THIRTEENTH KERALA LEGISLATIVE ASSEMBLY

COMMITTEE
ON
PUBLIC ACCOUNTS
(2011-2014)

THIRTY FIRST REPORT

(Presented on 9th July, 2013)

SECRETARIAT OF THE KERALA LEGISLATURE
THIRUVANANTHAPURAM
2013

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On

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

1046/2013.

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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 Thirty First 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 2nd July, 2010.

The Committee considered and finalised this Report at the meeting held on 2nd July, 2013.

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

DR. T. M. THOMAS ISAAC,

Thiruvananthapuram,
9th July, 2013.

Chairman,
Committee on Public Accounts.

REPORT

FINANCE DEPARTMENT

AUDIT PARAGRAPH

Financial Accountability and Budget Management

Appropriation vis-a-vis Allocative Priorities

The outcome of appropriation audit reveals that in three cases, savings exceeded ₹ 10 crore in each case and also by more than 20 per cent of the total provision (Appendix 3.1). Against the total savings of ₹ 7867.81 crore, savings of ₹ 852.49 crore (10.83 per cent*) occurred in five cases relating to four grants and one appropriation as indicated in Table 2.2.

TABLE 2.2: LIST OF GRANTS/APPROPRIATION WITH SAVINGS OF ₹ 50 CRORE AND ABOVE

(Rupees in crore)

Sl. No.	*Number and name of Grant/Appropriation*	*Original*	*Supplementary/ Surrender(-)*	*Total*	*Actual expenditure*	*Savings*
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Revenue (Voted)						
1.	XI—District Administration and Miscellaneous	241.52	117.34/(-)8.10	350.76	250.05	100.71
2.	XVI—Pensions and Miscellaneous	5000.59	265.33	5265.92	5169.93	95.99
3.	XXV—Social Welfare including Welfare of Scheduled Castes/Scheduled Tribes and Other Backward Classes	1147.65	237.44/(-) 68.36	1316.73	1234.59	82.14

* Exceeding ₹ 50 crore in each case.

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(1)	(2)	(3)	(4)	(5)	(6)	(7)
Revenue (Charged)						
4	Debt Charges	5392.95	126.85/(-) 4.90	5514.90	5004.49	510.41
Capital (Voted)						
5	XV—Public Works	653.45	69.63/(-)18.20	704.88	641.64	63.24
				Total		852.49

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

The concerned departments could not furnish reasons for the savings under 'Pensions and Miscellaneous', 'Social Welfare including Welfare of Scheduled Castes/Scheduled Tribes and Other Backward Classes', 'Debt charges'. However, the savings under 'District Administration and Miscellaneous (Revenue Section)' were due to reclassification of expenditure incurred under the head of account 2053-00-800-94—Tsunami Rehabilitation Programme (other Additional Central Assistance) and the savings under 'Public Works (Capital Section)' were mainly due to delays in starting works under the Kerala State Transport Project and overestimation of the requirement for rehabilitation and reconstruction of roads under the 'Tsunami Rehabilitation Programme'.

[Para 2.3.1 contained in the Report of the 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.

Regarding the savings of ₹ 100.71 crore under the head of account pertaining to District Administration, the Officer on Special Duty, Finance Department apprised that it was due to misclassification. The amount was for Tsunami Rehabilitation Programme which actually came under Administrative Services was wrongly provided under District Administration. Later, the amount had been reclassified to different heads of accounts based on the nature of function and the Department which incurred the expenditure. It was the unsurrendered balance which was later regularized on the finalization of accounts.

2. The Officer on Special Duty (OSD), Finance Department informed the Committee that the savings of ₹ 95.99 crore incurred under the head 'Pension and Miscellaneous' was due to short demand from the pensioners for pensionary benefits. The amount from this head was expended not as allotment but granted when demanded. In the year 2008-09, the employees were hesitant to submit the

application for pensionary benefits in advance on the presumption that retirement age might be enhanced. Consequent on this, a sizable expenditure spilled over to the next financial year. Moreover there was not any appropriation control over the disbursement of pension. The amount of pension and other benefits disbursed from various treasuries could be ascertained only after the Detailed Accounts of the Accountant General was laid.

3. He added that the expenditure on sale of stamps relates to the commission being paid on sale of stamps at the time of its sale. The increase in sale of stamps led to increase in the expenses towards its sale. As reconciliated statements on sale of stamps got finalized much later, the controlling officer could not move for SDG. Hence excess expenditure was incurred. The Committee accepted the explanation.

