FOURTEENTH KERALA LEGISLATIVE ASSEMBLY

COMMITTEE
ON
PUBLIC ACCOUNTS
(2016-2019)

FORTY FIRST REPORT

(Presented on 5th December, 2018)

SECRETARIAT OF THE KERALA LEGISLATURE
THIRUVANANTHAPURAM
2018

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On

Action Taken by Government on the Recommendations contained in the 60th Report of the Committee on Public Accounts (2014-2016)

300/2019.

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INTRODUCTION

I, the Chairman, Committee on Public Accounts, having been authorised by the Committee to present this Report, on their behalf present the 41st Report on Action Taken by Government on the Recommendations contained in the 60th Report of the Committee on Public Accounts (2014-2016).

The Committee considered and finalised this report at the meeting held on 3rd December, 2018.

V. D. SATHEESAN,
Chairman,
Committee on Public Accounts.

Thiruvananthapuram,
3rd December, 2018.

REPORT

This report deals with the Action Taken by Government on the recommendations contained in the 60th Report of the Committee on Public Accounts (2014-2016).

The 60th Report of the Committee on Public Accounts (2014-2016) was presented to the House on 9th July 2014. The Report contained 10 recommendations relating to Finance Department. Government was addressed on 15-7-2014 to furnish the statement of Action Taken on the recommendations contained in the Report and the final reply was received on 28-10-2016.

The Committee considered the Action Taken Statements at its meetings held on 31-3-2015, 23-9-2015, 21-6-2017 and 5-7-2017.

The Committee decided not to pursue further action on the recommendations in the light of the replies furnished by Government. These recommendations and the Action Taken by Government are included in this Report.

FINANCE (BUDGET WING-A) DEPARTMENT

Recommendation

(Sl. No.1, Para No.21)

1.1 The Committee notices that during 2009-10, total expenditure incurred by the departments exceed by ₹ 89.06 crore whereas the overall savings was ₹ 13317.11 crore. It remarks that, had the unspent amount surrendered in time, it could have been reappropriated fruitfully. It admonishes the Finance Department for the poor budgeting and directs that the department should be vigilant to maintain appropriation controls.

Action Taken

1.2 As per the Appropriation Accounts of the State Government, there was savings of ₹ 13,317.11 crore and excess of ₹ 89.06 crore during the financial years 2009-10. Against the overall savings of ₹ 13,317.11 crore, savings to the extent of ₹ 9742.10 crore were under Public Debt Repayment. Government did not have to resort to avail Overdraft from RBI and Ways and Means advance from Government of India due to the improved liquidity position of State. It had ultimately resulted in substantial savings under Public Debt Repayment. The remaining portion of savings to the tune of ₹ 3575.01 crore occurred under various Grants pertaining to different departments. It is stipulated in para 93(1) of Kerala Budget Manual that Controlling officers/Administrative departments shall furnish surrender of savings to Finance Department by 25th February every year. Finance Department also gives specific instructions every year to all Administrative departments/controlling officers to adhere strictly to the relevant provisions of the KBM so as to maintain appropriation control. Latest instructions in this regard were issued vide Circular No. 17/2014/Fin. dated 22-2-2014. Heads of Departments and Controlling officers are also given instruction to prepare budget estimates of expenditure as accurately as possible so that amount proposed for each function/programmes for scheme do not turn out to be either excessive or inadequate later on. Instructions to this extent were included in the Budget circular for 2015-16 also. (Circular No. 75/2014/Fin. dated 7-8-2014). Finance Department will give strict instructions to all spending departments to adhere to provisions stipulated in KBM to ensure the appropriation control and this department will be more vigilant to make budgetary estimates more realistic.

Recommendation

(Sl. No.2, Para No.22)

1.3 Regarding the audit paragraph appropriation visa-vis Allocative Priorities, the Committee suggests that the administrative department should stick on the directions issued by the Finance Department about the ceiling on expenditure for each quarter. The Committee directs that the Finance Department should review the expenditure incurred by departments at the beginning of the fourth quarter of a financial year and should check whether expenditure is in proportionate to the progress of the year. It recommends that Finance Department should review the projects which had not expended half of the total allocation at the end of the third quarter and in the case of project which had not expended half of the total allocation at the end of the third quarter and in the case of project which did not utilize any amount, directions should be issued to the concerned administrative department to examine and report whether the particular projects is executable or not.

