

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 whether 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 the Budget Manual noticed in audit are discussed in the subsequent paragraphs.

2.2 Summary of Appropriation Accounts

The summarised position of actual expenditure during 2018-19 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 expenditure (+)	Percentage of savings/ excess expenditure
Voted							
I	Revenue	101074.46	12536.22	113610.68	98026.35	(-)15584.33	13.72
II	Loans and Advances	1102.09	1340.08	2442.17	2321.12	(-)121.05	4.96
III	Capital	10262.00	2636.33	12898.33	7676.24	(-)5222.09	40.49
Total Voted		112438.55	16512.63	128951.18	108023.71	(-)20927.47	16.23
Charged							
IV	Revenue Charged	15451.63	965.79	16417.42	17377.99	(+)960.57	5.85
V	Public Debt Repayment charged	14832.15	0.00	14832.15	18195.99	(+)3363.84	22.68
VI	Loans and Advances charged	0.00	2.57	2.57	1.77	(-)0.80	31.13
VII	Capital charged	87.55	84.03	171.58	122.14	(-)49.44	28.82
Total Charged		30371.33	1052.39	31423.72	35697.89	(+)4274.17	13.60
Appropriation to Contingency Fund (if any)		Nil	Nil	Nil	Nil	Nil	Nil
Grand Total		142809.88	17565.02	160374.90	143721.60	(-)16653.30	10.38

Source: Appropriation Accounts 2018-19 and Appropriation Acts

The overall savings of ₹16,653.30 crore were the result of savings of ₹21,116.45 crore in 42 Grants and 19 Appropriations under the Revenue Section and 29 Grants and Six Appropriations under the Capital Section (**Appendix 2.1**), offset by excess of ₹ 4,463.15 crore in two Grants and two appropriations under the Revenue Section and two appropriations under the Capital section. The overall savings increased by 2.49 per cent from 7.89 per cent in the last year to 10.38 per cent in 2018-19. It was observed that deficiencies persisted in estimating budgetary requirements with respect to a few Grants (**Table 2.6**).

Audit further analysed utilisation of budget allocation under voted category in revenue and capital sections separately and observed that in 34 Grants (each having savings exceeding ₹100 crore) budget allocation of ₹19,845.65 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	Number of Grants	Original Budget	Supplementary	Final Expenditure	Savings
Revenue-Plan	11	17298.83	2309.24	11080.03	8528.04
Revenue-Non-Plan	10	72305.16	8504.02	74603.00	6206.18
Capital-Plan	12	6450.09	3044.29	5186.21	4308.17
Capital-Non-plan	1	876.10	0.00	72.84	803.26
Total	34	96930.18	13857.55	90942.08	19845.65

Source: Appropriation Accounts 2018-19

Grant-wise details for the above information are given in **Appendix 2.2**. Further, it was observed that 8 Grants in voted category had more than 50 per cent of the budget allocation remaining unutilised as detailed in **Table 2.3**.

Table 2.3: Grants having substantial savings (₹ in crore)

Sl.No.	Grant number and name	Budget allocation	Expenditure	Savings	Percentage of savings
Revenue –Plan					
1	XXII Urban Development	2753.15	970.51	1782.64	64.75
2	XXXVI Rural Development	3614.70	941.51	2673.19	73.95
Capital Plan					
3	XXVIII Miscellaneous Economic Services	3246.17	1602.08	1644.09	50.65
4	XXXIII Fisheries	334.86	160.96	173.90	51.93
5	XXXV Panchayat	506.52	85.04	421.48	83.21
6	XXXVII Industries	1025.42	500.39	525.03	51.20
7	XXXVIII Irrigation	391.79	188.74	203.05	51.83
Capital Non-Plan					
8	XV Public Works	876.10	72.84	803.26	91.69

Source: Appropriation Accounts 2018-19

Further scrutiny revealed that 24 schemes of the above Grants had substantial savings (more than 50 per cent of the budget allocation and more than ₹30 crore) in the voted category as detailed in **Table 2.4**.

Table 2.4: Schemes having substantial savings under voted category (₹ in crore)

Sl. No.	Grant No.	Scheme/activity	Budget allocation	Expenditure	Savings
1.	XV	5054-03-337-94 Projects under Legislative Assembly Constituency Asset Development Scheme (LAC ADS) (NP)	160.00	38.90	121.10
2.		5054-04-337-80 Payment of compensation for land acquisition (NP)	100.00	3.35	96.65
3.		5054-80-800-66 Additional Public Works (NP)	500.00	0.00	500.00
4.	XXII	2217-05-191-69 Smart City Mission (50% CSS) (P)	400.00	165.32	234.69
5.		2217-05-191-74 Pradhan Mantri Awas Yojana (PMAY) (60% CSS) (P)	250.00	19.56	230.44
6.		2217-05-191-77 National Urban Livelihood Mission (NULM) (60% CSS) (P)	40.00	6.96	33.04
7.		2217-05-192-72 Pradhan Mantri Awas Yojana (PMAY) (60% CSS) (P)	1000.00	78.32	921.68
8.	XXII	2217-05-192-74 National Urban Livelihood Mission (NULM) (60% CSS) (P)	60.00	18.60	41.40
9.		2217-80-800-62 Interest Subsidy to	200.00	9.19	190.81

Sl. No.	Grant No.	Scheme/activity	Budget allocation	Expenditure	Savings
		KURDFC towards loan availed from HUDCO for the implementation of LIFE-Parppida Mission scheme (P)			
10.	XXVIII	5475-00-115-99 Major Infrastructural Development Projects (P)	1638.31	0.00	1638.31
11.	XXXIII	4405-00-103-93 Basic Infrastructural Facilities and Human Development of Fisher folk (P)	180.00	87.53	92.47
12.		4405-00-104-36 Development of Marine Fisheries, Infrastructure & Post Harvest Operations (CSS 60%)(P)	43.25	13.24	30.01
13.	XXXV	4515-00-800-98 Prime Minister's Grama Sadak Yojana (60% CSS) (P)	500.52	85.04	415.48
14.	XXXVI	2501-06-796-98 Pradhan Mantri Awas Yojana (PMAY - Gramin) (60% CSS) (P)	52.80	16.81	35.99
15.		2505-02-101-99 Mahatma Gandhi National Rural Employment Guarantee Programme (90% CSS) (P)	2806.34	345.53	2460.81
16.	XXXVII	4851-00-101-90 Construction of Multistoried Industrial Estate (State Share) (P)	36.66	5.31	31.35
17.		4859-02-004-95 Land Acquisition and Infrastructure Development under IT (P)	83.00	22.46	60.54
18.		4859-02-190-90 One time financial assistance for re-structuring IITM-K as deemed university(P)	50.00	0.00	50.00
19.		4885-60-800-96 Provision for Revival/ Diversification of State Public Sector Undertakings Lumpsum Provision (P)	57.85	0.00	57.85
20.		6860-01-190-95 Loans to Kerala State Textile Corporation (P)	65.00	22.20	42.80
21.		6885-60-190-99 Loans to Kerala Industrial Infrastructure Development Corporation (P)	61.60	22.67	38.93
22.	XXXVIII	4701-18-800-87 NABARD assistance for Chamravattom (P)	41.14	0.12	41.02
23.		4701-80-800-77 Dam Rehabilitation and Improvement Project (DRIP) (P)	137.12	50.53	86.59
24.		4711-01-103-86 Pradhan Mantri Krishi Sinchai Yojana-Kuttanadu Flood Management Component 50% CSS (P)	116.14	48.16	67.98