4. To a query of the Committee, the OSD apprised that the savings of ₹ 63 crore was incurred by the PWD towards capital expenditure. This occurred as a result of the failure in implementation of a work under KSTP. It was a World Bank Aided project and only after incurring the expenditure, it would get reimbursed. As the work could not be executed as envisaged, State's share provided in the budget for the same, left unexpended.

5. The Committee was informed that the Budget estimate for the year 2008-09 was prepared in anticipation of raising a major portion of new loan in the first half of the financial year. But it was raised during the second half of the year for which no interest payment was incurred. Also withdrawals from Savings Bank Accounts were comparatively high during the year. In this regard the witness, OSD, Finance Department stated that interest towards Savings Bank Accounts would be calculated only after March 31. Shortage in deposits lessens the expenditure towards interest. Since interest was calculated only after 31st March, the savings to the tune of ₹ 510.41 crore could not be re-appropriated. The Committee accepted the explanation.

Conclusion/Recommendation

No Comments.

AUDIT PARAGRAPH

Expenditure without provision

As per the Kerala Budget Manual, expenditure should not be incurred on a scheme/service without provision of funds. It was, however, noticed that expenditure of ₹ 23.86 crore was incurred in 11 cases as detailed in Table 2.3 without any provision in the original estimates/supplementary demand and without any re-appropriation orders to this effect.

TABLE 2.3: EXPENDITURE INCURRED WITHOUT PROVISION DURING 2008-2009

(Rupees in crore)

Sl. No.	*Number and name of Grant/Appropriation*		*Head of Account*	*Amount of expen-diture without Provision*
1	XXV	Social Welfare including Welfare of Scheduled Castes/Scheduled Tribes and Other Backward Classes	2235-02-800-85	2.11
2	XXIX	Agriculture	2401-00-800-33	6.67
3			6401-00-190-87	0.90
4	XXXI	Animal Husbandry	2403-00-800-68	4.00
5	XXXII	Dairy	2404-00-195-92	1.00
6			2404-00-195-91	0.50
7			2404-00-800-77	3.48
8	XXXIV	Forest	2406-01-102-90	1.00
9	XXXVII	Industries	4851-00-195-63	1.03
10			6860-04-101-95	2.00
11	XLI	Transport	3056-00-800-98	1.17
		Total		23.86

(Source: Detailed Appropriation Accounts 2008-09)

[Para 2.3.2 contained in the Report of the 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 was alarmed to see that an expenditure of ₹ 23.86 crore was incurred in 11 cases without budget provision. The witness, Additional Secretary, Finance Department informed that as per rules, expenditure should not be incurred without budget allocation and assured to examine the matter in detail. The Director of Treasuries informed that in certain cases in which expenditure would be inevitable the amount would be released from Treasury at the fag end of

the financial year to avoid lapse of budget allotment. To the query of the Committee whether the status of the budget allotment could be better traced consequent on the computerisation of records, the Director of Treasuries answered positively and informed that the practices of excess expenditure and unauthenticated payments could be curtailed to a great extent. The Additional Secretary, Finance Department deposed that a circular dated 25-7-2009 instructing that disciplinary action would be taken against the officers who violate the rules and incur expenditure in excess of the budget allotment had been issued by the Government. The Committee opined that, Finance Department could make additional provision, if necessary, which would be regularised later. But the Committee could not accept the irregular procedure followed by the departments. The Principal Accountant General opined that the Treasury Officers were also responsible for the wrong procedure. The Additional Secretary, Finance Department informed that in the above said circular it was also instructed that the Treasury Officer would be responsible if money had been released under a particular head of account without budget provision. The Committee pointed out that departments could move for additional allotment in the case of inevitable expenditure rather than withdrawing money irregularly. The Director of Treasuries informed the Committee about the introduction of a system called "BEAMS" (Budget Estimate Allocation Management System) through which the monthly position of expenditure could be monitored.

