

CHAPTER II FINANCIAL MANAGEMENT AND BUDGETARY CONTROL

2.1 Introduction

2.1.1 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 appropriations charged 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 ascertains whether the expenditure incurred is in conformity with the law, relevant rules, regulations and instructions.

2.1.3 As per the Kerala Budget Manual, the Finance Department is responsible for 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 'Demand 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 the exercise of foresight both in estimating revenue and anticipating 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 neither larger nor smaller. 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 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 2010-11 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	Saving(-)/ Excess(+)
Voted					
I Revenue	28915.55	2951.46	31867.01	29160.78	(-) 2706.23
II Capital	4081.39	1067.96	5149.35	3332.00	(-) 1817.35
III Loans and Advances	834.09	376.64	1210.73	761.74	(-) 448.99
Total Voted	33831.03	4396.06	38227.09	33254.52	(-) 4972.57
Charged					
IV Revenue	6193.85	4.72	6198.57	6096.94	(-) 101.63
V Capital	72.82	12.64	85.46	47.83	(-) 37.63
VI Public Debt Repayment	12351.10	...	12351.10	1975.03	(-) 10376.07
Total Charged	18617.77	17.36	18635.13	8119.80	(-) 10515.33
Appropriation to Contingency Fund (if any)
Grand Total	52448.80	4413.42	56862.22	41374.32²²	(-) 15487.90

Source: Appropriation Accounts 2010-11

The overall savings of ₹ 15,487.90 crore was the result of savings of ₹ 15,488.05 crore in 44 grants and 21 appropriations under the Revenue Section and 26 grants and eight appropriations under the Capital Section, offset by excess of ₹ 0.15 crore in one grant and two appropriations under the Capital Section.

The status of savings/excess (as per Appropriation Accounts) was intimated (July 2011) to the Controlling Officers, requesting them to explain the significant variations. Out of 1169 sub-heads in respect of which savings/excess were reported, explanations for variations were not received (August 2011) in respect of 896 sub-heads.

2.3 Financial Accountability and Budget Management

2.3.1 Appropriation vis-à-vis Allocative Priorities

The appropriation audit revealed that in 16 cases, savings exceeded ₹ 10 crore in each case and were also more than 20 per cent of the total provisions (Appendix 2.1). Against the total savings of ₹ 13584.08 crore, savings of ₹ 13449.10 crore (99 per cent) occurred in eleven cases²³ relating to 10 grants and one appropriation as indicated in Table 2.2.

²² These are gross expenditure figures without taking into account the recoveries adjusted in accounts as reduction of expenditure (revenue: ₹ 592.91 crore and capital: ₹ 16.14 crore, Total: ₹ 609.05 crore)

²³ Savings of ₹ 50 crore and above in each case.

Table 2.2: List of Grants/Appropriation with savings of ₹ 50 crore and above

(₹ in crore)

Sl. No.	Number and name of Grant/Appropriation	Original	Supplementary	Total	Expenditure	Savings	Surrender	Net savings (-)/ excess (+)
Revenue (Voted)								
1.	XIV Stationery and Printing and Other Administrative Services	206.53	51.04	257.57	202.33	55.24	51.76	(-) 3.48
2.	XX Water Supply and Sanitation	598.58	53.44	652.02	388.87	263.15	158.31	(-) 104.84
3.	XXI Housing	154.73	13.76	168.49	98.42	70.07	64.28	(-) 5.79
4.	XXII Urban Development	932.17	5.00	937.17	374.13	563.04	533.15	(-) 29.89
5.	XXXVI Community Development	285.46	75.01	360.47	263.51	96.96	92.34	(-) 4.62
Capital (Voted)								
6.	XV Public Works	2470.53	188.45	2658.98	1472.84	1186.14	720.56	(-) 465.58
7.	XX Water Supply and Sanitation	657.00	...	657.00	212.53	444.47	447.18	(+) 2.71
8.	XXIX Agriculture	115.72	11.19	126.91	49.62	77.29	69.11	(-) 8.18
9.	XXXVIII Irrigation	303.63	162.57	466.20	261.55	204.65	130.91	(-) 73.74
10.	XLI Transport	260.27	182.00	442.27	330.25	112.02	95.92	(-) 16.10
Capital (Charged)								
11.	Public debt repayment	12351.10	...	12351.10	1975.03	10376.07	10373.27	(-) 2.80
Total		18335.72	742.46	19078.18	5629.08	13449.10	12736.79	(-) 712.31

Source: Appropriation Accounts 2010-11

Savings exceeding ₹ 100 crore in each case are discussed below :

i) Grant No. 'XX-Water Supply and Sanitation' (Revenue-Voted)

