THIRTEENTH KERALA LEGISLATIVE ASSEMBLY

COMMITTEE
ON
PUBLIC ACCOUNTS
(2011-2014)

FORTIETH REPORT

(Presented on 28th January 2014)

SECRETARIAT OF THE KERALA LEGISLATURE
THIRUVANANTHAPURAM
2014

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On

Paragraphs relating to Finance Department contained in the Report of the Comptroller and Auditor General of India for the financial year ended 31st March 2009 (State Finances)

329/2014.

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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 Fortieth Report on paragraphs relating to Finance Department contained in the report of the Comptroller and Auditor General of India for the year ended 31st March, 2009 (State Finances).

The Report of the Comptroller and Auditor General of India for the year ended 31st March, 2009 (State Finances) was laid on the Table of the House on 7th July 2010.

The Report was considered and finalised by the Committee at the meeting held on 22nd January, 2014.

The Committee place on record their appreciation of the assistance rendered to them by the Accountant General (Audit) in the examination of the Audit Report.

Dr. T. M. Thomas Isaac,
Chairman,
Committee on Public Accounts.

Thiruvananthapuram,
28th January, 2014.

REPORT

FINANCE DEPARTMENT

AUDIT PARAGRAPH

Introduction

Appropriation Accounts are accounts of the expenditure, voted and charged, of the Government for each financial year compared with the amounts of voted grants and appropriations charged for different purposes, as specified in the schedules appended to the Appropriation Acts. These accounts list the original budget estimates, supplementary grants, surrenders and reappropriations 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.

Audit of appropriations by the Comptroller and Auditor General of India seeks to ascertain whether the expenditure actually incurred under various grants is within the authorisation given under the Appropriation Act and that the expenditure required to be charged under the provisions of the Constitution is so charged. It also ascertains whether the expenditure incurred is in conformity with the law, relevant rules, regulations and instructions.

Summary of Appropriation Accounts

The summarised position of actual expenditure during 2008-09 against 47 grants/appropriations is given in Table 2.1:

TABLE 2.1: SUMMARISED POSITION OF ACTUAL EXPENDITURE VIS-À-VIS ORIGINAL/ SUPPLEMENTARY PROVISIONS

(Rupees in crore)

Nature of expenditure	*Original grant/ appropriation*	*Supplementary grant/ appropriation*	*Total*	*Actual expenditure*	*Saving(-)/ Excess(+)*
(1)	(2)	(3)	(4)	(5)	(6)
Voted					
I Revenue	23086.04	1839.66	24925.70	23463.17	(-)1462.53
II Capital	1568.82	661.85	2230.67	1694.82	(-) 535.85
III Loans and Advances	772.09	488.08	1260.17	983.69	(-) 276.48

(1)	(2)	(3)	(4)	(5)	(6)
Total Voted	**25426.95**	**2989.59**	**28416.54**	**26141.68**	**(-)2274.86**
Charged					
IV Revenue	5490.44	165.55	5655.99	5132.87	(-)523.12
V Capital	0.57	31.22	31.79	31.51	(-)0.28
VI Public Debt Repayment	10491.87	..	10491.87	5571.31	(-)4920.56
Total Charged	**15982.88**	**196.77**	**16179.65**	**10735.69**	**(-)5443.96**
Appropriation to Contingency Fund (if any)	..	..	..	..	..
Grand Total (-)	**41409.83**	**3186.36**	**44596.19**	**36877.37***	**7718.82**

(Source: Appropriation Accounts of the State Government, 2008-09)

The overall savings of ₹ 7718.82 crore were the result of savings of ₹ 7867.81 crore in 35 grants and 19 appropriations under the Revenue Section and 22 grants and six appropriations under the Capital Section, offset by excess of ₹ 148.99 crore in eight grants under the Revenue Section and two grants and one appropriation under the Capital Section.

The status of savings/excesses (as per Appropriation Accounts) were intimated (7-15 July 2009) to the Controlling Officers, requesting them to explain the significant variations. Out of 2073 subheads, explanations for variations were not received (August 2009) in respect of 1732 subheads (Savings: 1174 subheads and Excess: 558 subheads).

