

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

2.2 Summary of Appropriation Accounts

The summarised position of actual expenditure during 2016-17 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	Percentage of Savings
Voted						
I Revenue	85,217.75	5,577.28	90,795.03	79,959.15	10,835.88	11.93
II Capital	9,501.00	3,311.62	12,812.62	10,245.70	2,566.92	20.03
III Loans and Advances	740.58	535.32	1,275.90	1,160.30	115.60	9.06
Total Voted	95,459.33	9,424.22	1,04,883.55	91,365.15	13,518.40	12.89
Charged						
IV Revenue	13,062.58	28.87	13,091.45	12,461.29	630.16	4.81
V Capital	96.81	11.42	108.23	65.26	42.97	39.70
VI Public Debt Repayment	13,974.78	0.00	13,974.78	7,706.01	6,268.77	44.86
Total Charged	27,134.17	40.29	27,174.46	20,232.56	6,941.89	25.55
Appropriation to Contingency Fund (if any)	Nil	Nil	Nil	Nil	Nil	Nil
Grand Total	1,22,593.50	9,464.50	1,32,058.00	1,11,597.71	20,460.29	15.49

Source: Appropriation Accounts 2016-17 and Appropriation Acts

The overall savings of ₹20,460.29 crore was the result of savings of ₹20,601.46 crore in 38 Grants and 26 Appropriations under the Revenue Section and 27 Grants and six Appropriations under the Capital Section (**Appendix 2.1**), offset by excess of ₹141.17 crore in six Grants under the Revenue Section and two Grants under Capital section. Though overall savings decreased (5.13 per cent) from 20.62 per cent in the last year to 15.49 per cent in 2016-17, 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 20 Grants (each having savings exceeding ₹100 crore) budget allocation of ₹13,467.57 crore remained unutilised in plan and non-plan category as detailed in **Table 2.2**.

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

Category	No. of Grants	Original Budget	Supplementary	Final Expenditure	Savings
Revenue-Plan	7	12,117.60	2,617.04	10,048.42	4,686.22
Revenue-Non-Plan	6	41,114.82	1,465.41	36,484.36	6,095.87
Capital-Plan	6	4,466.82	1,853.75	4,306.52	2,014.05
Capital-Non-plan	1	1,008.18	150.00	486.75	671.43
Total	20	58,707.42	6,086.20	51,326.05	13,467.57

Source: Appropriation Accounts 2016-17

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

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

Grant number and name	Total Grant	Expenditure	Savings	Percentage of savings
Revenue -Plan				
XXXVI Rural Development	2,856.82	607.88	2,248.94	79
Capital-Plan				
XX Water Supply and Sanitation	544.46	204.91	339.55	62
Capital-Non-Plan				
XV Public Works	1,158.18	486.75	671.43	58

Source: Appropriation Accounts 2016-17

Further scrutiny revealed that ten schemes of the above Grants had substantial savings 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	Expenditure	Savings
1.	XXXVI	2501-01-197-48 Block Grants for CSS (P)	287.60	137.59	150.01
2.		2501-06-197-48 Block Grants for CSS (P)	100.00	29.86	70.14
3.		2505-02-101-99 Mahatma Gandhi National Rural Employment Guarantee Programme (P)	2,247.70	227.77	2,019.93
4.		2515-00-102-37 Pradhan Mantri Krishi Sinchai Yojana (PMKSY) (P)	75.00	28.61	46.39
5.	XX	4215-01-190-96 Kerala Water Supply Project, JICA (One time sustenance support under the State plan) (P)	150.00	0.00	150.00
6.		4215-01-102-97 Rural Water Supply schemes (P)	87.35	15.00	72.35
7.		4215-01-190-97 Optimisation of production and transmission (P)	105.36	45.00	60.36
8.		4215-01-102-96 Ensuring Accessibility to drinking water in Identified Panchayats (P)	11.00	0.00	11.00
9.		4215-01-101-96 Modernisation of Aruvikkara Pumping Station (P)	10.00	0.00	10.00
10.		XV	5054-80-800-66 Investment in Major Capital Projects (NP)	700.00	0.00

Source: Appropriation Accounts 2016-17

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 eight Grants/Appropriation as detailed in **Table 2.5**.

Table 2.5: Grants/Appropriations showing substantial savings

(₹ in crore)

Sl. No.	Grant Number and Name	Total Grant/ Appropriation	Expen- diture	Savings	Percentage of savings
Revenue – Voted					
1	XXII Urban Development	1,497.61	866.41	631.20	42
2	XXXVI Rural Development	3,081.16	811.06	2,270.10	74
3	XLIII Compensation and Assignments	7,379.07	5,497.60	1,881.47	26
Capital – Voted					
4	XVIII Medical and Public Health	361.94	256.44	105.50	29
5	XX Water Supply and Sanitation	564.46	265.08	299.38	53
6	XXVIII Miscellaneous Economic Services	3,336.82	2,384.07	952.75	29
7	XXIX Agriculture	699.09	418.68	280.41	40
Capital – Charged					
8	Public Debt Repayment	13,974.78	7,706.01	6,268.77	45
Total		30,894.93	18,205.35	12,689.58	41

Source: Appropriation Accounts 2016-17

Further, the savings under the above eight Grants/Appropriation was 62 per cent of the total savings during 2016-17, indicating the gravity of the savings in these Grants/Appropriation.