The grant closed with a savings of ₹ 263.15 crore which included supplementary provision of ₹ 53.44 crore. Further, augmentation of funds (₹ 53.44 crore) through supplementary grants proved unnecessary as the total expenditure of ₹ 388.87 crore was less than even the original provision of ₹ 598.58 crore. Savings occurred mainly under the heads '2215 Water Supply and Sanitation, 01-Water Supply, 190-Assistance to Public Sector and Other Undertakings, 99-Grant-in-aid to the Kerala Water Authority' (₹ 68.00 crore) due to release of Government of India's share towards Technology Mission Schemes and Accelerated Rural Water Supply Schemes direct to the Kerala Water Authority, '2215 Water Supply and Sanitation, 01-Water Supply, 800-Other Expenditure, 61-New drinking water supply schemes at Kumarakom and Parassala' (₹ 62.00 crore) due to slow progress of implementation of drinking water supply schemes, '2215-01-Water Supply', '800-Other Expenditure' below sub-heads '60-Special Package Against Recession in Kerala 2010-11' (₹ 20.00 crore); '58-Water Supply Scheme to Erumeli Panchayat' (₹ five crore) and '78-Manufacturing units for Bottled water' (₹ four crore) due to slow progress in implementation of schemes. Moreover, only 60 per cent (₹ 158.31 crore) of the total savings under this grant was surrendered.

ii) Grant Number 'XXII-Urban Development' (Revenue-Voted)

Against the original provision of ₹ 932.17 crore, the expenditure was only ₹ 374.13 crore resulting in a savings of ₹ 563.04 crore. Further, augmentation

of funds (₹ five crore) through supplementary grant proved unnecessary as the expenditure was less than even the original provision. Savings occurred mainly under the heads '2217-Urban Development, 80-General, 800-Other Expenditure, 91-Kerala Sustainable Urban Development Project' (₹ 208.67 crore) due to delay in implementation of the project on account of delay in getting various approvals from the State and Central level authorities; '2217-Urban Development, 05-Other Urban Development Schemes, 800-Other Expenditure, 89-Jawaharlal Nehru National Urban Renewal Mission' (₹ 191.10 crore) due to non-completion of tender formalities to undertake works under the Mission and '2217-Urban Development-03-Integrated Development of Small and Medium Towns, 191-Assistance to Municipal Corporations, 74-Urban Infrastructure Development Scheme for Small and Medium Towns' (₹ 78.76 crore) due to delay in acquisition of land.

iii) Grant No. 'XV-Public Works' (Capital-Voted)

The grant closed with savings of ₹ 1186.14 crore which included supplementary provision of ₹ 188.45 crore. In view of the final savings, the supplementary grant obtained in March 2011 could have been limited to a token amount. Further, out of the savings of ₹ 1186.14 crore only ₹ 720.56 crore (61 per cent) was surrendered. Major savings of ₹ 1143.45 crore occurred under '5054-Capital Outlay on Roads and Bridges-04-District and Other Roads, 337-Road Works, 83- Projects under anti-recession stimulus package – Public Works (Roads)' (₹ 397.33 crore); '5054-Capital Outlay on Roads and Bridges-04-District and Other Roads, 101-Bridges, 86-Projects under anti-recession stimulus package – Public Works (Bridges)' (₹ 398.10 crore); '5054-Capital Outlay on Roads and Bridges-04- District and Other Roads, 337-Road Works, 82 – Projects under anti recession stimulus package, one time maintenance of District and Village Roads' (₹ 226.86 crore) and '5054-04 District and Other Roads, 800-Other Expenditure, 89-Works having NABARD Assistance' (₹ 121.09 crore). The reasons for the savings have not been received (July 2011) from the department.

iv) Grant No. 'XX-Water Supply and Sanitation' (Capital-Voted)

The grant closed with savings of ₹ 444.47 crore against the original budget provision of ₹ 657 crore. The budget allotment under the head '6215-Loans for Water Supply and Sanitation, 01-Water Supply, 190-Loans to Public Sector and other undertakings, 98-Loans to the Kerala Water Authority for implementing Japan Bank for International Co-operation Assisted Water Supply Project' was injudiciously reduced from ₹ 600 crore to ₹ 96.46 crore through re-appropriation of ₹ 503.54 crore. However, the actual expenditure incurred was ₹ 99.17 crore resulting in excess expenditure of ₹ 2.71 crore.

v) Grant No. 'XXXVIII – Irrigation' (Capital-Voted)

The grant closed with savings of ₹ 204.65 crore which included supplementary provision of ₹ 162.57 crore. In view of the overall savings, the supplementary grant of ₹ 158.22 crore obtained in March 2011 proved wholly unnecessary as the expenditure (₹ 261.55 crore) did not even come upto the level of the original provision (₹ 303.63 crore). Savings of ₹ 46.89 crore occurred under the head '4711-Capital outlay on Flood Control Projects, 01-Flood Control, 103-Civil Works, 90-Kuttanad Package' due to non-release of second instalment of Central assistance.

