

CHAPTER II

FINANCIAL MANAGEMENT AND BUDGETARY CONTROL

2.1 Introduction

2.1.1 The Appropriation Accounts are accounts of the expenditure, voted and charged, of the Government for each financial year, compared with the amounts of voted Grants and charged Appropriations for different purposes, as specified in the schedules appended to the Appropriation Acts. These accounts list the original budget estimates, supplementary grants, surrenders and re-appropriations distinctly and indicate actual capital and revenue expenditure on various specified services *vis-à-vis* those authorised by the Appropriation Act in respect of both charged and voted items of the budget. Appropriation Accounts, thus, facilitate the management of finances and monitoring of budgetary provisions and are, therefore, complementary to the Finance Accounts.

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

2.1.3 As per the Kerala Budget Manual, the Finance Department is responsible for the preparation of the annual budget by obtaining estimates from various departments. The departmental estimates of receipts and expenditure are prepared by the Heads of Departments and other Estimating Officers and submitted to the Finance Department on prescribed dates. The Finance Department consolidates the estimates and prepares the Detailed Estimates called 'Demands for Grants'. In the preparation of the budget, the aim should be to achieve as close an approximation to the actuals as possible. This demands foresight in anticipating revenue and expenditure. An avoidable extra provision in an estimate is as much a budgetary irregularity as an excess in the sanctioned expenditure. The budget procedure envisages that the sum provided in an estimate of expenditure on a particular item must be that sum which can be expended in the year and it should not be over or under expenditure. A saving in an estimate constitutes as much of a financial irregularity as an excess in it. The budget estimates of receipts should be based on the existing rates of taxes, duties, fees, etc.

Deficiencies in the management of budget and expenditure and violation of the provisions of Budget Manual noticed in audit have been discussed in the subsequent paragraphs.

2.2 Summary of Appropriation Accounts

The summarised position of actual expenditure during 2015-16 against 47 Grants/Appropriations is given in **Table 2.1**.

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

(₹ in crore)						
Nature of Expenditure	Original Grant/ Appropriation	Supplementary Grant/ Appropriation	Total	Actual Expenditure	Savings(-)/ Excess(+)	Savings/ Excess in percentage
Voted						
I Revenue	74498.93	6486.42	80985.35	68438.50	(-)12546.85	15.5
II Capital	9206.06	1233.78	10439.84	7490.29	(-)2949.55	28.3
III Loans and Advances	845.48	128.73	974.21	842.25	(-)131.96	13.5
Total Voted	84550.47	7848.93	92399.40	76771.04	(-)15628.36	16.9
Charged						
IV Revenue	11325.63	84.01	11409.64	11447.26	37.62	0.3
V Capital	36.29	67.48	103.77	98.13	(-)5.64	5.4
VI Public Debt Repayment	14977.98	0	14977.98	6060.74	(-)8917.24	59.5
Total Charged	26339.90	151.49	26491.39	17606.13	(-)8885.26	33.5
Appropriation to Contingency Fund (if any)	Nil	Nil	Nil	Nil	Nil	Nil
Grand Total	110890.37	8000.42	118890.79	94377.17	(-)24513.62	20.6

Source: Appropriation Accounts 2015-16 and Appropriation Acts

The overall savings of ₹24,513.62 crore was the result of savings of ₹24,744.39 crore in 44 Grants and 19 Appropriations under the Revenue Section and 27 Grants and six Appropriations under the Capital Section (**Appendix 2.1**), offset by excess of ₹230.77 crore in three Appropriations under the Revenue Section and one Grant under Capital section. Overall savings increased from 19.5 per cent in the last year to 20.6 per cent in 2015-16 indicating increasing deficiency in the budgetary process.

Audit further analysed utilisation of budget allocation under voted category in revenue and capital section separately and observed that in 29 Grants (each having savings exceeding ₹100 crore) budget allocation of ₹16,807.79 crore remained unutilised in plan and non-plan category as detailed in **Table 2.2**.

Table 2.2 : Savings under Plan and Non-plan category
(₹ in crore)

Category	No. of Grants	Original Budget	Supplementary	Final Expenditure	Savings	% of Saving
Revenue-Plan	10	12012.04	2271.41	9744.37	4539.08	31.8
Revenue-Non-Plan	9	49527.43	2653.64	43860.73	8320.34	15.9
Capital-Plan	7	3847.03	339.28	2215.42	1970.89	47.1
Capital-Non-plan	3	2587.15	15	624.67	1977.48	76.0
Total	29	67973.65	5279.33	56445.19	16807.79	22.9

Source: Appropriation Accounts 2015-16

Grant-wise details of the above information are given in **Appendix 2.2**. Apart from the above savings, it was also observed that in Grant number XLI-Transports (Revenue-Non-plan-Charged) substantial portion of budget allocation (₹86 crore out of ₹86.03 crore) remained unutilised at the end of the financial year. Similarly, entire budget allocations under XXXVIII-Irrigation (₹5 crore-Capital-Non-plan-Charged) and XXI-Housing (₹3 crore-Capital-Non-plan-voted) were not utilised during the year.

2.3 Financial Accountability and Budget Management

2.3.1 Appropriation vis-à-vis Allocative Priorities

Audit of Appropriation of Accounts revealed that savings exceeded ₹100 crore and also more than 25 per cent of the total budget provision in 14 Grants/Appropriations as detailed in **Table 2.3**.

Table 2.3: Grants/Appropriations showing substantial savings
(₹ in crore)

Sl. No.	Grant number and Name	Total Grant/ Appropriation	Expenditure	Savings
Revenue – Voted				
1.	II Heads of States, Ministers and Headquarters Staff	630.27	437.62	192.65
2.	XIX Family Welfare	579.16	436.20	142.96
3.	XXII Urban Development	932.90	287.07	645.83
4.	XXVI Relief on Account of Natural Calamities	468.00	351.82	116.18
5.	XXXV Panchayat	551.66	348.85	202.81
6.	XXXVI Rural Development	2982.23	2242.19	740.04
7.	XLIII Compensation and Assignments	6493.05	4217.24	2275.81
Capital – Voted				
8.	XII Police	107.72	3.66	104.06
9.	XX Water Supply and Sanitation	335.18	160.28	174.90
10.	XXV Welfare of Scheduled Castes, Scheduled Tribes, Other Backward Classes and Minorities	283.63	57.01	226.62

Sl. No.	Grant number and Name	Total Grant/ Appropriation	Expenditure	Savings
11.	XXVIII Miscellaneous Economic Services	2088.88	910.00	1178.88
12.	XXIX Agriculture	433.18	283.96	149.22
13.	XLI Transport	1217.94	658.86	559.08
Capital-Charged				
14.	Public Debt Repayment	14977.98	6060.74	8917.24
Total		32081.78	16455.50	15626.28

Source: Appropriation Accounts 2015-16

It was also observed that the savings under above 14 Grants/ Appropriations was more than 64 per cent of the total savings during 2015-16.