Source: Appropriation Accounts 2018-19

Audit further analysed savings under voted category in revenue and capital sections excluding salary/establishment expenses and observed savings of ₹11,699.90 crore (each having savings exceeding ₹100 crore) in 22 grants under plan and non-plan category as shown in **Table 2.5**.

Table 2.5: Savings under Plan and Non-plan category excluding salary/establishment charges (*₹ in crore*)

Category	Number of Grants	Original Budget	Final Expenditure	Savings
Revenue Plan	8	15374.02	8901.42	6472.60
Revenue Non-Plan	5	16519.75	14263.56	2256.19
Capital Plan	8	4092.48	1924.63	2167.85
Capital Non-Plan	1	876.10	72.84	803.26
Total	22	36862.35	25162.45	11699.90

Source: Appropriation Accounts 2018-19

The savings of 32 per cent of the original budget (excluding projections for salary/establishment charges) indicate failure of the State Government to utilise funds earmarked in the budget for development expenditure/creation of assets.

2.3 Financial Accountability and Budget Management

2.3.1 Appropriation vis-à-vis Allocative Priorities

Audit of Appropriation Accounts revealed that savings exceeded ₹100 crore and also more than 25 per cent of the total budget provision in seventeen Grants/Appropriations as detailed in **Table 2.6**.

Table 2.6: Grants/Appropriations showing substantial savings (*₹ in crore*)

Sl. No.	Grant Number and Name	Total Grant/ Appropriation	Expenditure	Savings	Percentage of savings	
Revenue – Voted						
1	XXII	Urban Development	2901.86	1118.33	1783.53	61
2	XXVIII	Miscellaneous Economic Services	291.38	187.25	104.13	36
3	XXX	Food	1916.42	1407.29	509.13	27
4	XXXVI	Rural Development	3870.96	1181.87	2689.09	69
5	XXXIX	Power	153.70	22.67	131.03	85
6	XLVI	Social Security and welfare	5449.88	3785.77	1664.11	31
Capital-Voted						
7	XVII	Education, Sports, Art and culture	661.72	457.92	203.80	31
8	XX	Water Supply and sanitation	1041.26	538.94	502.32	48
9	XXV	Welfare of Scheduled castes, scheduled tribes, other backward classes and minorities.	302.56	176.83	125.73	42
10	XXVIII	Miscellaneous Economic Services	3276.17	1612.21	1663.96	51
11	XXIX	Agriculture	341.76	192.84	148.92	44
12	XXXIII	Fisheries	436.36	234.58	201.78	46
13	XXXV	Panchayat	756.36	316.70	439.66	58
14	XXXVII	Industries	1035.42	610.17	425.25	41
15	XXXVIII	Irrigation	405.10	195.19	209.91	52
16	XLII	Tourism	243.66	123.66	120.00	49
17	XLVI	Social Security and Welfare	227.66	121.14	106.52	47
Total			23312.23	12283.36	11028.87	47

Source: Appropriation Accounts 2018-19

Further, the savings under the above seventeen Grants were 66 per cent of the total savings of all the Grants during 2018-19, (₹16,653.31 crore). Government had not attached adequate fiscal priority to the development sectors as is evident from Table 2.6.

Analysis of the savings in the above seventeen Grants revealed that 65 schemes had savings of more than ₹25 crore during 2018-19. Details are given in **Appendix 2.3**.

2.3.2 Persistent savings

Fourteen Grants had savings of more than ₹100 crore during the last three financial years as detailed in **Table 2.7**.

Table 2.7: Grants/Appropriation having persistent savings during last three years

(₹ in crore)

Sl. No.	Number and Name of Grant/Appropriation		Amount of savings (Percentage)		
			2016-17	2017-18	2018-19
Revenue – Voted					
1.	XII	Police	180.43(5)	278.20(7)	372.93(9)
2.	XVII	Education, sports, art and culture	337.73(2)	1198.32 (6)	1650.99 (8)
3.	XXII	Urban development	631.19 (42)	1114.46 (67)	1783.52 (61)
4.	XXV	Welfare of scheduled castes, scheduled tribes, other backward classes and minorities	277.20 (10)	400.81 (12)	592.04(19)
5.	XXIX	Agriculture	308.75(10)	763.22 (21)	863.42(22)
6.	XXX	Food	156.90(9)	338.97 (19)	509.13(27)
7.	XXXVI	Rural development	2270.10 (74)	3033.33 (75)	2689.09 (69)
8.	XLIII	Compensation and assignments	1881.46 (25)	1036.33 (13)	1526.68 (15)
9.	XLVI	Social security and welfare	1136.67 (18)	574.88(8)	1664.11 (31)
Capital-voted					
10.	XX	Water supply and sanitation	299.37 (53)	186.09 (37)	502.31 (48)
11.	XXVIII	Miscellaneous economic services	952.75 (29)	1591.22 (58)	1663.96(51)
12.	XXIX	Agriculture	280.41 (40)	111.35 (26)	148.92 (44)
13.	XXXVII	Industries	236.17 (23)	267.28 (23)	425.25 (41)
14.	XLI	Transport	179.35 (16)	233.69 (11)	215.43 (12)

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 14 Grants were due to persistent savings under a few sub-heads (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 the ability of the department to utilise the funds. Details of schemes, where persistent savings of ₹50 crore or more was noticed, are given in **Appendix 2.4**.