Conclusion/Recommendation

7. **The Committee analyses that with the computerisation of treasuries, transaction under each head of account could be monitored more effectively. It urges the Finance Department that strict measures should be taken to ensure that the expenditure is within the allotment. It directs that the conditions stipulated in the circular dated, 25-7-2009 issued by Finance Department in this regard should be enforced strictly. It recommends that the Finance Department shall remind the administrative departments that they would be aware of the financial position in each and every head of account under their control and if necessary, they should turn out for additional authorisation either by re-appropriation or move for Supplementary Demands for Grants.**

AUDIT PARAGRAPH

Drawal of funds to avoid lapse of budget grant

As per the provision of Article 40 (c) of the Kerala Financial Code Volume I, no money is to be drawn from the treasury unless it is required for immediate disbursement. In respect of the cases mentioned below, the amounts were drawn at the fag end of the financial year and were credited to Treasury Savings Bank accounts or kept as Demand Drafts for eventual transfer to other institutions, to avoid lapse of budget provision. The departments could not furnish the details of utilisation of these cases as of July 2009.

(i) *Directorate of Health Services*

Rupees one crore was drawn on 30th March, 2009 and deposited in the Treasury Savings Bank account of the Director for release to the 'Society for Medical Assistance to the poor'. However, the lists of beneficiaries were finalised only in July 2009.

(ii) *Directorate of Fisheries*

The Director of Fisheries drew (31st March, 2009) ₹ 9.50 crore and transferred the amount to the Special Treasury Savings Bank account in the District Treasury, Thiruvananthapuram for meeting the financial requirement of the Kerala Fishermen Debt Relief Commission. The amount remained unutilised as of July 2009.

(iii) *Directorate of Sports and Youth Affair*

• The Director of Sports and Youth Affairs withdrew Rupees one crore on 30th March, 2009 in the form of a demand draft in favour of the Managing Director, Kerala Police Housing and Construction Corporation for carrying out the work of 'Renovation of Jimmy George Indoor Stadium'. The demand draft was retained (August 2009) in the Directorate.

• Three demand drafts for Rupees one crore each were drawn on 30/31st March, 2009 by the Director of Sports and Youth Affairs for construction of stadia at Nedumkandom Grama Panchayat, Alappuzha and Muvattupuzha Municipalities. The demand drafts were transferred to the Secretary, Nedumkandom Grama Panchayat and Muvattupuzha Municipality in May 2009. The demand draft meant for Alappuzha stadium was not transferred as of July 2009.

• The Director of Sports and Youth Affairs drew ₹ 1.50 crore and ₹ 1.30 crore on 31st March, 2009 for renovation of a swimming pool at Thiruvananthapuram and for maintenance and development of playfields respectively. The amounts were kept in Treasury Savings Bank accounts pending sanction of the Government to transfer the amount to the National Games Secretariat in the first case and non-identification of the list of beneficiaries in the second case.

[Para 2.3.3 contained in the Report of the 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.

8. When the Committee enquired whether the cases indicated in the audit paragraph were noticed during test check or on a comprehensive audit, the official from the office of the Accountant General informed that major items incurring substantial amount only were pointed out. Knowing that the trend of drawal of fund to avoid lapse of budget provision was increasing yearly the Committee asked whether such irregularity could be avoided by providing the unspent balance amount in the next year's budget. The Principal Accountant General replied that the entire system had to be changed. At present in many cases when the amount could not be spent within the allocated time the amount left unspent would be drawn at the fag end of the financial year and were credited to Treasury Savings Bank account or kept as Demand Draft for eventual transfer to other institutions to avoid lapse of budget provision. To avoid this practice, the Committee suggested that in such cases, where expenditure was inevitable in the forthcoming financial year, the unspent balance amount should be provided in the next years' budget. Further, the Committee commented that it was a typical example of financial impropriety and the departments lacked budgetary control. So, the Committee emphasized the need for modifying the existing budgetary procedure and opined that a list of inevitable expenditure, to be incurred in the next financial year should be sorted out and proposal for the same should be included in the forthcoming years' budget. The Committee authorised the Accountant General to look into the matter and to furnish a report with their recommendation to the Committee in this regard.

Conclusion/Recommendation

9. **Regarding the practice of drawing the unspent amount of the allocated fund at the fag end of the financial year, to avoid the lapse of fund and to keep as DD, the Committee comments that it was a typical example of financial impropriety and the departments lacked budgetary control and suggests that in such cases, where expenditure was inevitable in the forthcoming financial year the unspent balance amount should be provided in the next years' budget. The Committee also emphasizes the need for modifying the existing budgetary procedure and remarks that a list of inevitable expenditure, to be incurred in the next financial year should be sorted out by the administrative departments and proposal for the same should be included in the forthcoming years' budget.**

AUDIT PARAGRAPH

Excess over provisions relating to previous years requiring regularisation

As per Article 205 of the Constitution of India, it is mandatory for State Government to get excesses over grants/appropriations regularised by the State Legislature. Although no time limit for regularisation of expenditure has been prescribed under the Article, the regularisation of excess expenditure is done after the completion of discussion of the Appropriation Accounts and the connected Audit Report by the Public Accounts Committee (PAC). However, excess expenditure amounting to ₹ 7421.30 crore for the years 1990-91 to 2007-2008 was still to be regularised (September 2009) as summarised in Table 2.4. The year-wise and grant-wise amounts of excess expenditure pending regularisation and the stage of consideration by the PAC are detailed in Appendix III.