2.3.2 Persistent savings

Persistent savings of ₹100 crore or more were noticed in ten cases for the last three years as shown in Table 2.4.

Table 2.4: Grant-wise persistent savings

(₹ in crore)

Sl. No.	Number and Name of Grant/Appropriation	Amount of savings		
		2013-14	2014-15	2015-16
Revenue – Voted				
1.	XIX Family Welfare	145.57 (29)	148.52 (27)	142.96 (25)
2.	XXII Urban Development	1125.04 (84)	948.83 (75)	645.84 (69)
3.	XXV Welfare of SCs/STs/Other backward classes and minorities	282.57 (15)	533.94 (23)	405.69 (16)
4.	XXIX Agriculture	231.15 (11)	512.90 (21)	498.24 (18)
Capital – Voted				
5.	XX Water Supply and Sanitation	113.33 (31)	140.30 (52)	174.90 (52)
6.	XXVIII Miscellaneous Economic Services	2421.19 (86)	1361.72 (96)	1178.88 (56)
7.	XXXVII Industries	165.38 (22)	365.83 (51)	133.35 (19)
8.	XXXVIII Irrigation	396.46 (66)	645.03 (79)	107.28 (24)
9.	XLI Transport	1051.74 (56)	118.61 (16)	559.08 (46)
Capital – Charged				
10.	Public Debt Repayment	6859.49 (68)	8349.59 (59)	8917.24 (60)

Source: Appropriation Accounts for respective years.

Figures in parenthesis are percentage of savings with respect to budget allocation

Further analysis revealed that overall savings under the above Grants were due to persistent savings under a few subheads (schemes/activity), which indicated failure of the respective Controlling Officers and the Finance department in making a realistic assessment of the budget requirement based on the expenditure of the previous year and also the ability of the department to utilise the funds.

Details of schemes where persistent savings of ₹one crore or more was noticed, are given in **Appendix 2.3**.

2.3.3 Excess over provision during 2015-16

The Appropriation Accounts disclosed excess expenditure of ₹161.54 crore under Revenue Section in three²⁸ appropriations and ₹69.23 crore under Capital section in Grant-‘Public Works’ which require regularisation under Article 205 of the Constitution. The sub-heads in which expenditure exceeded the appropriation under the Grant are detailed in **Table 2.5**.

Table 2.5: Sub-heads in which expenditure exceeded the appropriation

(₹in crore)

Sl. No.	Head of account and name of the scheme	Final Appropriation	Expenditure	Excess
2049-Interest Payments - Charged (Non-plan)				
1.	03-115-98-Fixed Time Deposits	659.78	673.12	13.34
2.	03-104-99-Interest on General Provident Fund	1563.82	1625.89	62.07
3.	03-108-99-State Life Insurance Official Branch	150.00	191.21	41.21
4.	04-101-99-Block Loans for State Plan Schemes	157.24	177.13	19.89
5.	03-108-95-Kerala State Government Employees Group Insurance Scheme	98.00	110.97	12.97
4059 Capital Outlay on Public Works – Voted (Non-Plan)				
6.	01-051-75-Construction of office building for Commercial Taxes Department	0.38	7.78	7.40
5054-Capital Outlay on Roads and Bridges– Voted (Plan)				
7.	80-001-99-Establishment charges transferred on percentage basis from 3054-Roads and Bridges	229.02	293.22	64.20

Source: Detailed Appropriation Accounts 2015-16

In the case of item number 4, 2049-04-101-99-Block Loans for State Plan Schemes, original budget allocation was ₹210.04 crore. Subsequently, Controlling Officer surrendered an amount of ₹52.80 crore, which resulted in final excess of ₹19.89 crore (final expenditure was ₹177.13 crore). Similarly, in the case of 4059-01-051-75-Construction of office building for Commercial Taxes Department, major portion of the original budget allocation was surrendered (₹4.62 crore out of ₹5.00 crore) without anticipating the expenditure of ₹7.78 crore finally incurred from the head of account.

2.3.4 Excess expenditure over provisions relating to previous years requiring regularisation

As per Article 205 of the Constitution of India, it is mandatory for a State Government to get excesses over Grants/Appropriations regularised by the State Legislature. Although no time limit for regularisation of expenditure has been prescribed under the Article, the regularisation of excess expenditure is done after the completion of discussion of the Appropriation Accounts and the connected Audit Report by the Public Accounts Committee (PAC). Excess expenditure

²⁸ Debt charges : ₹154.71 crore, Pensions and Miscellaneous : ₹6.74 crore and Public Works : ₹0.09 crore

under 13 Grants and five Appropriations amounting to ₹817.61 crore for the years 2011-12 to 2014-15 was to be regularised (October 2016) as summarised in **Table 2.6**. The year-wise and Grant-wise amounts of excess expenditure pending regularisation and the stage of consideration by the PAC are detailed in **Appendix 2.4**.

Table 2.6: Excess over provisions relating to previous years requiring regularisation

(₹ in crore)

Year	Number of		Amount of excess over provision
	Grant	Appropriation	
2011-12	2		24.50
2012-13	5		40.43
2013-14	6	4	560.68
2014-15		1	192.00
Total	13	5	817.61

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

2.3.5 Unnecessary/Excessive Supplementary provision

Supplementary provisions aggregating to ₹781.10 crore, obtained in 20 Grants/Appropriations (₹one crore or more in each case) during the year, proved unnecessary as the expenditure did not come up to the level of even the original provisions as detailed in **Appendix 2.5**. Since there was sufficient savings in the original budget allocation, the option of re-appropriation of funds between heads of account (where savings are noticed) within the Grant/Appropriation could have been resorted to by the Chief Controlling Officers (for heads of accounts which require funds) instead of proposing Supplementary Demands for Grants (SDG). Further scrutiny revealed that ₹434.52 crore (out of ₹781.10 crore) were obtained in February 2016 and the departmental officers/chief controlling officers had ample opportunity to assess the expenditure of various heads of account under their control, for re-appropriation of savings, to needy heads of accounts.

Audit further scrutinised the utilisation of supplementary grants obtained for schemes/activity under the above Grants/Appropriation and deficiencies in utilisation of these supplementary grants were as follows:

(i) Grant number I (Revenue-Voted)

The supplementary grant of ₹1.30 crore, obtained in February 2016 was to regularize the additional authorisation issued under the head of account 2011-02-101-99-04-Travelling Expenses and 103-99-02-wages. Since there was sufficient savings under the above subheads and the savings (exceeding the amount obtained as SDG) the additional authorisation could have been regularized by re-appropriation of funds among the object heads below the subheads, instead of going for SDG

(ii) Grant number II (Revenue-Voted)

Supplementary grant of ₹2.52 crore obtained in February 2016 under various subheads below the minor head 2052-090-Secretariat could have been avoided since the final expenditure under the head of account was less than (₹8.57 crore) the original budget allocation. Hence the savings available under the minor head could have been re-appropriated instead of moving for SDG.