Action Taken

1.4 With a view to regulate cash inflow and outflow in a balanced manner, instructions were issued to all the departments including Local Self Government Institutions to ensure that at least 10% of the Plan expenditure is achieved in the first quarter ending 30th June, 40% (Progressive expenditure) in the 2nd quarter ending 30th September, and 70% (Progressive expenditure) in the 3rd quarter ending 31st December and the remaining 30% in the last quarter of the Financial year subject to a further ceiling of 10% Plan expenditure in March as per the Circular No.49/09/Fin. Dated 12-6-2009.

Subsequently, as per Circular No. 31/2012/Fin. Dated 2-6-2012 strict instructions were also issued to avoid bunching of expenditure towards the fag end of the financial year. Planning and Economics Affairs (CPMU) Department, which is entrusted with state level monitoring of plan schemes, prepares scheme wise and department wise outlay and expenditure of all plan schemes every month and it is reviewed by Chief Secretary in the monthly plan review meeting of Secretaries including Secretary (Finance) and issue necessary instructions to achieve the set targets in time. Besides, progress of implementation of plan schemes is also reviewed by Hon'ble CM in the mid-term plan review meeting held at different intervals.

FINANCE (PLANNING) DEPARTMENT

Recommendation

(Sl. No.3, Para No.23)

1.5 The Committee recommends that Planning Board should review the heads of account under which persistent savings incurred and should analyse the reason for non-utilization of fund. Accordingly Planning Board should issue necessary suggestions to reallocate the fund effectively. The Committee urges the Finance Department to furnish a report containing the details of departments incurring persistent savings.

Action Taken

1.6 During Annual Plan formulation discussions in State Planning Board the status of utilization of funds allocated to each department is being reviewed, and are requested to proceed with only those proposals that are within their absorptive capacity. Head of account wise, Department wise, Sector wise, Sub Sector wise and Scheme wise plan monitoring is regularly being done through Plan Space online plan monitoring system developed by State Planning Board. These reports are sent to Chief Minister, Chief Secretary, Ministers/Government Secretaries every month requesting their intervention to streamline the process of implementation.

In addition to the strict review and monitoring, State Planning Board in October 2015 decided to introduce some systemic changes in the presentation of Plan document and Plan formulation process in the Annual Plan 2016-17 in order to facilitate speedy implementation of the schemes. The Annual Plan (2016-17) is now presented in two seperate volumes viz. Green Book & Amber Book. The Schemes which requires high priority and are ready for implementation are included in the Green Book and the other schemes are included in the Amber Book. The State Planning Board has also decided to introduce clubbing of schemes as 'Umbrella Schemes' with a single write up, to give more flexibility to departments in implementing schemes and reduce the need for re-appropriation or supplementary demand for grants.

The details of departments incurring persistent savings in excess of ₹ 50 Lakh in each cases and also 20 per cent or more of the provision are given below:

Persistent Savings

(₹ In Crore)

Sl. No.	Department	Amount Saving		
		2007-08	2008-09	2009-10
1.	Urben Development	414.99	148.16	531.22
2.	Agriculture	64.52	50.63	64.96

3.	Animal Husbandry	13.74	3.72	2.97
4.	Forest	8.49	3.48	3.53
5.	Irrigation	46.70	102.08	120.06
6.	Power	56.00	63.79	11.25
7.	Tourism	4.96	14.16	60.02

Recommendation

(Sl. No.4, Para No.24)

1.7 It reiterates its earlier recommendation that advances permitted to a drawing and disbursing officer should be limited to three at a time.

Action Taken

1.8 Government issued strict instructions to all DDOs for the timely settlement of advances drawn vide Circular No.8/2010/Fin. Dated 19-1-2010. It was also ordered to impose a penalty @ 18% interest and revenue recovery proceedings on delayed settlement of advances as per G.O.(P) No.419/2011/Fin. dated 4-10-2011 and Circular No.43/2012/Fin. dated 24-7-2012. As a result of this, pending Abstract Contingent bills have come down drastically. In view of the practical difficulties reported by certain departments such as education, health, etc., in clearing bills relating to diet charges, medicines, etc., the existing limit of 5 advance bills is allowed to be continued. However an effective check can be put in place once treasury automation is completed.