2.3.3 Excess expenditure over provision during 2018-19

The Appropriation Accounts disclosed excess expenditure in two⁴⁸ grants and two⁴⁹ appropriations under Revenue Section amounting to ₹1,098.28 crore and two⁵⁰ Appropriation under Capital Section amounting to ₹3,364.87 crore, which require regularization under Article 205 of the Constitution. Further analysis revealed that 10 schemes under the above Grants and Appropriations had excess expenditure of more than ₹five crore. Details are given in **Appendix 2.5**. Similar observation was raised in the previous Audit Reports as well and the Government is yet to initiate any action in accordance with Article 205.

It was also observed that in four schemes, expenditure was incurred without any budget allocation. Details are given in **Table 2.8**.

Table 2.8: Expenditure incurred without budget allocation (₹in crore)

Sl. No.	Grant number and scheme name		Budget allocation	Expenditure	Excess
1.	Debt charges	2049-01-200-85 Interest on Loans raised from Federal Bank in September 2018 on the strength of HBA to State Government Employees (NP)	0	1.15	1.15
2.		2049-01-200-84-Interest on loans raised from PNB in September 2018 on the strength of HBA to State Government Employees (NP)	0	0.79	0.79
3.	Public Debt Repayment	6003-00-109-90 Loan raised from PNB in September 2018 on the strength of HBA to State Government Employees (NP)	0	31.63	31.63
4.		6003-00-109-91 Loan raised from Federal Bank in September 2018 on the strength of HBA to State Government Employees(NP)	0	34.07	34.07

Source: Detailed Appropriation Accounts 2018-19

Scheme-wise analysis of the remaining Grants/Appropriations also revealed incurring of expenditure after budget allocations were injudiciously re-appropriated/surrendered. Details of such seven schemes are given in **Appendix 2.6**.

2.3.4 Persistent excess expenditure

Persistent excess expenditure was noticed in two schemes under Grant No.XIX Family Welfare during the financial years 2017-18 and 2018-19 as shown in **Table 2.9**.

⁴⁸Grant No. I State Legislature: ₹0.65 crore; Grant No. XIX Family Welfare: ₹39.81 crore;

⁴⁹Debt Charges ₹ 1057.69 crore ; Grant No. .XXXIV Forest ₹ 0.13 crore

⁵⁰Grant No.. XVII Education, Sports, Art and Culture: ₹1.02 crore and Public Debt Repayment ₹3,363.85 crore.

Table 2.9: Persistent excess expenditure for the last two financial years**(₹ in crore)**

Sl. No.	Head of account	Year	Budget allocation	Expenditure	Surrender	Reappropriation	Excess expenditure
1.	2011-02-103-99 Legislative Secretariat (V)- (NP)	2017-18	73.07	74.07	0.28	0.13	1.15
		2018-19	75.46	76.05	0.36	-0.27	1.22
2.	2211-00-101-95-Sub Centres - (CSS - 60:40)(P)	2017-18	280.00	377.99	0.00	54.36	43.63
		2018-19	300.00	373.90	0.00	31.66	42.24

Source: Detailed Appropriation Accounts 2017-18 and 2018-19

Further analysis revealed that the excess expenditure was due to insufficient augmentation of provision through re-appropriation under the heads of account 2011-02-103-99 and 2211-00-101-95. Injudicious surrender/re-appropriation of funds also attributed to excess expenditure under these heads of account.

Repeated excess expenditure over grants approved by the State Legislature is in violation of the will of the Legislature and the principle that no expenditure can be incurred without the approval of the Legislative Assembly and, therefore, this needs to be viewed seriously. All the existing cases of excess expenditure need to be regularized at the earliest and, in future, such un-voted expenditure may be completely stopped, except in case of dire and extreme emergency, the cost of which can be met from the Contingency Fund.

2.3.5 Excess expenditure over provisions relating to previous years requiring regularisation

As per Article 204 of the Constitution of India, no money shall be withdrawn from the Consolidated Fund except under appropriation made by law by the State legislature and Article 205 stipulates that the Government should get the excess over a grant/appropriation regularized by the State Legislature. Although no time limit for regularisation of expenditure has been prescribed under the Articles, the regularisation of excess expenditure is done after the completion of discussion of the Appropriation Accounts and the corresponding Audit Report by the Public Accounts Committee (PAC). Excess expenditure under 28 Grants and 11 Appropriations amounting to ₹4,735.00 crore for the years 2011-12 to 2017-18 was to be regularised (December 2019) as summarized in **Table 2.10**. For the last eight consecutive years i.e. from 2011-12 to 2018-19, the State Government had been incurring expenditure in excess of appropriation. The year-wise and Grant-wise amounts of excess expenditure pending regularisation and the stage of consideration by the PAC are detailed in **Appendix 2.7**. This is in violation of Article 204 of the Constitution which provides that no money shall be withdrawn from the Consolidated Fund except under appropriation made by Law by the State Legislature. This vitiates the system of budgetary and financial control and encourages financial indiscipline in management of public resources.

Table 2.10: Excess over provisions relating to previous years requiring regularization**(₹ in crore)**

Year	Number of		Amount of excess expenditure 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
2015-16	1	3	230.78
2016-17	8	..	141.17
2017-18	6	3	3545.44
Total	28	11	4735.00

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

2.3.6 Unnecessary/excessive Supplementary provision

Supplementary provisions aggregating to ₹6,107.21 crore, obtained in 30 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 2.8**. Since there were sufficient savings in the original budget allocation, the option of re-appropriation of funds between heads of account (where savings were noticed) within the Grant/Appropriation could have been resorted to by the Chief Controlling Officers (for heads of accounts, which require funds) instead of proposing Supplementary Demands for Grants (SDG).