(iii) Grant number VI (Revenue-Voted)

Supplementary grant of ₹two crore obtained in February 2016 under the head of account 2029-103-99 was not utilised and surrendered at the end of the year.

(iv) Grant number VIII (Revenue-Voted)

Supplementary grant of ₹15.96 crore obtained in February 2016 under the head of account ‘2039-001-95-Campaign against alcoholism’ was not fully utilised and ₹13.09 crore was surrendered at the end of the year.

(v) Grant number XVII (Revenue-Voted)

Supplementary grants were obtained in February 2016 under two heads of account ‘2202-03-102-97-Mahatma Gandhi University’ (₹One crore) and ‘2203-112-61-Kerala State Science and Technology Museum’ (₹two crore) but the funds remained unutilised at the end of the year.

(vi) Grant number XXXIX (Revenue-Voted)

Supplementary grant of ₹1.60 crore, ₹22.40 crore and ₹2.60 crore were obtained in February 2016 respectively under the heads of account ‘2801-80-101-99-Subsidy to the KSEB towards power tariff concessions’, ‘2801-80-101-92-Assistance to KSEB to compensate the loss sustained on account of write off of the Electricity charges of KWA’ and ‘2801-80-101-91-Innovation fund and ESCOT’. But the funds remained unutilised at the end of the year.

(vii) Grant number III (Revenue-Charged)

Supplementary grant of ₹1.60 crore obtained under the head of account ‘2014-00-102-99-High Court’ proved unnecessary since the final expenditure under the head of account was ₹nine crore less than the original budget allocation.

(viii) Grant number XXXIX (Capital-Voted)

Out of ₹13.63 crore obtained as supplementary grant in February 2016 under ‘4801-80-101-99-Investments in KSEB’, ₹10.00 crore remained unutilised at the end of the year.

(ix) Grant number XLVI (Capital-Voted)

Out of ₹17.20 crore allocated as supplementary grant in July 2015 under '4235-02-102-94-Convergence of pre-school and pre-primary education centres into Anganwadies', ₹11.61 crore were surrendered at the end of the year.

Apart from the above, departmental officers failed to utilise the supplementary grants obtained in following Grants/Appropriations and budget allocations obtained through supplementary grants were surrendered at the end of the year, in five out six cases detailed below:

(i) Grant number XXVI (Revenue-Voted)

Supplementary budget allocations amounting to ₹5.61 crore, ₹6.28 crore, ₹2.65 crore and ₹4.02 crore were obtained respectively under the heads of account '2245-01-101-99-Supply of seeds/Fertilizers and Agricultural implements', '2245-01-102-99-Water Supply', '2245-02-101-98-Food and Clothing' and '2245-02-101-94-Other items' in July 2015. But the amounts were surrendered at the end of the year along with the unutilised portion of the allocation received in original budget.

(ii) Grant number XXXI (Revenue-Voted)

Supplementary grant of ₹0.80 crore was obtained under '2403-789-98-Livestock Health and Disease Control Programme' in December 2015, but the major portion of this amount (₹0.54 crore) was surrendered at the end of the year.

(iii) Grant number II (Revenue-Charged)

Supplementary grant of ₹16.20 crore obtained in February 2016 under the head of account '2051-00-102-99-Public Service Commission' proved unnecessary since the amount surrendered (₹16.55 crore) at the end of the year was more than the supplementary grant obtained.

(iv) Grant number XXXIV (Revenue-Charged)

Supplementary grant of ₹0.14 crore obtained under the head of account '2406-01-001-99-Office of the Chief Conservator' proved wholly unnecessary since the entire amount was surrendered at the end of the year.

(v) Grant number XII (Capital-Voted)

Out of the supplementary grant (₹41.72 crore in July 2015 and ₹25.31 crore in February 2016) obtained under the heads of account '4055-207-97-Other buildings' (₹4.64 crore) and '4055-211-97-Modernisation of police force' (₹61.64 crore), ₹64.08 crore were surrendered at the end of the year.

(vi) Grant number XXIX (Capital-Charged)

Supplementary Grant of ₹0.09 crore (₹0.01 crore in July 2015 and ₹0.08 crore in February 2016) obtained under the head of account '4702-00-101-99-Minor Irrigation Works' proved wholly unnecessary since the entire amount remained

unutilised at the end of the year.

Further, in 19 Grants/Appropriation, against the additional requirement of ₹2,368.37 crore, supplementary budget allocation of ₹5,500.64 crore obtained during the year proved excessive (**Appendix 2.6**) by ₹3,132.27 crore. The departmental officers while making proposals for supplementary grants did not assess the actual requirement of funds which resulted in this avoidable savings.

2.3.6 Re-appropriation of funds

Re-appropriation is transfer of funds within a Grant from one unit of appropriation, where savings are anticipated, to another unit where additional funds are needed. Augmentation of funds through re-appropriation was resorted to by departmental officers. However, audit analysis revealed that augmentation of budget allocation was wholly unnecessary in some sub-heads as the final expenditure was less than the budget allocation (original and supplementary grant) provided under it. Subheads in which augmentation was done through re-appropriation (exceeding ₹one crore) but no part was utilised are given in **Appendix 2.7**.

In some cases augmentation of funds through re-appropriation proved in excess of the actual requirement. Cases of excess re-appropriation exceeding ₹one crore are given in **Table 2.7** below:

Table 2.7 : Subheads in which re-appropriation proved excessive

(₹ in crore)

Scheme/Activity	Budget allocation	Reapp	Net Budget	Expenditure	Net savings
2415-05-277-99-Kerala University of Fisheries and Ocean Studies-(NP)	9.66	5.09	14.75	13.75	1.00
4701-80-800-76-Priority Works-(NP)	0.00	11.99	11.99	10.97	1.02
2225-01-283-89-House to Houseless- SCP-(P)	180.00	79.48	259.48	258.11	1.36
2515-00-196-39-NABARD assisted RIDF Projects undertaken by District Panchayats-(P)	7.18	5.60	12.78	11.42	1.37
7610-00-800-95-Interest Free Advances to Government Employees-(NP)	8.30	2.88	11.18	9.79	1.39
2210-05-105-97-Allopathy Medical College, Kozhikode-(NP)	118.82	10.11	128.93	125.24	3.69
5054-01-337-95-NH Bypasses Kollam and Alappuzha (Cost Sharing Basis with GOI)-(P)	0.01	46.22	46.23	42.11	4.12
2210-05-105-98-Allopathy Medical College, Thiruvananthapuram-(NP)	163.84	14.23	178.07	173.36	4.71
2202-02-001-94-Directorate of Higher Secondary Education (Plus Two)-(NP)	48.07	10.00	58.07	52.11	5.96

Source: Detailed Appropriation Accounts 2015-16

P: Plan; NP: Non-plan

Failure of the departmental officers in assessing the actual requirement of funds also resulted in excess withdrawal of funds from units of appropriation, which finally led to excess expenditure over provision in certain subheads. Cases of such

injudicious re-appropriations noticed in 26 schemes/activities are given in **Appendix 2.8**.

