skill development ₹1,233.85 crore
2. 4250 – Capital outlay on other social services ₹173.20 crore
3. 6250 – Loans for other social services ₹14.80 crore

The review was conducted in respect of schemes implemented by three Controlling officers *viz.*, Labour Commissioner, Director of Training-Industrial Training Department and Secretary to Government-Department of Non-Resident Keralite's Affairs (NORKA) based on quantum of expenditure incurred by them.

The Controlling Officers are responsible for ensuring appropriation control in each unit of appropriation of the Grant. The review was conducted to ascertain the budgetary process and utilisation of funds earmarked for various schemes implemented by the three Controlling Officers.

27 The Labour Commissioner, The Director of Employment, The Director of Training, The Director Factories & Boilers, The Special Officer (Cashew), The Secretary to Government-Department of NOR-KA, The Resident commissioner Kerala House.

28 Labour and Skills Department and Non-Resident Keralites Affairs Department

3.8.1.2 Budget allocation, expenditure and savings

Budget allocation and expenditure under revenue and capital sections of Grant XXIV during the last three years are given in **Table 3.23**.

Table 3.23: Budget allocation expenditure and savings for the last three years
(₹ in crore)

Year	Category	Budget allocation	Expenditure	Savings	Percentage of Savings
2020-21	Revenue	1,151.02	849.24	301.78	26.22
	Capital	158.88	149.23	9.65	6.07
2021-22	Revenue	1,226.19	975.62	250.57	20.43
	Capital	184.31	153.28	31.03	16.84
2022-23	Revenue	1,233.85	637.62	596.23	48.32
	Capital	188.00	125.61	62.39	33.19

Source: Appropriation Accounts 2020-21 to 2022-23, Government of Kerala

Table 3.23 shows that during 2020-21 to 2022-23 as a percentage of total provision, unutilized provision ranged between 20.43 per cent and 48.32 per cent under Revenue Section, and between 6.07 per cent and 33.19 per cent under Capital Section.

3.8.1.3 Persistent savings

Scrutiny of Appropriation Accounts for the years 2020-21 to 2022-23 showed that there were persistent savings under fourteen heads of accounts during the above period. The details are given in **Table 3.24**.

Table 3.24: Persistent savings under Grant No. XXIV
(₹ in crore)

Sl. No.	Head of Account	Savings		
		2020-21	2021-22	2022-23
The Labour Commissioner				
1	2230-01-103-33-P Income Support to Workers in Traditional Sector Activities	5.31 (7.07)	19.46 (24.95)	40.51 (47.11)
2	2230-01-103-35-NP Kerala Head Load Workers' (Scattered Section) Welfare Scheme	2.65 (72.64)	2.74 (75.05)	3.65 (100)
3	2230-01-103-51-NP Flagship Programme on Social Security	13.86 (100)	13.86 (100)	13.86 (100)
4	2230-01-103-52-P Health Insurance for Inter State Migrant Workers (AAWAZ)	1.33 (66.30)	1.45 (72.28)	1.04 (69.43)
5	2230-01-103-72-NP Kerala Agricultural Workers Welfare Fund Board - Contribution	103.7 (65.22)	24.24 (24.24)	80.00 (80)
6	2230-01-103-73-NP Kerala Beedi and Cigar Workers Welfare Fund - Contribution	22.16 (100)	21.43 (97.14)	22.06 (100)
7	2230-01-103-87-NP Cash relief to workers of closed cashew factories	5.33 (53.11)	5.60 (55.81)	5.62 (56.02)
8	2230-01-103-92-NP Kerala Handloom Workers Welfare Scheme	5.08 (62.88)	7.27 (89.91)	8.08 (100)

Sl. No.	Head of Account	Savings		
		2020-21	2021-22	2022-23
9	2230-01-103-96-NP Welfare Fund for Cashew Workers - Contribution	60.37 (86.36)	62.17 (88.94)	68.7 (98.28)
10	4250-00-201-91-P Studio Apartment for Working Women in Urban Areas	1.80 (100)	1.89 (99.32)	2.00 (100)
The Director of Training, Industrial Training Department				
11	2230-03-001-96-P Skill Development Programme of Industrial Training Department (KASE)	15.62 (45.46)	9.56 (47.78)	8.02 (47.15)
12	2230-03-101-87-P Modernisation of ITIs	5.66 (37.74)	7.90 (49.39)	5.06 (28.10)
The Principal Secretary to Government, Department of NORKA				
13	2230-01-103-11-P Rehabilitation of Returnee Migrants	1.71 (9.5)	5.40 (22.13)	8.71 (34.86)
14	2230-01-103-82-P New Initiative for Market Research, Skilling, Pre-recruitment, Recruitment and Post Recruitment Services	1.21 (48.5)	1.70 (85.13)	1.04 (52.24)