Analysis of the savings in the above eight Grants/Appropriation revealed that 43 schemes had savings more than ₹10 crore during 2016-17. Details are given in **Appendix 2.3**.

2.3.2 Persistent savings

Twelve Grants and one Appropriation had savings more than ₹100 crore during the last three financial years as detailed in **Table 2.6**.

Table 2.6: Grants/Appropriation having persistent savings during last three years
(₹ in crore)

Sl. No.	Number and Name of Grant/Appropriation	Amount of savings		
		2014-15	2015-16	2016-17
Revenue - Voted				
1	XII Police	238.92 (9)	515.75 (16)	180.43 (5)
2	XV Public Works	245.57 (10)	675.17 (21)	440.22 (17)
3	XVI Pensions and Miscellaneous	114.68 (1)	1,204.46 (6)	2,447.51 (10)
4	XVII Education, Sports, Art and Culture	1,285.38 (9)	2,384.74 (14)	337.73 (2)
5	XXII Urban Development	948.83 (75)	645.83 (69)	631.20 (42)
6	XXXVI Rural Development	1,031.40 (33)	740.04 (25)	2,270.10 (74)
7	XLVI Social Security and Welfare	301.12 (9)	632.93 (13)	1,136.67 (18)
Capital-Voted				
8	XX Water Supply and Sanitation	140.30 (52)	174.90 (52)	299.38 (53)
9	XXVIII Miscellaneous Economic Services	1,361.72 (96)	1,178.88 (56)	952.75 (29)
10	XXIX Agriculture	126.08 (45)	149.22 (34)	280.41 (40)
11	XXXVII Industries	365.83 (51)	133.35 (19)	236.18 (23)
12	XLI Transport	118.61 (16)	559.08 (46)	179.35 (16)
Capital-Charged				
13	Public Debt Repayment	8,349.59 (59)	8,917.24 (60)	6,268.77 (45)

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 twelve Grants and one Appropriation was 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 also the ability of the department to utilise the funds. Details of schemes, where persistent savings of ₹one crore or more was noticed, are given in **Appendix 2.4**.

2.3.3 Excess over provision during 2016-17

The Appropriation Accounts disclosed excess expenditure in six¹⁸ grants under Revenue Section amounting to ₹72.08 crore and two¹⁹ grants under Capital Section amounting to ₹69.09 crore, which require regularisation under Article 205 of the Constitution. Further analysis revealed that 30 schemes under the above

¹⁸Administration of Justice: ₹0.67 crore; Stamps and Registration: ₹2.83 crore; Treasury and Accounts: ₹10.80 crore; District Administration and Miscellaneous: ₹1.81 crore; Family Welfare: ₹13.93 crore and Water Supply and Sanitation: ₹42.04 crore.

¹⁹Public Works: ₹67.46 crore and Food: ₹1.63 crore.

Grants had excess expenditure more than ₹one crore. Details are given in **Annexure 2.5**. In these 30 schemes, seven schemes had excess expenditure exceeding 25 per cent of the budget allocation. Details are given in **Table 2.7**.

Table 2.7: Schemes in which expenditure exceeded 25 per cent or more of the allocation (₹in crore)

Sl. No.	Grant number and scheme name		Budget allocation	Expenditure	Excess
1.	XI	2250-00-103-87 Malabar Devaswom Board (NP)	25.45	45.41	19.97(78)
2.	XV	2059-01-053-96 Maintenance and Repairs (Civil and Electrical) of Secretariat (NP)	0.14	1.49	1.35(964)
3.		3054-80-192-38 Maintenance of Road Assets as per fifth SFC Recommendation (NP)	56.84	74.23	17.39(31)
4.		3054-80-800-95 Road Safety Works (P)	11.40	20.84	9.44(83)
5.		5054-80-001-99 Establishment Charges transferred on percentage basis from '3054-Roads and Bridges' (P)	265.79	332.57	66.78(25)
6.	XIX	2211-00-101-96 Rural Family Welfare Centres and Post Partum Centres (Block PHCs) (NP)	71.43	100.35	28.92(40)
7.		2211-00-200-96 Post Partum Centres MC Hospital, District Hospital and Other Major Hospitals (NP)	7.04	9.56	2.53(36)