2.3.7 Surrender of budget allocations

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

During 2015-16, ₹22,459.15 crore (19 per cent) out of the total budget allocation (₹1,18,890.79 crore) was surrendered at the end of the financial year. More than ₹1,000 crore were surrendered in five Grants/Appropriation, as detailed in **Table 2.8**.

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

(₹ in crore)				
Grant number		Budget Allocation	Amount surrendered	Percentage of surrender
Revenue – Voted				
XVI	Pensions and Miscellaneous	19746.16	1212.63	6
XVII	Education, Sports, Art and Culture	16655.14	1404.67	8
XLIII	Compensation and Assignments	6493.05	2754.97	42
Capital – Voted				
XXVIII	Miscellaneous Economic Services	2088.88	1174.06	56
Capital – Charged				
	Public Debt Repayment	14977.98	8921.97	60

Source: Appropriation Accounts 2015-16

Schemes/activities under which substantial surrenders were made in respect of above Grants/Appropriations are given in **Table 2.9**.

Table 2.9: Schemes in which budget allocation were surrendered in excess of ₹100 crore

(₹ in crore)			
Grant no.	Scheme/activity	Budget	Surrender
XVI	2071-01-101-99-Pension to Kerala Government Pensioners-(NP)	6854.45	302.94
XVI	2075-00-800-72-Spill Over Schemes-(NP)	1000.00	801.30
XVII	2202-01-111-99-Sarva Siksha Abhiyan-(P)	266.23	157.74
XVII	2202-01-112-91-Mid Day Meal(100% CSS)-(P)	222.46	222.46
XVII	2202-03-104-99-Salaries to the staff under the Direct Payment System-(NP)	1165.22	197.44
XVII	2202-03-105-97-Additional Skill Acquisition Programme (ASAP)-(P)	234.68	133.68
XXVIII	5475-00-800-92-Major Infrastructural Development Projects-(P)	2000.00	1126.14
XLIII	3604-00-200-90-Expansion and Development under XIV Finance Commission Recommendations-(NP)	796.30	273.42

Grant no.	Scheme/activity	Budget	Surrender
XLIII	3604-00-200-91-Funds for Development Expenditure - 4 th SFC Recommendations-(NP)	3657.43	1974.41
XLIII	3604-00-200-92-Funds for Maintenance Expenditure (Non-Road Assets) - 4 th SFC Recommendations-(NP)	574.49	282.85
XLIII	3604-00-200-94-Performance Grant under Kerala Local Government and Service Delivery Project (KLGSDP) - World Bank Aided-(NP)	345.00	167.74
Public Debt Repayment	6003-00-110-96-Overdrafts-(NP)	1500.00	1378.19
	6003-00-110-98-Special Ways and Means advances-(NP)	4000.00	3294.56
	6003-00-110-99-Ways and Means Advances-(NP)	5500.00	4219.62
Total		28116.26	14532.49

Source: Detailed Appropriation Accounts 2015-16

Further analysis revealed that surrenders (surrenders involving more than 50 per cent of the total allocation and more than ₹one crore in each case) were noticed in 254 sub-heads, amounting to ₹17403.39 crore. In 206 subheads, entire budget allocation amounting to ₹1,485.53 crore was surrendered and in 46 cases, this was ₹ five crore and above as detailed in **Appendix 2.9**.

In 7 schemes, no budget allocation was provided through original/ supplementary budget but funds were brought in through re-appropriation. Augmentation of ₹11.37 crore through re-appropriation was finally surrendered without utilisation as shown in **Table 2.10** below:

Table 2.10 : Funds augmented through re-appropriation and surrendered without utilisation

(₹ in crore)			
Sl. No	Scheme/Activity	Amount reappropriated	Amount Surrendered
1	2202-02-001-82-Public Entrance Examination Coaching Scheme(PEECS)-(P)	2.62	2.62
2	2204-00-104-49-Promotion and Upgradation of Sports Disciplines-Taekwondo, Judo, Karate etc.-(P)	0.67	0.67
3	2204-00-104-62-Jimmy George Indoor Stadium, Peravoor-(P)	0.99	0.99
4	2401-00-789-99-National Food Security Mission (NFSM)-(P)	0.25	0.25
5	2405-00-105-94-XIII Finance Commission Award - Development of model fishing villages and setting up of fish marketing centres-(P)	5.00	5.00
6	2851-00-105-71-Establishment and strengthening of Departmental Khadi production centres-(P)	1.59	1.59
7	2851-00-105-72-Establishment and strengthening of Departmental Village Industries Units-(P)	0.25	0.25
Total		11.37	11.37

Source: Detailed Appropriation Accounts 2015-16

2.3.8 Surrender in excess of actual savings

In 16 Grants/Appropriations, the amounts surrendered (₹ one crore or more in each case) was in excess of the actual savings indicating lack of or inadequate financial control. As against savings of ₹13,593.88 crore, the amount surrendered was ₹14,170.56 crore, resulting in excess surrender of ₹576.68 crore. Details are given in **Appendix 2.10**. Further, audit analysed the budget management of Departmental officers in respect of schemes/activities under their control and observed that in 20 schemes/activities, injudicious surrender led to excess surrender (in excess of ₹one crore) in the Grants. Details are given in **Appendix 2.11**. It was observed from the replies furnished by the departmental officers that excess surrender was due to discrepancies in expenditure details furnished by subordinate offices.

2.3.9 Anticipated savings not surrendered

As per Paragraph 91 of the Kerala Budget Manual, spending departments are required to surrender Grants/Appropriations or portions thereof to the Finance Department as and when savings are anticipated. It was observed that savings of ₹840.13 crore available under these three Grants and one Appropriation were not surrendered at the end of the year. Details are given in **Table 2.11**.

Table 2.11 : Available savings not surrendered at the end of the year

(₹ in crore)

Sl. No.	Grant number and Name		Total Grant/ Appropriation	Expenditure	Savings
Revenue-Voted					
1	VII	Stamps and Registration	185.94	174.29	11.65
2	XVIII	Medical and Public Health	4825.05	4121.48	703.57
Revenue-Charged					
3	XLI	Transport	86.03	0.03	86.00
Capital-Voted					
4	XXI	Housing	63.72	24.81	38.91
Total					840.13

₹2,859.57 crore (28 per cent) out of the total savings of ₹10,203.46 crore under 41 Grants/Appropriations with savings of ₹ one crore and above in each Grant/Appropriation were not surrendered as detailed in **Appendix 2.12**.