Source – Appropriation accounts

Figures in parenthesis indicate percentage of savings to total provision

As can be seen from the above table, savings as a percentage of budget provision ranged between 7.07 per cent and 100 per cent during 2020-2023. The budget allocations were made without considering the previous years' expenditure as required under Para 48 of the KBM. Persistent huge savings is indicative of incorrect assessment of actual needs and requires a critical review of budget preparation exercise of the Department.

3.8.1.4 Expenditure incurred without budget provision

A scrutiny of the detailed Appropriation Accounts for the period 2020-21 to 2022-23, revealed that in respect of 18 schemes expenditure was incurred without any original/supplementary budget provision but through re-appropriation as shown in the **Appendix 3.11**. Moreover, in the following two schemes, expenditure has been incurred for the past three years through re-appropriation only.

➤ Comprehensive Health Insurance Scheme (CHIS and CHIS plus)

An amount of ₹47.44 crore was incurred under the head 2230-01-103-30 Comprehensive Health Insurance Scheme (CHIS and CHIS plus) for the period from 2020-21 to 2022-23 only through re-appropriation as shown in **Table 3.25**.

Table 3.25: Expenditure on Comprehensive Health Insurance Scheme (CHIS and CHIS plus)

(₹ in crore)

Sl. No.	Year	Amount
1	2020-21	16.77
2	2021-22	5.97
3	2022-23	24.70
	Total	47.44

In 2020-21, the State Government converged all the State Government sponsored health insurance schemes viz. Rashtriya Swasthya Bima Yojana (RSBY), Comprehensive Health Insurance Scheme (CHIS, CHIS Plus) Senior Citizen Health Insurance Scheme (SCHIS) etc. and formulated a new assurance scheme called Karunya Arogya Suraksha Padhathi (KASP). Since then, the Budget provision and subsequent expenditure for the scheme were made under the head ‘2210-06-800-81 Pradhanmantri Jan Aarogya Yojana/ Karunya Aarogya Suraksha Padhathi - State Scheme’. Audit observed that expenditure is still being booked under the head of account ‘2230-01-103-30 - Comprehensive Health Insurance Scheme’ (CHIS and CHIS plus) by drawing amount through Additional Authorisation for clearing the arrear payments related to various hospitals under CHIS PLUS scheme which was subsequently regularised through re-appropriation. As the payments are in arrears and the expenditure continues to be booked under the head of account ‘2230-01-103-30’ all these years, appropriate provision for the scheme should have been provided in the budget.

➤ **Skill Strengthening for Industrial Value Enhancement (STRIVE) Programme (100 per cent CSS)**

An amount of ₹22.62 crore was incurred for the scheme STRIVE during the period from 2020-21 to 2022-23 through additional authorisation, which was subsequently regularised by re-appropriation, as shown in **Table 3.26** below:

Table 3.26: Expenditure on STRIVE from 2020-21 to 2022-23

(₹ in crore)

Sl. No.	Year	Head of Account	Amount
1	2020-21	2230-03-101-57-P Skill Strengthening for Industrial Value Enhancement (STRIVE) Programme (100% CSS)	15.78
2	2021-22	2230-03-101-57-P Skill Strengthening for Industrial Value Enhancement (STRIVE) Programme (100% CSS)	3.21
3.	2022-23	2230-03-101-50 Skill Strengthening for Industrial Value Enhancement (STRIVE) Programme (100% CSS)	3.63
Total			22.62

The estimating officer should make necessary provision for all the Centrally Sponsored Schemes approved by GOI in the State Budget, for smooth implementation of the scheme. Incurring expenditure on an ongoing Centrally Sponsored Scheme like STRIVE without budget provision is irregular.

