

THIRTEENTH KERALA LEGISLATIVE ASSEMBLY

**COMMITTEE
ON
PUBLIC ACCOUNTS
(2011-2014)**

FORTY SEVENTH REPORT

(Presented on 28th January, 2014)



SECRETARIAT OF THE KERALA LEGISLATURE
THIRUVANANTHAPURAM
2014

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**COMMITTEE
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On

**Action Taken by Government on the Recommendations contained
in the 1st Report of the Committee on
Public Accounts (2006-2008)**

365/2014.

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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 Forty Seventh Report on Action Taken by Government on the recommendations contained in the 1st Report of the Committee on Public Accounts (2006-2008).

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

Thiruvananthapuram,
28th January, 2014.

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

REPORT

This Report deals with the Action Taken by Government on the recommendations contained in the First Report of the Committee on Public Accounts (2006-2008).

The First Report of the Committee on Public Accounts (2006-2008) was presented to the House on 26th September, 2006 and deals with the Regularisation of Excess Expenditure over voted Grants/Charged Appropriations disclosed in the Appropriation Accounts 1983-1984 to 2002-2003. The Report contained five recommendations in which two of them were related to Finance and all other department and the other three were related to General Education Department, Local Self Government Department and Finance Department. The Departments were addressed to furnish the action taken statements on the recommendations contained in the Report on December 2, 2006 and the final reply was received on August 23, 2012.

The Committee examined the action taken statements at its meetings held on 6-5-2009, 23-12-2009, 2-6-2010, 8-9-2010, 1-8-2012 and 15-5-2013 and was not satisfied with the replies furnished from Finance (PAC) Department and Finance (Pension A) Department had decided to pursue them further. These recommendations, Government replies and further recommendations are incorporated in Chapter I of this Report.

The Committee decided not to pursue further action on the remaining recommendations in the light of the replies furnished by Government. These recommendations and Government replies are incorporated in Chapter II of this Report.

CHAPTER I

RECOMMENDATION IN RESPECT OF WHICH ACTION TAKEN BY GOVERNMENT ARE NOT SATISFACTORY AND WHICH REQUIRE REITERATION

FINANCE AND ALL ADMINISTRATIVE DEPARTMENT

Recommendation

(Sl. No. 1, Para No. 2)

1.1 With regard to the present position of regularisation of excess expenditure, the Committee observes that a large number of cases of excess expenditure over Voted Grants/Charged Appropriations remain to be regularized due to the non-submission of explanatory notes on excess expenditure by the

Administrative Departments. As per the revised procedure prescribed vide Circular No. 11/82/Fin. dated 17-8-1982 of Finance Department, the Notes from the Administrative Departments concerned for regularisation of excess should be submitted to the Committee on Public Accounts by 31st May of the second year following the year of account or immediately after presentation of Appropriation Accounts, whichever is later. In spite of instructions issued by Government vide Circular No. 95/85/Fin. dated 30-11-1985 in pursuance of the 76th Report and Circular No. 11/98/Fin. dated 17-2-1998, the time schedule is not being adhered to even now. There has been inordinate delay in furnishing explanation to the Committee on certain cases. The Committee views the issue with grave concern and desires that immediate action to clear the backlog accumulated from 1984-85 onwards in the regularisation of excess expenditure of accounts should be taken by the Administrative Department.

Recommendation

(Sl. No. 2, Para No. 3)

1.2 The Committee understands that the main reasons attributed to excess expenditure are absence of timely reconciliation of accounts by the Administrative Departments and action thereon, failure in mooted proposals for supplementary grant in appropriate time, spending in anticipation of additional authorisation but without budget provision etc. The Committee likes to reiterate its earlier recommendations in this regard and urges the Administrative Departments to curb the wrong tendencies resurrected in incurring expenditure.

Action Taken

FINANCE (PAC) DEPARTMENT

(Para Nos. 2 & 3)

1.3 Directions were issued to all Administrative Departments vide Circular No. 65/2007/Fin. dated 16-8-2007 and Circular No. 62/08/Fin. dated 16-10-2008. (Copy enclosed in annexure)

Further Recommendation

1.4 The Committee recommended to examine whether the instructions of the Circular dated 16-8-2007 and 16-10-2008 issued from the Finance Department had been implemented and if not, disciplinary action should be taken against the delinquent officers.