Source: Detailed Appropriation Accounts 2016-17

Figures in parenthesis are percentage of excess over budget allocation

It was also observed that in five 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.	XI	2053-00-094-50 Disaster Management, Mitigation and Rehabilitation (P)	0.00	6.17	6.17
2.	XV	3054-04-198-39 One time assistance for maintenance of Rural Roads (NP)	0.00	1.00	1.00
3.	XX	2215-01-101-98 Special package for completing ongoing Urban Water Supply Schemes (P)	0.00	27.50	27.50
4.		2215-01-102-81 Rural Water Supply Scheme (P)	0.00	15.91	15.91
5.		2215-01-190-94 Replacement of old and unusable pipes (P)	0.00	33.00	33.00

Source: Detailed Appropriation Accounts 2016-17

Scheme-wise analysis of remaining Grants/Appropriations also revealed incurring of expenditure after budget allocations were injudiciously re-appropriated/surrendered. Details of 17 such cases are given in **Appendix 2.6**.

2.3.4 Excess expenditure over provisions relating to previous years requiring regularisation

As per Article 205 of the Constitution of India, it is mandatory for a State Government to get excesses over Grants/Appropriations regularised by the State Legislature. Although no time limit for regularisation of expenditure has been prescribed under the Article, the regularisation of excess expenditure is done after the completion of discussion of the Appropriation Accounts and the connected Audit Report by the Public Accounts Committee (PAC). Excess expenditure under 14 Grants and eight Appropriations amounting to ₹1,048.39 crore for the years 2011-12 to 2015-16 was to be regularised (December 2017) as summarised in **Table 2.9**. Government of Kerala has been incurring expenditure in excess of appropriation since 2011-12 i.e. for six consecutive years. For the last six years i.e from 2011-12 to 2016-17, Government of Kerala has been persistently violating the intent of the legislature, which is a matter of serious concern. 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**.

Table 2.9: Excess over provisions relating to previous years requiring regularization (₹ in crore)

Year	Number of		Amount of excess over provision
	Grant	Appropriation	
2011-12	2	..	24.50
2012-13	5	..	40.43
2013-14	6	4	560.68
2014-15	..	1	192.00
2015-16	1	3	230.78
Total	14	8	1,048.39

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

2.3.5 Unnecessary/Excessive Supplementary provision

Supplementary provisions aggregating to ₹1238.23 crore, obtained in 11 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 was sufficient savings in the original budget allocation, the option of re-appropriation of funds between heads of account (where savings are noticed) within the Grant/Appropriation could have been resorted to by the Chief Controlling Officers (for heads of accounts, which require funds) instead of proposing Supplementary Demands for Grants (SDG).

Further scrutiny revealed that supplementary grants obtained in respect of a few schemes/activities proved wholly unnecessary as the funds were surrendered at the end of the year. Instances are detailed in succeeding paragraphs.

(i) Grant number I - State Legislature (Revenue Voted)

The supplementary grant of ₹1.09 crore, obtained in March 2017 was to meet the additional expenditure on medical reimbursement under the head of account

2011-02-101-99 and expenditure on wages and other items under the head of account 2011-02-103-99. But the entire supplementary grant remained unutilised and surrendered at the end of the year.

(ii) Grant number II - Heads of States, Ministers and Headquarters Staff (Revenue charged)

Supplementary grant of ₹14.09 crore obtained in March 2017 under the head of account 2051-102-99-28 Payments for professional and special services, proved unnecessary as the final expenditure (₹154.29 crore) under the subhead was less than original budget allocation (₹159.08 crore) and the final surrender (₹15.73 crore) from the head of account was more than the amount obtained through supplementary grant in March 2017.

(iii) Grant number III - Administration of Justice (Revenue Charged)

Supplementary grant of ₹0.80 crore obtained in March 2017, for meeting medical reimbursement and other items expenditure under the head of account 2014-102-99, remained unutilised and surrendered at the end of the year.

(iv) Grant number XIV - Stationery and Printing and other Administrative Services (Revenue Voted)

Entire Supplementary grant of ₹2.40 crore obtained in March 2017 under the heads of account 2070-106-96-Civil Defence Institute (₹2.26 crore) and 2070-105-95-Other Disaster Management Projects (₹0.14 crore) remained unutilised and surrendered at the end of the year. Similarly, ₹10.27 crore obtained under the head of account 2070-108-99-Direction and Administration and ₹1.04 crore obtained under 2070-108-98-Protection and Control proved unnecessary as the surrenders under these heads were more than the amounts obtained through supplementary grants.

Further, in 26 Grants/Appropriation, against the additional requirement of ₹2,942.43 crore, supplementary budget allocation of ₹5,708.03 crore obtained during the year proved excessive (**Appendix 2.9**) by ₹2,765.60 crore. The departmental officers while making proposals for supplementary grants did not assess the actual requirement of funds, which resulted in avoidable savings.

