

CHAPTER II

ALLOCATIVE PRIORITIES AND APPROPRIATION

2.1 Introduction

The Appropriation Accounts prepared annually indicate Capital and Revenue expenditure on various specified services *vis-à-vis* those authorised by the Appropriation Act in respect of both charged and voted items of the budget.

Audit of appropriation by the Comptroller and Auditor General of India seeks to ascertain whether the expenditure actually incurred under various Grants is within the authorisation given under the Appropriation Act and that the expenditure required to be charged under the provisions of the Constitution is so charged. It also ascertains whether the expenditure so incurred is in conformity with the law, relevant rules, regulations and instructions.

2.2 Summary of Appropriation Accounts

The summarised position of actual expenditure during 2006-07 against grants/appropriations was as follows:

(Rupees in crore)

Nature of expenditure	Original grant/ appropriation	Supplementary grant/ appropriation	Total	Actual expenditure	Saving(-)/ Excess(+)
Voted					
I Revenue	20,205.74	951.53	21,157.27	16,888.97	(-) 4,268.30
II Capital	1,409.01	325.40	1,734.41	915.62	(-) 818.79
III Loans and Advances	814.30	131.07	945.37	349.39	(-) 595.98
Total Voted	22,429.05	1,408.00	23,837.05	18,153.98	(-) 5,683.07
Charged					
IV Revenue	4,657.00	39.46	4,696.46	4,259.08	(-) 437.38
V Capital	2.67	5.94	8.61	5.84	(-) 2.77
VI Public Debt	6,037.06	4,185.37	10,222.43	7,529.60	(-) 2,692.83
Total Charged	10,696.73	4,230.77	14,927.50	11,794.52*	(-) 3,132.98
Grand Total	33,125.78	5,638.77	38,764.55	29,948.50**	8,816.05

* These are gross expenditure figures without taking into account the recoveries adjusted in accounts as reduction of expenditure (Revenue: Rs 323.48 crore and Capital: Rs 18.88 crore, Total: Rs 342.36 crore).

** The total expenditure includes (i) Rs 1.48 crore being amounts drawn on abstract contingent bills during the year for which detailed contingent bills were not received and (ii) Rs 6.97 crore drawn by Departmental Officers and credited to Public Works Remittance head.

The overall saving of Rs 8816.05 crore was the result of saving of Rs 8,823.94 crore in 44 grants and 18 appropriations offset by excess of Rs 7.89 crore in three grants and one appropriation. Reasons for excess/saving in respect of 82 *per cent* of sub heads required to be mentioned in the Appropriation Accounts had not been furnished by the Controlling Officers as of August 2007.

2.3 Fulfilment of Allocative Priorities

2.3.1 Appropriation by Allocative Priorities

Out of the saving of Rs 8,816.05 crore, the major saving of Rs 8,163.02 crore (93 per cent) occurred in 20 cases as indicated below:

(Rupees in crore)

Sl. No	Number and name of Grant/ Appropriation	Total grant/ appropriation	Actual expenditure	Amount of saving
Revenue-Voted				
1.	II Heads of States, Ministers and Headquarters Staff	211.81	152.27	59.54
2.	VI Land Revenue	217.78	140.03	77.75
3.	XII Police	881.67	708.82	172.85
4.	XV Public Works	1,047.09	826.85	220.24
5.	XVI Pensions and Miscellaneous	4,493.98	3,650.71	843.27
6.	XVII Education, Sports, Art and Culture	5,072.20	3,974.33	1,097.87
7.	XVIII Medical and Public Health	1,296.44	980.90	315.54
8.	XX Water Supply and Sanitation	438.51	226.52	211.99
9.	XXII Urban Development	334.35	76.43	257.92
10.	XXV Social Welfare including Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	1,024.90	839.16	185.74
11.	XXIX Agriculture	814.23	619.56	194.67
12.	XXXV Panchayat	197.42	50.70	146.72
13.	XXXVI Community Development	282.72	202.21	80.51
Revenue-Charged				
14.	Debt Charges	4,614.16	4,192.15	422.01
Capital-Voted				
15.	XV Public Works	868.83	431.10	437.73
16.	XX Water Supply and Sanitation	679.50	164.34	515.16
17.	XXXVIII Irrigation	215.98	126.36	89.62
18.	XXXIX Power	59.09	1.80	57.29
19.	XLI Transport	192.54	108.76	83.78
Capital Charged				
20.	Public Debt Repayment	10,222.43	7,529.61	2,692.82
	Total	33,165.63	25,002.61	8,163.02

The major heads of account under which huge saving occurred in the above 20 cases are given in **Appendix XIII**.