Besides, ₹3,516.07 crore under 29 major heads was surrendered only on 31 March 2016 (surrender of funds in excess of ₹10 crore). Details are given in **Appendix 2.13**.

2.3.10 Unexplained re-appropriations

Paragraph 86 (3) of the Kerala Budget Manual lays down that the authority

sanctioning re-appropriations should satisfy itself that the reasons given in the sanctions are full, frank and forthright and are not in vague terms such as ‘based on actual requirement’, ‘based on trend of expenditure’, ‘expenditure is less than that was anticipated’, etc., as they have to be incorporated in the Appropriation Accounts which are examined by the Public Accounts Committee of Legislature. However, a test check of re-appropriation orders relating to 12 Grants issued by the Finance Department revealed that in respect of 690 out of 1126 items (61 per cent), the reasons given for withdrawal of provision/additional provision in re-appropriation orders were of general nature like ‘expenditure is less than anticipated’, ‘reduced provision is sufficient to meet the expenditure’, etc.

2.4 Non-reconciliation of departmental figures

2.4.1 Pendency in submission of Detailed Countersigned Contingent bills against Abstract Contingent bills

According to Rule 187 (d) of the Kerala Treasury Code, all contingent claims that require the countersignature of the controlling authority after payment are to be initially drawn by the Drawing and Disbursing Officer (DDO) from the treasury by presenting Abstract Contingent bills in the prescribed form (Form TR 60). Abstract Contingent (AC) bills can be drawn only by an authorised officer for the items of expenditure listed in Appendix 5 to the Kerala Financial Code. The DDO should maintain a register of AC bills and monitor submission of detailed bills there against. The Detailed Contingent (DC) bills in respect of such claims should be submitted to the controlling authority for countersignature not later than the 10th of the month succeeding to which they relate. The DC bills pertaining to a month’s claim should reach the PAG (A&E), Kerala not later than the 20th of the succeeding month for accounting and monitoring the AC Bills.

As per the records maintained by the PAG (A&E) Kerala, 28 AC bills drawn by 17 DDOs upto March 2016 involving ₹0.40 crore were not adjusted as of August 2016 due to non-receipt of DC bills as detailed in **Appendix 2.14**. Year-wise details are given in **Table 2.12**. Non-submission of DC bills would lead to retention of advance amount drawn with the drawing officers without accounting under the proper heads of account.

Table 2.12: Pendency in submission of Detailed countersigned Contingent bills against Abstract Contingent bills

(₹ in crore)

Year	AC bills		Outstanding AC bills	
	No. of Items	Amount	No. of Items	Amount
2014-15	260	4.31	1	0.15
2015-16	257	2.75	27	0.25
Total	517	7.06	28	0.40

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

One AC bill drawn by Principal Agricultural Officer, Thrissur in November 2014 (for ₹0.15 crore) has been regularised by presenting DC bill in November 2016.

2.4.2 Un-reconciled receipts and expenditure

According to Paragraph 74 of the Kerala Budget Manual, the expenditure recorded in the books of the Controlling Officer of the department should be reconciled every month with that recorded in the books of the PAG (A&E), Kerala to exercise effective control over expenditure and to keep it within the budget grants and also to ensure accuracy of their accounts. During the year, reconciliation for 79.55 per cent of the total receipts (₹37,723.85 crore out of ₹47,420.64 crore) and 60.33 per cent of the total expenditure (₹51,997.69 crore out of ₹86,189.51 crore) were completed. However, 29 Chief Controlling Officers, whose total transactions exceeded ₹50 crore did not reconcile their expenditure with the accounts maintained by PAG (A&E) as shown in **Appendix 2.15**. This was not only in violation of the provisions of Paragraph 74 of Kerala Budget Manual but also casts doubts about the correctness of the expenditure figures supplied by departments concerned and the figures booked by PAG (A&E), Kerala.

2.5 Review on Budgetary process and appropriation control - Grant no. XLVI- Social Security and Welfare

Director of Social Justice Department is the Chief Controlling Officer of the Grant no.XLVI-Social Security and Welfare and the directorate is the main body for implementing various social legislations pertaining to the weaker sections of the society. Moreover it promotes flagship programmes for women and creates general awareness among the public about the welfare measures adopted by the State for the upliftment of the needy.

Budget allocations and expenditure of revenue and capital portion of the Grant, during the last three years were separately analysed in audit and we observed that savings in the revenue section ranged from nine to 13 per cent and in the capital section from 35 to 79 per cent, as shown in the **Table 2.13**.

Table 2.13: Budget allocation and expenditure during 2013-2016
(₹ in crore)

Year	Category	Budget allocation	Expenditure	Savings	% of savings
2013-14	Revenue	2503.36	2230.83	272.53	11
	Capital	63.10	38.74	24.36	39
2014-15	Revenue	3355.73	3054.61	301.12	9
	Capital	77.60	50.30	27.30	35
2015-16	Revenue	4973.68	4340.75	632.93	13
	Capital	106.31	21.95	84.36	79

Source : Detailed appropriation Accounts for respective years

Further, audit analysed the savings during the last three years and observed that the savings were due to the net effect of excesses and savings under various schemes (subheads) as detailed in **Table 2.14**.

Table 2.14 : Subhead-wise status of excess/savings

Year	Section	Total number of schemes		Excess occurred in subheads		Savings occurred in subheads	
		Plan	Non-plan	Plan	Non-plan	Plan	Non-plan
2013-14	Revenue	57	85	4	25	26	33
	Capital	9	-	1	-	6	-
2014-15	Revenue	65	88	5	24	34	33
	Capital	9	2	-	-	7	1
2015-16	Revenue	73	89	10	25	32	26
	Capital	11	2	-	-	9	-

Source : Detailed appropriation Accounts for respective years

In respect of savings/excess under non-plan schemes, audit scrutiny revealed that it was mainly due to the variations in budget estimations meant for disbursement of salary and other establishment expenditures. Hence the review was focused on the budgetary variations in the plan schemes implemented under the Grant. Audit observations are summarised below:

2.5.1 Persistent savings

Audit scrutiny revealed substantial under-utilisation of budget allocations in plan schemes under revenue section as detailed in **Table 2.15**.

