

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 2017-18 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	96,213.61	5,852.23	1,02,065.84	93,707.62	(-) 8,358.22	8.19
II	Capital	9,005.84	3,617.85	12,623.69	10,469.84	(-) 2,153.85	17.06
III	Loans and Advances	916.58	868.06	1,784.64	350.66	(-) 1,433.98	80.35
Total Voted		1,06,136.03	10,338.14	1,16,474.17	1,04,528.12	(-)11,946.05	10.26
Charged							
IV	Revenue	14,078.57	589.38	14,667.95	15,676.34	(+) 1,008.39	6.87
V	Capital	77.24	54.43	131.67	120.41	(-) 11.26	8.55
VI	Public Debt Repayment	13,606.02	2.13	13,608.15	13,132.1	(-) 476.05	3.50
Total Charged		27,761.83	645.94	28,407.77	28,928.85	(+) 521.08	1.83
Appropriation to Contingency Fund (if any)		Nil	Nil	Nil	Nil	Nil	Nil
Grand Total		1,33,897.86	10,984.08	1,44,881.94	1,33,456.97	11,424.97	7.89

Source: Appropriation Accounts 2017-18 and Appropriation Acts

The overall savings of ₹11,424.97 crore was the result of savings of ₹14,970.41 crore in 40 Grants and 23 Appropriations under the Revenue Section and 25 Grants and seven Appropriations under the Capital Section (**Appendix 2.1**), offset by excess of ₹3,545.44 crore in four Grants and three appropriations under the Revenue Section and two Grants under Capital section. Though overall savings decreased (7.60 per cent) from 15.49 per cent in the last year to 7.89 per cent in 2017-18, 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 25 Grants (each having savings exceeding ₹100 crore) budget allocation of ₹16,391.98 crore remained un-utilised 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	9	15,483.65	517.72	8,268.72	7,732.65
Revenue-Non-Plan	6	18,821.48	976.58	15,111.60	4,686.46
Capital-Plan	7	4,029.02	1,864.06	3,339.57	2,553.51
Capital-Non-plan	3	1,312.85	430.00	323.49	1,419.36
Total	25	39,647.00	3,788.36	27,043.38	16,391.98

Source: Appropriation Accounts 2017-18

Grant-wise details for the above information are given in **Appendix 2.2**. Further, it was observed that 10 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)

Sl. No.	Grant number and name	Budget allocation	Expenditure	Savings	Percentage of savings
Revenue –Plan					
1	II Heads of States, Ministers and Headquarters Staff	286.47	115.23	171.24	60
2	XVII Education, Sports and Art and Culture	3,491.15	1,602.24	1,888.91	54
3	XXII Urban Development	1,569.90	406.65	1,163.25	74
4	XXXVI Rural Development	3,796.92	773.99	3,022.93	80
Revenue-Non-Plan					
5	XLVI Social security and Welfare	3,260.19	713.54	2,546.65	78
Capital-Plan					
6	XXIV Labour, Labour welfare and Welfare of Non-Residents	318.64	155.15	163.49	51
7	XXVIII Miscellaneous Economic Services	2,701.04	1,153.98	1,547.06	57
Capital-Non-Plan					
8	XV Public Works	859.10	249.52	609.58	71
9	XLI Transport	640.20	9.27	630.93	99
10	XLV Miscellaneous Loans and Advances	243.55	64.70	178.85	73

Source: Appropriation Accounts 2017-18

Further scrutiny revealed that 21 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 allocation	Expenditure	Savings
1.	II	3451-00-101-62 National E-Governance Action Plan (NeGAP) (P)	42.69	0.00	42.69
2.		3451-00-101-39 Youth Entrepreneurship (P)	69.99	25.00	44.99
3.		3451-00-101-87 Kerala State Information Technology Mission (P)	99.43	37.96	61.47
4.	XVII	2202-03-103-57 Rashtriya Uchchar Shiksha Abhiyan – RUSA (60% CSS) (P)	207.00	17.82	189.18
5.		2202-02-109-64 Rashtriya Madhyamik Siksha Abhiyan – RMSA (60% CSS) (P)	265.00	29.66	235.34
6.		2202-03-105-97 Additional Skill Acquisition Programme (ASAP) (P)	429.63	100.00	329.63
7.		2202-01-111-98 Sarva Siksha Abhiyan (SSA) (60% CSS) (P)	504.68	147.76	356.92
8.	XXII	2217-05-191-74 Pradhan Mantri Awas Yojana (60% CSS) (P)	216.00	36.57	179.43
9.		2217-05-191-73 Atal Mission for Rejuvenation and Urban Transformation (AMRUT) (60% CSS) (P)	250.00	63.32	186.68
10.		2217-05-191-72 Smart City Mission (60% CSS) (P)	250.00	13.20	236.80
11.	XXXVI	2501-06-197-48 Block Grants for CSS (P)	375.00	115.73	259.27
12.		2515-00-102-37 Pradhan Mantri Krishi Sinchai Yojana (PMKSY) Watershed component (P)	66.75	17.10	49.65