2.3.6 Re-appropriation of funds

Re-appropriation is transfer of funds within a Grant from one unit of appropriation, where savings are anticipated, to another unit where additional funds are needed. Augmentation of funds through re-appropriation was resorted to by departmental officers. However, audit analysis revealed that augmentation of budget allocation was wholly unnecessary in some sub-heads as the final expenditure was less than the budget allocation (original and supplementary grant) provided under it. 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 31 schemes/activities are given in **Appendix 2.11**. It was also observed that even though augmentation through re-appropriation was done in 18 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**.

2.3.7 Surrender of budget allocations

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

During 2016-17, ₹20,727.08 crore (16 per cent) out of the total budget allocation (₹1,32,058.00 crore) was surrendered at the end of the financial year. More than ₹1,000 crore was surrendered in four Grants and one Appropriation, as detailed in **Table 2.10**.

Table 2.10: Grants in which more than ₹1000 crore was surrendered (₹in crore)

Grant number	Budget Allocation	Amount surrendered	Percentage of surrender
Revenue – Voted			
XVI Pensions and Miscellaneous	23924.35	2448.57	10
XXXVI Rural Development	3081.16	2265.46	74
XLIII Compensation and Assignments	7379.07	2055.70	28
XLVI Social Security and Welfare	6401.26	1116.36	17
Capital –Charged			
Public Debt Repayment	13974.78	6402.22	46

Source: Appropriation Accounts 2016-17

Further scrutiny revealed that in 19 schemes/activities (**Table 2.11**) the final surrenders were more than ₹100 crore which included 14 schemes/activities of the above mentioned Grants/Appropriations.

Table 2.11: Schemes in which more than ₹100 crore was surrendered (₹in crore)

Sl. No.	Grant number and name of the scheme	Budget	Expenditure	Surrender
1.	XV 3054-80-196-38 Maintenance of Road Assets as per Fifth SFC recommendation (V-NP)	305.54	116.72	124.07
2.	XVI 2071-01-101-99 Pension to Kerala Government Pensioners (V-NP)	7415.38	7107.63	229.35
3.		2075-00-800-72 Spill Over Schemes (V-NP)	2315.00	0.00
4.	XXII 2217-05-191-74 Pradhan Mantri Awas Yojana (40% State Share) (V-P)	150.00	32.28	117.72

Sl. No.	Grant number and name of the scheme	Budget	Expenditure	Surrender	
5.	XXVIII 5475-00-800-92 Major Infrastructural Development Projects (V-P)	2536.07	1624.57	911.50	
6.	XXIX 2401-00-109-65 Umbrella Scheme on Krishi Unnathi Yojana and other CSS (60% CSS) (V-P)	305.00	195.94	109.31	
7.	XXX 2408-01-101-96 Paddy procurement through Kerala State Civil Supplies Corporation and Other Agencies (V-NP)	600.00	486.51	113.51	
8.	2501-01-197-48 Block Grants for CSS (V-P)	287.60	137.59	138.45	
9.	XXXVI 2505-02-101-99 Mahatma Gandhi National Rural Employment Guarantee Programme (V-P)	2247.70	227.77	2010.01	
10.	XLIII 3604-00-200-86 Funds for Development Expenditure - 5th SFC Recommendations (V-NP)	3844.95	2864.32	1069.47	
11.		3604-00-200-87 Funds for Maintenance Expenditure (Non - Road Assets) - 5th SFC Recommendations (V-NP)	645.93	422.26	258.35
12.		3604-00-200-89 Performance Grant under Kerala Local Government and Service Delivery Project (KLGSDP) - World Bank Aided (V-NP)	345.00	197.85	147.29
13.		3604-00-200-90 Expansion and Development under XIV Finance Commission Recommendations (V-NP)	1310.05	782.59	572.48
14.		XLVI 2235-02-198-50 Block Grants for Revenue Expenditure (V-NP)	423.13	267.62	114.22
15.	2235-60-198-50 Block Grants for Revenue Expenditure (V-NP)		2339.96	1647.78	514.69
16.	2235-60-198-50 Block Grants for Revenue Expenditure (V-P)		1264.89	0.00	113.27
17.	Public Debt Repayment 6003-00-110-96 Overdrafts (C-NP)	2000.00	0.00	1739.51	
18.		6003-00-110-98 Special Ways and Means advances(C-NP)	2000.00	320.64	1679.39
19.		6003-00-110-99 Ways and Means Advances (C-NP)	5500.00	2610.49	2889.51

Source: Detailed Appropriation Accounts 2016-17

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 254 sub-heads, amounted to ₹13,556.49 crore. In 215 sub-heads, entire budget allocation (above ₹one lakh) amounting to ₹832.15 crore was surrendered and in 41 cases, this was ₹five crore and above as detailed in **Appendix 2.13**.