vi) Grant No. 'XLI-Transport' (Capital -Voted)

Savings under the grant were ₹ 112.02 crore. Savings occurred under the sub-heads, '84-Priority Scheme under Thirteenth Finance Commission' (₹ 56.25 crore) and '86-Development of feeder canals connecting the National Water Way III' (₹ 40.00 crore) below '5075-Capital Outlay on Other Transport Services – 60- Others-800 Other Expenditure'. During 2008-09 and 2009-10 also the entire provision of ₹ 40 crore under the head '5075-60-800-86' remained unutilized which indicated improper scrutiny of budget proposals at various levels of Government.

vii) Public Debt Repayment (Capital-Charged)

Savings under the grant were ₹ 10376.07 crore. Major savings of ₹ 10375 crore occurred under '6003 Internal Debt of the State Government, 110 Ways and Means advances from the Reserve Bank of India' (₹ 10025 crore) and '6004 Loans and Advances from the Central Government, 06-Ways and Means Advances' (₹ 350 crore) due to non-availing of Ways and Means Advances from the Reserve Bank of India and Government of India during the year in view of the improved liquidity position of the State Finances.

2.3.2 Persistent savings

In ten cases, there were persistent savings in excess of ₹ 50 lakh in each case and also 20 per cent or more of the provision for the last three years as shown in **Table 2.3**.

Table 2.3: Persistent savings*(₹ in crore)*

Sl. No.	Number and Name of Grant/Appropriation	Amount of saving (Percentage)		
		2008-09	2009-10	2010-11
Revenue Voted				
1	XXII Urban Development	148.16 (22)	531.22 (61)	563.04 (60)
Capital voted				
2	XVII Education, Sports, Art and Culture	30.05 (47)	37.71 (43)	22.31 (21)
3	XX Water Supply and Sanitation	241.00 (37)	545.73(51)	444.47 (68)
4	XXV Welfare of Scheduled Castes/Scheduled Tribes and Other Backward Classes	26.91 (44)	22.31 (37)	37.90 (34)
5	XXIX Agriculture	50.63 (62)	64.96 (64)	77.29 (61)
6	XXXI Animal Husbandry	3.72 (51)	2.97 (40)	8.63 (46)
7	XXXIV Forest	3.48 (20)	3.53 (21)	6.00 (30)
8	XXXVIII Irrigation	102.08 (33)	120.06 (34)	204.65 (44)
9	XLII Tourism	14.16 (45)	60.02 (79)	17.90 (34)
Capital Charged				
10	Public Debt Repayment	4920.56 (47)	9742.10 (80)	10376.07 (84)

Source: Appropriation Accounts 2008-09, 2009-10 and 2010-11

2.3.3 Excess over provision during 2010-11 requiring regularisation

The Appropriation Accounts disclosed excess expenditure of ₹ 15 lakh over the authorization from the Consolidated Fund of the State during 2010-11 in one grant and two appropriations. This excess expenditure of ₹ 15 lakh required regularization under Article 205 of the Constitution as summarized in **Table 2.4**.

Table 2.4: Excess over provision requiring regularisation during 2010-11

(₹ in lakh)

Sl. No.	Number and title of grant/appropriation	Total grant/appropriation	Expenditure	Excess
Voted Grants – Capital				
1.	XII Police	1000.00	1014.00	14.00
Charged Appropriation-Capital				
2.	XXIX Agriculture	4.00	5.00	1.00
3.	XXXII Dairy ²⁴
Total Charged		1004.00	1019.00	15.00

Source: Appropriation Accounts of the State Government, 2010-11

2.3.4 Excess 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). However, excess expenditure amounting to ₹ 333.59 crore for the years 1990-91 to 2009-10 was still to be regularised (December 2011) as summarised in **Table 2.5**. The year-wise and grant-wise amounts of excess expenditure pending regularisation and the stage of consideration by the PAC are detailed in **Appendix 2.2**.

Table 2.5: Excess over provisions relating to the previous years requiring regularisation

(₹ in crore)

Year	Number of		Amount of excess over provision
	Grant	Appropriation	
1990-91	1	...	0.36
1992-93	1	...	0.04
1995-96	1	...	21.12
1996-97	...	1	0.00 ²⁵
1997-98	1	...	3.92
1998-99	1	...	7.88
2000-01	1	...	14.66
2001-02	2	...	29.08
2003-04	3	...	128.61
2006-07	1	...	1.28
2008-09	5	1	103.57
2009-10	8	2	23.07
Total	25	4	333.59

Source: As per records maintained by the Principal Accountant General (Audit)

Non-regularisation of excesses over grants/appropriations over the years is a breach of legislative financial control over appropriations.