Sl. No.	Grant No.	Scheme/activity	Budget allocation	Expenditure	Savings
13.		2505-02-101-99 Mahatma Gandhi National Rural Employment Guarantee Programme (90% CSS) (P)	2,994	264.47	2,729.53
14.		2235-60-192-50 Block Grants for Revenue Expenditure (NP)	241.72	10.48	231.24
15.	XLVI	2235-02-198-50 Block Grants for Revenue Expenditure (NP)	382.22	50.78	331.44
16.		2235-60-198-50 Block Grants for Revenue Expenditure (NP)	1,757.86	73.73	1,684.13
17.	XXIV	4250-00-800-99 Special Development Fund for MLAs (P)	289.96	127.04	162.92
18.	XXVIII	5475-00-800-92 Major Infrastructural Development Projects (P)	1,552.00	0.00	1,552.00
19.	XV	5054-03-337-94 Projects under Legislative Assembly Constituency Asset Development Scheme (NP)	175	78.69	96.31
20.	XLI	7055-00-190-99 Loans to Kerala State Road Transport Corporation (NP)	630.00	0.00	630.00
21.	XLV	7610-00-201-98 State Service Officers (NP)	231.00	47.97	183.03

Source: Appropriation Accounts 2017-18

Audit further analysed savings under voted category in revenue and capital sections excluding salary/establishment expenses and observed savings of ₹15,586.05 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	9	15,923.33	8,202.88	7,720.45
Revenue-Non-Plan	3	12,082.66	8,207.75	3,874.91
Capital-Plan	7	5,876.05	3,304.73	2,571.32
Capital-Non-plan	3	1,742.86	323.49	1,419.37
Total	22	35,624.9	20,038.85	15,586.05

Source: Appropriation Accounts 2017-18

The huge savings (excluding projections for salary/establishment charges) indicate failure of the State Government to utilise funds earmarked in 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 twelve Grants/Appropriation 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	Expen- diture	Savings	Percentage of savings
Revenue – Voted						
1.	II	Heads of States, Ministers and Headquarters Staff	724.66	521.26	203.40	28
2.	XX	Water Supply and Sanitation	1,009.68	697.62	312.06	31
3.	XXII	Urban Development	1,665.33	550.86	1,114.47	67
4.	XXVII	Co-operation	472.32	326.62	145.70	31
5.	XXXVI	Rural Development	4,047.10	1,013.77	3,033.33	75
Capital-Voted						
6.	XX	Water Supply and Sanitation	506.00	319.90	186.10	37
7.	XXIV	Labour, Labour Welfare and Welfare of Non-residents	318.64	155.15	163.49	51
8.	XXVIII	Miscellaneous Economic Services	2,766.04	1,174.82	1,591.22	58
9.	XXIX	Agriculture	429.69	318.34	111.35	26
10.	XXXVIII	Irrigation	495.19	348.93	146.26	30
11.	XL	Ports	357.01	212.75	144.26	40
12.	XLV	Miscellaneous Loans and Advances	243.56	64.70	178.86	73
Total			13,035.22	5,704.72	7,330.50	56

Source: Appropriation Accounts 2017-18

Further, the savings under the above twelve Grants were 49 per cent of the total savings of all the Grants during 2017-18, indicating the gravity of the savings in these Grants.

Analysis of the savings in the above twelve Grants revealed that 51 schemes had savings more than ₹10 crore during 2017-18. Details are given in **Appendix 2.3**.

2.3.2 Persistent savings

Thirteen Grants and one Appropriation had savings 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)		
		2015-16	2016-17	2017-18
Revenue - Voted				
1.	XII Police	515.75 (16)	180.43 (5)	278.20 (7)
2.	XVII Education, Sports, Art and Culture	2,384.74 (14)	337.73 (2)	1,198.33 (6)
3.	XXII Urban Development	645.83 (69)	631.20 (42)	1,114.46 (67)
4.	XXV Welfare of Scheduled Castes, Scheduled Tribes, Other Backward Classes and Minorities	405.68 (16)	277.20 (10)	400.82 (12)

Sl. No.	Number and Name of Grant/Appropriation	Amount of savings (Percentage)		
		2015-16	2016-17	2017-18
5.	XXIX Agriculture	498.24 (18)	308.75 (10)	763.22 (21)
6.	XXXVI Rural Development	740.04 (25)	2,270.10 (74)	3,033.33 (75)
7.	XLIII Compensation and Assignments	2,275.81 (35)	1,881.47 (25)	1,036.40 (13)
8.	XLVI Social Security and Welfare	632.93 (13)	1,136.67 (18)	574.88 (8)
Capital-Voted				
9.	XX Water Supply and Sanitation	174.90 (52)	299.38 (53)	186.10 (37)
10.	XXVIII Miscellaneous Economic Services	1,178.88 (56)	952.75 (29)	1,591.22 (58)
11.	XXIX Agriculture	149.22 (34)	280.41 (40)	111.36 (26)
12.	XXXVII Industries	133.35 (19)	236.17 (23)	267.28 (23)
13.	XLI Transport	559.08 (46)	179.35 (16)	233.69 (11)
Capital-Charged				
14.	Public Debt Repayment	8,917.24 (60)	6,268.77 (45)	473.92 (3)