TABLE 2.4: EXCESS OVER PROVISIONS RELATING TO THE PREVIOUS YEARS REQUIRING REGULARISATION

(Rupees in crore)

Year	*Number of*		*Amount of excess over provision*
	Grant	*Appropriation*	
1990-91	1	..	0.36
1992-93	1	..	0.04
1993-94	1	1	0.73
1995-96	6	..	22.92
1996-97	1	1	0.01
1997-98	2	..	4.16
1998-99	1	..	7.88
2000-01	1	..	14.65
2001-02	2	..	29.08
2002-03	3	1	25.60
2003-04	7	3	1292.75
2004-05	2	2	5839.91
2005-06	1	..	21.27
2006-07	2	1	7.16
2007-08	1	3	154.78
Total	32	12	7421.30

[Source: As per records maintained by Principal Accountant General (Audit)]

Non-regularisation of excesses over grants/appropriations over the years is a breach of legislative control over appropriations.

[Para 2.3.4 contained in the Report of the 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.

10. The official from the office of the Accountant General informed that as per recently received statement the excess amount had already been regularised.

Conclusion/Recommendation

No Comments.

AUDIT PARAGRAPH

Excess over provision during 2008-09 requiring regularisation

The Appropriation Accounts disclosed excess of ₹ 148.99 crore over the authorisation from the Consolidated Fund of the State during 2008-09 in 10 grants and one appropriation. Out of this, excess of ₹ 44.52 crore in Grant No. XXXIV—Forest (₹ 0.17 crore) and in Grant No. XL—Ports (₹ 44.35 crore) did not require regularisation because the excess occurred due to booking of expenditure by the Accountant General (A&E) under these grants to adopt the authorised classification even though a provision was actually available under another Grant (No. XI—District Administration and Miscellaneous). Excess of ₹ 104.47 crore over authorisation from the Consolidated Fund of the State in respect of eight grants and one appropriation require regularisation under Article 205 of the Constitution and are summarised in Table 2.5 below:

TABLE 2.5: EXCESS OVER PROVISION REQUIRING REGULARISATION DURING 2008-09

(Rupees in crore)

Sl. No.	*Number and title of grant/ appropriation*	*Total grant/ appropriation*	*Expenditure*	*Excess*
(1)	(2)	(3)	(4)	(5)
Voted Grants—Revenue				
1	I—State Legislature	29.59	30.01	0.42
2	VII—Stamps and Registration	82.18	85.73	3.55
3	IX—Taxes on Vehicles	29.84	30.08	0.24
4	XII—Police	959.92	960.20	0.28

(1)	(2)	(3)	(4)	(5)
5	XV—Public Works	1243.50	1342.73	99.23
6	XLIII—Compensation and Assignments	2269.69	2270.13	0.44
	Voted Grants-Capital			
7	XII—Police	0.27	0.47	0.20
8	XIX—Family Welfare	0.14	0.18	0.04
	Total Voted	4615.13	4719.53	104.40
	Charged Appropriation-Capital			
9	XXXVIII—Irrigation	30.37	30.44	0.07
	Total Charged	30.37	30.44	0.07
	Grand Total	**4645.50**	**4749.97**	**104.47**

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

Note: The actual excess expenditure in the above nine grants/ appropriation would be ₹ 114.91 crore when the surrender of funds amounting to ₹ 10.44 crore made in Grant Nos. I, VII, IX and XII is also taken into account. However, the excess disclosed in Appropriation Accounts (₹ 104.47 crore) only has been shown in the above Table as requiring regularisation.