2.3.5 Unnecessary/Excessive/Inadequate Supplementary provision

Supplementary provisions aggregating ₹ 1143.10 crore, obtained in 25 cases of ₹ 50 lakh or more in each case during the year, proved unnecessary as the

²⁴ The total appropriation, expenditure and excess expenditure relating to this appropriation were ₹ 471000, ₹ 471083 and ₹ 83 respectively.

²⁵ ₹ 32791 only.

expenditure did not come up to the level of the original provisions as detailed in **Appendix 2.3**.

In 31 cases, against the additional requirement of ₹ 2,218.02 crore, supplementary grants of ₹ 3,132.85 crore were obtained, resulting in savings exceeding ₹ one crore and above in each case, aggregating ₹ 914.83 crore (**Appendix 2.4**).

2.3.6 Excessive/unnecessary/insufficient 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. There were excesses/savings of more than ₹ two crore in 102 sub-heads even after re-appropriation as detailed in **Appendix 2.5**. Reasons for the variations were not furnished by the department/Government.

2.3.7 Substantial surrenders

Substantial surrenders (where more than 50 *per cent* of the total provision²⁶ were surrendered) were made in respect of 252 sub-heads on account of either non-implementation or slow implementation of plan schemes/programmes. Out of the total provision amounting to ₹ 2360.02 crore in these 252 sub-heads, ₹ 1802.65 crore (76 *per cent*) was surrendered which included *cent per cent* surrender in 53 sub-heads as indicated in **Appendix 2.6**.

2.3.8 Surrender in excess of actual saving

In 25 cases (grants) the amounts surrendered (₹ 50 lakh or more in each case) was in excess of the actual savings indicating lack of or inadequate budgetary control. As against savings of ₹ 789.17 crore, the amount surrendered was ₹ 870.47 crore, resulting in excess surrender of ₹ 81.30 crore. Details are given in **Appendix 2.7**.

2.3.9 Anticipated savings not surrendered

As per Para 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. At the close of the year 2010-11, there were, however, six grants/appropriations in which savings occurred but no part of which had been surrendered by the concerned departments. The amount involved in these cases was ₹ 128.05 crore (0.8 *per cent* of the total savings of ₹ 15488.05 crore) the details of which are given in **Appendix 2.8**.

Similarly, out of the total savings of ₹ 3954.62 crore under 27 grants/appropriations with savings of ₹ one crore and above in each grant/appropriation, amounts aggregating ₹ 1419.09 crore (36 *per cent* of savings) were not surrendered, details of which are given in **Appendix 2.9**. Besides, in 50 cases, (surrender of funds in excess of ₹ 10 crore), ₹ 13793.53 crore (**Appendix 2.10**) was surrendered on the last two working days of March 2011, indicating inadequate financial control and the fact that these funds could not be utilised for other development purposes.

²⁶ Total provision refers to Original provision plus Supplementary provision.

2.3.10 Rush of expenditure at the end of financial year 2010-11

According to Para 91 (2) of the Kerala Budget Manual, rush of expenditure in the closing month of the financial year should be avoided. Contrary to this, in respect of 46 sub-heads listed in **Appendix 2.11**, expenditure of ₹ 10 crore and above and also more than 50 per cent of the total expenditure for the year was incurred in March 2011. **Table 2.6** also presents the Major Heads where more than 50 per cent expenditure was incurred either during the last quarter or during the last month of the financial year.

Table 2.6: Cases of rush of expenditure towards the end of the financial year 2010-11
(₹ in crore)