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 13 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 expenditure over provision during 2017-18

The Appropriation Accounts disclosed excess expenditure in four⁴⁷ grants and three⁴⁸ appropriations under Revenue Section amounting to ₹3,492.08 crore and two⁴⁹ grants under Capital Section amounting to ₹53.36 crore, which require regularisation under Article 205 of the Constitution. Further analysis revealed that 21 schemes under the above Grants had excess expenditure of more than ₹five crore. Details are given in **Appendix 2.5**.

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

⁴⁷ Grant No. I State Legislature: ₹0.69 crore; Grant No. XV Public Works: ₹65.47 crore; Grant No. XVI Pensions and Miscellaneous: ₹2,273.73 crore and Grant No. XIX Family Welfare: ₹54.54 crore.

⁴⁸ Debt Charges: ₹1,097.61 crore; Grant No. XIX Family Welfare: ₹0.02 crore and Grant No. XXXIV Forest: ₹0.02 crore.

⁴⁹ Grant No. XIV - Stationery and Printing and other Administrative Services: ₹0.09 crore and Grant No. XVII Education, Sports, Art and Culture: ₹53.27 crore.

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

Sl. No.	Grant number and scheme name		Budget allocation	Expenditure	Excess
1.		2059-60-053-94-Electronic Maintenance-(NP)	0	0.21	0.21
2.	XV	3054-80-004-99-Kerala Highway Research Institute- (P)	0	0.49	0.49
3.		3054-80-198-39 Fourth SFC-Assistance to Grama Panchayat (NP)	0	0.09	0.09
4.	XIX	2211-00-800-95-Compensation/Damages to victim of FP operation (NP)	0	0.56	0.56

Source: Detailed Appropriation Accounts 2017-18

Scheme-wise analysis of remaining Grants/Appropriations also revealed incurring of expenditure after budget allocations were injudiciously re-appropriated/surrendered. Details of such 19 schemes are given in **Appendix 2.6**.

2.3.4 Persistent excess expenditure

Persistent excess expenditure was noticed in five schemes under Grant No.XIX Family Welfare during the financial years 2016-17 and 2017-18 as shown in **Table 2.9**.

Table 2.9: Persistent excess expenditure for the last two financial years

(₹ in crore)

Sl. No.	Scheme	Year	Budget allocation	Expenditure	Surrender	Reappropriation	Excess expenditure
1	2211-00-001-96 State Level Organisation CSS (60:40) (VP)	2016-17	5.60	4.75	0	-0.91	0.06
		2017-18	7.50	6.15	0	-2.75	1.40
2	2211-00-003-95-Training of Health visitors, ANMS and DAIs (CSS-60:40)-(V)-(P)	2016-17	1.81	2.58	0	0.27	0.50
		2017-18	2.50	2.97	0	0.39	0.08
3	2211-00-101-96-Rural Family Welfare Centres and Post Partum Centres-(V)-(NP)	2016-17	147.79	100.35	4.35	-72	28.91
		2017-18	134.01	98.24	0	-45.17	9.40
4	2211-00-101-95-Sub Centres-(CSS-60:40) (V)-(P)	2016-17	246.59	326.49	0	79.18	0.72
		2017-18	280	377.99	0	54.36	43.63
5	2211-00-200-94 Post Partum Centre Sub/division and Taluk level hospitals (V)-(NP)	2016-17	35.50	30.83	10.16	-0.04	5.53
		2017-18	39.54	35.49	0	-7.88	3.83

Source: Detailed Appropriation Accounts 2016-17 & 2017-18

Further analysis revealed that the excess expenditure was due to insufficient augmentation of provision through re-appropriation under the heads of account '2211-00-003-95' and '2211-00-101-95'. Injudicious surrender/re-appropriations of funds also attributed to excess expenditure under other 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 got 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 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 corresponding Audit Report by the Public Accounts Committee (PAC). Excess expenditure under 22 Grants and eight Appropriations amounting to ₹1,189.56 crore for the years 2011-12 to 2016-17 was to be regularised (December 2018) as summarized in **Table 2.10**. Government of Kerala has been incurring expenditure in excess of appropriation since 2011-12 i.e. for seven consecutive years. For the last seven years i.e. from 2011-12 to 2017-18, 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 2.10: 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
Total	22	8	1,189.56

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

2.3.6 Unnecessary/excessive Supplementary provision

Supplementary provisions aggregating to ₹2,417.30 crore, obtained in 12 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 II – Heads of States, Ministers and Headquarters Staff (Revenue charged)

The supplementary appropriation of ₹26 crore, obtained in February 2018 under the head of account ‘2051-102-99 Public Service Commission’ was to regularize the additional expenditure of ₹10 crore and to provide ₹16 crore to PSC for conducting examinations, various tests, interviews, for meeting the charges of examination centres, etc. But the final expenditure under the sub head (₹184.63 crore) was less than the original budget allocation (₹190.78 crore) and the final surrender (₹29.59 crore) from the head of account was more than the amount obtained through supplementary appropriation in February 2018.