In two schemes of Grant number XXXVII (6858-60-190-95- Loans to Metal Industries Shornur (voted-plan)-₹1.50 crore and 6858-60-190-95- Loans to Steel Industrials Kerala Limited (voted-plan)-₹3.00 crore), the budget allocation was provided through re-appropriation (no allocation was made through original or supplementary budget), but the entire allocation remained unutilised and was surrendered at the end of the year.

2.3.8 Surrender in excess of actual savings

In 37 Grants/Appropriations, the amounts surrendered (₹ one crore or more in each case) was in excess of the actual savings indicating lack of or inadequate

financial control. As against savings of ₹13,546.86 crore, the amount surrendered was ₹14,596.97 crore, resulting in excess surrender of ₹1,050.11 crore under these Grants/Appropriations. 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 64 schemes/activities as detailed in **Appendix 2.15**. Final expenditure in respect of all the above 64 schemes were less than the original budget allocation provided for implementation of the schemes. However, injudicious surrender led to final excess under these schemes.

2.3.9 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 228 out of 1007 items (23 *per cent*), the reasons given for withdrawal of provision/additional provision in re-appropriation orders were of general nature like ‘expenditure is less than anticipated’, ‘reduced provision is sufficient to meet the expenditure’, etc.

2.4 Non-reconciliation of departmental figures

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

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

As per the records maintained by the AG (A&E) Kerala, 71 AC bills drawn by 34 DDOs up to March 2017 involving ₹1.08 crore were not adjusted as of November 2017 due to non-receipt of DC bills as detailed in **Appendix 2.16**. Year-wise

details are given in **Table 2.12**. Non-submission of DC bills would lead to retention of advance amount drawn with the drawing officers without accounting under the proper heads of account.

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

(₹ in crore)

Year	AC bills		Outstanding DC bills	
	No. of Items	Amount	No. of Items	Amount
2016-17	187	2.60	71	1.08
Total	187	2.60	71	1.08

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

2.4.2 Un-reconciled receipts and expenditure

According to Paragraph 74 of the Kerala Budget Manual, the expenditure recorded in the books of the Controlling Officer of the department should be reconciled every month with that recorded in the books of the 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 59.82 per cent of the total receipts (₹32,120.19 crore out of ₹53,690.29 crore) and 84.61 per cent of the total expenditure (₹83,968.73 crore out of ₹99,244.35 crore) were completed. However, 21 Chief Controlling Officers, whose total transactions exceeded ₹50 crore did not reconcile their expenditure with the accounts maintained by AG (A&E) as shown in **Appendix 2.17**. This was not only in violation of the provisions of Paragraph 74 of Kerala Budget Manual but also casts doubts about the correctness of the expenditure figures supplied by departments concerned and the figures booked by AG (A&E), Kerala.

2.5 Review on Budgetary process and Appropriation Control - Grant No. XLII Tourism

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

2.5.1 Budget allocation and expenditure

Budget allocation and expenditure under revenue and capital section of the Grant during the last three years is given in **Table 2.13**.

Table 2.13: Budget allocation and expenditure for last three years
(₹ in lakh)

Year	Category	Budget Allocation	Expenditure	Savings	Percentage of savings
2014-15	Revenue	15,195.77	14,534.88	660.89	4.35
	Capital	17,247.64	13,416.57	3,831.07	22.21
2015-16	Revenue	21,426.54	13,863.32	7,563.22	35.30
	Capital	15,516.00	12,652.78	2,863.22	18.45
2016-17	Revenue	19,080.41	17,073.59	2,006.82	10.52
	Capital	21,593.04	17,543.12	4,049.92	18.76

Source: Appropriation Accounts of respective years

Table 2.13 shows that more than 10 per cent of the budget allocation remained unutilised during last three years (except under revenue section during 2014-15). Further scrutiny revealed that 20 schemes had savings of more than ₹one crore, of which, seven schemes had persistent savings as detailed in **Table 2.14**.

Table 2.14: Schemes with repeated savings (more than ₹one crore in each case)
(₹ in crore)