Sl. No.	Major Head	Total expenditure during the year	Expenditure during the last quarter of the year		Expenditure during March 2011	
			Amount	Percentage of total expenditure	Amount	Percentage of total expenditure
1	4858 Capital Outlay on Engineering Industries	12.27	12.27	100.00	12.27	100.00
2	4860 Capital Outlay on Consumer Industries	35.79	35.79	100.00	35.79	100.00
3	7053 Loans for Civil Aviation	32.00	32.00	100.00	32.00	100.00
4	4055 Capital Outlay on Police	10.15	10.08	99.31	10.08	99.31
5	2551 Hill Areas	24.34	24.12	99.10	19.24	79.05
6	4515 Capital Outlay on Other Rural Development Programmes	22.49	22.00	97.82	21.27	94.58
7	5051 Capital Outlay on Ports and Light Houses	152.14	146.71	96.43	70.76	46.51
8	2801 Power	105.43	99.97	94.82	99.97	94.82
9	2810 New and Renewable Energy	28.92	26.64	92.12	26.36	91.15
10	4425 Capital Outlay on Co-operation	211.07	183.50	86.94	175.50	83.15
11	2217 Urban Development	373.84	310.11	82.95	246.84	66.03
12	4702 Capital Outlay on Minor Irrigation	27.18	21.54	79.25	16.06	59.09
13	2216 Housing	98.41	77.18	78.43	48.91	49.70
14	4225 Capital Outlay on Scheduled Castes, Scheduled Tribes and Other Backward Classes	72.38	54.98	75.96	27.89	38.53
15	5053 Capital Outlay on Civil Aviation	49.07	37.07	75.55	27.07	55.17
16	5452 Capital Outlay on Tourism	34.61	25.87	74.75	18.93	54.70
17	4405 Capital Outlay on Fisheries	83.98	55.03	65.53	44.64	53.16
18	6860 Loans for Consumer Industries	57.96	37.56	64.80	37.56	64.80
19	4059 Capital Outlay on Public Works	107.52	67.15	62.45	48.67	45.27
20	2245 Relief on Account of Natural Calamities	155.89	97.13	62.31	65.37	41.93
21	2405 Fisheries	207.74	127.41	61.33	117.83	56.72
22	2425 Co-operation	194.91	118.76	60.93	98.47	50.52
23	5054 Capital Outlay on Roads and Bridges	1408.11	843.24	59.88	751.87	53.40
24	2215 Water Supply and Sanitation	388.88	232.21	59.71	202.65	52.11
25	2501 Special Programmes for Rural Development	33.05	19.61	59.33	12.47	37.73
26	4210 Capital Outlay on Medical and Public Health	98.80	54.42	55.08	38.96	39.43
27	4215 Capital Outlay on Water Supply and Sanitation	113.36	59.00	52.05	29.00	25.58

Sl. No.	Major Head	Total expenditure during the year	Expenditure during the last quarter of the year		Expenditure during March 2011	
			Amount	Percentage of total expenditure	Amount	Percentage of total expenditure
28	2075 Miscellaneous General Services	606.25	315.39	52.02	239.90	39.57
29	4701 Capital Outlay on Medium Irrigation	109.78	56.57	51.53	31.17	28.39

2.3.11 Unexplained re-appropriations

Para 86 (3) of the Kerala Budget Manual lays down that the authority sanctioning re-appropriations should satisfy himself 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 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 559 out of 1835 items (30 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.

2.3.12 Drawal of funds to avoid lapse of budget grant

As per the provision of Article 40 (c) (7) of the Kerala Financial Code Volume I, a Government servant should not, on any account, reserve or appropriate by transfer to a deposit or any other head or draw from the treasury and keep in a cash chest, any portion of an appropriation remaining unexpended during the year in order to prevent it from lapsing and use it for expenditure after the end of the year. Funds provided in the budget are for actual expenditure to be incurred during the year and any unspent provision lapses at the close of the financial year. Audit scrutiny revealed that ₹ 307.57 crore was drawn by the departmental officers and deposited them in the Treasury Savings Banks/Treasury Public Accounts or released them to the implementing agencies towards the close of the financial year 2010-11 to prevent them from lapsing. The details are given in **Appendix 2.12**.

The irregular deposit of funds enabled the departments to avoid lapse of budget provision and to bypass budgetary compulsions to spend the amount before the close of the financial year. Further, utilising funds voted for expenditure during a financial year in the subsequent year amounted to bypassing the control of the Legislature over expenditure out of the Consolidated Fund of the State. Moreover, as the funds drawn were not spent during the financial year, the Government accounts did not reflect the factual position.

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 that to which they relate. The detailed bills pertaining to a month's claim should reach the Principal Accountant General (A&E), Kerala not later than the 20th of the succeeding month.

According to the records maintained by the Principal Accountant General (A&E) Kerala, 31 AC bills drawn by 26 DDOs up to March 2011 involving ₹ 2.64 crore were not adjusted as of June 2011 due to non-receipt of DC bills, details of which are enumerated in **Appendix 2.13**. Year-wise details are given in **Table 2.7**. Non-submission of DC bills leads to retention of advance amount drawn with the drawing officer and the advance drawn remains unaccounted under the proper heads of account.

Table 2.7: Pendency in submission of Detailed countersigned Contingent bills against Abstract Contingent bills

(₹ in crore)

Year	AC bills		DC bills		DC bills as percentage of AC bills	Outstanding AC bills	
	Number	Amount	Number	Amount		Number	Amount
2009-10	367	5.98	361	4.17	98	6	1.81
2010-11	395	3.52	370	2.69	94	25	0.83
Total		9.50		6.86		31	2.64

Source: Information furnished by Principal Accountant General (A&E)

2.4.2 Unreconciled expenditure

To enable the Controlling Officers of the departments to exercise effective control over expenditure, to keep it within the budget grants and to ensure accuracy of their accounts, Paragraph 74 of the Kerala Budget Manual stipulates that the expenditure recorded in their books should be reconciled by them every month during the financial year with that recorded in the books of the Principal Accountant General (A&E), Kerala. Even though non-reconciliation of departmental figures is being pointed out regularly in CAG's Audit Reports, lapses on the part of the Controlling Officers in this regard continued to persist during 2010-11 also. Ninety one Controlling Officers did not reconcile expenditure amounting to ₹ 29127.60 crore as of June 2011. In respect of 67 Controlling Officers, amounts exceeding ₹ 10 crore in each case

amounting to ₹ 28163.65 crore remained unreconciled during 2009-10. The details are shown in **Appendix 2.14**.