(ii) Grant number XII – Police (Revenue Voted)

Supplementary grant of ₹3.94 crore obtained in February 2018 under the head of account ‘2055-116-98 Setting up of Cyber forensic Lab cum Training Centre’, remained unutilised and was surrendered at the end of the year.

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

Entire Supplementary grant of ₹ 2.26 crore obtained in August 2017 under the head of account ‘2070-106-96 Civil Defence Institute’ remained unutilised and was surrendered at the end of the year.

(iv) Grant number XXVII – Co-operation (Revenue Voted)

The supplementary grant of ₹ 90 crore, obtained in August 2017 to provide fund to Consumerfed for effective market intervention operations, under the head of account ‘2425-108-80 Subsidy to Co-operatives for conducting Festival Markets’ proved unnecessary as the final expenditure under the sub head (₹52 crore) was less than the original budget allocation (₹60 crore) and the final surrender (₹95.82 crore) from the head of account was more than the amount obtained through supplementary grant in August 2017.

(v) Grant number XXX – Food (Revenue Voted)

The supplementary grant of ₹ 125 crore, obtained in May 2017 to provide fund to meet the expenditure towards Paddy procurement as announced in the Budget speech 2017-18 under the head of account ‘2408-01-101-96 Paddy Procurement through Kerala State Civil Supplies Corporation and other agencies’ proved unnecessary as the final expenditure under the sub head (₹325.14 crore) was less than the original budget allocation (₹400 crore) and the final surrender (₹199.86 crore) from the head of account was more than the amount obtained through supplementary grant in May 2017.

(vi) Grant number XXXV – Panchayat (Revenue Voted)

The supplementary grant of ₹0.40 crore obtained in August 2017 for satisfying ‘New Service procedure’ and to provide fund under the head of account ‘2515-101-54 Assistance to ‘Thanal’ for supporting the activities of Carbon Neutral Wayanad’ as announced in the Budget speech 2017-18 remained unutilised and was surrendered at the end of the year.

(vii) Grant number XXXV – Panchayat (Capital Voted)

Rupees six crore obtained in August 2017 under the head of account ‘4515-800-94 Completion of construction and land acquisition activities of convention centre at Pinarayi Grama Panchayat’ for providing fund towards land acquisition and construction activities of Convention Centre at Pinarayi Grama Panchayat, remained unutilised and was surrendered at the end of the year.

Further, in 21 Grants/Appropriation, against the additional requirement of ₹4,794.06 crore, supplementary budget allocation of ₹6,819.39 crore obtained during the year proved excessive (**Appendix 2.9**) by ₹2,025.33 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 18 schemes/activities are given in **Appendix 2.11**. It was also observed that even though augmentation through re-appropriation was done in 22 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 Finance Department as and when they are foreseen, unless they are required to meet the excesses under other units of appropriation.

During 2017-18, ₹15,709.26 crore (11 *per cent*) out of the total budget allocation (₹1,44,882 crore) was surrendered at the end of the financial year. More than ₹1,000 crore was surrendered in five Grants as detailed in **Table 2.11**.

Table 2.11: 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	20,024.91	2,246.78	11
XXII	Urban Development	1,665.33	1,130.57	68
XXXVI	Rural Development	4,047.10	3,038.99	75
XLIII	Compensation and Assignments	8,247.19	1,035.09	13
Capital Voted				
XXVIII	Miscellaneous Economic Services	2,766.04	1,592.06	58

Source: Appropriation Accounts 2017-18

Further scrutiny revealed that in 20 schemes/activities (**Table 2.12**) the final surrenders were more than ₹100 crore which included 14 schemes/activities of the above mentioned Grants.