Further scrutiny revealed that supplementary grants obtained in respect of a few schemes/activities proved wholly unnecessary as the funds obtained through SDG were not utilised and were surrendered fully at the end of the year. The details are given in **Table 2.11**

Table 2.11: Surrender of entire provision obtained through SDG (₹ in crore)

Sl.No	Grant No.	Name of the scheme	SDG obtained	Month of SDG
1	XII	2055-00-101-95-Crime and Criminal Tracking Network Systems (CCTNS)	5.85	January 2019
2		2205-00-105-99-Kerala State Library Council	19.53	January 2019
3	XVII	4202-04-800-94-Land acquisition charges of Cultural institutions	5.00	January 2019
4		3435-04-103-96- “Kerala State Pollution Control Board”	4.03	December 2018
The final expenditure under the sub head (₹9.85 crore) was less than the original budget allocation (₹13.50 crore) and the final surrender (₹7.65 crore) from the head of account was more than the amount obtained through SDG.				
5	XXV	4225-04-277-98-Construction of Building for Govt.Higher Secondary School, Eranjimangad, Chaliyar under Pradan Mantri Jan Vikas Karyakram (60 % CSS)	2.07	January 2019
6	XXX	2408-01-102-99-Grant to Kerala State Civil Supplies Corporation Ltd. for market intervention operations	50.00	December 2018
The final expenditure under the sub head (₹125 crore) was less than the original budget allocation (₹150 crore) and the final surrender (₹75 crore) from the head of account was more than the amount obtained through SDG.				
7	XXXV	4515-800-94-Completion of construction and land acquisition activities of convention centre at Pinarayi Grama Panchayat	6.00	June 2018
The SDG remained unutilised and was surrendered at the end of the financial year. The same lapse was also observed in the financial year 2017-18.				
8	XLIII	3604-200-86-Funds for development expenditure-5 th SFC Recommendations	63.46	January 2019
The final expenditure under the sub head (₹4588.63 crore) was less than the original budget allocation (₹5260.44 crore) and the final surrender (₹733.39 crore) from the head of account was more than the amount obtained through SDG.				
9	XLVI	2235-02-102-32- Procurement of ADHAAR Enrollment Kits (60% CSS)	11.61	June 2018
10		2235-02-102-33- Upgradation of Anganwadi Centres (60 % CSS)	8.00	
11		2235-02-103-54- Mahila Sakthi Kendra (60 % CSS)	1.23	

Sl.No	Grant No.	Name of the scheme	SDG obtained	Month of SDG
12		4235-02-101-98-Creation of Barrier free environment to Persons with Disabilities under Accessible India Campaign (100 % CSS)	4.30	January 2019
13	II	3451-092-90-Wi-Fi connection at Public Places and Libraries	28.00	June 2018
The amount was not surrendered till the end of the financial year.				

Source: Appropriation accounts 2018-19

Further, in 17 Grants/Appropriation, against the additional requirement of ₹7,537.50 crore, supplementary budget allocation of ₹10,423.22 crore obtained during the year proved excessive (**Appendix 2.9**) by ₹2,885.72 crore which resulted in avoidable savings to that extent.

2.3.7 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. Sub-heads in which augmentation was done through re-appropriation (exceeding ₹one crore) but no part was utilised are given in **Appendix 2.10**.

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 sub-heads. Cases of such injudicious re-appropriations noticed in six schemes/activities are given in **Appendix 2.11**. It was also observed that even though augmentation through re-appropriation was done in 11 schemes/activities, the final expenditure exceeded the budget allocation available under the heads of account by more than ₹one crore. Details are given in **Appendix 2.12**.

2.3.8 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 the Finance Department as and when they are foreseen, unless they are required to meet the excesses under other units of appropriation.

During 2018-19, ₹20,687.91 crore (12.90 per cent) out of the total budget allocation (₹1,60,374.90 crore) was surrendered at the end of the financial year. More than ₹1,000 crore was surrendered in six Grants as detailed in **Table 2.12**. Though Savings amounting to ₹21,116.46 crore were available, an amount of ₹20,687.91 crore only was surrendered which has resulted in non-surrender of ₹428.55 crore.

Table 2.12: Grants in which more than ₹1000 crore was surrendered*(₹ in crore)*

Grant number		Budget allocation	Amount surrendered	Percentage of surrender
Revenue – Voted				
XVII	Education, sports, art and culture	20777.89	1515.06	7
XXII	Urban Development	2901.86	1782.73	61
XXXVI	Rural Development	3870.96	2685.58	69
XLIII	Compensation and Assignments	10441.29	1525.73	15
XLVI	Social Security and Welfare	5449.88	1598.69	29
Capital voted				
XXVIII	Miscellaneous Economic Services	3276.17	1663.96	51

Source: Appropriation Accounts 2018-19

Further scrutiny revealed that in 28 schemes/activities (**Table 2.13**) the final surrenders were more than ₹100 crore, which included 18 schemes/activities of the above mentioned Grants.

Table 2.13: Schemes in which more than ₹100 crore was surrendered (₹ in crore)

Sl. No.	Grant number and name of the scheme		Budget allocation	Expenditure	Surrender
1.	XII	2055-00-109-99 District Force (NP)	2645.18	2458.75	291.62
2.		2071-01-101-99 Pension to Kerala Government Pensioners (NP)	8456.18	7993.37	339.59
3.	XVI	2071-01-102-99 Payments in India (NP)	3142.01	2911.65	237.94
4.		2075-00-800-68 Government contribution to Chief Minister's Janasanthwana Fund (NP)	200.00	0.00	200.00
5.		2202-03-103-57 Rashtriya Uchchatar Shiksha Abhiyan - RUSA (60% CSS) (P)	250.00	104.02	110.04
6.	XVII	2202-03-104-99 Salaries to the staff under the Direct Payment System (NP)	1305.79	1003.23	334.44
7.		2202-03-105-97 Additional Skill Acquisition Programme (ASAP)(P)	282.20	117.82	126.14
8.		4202-01-202-93 Infrastructure - School Education (P)	120.00	13.10	106.90
9.	XVIII	2210-06-101-19 National Health Mission (CSS 60:40) (P)	730.28	496.48	234.04
10.		2217-05-191-69 Smart City Mission (50%CSS)(P)	400.00	165.32	234.68
11.		2217-05-191-74 Pradhan Mantri Awas Yojana (PMAY) (60% CSS)(P)	250.00	19.56	115.03
12.	XXII	2217-05-192-72 Pradhan Mantri Awas Yojana (PMAY) (60% CSS)(P)	1000.00	78.32	918.52
13.		2217-80-800-62 Interest Subsidy to KURDFC towards loan availed from HUDCO for the implementation of LIFE-Parppida Mission scheme(P)	200.00	9.19	190.81