2.5 Advances from Contingency Fund

The Contingency Fund of the State has been established under the Kerala Contingency Fund Act, 1957 in terms of provisions of Article 267 (2) and 283 (2) of the Constitution of India. Advances from the Fund are to be made only for meeting expenditure of an unforeseen and emergent nature, postponement of which, till its authorisation by the Legislature, would be undesirable. The Fund is in the nature of an imprest and its corpus is ₹ 100 crore. Till the close of the year, a total amount of ₹ 33.92 crore under 2015 Elections (₹ 12.43 crore drawn on 11 March 2011), 2406 Forestry and Wild life (₹ 2.49 crore drawn on 30 March 2011) and under 6216 Loans for Housing (₹ 19 crore drawn on 30 March 2011) was not recouped to the Fund.

2.6 Review of Selected Grants

A review of budgetary procedure and control over expenditure for 2010-11 conducted during August 2011 relating to ‘Grant No XLII – Tourism’ and ‘Grant No. XLVI – Social Security and Welfare’ revealed the following:

2.6.1 XLII – Tourism

2.6.1.1 Persistent Savings

Persistent savings ranging from 34 to 79 *per cent* of the provision were noticed under the capital section of Grant No. XLII – Tourism during the years 2008-09 to 2010-11.

2.6.1.2 Delay in sending reappropriation/surrender proposals

As per paragraph 93(1) of the Kerala Budget Manual, re-appropriation/surrender proposals are to be sent to the Finance Department not later than 25 February of the relevant financial year. However, during 2008-09 to 2010-11, the Director of Tourism sent the reappropriation/surrender proposals only in the last week of March. Consequently, orders surrendering ₹ 6.12 crore in the revenue section and ₹ 54 lakh in the capital section were issued by the Finance Department only on the last day of the financial year. Such surrenders serve no purpose as the surrendered amounts cannot be used to meet the requirements of any other department. Audit also noticed that only 56 and three *per cent* of the savings in the revenue and capital section respectively were surrendered indicating that the Director of Tourism had not assessed the actual saving available for surrender even at the close of the financial year.

2.6.1.3 Delay in utilizing central funds

Government of India released the first instalment of ₹ two crore in October 2009 for upgradation of five Food Craft Institutes. The Director of Tourism sent proposals to the Government for providing funds only in September 2010, i.e after a lapse of nearly a year. Funds were provided only in the last batch of Supplementary demands for grants in March 2011. The amount was drawn on 31 March 2011 and released to the institutions in April 2011, eighteen months after receipt of Government of India’s share. The Director of Tourism stated

(August 2011) that the department was not aware of the release of funds by the Government of India in October 2009.

2.6.2 XLVI – Social Security and Welfare

2.6.2.1 Failure to surrender funds

An amount of ₹ 5.84 crore was provided under the head 2235-02-102-71 (Plan) for the scheme 'Nutrition Programme for Adolescent Girls'. The State Planning Board informed (November 2010) that the scheme was not included in the Annual Plan of 2010-11. Accordingly, the provision should have been surrendered immediately as required in paragraph 91 of the Kerala Budget Manual. But the Director of Social Welfare initiated action to surrender the funds only on 29 March 2011, after the last date (25 February 2011) fixed by the Finance Department for receipt of proposals of surrender. This resulted in non-surrender of the savings.

2.6.2.2 Parking of Central funds in the bank accounts

The Government of India, Ministry of Women and Child Development approved (November 2010) the implementation of a scheme, 'Indira Gandhi Matritva Sahayog Yojana – Conditional Maternity Benefit' on a pilot basis in 52 selected districts across the country. The Government of India also released (January 2011) ₹ 3.58 crore to the State Government as the first instalment of grants-in-aid during 2010-11 for implementation of the scheme in Palakkad district. The scheme, *inter alia*, envisaged conduct of a baseline survey for identification of beneficiaries in the piloted districts to roll out the scheme, cash transfer of ₹ 4000 per pregnant and lactating women, cash incentive for anganwadi workers and helpers, etc. The Director of Social Welfare drew the entire amount of ₹ 3.58 crore on 31 March 2011 and deposited it in a Public Sector bank account in order to show utilization of Central grant during 2010-11 itself. Subsequently, the Director of Social Welfare transferred ₹ 3.50 crore in August 2011 to the Programme Officer, ICDS, Palakkad district by demand draft and the Programme Officer, in turn, distributed (August 2011) the amount to the bank accounts of the Child Development Project Officers of the district which remained unutilised. Further developments were awaited (October 2011).