Sl. No.	Schemes	Year	Budget allocation	Expenditure	Savings
1.	3452-80-800-54 Kerala Shopping Festival(NP)	2014-15	15.00	10.00	5.00
		2015-16	15.00	9.50	5.50
		2016-17	15.00	0.00	15.00
	Department stated that savings was due to non-issue of orders to release funds to Grant Kerala Shopping Festival				
2.	3452-80-800-78 HR development in Tourism through Kerala Institute of Tourism and Travel Studies (KITTS), Food Craft Institute (FCI) and State Institute of Hospitality Management (SIHM) (P)	2014-15	8.50	6.71	1.79
		2015-16	8.50	5.92	2.58
3.	5452-01-101-99 Upgradation, Creation of Infrastructure and Amenities(P)	2015-16	85.54	80.32	5.22
		2016-17	130.65	114.19	16.46
4.	5452-01-190-96Bakel Resort Development Corporation Limited(P)	2015-16	1.50	0.00	1.50
		2016-17	1.50	0.30	1.20
	Department stated that savings was due to non-issue of administrative sanction by the Government for the proposals of Bakel Resort Development Corporation.				
5.	5452-01-190-99 Kerala Tourism Development Corporation(P)	2014-15	6.50	0.00	6.50
		2015-16	6.50	5.00	1.50
	Department stated that though budget allocation was available, administrative sanction was issued for ₹5.00 crore only during 2015-16.				
6.	5452-01-800-85 Upgradation of Roads to Tourist Destination(NP)	2014-15	20.00	1.59	18.41
		2015-16	20.00	3.21	16.79
		2016-17	20.00	0.00	20.00
7.	5452-01-800-94RIDF-Scheme for Tourism(P)	2014-15	4.62	0.00	4.62
		2015-16	4.62	0.00	4.62
	Department stated that savings was due to absence of viable projects under RIDF scheme.				

Source: Detailed Appropriation Accounts of respective years

It was also observed that in the schemes, detailed in **Table 2.15** entire budget allocation remained unutilised in respective years and surrendered at the end of the year.

Table 2.15 : Schemes in which entire budget allocation was surrendered (₹ in crore)

Sl. No.	Scheme	Year	Budget allocation	Amount surrendered
1.	3452-01-101-94-Implementation of Priority Schemes under The Kerala Perspective Plan 2030(P)	2015-16	1.00	1.00
2.	3452-01-101-95-Product/Infrastructure development for Destination and Circuits (100% CSS)(P)	2015-16	58.15	58.15
	Department stated that surrender was due to non-receipt of Government of India funds.			
3.	3452-80-104-93-Publicity and Marketing (50% CSS)(P)	2015-16	0.90	0.90
	Department replied that savings was due to non-taking up of projects during year.			
4.	3452-80-800-54-Kerala Shopping Festival(NP)	2016-17	15.00	15.00
	Department stated that Government have not issued administrative sanction for releasing the fund to Kerala Shopping Festival during 2016-17.			
5.	5452-01-101-98-Trivandrum water supply scheme in Kovalam Tourism area(P)	2014-15	2.00	2.00
	Department stated that administrative sanction from government was not received for releasing the fund to Kerala Water Authority hence entire amount surrendered.			
6.	5452-01-190-99-Kerala Tourism Development Corporation(P)	2014-15	6.50	6.50
	Department stated that Government did not issue administrative sanction for releasing the fund to Kerala Tourism Development Corporation.			
7.	5452-01-800-85-Upgradation of Roads to Tourist Destination(NP)	2016-17	20.00	20.00
8.	5452-01-800-94-RIDF Schemes for Tourism(P)	2014-15	4.62	4.62
		2015-16	4.62	4.62
	Department stated that there were no projects available under RIDF during the period and hence, surrendered.			

Source: Detailed Appropriation Accounts of respective years

While the Grant closed with savings in each of the last three years, some of the schemes had excess expenditure even after augmentation of funds through re-appropriation. Schemes closed with excess expenditure during the last three years are given in **Table 2.16**.

Table 2.16: Schemes in which expenditure exceeded budget allocation (₹ in crore)

Sl. No	Scheme	Year	Net Budget	Expenditure	Excess
1.	3452-01-103-99 Transport (NP)	2014-15	7.25	7.45	0.20
		2015-16	7.10	7.36	0.25
		2016-17	6.72	7.06	0.34
2.	3452-80-001-95 Guest Houses, Yatri Nivases and Tourist Lodges (NP)	2014-15	13.65	14.38	0.73
		2015-16	14.13	15.13	1.00
		2016-17	15.99	18.73	2.74
3.	3452-80-001-96 District Offices (NP)	2014-15	1.34	1.47	0.14
		2015-16	1.47	1.62	0.15
		2016-17	1.87	1.99	0.12
4.	3452-80-001-97 Offices of the Regional Joint Director of Tourism (NP)	2016-17	0.72	0.82	0.11
5.	3452-80-001-99 Administration (NP)	2014-15	4.27	4.58	0.31
		2015-16	6.51	6.83	0.32
6.	3452-80-800-88 Tourist Information Centre (NP)	2015-16	1.34	1.50	0.17
		2016-17	1.44	1.56	0.12
7.	5452-01-190-98 Kerala Tourism Infrastructure Limited (P)	2015-16	0.00	5.91	5.91
8.	5452-01-800-84 Muziris Heritage and Spice Route Projects (P)	2014-15	18.00	18.71	0.71
9.	5452-01-800-87 Upgradation, Creation of Infrastructure and Amenities- Government Guest Houses (P)	2016-17	10.00	10.79	0.79

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, as detailed in **Table 2.17**.