A scrutiny of transactions under Grant No. XV—Public Works revealed that the Finance Department authorised (June 2008 to February 2009) the Public Works Department to spend ₹ 102.31 crore additionally under the heads of account '3054-80-800-93 Sabarimala Works' (₹ 26.84 crore), '3054-80-800-95 Road Safety Works' (₹ 0.54 crore), '3054-80-800-96 Flood Damage Repairs' ₹ 24.64 crore) and '3054-80-800-97 Special Repairs to Communications' (₹ 50.29 crore) during 2008-09 under the provisions of Paragraph 95 (3) of the Kerala Budget Manual before the close of the financial year. According to this provision, the expenditure had to be regularised during the year either by re-appropriation or by obtaining supplementary grants and that grants as a whole were not to be exceeded before the supplementary grants had been made by the Legislature. However, the Public Works Department did not obtain sufficient funds either through re-appropriation or by supplementary grants to regularise the expenditure, with the result that the revenue portion of the grant was exceeded by ₹ 99.23 crore due to incurring of expenditure based on the additional authorisation, the responsibility for which vested with the Chief Controlling Officer.

[Para 2.3.5 contained in the Report of the 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.

11. The Committee perceived that under Grant No. XV the Public Works Department had incurred an excess expenditure of ₹ 99.23 crore and enquired whether the amount had been obtained as additional provision. The witness clarified that additional authorisation was given for clearing bills under the assumption that there would be savings. The Committee opined that though there was nothing irregular, it would have to be regularised. The witness informed that the note explaining reason for excess expenditure had been furnished for regularisation.

Conclusion/Recommendation

12. **Regarding the excess expenditure incurred by Public Works Department during 2008-09, the Committee noticed the failure on the part of administrative department to regularise the excess expenditure as per the provisions in the Budget Manual. It remarks that the Public Works Department must be more cautious to avoid such lapses in future.**

AUDIT PARAGRAPH

Unnecessary/Excessive/Inadequate Supplementary provision

Supplementary provisions aggregating ₹ 537.36 crore obtained in 20 cases of ₹ 50 lakh or more in each case during the year proved unnecessary as the expenditure did not come up to the level of the original provisions as detailed in Appendix III.

In 13 cases, against the additional requirement of ₹ 699.47 crore, supplementary grants of ₹ 1351.74 crore were obtained, resulting in savings (in spite of surrender of ₹ 319.85 crore at the fag end of the year) exceeding Rupees one crore and above in each case, aggregating ₹ 332.42 crore. (Appendix III).

In two cases, supplementary provisions of ₹ 273.37 crore proved insufficient by more than Rupees one crore in each case, leaving an aggregate uncovered excess expenditure of ₹ 102.78 crore (Appendix III).

[Para 2.3.6 contained in the Report of the 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.

13. Knowing that during 2008-09, Taxes Department had surrendered an amount of ₹ 6,67,046, where ₹ 3.47 crore was obtained as Supplementary Demand for Grants, the Committee enquired the reason for obtaining more than the required amount as SDG. The witness submitted that the supplementary provisions were made on the assumption that there would be some schemes. But in effect, it could not be carried out as per the schedule which resulted in the fund provided left unspent. The Committee was dissatisfied with the procedure followed by the departments and commented that before providing additional amount as Supplementary Demand, the Finance Department should scrutinise whether the expenditure would be inevitable. The Committee remarked that there might be many new proposals in the budget speech for which there would be no provision in the budget. In such cases though the concerned Administrative Departments did not come forward with request for allocation, the Finance Department itself would provide sufficient fund for materialising those proposals through Supplementary Demands for grants. But as the departments were unaware of the fund, they would not turn up to withdraw the amount in time, leading to the accumulation of unspent money already granted for a purpose. The Committee opined that when a particular scheme had been declared in the Budget Speech an interim review on the action to be taken for the implementation of scheme should be conducted by each department.

Conclusion/Recommendation

14. **The Committee expresses its dissatisfaction over the irresponsibility of the officials of Taxes Department as it noticed that during 2008-09, Taxes Department had obtained a huge sum as SDG and even a single paise was expended out of it. Therefore, the Committee urges that Finance Department should scrutinise the necessity of a particular demand before granting fund towards the demand. The Committee observes that even though Finance Department provided fund for the new proposals in the Budget speech, the whole amount left unspent at the end of the financial year mostly because the administrative departments were not aware of the fund allocation. Therefore, the Committee recommends that when a particular scheme had been declared in the Budget Speech an interim review on the action to be taken for the implementation of scheme should be conducted by each administrative department in consultation with the Finance Department.**

AUDIT PARAGRAPH

Excessive/unnecessary 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. The excesses/savings were more than Rupees two crore in 72 sub-heads as detailed in Appendix III. Reasons for the variations were not furnished by the department/Government.