Sl. No.	Grant number and name of the scheme	Budget allocation	Expenditure	Surrender
14.	2245-02-101-94 Other Items (NP)	366.62	210.14	157.35
15.	XXVI 2245-02-122-99 Repairs and Restoration of damaged irrigation and flood control works (NP)	452.44	0.64	194.56
16.	XXVIII 5475-00-115-99 Major Infrastructural Development Projects (P)	1638.31	0.00	1638.31
17.	XXIX 2401-00-109-65 Umbrella Scheme on Krishi Unnathi Yojana and other CSS (60% CSS)(P)	420.82	221.71	174.56
18.	XXX 2408-01-101-96 Paddy procurement through Kerala State Civil Supplies Corporation and Other Agencies(NP)	525.00	285.48	233.77
19.	XXXV 4515-00-800-98 Prime Minister's Grama Sadak Yojana (60% CSS) (P)	500.52	85.04	415.39
20.	2501-06-197-48 Block Grants for CSS (P)	228.34	121.10	107.24
21.	XXXVI 2505-02-101-99 Mahatma Gandhi National Rural Employment Guarantee Programme (90% CSS) (P)	2806.34	345.53	2433.97
22.	3604-00-200-86 Funds for Development Expenditure - 5th SFC Recommendations (NP)	5323.90	4588.63	733.39
23.	XLIII 3604-00-200-87 Funds for Maintenance Expenditure (Non - Road Assets) - 5th SFC Recommendations (NP)	703.16	564.93	138.22
24.	3604-00-200-90 Expansion and Development under XIV Finance Commission Recommendations(NP)	1739.56	1156.88	582.63
25.	2235-02-102-47 Integrated Child Development Service (60 % CSS)(P)	499.00	363.24	152.68
26.	XLVI 2235-02-198-50 Block Grant for Revenue Expenditure (NP)	412.76	152.35	248.78
27.	2235-60-192-50 Block Grant for Revenue Expenditure(NP)	226.31	64.20	162.11
28.	2235-60-198-50 Block Grant for Revenue Expenditure(NP)	1685.80	1134.35	551.44

Source: Detailed Appropriation Accounts 2018-19

Further analysis revealed substantial surrenders (surrenders involving more than 50 per cent of the total allocation and more than ₹one crore in each case) in 475 sub-heads amounting to ₹11,529.12 crore. In 150 sub-heads, entire budget allocation (above ₹one lakh) amounting to ₹3,175.88 crore was surrendered and in 31 cases, this was ₹10 crore and above as detailed in **Appendix 2.13**.

In seven schemes as indicated in **Table 2.14**, the budget allocation was provided through re-appropriation (no allocation was made through original or supplementary budget) and the entire allocation remained unutilised and was surrendered at the end of the year.

Table 2.14: Surrender of entire allocation provided through re-appropriation**(₹ in crore)**

Sl. No.	Grant No.	Category	Name of Scheme	Amount
1	XVII	Cap Voted	4202-03-102-87 (V) (P) Priority Programmes under Special Projects	0.65
2	XVIII	Cap Voted	4210-01-110-53 (V) (P) Strengthening the Ophthalmic wing of District/General/Taluk Hospitals	2.44
3	XXIV	Rev Voted	2230-03-101-57 (V) (P) Skill Strengthening for Industrial Value Enhancement (STRIVE) Programme (100% CSS)	0.025
4	XXIV	Rev Voted	2230-03-101-94 (V) (P) Setting up of Model ITIs (70% CSS)	1.2
5	XXIX	Rev Voted	2401-00-789-89(V) (P) Umbrella Scheme on Krishi Unnathi Yojana and other CSS (60% CSS) (MIDH)	6.92
6	XXIX	Rev Voted	2401-00-796-88 (V) (P) Umbrella Scheme on Krishi Unnathi Yojana and other CSS (60% CSS) (PMKSY)	0.085
7	XXIX	Rev Voted	2401-00-796-90 (V) (P) Umbrella Scheme on Krishi Unnathi Yojana and other CSS (60% CSS) (MIDH)	0.71

Source: Detailed Appropriation Accounts 2018-19

2.3.9 Surrender in excess of actual savings

In 10 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 ₹775.36 crore, the amount surrendered was ₹1,047.41 crore, resulting in excess surrender of ₹272.05 crore under these Grants/Appropriations. Audit observed that the number and amount of excess surrender decreased from ₹1,510.60 crore (40 cases) in 2017-18 to ₹272.05 crore (10 cases) in 2018-19. Details are given in **Appendix 2.14**. Further, Audit analysed the budget management of Departmental officers in respect of schemes/activities under their control and observed that injudicious surrender of budget allocation led to final excess expenditure (in excess of ₹one crore) in 28 schemes/activities as detailed in **Appendix 2.15**. Final expenditure in respect of the 26 schemes out of the above 28 schemes was less than the original budget allocation provided for implementation of the schemes. However, injudicious surrender led to final excess expenditure under these schemes.

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 702 out of 950 items (73.89

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.

2.3.11 Rush of Expenditure

According to Article 91(2) of the Kerala Budget Manual, appropriation which cannot be utilised to good effect should be surrendered. It is contrary to the interests of the Government to spend money hastily or in an ill-conceived manner, merely because it is available, or just to avoid lapse of funds. 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. Contrary to this, in 264 sub-heads as listed in **Appendix 2.16**, it was noticed that more than 50 per cent of the total expenditure in each sub-head was incurred in March 2019. Rush of expenditure at the end of the year shows poor expenditure control.

2.4 Non-reconciliation of departmental figures

2.4.1 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 AG (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 64.98 per cent of the total receipts (₹42,866.56 crore out of ₹65,966.76 crore) and 86.90 per cent of the total expenditure (₹97,148.25 crore out of ₹1,11,779.46 crore) was completed. However, 21 Chief Controlling Officers, whose total transactions exceeded ₹10 crore did not reconcile their expenditure with the accounts maintained by the AG (A&E) as shown in **Appendix 2.17**. This was not only in violation of the provisions of Paragraph 74 of the Kerala Budget Manual but also casts doubt about the correctness of the expenditure figures supplied by the departments concerned and the figures booked by AG (A&E), Kerala.

2.5 Review on Budgetary process and Appropriation Control - Grant No. XXIX-Agriculture

The department of Agriculture development and Farmer's welfare, Kerala in its present set up started functioning from 1987 for the overall development of Agriculture in the State. The vision of the department is to attain self sufficiency in food production through enhanced agricultural productivity of Agricultural commodities so as to make Agriculture a sustainable and viable vocation providing livelihood support.

The Grant No. XXIX Agriculture is controlled by 18 Controlling officers. The controlling officers are responsible for ensuring appropriation control in each unit of appropriation of the Grant. A review was conducted to ascertain the budgetary process and utilisation of funds earmarked for various schemes implemented by three controlling officers viz., Director of Agriculture, Director of Soil Survey and Soil conservation and Chief Engineer, Irrigation and Administration. Defective budgetary and appropriation control was noticed in the schemes implemented by these three controlling officers.