Recommendation

(Sl. No.5, Para No.25)

1.9 The Committee came to know that many departments withdraw unspent fund owed to Public Sector Undertakings, grant-in-aid institutions, etc. and deposited it into Bank account shown it as expenditure. A few departments were allowed to operate TSB account. The fund transferred either to savings bank account or PD account could not be put under budgetary control or appropriation control. Considering all these aspects, the Committee recommends that Finance Department should restrict the operation of PD Accounts except under inevitable circumstances and it should be scrutinized.

Action Taken

1.10 Now requests for transfer crediting the funds to TSB accounts are meticulously examined and permitted only on need basis. Government issued strict directions to all HoDs, CEOs of PSUs, etc. not to park Government funds in banks. Further Finance (Inspection Wing) conducted surprise inspections also to ensure the compliance of this directions. Steps were also initiated for closing of inoperative accounts and to resume balance into Government account.

New PD accounts are now permitted to educational institutions to deposit caution deposit, Special fee etc. collected from students. Non-interest bearing Special Treasury Savings Bank account are permitted in all other cases based on requirements reported.

Recommendation

(Sl. No. 6, Para No.26)

1.11 The Committee recommends that necessary measures should be taken to ensure that PD account would get closed automatically, unless the amount so transferred expended within 6 months. It also directs to prescribe time limit for all the newly opening TSB accounts and transfer Credits. The Committee suggests, that all the TSB account which remain idle for more than 5 years should be closed.

Action Taken

1.12 The suggestion of automatic closing of PD accounts in the event of non utilization of transferred amount within 6 months, may lead to hardships in the implementation of various schemes/projects. The schemes for which the amount transferred may not be completed within the stipulated period due to practical reasons. Hence closing of accounts in such cases may affect the smooth completion of the schemes.

Normally time limit is specified while permitting opening of new TSB/Spl.. TSB accounts unless for schemes of on-going nature. For on-going schemes, it is not desirable and practical to limit the validity to a prescribed period.

Rule 40 of Appendix 3, KTC volume II stipulated that treasury officers shall close inoperative PD accounts for more than 5 years and to transfer balance amount into Revenue Deposits. Further instructions have been issued to all HoDs to close inoperative accounts and to transfer the balance amount in to Government account.

Recommendation

(Sl. No. 7, Para No. 27)

1.13 The Committee finds that in departments lack of proper assessment of the requirements by the Controlling Officers is the main reason for re-appropriation or resumption unconditionally. The Committee remarks that non-maintenance of an expenditure register would result in miscalculation and recommends that every department should invariably maintain an expenditure register and directs that Finance Department should issue necessary direction in this regard urgently.

Action Taken

1.14 As per Circular No. 47/2015/Fin. dated 30-4-2015, (Annexure) instructions were issued to all controlling officers/Administrative Department to assess the actual requirement of funds under each head of account operated by them and based on trend in the expenditure furnish budget proposals. It was also directed to maintain an Expenditure Register and update it regularly.

Additional Information Sought

1.15 'While considering the above para, the Committee enquired whether an Expenditure Register was maintained and updated by the Department. If so, the details of the same should be reported to the Committee'.

Action Taken

1.16 As per Circular No.47/2015/Fin. dated 30-4-2015, instructions were issued to all Controlling Officers/Administrative Departments to assess the actual requirement of funds under each head of account operated by them and based on the trend in the expenditure furnish budget proposals. It was also directed to maintain an Expenditure Register and update it regularly.

Vide letter No.BW.F3/36/16-Fin. dated 11-5-2016 all the heads of departments were addressed and the details regarding maintenance of and expenditure register was called for. The heads of departments have reported that they are already maintaining expenditure register and updating accounts.

Recommendation

(Sl. No.8, Para No.28)

1.17 It also suggests to examine the feasibility of providing the unspent portion of the budget allocation for ongoing schemes in the succeeding years budget.

Action Taken

1.18 Budget allocation in respect of certain schemes could not be utilized fully during the financial year due to non-completion of required formalities or any other administrative reasons. Normally budget provision that remained unutilized during the financial year in respect of ongoing schemes are provided in the succeeding year's budget by way of authorization of additional expenditure/re-appropriation on the receipt of proposals from Heads of Department/ Administrative Departments. Finance department is in the process of devising a mechanism to provide fund in the budget to utilize the unspent balance of the provision made in the previous financial year for a scheme after assessing the merit of the proposal on case to case basis.