[Paragraphs 2.1 & 2.2 contained in the Report of C&AG of India for the year ended 31 March, 2009 (State Finances)]

Conclusion/Recommendation

No comments

AUDIT PARAGRAPH

Non-reconciliation of departmental figures

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

* These are gross expenditure figures without taking into account the recoveries adjusted in accounts as reduction of expenditure (revenue: ₹ 372.18 crore and capital: ₹ 30.73 crore, Total: ₹ 402.91 crore).

are to be initially drawn by the Drawing and Disbursing Officer (DDO) from the treasury by presenting an Abstract Contingent bill 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 are submitted to the controlling authority for countersignature not later than 10th of the month succeeding that to which they relate. The detailed bills pertaining to a month's claim should reach the Accountant General (A&E) not later than the 20th of the succeeding month.

According to the records of the Accountant General (A&E), 59 AC bills involving ₹ 65.51 lakh in four departments were not adjusted as of March, 2009 due to non-receipt of DC bills, details of which are enumerated in Appendix III. Year-wise details are given in Table 2.7.

TABLE 2.7: PENDENCY IN SUBMISSION OF DETAILED COUNTERSIGNED CONTINGENT BILLS AGAINST ABSTRACT CONTINGENT BILLS

(Rupees in crore)

Year	*Amount of AC bills*	*Amount of DC bills*	*DC bills as percentage of AC bills*	*Outstanding AC bills*
2001-02	7.46	7.37	99	0.09
2006-07	2.75	2.65	96	0.10
2007-08	2.34	2.33	99	0.01
2008-09	3.96	3.51	88	0.45
Total	16.51	15.86	..	0.65

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

[Paragraph 2.4.1 contained in the Report of C&AG of India for the year ended 31st March, 2009 (State Finances)]

Notes received from Government on the above audit paragraph is included as Appendix II.

Regarding the pendency in submission of detailed countersigned contingent bills against abstract contingent bills to regularize the amount drawn in advance, the witness, Officer on Special Duty, Finance (Resources) Department informed the Committee that as per the statement only a nominal amount was outstanding against the financial years 2001-02, 2006-07, 2007-08 and 2008-09. To a query of the Committee whether the entire pending abstract contingent bills up to March 2009 were settled by submitting detailed contingent bills the witness replied in the affirmative.

2. When the Committee enquired about the procedure followed by the Finance Department in monitoring the settlement of abstract contingent bills, the witness, Officer on Special Duty, Finance (Resources) Department replied that settlement of contingent bills were the primary responsibility of the DDO. He added that strict direction had been issued to all the Treasuries instructing that more than five advance bills of the same DDO should not be entertained. So that the DDOs were compelled to settle the pending advance bills at the earliest in order to meet with contingencies. When enquired about the chances for bypassing this direction and about the monitoring mechanism to identify such issues, the witness, Officer on Special Duty, Finance (Resources) Department replied that no such centralised monitoring mechanism is existing at present and the direction of Finance Department would be bypassed only with specific directions from Government. He also added that the data regarding the number of cases bypassing the directions were not available with the Finance Department and it had to be collected from individual departments.

3. The Committee enquired whether the Finance Department could capture situations in which one department had availed the maximum number of advances and remain silent without presenting any further advance bills to the Treasury. The Officer on Special Duty, Finance (Resources) Department replied that at present there was no effective mechanism to found out such misappropriations, as and when pointed out by Audit, it would be rectified. The AG informed the Committee that number of bills pending to be settled showed a declining trend and recently no department had more than three advances. The Committee opined that the maximum number of abstract contingent bills that a Drawing and Disbursing Officer could avail should be reduced to three. When the witness, Officer on Special Duty, Finance (Resources) Department explained the practical difficulties in reducing the number of abstract contingent bills in certain departments like Collegiate Education, the Committee directed that in such situation the limit would be relaxed as a special case.

4. Then the Committee decided to recommend that the maximum number of abstract contingent bills that a Drawing and Disbursing Officer could be availed should be reduced from five to three, with strict direction that the maximum limit should be relaxed only in unavoidable situations.

Conclusion/Recommendation

5. **The Committee observes that many administrative departments failed to submit detailed contingent bills to settle the advances drawn in time. It warns that whatever be the circumstances, the Drawing and Disbursing Officers of the concerned administrative departments should be vigilant in complying with the provisions of Treasury Code regarding Abstract Contingent Bills. It recommends that Finance Department should take necessary measures to reduce the number of advance bills that one DDO could avail at a time to three and the condition should be relaxed only on inevitable circumstances and also with the concurrence of Finance Department.**

AUDIT PARAGRAPH

Unreconciled Expenditure

To enable the Controlling Officers of the departments to exercise effective control over expenditure, to keep it within the budget grants and to ensure accuracy of their accounts, Para 74 of the Kerala Budget Manual stipulates that the expenditure recorded in their books should be reconciled by them every month during the financial year with that recorded in the books of the Accountant General (A&E). Even though non-reconciliation of departmental figures is being pointed out regularly in the Audit Reports, lapses on the part of the Controlling Officers in this regard continued to persist during 2008-09 also. Sixty-nine Controlling Officers did not reconcile expenditure amounting to ₹ 6328.70 crore as of July 2009. In respect of the following Controlling Officers, amounts exceeding ₹ 10 crore in each case remained unreconciled during 2008-09, the details of which are given in Table 2.8.