The Departments did not furnish reasons for major savings under the Grants XV, XVI, XVII, XVIII and XXII. Reasons for major cases of saving under other Grants are given below:

Saving under ‘Police’ was mainly due to overestimation of requirements under salaries, non-filling of vacancies, observance of economy measures and reduction in annual plan outlay and non-purchase of various items under the scheme ‘Modernisation of Police Force’.

Saving under ‘Water Supply and Sanitation’ (Revenue and Capital sections) was mainly due to non-release of funds owing to slow progress of works under JBIC assisted water supply scheme, less release of central assistance for Swajaladhara scheme, non allocation of funds by GOI for Accelerated Urban Water Supply Schemes and Technology Mission Schemes and less requirement of funds for Tsunami Emergency Assistance Project.

Saving under ‘Agriculture’ was mainly due to non-commencement of functioning of the Kerala Debt Relief Commission and the Kerala Commission on Farmers, lack of claims for subsidy for rice development, non-receipt of sanction for appointment of staff under water shed development programme and shortage of certain agricultural inputs, belated receipt of administrative sanction for new/existing schemes, overestimation of requirement under ‘salaries’ and observance of economy measures.

Saving under ‘Panchayat’ was mainly under the scheme NABARD assisted RIDF projects.

Saving under ‘Debt charges’ was mainly due to post budget decision of Government not to make contribution to the Consolidated Sinking Fund on account of uncertain liquidity position, unanticipated decrease in Term Deposits/Saving Bank Deposits collections and non-adjustment of interest on Kerala Private College Staff Provident Fund on account of excessive adjustment of interest in earlier years.

Saving under ‘Public Debt Repayment’ was mainly due to availing of less ways and means advances and overdraft owing to enhancement of ceiling on state’s market borrowing and non-availing of ways and means advances from GOI during the year.

2.3.2 Significant saving

In 47 cases savings exceeded Rupees five crore or more in each case and also by more than 10 *per cent* of the total provision, total amounting to Rs 8,309.83 crore (**Appendix XIV**).

2.3.3 Persistent savings

In 10 cases, there were persistent saving in excess of Rs 50 lakh in each case and also 20 per cent or more of the provision during the last three years (Appendix XV).

2.3.4 Excess requiring regularisation

Excess over provision relating to previous years requiring regularisation

As per Article 205 of the Constitution of India, it is mandatory for a State Government to get the excess over a grant/appropriation regularised by the State Legislature. Out of the excess expenditure of Rs 8,870.91 crore for the years 1983-1986, 1988-89, 1990-91 to 2005-06 requiring regularisation, Public Accounts Committee (PAC) had recommended regularisation of Rs 8,590.67 crore for which relevant Appropriation Acts are awaited (August 2007). The departments have not furnished Action Taken Notes to PAC for regularisation of the balance amount of Rs 280.25 crore. The details are given in Appendix XVI.

There was excess expenditure of Rs 7.89 crore in the following grants during 2006-07 as detailed below:

(in Rupees)

Sl. No.	Number and name of Grant/Appropriation	Total grant/appropriation	Expenditure	Amount of excess
	Revenue Voted			
1.	XIX – Family Welfare	1,21,80,00,000	1,27,68,05,425	5,88,05,425
2.	XLII – Tourism	71,86,70,000	73,14,42,873	1,27,72,873
	Capital Voted			
3.	XXIV – Labour and Labour Welfare	26,01,000	99,00,000	72,99,000
	Revenue Charged			
4.	I – State Legislature	29,67,000	29,92,755	25,755
	Total	1,94,22,38,000	2,02,11,41,053	7,89,03,053

Out of the excess of Rs 7,89,03,053, excess of Rs 72,99,000 under Grant XXIV Labour and Labour Welfare was due to change of classification of expenditure which does not require regularisation. Balance amount of Rs 7,15,78,298 in the voted expenditure and Rs 25,755 in the charged expenditure also require regularisation. The excess of Rs 1,27,72,873 in Grant No XLII Tourism was due to drawal and deposit of Rs 3,34,18,498 to the Public Works Remittance head on the last working day of the financial year to prevent lapse of budget provision.