2.6.2.3 Drawal of funds to prevent lapse of budget provision

The Director of Social Welfare drew ₹ 7.81 crore on 31 March 2011 being funds provided in the budget for the year 2010-11 towards implementation of the following programmes under 'Integrated Child Development Services (100 per cent Centrally Sponsored Scheme) and deposited it in treasury savings bank account:-

- i) Provision of uniform sarees for Anganwadi workers and helpers (₹ 2.58 crore)
- ii) Provision of pre-school kits for Anganwadi centres (₹ 3.30 crore)
- iii) Provision of medicine kits to Anganwadi centres (₹ 1.93 crore)

The Director of Social Welfare stated (August 2011) that the funds were transferred to treasury savings bank account in order not to lose the eligible Central assistance during 2010-11 for these schemes. The Director also stated

that sanction had since been obtained from the Government for the distribution of sarees through 'HANTEX'²⁷. Regarding pre-school kits and medicine kits, the Director stated (August 2011) that supply order had been placed with HLL (a Central Public Sector Undertaking) for medicine kits and tenders for purchase of pre-school kits would be finalized within two months. Thus the entire funds relating to three programmes under a Central scheme remained unutilized in treasury savings bank accounts even after the close of the financial year.

2.6.2.4 Non-regularisation of additional authorisation of funds

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

The Finance Department authorized additional expenditure of Rupees one crore in January 2011 invoking paragraph 95(3) of the Kerala Budget Manual under the head of account '2235-60-200-75' for issue of biometric identity cards to all Welfare Pensioners in Kollam district. Though expenditure of ₹ 50 lakh was incurred, the expenditure had not been regularized before the close of the financial year 2010-11. As a result there was uncovered excess expenditure of ₹ 50 lakh under this head of account.

2.6.2.5 Unnecessary supplementary grants

According to provisions (paragraph 88) in the Kerala Budget Manual, supplementary grants are to be obtained only when the amount authorized by the Annual Appropriation Act to be expended for a particular service for the current financial year is found to be insufficient for the purpose. Hence, non-utilisation of the supplementary grants obtained during the year is indicative of the failure on the part of the Chief Controlling Officers, Administrative Departments of the Secretariat and the Finance Department to correctly assess that funds were actually needed. Moreover, if there are anticipated savings under the grant, the additional requirement of funds can be met through reappropriation of savings except on a 'new service'. Even in this case, only a token provision is enough to satisfy the new service procedure and the balance can be met by reappropriation.

Under revenue section of 'Grant No. XLVI- Social Security and Welfare', ₹ 169.89 crore was obtained as supplementary grant during 2010-11, whereas the savings under the grant was ₹ 195.05 crore at the close of the year. This indicated that the supplementary grant obtained during 2010-11 was unnecessary as the additional requirement of funds could have been met by reappropriation of savings under the grant. This showed the failure on the part of Chief Controlling Officers/Administrative Department/Finance Department

²⁷ A state autonomous body

to monitor the progress of expenditure and to exercise proper control over expenditure.

2.7 Errors in budgeting

According to provisions of the Kerala Budget Manual (Paragraph 14), the budget estimates should always receive careful personal attention of the officers who submit them and should be as accurate as practicable. The estimates submitted by the Departments are scrutinized by the Administrative and the Finance Departments also to ensure their reasonableness and accuracy before presentation to the Legislature. The instances of unnecessary provision of funds and omission to provide required funds have been noticed during audit. A few significant cases are mentioned below.