2.5.1 Budget allocation and expenditure

Budget allocation and expenditure under revenue and capital sections of the Grant during the last three years is given in **Table 2.15**.

Table 2. 15: Budget allocation and expenditure for last three years

(₹ in crore)					
Year	Category	Budget allocation	Expenditure	Savings	Percentage of savings
2016-17	Revenue	3197.86	2889.11	308.75	9.65
	Capital	699.09	418.68	280.41	40.11
2017-18	Revenue	3646.46	2883.23	763.23	20.93
	Capital	429.69	318.33	111.36	25.92
2018-19	Revenue	3907.89	3044.46	863.43	22.09
	Capital	341.76	192.84	148.92	43.57

Source: Appropriation Accounts of respective years

Table 2.15 shows that more than 20 per cent of the budget allocation remained unutilised during the last three years (except under revenue section during 2016-17). The savings under capital portion during 2018-19 work out to the highest rate of 43.57 per cent. Further scrutiny revealed that 67 schemes had savings of more than ₹one crore in 2018-19, of which 29 schemes had persistent savings for three years as detailed in **Appendix 2.18**.

It was also observed that in 25 schemes, as detailed in **Table 2.16**, the entire budget allocation remained unutilised in the respective years and was surrendered at the end of the year.

Table 2.16: Schemes in which entire budget allocation was surrendered (₹ in crore)

Sl. No.	Scheme	Year	Budget allocation	Amount surrendered
1.	2401-00-109-63 Implementation of Gender Equality and Woman's Empowerment Policy (NP)	2017-18	0.10	0.10
2.	2401-00-109-76 Farmers' Welfare Fund Board (P)	2017-18	0.25	0.25
		2018-19	0.30	0.30
3.	2401-00-111-98 Agro Ecological Planning and Development. (P)	2016-17	0.75	0.75
4.	2401-00-111-99 Agricultural Census(Central Sector Scheme 100%)(P)	2017-18	0.01	0.01
5.	2401-00-191-50 Block Grants for Revenue Expenditure (NP)	2017-18	0.01	0.01
6.	2401-00-800-48 World Trade Organisation Cell in the Government Secretariat (NP)	2017-18	0.17	0.17
		2018-19	0.08	0.08
7.	2415-01-277-86 Assistance to Kerala Agricultural University to support the training and extension needs of KFD (P)	2018-19	0.50	0.50
8.	2435-01-101-75 Support for Innovative projects of Farmer's Collectives/Farmer Producer Organisations (P)	2018-19	2.00	2.00
	Department stated that the entire budget allocation was surrendered since the scheme was included in 20 per cent plan cut implemented during 2018-19 after the flood of August 2018.			
9.	2551-60-101-98 Sabarimala Master Plan (P)	2016-17	25.00	25.00
10.	2702-01-102-97 National Hydrology Project (Surface Water) – 100% CSS (P)	2017-18	0.01	0.01
11.	2702-03-101-98 Other maintenance Expenditure (NP)	2018-19	0.10	0.10

Sl. No.	Scheme	Year	Budget allocation	Amount surrendered
12.	2702-80-799-99 Stock (NP)	2017-18	0.03	0.03
13.	4401-00-001-98 Projects under Legislative Assembly Constituency Asset Development Scheme (LAC-ADS) (NP)	2017-18	0.09	0.09
		2018-19	0.10	0.10
14.	4401-00-190-97 Kerala State Horticultural Products Development Corporation Ltd. – Investments (P)	2016-17	0.25	0.25
15.	4402-00-101-96 Institute for Watershed Development and Management, Kerala - Completion of Trainee Hostel (P)	2018-19	1.50	1.50
16.	4402-00-203-92 Improvements to Padasekharams deepening of inner Chals of Ponnani Kole (P)	2018-19	1.40	1.40
17.	4402-00-203-97 Development and Upgradation of Kole Lands (NP)	2016-17	0.47	0.47
18.	4402-00-800-76 Infrastructure development works and Sahasra Sarovar Scheme RIDF XXII (P) The Project was entrusted to Kerala Land Development Corporation (KLDC) for its implementation, which stated that the allotted funds could not be utilized as the works under this scheme were in e-tendering process and were in the initial stages. Hence surrendered.	2018-19	6.00	6.00
19.	4702-00-101-64 Renovation of Tanks and Ponds - Revival, Conservation and Upgradation of Local Water Resources (P) Department stated that the non-utilisation of funds was due to the delay in receipt of Letter of Credit (LoC) and Administrative sanction issued by Government. Consequently, the expenditure was not incurred even though the work has been completed.	2017-18	3.00	3.00
20.	4702-00-101-65 Minor Irrigation Class II - Schemes under Haritha Keralam (P) Department stated that the non-utilisation of funds was due to delay in receipt of Administrative sanction under the heads of accounts relating to 'Haritha Keralam' on account of some technical issues.	2017-18	5.00	5.00
		2018-19	7.00	7.00
21.	4702-00-101-66 Minor Irrigation Class I - Schemes under Haritha Keralam (P) Department stated that the non-utilisation of funds was due to delay in receipt of Administrative sanction under the heads of accounts relating to "Haritha Keralam" on account of some technical issues.	2017-18	5.00	5.00
22.	4702-00-101-68 Pradhan Manthri Krishi Sinchayee Yojana (60% CSS) (P) Department attributed non- utilisation of budget provision to non- sanctioning of works under the scheme 'PMKSY'.	2016-17	60.00	60.00
		2017-18	60.00	60.00
		2018-19	72.50	72.50
23.	4702-00-101-69 Minor Irrigation Projects in Cauvery Basin (NABARD Assistance) (P) Department stated that the non-utilisation of funds was due to the delay in receipt of Letter of Credit (LoC) and Administrative sanction issued by Government. Consequently, the expenditure was not incurred even though the work has been completed.	2016-17	60.00	60.00
24.	4702-00-101-71 Bhavani Basin - Check dams in Attapady (P) Department stated that the non-utilization of funds was due to the delay in receipt of Letter of Credit (LoC) and Administrative sanction issued by Government. Consequently, the expenditure was not incurred even though the work has been completed.	2017-18	5.00	5.00
		2018-19	5.00	5.00
25.	4702-00-102-96 Meenachil Check Dams (P)	2016-17	15.00	15.00

Source: Detailed Appropriation Accounts of respective years

2.5.2 Injudicious surrender of funds

During the course of the financial year, if it is found that the budget grant cannot be utilised in full, then the funds in excess of requirements are to be surrendered by the Disbursing Officers. Subsequently, the Chief Controlling Officer has to remit back the savings of the Grant to the Finance Department. Scrutiny of the last three years' detailed Appropriation Accounts revealed injudicious surrender in revenue and capital section separately in 2016-17 and 2017-18, as detailed in **Table 2.17**.