2.3.5 Persistent Excess

Persistent excess occurred under Grant No.XIX Family Welfare (Revenue – Voted) for the last four years are as shown below:

(Rupees in crore)

Year	Excess expenditure and percentage
2003-04	15.10 (15.6)
2004-05	14.83 (16.0)
2005-06	21.27 (25.38)
2006-07	5.88 (4.83)

The occurrence of excess over grant continuously for four years shows failure of the department to restrict the expenditure to available provision indicating deficient financial management.

2.3.6 Original budget and supplementary provisions

Supplementary provisions (Rs 5,639 crore) made during the year constituted 17.02 *per cent* of the original provision (Rs 33,126 crore) as against 15.97 *per cent* in the previous year.

2.3.7 Unnecessary/excessive/inadequate supplementary provisions

- Supplementary provision of Rs 1,143.67 crore obtained in 48 cases proved unnecessary in view of aggregate saving of Rs 5,407.88 crore (**Appendix XVII**).
- In 11 cases, against additional requirement of Rs 1,687.63 crore, supplementary grant of Rs 4,473.03 crore was obtained resulting in saving in each case exceeding Rs 50 lakh, aggregating Rs 2,785.40 crore (**Appendix XVIII**).

2.3.8 Excessive/unnecessary reappropriation of funds

Reappropriation is transfer of funds between primary units of appropriation within a grant or appropriation before the close of the financial year. Details of cases where withdrawal or augmentation of provision of funds in excess of Rs 50 lakh proved excessive or resulted in saving equal to or more than Rs 50 lakh in each case are mentioned in **Appendix XIX**.

2.3.9 Anticipated saving not surrendered

The spending Departments are required to surrender the unspent portion of Grants/Appropriations as and when saving are anticipated, to the Finance Department. However, aggregate saving of Rs 3,213.38 crore, in 22 cases where saving was Rs 5 crore and above in each case, was not surrendered. Failure of these Departments to surrender such huge saving revealed improper monitoring of expenditure against budget provision and poor budgetary management. Details are given in **Appendix XX**.

Out of the total surrendered amount of Rs 5,475.13 crore (77 cases), Rs 5,400.74 crore (69 cases) was surrendered on the last working day of the financial year viz., 30 March 2007. Such surrenders serves no useful purpose as the amount surrendered cannot be utilised during the year for any other function.

2.3.10 Surrender in excess of actual saving

In eight cases the amount surrendered was in excess of actual saving indicating defective monitoring of expenditure. As against the actual saving of Rs 107.38 crore in these cases the amount surrendered was Rs 122.55 crore, resulting in excess surrender of Rs 15.17 crore (**Appendix XXI**).

2.4 Budgetary procedure and control over expenditure

Health and Family Welfare/Fisheries Department

A review of Budgetary procedure and control over expenditure for 2006-07 was conducted in June 2007 relating to Grant No. XVIII Medical and Public Health and Grant No. XXXIII – Fisheries revealed the following:

2.4.1 Defective budgeting and lack of control over expenditure

(a) According to the provisions in the Kerala Financial Code and Kerala Budget Manual, the estimate of expenditure prepared by the Department should be for the expenditure as anticipated in the ensuing financial year with reference to the existing sanctions and actual requirements. The Chief Controlling Officers are required to keep a constant watch over current and anticipated expenditure. It was noticed that in Grant No. XVIII Medical and Public Health, there was aggregate saving of Rs 343.34 crore indicating that the budgeting was defective and monitoring by the controlling officers, inadequate. Some of the instances where substantial saving occurred are indicated in **Appendix XXII**.

(b) Para 29 (1) of Kerala Budget Manual stipulates that provisions for salaries should be worked out based on the number of incumbents likely to be on duty in the coming year (regardless of the sanctioned strength) and the actual pay likely to be drawn by them. Contrary to this, DDOs of Grant XVIII and XXXIII made provisions for salaries based on sanctioned strength. Hence considerable savings under salary head were noticed in the following cases.