Action Taken

FINANCE (PENSION A) DEPARTMENT

(Para No. 3)

1.5 The Director of Treasuries has reported that the major areas of excess on payment of pension are of payment of Festival Allowance and Medical Allowance and action has been taken to curb the tendency of drawal of Festival Allowance and Medical Allowance in both the pension by those pensioners drawing two pensions i.e., service pension and family pension. Director of Treasuries has also informed that action has also been taken to modify the software to identify such cases and to avoid this sort of payments. Instructions have already been issued to ensure that the reduced pension based on the Commuted Value of Pension are only granted. In order to reconcile the expenditure on pension and related payments, Director of Treasuries has been given instructions to make necessary arrangements to reconcile the expenditure booked under the major head “2071—Pension and other retirement benefits”.

1.6 As regards the additional funds through supplementary grants or full utilisation of the additional funds obtained through SDG, Government have decided to evolve a new monitoring system wherein Accountant General is to furnish the details of expenditure incurred on pensions and related payments to the Finance (Pension A) Department on monthly basis so that the Finance (Pension A) Department may ascertain the expenditure required for the ensuing months. The Accountant General may also forward budget proposals direct to the Finance (Pension A) Department rather than the Finance (Budget Wing) Department. The Finance (Pension A) Department will examine the proposal or Supplementary Demand for Grant and make necessary alterations, wherever required and forward the same to the Finance (Budget Wing) Department for necessary action. The process of consultation in connection with the implementation of the new system is now underway.

Further Recommendation

1.7 The Committee opined that payment of full pension without considering the commuted value of pension was purely an unfair act. The Committee recommended to recover the excess amount paid in this way and to take disciplinary action against those officers who made excess payment towards pension.

CHAPTER II

RECOMMENDATIONS WHICH THE COMMITTEE DOES NOT DESIRE
TO PURSUE IN THE LIGHT OF REPLIES
FURNISHED BY GOVERNMENT

FINANCE AND OTHER ADMINISTRATIVE DEPARTMENTS

Recommendation*(Sl. No. 1, Para No. 2)*

2.1 With regard to the present position of regularisation of excess expenditure, the committee observes that a large number of cases of excess expenditure over Voted Grants/Charged Appropriations remain to be regularised due to the non-submission of explanatory notes on excess expenditure by the Administrative Departments. As per the revised procedure prescribed vide Circular No. 11/82/Fin. dated 17-8-1982 of Finance Department, the "Notes from the Administrative Departments concerned for regularisation of excess should be submitted to the Committee on Public Accounts by 31st May of the second year following the year of account or immediately after presentation of Appropriation Accounts", whichever is later. In spite of the instructions issued by Government vide Circular No. 95/85/Fin. dated 30-11-1985 in pursuance of the 76th Report and Circular No. 11/98/Fin. dated 17-2-1998, the time schedule is not being adhered to even now. There has been inordinate delay in furnishing explanation to the Committee on certain cases. The Committee views the issue with grave concern and desires that immediate action to clear the backlog accumulated from 1984-85 onwards in the regularisation of excess expenditure of accounts should be taken by the Administrative Departments.

Action Taken

HOME (E) DEPARTMENT

2.2 Instructions noted for future guidance. Instructions have been issued to all concerned for prompt action after reviewing the position.

INDUSTRIES (J) DEPARTMENT

2.3 Strict direction had been issued to all General Managers of the District Industries Centre by the Director of Industries and Commerce for proper and prompt reconciliation of departmental expenditure and for furnishing reports on monthly basis to the Director of Industries and Commerce.

HIGHER EDUCATION (P) DEPARTMENT

2.4 A General Circular has been issued directing Heads of Departments under the Administrative Department to strictly comply with the recommendations contained in the report (Copy enclosed in annexure)

SC/ST DEVELOPMENT DEPARTMENT

2.5 Notes for regularization of excess expenditure for 1998-99 and 2000-01 have already been forwarded to Social Welfare Department for consolidation.