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

Year	Category	Budget Allocation	Final savings	Amount surrendered	Excess surrender
2014-15	Revenue	15,195.77	660.89	815.49	154.60
	Capital	17,247.64	3,831.07	3,884.21	53.14
2015-16	Capital	15,516.00	2,863.22	3,133.37	270.15
2016-17	Revenue	19,080.41	2,006.82	2,188.89	182.07

Source: Appropriation Accounts 2016-17

Further scrutiny revealed that injudicious surrender led to excess expenditure in the schemes shown in **Table 2.18**, during the last three years. This indicated inadequate appropriation check exercised by departmental officers in heads of account under their control.

Table 2.18: Schemes in which surrender of funds led to excess expenditure
(₹ in lakh)

Sl. No.	Scheme	Year	Net Budget	Amount surrendered	Final Expenditure	Excess expenditure
1	3452-01-103-99 Transport (NP)	2014-15	769.56	44.21	745.45	20.10
		2015-16	755.80	45.35	735.83	25.38
		2016-17	690.57	18.36	705.79	33.58
2	3452-80-001-95 Guest Houses, Yatri Nivases and Tourist Lodges (NP)	2014-15	1,477.56	112.48	1,438.34	73.26
		2015-16	1,533.51	120.88	1,512.70	100.07
		2016-17	1,927.70	328.49	1,873.11	273.90
3	3452-80-001-96 District Offices (NP)	2014-15	160.58	27.02	147.17	13.61
		2015-16	178.47	31.58	161.74	14.85
		2016-17	188.07	1.54	198.54	12.01
4	3452-80-001-97 Offices of the Regional Joint Director of Tourism (NP)	2014-15	81.03	6.99	78.52	4.48
		2015-16	99.03	26.02	77.43	4.42
		2016-17	72.48	0.65	82.35	10.52
5	3452-80-001-99 Administration (NP)	2014-15	503.32	76.37	457.81	30.86
		2015-16	716.53	65.43	683.06	31.96
6	3452-80-800-88 Tourist Information Centre (NP)	2014-15	164.14	30.20	142.09	8.15
		2015-16	181.45	47.85	150.34	16.74
		2016-17	154.52	10.52	155.67	11.67
7	5452-01-190-98 Kerala Tourism Infrastructure Limited (P)	2015-16	100.00	100.00	591.44	591.44

Source: Detailed Appropriation Accounts of respective years

2.5.3 Unnecessary Re-appropriation

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, if the funds provided through original/supplementary demands for grants are found insufficient and savings are available under another units of appropriation within the Grant. However, audit analysis revealed that augmentation of budget allocation was wholly unnecessary in the sub-heads detailed in **Table 2.19** as the final expenditure was less than the budget allocation (original and supplementary grant) provided under it.

Table 2.19: Unnecessary re-appropriations (₹ in lakh)

Sl. No.	Scheme	Year	Total Budget	Net Re-appropriation	Final Expenditure
1.	3452-80-001-96 District Offices (NP)	2014-15	155.00	5.58	147.17
		2015-16	176.55	1.92	161.74
2.	3452-80-001-97 Offices of the Regional Joint Director of Tourism (NP)	2015-16	98.19	0.84	77.43

Sl. No.	Scheme	Year	Total Budget	Net Re-appropriation	Final Expenditure
3.	3452-80-001-98 Kerala House, New Delhi (NP)	2015-16	1,034.88	35.54	875.69
		2016-17	1,038.31	37.02	956.24
4.	3452-80-104-97 Kerala Tourism Promotion and Marketing Mechanism (P)	2016-17	1,843.27	7.25	1,782.35
5.	3452-80-104-98 Marketing (NP)	2014-15	68.63	0.26	66.87
		2015-16	70.64	0.12	60.79
6.	3452-80-800-88 Tourist Information Centre (NP)	2014-15	158.77	5.37	142.09
		2015-16	178.98	2.47	150.34
7.	3452-80-800-97 Modernisation and Strengthening of Tourism Institutions (P)	2016-17	165.00	8.74	160.00
8.	5452-01-800-84 Muziris Heritage and Spice Route Projects (P)	2016-17	1,800.00	307.04	1,800.00
9.	5452-01-800-98 Tourist Accommodation (Guest Houses) (P)	2014-15	50.00	1.59	48.93

Source: Detailed Appropriation Accounts of respective years

2.6 Overstated expenditure

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

Table 2.20: Details of overstated expenditure (₹ in crore)

Sl. No.	Name of Department/ Implementing institution	Year of drawal	Amount drawn	Unutilised balance
Health and Family Welfare				
1.	Edamulakkal Grama Panchayat	2015-16	0.80	0.80
District Medical Officer, Kollam transferred (October 2015) the amount for construction of pay ward in Government Ayurveda Hospital, Ayoor, Kollam. The work not yet started.				
Higher Education				
2.	Institute of Human Resources Development	Up to 2015-16	0.51	0.21
Setting up of Mini Fab Labs at Engineering Colleges. ₹0.05 crore was utilized and ₹0.25 crore refunded to Government account. It was replied that balance amount would be refunded after completion of audit for the years (2013-14 and 2014-15) by Chartered Accountants.				
3.	APJ Abdul Kalam Technological University	2015-16	40.20	40.20
The grant was released for setting up of University and miscellaneous construction. Non-utilisation was due to delay in acquiring land by Government.				