A few cases are discussed below:

In Grant No. XV, ₹ 30.68 crore was provided under '3054-80-800-97 Special Repairs to Communications'. Further, an amount of ₹ 3.23 crore was augmented through re-appropriation for clearance of pending bills of contractors up to 31st December 2007 bringing the total provisions to ₹ 33.91 crore. However, the year ended with an excess expenditure of ₹ 55.86 crore.

In Grant No. XVII, under '2202-03-104-99 Salaries to staff under direct payment system', ₹ 154.70 crore was withdrawn on the last working day of the financial year 2008-09 through re-appropriation, thereby reducing the original provision to ₹ 302.81 crore. However, the final expenditure was ₹ 429.07 crore, resulting in excess over the provision by ₹ 126.27 crore.

[Para 2.3.7 contained in the Report of the 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.

15. The Committee enquired the purpose for which the amount of ₹ 154.70 crore was withdrawn through re-appropriation on 31st March 2009, the Additional Secretary, Finance Department submitted that it was expended for some other purpose. But the reason for the savings could not be sorted out. He added that the fund had been re-appropriated under various head of accounts to meet with the exigencies. The Committee found that under the head of account 5054-04-800-98, in Grant No. XV—Public Works, the Public Works Department had re-appropriated an amount of ₹ 237 crore for which the final savings arrived at ₹ 9.49 crore and wanted to know the sources from which the amount was re-appropriated. The witness offered a vague reply such that the amount was re-appropriated from some other capital head of account. The Committee opined that generally the net result of re-appropriation would be zero. But in the cases pointed out by the Audit the variation from actual figure was more than ₹ 2 crore and the reason for the variation was not furnished. When an amount of ₹ 26 crore was re-appropriated in the head of account 5054-80-001-99, the savings came to ₹ 30 crore. In this case even the original allocation was surplus then the re-appropriation of additional fund became absolutely unnecessary. Therefore the Committee urged the defaulting department to adhere to financial rules and directed the Finance Department to call for the reason for such irregularities from concerned departments and furnished it to the Committee.

Conclusion/Recommendation

16. **While examining the audit paragraph 'excessive/unnecessary re-appropriation of funds', the Committee is surprised to notice that in certain cases additional fund was provided under heads-of-account through re-appropriation, where original allocation itself was surplus.**

17. **The Committee remarks that re-appropriation should be sought for only when it is absolutely required and any kind of financial impropriety should be viewed seriously.**

18. **The Committee urges the Public Works Department to furnish an explanation detailing the circumstances under which ₹ 26 crore was re-appropriated in the head of account 5054-80-001-99 resulting a savings of ₹ 30 crore and urges the defaulting departments to adhere to financial rules and it also directs the Finance Department to call for the reason for such irregularities from concerned departments and furnish the same to the Committee.**

AUDIT PARAGRAPH

Unexplained re-appropriations

Para 86 (3) of the Kerala Budget Manual lays down that the authority sanctioning re-appropriations should satisfy himself 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 anticipated', etc., as they have to be incorporated in the Appropriation Accounts which are examined by the Public Accounts Committee of Legislature. However, a scrutiny of re-appropriation orders issued by the Finance Department revealed that in respect of 617 items (30.28 per cent*)* scrutinised out of 2037 items, the reasons given for withdrawal of provisions in re-appropriation orders were of general nature like 'expenditure is less than anticipated', 'reduced provision is sufficient to meet the expenditure', etc.

[Para 2.3.8 contained in the Report of the 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.

19. The Committee observed that the re-appropriation orders issued were not in accordance with provisions in the Kerala Budget Manual and opined that Finance Department was not in a position to explain the exact reason as it pertains to various departments. In order to streamline the procedures the Committee entrusted the Accountant General to select some obvious and glaring instance for which specific explanations required and point out them to the Finance Department so that they could furnish specific reasons to the Committee.

Conclusion/Recommendation

20. **The Committee observes that in many cases re-appropriation was sanctioned for unspecified purposes. In order to streamline the procedures followed for re-appropriation the Committee directs the Finance Department to select some obvious and glaring instances for which specific explanations required and furnish to the Committee.**

AUDIT PARAGRAPH

Substantial surrenders

Substantial surrenders (where more than 50 per cent of the total provisions* were surrendered) were made in respect of 372 sub-heads on account of either non-implementation or slow implementation of schemes/programmes. Out of the total provision amounting to ₹ 1357.86 crore in these 372 sub-heads, ₹ 1033.64 crore (76 per cent) was surrendered, which included cent per cent surrender in 26 sub-heads, the details of which are given in Appendix III.