Recommendation

(Sl. No. 2, Para No. 3)

2.6 The Committee understands that the main reasons attributed to excess expenditure are absence of timely reconciliation of accounts by the administrative departments and action thereon, failure in mooted proposals for supplementary grant in appropriate time, spending in anticipation of additional authorisation but without budget provision etc. The Committee likes to reiterate its earlier recommendations in this regard and urges the administrative departments to curb the wrong tendencies resurrected in incurring expenditure.

Action Taken**HOME (E) DEPARTMENT**

2.7 Instructions noted for guidance.

INDUSTRIES (J) DEPARTMENT

2.8 Instructions had been issued to all sections of Industries Department for strict compliance.

HIGHER EDUCATION (P) DEPARTMENT

2.9 A General Circular has been issued directing Heads of Departments under the Administrative Department to strictly comply with the recommendations contained in the report. (Copy enclosed in annexure)

PLANNING AND ECONOMIC AFFAIRS (P) DEPARTMENT

2.10 All the H.O.Ds coming under the Administrative control of Planning and Economic Affairs Department have been instructed to follow up the recommendations of the PAC scrupulously. They were asked to avoid excess expenditure to the maximum extent in future. In unavoidable cases where expenditure over and above the Budgetary Provision has to be incurred, it should

be done only after exhausting all other means to get necessary funds sanctioned and the excess amount should be limited to the barest minimum in unavoidable circumstances. Whenever excess had to be incurred, sufficient reason explaining the necessity of excess expenditure may invariably be furnished during the close of the financial year for each such item separately. However, proper care and effective control should be strictly exercised to avoid such expenditure. Supplementary Grants proposals should be mooted in time to cover such cases of excess expenditure.

2.11 Strict instruction were also issued to all concerned to effect monthly reconciliation of Accounts with the Accountant General (A&E).

2.12 Copy of letter No.12122/P/09/Plg.(2) dated 22-9-2009 issued to all concerned in this regard is enclosed. (Copy enclosed in annexure)

SC/ST DEVELOPMENT DEPARTMENT

2.13 Strict direction has been given to all Drawing and Disbursing Officers for timely reconciliation of accounts.

GENERAL EDUCATION (P) DEPARTMENT

Recommendation

(Sl. No. 3, Para Nos. 7, 8, 9 and 10)

2.14 The main reason adduced for the excess expenditure of ₹ 3,57,72,144 was payment of revised Dearness Allowance and bonus. It was also stated that no supplementary demand for grants was moved as it was thought that the excess could be regularized by re-appropriation of savings during the close of the financial year. However, no savings could be located during the close of the year. It is to be noted that during 1983-84, the department surrendered ₹ 86,63,000. As the expenditure exceeded the grant, surrender of this amount during the year lacked justification.

2.15 The Committee points out that if reconciliation of accounts were conducted in time, the excess could have been avoided. The Committee recommends that utmost care should be taken in conducting timely reconciliation of account to avoid excess expenditure.

2.16 Regarding the excess expenditure of ₹ 29,35,60,980 incurred due to sanction of revised DA, the Committee would like to point out that supplementary demand for grant could have been moved for the additional expenditure incurred.

2.17 During witness examination it was revealed before the Committee that the excess expenditure of ₹ 34,29,67,909 incurred under the Grant in 1985-86 Revenue (voted) was mainly due to payment of salary to staff, sanction of DA, etc. The Committee observes that as this expenditure could have been anticipated, suitable provision should have been made.

Action Taken

2.18 Action completed for the regularization of excess expenditure of the period from 1983-84 to 1991-92 in General Education Department.

LOCAL SELF GOVERNMENT (FM) DEPARTMENT

Recommendation

(Sl. No. 4, Para No. 12)

2.19 The excess of ₹ 1,10,000 is stated to be due to misclassification. The Committee observes that such misclassification occur due to the absence of timely reconciliation with the figures booked by the Accountant General (A&E). The Committee stresses the necessity for timely reconciliation of accounts.

Action Taken

2.20 The Accountant General has found out that during the financial year 1993-94 ₹ 2.51 lakhs has been spent as excess amount under the head of account '6217-04-191-99'. It is also noted that during the Financial Year 1993-94 ₹ 65 lakhs has been allotted for slum development under the heads of accounts '6217-04-191-99' and '2217-04-191-99'. In the total allotted amount of ₹ 64,12,875 in the head of account '6217-04-191-99', ₹ 1,92,500 and ₹ 20,000 were expended by the Koothuparambu and Vaikkom Municipalities respectively but were not included in it. They must have been included in the above Head of Account. The amount of ₹ 1,40,540 of Chengannur Municipality which was wrongly included in the Head of Account '6217-04-191-99' should have been included in the Head of Account '6217-60-191-99'.