Recommendation

(Sl. No.9, Para No.29)

1.19 The Committee recommends that all the administrative Departments should adhere to the directions issued regarding the time limit prescribed for the expenditure and Finance Department should ensure that the administrative departments comply with the directions.

Action Taken

1.20 With a view to regulate cash inflow and outflow in a balanced manner, instructions were issued to all the departments including Local Self Government Institutions to ensure that at least 10% of the Plan expenditure is achieved in the first quarter ending 30th June, 40% (Progressive expenditure) in the 2nd quarter ending 30th September, and 70% (Progressive expenditure) in the 3rd quarter ending 31st December and the remaining 30% in the last quarter of the Financial year subject to a further ceiling of 10% Plan expenditure in March as per the Circular No.49/09/Fin. Dated 12-6-2009.

Subsequently, as per Circular No.31/2012/Fin. Dated 2-6-2012 strict instructions were also issued to avoid bunching of expenditure towards the fag end of the financial year and to prepare a calender of action in respect of the Plan Schemes of 2012-13 sufficiently in advance specifying various activities such as formulation of schemes, issue of administrative sanctions and technical sanctions, etc. so that the aforesaid targeted levels of spending are achieved and steady progress of plan expenditure is maintained during the whole of the Financial Year. Besides, Finance (Inspection NT) Department is entrusted with the task of verification of compliance of these instructions by Administrative Departments.

Recommendation

(Sl. No.10, Para No.30)

1.21 The Committee reiterates its earlier recommendation that treasury computerization should be completed on war footing.

Action Taken

1.22 All the treasuries in the State are fully computerized at branch level and most of the activities in treasuries are now being carried out using computers. The status of new initiatives of Computeriztion of Treasuries is summed up below:

(i) **Online Submission of Salary Bills:**—Now salary bills of State Government employees are mandatorily generated through SPARK and submitted to treasuries online.

(ii) **New bill form for SDOs:**—New Salary bill form TR 46 (a) has been introduced for Self Drawing Officers, dispensing with the system of attaching schedules along with salary bills.

(iii) **Common bill form for all contingent claims:**—A common bill form TR 59(C) has been introduced for all contingent claims with a view to facilitate online submission in future.

(iv) **E-treasury:—**With a view to fulfil the latest trend in service delivery, Government introduced E-treasury with effect from 1-8-2014 enabling remitters to make online payment using net banking facility of designated bank. The remitters are no longer be required to visit treasury and electronic remittance can be carried out from any where at any time.

Installation of Central Server:—A new Central server was positioned at State Data Centre on February 2014 to centralized treasury data to generate MIS reports and provide online service to public.

Robust connectivity between treasuries:—All the treasuries in the State are connected through a Virtual Private Network of broadband. Now M/s Keltron has been entrusted with the work of establishing a robust connectivity with a view to integrate all the services rendered by treasuries under one umbrella.

V. D. SATHEESAN,
Chairman,
Committee on Public Accounts.

Thiruvananthapuram,
3rd December, 2018.

ANNEXURE

GOVERNMENT OF KERALA

FINANCE (BUDGET WING-F) DEPARTMENT

No. 47/2015/Fin. *Dated, Thiruvananthapuram, 30th April 2015.*

CIRCULAR

Sub:—60th Report of the Committee on Public Accounts (2014-16)—Recommendations in respect of re-appropriation/resumption of funds—Instructions—Issued.

The Committee on Public Accounts (2014-16), in its 60th Report, has observed that there is laxity in proper assessment of the requirement of funds by the Controlling Officers which resulted in the unconditional re-appropriation or resumption of funds. Non- maintenance of an expenditure register would result in miscalculation and that every Department should invariably maintain an expenditure register and Finance Department should issue necessary direction in this regard.

2. In the circumstances the following instructions are issued to strict compliance by all Administrative Departments and Controlling Officers.

* All Controlling Officers should assess actual requirement of funds periodically under each head of account operated by them.
* The trend in expenditure should be reviewed and proposal for additional requirement of funds shall be furnished based on actual expenditure incurred under each head of account.
* Every Controlling Officer should invariably maintain an Expenditure Register and entries there on may be updated and authenticated regularly.

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