A few cases of substantial surrenders are discussed below:

Rupees eight crore was provided for 'Development of schools under NABARD assisted scheme (2202-02-800-74). The entire provision was withdrawn due to non-implementation of the scheme. During 2006-07 and 2007-08 also, the entire provision of ₹ five crore and ₹ 15 crore respectively remained unutilised.

[Para 2.3.9 contained in the Report of the 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.

21. During the deliberations regarding surrender of more than 50 per cent of the total provisions with reference to the cases pointed out by the Accountant General, the Committee enquired reasons for substantial surrender made under NABARD assisted scheme. The witness replied that when the responsibility of the maintenance of schools was transferred to Local bodies the expenditure for the same was incurred from the fund of local bodies and hence the fund provided under the head of account of Education Department became excess. To a query of the Committee whether ₹ 21 crore allocated for the Chamravattom Project was surrendered due the non-approval of the scheme by NABARD, the witness answered positively and informed that the project with the assistance of NABARD were carried out in such a way that after the execution of work the fund would be reimbursed. Hence the amount of ₹ 21 crore provided by Finance Department had remained unutilised and surrendered due to the non-approval of the scheme.

* Total provision refers to Original plus Supplementary.

Conclusion/Recommendation

No comments.

AUDIT PARAGRAPH

Surrender in excess of actual saving

In 20 cases (grants) the amounts surrendered (₹ 50 lakh or more in each case) was in excess of the actual savings indicating lack of or inadequate budgetary control. As against savings of ₹ 581.67 crore, the amount surrendered was ₹ 692.69 crore, resulting in excess surrender of ₹ 111.02 crore. Details are given in Appendix III.

A case where surrender was made in excess of the actual saving is discussed below:

Under Grant No. XX, ₹ 315.39 crore was surrendered on 31st March while the grant showed a saving of ₹ 270.65 crore (excess surrender of ₹ 44.74 crore). This grant showed substantial savings during 2006-07 and 2007-08 which indicated that the budget provisions were not made in a realistic way.

Anticipated savings not surrendered

As per Para 91 of the Kerala Budget Manual, spending departments are required to surrender grants/appropriations or portion thereof to the Finance Department as and when savings are anticipated. At the close of the year 2008-09, there were, however, five grants/appropriations in which savings occurred but no part of which had been surrendered by the concerned departments. The amount involved in these cases was ₹ 176.29 crore (2.24 per cent of the total savings) (Appendix III).

Similarly, out of the total savings of ₹ 6581.85 crore under 29 other grants/ appropriations (savings of Rupees one crore and above in each grant/appropriation) amounts aggregating ₹ 901.69 crore (13.7 per cent of savings) were not surrendered, details of which are given in Appendix 3.10. Besides, in 33 cases, (surrender of funds in excess of ₹ 10 crore), ₹ 1509.87 crore (Appendix 3.11) was surrendered on the last two working days of March 2009 indicating inadequate financial control and the fact that these funds could not be utilised for other development purposes.

[Para 2.3.10, 2.3.11 contained in the Report of the 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.

Conclusion/Recommendation

No comments.

AUDIT PARAGRAPH

Rush of expenditure

According to Para 91 (2) of the Kerala Budget Manual, rush of expenditure in the closing month of the financial year should be avoided. Contrary to this, in respect of 25 sub-heads listed in Appendix III expenditure of ₹ 10 crore and above and also more than 50 per cent of the total expenditure for the year was incurred in March 2009. Table 2.6 also presents the Major Heads where more than 50 per cent expenditure was incurred either during the last quarter or during the last month of the financial year.