(Rupees in crore)

Sl. No.	Head of Account	Original provision	Actual Expenditure	Savings
XVIII Medical and Public Health				
1.	2210-01-110-99-01 salaries	185.52	139.93	45.59
2.	2210-02-101-97-01 salaries	58.54	44.85	13.69
3.	2210-05-105-97-01 salaries	26.25	15.48	10.77
4.	2210-05-105-98-01 salaries	35.78	17.32	18.46
XXXIII Fisheries				
5.	2405-00-001-99-01 salaries	7.79	6.60	1.19
6.	2405-00-103-99-01 salaries	3.15	1.99	1.16

2.4.2 Persistent savings

There were persistent savings of nine *per cent* to 82 *per cent* of the provisions during the last three years. Details are given in **Appendix XXIII (a)**.

2.4.3 Non-utilisation of appropriation

The sums appropriated by the legislature had to be applied in the manner and purpose for which these are intended according to laws/rules and regulations made thereunder. However, it was seen that in some cases almost the entire budgetary provisions were reappropriated without incurring any expenditure.

This shows that the budget provisions made in these cases were without assessing actual requirement. Details are given in **Appendix XXIII (b)**.

2.4.4 Uneven distribution of expenditure

As per Para 91 (2) of the Kerala Budget Manual, flow of expenditure should be so regulated throughout the year that there is no rush of expenditure during any month particularly during the last month of the financial year. It was noticed that in the Office of the Director of Health Services, the details of expenditure during March were not collected and consolidated so far (July 2007). In the case of Grant XXXIII major expenditure was incurred in the closing month of the financial year as detailed below:

(Rupees in crore)

Sl. No.	Head of Account	Total expenditure	Expenditure during March 2007	Percentage
XXXIII Fisheries				
1.	2405-00-190-98 (P)	0.21	0.21	100
2.	2405-00-800-75 (P)	7.00	6.34	91
3.	2405-00-800-49 (P)	0.17	0.17	100
4.	2405-00-800-47 (P)	0.80	0.80	100
5.	2405-00-800-41 (P)	13.00	10.70	82
6.	2405-00-800-33 (P)	0.50	0.50	100

2.4.5 Un-reconciled expenditure

Departmental figures of expenditure are required to be reconciled every month with those in the books of Accountant General (Accounts and Entitlement) in order to enable the Departmental officers to exercise proper control over expenditure and to detect fraud and defalcations, if any, at an early stage. All Chief Controlling Officers should forward to Government in the Finance Department monthly reports showing the progress of this item of work. These provisions were not adhered to by the Health and Family Welfare Department and Fisheries Department during the year 2006-07. The Directorate of Health services had reconciled the expenditure only up to 2004-05. Instances of differences in expenditure figure of Accountant General (A&E) with the figures of Directorate of Medical Education and Directorate of Fisheries are indicated below:

(Rupees in crore)

Sl. No.	Head of Account	Expenditure		
		Accounts figure	Departmental figure	Variation
XVIII Medical and Public Health				
1.	2210-01-110-98 (NP)	50.30	33.50	16.80
2.	2210-01-110-97 (NP)	31.47	16.69	14.78
3.	2210-05-105-98 (NP)	31.61	14.64	16.97
4.	2210-05-105-97 (NP)	25.05	9.57	15.48
5.	2210-05-105-96 (NP)	20.66	10.10	10.56

2.5 Transfer of funds through NIL payment vouchers

According to the provisions in the Kerala Financial Code, a Government servant should not, on any account, reserve or appropriate by transfer to a deposit or any other head any portion of an appropriation remaining unspent during the year in order to prevent it from lapsing and use it for spending after the end of the year. Scrutiny of records in the Directorate of five departments[♥] revealed that a sum of Rs 69.58 crore was drawn by different Drawing and Disbursing Officers (DDOs) during 2006-07 by presenting 'NIL' payment vouchers and transferred to Treasury Saving Bank/Treasury Public Accounts/Bank Accounts/Remittance Head of PWD in violation of codal provisions. The entire amount remained unutilised as of June 2007 indicating that the transfer of funds was not for immediate use. The action of DDOs in transferring the funds especially in the last month to avoid lapse of funds without ensuring utilisation of funds was irregular and defeating the very purpose of legislative control over public money. The department-wise details are shown in **Appendix XXIV**.