Table 2.12: Schemes in which more than ₹100 crore was surrendered (₹ in crore)

Sl. No.	Grant number and name of the scheme	Budget allocation	Surrender	Expenditure
1.	XII 2055-00-109-99 District Force (NP)	2,634.21	144.76	2,410.08
2.	2202-01-112-90 Mid Day Meal (60% CSS) (P)	640.53	173.70	466.82
3.	2202-03-103-57 Rashtriya Uchchar Shiksha Abhiyan - RUSA (60% CSS) (P)	207	178.94	17.82
4.	XVII 2202-03-103-99 Arts and Science Colleges (NP)	346.08	107	322.93
5.	2202-03-104-99-Salaries to the staff under the Direct Payment System (NP)	1,280.48	379.39	1,117.57
6.	2202-03-105-97-Additional Skill Acquisition Programme (ASAP) (P)	429.63	329.63	100
7.	2217-05-191-72-Smart City Mission (40% State Share)	250	240	13.20
8.	XXII 2217-05-191-73-Atal Mission for Rejuvenation and Urban Transformation (AMRUT) (60% CSS) (P)	250	186.68	63.32
9.	2217-05-191-74-Pardhan Mantri Awas Yojana (60% CSS) (P)	216	179.42	36.57
10.	2217-05-192-72- Pardhan Mantri Awas Yojana (PMAY) (60% CSS) (P)	244	132.62	111.37
11.	XXVIII 5475-00-800-92-Major Infrastructural Development Projects (P)	1,552	1,543.95	0
12.	XXIX 2435-01-101-80-Rubber Production incentive scheme (NP)	500	359.14	125
13.	XXX 2408-01-101-96-Paddy Procurement through Kerala State Civil Supplies Corporation and other agencies (NP)	525	199.86	325.14
14.	2501-06-197-48-Block Grants for CSS (P)	375	259.26	115.73
15.	XXXVI 2505-02-101-99-Mahatma Gandhi National Rural Employment Guarantee Program (90% CSS) (P)	2,994	2,641.08	264.47
16.	3604-00-200-86-Funds for Development Expenditure – 5 th SFC Recommendations (NP)	4,654.61	637.91	3,818.44
17.	XLIII 3604-00-200-90-Expansion and Development under XIV Finance Commission Recommendations (NP)	1,507.89	287.33	1,183.43

Sl. No.	Grant number and name of the scheme	Budget allocation	Surrender	Expenditure
18.	XLV 7610-00-201-98-State Service Officers (NP)	231	176.36	47.97
19.	XLVI 2235-02-102-47-Integrated Child Development Service (60% CSS) (P)	499	143.18	364.74
20.	Public Debt Repayment 6003-00-110-96-Overdrafts (Charged) (NP)	2,000	418.32	0

Source: Detailed Appropriation Accounts 2017-18

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 278 sub-heads, amounted to ₹9,441.70 crore. In 182 sub-heads, entire budget allocation (above ₹one lakh) amounting to ₹803.99 crore was surrendered and in 30 cases, this was ₹five crore and above as detailed in **Appendix 2.13**.

In three schemes of Grant number XXIX (2401-00-789-89 (voted-plan) - ₹2.33 crore), and Grant No. XLVI (2235-02-103-55 (voted-Plan) - ₹10 crore and 4235-02-102-87 (voted plan) - ₹2.00 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.

Besides this, in one scheme of Grant No. XXXVIII (4701-14-800-97 Dam and Appurtenant Works (Voted-Plan)) an allocation of ₹5 crore was made through re-appropriation and the entire amount was surrendered. An amount of ₹5 crore was booked under the head during 2017-18, resulting in an excess expenditure of ₹5 crore requiring regularisation.

2.3.9 Surrender in excess of actual savings

In 40 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 ₹10,262.39 crore, the amount surrendered was ₹11,772.99 crore, resulting in excess surrender of ₹1,510.60 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 69 schemes/activities as detailed in **Appendix 2.15**. Final expenditure in respect of all the above 69 schemes were 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 490 out of 1105 items (44 *per cent*), the reasons given for withdrawal of provision/additional provision in re-appropriation orders were of general nature like ‘expenditure is less than anticipated’, ‘reduced provision is sufficient to meet the expenditure’, etc.

2.4 Non-reconciliation of departmental figures

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

According to Rule 187 (d) of the Kerala Treasury Code, all contingent claims that require the countersignature of the controlling authority after payment are to be initially drawn by the Drawing and Disbursing Officer (DDO) from the treasury by presenting Abstract Contingent bills in the prescribed form (Form TR 60). Abstract Contingent (AC) bills can be drawn only by an authorised officer for the items of expenditure listed in Appendix 5 to the Kerala Financial Code. The DDO should maintain a register of AC bills and monitor submission of detailed bills there against. The Detailed Contingent (DC) bills in respect of such claims should be submitted to the controlling authority for countersignature not later than the 10th of the month succeeding to which they relate. The DC bills pertaining to a month’s claim should reach the 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, 11 AC bills drawn by 6 DDOs up to March 2018 involving ₹0.09 crore were not adjusted as of November 2018 due to non-receipt of DC bills as detailed in **Appendix 2.16**. Year-wise details are given in **Table 2.13**. Non-submission of DC bills would lead to retention of advance amount drawn with the drawing officers without final settlement.