3.8.1.5 Entire budget provision remained unutilised

Audit observed that in 17 schemes the entire budget allocation remained unutilised during the years as shown in **Table 3.27**.

Table 3.27: Non-utilisation of entire budget provision*(₹ in crore)*

Sl. No	Head of Account - Scheme	Year	Budget provision
The Labour Commissioner			
1	2230-01-103-16-P Providing Decent Accommodation for ISM workers & Workers from the State	2020-2021	3.75
		2021-2022	3.50
2	2230-01-103-17-NP The Un-Organised Workers Social Security Scheme	2022-2023	22.50
3	2230-01-103-29-P Aam Admi Bima Yojana (50% CSS)	2020-2021	5.60
4	2230-01-103-35-NP Kerala Head Load Workers' (Scattered Section) Welfare Scheme	2022-2023	3.65
5	2230-01-103-51-NP Flagship Programme on Social Security	2020-2021	13.86
		2021-2022	13.86
		2022-2023	13.86
6	2230-01-103-59-NP Kerala Shops and Commercial Establishment Workers Welfare Fund	2022-2023	1.50
7	2230-01-103-71-NP Kerala Bamboo, Kattuvally and Pandanus Leaf Workers Welfare Fund Board - Contribution	2022-2023	7.86
8	2230-01-103-73-NP Kerala Beedi and Cigar Workers Welfare Fund - Contribution	2020-2021	22.16
		2022-2023	22.06
9	2230-01-103-86-NP Kerala Tailoring Workers Welfare Scheme and Other New Welfare Schemes	2022-2023	62.30
10	2230-01-103-92-NP Kerala Handloom Workers Welfare Scheme	2022-2023	8.08
11	4250-00-201-91-P Studio Apartment for Working Women in Urban Areas	2020-2021	1.80
		2022-2023	2.00
12	6250-60-190-98-P Loans to OKIH Ltd	2022-2023	2.00
The Director of Training, Industrial Training Department			
13	2230-03-101-53-P Up-gradation of Women ITIs (60% CSS)	2021-2022	5.10
14	2230-03-101-62-P Upgradation of ITIs	2020-2021	3.95
		2021-2022	4.00
		2022-2023	4.00
15	2230-03-101-65-P Jobs and Skill Development Programme (60%CSS)	2021-2022	18.84
The Principal Secretary to Government, Department of NORKA			
16	2230-01-103-64-P Global Kerala Cultural Festival	2020-2021	2.00
17	2230-01-800-91-P Loka Kerala Kendram	2020-2021	3.00

No reasons were furnished as to why no amounts could be spent on the above schemes.

3.8.1.6 Unnecessary/excessive supplementary grants

Article 205 of the Constitution provides that 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. While requesting for additional funds through supplementary demands for grants, departmental officers should make sure that the additional funds are actually required for

meeting the expenditure during the year. However, audit scrutiny revealed that supplementary provisions of ₹59.00 crore during the year 2020-21 in one scheme (₹ one crore or more cases) proved unnecessary as the expenditure did not come up even to the level of original provision. Similarly, supplementary provisions of ₹37.19 crore in six cases (₹one crore or more in each case) proved excessive as entire amount of supplementary provisions could not be utilised. Schemes having Unnecessary/excessive supplementary grants are detailed in **Table 3.28** below.

Table 3.28: Unnecessary/excessive supplementary grants*(₹ in crore)*

The Labour Commissioner, Labour and Skill department						
Unnecessary supplementary grants (₹ one crore or more)						
Year	Head of Account	Original Budget	Supplementary Budget	Total Budget	Expenditure	Savings out of original provision
2020-21	2230-01-103-72-NP Kerala Agricultural Workers Welfare Fund Board - Contribution	100.00	59.00	159.00	55.30	44.70
Excessive supplementary grants (₹ one crore or more)						
Year	Head of Account	Original Budget	Supplementary Budget	Total Budget	Expenditure	Savings out of total budget
2020-21	2230-01-103-46-P-Assistance to Labour Welfare Fund Boards	0	30.42	30.42	20.04	10.38
2021-22	2230-01-103-17-NP-The Un-Organised Workers Social Security Scheme	0	22.50	22.50	22.10	0.40
2021-22	2230-01-103-46-P-Assistance to Labour Welfare Fund Boards	0	25.04	25.04	17.24	7.80
2021-22	2230-01-103-59-NP-Kerala Shops and Commercial Establishment Workers Welfare Fund	1.50	21.00	22.50	17.57	4.93
2021-22	2230-01-103-60-P-Social Protection for Un-Organised Sector Workers	7.50	53.87	61.37	52.47	8.90
2021-22	4250-00-190-93-P-Share Capital Contribution to OKIH Ltd	0	6.89	6.89	2.11	4.78
Total						37.19