Table 2.15: Substantial savings under revenue section

(₹ in lakh)

Sl. No.	Name of Scheme	Year	Budget allocation	Expenditure	% of savings
1	2235-02-001-96-(P) Strengthening of administrative infrastructure.	2013-14	400	159.36	60.16
		2014-15	500	328.85	34.23
		2015-16	500	260.44	47.91
Reply awaited from Government					
2	2235-02-101-73-(P) Model programme for support and rehabilitation of adult mentally challenged persons	2013-14	100	7.34	92.66
		2014-15	700	0	100
		2015-16	200	0	100
The programme was to be implemented with the active involvement of NGOs and the Social Justice department as nodal agency but could not be implemented due to non-availability of suitable proposals.					
3	2235-02-101-74-(P) Vocational rehabilitation centre for differently abled persons, Wayanad	2013-14	25	12.50	50.00
		2014-15	28	6.25	77.68
		2015-16	20	0	100
Budget allocations were made for imparting training and work opportunities for persons with disabilities. But suitable proposals were not made by the authorities of the Vocational Training Centre, Wayanad resulted in non-utilisation of budget allocation.					
4	2235-02-101-75-(P) 'Ente Koodu'- Shelter homes for destitutes	2013-14	80	36.00	55.00
		2014-15	85	9.90	88.35
		2015-16	75	1.44	98.08

Sl. No.	Name of Scheme	Year	Budget allocation	Expenditure	% of savings
	The Department stated that the 'Ente koodu', a project for shelter home for destitutes implemented in Kozhikode district on pilot basis during 2013-14. The mission of starting new 'Ente koodu' project in Thiruvananthapuram could not go ahead during 2014-15 since no suitable places were located for the project. The expenditure incurred was for renovation of a Government building to make it into a shelter home in Kozhikode and for meeting other running expenses incurred there.				
5	2235-02-101-84-(P) Upgradation of Vocational training Centers	2013-14	20	11.32	43.40
		2014-15	22	9.29	57.77
		2015-16	25	9.62	61.52
	Budget allocation was made for imparting vocational training to mentally challenged students in two Vocational Training Centres located in Thiruvananthapuram and Kozhikode and to arrange hostel facilities to students. Department stated that suitable proposals were not received from the authorities of the Vocational training centres and the plan to provide hostel facilities to students also did not materialise.				
6	2235-02-102-56-(P) Development of Anganwadi centres as Community resource centres for women and children-A life cycle approach	2013-14	100	55	45
		2014-15	200	99.50	50.25
		2015-16	220	45.39	79.37
	The Project Director ICDS stated that administrative sanction was accorded by the Government for the construction of five new Anganwadies in Kozhikode district at a cost of ₹50 lakh in 2013-14 and the fund was transferred to PWD. However construction was completed in respect of only two Anganwadies and for the remaining three construction is in progress. In 2014-15, proposal was to construct nine Anganwadies in Palakkad, Wayanad and Idukki district at total cost of ₹104.90 lakh and the work was entrusted to LSGD engineering wing but the work did not start and budget allocation remained unutilised. In 2015-16, an amount of ₹220 lakh was earmarked for construction of 14 Anganwadies Buildings and one Anganwadi-cum-Bio diversity park at Kannur against which ₹45.39 lakh was incurred resulting in savings under the head.				
7	2235-02-104-83-(P)-Government-NGO partnership in managing welfare institutions	2014-15	1000	1.44	99.85
		2015-16	1250	7.60	99.36
	The department stated that budget allocations were made for starting old age homes in 14 districts in partnership with NGOs. Only initial procedures could be done so far, which led to savings under the head.				
8	2235-60-200-72-09(P) Model rehabilitation centre for paraplegic patients	2013-14	400	10	97.50
		2014-15	50	0	100
		2015-16	5	0	100
	The budget allocation was for starting model Paraplegic centre in the State. Though several Local Bodies came with the proposal for site, the department did not accept any, citing the locations as inappropriate for paraplegic patients hence the project could not be started. During 2013-14, expenditure was incurred on Thresiamma memorial hospital and rehabilitation centre, a private hospital owned by N.K.Mathew Charitable trust which was taken over by the Social Justice department and converted into a paraplegic centre. Replies for the years 2014-15 and 2015-16 were not received.				
9	2235-02-101-82-(P) Home for mentally challenged persons-adult females, Thrissur	2013-14	10	4.71	52.90
		2014-15	11	3.51	68.09
		2015-16	10	1.13	88.70
	Budget allocations were made for giving care, protection, proper medical treatment to inmates of the mentally challenged female person's home in Thrissur. Department stated that no suitable proposals were received from the authorities of the Pratyasha Bhavan.				

Sl. No.	Name of Scheme	Year	Budget allocation	Expenditure	% of savings
10	2235-02-102-93-(P) C.H.Muhammad koya state institute for the mentally handicapped, Pangappara	2013-14	500	304.36	39.12
		2014-15	700	355.10	49.27
		2015-16	700	170.02	75.71
The Institute imparts special education, training and rehabilitation services to the mentally challenged in the State. The proposals to regularize the contract staff was not acceded to and administrative sanction for opening of two regional centres at Kasaragod and Malappuram was not given by the Government which resulted in savings.					

Source : Detailed appropriation Accounts for respective years

Similarly, in the following plan schemes under capital section, entire budget allocation was either not utilized or substantial portion surrendered at the fag end of the year as detailed in **Table 2.16**.

Table 2.16 : Substantial savings under Capital section

(₹ in lakhs)

Sl. No.	Name of Scheme	Financial year	Budget allocation	Expenditure	% of savings
1	4235-02-102-96-Construction of model Anganwadies	2013-14	120	0	100
		2014-15	700	0	100
		2015-16	1000	23.80	97.62
Failure of the Department to take up the works resulted in savings during 2013-14 and 2014-15. In 2015-16 the fund was used for clearing pending bills of contractors.					
2	4235-02-103-99-Construction of Nirbhaya homes	2013-14	300	0	100
		2014-15	900	0	100
		2015-16	800	0	100
PWD replied that savings was due to failure of the Department to take up the works.					
3	4235-60-800-98-Buildings for social welfare institutions	2013-14	494.23	19.58	96.03
		2014-15	544	108.44	80.07
		2015-16	1400.33	235.62	83.17
Savings was due to failure of the Department to take up the works. Funds utilised was for clearing pending bills of contractors.					
4	4235-02-102-94-Convergence of preschool and pre primary education centres in Anganwadies (NABARD-RIDF)	2013-14	500	0	100
		2014-15	200	0	100
		2015-16	1720	555	67.73
In 2013-14, the head of account was operated by Chief Engineer, PWD who replied that savings in that period was due to failure of the Department to take up the works. By the end of 2014-15, Government declared Chief Engineer, LSGD (Engineering wing) as the controlling officer of this Head of account. Due to delay in compliance procedures for incurring expenditure, the fund remained unutilized in 2014-15. In 2015-16, ₹1720 lakh was obtained through supplementary demand for grants in anticipation of settlement of final bills but the works could not be completed as expected which led to surrender of major portion of supplementary grant obtained.					