Sl. No.	Name of Department/ Implementing institution	Year of drawal	Amount drawn	Unutilised balance
Cultural Affairs				
4.	Folklore Academy	2014-15	2.80	1.17
Grant was released for renovation of Kannur Museum and International Folk Festival.				
Total			44.31	42.38

Source: Information compiled from inspection reports

2.7 Inspection of Treasuries

As of March 2017, there were 23 District Treasuries (19 banking and four non-banking), 200 sub treasuries (175 banking and 25 non-banking), 12 Stamp depots and one e-treasury functioning in the State. The Accountant General (A&E), Kerala inspected 125 units (Directorate of Treasuries, 23 District Treasuries, 101 Sub-treasuries). Irregularities and deficiencies noticed during the inspection of treasuries are mentioned in the succeeding paragraphs.

2.7.1 Excess payment of pension

During the course of treasury inspection, excess payment on account of pension/ family pension amounting to ₹0.63 crore was noticed in 850 cases. The main reasons for these excess payments were errors in calculation of revised pension, continuance of higher rate of family pension after expiry of authorised period, non-deduction of commuted portion of pension from basic pension, payment of ineligible festival allowance and medical allowance to family pensioners who are also in receipt of regular pension and incorrect calculation of dearness relief. Out of the above excess payment, ₹0.10 crore, involved in 430 cases was already recovered as shown in **Table 2.21**.

Table 2.21: Excess pension that remains to be recovered (₹in crore)

Sl. No.	Details of Excess paid pension	Excess paid		Recovered		Balance	
		No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
1.	Excess payment of pension	132	0.25	57	0.05	75	0.20
2.	Excess payment of family pension	36	0.18	9	0.01	27	0.17
3.	Excess payment of festival allowance	579	0.05	302	0.03	277	0.02
4.	Excess payment of Medical allowance	98	0.04	62	0.01	36	0.03
5.	Irregular crediting of MLA pension	2	0.01	0	0.00	2	0.01
6.	Excess payment of judiciary pension	1	0.04	0	0.00	1	0.04
7.	Excess payment of inter-state pension	2	0.06	0	0.00	2	0.06
Total		850	0.63	430	0.10	420	0.53

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

2.7.2 Retention of excess cash balance

According to Rule 309 of Kerala Treasury Code Volume I, every year in January, Government fixes the maximum cash balance for each District Treasury for the next financial year. The District Treasury Officer in turn fixes the cash balance for

each Sub Treasury in the district. The actual cash balance in treasury should ordinarily be kept much below the normal maximum balance fixed for a treasury so that Government's credit balance in the Reserve Bank of India may be as large as possible. Moreover, excess retention of cash balance in treasuries may cause loss of revenue to the State by way of loss of interest on investment, payment of interest on ways and means advances, etc. Excess retention of cash balance was noticed in 91 treasuries/sub treasuries on 725 occasions during the financial year.

2.7.3 Pending adjustment of advances drawn by Drawing and Disbursing Officers

During the audit of Treasury Information System, Accountant General (A&E) observed that 12 Drawing and Disbursing Officers drew an amount of ₹6.25 crore during 2014-15 and 2015-16, which remained pending for final settlement. Details are given in **Appendix 2.18**. Non-settlement of advances distorts the correctness of expenditure booked in Government accounts.

2.8 Conclusion and Recommendations

Compared to previous year, overall savings from the budget allocation decreased by five *per cent* (from 20.62 *per cent* in 2015-16 to 15.49 *per cent* in 2016-17) which showed an improvement in budgetary process. However, following deficiencies in financial management continued as in the previous year.

- Persistent savings exceeding ₹100 crore, which was more than 25 *per cent* of the total budget provision were noticed in Grants 'Urban Development', and 'Rural Development' under Revenue section and 'Water Supply and Sanitation', 'Miscellaneous Economic Services', 'Agriculture' and 'Public Debt Repayment' under Capital Section.
- Failure of the departmental officers was evident in some of the budget allocations obtained through Supplementary Demands, as the allocations obtained through Supplementary Demands for Grants were surrendered at the end of the year.
- Unnecessary and injudicious re-appropriations indicated that departmental officers failed in assessing 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.

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.