3.8.1.7 Unnecessary re-appropriation of funds

Re-appropriation is transfer of funds within a grant from one unit of appropriation, where savings are anticipated, to another unit where additional funds are needed. Scrutiny of Detailed Appropriation Accounts revealed that in seven cases augmentation of budget allocation was wholly un-necessary in the sub heads

because expenditure did not come up to the level of original / supplementary budget provision (Sl. No 1, 2, 11 to 14, 19 and 20 of the **Appendix 3.12**).

In one case (Sl. No. 10 of **Appendix 3.12**) reduction of provision by re-appropriation proved injudicious as there was excess expenditure under this scheme.

Further, in eleven schemes, though reappropriation of amount were made to meet the expenditure, the reappropriated amount was not fully utilized. This resulted in excess re-appropriation in the schemes as detailed in (Sl. No 3 to 9, 15 to 18 of the **Appendix 3.12**).

3.8.1.8 Error in classification

➤ Misclassification of capital expenditure into revenue expenditure

During 2022-23, budget provision of ₹8.50 crore had been made under the revenue head 2230-03-101-80 for Setting up of New ITIs. Government vide G.O(Rt) No. 317/2023/LBR dated 15 Mach 2023, accorded administrative sanction for ₹ 6.20 crore for the construction of building for ITI Vazhakkad. The Director of Training, Industrial Training Department allotted an amount of ₹ 4.45 crore to the Principal, ITI Vazhakkad for the construction of the building and the Principal transferred the amount to PWD by debiting the head 2230-03-101-80. As per Rule 31 of Government Accounting Rules 1990, construction of buildings should be accounted under Capital head. Hence, expenditure on construction of building booked under revenue head is irregular. This resulted in overstatement of revenue expenditure and understatement of capital expenditure by ₹4.45 crore.

➤ Assistance to Rehabilitation Plantation Limited

During 2020-21, Government released financial assistance of ₹7.50 crore to Rehabilitation Plantation Ltd by debiting the head 2230-01-103-62 Planation Workers' Relief Fund as shown in **Table 3.29** below:

Table 3.29: Assistance to Rehabilitation Plantation Limited

(₹ in crore)			
Sl. No.	Order No. & date	Purpose	Amount
1	G.O.(Rt) No.2772/2020/ Fin dated 15/04/2020	Financial Assistance to the Rehabilitation Plantation Ltd	5.00
2	G.O.(Rt) No.865/2021/Fin dated 01/02/2021	Modernisation of Factory Complex at Kulathupuzha Estate	2.50
Total			7.50

Plantation Workers' Relief Fund is constituted for the purpose of initiating welfare measures to workers of closed plantations such as pension to workers,

educational assistance to children of the workers, medical assistance for critically ill workers, financial assistance to partially disabled, dependence in case of the death of worker, for marriage of daughters of the plantation workers *etc.*

Expenditure relating to the above measures can only be accounted under the sub head 62 Plantation Workers’ Relief Fund. As per LMMHA, assistance given to PSUs should be booked under a sub head below the Minor head ‘190-Assistance to Public Sector and Other undertakings’. Hence, booking of ₹2.5 crore as assistance to the PSU (Rehabilitation Plantation Limited) for the purpose of modernisation of Factory complex under the head of Account ‘2230-01-103-General Labour Welfare- 62 Plantation Workers’ Relief Fund is irregular.

3.8.2 Grant No. XLII- Tourism

3.8.2.1 Introduction

Department of Tourism is a significant department, which has three major functions such as (i) Hospitality wing of the State Government (ii) Estate Office duty and (iii) Tourism Development. Director of Tourism is the Chief Controlling Officer of the Grant and responsible for ensuring appropriation control in each unit of appropriation of the Grant. The review was conducted to ascertain budgetary process and utilisation of funds earmarked for various functions of the department.