Table 2.13: Pendency in submission of Detailed countersigned Contingent bills against Abstract Contingent bills (₹ in crore)

Year	AC bills		Outstanding DC bills	
	Number of items	Amount	Number of items	Amount
2017-18	129	1.18	11	0.09
Total	129	1.18	11	0.09

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 64.28 *per cent* of the total receipts (₹45,175.59 crore out of ₹70,277.68 crore) and 87.69 *per cent* of the total expenditure (₹1,09,138.5 crore out of ₹1,24,466.5 crore) were completed. However, 20 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.XXV-Welfare of Scheduled Castes, Scheduled Tribes, Other Backward Classes and Minorities

The Central/ State Governments have implemented many programmes for the upliftment of Scheduled Castes, Scheduled Tribes, other backward Classes and Minority sections of people in the State that are economically, socially and educationally backward. Scheduled Castes Development Department, Scheduled Tribes Development Department, Backward communities Development Department and Minority welfare Department work for the upliftment of the Scheduled Castes, Scheduled Tribes, Other backward classes and Minorities.

The Grant No.XXV is controlled by 13 Controlling officers, of which defective budgetary and appropriation control was noticed in the schemes implemented by four controlling officers viz., Director of Scheduled Caste Development, Director of Scheduled Tribes Development, Director of Backward Communities Development and Director of Minority Welfare. The review was conducted to ascertain budgetary process and utilisation of funds earmarked for various functions of these four departments. The controlling officers are responsible for ensuring appropriation control in each unit of appropriation of the Grant.

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 2.14**.

Table 2.14: Budget allocation and expenditure for last three years

(₹ in crore)					
Year	Category	Budget allocation	Expenditure	Savings	Percentage of savings
2015-16	Revenue	2,543.33	2,137.64	405.69	15.95
	Capital	283.63	57.01	226.62	79.90
2016-17	Revenue	2,910.71	2,633.51	277.20	9.52
	Capital	259.03	191.34	67.69	26.13
2017-18	Revenue	3,286.55	2,885.73	400.82	12.20
	Capital	172.33	121.48	50.85	29.51

Source: Appropriation Accounts of respective years

Table 2.14 shows that more than 10 per cent of the budget allocation remained unutilised during last three years (except under revenue section during 2016-17). The savings under Capital portion during 2015-16 works out to the highest rate of 79.90 per cent. Further scrutiny revealed that 66 schemes had savings of more than ₹one crore, of which, 17 schemes had persistent savings for 3 years as detailed in **Appendix 2.18**.

It was also observed that in 12 schemes, as detailed in **Table 2.15**, entire budget allocation remained unutilised in respective years and was 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.	4225-01-277-89 Construction of Medical College, Palakkad (P)	2015-16	150.00	150.00
2.	4225-01-283-85 Working Women's Hostel for Scheduled Caste (P)	2017-18	1.50	1.50
3.	4225-02-277-51 Construction of Ashramam Schools and Model Residential School (P)	2015-16	30.00	30.00
4.	4225-02-277-48 Construction of Girls Hostel (100% CSS) (P)	2016-17	3.50	3.50
5.	4225-02-800-92 Multi purpose hostel for Scheduled Tribes (P)	2015-16	3.00	3.00
6.	2225-02-102-80 Vanabandhu Kalyan Yojana (VKY) (P)	2017-18	10.00	10.00
	Department stated that surrender was due to non-receipt of Government of India funds and Administrative approval from the Government.			
7.	2225-02-800-13 XIV Finance Commission Award (P)	2015-16	37.00	37.00
	Department stated that surrender was due to non-approval of the proposal by Government of India			
8.	4225-80-195-99 Share Capital Contribution – Kerala State Federation of SCs/STs Development Corporation Limited (P)	2015-16	2.00	2.00
	Department stated that since the order to credit the amount to the account of the Federation was issued by Government on the last day of the financial year (as some financial irregularities were noticed in the SC Federation in the previous year) it could not be spent during the year 2015-16.			
9.	2225-02-102-79-Implementation of Gender Equality and Women's Empowerment Policy (NP)	2017-18	0.1	0.1
	Department stated that the funds provided in the budget could not be spent due to the financial restrictions imposed by the Treasury.			
10.	2225-02-102-87-Cheengeri Extension Scheme (NP)	2017-18	0.27	0.27
	Department stated that the savings was due to the absence of any permanent labourers in the farm as the budget provision was meant for meeting the salary expenses of the permanent labourers			
11.	2225-03-102-97-Justice Hariharan Nair Commission (NP)	2017-18	0.01	0.01
12.	6225-01-800-97-Interest Free loans to SC for the Construction of Houses (NP)	2017-18	0.1	0.1
	Department stated that saving was due to non- receipt of claims from the beneficiaries for the loan.			

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 2.16**.