Source : Detailed appropriation Accounts for respective years

2.5.2 Failure in assessing actual requirement of funds during the year

While requesting for additional funds through supplementary demands for grants or through re-appropriation, departmental officers should make sure that the

additional funds are actually required for meeting the expenditure during the year. However, audit scrutiny revealed that in 13 sub heads (2013-14: five subheads; 2014-15 : four subheads and 2015-16:four subheads) augmentation of funds through supplementary demands for grants was wholly unnecessary as the entire/substantial portion of the provision obtained through supplementary demands surrendered before the close of the year. Details are given in **Appendix 2.16**. Similarly augmentation of funds through re-appropriation proved excessive in nine subheads during the last three years. Details are given in **Table 2.17**.

Table 2.17 :Subheads in which re-appropriation proved excessive

(₹ in lakh)

Sl. No.	Year	Head of account and name of the scheme	Original budget	Augmented through re-appropriation	Final expenditure
1	2013-14	2235-02-106-94(NP)-Rescue homes and after care homes	189.63	0.25	132.14
2		2235-02-001-99(NP)-Direction	181.30	6.30	182.05
3		2235-01-001-99(NP)-Directorate of rehabilitation	16.65	1.25	15.27
4	2014-15	2235-60-200-72(P)-Kerala Social Security Mission	7730.00	1698.60	8750.48
5		2235-02-789-98(P)-Rajiv Gandhi Scheme for empowerment of adolescent girls (100% CSS)(SABLA)	0.01	47.45	0.00
6	2015-16	2235-60-200-72(P)-Kerala Social Security mission	12775.01	236.00	12458.18
7		2235-02-789-99(P)-Supplementary Nutrition programme for children	0.00	1373.80	926.87
8		2235-02-102-97(NP)-Creches cum day care centers in Unorganized sectors	0.00	6.96	0.00
9		2235-02-796-99(P)-Supplementary nutrition programme for children (100% CSS)	0.00	497.52	387.11

Source : Detailed appropriation Accounts for respective years

2.5.3 Surrender/Re-appropriation of anticipated savings

According to Paragraph 93(1) of the Kerala Budget Manual, the proposal for re-appropriation and surrender should reach the Finance Department not later than 25 February every year. However, it was observed that during the last three years, the Director of Social Justice had submitted the proposal for re-appropriation/surrender of anticipated savings on the last day of the financial year. Consequently, the objective of allocating un-utilised funds to another needy department by Finance Department was defeated.

During 2015-16, an amount of ₹613.14 crore was surrendered on the last working day of the financial year and also re-appropriation proposal for a total amount of ₹49.30 crore was made on the last working day of the year.

According to Paragraph 84(3) of Kerala Budget Manual, if the appropriation under a unit is reduced by re-appropriation or resumption, the expenditure debitable to the unit should be restricted to the reduced appropriation. Under four subheads final expenditure exceeded the original budget allocation and hence reduction of funds through re-appropriation proved injudicious as shown in **Table 2.18**.

Table 2.18 : Injudicious re-appropriation

(₹ in lakh)

Sl. No.	Year	Head of account	Original Budget	Funds after Re-appropriation	Final Expenditure
1	2015-16	2235-02-102-53 (NP)-Child Right Commission	255.38	243.76	275.2
2	2015-16	2235-02-197-50 (NP)-Block grants for revenue expenditure	64.85	57.49	66.2
3	2013-14	2235-02-102-55(NP)-Improving conditions of Anganwadi workers and helpers	11855.6	11833.73	11965.8
4	2013-14	2235-02-001-98(NP)-Supervision	378.05	377.12	400.42

Source : Detailed Appropriation Accounts for respective years

In the seven subheads (**Table 2.19**) budget allocation was reduced by re-appropriation, in excess of the actual savings available under the head. This resulted in expenditure exceeding the available allocation under the heads.

Table 2.19 : Reduction of appropriation in excess of actually required

(₹ in lakh)

Sl. No.	Year	Head of account	Original budget	Funds after re-appropriation	Final expenditure
1	2013-14	2235-02-191-50(NP)-Block grants for Revenue Expenditure	1717.81	1608.07	1711.07
2	2014-15	2235-60-107-99(NP)-Freedom fighter's Pension	6020.00	5303.63	5314.65
3	2014-15	2235-02-001-96 (P)-Strengthening of Administrative Infrastructure	500.00	319.43	328.85
4	2014-15	2235-60-191-50 (NP)-Block grants for Revenue Expenditure	6816.86	6673.40	6811.38
5	2014-15	2235-02-106-97(NP)-Probation service	272.85	268.90	280.80
6	2015-16	2235-02-001-98 (NP)-Supervision	647.67	587.27	604.75
7	2015-16	2235-60-200-87 (NP)-Zilla Zainik Welfare Offices	589.13	509.36	519.51

Source : Detailed Appropriation Accounts for respective years

2.6 Overstated expenditure

Financial Rules prohibit withdrawal of money from treasury unless it is required for immediate disbursement. However, in some cases departmental officers withdraw budget allocation at the end of the year, to avoid lapse of budget, and keep them either in Treasury Savings Bank account or outside the Government without actually spending. This has resulted in overstatement of the total expenditure of the Grant as the amount remained unutilised even after the close of financial year. Audit noticed a few instances of under-utilisation of Government funds as detailed in **Table 2.20**.

Table 2.20: Details of overstated expenditure

(₹ in crore)

Sl. No.	Implementing institution/Name of scheme	Date of withdrawal of funds	Amount drawn	Unutilized amount
1.	Animal Husbandry Department- Kerala State Poultry Development Corporation/ Poultry Processing Plant, Mobile Freezer Unit, Vacuum packing machine (2403-00-190-94)	29 May 2012	2.14	2.14
Though the fund was released in 2012-13, the project was not implemented so far by the Kerala State Poultry Development Corporation due to non-availability of land as well as insufficiency of fund.				
2.	Forest and Wildlife Department- Zoological Park, Wildlife Protection and Research Centre, Puthur (2406-02-110-48)	30 March 2013	2.50	2.50
Though the fund was released in 2012-13, delay in finalising the design of the zoo resulted non-utilisation of fund (June 2016).				
3.	Agriculture Department- Establishing two mobile soil testing laboratories (2401-00-104-79)	28 March 2016	1.00	1.00
This was a project funded by Government of India, but the funds were not utilised due to delay in fulfilling administrative procedures.				
4.	Kerala Infrastructure Investment Fund Board- Major Infrastructure Development Projects (5475-00-800-92 (P))	28 March 2016	873.86	873.86
This amount was meant for eleven major infrastructure projects of the State and transferred to the corpus fund of KIIFB to facilitate borrowing by that institution.				
Total			879.50	879.50

Source : Detailed appropriation Accounts of respective years

2.7 Inspection of treasuries

There were 23 District Treasuries, 200 sub-treasuries, 12 Stamp depots and one e-treasury functioning in the State as of March 2016. The Principal Accountant General (A&E), Kerala inspected 150 units (including Directorate of Treasuries ,

District Treasuries Sub-treasuries). Irregularities and deficiencies noticed during the inspection of treasuries are mentioned in the succeeding paragraphs.