Grant No. XLII Tourism provides for allocation of ₹436.28 crore during 2022-23 under the following functional Major Heads

1. 3452 Tourism ₹250.06 crore
2. 5452 Capital Outlay on Tourism ₹186.22 crore

3.8.2.2 Budget allocation and expenditure

The budget provisions under grant No. XLII are distributed among four²⁹ Controlling Officers (CO’s) under Tourism Department. Budget allocation and expenditure under revenue and capital section of the Grant during the last three years is given in **Table 3.30**.

Table 3.30: Budget allocation and expenditure in respect of Grant XLII Tourism

(₹ in crore)

Year	Category	Budget allocation	Expenditure	Savings (-) / Excess	Percentage of Savings (-) / Excess
2020-21	Revenue	182.44	188.62	6.18	3.39
	Capital	233.34	245.27	11.93	5.11

29 The Director of Tourism, The Resident commissioner Kerala House, The Chief Engineer Buildings and Local Works PWD, The Principal Secretary (ACS) -General Administration (Political) Dept, Govt Secretariat, TVM.

Year	Category	Budget allocation	Expenditure	Savings (-) / Excess	Percentage of Savings (-) / Excess
2021-22	Revenue	201.05	163.67	(-)37.38	(-)18.59
	Capital	187.04	170.76	(-)16.28	(-)8.70
2022-23	Revenue	250.06	202.25	(-)47.81	(-)19.12
	Capital	186.22	117.98	(-)68.24	(-)36.64

Source: Appropriation Accounts of respective years

The review on budgetary process and appropriation control was conducted in respect of schemes implemented by Director of Tourism as 90 per cent of expenditure are being incurred by the Director.

3.8.2.3 Persistent savings

Scrutiny of Appropriation Accounts for the years 2020-21 to 2022-23 showed that there were persistent savings (₹50 lakh and above) under five schemes during the above period which is indicative of poor budgetary monitoring or shortfall in performance or both.

Audit observed that budget allocations remained unutilized every year indicating non-achievement of the projected financial outlays in the respective years. The budget allocations were made without considering the previous years' expenditure as required under Para 48 of the KBM, which resulted in persistent savings under the Heads of Accounts as shown in **Table 3.31** below.

Table 3.31: Persistent savings in schemes from 2020-21 to 2022-23

(₹ in crore)

Sl. No.	Head of Account	Savings		
		2020-21	2021-22	2022-23
1	3452-80-104-99-V-P-Conservation, Preservation and Promotion of Heritage, Environment and Culture	6.31 (35.06)	15.63 (86.84)	0.66 (2.88)
2	3452-80-800-20-V-P-Boat race on League basis	3.91 (30.66)	12.74 (100)	5.28 (35.23)
3	3452-80-800-90-V-P-Other Schemes of the Department of Tourism	0.73 (73.06)	8.67 (68.29)	14.49 (90.58)
4	5452-01-190-96-V-P-Bakel Resort Development Corporation Limited	0.50 (20)	1.50 (60)	1.00 (100)
5	5452-01-800-37-V-P-Tourism Complex/ Vinoda Sanchara Bhavan	3.00 (100)	1.90 (94.79)	2.00 (100)

Source: Appropriation Accounts of respective years

Figures in parentheses indicate percentage of savings to total provision

3.8.2.4 Expenditure incurred without budget provision

A scrutiny of the detailed Appropriation Account for the period 2020-21 to 2022-23 has revealed that in seven schemes, expenditure was incurred without any original/supplementary budget provision in the financial year against the Sub

heads/schemes as shown in the **Appendix 3.13**. The funds for expenditure were brought through re-appropriation orders.

Further, the scheme ‘Safety at Tourist Destinations’ under the Head of Account ‘3452-80-800-21-V-P’, the expenditure was incurred repeatedly for the years from 2020-21 to 2022-23 without budget allocation as shown in **Table 3.32** below.

Table 3.32: Expenditure incurred without budget provision repeatedly during the period 2020-21 to 2022-23

(₹ in crore)

Schemes	Year	Expenditure
3452-80-800-21-V-P- Safety at Tourist Destinations	2020-21	4.34
	2021-22	5.03
	2022-23	4.42

Source: Detailed Appropriation Accounts of 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 48 of the KBM).