TABLE 2.8: LIST OF CONTROLLING OFFICERS WHERE AMOUNTS EXCEEDING ₹ 10 CRORE IN EACH CASE REMAINED UNRECONCILED DURING 2008-09

(Rupees in crore)

Sl. No.	*Name of the Controlling Officer*	*Amount not reconciled*
(1)	(2)	(3)
1	Chief Electoral Officer, Legislature Complex	13.94
2	Commissioner of Land Revenue	102.99
3	Secretary to Government, Finance Department	15.53

(1)	(2)	(3)
4	Secretary to Government, General Administration (BW) Department	88.96
5	Controller of Stationery	16.55
6	Director of Printing	42.89
7	Commandant General, Fire and Rescue Services	38.40
8	Secretary to Government, Revenue (B) Department	11.98
9	Secretary to Government, Revenue (SLMC) Department	196.70
10	Director of Public Instruction	2,211.30
11	Director of Higher Secondary Education	1,794.17
12	Director of Medical Education	283.09
13	Director of Health Services	521.08
14	Director of Scheduled Castes Development	10.12
15	Director of Scheduled Tribes Development	26.73
16	Commissioner of Rural Development	144.23
17	Secretary to Government, Housing Department	122.79
18	Director of Tourism	42.49
19	Secretary to Government, Information Technology Department	20.00
20	Director of Panchayats	16.43
21	Director, Ground Water Department	15.83
22	Chief Engineer (Buildings and Local Works)	12.62
23	Executive Director, Jalanidhi	54.08
24	Registrar, Cochin University of Science and Technology	21.30
	Total	5,824.20

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

[Paragraph 2.4.2 contained in the Report of C&AG of India for the financial year ended 31st March, 2009 (State Finances)]

Notes received from Government on the above audit paragraph is included as Appendix II.

6. The Committee noticed that there is an increase in the amount not reconciled over the period from ₹ 5824 crore in 2009 to ₹ 37000 crore in 2012 and enquired the reason thereof. The witness, OSD, Finance (Resources) Department detailed that reconciliation was carried out at two levels. In the primary level DDOs reconcile the actual figures with treasury figures and forward the same to the Chief Controlling Officers. Then the Chief Controlling Officers of each Department consolidate the figures and reconcile the same with A.G's figures. For this purpose the department officers had to visit the Treasury and A.G's Office frequently. This being a cumbersome effort, most of the Department officials adopt the figure either of the A.G's Office or of the Treasury as departmental figure and reconciliations were done based on this figure.

7. To a query of the Committee regarding the difficulties in online availability of A.G's figures and Treasury figures, the Officer on Special Duty, Finance (Resources) Department replied that it could be achieved only after the computerization of Treasury Department. The Committee observed that Treasury computerisation could not be completed even after 20 years. It analysed that Treasury computerisation was delayed due to several reasons like lack of coordination, selection of implementing agencies etc.

8. The witness, the Officer on Special Duty, Finance (Resources) Department informed the Committee about the demand of the Finance Department for a separate dedicated line for Treasury. The official from A.G's office intervened and opined that facility for downloading the figures from A.G's office should also be provided in the online system, so that the reconciliation would be easier.

9. Taking into account the facts that within a short span the non-reconciled amount steeply increased from ₹ 5824 crore to ₹ 37000 crore and reconciliation of accounts was not properly carried out by the Departments, the Committee decided to recommend that treasury computerisation and networking should be treated on a high priority basis and a separate dedicated line for treasury networking should be provided.