- (a) An amount of ₹ 43.75 crore was provided under the head of account '4711-02-102-92 Priority schemes under Thirteenth Finance Commission Award' in Grant No. XXXVIII Irrigation. The Thirteenth Finance Commission had not awarded any grant for such schemes and consequently no expenditure was incurred. Though the funds were wrongly provided, the provision was not surrendered till the close of the financial year.
- (b) A sum of ₹ 40 crore was provided in the Budget under the head of account '2230-01-800-99 Rashtriya Swasthya Bima Yojana', under Grant No XXIV Labour and Labour Welfare for implementing the Centrally Sponsored Scheme. This included Government of India share of ₹ 30 crore and State Government's matching share of ₹ 10 crore. As the Government of India's share was being released directly to the implementing agency²⁸ by the Government of India, no provision was required to be made in the State budget for the Central share. The funds wrongly provided were retained till the last day of the financial year and were surrendered on 31 March 2011.
- (c) An amount of ₹ 6.25 crore was provided under the head of account '2205-103-86 Priority schemes' under the Thirteenth Finance Commission Award in Grant No XVII Education, Sports, Art and Culture. As the Thirteenth Finance Commission did not award any grant for such a scheme, the entire provision was surrendered.
- (d) Subventions from Central Road Fund are released by the Government of India as grants to State Governments for incurring expenditure on schemes of road development approved by the Government of India. The amounts so received are to be transferred to the reserve fund 'Subvention from Central Road Fund' by debit to the head of account '3054-05-797-99'. Though provision for the transfer of grant received is to be made every year in the budget, there was omission to make necessary provision in the budget for 2010-11. Consequently, on transfer of ₹ 81.34 crore received from the Government of India to the reserve fund, there was uncovered excess expenditure of an equivalent amount under the head of account '3054-05-797-99' as there was no budget provision to cover the expenditure.

²⁸ Comprehensive Health Insurance Agency of Kerala.

The above mentioned cases indicate that Departmental budget estimates were not prepared by the department with due care and attention and that scrutiny by the Administrative and the Finance Departments of the departmental proposals were inadequate to detect even the errors and omissions involving large amounts in the proposals.

2.8 Failure in appropriation control

The amount authorized by the Legislature through the original budget and the supplementary grant for July 2010 in the Capital portion of 'Grant No.XXI – Housing' was ₹ 48.71 crore. One of the conditions prescribed for issue of additional authorization under the provisions of KBM is that the grant as a whole should not be exceeded before supplementary grant has been made by the Legislature to cover the additional authorization. It was, however, noticed that the Finance Department issued (September 2010) a sanction authorizing additional expenditure of ₹ 71.37 crore under the head of account '4216-80-800-98 – Additional Central Assistance – Tsunami (Housing)' invoking paragraph 95 (3) of the Kerala Budget Manual (KBM). This resulted in the grant being exceeded during the period October 2010 to February 2011 before additional funds were obtained through supplementary grant in March 2011.

2.9 Outcome of inspection of treasuries

There were 23 District Treasuries, 186 sub-treasuries and 12 Stamp depots in the State as of March 2011. The Principal Accountant General (A&E), Kerala inspected 166 treasuries (District Treasuries: 23; sub-treasuries: 131, Check-post treasury: 4 and One-man treasury: 8). Some of the irregularities and deficiencies noticed in the functioning of treasuries are mentioned in the succeeding paragraphs.

2.9.1 Excess payment of pension

There was excess payment of pension/family pension amounting to ₹ 58.49 lakh in 687 cases in 99 treasuries (including 12 district treasuries) during 2010-11. The main reasons for excess payments were errors in calculation of revised pension, non-reduction of family pension after expiry of authorised period, payment of ineligible festival allowance, medical allowance and incorrect calculation of dearness relief. Out of the excess payment of ₹ 58.49 lakh, treasuries²⁹ recovered ₹ 11.69 lakh and the balance amount of ₹ 46.80 lakh remained to be recovered as of March 2011.

2.9.2 Mustering of pensioners

In terms of Rule 280 (a) of the Kerala Treasury Code Vol.I, the Treasury Officer should conduct mustering of pensioners annually in the case of pensioners/family pensioners/Pension Treasury Savings Bank Account holders and once in three years, where payment of pension is made through money orders. These provisions are made to prevent fraudulent payments. However, in 336 cases, in 77 treasuries as listed in **Appendix 2.15**, mustering of pensioners was pending for two to three years.

²⁹ 40 treasuries have recovered the full amount and in respect of other treasuries recovery has been made partly.

2.10 Conclusion

The overall savings of ₹ 15487.90 crore were the net result of savings of ₹ 15488.05 crore, set off by excess of ₹ 15 lakh. The excess expenditure requires regularisation of the State Legislature. In 25 cases, ₹ 870.47 crore was surrendered against the actual savings of ₹ 789.17 crore, which resulted in excess surrender of ₹ 81.30 crore. Expenditure to the extent of ₹ 29127.60 crore was not reconciled with the figures of Office of the Principal Accountant General (A&E), Kerala. Anticipated savings of ₹ 13793.53 crore were surrendered on the last two working days of the financial year. There was rush of expenditure of more than 50 *per cent* under 29 major heads.

2.11 Recommendations

The Government should ensure that:

- all the departments submit realistic budget estimates, keeping in view the trends of expenditure and the actual requirement of funds in order to avoid large savings/excesses;
- all departments closely monitor the expenditure against the allocations and incurring of excess expenditure over the grants is strictly avoided and
- surrender of funds are made much before the last working day of the closing year so as to enable the Government to utilise the funds on other schemes.