3.8.2.5 Entire budget provision remained unutilised

Audit observed that the entire budget allocation remained unutilised under seven schemes with budget allocation of ₹ one crore and above during the years mentioned as shown in **Table 3.33**. This indicates non-implementation of the schemes during the respective years.

Table 3.33: Schemes where entire budget provision remained unutilised

(₹ in crore)

Sl. No	Year	Head of Account - Scheme	Original/ Supp Budget
1	2021-22	3452-80-800-78-V-P-HR Development in Tourism through Kerala Institute of Tourism and Travel Studies (KITTS), Food Craft Institute (FCI) and State Institute of Hospitality Management (SIHM)	10.00
2	2022-23	5452-01-190-99-V-P-Kerala Tourism Development Corporation	10.00
3	2021-22	3452-80-800-34-V-P-Responsible Tourism	6.00
4	2021-22	3452-80-800-35-V-NP-Food Craft Institute, Kalamassery and Extension Centres	2.34
5	2021-22	5452-01-101-84-V-P-Infrastructure Facilities and Matching Grants for Schemes sponsored by Govt. of India.	2.00
6	2022-23	5452-01-800-37-V-P-Tourism Complex/Vinoda Sanchara Bhavan	2.00
7	2022-23	5452-01-190-96-V-P-Bakel Resort Development Corporation Limited	1.00

Source: Detailed Appropriation Accounts of respective years

3.8.2.6 Unnecessary re-appropriation of funds

Re-appropriation is transfer of funds within a grant from one unit of appropriation, where savings are anticipated, to another unit where additional funds are needed. Scrutiny of detailed Appropriation accounts revealed that in five schemes, augmentation of budget allocation was wholly un-necessary in the sub heads because expenditure did not come up to the level of original / supplementary budget provision as detailed in **Table 3.34** below.

Table 3.34: Details of cases of unnecessary re-appropriation*(₹ in crore)*

Sl. No	Year	Head of Account - Scheme	Original/ Supp Budget	Re-apprpn	Expenditure
1	2022-23	3452-80-001-95-V-NP-Guest Houses, Yatri Nivases and Tourist Lodges	26.68	1.4	25.74
2	2022-23	5452-01-101-91-V-P-Green Tourism Circuit, Kottayam	0	0.54	0
3	2022-23	3452-80-001-96-V-NP-District Offices	3.11	0.18	3.08
4	2022-23	3452-80-800-88-V-NP-Tourist Information Centre	2.47	0.15	2.26
5	2021-22	3452-80-001-97-V-NP-Offices of the Regional Joint Director of Tourism	1.97	0.14	1.82

Source: Detailed Appropriation Accounts of respective years

Further, in six schemes, though reappropriation of amounts were made to meet the expenditure, Audit noticed that the reappropriated amount was not fully utilized. This resulted in excess re-appropriation in the schemes as detailed in **Table 3.35** below.

Table 3.35: Details of cases of excess re-appropriation*(₹ in crore)*

Sl. No	Year	Head of Account - Scheme	Original/ Supp Budget	Re-appropriation	Expenditure	Excess Re-appropriation
1	2020-2021	5452-01-101-99-V-P-Upgradation, Creation of Infrastructure and Amenities	117.00	21.40	127.41	10.99
2	2022-2023	5452-01-800-84-V-P-Muziris Heritage and Spice Route Projects	15.00	15.00	22.40	7.60
3	2020-2021	3452-80-104-91-V-P-District Tourism Promotion Councils (DT-PCs) and Destinations Management Councils (DMCs)	5.00	7.57	10.19	2.38
	2022-2023		2.75	2.25	3.65	1.35
4	2021-2022	3452-80-104-89-V-P-Responsible Tourism	0	3.81	2.16	1.65
5	2022-2023	3452-01-103-99-V-NP-Transport	12.43	1.42	12.48	1.37
6	2021-2022	3452-80-001-99-V-NP-Administration	7.59	1.61	8.09	1.11
	2022-2023		7.99	1.24	8.17	1.06

Source: Detailed Appropriation Accounts of respective years

3.8.3 Grant No. XL- Ports

3.8.3.1 Introduction

The major heads under the Grant XL -Ports are ‘3051’ and ‘5051’. The budget provisions under the Grant No. XL for the last three years (2020-21 to 2022-23) are distributed among four³⁰ Controlling Officers (CO’s) under Ports Department. Budget allocation and expenditure under Revenue and Capital section of the Grant during the last three years is given in **Table 3.36**.