Table 2.16: Excess surrender of funds (₹ in crore)

Year	Category	Budget allocation	Savings	Amount surrendered	Excess surrender
2016-17	Revenue	2,910.71	277.20	298.18	20.98
2017-18	Revenue	3,286.55	400.82	437.63	36.81
	Capital	172.34	50.85	51.10	0.25

Source: Appropriation Accounts 2017-18

Further scrutiny revealed that injudicious surrender led to excess expenditure in the schemes shown in **Table 2.17**, during the last three years. This indicated inadequate appropriation check exercised by departmental officers in heads of account under their control.

Table 2.17: Schemes in which surrender of funds led to excess expenditure (₹ in crore)

Sl. No.	Scheme	Year	Net Budget	Amount surrendered	Expenditure	Excess expenditure
1.	2225-01-001-98- District Offices (NP)	2016-17	29.95	0.67	30.26	0.31
		2017-18	32.74	2.16	33.55	0.81
2.	2225-01-277-89-Model Residential Schools and Sree Ayyankali Memorial model residential sports school Vellayani (NP)	2016-17	4.58	1.97	4.94	0.39
		2017-18	5.73	1.48	5.80	0.07
3.	2225-01-277-93-Post-Matric Hostels (NP)	2016-17	3.77	1.27	4.34	0.57
		2017-18	4.73	1.10	4.85	0.12
4.	2225-01-277-94-Pre-Matric Hostels (NP)	2016-17	10.05	0.61	10.19	0.14
		2017-18	10.95	1.81	11.17	0.22
5.	2225-02-001-98-Planning and Statistical Cell (NP)	2015-16	0.45	0.08	0.53	0.08
		2016-17	0.38	0.29	0.43	0.05
		2017-18	0.52	0.23	0.53	0.01
6.	2225-02-001-99-Administration (NP)	2017-18	13.15	1.84	13.56	0.41
7.	2225-02-277-73-Postmatirc hostel for tribal children (P)	2015-16	0.75	0.24	0.79	0.04
		2016-17	0.98	0.12	1.00	0.02
		2017-18	1.58	0.23	1.60	0.02
8.	2225-02-277-89-Nursery School (NP)	2015-16	0.81	0.19	0.92	0.11
		2016-17	0.91	0.57	0.92	0.01
		2017-18	0.97	0.65	0.99	0.02
9.	2225-02-277-94-Tribal Hostels (NP)	2016-17	23.10	5.09	27.02	3.92
		2017-18	26.91	8.97	27.11	0.20
10.	2225-02-282-98-Mobile Medical Units for Scheduled Tribes (NP)	2016-17	0.60	0.20	0.61	0.01
		2017-18	0.67	0.10	0.68	0.01

Sl. No.	Scheme	Year	Net Budget	Amount surrendered	Expenditure	Excess expenditure
11.	2225-02-282-99-Medical Units (NP)	2016-17	2.66	1.11	3.21	0.55
		2017-18	3.46	1.30	3.53	0.07
12.	2225-02-794-99-Tribal Area sub Plan Administration (NP)	2016-17	6.79	0.52	6.93	0.14
		2017-18	7.67	1.56	7.88	0.21

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 2.18** 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.	2225-01-001-99-Direction (V) (NP)	2016-17	7.12	0.48	6.23
2.	2225-01-277-66-Pre Examination Training (V) (NP)	2015-16	0.92	0.01	0.83
		2016-17	1.07	0.01	0.93
		2017-18	1.34	0.08	1.16
3.	2225-01-277-67-Industrial Training Centres. (V) (NP)	2015-16	9.14	0.24	8.14
		2016-17	10.58	0.12	9.78
		2017-18	12.78	0.34	11.49
4.	2225-01-277-89-Model Residential Schools and Sree Ayyankali Memorial Model Residential Sports School, (V) (NP)	2016-17	6.18	0.38	4.97
5.	2225-01-277-91-Nursery School (V) (NP)	2016-17	5.07	0.33	4.62
		2017-18	6.15	0.65	5.41
6.	2225-01-277-93-Post Matric Hostels (V)(NP)	2017-18	5.77	0.07	4.86
7.	2225-01-727-94-Pre Matric Hostels (V)(NP)	2017-18	12.46	0.31	11.17
8.	2225-01-277-99-Pre Matriculation Studies Scholarships (V) (NP)	2017-18	33.00	0.83	31.24
9.	2225-01-283-99-Colonisation (V) (NP)	2016-17	0.29	0.01	0.22
10.	2225-02-001-99-Administration (V) (NP)	2017-18	14.49	0.50	13.56
11.	2225-02-277-46-Production cum Training Centres (V)(NP)	2016-17	0.19	0.02	0.13
12.	2225-02-277-47-Industrial Training	2016-17	2.03	0.06	1.29