2.21 According to the accounts of Accountant General, instead of the expended ₹ 67,50,500 under Head of Account '6217-04-191-99' an excess expenditure had occurred as ₹ 2,50,500. After detailed examination it has been found out that this excess expenditure is due to wrong posting of ₹ 3,37,625 in the Head of Account '6217-04-191-99' instead of including in the Head of Account '2217-04-191-99'. In reality instead of balanced amount (savings), excess expenditure had occurred due to misclassification. If ₹ 1,40,500 is

deducted from the total amount of ₹ 67,50,500 from the Head of Account '6217-60-191-99', the excess expenditure of ₹ 1,10,000 has to be regularized as per Article 205 of the Constitution of India.

2.22 The Director of Urban Affairs Department has opined that the reconciliation work was not done owing to the missing of the files for the year 1993-94. The system of allotment to and drawal of funds by the Local Self Government Institutions have been changed from 1-12-2004. Instructions have been issued to the Local Self Government Institutions to get their figures reconciled with those of the treasuries every month and to the Director of Urban Affairs to reconcile his figure with those of the Accountant General vide G.O. (P) No. 177/2006/Fin. dated, 12-4-2006. Instruction has been given to the respective Municipalities in order to avoid this kind of lapses in future.

FINANCE DEPARTMENT

Recommendation

(Sl. No. 5, Para Nos. 13, 14)

2.23 The excess of ₹ 1,41,00,507 is stated to be due to misclassification of accounts by the department, payment of revised DA to the employees and increased office expenses for the day-to-day functioning. The committee points out that Finance Department is expected to maintain the financial discipline of the state. But they themselves are incurring excess over voted Grants/Charged Appropriation. It is a matter of great concern that they themselves are lagging behind in submission of notes. The committee enquires whether there exists any proper device to monitor the actual expenditure in time. The Secretary, Finance (Resources) Department informed that as an initial step, Computerisation of Treasury Branches and the work for linking them through network was in progress. After the Computerisation is completed, progress in the income and expenses of each department could be properly monitored.

2.24 The Committee urges the Finance Department to complete the Computerisation and Networking of Treasury Branches so that the expenditure of the Administrative Departments could be monitored efficiently.

Action Taken

2.25 All Treasuries in the State were Computerized on the stand alone mode vide Government Order G.O. (Rt.) No. 6599/2005/Fin. dated, 22-9-2005 by which sanction was accorded for setting up Dial-up Network in Treasuries for the Data transfer among Sub Treasuries, District Treasuries and Directorate of Treasuries. But effective Budgetary Control, Ways and Means Control and Cash flow monitoring can be done only after a Web based Online Network is put in

place. Dial-up Network has been implemented in Treasuries from 2006, whereby the Treasuries would send daily transaction data at the end of the day. Clearly this is not enough. Hence, it has been considered essential to enhance the level of Computerisation in Treasuries, so that budgetary and expenditure control and maintenance of Finance Accounts are done online. In this context, Finance Department has drawn up an action plan to make the System fully operational and also to transfer monthly accounts data including voucher level data online to the Accountant General.

Thiruvananthapuram,
28th January, 2014.

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

APPENDIX I

SUMMARY OF MAIN CONCLUSION/RECOMMENDATION

| <i>Sl. No.</i> | <i>Paragraph No.</i> | <i>Department concerned</i> | <i>Conclusion/Recommendation</i> |
|----------------|----------------------|-----------------------------|--|
| 1 | 1.4 | Finance | The Committee recommended to examine whether the instructions of the circular dated 16-8-2007 and 16-10-2008 issued from the Finance department had been implemented and if not, disciplinary action should be taken against the delinquent officers. |
| 2 | 1.7 | „ | The Committee opined that payment of full pension without considering the commuted value of pension was purely unfair act. The Committee recommended to recover the excess amount paid in this way and to take disciplinary action against those officers who made excess payment towards pension. |