Table 3.36: Budget allocation and expenditure for the last three years

(₹ in crore)

Year	Category	Budget allocation	Expenditure	Savings (-) / Excess	Percentage of Savings (-) / Excess
2020-21	Revenue	63.11	46.19	(-)16.92	(-)26.81
	Capital	158.41	126.32	(-)32.09	(-)20.26
2021-22	Revenue	72.38	72.83	0.45	0.62
	Capital	73.13	39.79	(-)33.34	(-)45.59
2022-23	Revenue	71.50	61.95	(-)9.55	(-)13.36
	Capital	69.23	42.37	(-)26.86	(-)38.80

Source: Appropriation Accounts 2020-21 to 2022-23, Government of Kerala

In the years 2020-21 and 2022-23, the unutilised provision as a percentage of total provision under Revenue Section, was 26.81 per cent and 13.36 per cent respectively, whereas during 2021-22 there was an excess expenditure of 0.62 per cent. In the Capital Section, the unutilised provision as a percentage of total provision ranged between 20.26 per cent and 45.59 per cent during the period 2020-21 to 2022-23.

The review was conducted in respect of schemes implemented by Director of Ports based on the quantum of budget allocation and expenditure incurred by the CO as given in **Table 3.37**.

Table 3.37: Quantum of budget allocation and expenditure

Sl. No.	CCOs	2020-21		2021-22		2022-23	
		Budget allocation	Expenditure	Budget allocation	Expenditure	Budget allocation	Expenditure
(₹ in crore)							
1	The Director of Ports Valiyathura, Vallakkadavu, Thiruvananthapuram	164.97	133.03	83.70	54.63	79.80	55.30
	Percentage	74.48	77.11	57.52	48.51	56.70	53.02
2	Others	56.54	39.48	61.81	57.99	60.93	49.01
	Grant Total	221.51	172.51	145.51	112.62	140.73	104.31

Source: Detailed Appropriation Accounts of respective years

³⁰ The Director of Ports, The Chief Engineer, Harbour Engineering Department, The Chief Hydrographer, Hydrographic Survey Wing and Secretary to Government, Ports Dept, Govt Secretariat

3.8.3.2 Persistent savings

Scrutiny of Appropriation Accounts for the years 2020-21 to 2022-23 showed that there were persistent savings (₹ one crore and above) under six heads of accounts during the above period which is indicative of poor budgetary monitoring or shortfall in performance or both.

It was observed that budget allocations remained unutilized every year indicating non-achievement of the projected financial outlays in the respective years. The budget allocations were made without considering the previous years' expenditure as required under Para 48 of the KBM, which resulted in persistent savings under the Heads of Accounts as shown in **Table 3.38** below.

Table 3.38: Table showing persistent savings

(₹ in crore)

Sl. No.	Head of Account	Savings		
		2020-21	2021-22	2022-23
1	3051-02-001-88-V-P-e-Governance and capacity building - Maritime training and allied activities	1.31 (65.57)	2.10 (93.31)	2.14 (94.99)
2	5051-02-200-80-V-P-Development of Non Major Ports - Alappuzha Port	9.12 (91.23)	2.38 (86.61)	2.45 (97.81)
3	5051-02-200-81-V-P-Port Infrastructure Development for Shipping Operations - Development of Thangassery Port	8.33 (69.43)	7.87 (78.70)	8.44 (84.42)
4	5051-02-200-82-V-P-Port Infrastructure Development for Shipping Operations - Development of Vizhinjam Cargo Harbour	1.24 (12.42)	4.13 (37.54)	9.92 (99.17)
5	5051-02-200-86-V-P-Development of other Non-Major Ports	2.11 (42.26)	3.67 (73.33)	1.91 (54.52)
6	5051-80-800-98-V-P-Augmentation of Workshop and Stores Organisation	3.33 (83.20)	1.61 (36.56)	2.24 (64.06)

Source: Appropriation accounts of respective years

Figures in parentheses indicate percentage of savings to total provision

3.8.3.3 Expenditure incurred without budget provision

A scrutiny of the detailed Appropriation Account for the period 2020-21 to 2022-23, has revealed that there are four schemes in which expenditure was incurred without any original/supplementary budget provision in the financial year against the Sub heads/schemes as shown in **Table 3.39** below.