2.7.1 Excess payment of pension

During the course of treasury inspection, excess payment on account of pension/ family pension amounting to ₹0.90 crore was noticed in 898 cases. The main reasons for these excess payments were errors in calculation of revised pension, continuance of higher rate of family pension after expiry of authorised period, non-deduction of commuted portion of pension from basic pension, payment of ineligible festival allowance and medical allowance to family pensioners who are also in receipt of regular pension and incorrect calculation of dearness relief. Out of the above excess payment, ₹0.30 crore involved in 537 cases have already been recovered as shown in Table 2.21.

Table 2.21: Excess pension that remains to be recovered

(₹ in crore)

Sl. No.	Details of Excess paid pension	Excess paid		Recovered		Balance	
		No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
1	Excess payment of pension	108	0.42	40	0.16	68	0.26
2	Excess payment of UGC pension	36	0.03	29	0.01	7	0.02
3	Excess payment of family pension	81	0.29	22	0.05	59	0.24
4	Excess payment of festival allowance and Medical allowance	669	0.12	444	0.06	225	0.06
5	Irregular crediting of MLA pension	3	0.03	2	0.02	1	0.01
6	Excess payment of inter-state pension	1	0.01	0	0	1	0.01
Total		898	0.90	537	0.30	361	0.60

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

2.7.2 Retention of excess cash balance

According to Rule 309 of Kerala Treasury Code Vol.I, every year in January, Government fixes the maximum cash balance for each District Treasury for the next financial year. The District Treasury Officer in turn fixes the cash balance for each Sub Treasury in the district. The actual cash balance in treasury should ordinarily be kept much below the normal maximum balance fixed for a treasury so that Government's credit balance in the Reserve Bank of India may be as large as possible. Moreover excess retention of cash balance in treasuries may cause loss of revenue to the State by way of loss of interest on investment, payment of interest on ways and means advances, etc. Excess retention of cash balance was noticed in 109 treasuries/sub treasuries on 880 occasions during the financial year.

2.7.3 Short/non-recovery of rent of residential quarters

House rent at the rate of two *per cent* of basic pay (as per paragraph 14 of GO(P) 85/2011/Fin dated 16 February 2011) has to be recovered with effect from the date of coming over to the revised scale in the case of employees residing in Government quarters and whose scale of pay is 21240-37040 and above. In the case of employees covered under UGC/AICTE scale of pay, rent at the rate of four *per cent* of their basic pay has to be recovered (paragraph 14 of the Pay Revision Orders 2009). During the year, short/non-recovery of house rent was noticed in 37 cases amounting ₹2.84 lakh in 22 sub treasuries, of which ₹2.37 lakh in respect of 26 cases was yet to be recovered as on October 2016.

2.7.4 Pending adjustment of advances drawn by Drawing and Disbursing Officers

During the audit of Treasury Information System, Principal Accountant General (A&E), observed that in 92 treasuries, out of ₹121.67 crore (389 cases) drawn as advance, ₹121.01 crore (327 cases) were not settled (October 2016) by presenting final bills. Non-settlement of advances distorts the correctness of expenditure booked in Government accounts.

2.7.5 Irregular maintenance of Personal Deposit Accounts and Treasury Savings Bank Account

As per existing Government orders, if any Personal Deposit (PD) account remains un-operated for more than three years consecutively, the order of the Government has to be obtained for closing such accounts, if the accounts are no longer required by the Administrator. Such PD accounts which remain un-operated for more than three financial years, should be closed and the balance transferred to revenue. However, during the audit of 50 treasuries in 2015-16, ₹153.15 crore was seen blocked up in 236 accounts. Out of this, ₹4.82 crore had been credited back to revenue and ₹148.33 crore remained unadjusted (October 2016) in 174 PD accounts.

Similarly, as per Rule 28 and 40 of Treasury Savings Bank Rules, accounts which remain inoperative for more than five completed financial years cease to bear interest and balance outstanding in such accounts are to be transferred to Revenue Deposit. Principal Accountant General (A&E), observed that in 29 treasuries ₹0.54 crore was available in 383 un-operated accounts. Further, an amount of ₹3.05 crore being the balance amount of various projects/schemes implemented by eight departmental officers was idling under treasury savings bank/treasury public account of eight treasuries.

2.8 Conclusion

Against the total budget allocation of ₹1,18,890.79 crore, total expenditure was ₹94,377.17 crore, which resulted in under-utilisation of 21 *per cent* (₹24,513.62

crore) of the budget allocation during 2015-16. This was one *per cent* more than the under-utilisation during 2014-15. In nine Grants and one Appropriation persistent savings of ₹100 crore or more were noticed for the last three years. Excess expenditure of ₹230.77 crore under three appropriations and one Grant is to be regularized under Article 205 of the Constitution. Supplementary provisions aggregating to ₹781.10 crore, obtained in 20 Grants/ Appropriations (₹one crore or more in each case) during the year, proved unnecessary as the expenditure did not come up to the level of even the original provisions. Augmentation of funds through re-appropriation was proved wholly unnecessary in some sub-heads as the final expenditure was less than the budget allocation received through original and supplementary demands for grants. In 16 Grants/Appropriations, against the actual savings of ₹13,593.88 crore, the amount surrendered was ₹14,170.56 crore, resulting in excess surrender of ₹576.68 crore, which indicated the injudicious management of budget allocation by departmental officers.

Failures in appropriation control on the part of departmental officers of Social Justice Department were noticed in the Grant selected for review. Though, allocations were made in the budget for the last three years (2013-14 to 2015-16) for rehabilitation of mentally challenged and differently abled persons, utilisation of funds by the department was very poor. Funds earmarked for construction of Anganwadies and Nirbhaya homes was also not utilised.

Irregular maintenance of Personal Deposit Accounts and Treasury Savings Bank accounts was noticed during the audit of treasuries.

2.9 Recommendations

- Finance Department may review budgetary process in Grants/ Appropriations continuously showing under-utilisation of budget allocation as overall savings in budget allocations have been increasing year after year.
- Finance Department may ensure the utilisation of budget allocation under the Grant/Appropriation while processing the request of departmental officers for Supplementary Demands for Grants to avoid unnecessary savings under the Grant/ Appropriation at the end of the financial year. Departmental Controlling Officers may propose for Supplementary Grants only after exhausting the chances for re-appropriation between the heads of account under their control.
- Periodical review of inoperative Personal Deposit Accounts and Savings Bank Account may be carried out at treasury level to avoid blockage of funds.