2.6 Public Works Deposits

Public Works Deposit (Deposits) is one of the 13 items of Civil Deposits under Public Accounts. Following types of transactions are accounted under Public Works (PW) Deposits in Part III of Government Accounts:

- a) Deposits from contractors as security including percentage deductions from the bills,
- b) Deposits for works to be done,
- c) Sums due to contractors on closed accounts,
- d) Sums due to other Governments on closed accounts,
- e) Miscellaneous deposits.

A test check of accounts of 16 PW Divisions (out of total 125 Divisions) conducted in April and May 2007 holding a balance of Rs 70.44 crore under PW Deposits as on 31.03.2007 revealed the following:

2.6.1 As per para 15.4.1 of Kerala Public Works Account Code, time expired deposits should lapse and amount thereof credited to Government Account. It was noticed in 10 Divisions that lapsed deposits amounting to Rupees two crore were not credited to Government Account (**Appendix XXV (a)**). The details relating to six Divisions could not be ascertained as the registers were not properly maintained.

2.6.2 Funds credited by other Departments/Organisations to the extent of Rs 32.37 crore for executing various works were retained under PW Deposits by 14 Divisions resulting in the exhibition of fictitious expenditure in the accounts of concerned Departments/Organisations (**Appendix XXV (b)**).

[♥] Industries, Scheduled Castes Development, Scheduled Tribes Development, Tourism and Social Welfare.

2.6.3 In four Divisions, excess expenditure amounting to Rs 5.52 crore was noticed over and above the Deposits received. Expenditure incurred from March 1969 onwards remains to be regularized (**Appendix XXVI**).

2.6.4 The sub head ‘Miscellaneous Deposits’ is intended to record transactions under the items such as Family Benefit Scheme, Life Insurance, Sales Tax, etc. The total amount outstanding under this sub head in 16 Divisions as on 31 March 2007 works out to Rs 7.93 crore indicating that credits received in these items were not released expeditiously (**Appendix XXVII (a)**).

2.6.5 The Schedule of Rates was revised by PWD with effect from December 2004. The Chief Engineer (Roads and Bridges) revised the rates for road restoration charges based on revised Schedule of Rates realizable from Kerala Water Authority, Bharat Sanchar Nigam Limited, etc., only in February 2006. Due to delay in revision of rate for Road restoration Charges there was short realization of restoration charges amounting to Rs 1.98 crore (**Appendix XXVII (b)**) in three Divisions.

2.7 Unreconciled expenditure

Departmental figures of expenditure are required to be reconciled every month with those in the books of Accountant General (Accounts and Entitlement) in order to enable the Departmental officers to exercise proper control over expenditure and to detect fraud and defalcations, if any, at an early stage. The reconciliation was in arrears in many Departments. Out of 156 Controlling Officers, who were required to reconcile their accounts for the year 2006-07, only 53 had reconciled the expenditure for the whole year and 49 have partially reconciled and 54 Controlling Officers have not reconciled the accounts of even a single month of the year. As of June 2007, 2,211 monthly reconciliation certificates were due for the period 1997-2000 and 2001-07, as detailed in **Appendix XXVIII**.

2.8 Rush of expenditure

Under 30 Major Heads of accounts, the expenditure incurred during the last quarter of the financial year ranged between 52 *per cent* and 100 *per cent*. In these cases, 39 to 100 *per cent* of the expenditure was incurred only in the last month of the financial year which is indicative of deficient financial management. Details are given in **Appendix XXIX**.

Other points of Interest

2.9 Excess payment of pension

There are 23 District Treasuries and 174 Sub treasuries in the State. Accountant General (A&E) conducted inspection of 146 Treasuries (District Treasuries: 23; Sub Treasuries: 123) during 2006-07. It was noticed that excess payment of pension amounting to Rs 8.80 lakh was made in 810 cases in 104 treasuries. The excess payments occurred due to error in calculation of

revised pension, non-reduction of family pension after expiry of stipulated period, non-reduction of commuted value from basic pension, payment of ineligible Festival Allowance, incorrect calculation of Dearness Relief, etc. Out of the above, an amount of Rs 1.60 lakh has been recovered leaving a balance of Rs 7.20 lakh as of June 2007.