Conclusion/Recommendation

10. **The Committee remarks that lack of appropriation control may lead to the financial impropriety of a state. Without reconciliating the expenditure properly with figures recorded by the Treasury/AG, the Controlling Officer could not ascertain whether expenditure is within the purview of the budget allocation. It also notices that visiting Treasury/AG's Office and tracing the accounts being a cumbersome effort, the officers entrusted with the works of reconciliation, noted the figure of Treasury/AG's Office as Departmental figure and thereby doing reconciliation for name sake.**

11. **It opines that had computerisation of treasuries completed, the figures at the Treasury/AG's Office could be made available at finger tips. So the Committee recommends that treasury computerisation and networking should be treated on a high priority basis and also a separate dedicated line should be provided for treasury networking.**

AUDIT PARAGRAPH

Advances from Contingency Fund

The Contingency Fund of the State has been established under The Kerala Contingency Fund Act, 1957 in terms of provisions of Article 267(2) and 283(2) of the Constitution of India. Advances from the Fund are to be made only for meeting expenditure of an unforeseen and emergent nature, postponement of which, till its authorisation by the Legislature, would be undesirable. The Fund is in the nature of an imprest and its corpus is ₹ 100 crore. Till the close of the year, ₹ 5.84 crore drawn (17 March 2009) under '2015 Election' was not recouped to the Fund.

Review of Selected Grants

A review of budgetary procedure and control over expenditure for 2008-09 conducted in July 2009 relating to 'Grant No. XXV Social Welfare including Welfare of Scheduled Castes/Scheduled Tribes and Other Backward Classes' and 'Grant No. XXIX Agriculture' revealed the following:

Defective budgeting and lack of control over expenditure

- According to the provisions of the Kerala Financial Code and the Kerala Budget Manual, the estimates of expenditure prepared by a department should be for the expenditure as anticipated in the ensuing financial year with reference to the existing sanctions and actual requirements. The Chief Controlling Officers are required to keep a constant watch over current and anticipated expenditure. It was noticed that in 'Grant No. XXV' and 'Grant No. XXIX', there were aggregate savings of ₹ 177.49 crore and ₹ 154.47 crore respectively, indicating that the budgeting was defective and monitoring by the controlling officers was inadequate. Some instances where substantial saving/excess had occurred are indicated in Appendix III.

- Para 29(1) of the Kerala Budget Manual stipulates that provisions for salaries should be worked out based on the number of incumbents likely to be on duty in the coming year (regardless of the sanctioned strength) and the actual pay likely to be drawn by them. Contrary to this, the Drawing and Disbursing Officers under Grant No. XXV and XXIX made provisions for salaries based on sanctioned strength. Hence, considerable savings under the salary head were noticed as indicated in Appendix III.

Non-utilisation of provision

As per para 64(2) of the Kerala Budget Manual, the grants made by the Legislature are to be used in the manner and for the purpose for which these are intended according to laws/rules and regulations made thereunder. However, it was seen that in some cases, almost the entire budgetary provision was re-appropriated without incurring any expenditure. This shows that the budget provisions in these cases were made without assessing the actual requirement. Details are given in Appendix III.

Drawal of funds to avoid lapse of budget grant

In the following cases, funds were drawn during the year and parked in Treasury Savings Bank accounts or as demand drafts to avoid their lapse:

Directorate of Agriculture

- The Director of Agriculture drew Rupees one crore on 7th March, 2009 for implementation of the Kisan Abhiman Scheme and deposited it in the Special TSB account. Subsequently, Rupees four crore was also deposited to this account on 31st March, 2009. However, the amount remained unutilised as of July 2009. The department stated (August 2009) that the scheme was intended to disburse monthly pension to 10000 farmers on a regular basis covering all the 14 districts but because of the declaration of the code of conduct of the Lok Sabha Election, all action towards the implementation of the programme was put on hold. The department also stated that the selection process of the eligible farmers had been started after the election.

- The Additional Director of Agriculture (Crop Protection) drew ₹ 5.06 crore on 31st March, 2009 for the Crisis Management Fund and deposited it in the Special Treasury Savings Bank account maintained in the District Treasury, Thiruvananthapuram. The amount has not been utilised as of July 2009.

Directorate of Scheduled Castes Development

- The Director of Scheduled Castes Development drew Rupees four crore on 31st March, 2009 towards core deposit to the welfare fund of Madrasa Teachers and deposited in his Treasury Savings Bank account. The Director stated (July 2009) that the expenditure could be incurred only after receiving directions from the General Administration Department of the Government.

- As part of strengthening of the State and District Level Training and Monitoring Cell, the Director of Scheduled Castes Development drew ₹ 22.44 lakh on 30th March, 2009 for payment to KELTRON* for supply of 66 laptops with BSNL modems. The amount was retained as a demand draft in the Directorate for which Government sanction was awaited (July 2009).