Table 3.39: Expenditure incurred without any budget provision

(₹ in crore)

Sl. No	Schemes	Year	Budget allotment	Expenditure
1	3051-02-001-97-V-NP-Establishment of Central Workshop and Stores Organisation	2022-23	0	1.37
2	3051-02-102-98-V-NP-Search and Rescue Operations	2022-23	0	1.10
3	3051-02-102-99-V-NP-Port Offices and Establishments	2022-23	0	9.86
4	3051-02-103-97-V-NP-Dredging Unit	2022-23	0	0.33

The expenditure for the schemes were incurred through reappropriation without original budget provision, which could have been foreseen while proposing budget estimates is in contravention to the provisions of Para 95 of KBM.

3.8.3.4 Entire budget provision remained unutilised

A scrutiny of Detailed Appropriation Accounts for the period from 2020-21 to 2022-23 disclosed that the entire budget amount of ₹50 lakh remained unutilised during 2022-23 in the scheme ‘5051-02-200-71-V-NP-Projects under Legislative Assembly Constituency Asset Development Scheme (LAC ADS)’, which indicates non-implementation of the scheme during the year.

3.8.3.5 Unnecessary re-appropriation of funds

Re-appropriation is transfer of funds within a grant from one unit of appropriation, where savings are anticipated, to another unit where additional funds are needed. Scrutiny of detailed Appropriation Accounts revealed that in five schemes augmentation of budget allocation was wholly un-necessary in the sub heads because expenditure did not come up to the level of original / supplementary budget provision as detailed in **Table 3.40** below.

Table 3.40: Unnecessary re-appropriation of funds

(₹ in lakh)

Sl. No	Year	Head of Account - Scheme	Original/ Supplementary Budget	Re-appropriation	Expenditure
1	2020-21	3051-02-001-97-V-NP-Establishment of Central Workshop and Stores Organisation	117.47	1.07	106.94
2	2020-21	3051-02-001-99-V-NP-Directorate of Ports	226.06	5.58	178.14
3	2020-21	3051-02-102-98-V-NP-Search and Rescue Operations	118.3	2.71	109.63
4	2020-21	3051-02-102-99-V-NP-Port Offices and Establishments	958.87	24.20	777.83
5	2020-21	3051-02-103-97-V-NP-Dredging Unit	42.97	1.19	34.56

Source: Detailed Appropriation Accounts

Further, for the scheme ‘Development of Vizhinjam Deep Water International Transshipment Terminal’ (5051-01-001-99-V-P) for two periods, though reappropriation of amounts were made to meet the expenditure, Audit observed that the re-appropriated amount was not fully utilised. This resulted in excess re-appropriation in the scheme as detailed in **Table 3.41** below.

Table 3.41: Excess re-appropriation

(₹ in crore)

Sl. No	Year	Head of Account - Scheme	Original/ Supplementary Budget	Re-appropriation	Expenditure	Excess Reappropriation
1	2021-2022	5051-01-001-99-V-P - Development of Vizhinjam Deep Water International Transshipment Terminal	0.01	17.33	12.00	5.34
	2022-2023		0.01	20.50	13.85	6.66

Source: Detailed Appropriation Accounts of respective years

3.9 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 the actual receipts in the Consolidated Fund was ₹1,95,343.80 crore and the actual expenditure was ₹2,02,871.93 crore during the year. This had led to an excess expenditure of ₹7,528.13 crore, which was met from the Public Account. This implied that the savings of ₹44,756.84 crore are notional, which had happened due to unnecessary supplementary budget. This indicates poor budgetary 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.

3.10 Recommendations

1. *State Government should assess and formulate to the extent possible a realistic budget based on reliable assumptions of the needs of the Departments and their capacity to utilise the allocated resources.*
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. *Expenditure exceeding the limits approved by the Legislature is in contravention to Article 205 of the Constitution and need to be regularised at the earliest.'*
4. *The State Government should review the schemes where repeated token provisions are made in the Budget estimates over the years.*
5. *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.*