Table 2.17: Excess surrender of funds (₹ in crore)

Year	Category	Budget allocation	Savings	Amount surrendered	Excess surrender
2016-17	Revenue Voted	3197.86	308.75	332.01	23.26
2017-18	Capital Voted	429.69	111.35	111.68	0.33

Source: Appropriation Accounts 2017-18

Further scrutiny revealed that injudicious surrender led to excess expenditure in the schemes shown in **Appendix 2.19**, during the last three years. This indicated inadequate appropriation check exercised by departmental officers in heads of account under their control.

When the injudicious surrender in the above schemes was brought to notice, the department stated that the injudicious surrender was due to clerical errors in the accounts which would be avoided in future. Such errors may be taken seriously so as to take remedial action in time as this type of error in accounts leads to faulty surrenders resulting in defective budgetary control.

2.5.3 Unnecessary re-appropriation

Augmentation of funds through re-appropriation was resorted to by departmental officers, if the funds provided through original/supplementary demands for grants are found insufficient and savings are available under another unit of appropriation within the Grant. However, audit analysis revealed that augmentation of budget allocation was wholly unnecessary in the sub-heads detailed in **Table 2.18** as the final expenditure was less than the budget allocation (original and supplementary grant) provided under it.

Table 2.18: Unnecessary re-appropriations (₹ in crore)

Sl. No.	Scheme	Year	Budget allocation	Net Re-appropriation	Final Expenditure
1.	2401-00-001-92 Project Preparation and Monitoring Cell (V) - (NP)	2018-19	1.19	0.06	1.18
2.	2401-00-001-96 Strengthening of Agricultural Administration and introduction of Training and Visiting System of Extension (V) - (NP)	2018-19	367.42	0.66	335.20
3.	2401-00-001-98 Superintendence - Regional and District Control (V) - (NP)	2018-19	14.19	0.07	12.78
4.	2401-00-001-99 Directorate of Agriculture (NP)	2018-19	10.48	0.12	9.89
5.	2401-00-102-92-Intensive Paddy Development Units (V) - (NP)	2018-19	1.52	0.11	1.36
6.	2401-00-102-99- Intensive Rice Cultivation (V) - (NP)	2018-19	1.49	0.02	1.14

Sl. No.	Scheme	Year	Budget allocation	Net Re-appropriation	Final Expenditure
7.	2401-00-103-97- Integrated seed development (V) - (NP)	2018-19	1.80	0.14	1.43
8.	2401-00-103-98- Seed production centre for vegetables (V) - (NP)	2018-19	1.04	0.04	0.74
9.	2401-00-103-99- Production and distribution of improved seeds (V) - (NP)	2018-19	35.40	4.04	35.26
10.	2401-00-104-82-Punja Cultivation (V) - (NP)	2017-18	2.51	0.03	2.36
		2018-19	2.63	0.04	2.31
11.	2401-00-107-83- Integrated Pest Management (V) - (NP)	2018-19	1.79	0.16	1.50
12.	2401-00-107-96- Plant Protection Service (District Plan) (V) - (NP)	2018-19	0.70	0.08	0.66
13.	2401-00-108-96- Production of T X D Hybrid Coconut Seedling (Centrally Sponsored Scheme 50%) (V) - (NP)	2018-19	2.04	0.08	1.04
14.	2401-00-108-98 Development of Coconut (V) - (NP)	2018-19	5.92	0.31	5.69
15.	2401-00-108-99 Irrigation facilities for Coconut Gardens (V) - (NP)	2018-19	0.59	0.03	0.55
16.	2401-00-109-97- Agricultural Information, Propaganda and Publicity (V) - (NP)	2018-19	4.06	0.23	4.01
17.	2401-00-113-96- Expansion of Agricultural Engineering Service (V) - (NP)	2018-19	9.80	0.11	9.18
18.	2401-00-113-98 -Research-Cum-Training (V) - (NP)	2018-19	1.06	0.04	0.96
19.	2401-00-119-95- Tissue culture facility for Horticulture Development (V) - (NP)	2018-19	1.94	0.20	1.83
20.	2401-00-119-98 -Vegetables (V) - (NP)	2018-19	2.45	0.14	2.42
21.	2401-00-800-28- Soil Health Management and Productivity Improvement (V) - (P)	2017-18	27.00	1.44	26.83
	Department stated that re-appropriation was sought for providing assistance to farmers but it was received only on 31.3.2018. It became saving as it could not be allotted to the districts due to treasury restriction.				
22.	2402-00-001-98- Land Use Board (V) - (NP)	2018-19	2.77	0.03	2.18
23.	2402-00-001-99- Directorate and District Offices (V) - (NP)	2017-18	7.46	0.13	6.71
24.	2402-00-101-95- Reconnaissance Soil Survey (V) - (NP)	2018-19	1.14	0.02	1.11
25.	2402-00-101-99- Soil Survey and Land Use Demonstration (V) - (NP)	2017-18	4.29	0.03	3.92
		2018-19	4.49	0.02	3.85
26.	2402-00-102-85- Training Programme for Departmental Staff and other Staff (V) - (P)	2018-19	1.95	0.05	0.53
27.	2402-00-102-90 Evaluation Programme of Soil Conservation (V) - (NP)	2018-19	0.37	0.05	0.36
28.	2402-00-102-95 Soil Conservation in the Catchment of River Valley Projects (Other than those coming under Centrally Sponsored Schemes) (V) - (NP)	2017-18	2.04	0.05	1.78
		2018-19	1.86	0.02	1.80
29.	2402-00-102-99 Soil and Water Conservation in	2017-18	36.78	0.12	30.68