Conclusions

During 2008-09, expenditure of ₹ 36877.37 crore was incurred against the total grants and appropriations of ₹ 44596.19 crore, resulting in savings of ₹ 7718.82 crore. The overall savings were the net result of savings of ₹ 7867.81 crore, offset by excess of ₹ 148.99 crore. Excess expenditure of ₹ 104.47 crore, in eight grants and one appropriation during 2008-09 requires regularisation under Article 205 of the Constitution of India. Apart from this, regularisation of excess expenditure of ₹ 7421.30 crore from 1990-91 to 2007-08 was pending as of September 2009 under Article 205 of the Constitution of India. In 33 cases, surrender of funds amounting to ₹ 1509.87 crore were made on the last two working days of the financial year, while in 29 grants/appropriations, savings amounting to ₹ 901.69 crore were not surrendered. In 20 cases, ₹ 111.02 crore was surrendered in excess of actual savings. In 72 cases, augmentation/reduction of provisions by re-appropriation proved either in excess of requirement or insufficient as the final expenditure of the re-appropriated subheads resulted in savings/excess by more than Rupees two crore.

*Kerala State Electronic Development Corporation.

Recommendations

Budgetary controls should be strengthened in all the Government departments. Issuance of re-appropriation/surrender orders at the end of the financial year should be avoided.

[Paragraphs 2.5, 2.6, 2.8 and 2.9 contained in the Report of Comptroller and Auditor General of India for the financial year ended 31st March, 2009 (State Finances)]

Notes received from Government on the above audit paragraph is included as Appendix II.

12. Regarding the audit paragraph, the Committee observed that in SC/ST Development Department particularly in the implementation of housing related schemes and in Agriculture Department, the entire budgetary provision was re-appropriated without incurring any expenditure. It analysed that Housing Projects in Wayanad were commenced without proper study and planning. The Committee remarked that the amount provided for the benefit of the poor people were left unutilized and urged the SC/ST Development Department to take effective measures to avoid such situation in future.

Conclusion/Recommendation

13. **The Committee commiserates that even though huge amount provided for the benefit of the poor people, they could not be benefited out of it. Either the amount provided for a project left unutilized or re-appropriated for some other purposes. It urges that the SC/ST Development and Agriculture Departments should take effective measures to avoid such situation in future and projects should be implemented with proper planning.**

DR. T. M. THOMAS ISAAC,
Chairman,
Committee on Public Accounts.

Thiruvananthapuram,
28th January, 2014.

APPENDIX I

SUMMARY OF MAIN CONCLUSION/RECOMMENDATION

Sl. No.	*Paragraph No.*	*Department concerned*	*Conclusion/Recommendation*
(1)	(2)	(3)	(4)
1	5	Finance	The Committee observes that many administrative departments failed to submit detailed contingent bills to settle the advances drawn in time. It warns that whatever be the circumstances, the Drawing and Disbursing Officers of the concerned administrative departments should be vigilant in complying with the provisions of Treasury Code regarding Abstract Contingent Bills. It recommends that Finance Department should take necessary measures to reduce the number of advance bills that one DDO could avail at a time to three and the condition should be relaxed only on inevitable circumstances and also with the concurrence of Finance Department.
2	10	,,	The Committee remarks that lack of appropriation control may lead to the financial impropriety of a state. Without reconciliating the expenditure properly with figures recorded by the Treasury/AG, the Controlling Officer could not ascertain wthether expenditure is within the purview of the budget allocation. It also notices that visiting Treasury/AG's Office and tracing the accounts being a cumbersome effort, the officers entrusted with the works of reconciliation, noted the figure of Treasury/AG's Office as Departmental figure and thereby doing reconciliation for name sake.

(1)	(2)	(3)	(4)
3	11	Finance	It opines that had computerisation of treasuries completed, the figures at the Treasury/AG's Office could be made available at finger tips. So the Committee recommends that treasury computerisation and networking should be treated on a high priority basis and also a separate dedicated line should be provided for treasury networking.
4	13	SC/ST Development, Agriculture	The Committee commiserates that even though huge amount provided for the benefit of the poor people, they could not be benefited out of it. Either the amount provided for a project left unutilized or re-appropriated for some other purposes. It urges that the SC/ST Development and Agriculture Departments should take effective measures to avoid such situation in future and projects should be implemented with proper planning.