Sl. No.	Scheme	Year	Budget allocation	Net Re-appropriation	Final Expenditure
	Centres (V) (NP)	2017-18	2.21	0.06	1.34
13.	2225-02-277-49-Running of Ashramam School /Model Residential School (V) (P)	2015-16	40.00	0.97	36.10
14.	2225-02-277-73-Postmatric Hostel for tribal children (V) (P)	2017-18	1.75	0.06	1.60
15.	2225-02-277-76-Vocational Training Institute for Scheduled Tribes-100 % CSS (V) (P)	2015-16	0.80	0.01	0.32
16.	2225-02-277-94-Tribal Hostels (V) (NP)	2017-18	33.01	2.88	27.11
17.	2225-02-282-92-Assistance for Sickle Cell Anemia patients (V) (P)	2016-17	1.50	0.10	1.40
18.	2225-02-282-98-Mobile Medical Units for Scheduled Tribes (V) (NP)	2016-17	0.77	0.03	0.61
19.	2225-02-282-99-Medical Units (V) (NP)	2016-17	3.72	0.06	3.22
20.	2225-02-794-99-Tribal Area Sub Plan Administration (V) (NP)	2017-18	9.18	0.05	7.88
21.	2225-03-001-99-Direction (V) (NP)	2017-18	1.99	0.09	1.17

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 2.19**.

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

Sl. No.	Name of Department/ Implementing institution	Year of drawal	Amount drawn	Unutilised amount
Home Department				
1.	Commissioner of Police, Kochi City	2017-18	5.00	5.00
The amount was released for construction of Ramp and disabled friendly toilets. The work was not started				
2.	Commissioner of Police, Kochi City	2017-18	0.90	0.90
The funds released for the Construction of District Training Centre but the work was not started				
General Education Department				
3.	Kerala State Literacy Mission Authority	2015-16	10.5	0.21
The Grant made was to meet the salary and Non salary component of the Mission. Reasons for the non-utilization have not been intimated.				

Sl. No.	Name of Department/ Implementing institution	Year of drawal	Amount drawn	Unutilised amount
Higher Education Department				
4.	Kerala State Science and Technology Museum	2016-17	0.5	0.28
The fund was released for executing the project 'Educational Activities-Inculcate' during the year 2016-17. Non- utilisation was due to the conduct of science camp and main programme to be arranged during the vacation of the year 2017.				
5.	Kerala Council for Historical Research	2016-17	6	9.88
Grant was released for Pattanam Archeaological Research Project. The unutilized balance includes ₹3.43 crore relating to 2016-17 and ₹6.45 crore relating to previous years				
Total			22.90	16.27

Source: Information compiled from inspection reports

2.7 Inspection of Treasuries

As of March 2018, there were 23 District Treasuries (19 banking and 4 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 153 units (Directorate of Treasuries, 23 District Treasuries, 114 Sub-treasuries, 12 Stamp Depots and 3 Regional Directorates) during 2017-18. 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 ₹1.07 crore was noticed in 564 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, continuous crediting of Pension into Pension Treasury Savings Bank (PTSB) accounts and incorrect calculation of dearness relief. Out of the above excess payment, ₹0.34 crore, involved in 379 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	14	0.08	9	0.02	5	0.06
2.	Excess payment of family pension	107	0.39	41	0.18	66	0.21
3.	Excess payment of festival allowance	318	0.03	274	0.02	44	0.01
4.	Excess payment of Medical allowance	30	0.02	18	0.01	12	0.01
5.	Irregular crediting of MLA pension	2	0.07	0	0.01	2	0.06
6.	Excess payment of commuted portion of pension	83	0.30	34	0.09	49	0.21
7.	Continuous crediting of pension to PTSB Accounts	10	0.18	3	0.01	7	0.17
Total		564	1.07	379	0.34	185	0.73

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

Government replied (April 2019) that excess payment of pension in 121 cases have since been settled and action is being taken to effect recovery in respect of the remaining cases.

The reply is not tenable, as it has been confirmed from A&E office that since the details of recovery are not furnished the para in the treasury inspection report has been outstanding.

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 125 treasuries/sub treasuries on 1251 occasions during the financial year.

Government replied (April 2019) 959 cases have since been settled and strict instructions had been issued to the Treasury officers to retain cash balance within the prescribed limit.

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 311 Drawing and Disbursing Officers drew an amount of ₹95.33 crore, of which an amount of ₹30.92 crore drawn by 172 Drawing and Disbursing Officers, during the period from October 2011 to December 2016, was pending for final settlement (November 2018). Details are given in **Appendix 2.19**. 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 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 has 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 Accountant General (A&E) revealed that 1825 un-operated savings bank account with a balance of ₹2.58 crore were retained in 106 treasuries during 2017-18 without transferring the same to Revenue Deposit head.

Government replied (April 2019) that 1364 accounts have since been closed.

2.8 Conclusion and Recommendations

- Compared to previous year, overall savings from the budget allocation decreased by 7.60 per cent (from 15.49 per cent in 2016-17 to 7.89 per cent in 2017-18) which showed an improvement in budgetary process.

- Persistent savings exceeding ₹100 crore during the last three years were noticed in eight grants under Revenue section and five grants and one appropriation 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 actual requirement of funds.
- 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.