Sl. No.	Scheme	Year	Budget allocation	Net Re-appropriation	Final Expenditure
	Arable Land (District Plan) (V) - (NP)	2018-19	34.14	0.07	30.53
	Department stated that re-appropriation proposals in respect of the above heads shown against Sl. Nos from 22 to 29 were submitted to provide for additional expenditure under establishment heads of account such as salary, wages, Pay, DA, HRA,OA and consolidated pay etc.				
30.	2415-01-004-96 Soil Testing Service (V) - (NP)	2017-18	9.07	0.06	8.15
		2018-19	9.18	0.06	8.41
31.	2415-01-004-97 Soil Testing Laboratories (V) - (NP)	2018-19	0.96	0.07	0.94
32.	2702-02-005-99 Ground Water Investigation and Development (V) - (NP)	2018-19	41.48	0.31	35.41
33.	2702-03-101-98 Other Maintenance Expenditure (V) - (P)	2018-19	3.50	0.09	1.18
	Department stated that re-appropriation was sanctioned to regularize the additional authorization for Rs.0.09 crore				

Source: Detailed Appropriation Accounts of respective years

2.6 Overstated expenditure

Financial Rules prohibit withdrawal of money from the treasury unless it is required for immediate disbursement. However, in some cases, departmental officers withdraw the budget allocation at the fag end of the year, to avoid lapse of budget, and keep it either in Treasury Savings Bank account or outside the Government account, without actually spending it. This results in overstatement of the total expenditure of the Grant as the amount actually was not spent and remained unutilised even after the close of the financial year. Audit noticed a few instances of under-utilisation of Government funds as detailed in **Table 2.19**

Table 2.19: Details of overstated expenditure (₹ in crore)

Sl. No.	Name of Department/ Implementing institution	Year of drawal	Amount drawn	Unutilised amount
General Education Department				
1.	Deputy Director of Education, Thiruvananthapuram /Commissioner of Examination	2017-18	0.41	0.41
	The amount was released for meeting the contingent expenditure in connection with SSLC and other public examinations. Reasons for non-utilisation have been sought for from the District Education Officers.			
Higher Education Department				
2.	Director of Collegiate Education, Thiruvananthapuram	2017-18	0.08	0.08
	The fund released to Government Brennen College, Thalassery which maintains a SB A/c for Miscellaneous purpose.			
Cultural Affairs Department				
3.	Kerala Sangeeta Nataka Academy	2018-19	4.64	1.47
	The fund is released for Making payment to beneficiaries. Reasons for non utilisation not furnished.			
	Total		5.13	1.96

Source: Information compiled from inspection reports

2.7 Inspection of Treasuries

As of March 2019, there were 23 District Treasuries (22 banking and 1 non-banking), 200 sub treasuries (185 banking and 15 non-banking), 12 Stamp depots and one e-treasury functioning in the State. The Accountant General (A&E), Kerala inspected 129 units (Directorate of Treasuries, 23 District Treasuries, 105

Sub-treasuries) during 2018-19. 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 ₹0.93 crore was noticed in 181 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, excess payment of MLA Pension, and incorrect calculation of dearness relief. Out of the above excess payment, ₹0.04 crore, involved in 22 cases was already recovered as shown in **Table 2.20**

Table 2.20: Excess pension that remains to be recovered (₹ in crore)

Sl. No.	Details of Excess paid pension	Excess paid		Recovered		Balance	
		Number of cases	Amount	Number of cases	Amount	Number of cases	Amount
1	Excess payment of pension	7	0.03			7	0.03
2	Excess payment of family pension	87	0.47			87	0.47
3	Early restoration of commuted portion of pension	12	0.02			12	0.02
4	Payment of pension after death	1	0.01			1	0.01
5	Excess payment of Dearness Relief on Revised Pension/Family Pension	13	0.23			13	0.23
6	Excess payment of festival allowance	24	0.01	9	*	15	0.01
7	Payment of Family Pension without mustering (Rule 280 (a) of KTC Vol. I	3	0.10			3	0.10
8	Excess payment of Medical allowance	22	0.01	3	*	19	0.01
9	Excess payment of commuted portion of pension	12	0.05	10	0.04	2	0.01
	Total	181	0.93	22	0.04	159	0.89

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

*Clearance Amount negligible

2.7.2 Retention of excess cash balance

According to Rule 309 of the Kerala Treasury Code Volume I, every year in January, the 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 the treasury should ordinarily be kept much below the normal maximum balance fixed for a treasury so that the 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 124 treasuries/sub treasuries on 1294 occasions during the financial year. Out of these, in 78 treasuries the cash balance exceeded 100 per cent of the maximum limit prescribed on 1008 occasions.

2.7.3 Pending adjustment of advances drawn by Drawing and Disbursing Officers

During the audit of the Treasury Information System, the Accountant General (A&E) observed that 73 Drawing and Disbursing Officers drew an amount of ₹52.72 crore, of which an amount of ₹49.27 crore drawn by 50 Drawing and Disbursing Officers, during the period from July 2012 to May 2016, was pending for final settlement (February 2020). Details are given in **Appendix 2.20**. Non-settlement of advances distorts the correctness of expenditure booked in Government accounts.

2.7.4 Un-operated Savings Bank Accounts

Rule 28 and 40 of the Treasury Savings Bank Rules stipulate that Savings Bank accounts in respect of which no transactions have taken place for five complete financial years and more have to be treated as un-operated accounts. The balance in such accounts is to be transferred to Revenue Deposit in Government accounts. However, inspection of treasuries by the Accountant General (A&E) revealed that 1577 un-operated savings bank accounts and one Treasury Public Account with a balance of ₹1.69 crore were retained in 72 treasuries during 2018-19 without transferring the same to the Revenue Deposit head.

2.8 Conclusion and Recommendations

- Compared to the previous year, overall savings from the budget allocation increased by 2.49 *per cent* (from 7.89 *per cent* in 2017-18 to 10.38 *per cent* in 2018-19) showing deficiency in the budgetary process.
- Persistent savings exceeding ₹100 crore during the last three years were noticed in nine grants under Revenue section and five grants under Capital section.
- Surrender of budget allocations obtained through supplementary demands for grants at the end of the year showed laxity on the part of Departmental Officers in assessing the actual requirement of funds.
- Unnecessary and injudicious re-appropriations indicated that departmental officers failed in assessing the actual requirement of funds in heads of account under their control.
- Surrender of money in excess of actual savings indicated improper maintenance of appropriation control registers at all levels.
- Persistence of excess payment of pension showed that treasury officers are not plugging the loopholes in the system.

In the light of increase in overall savings, the Government may ensure that funds allotted for the implementation of various schemes are utilized in time for the purpose for which they were sanctioned.

The Government may review grants showing persistent savings to assess the reasons for savings and control the same.

Necessary checks should be put in place to avoid withdrawal of funds in excess of budget allocation by departmental officers.