TABLE 2.6: CASES OF RUSH OF EXPENDITURE TOWARDS THE END OF THE FINANCIAL YEAR 2008-09

(Rupees in crore)

Sl. No.	*Major Head*	*Total expenditure during the year*	*Expenditure during last quarter of the year*		*Expenditure during March 2009*	
			Amount	*percentage of total expenditure*	*Amount*	*Percentage of total expenditure*
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	2053—District Administration	152.22	89.56	59	58.96	39
2	2217—Urban Development	553.16	453.84	82	363.95	66
3	2225–Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	508.17	279.36	55	161.40	32
4	2501–Special Programmes for Rural Development	37.18	24.20	65	19.00	51
5	2505–Rural Employment	24.20	13.17	54	10.30	43
6	2506–Land Reforms	5.21	5.21	100	5.04	97
7	2551–Hill Areas	14.10	11.76	83	9.42	67
8	3055–Road Transport	24.41	19.34	79	19.31	79
9	3435–Ecology and Environment	3.37	2.09	62	1.37	41
10	4215–Capital Outlay on Water Supply and Sanitation	30.00	22.68	76	22.68	76

(1)	(2)	(3)	(4)	(5)	(6)	(7)
11	4217—Capital Outlay on Urban Development	20.00	20.00	100	20.00	100
12	4225—Capital Outlay on Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	31.29	21.36	68	20.95	67
13	4235—Capital Outlay on Social Security and Welfare	2.28	2.06	90	2.06	90
14	4401—Capital Outlay on Crop Husbandry	0.89	0.54	61	0.49	55
15	4402—Capital Outlay on Soil and Water Conservation	13.48	11.80	88	7.63	57
16	4403—Capital Outlay on Animal Husbandry	3.62	2.56	71	1.86	51
17	4405—Capital Outlay on Fisheries	30.06	17.17	57	13.28	44
18	4406—Capital Outlay on Forestry and Wildlife	12.52	7.22	58	6.27	50
19	4700—Capital Outlay on Major Irrigation	107.19	64.78	60	47.37	44
20	4851—Capital Outlay on Village and Small Industries	26.63	16.08	60	6.73	25
21	4859—Capital Outlay on Telecommunication and Electronic Industries	39.38	24.38	62	14.38	37
22	4885—Other Capital Outlay on Industries and Minerals	151.00	131.00	87	131.00	87
23	5051—Capital Outlay on Ports and Lighthouses	44.93	24.31	54	24.20	54
24	5053—Capital Outlay on Civil Aviation	45.00	45.00	100	25.00	56
25	5056—Capital Outlay on Inland Water Transport	11.76	8.85	75	3.95	34

(1)	(2)	(3)	(4)	(5)	(6)	(7)
26	5465—Investments in General Financial and Trading Institutions	10.00	10.00	100	10.00	100
27	6216—Loans for Housing	261.10	259.05	99	258.00	99
28	6217—Loans for Urban Development	1.70	1.00	59	1.00	59
29	6405—Loans for Fisheries	14.11	13.61	96	13.61	96
30	6408—Loans for Food Storage and Warehousing	1.56	1.39	89	1.17	75
31	6425—Loans for Co-operation	64.87	63.19	97	26.44	41
32	6515—Loans for other Rural Development Programmes	1.56	1.56	100	..	..
33	6801—Loans for Power Projects	5.71	5.71	100	5.71	100
34	6857—Loans for Chemicals and Pharmaceutical Industries	7.00	7.00	100	7.00	100

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

An example of rush of expenditure is discussed below:

A budget provision of ₹ 4.06 crore was made under '2506-800-99-Strengthening of Revenue Machinery and updating of Land Records' (a 50 per cent Centrally Sponsored Scheme). In July 2008, ₹ 4.74 crore was also obtained as a supplementary grant. Even though funds were allotted as early as in July 2008, 97 per cent of the total expenditure (₹ 5.21 crore) was incurred only in March 2009, indicating that the scheme was not implemented at a proper pace. During 2006-07 and 2007-08 also, 56 per cent and 84 per cent of the provisions respectively remained unutilised.

[Para 2.3.12 contained in the Report of the 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.

22. The Committee perceived that an amount of ₹ 363.95 crore was spent under the head of account of Urban Development and sought for the reason of rush of expenditure at the closing month of the financial year. The witness could

not offer a precise reply but stated that sometimes it might be the transfer of fund to some other account to avoid the fund getting lapsed. The Committee viewed the lethargic attitude of the Finance Department in rendering correct reply before the Committee as serious and analysed that the amount of ₹ 363 crore might be transferred from the fund of JNNURM (Jawaharlal Nehru National Urban Renewal Mission). Similarly the expenditure of ₹ 161 crore from the head of account for the welfare of SC/ST and OBC might be transferred to Housing Board. The Committee remarked that in actual practice no expenditure would have been incurred from the original head of account but it would be shown as expenditure by transferring the entire fund to some other institution which left neither monitored nor evaluated by the Finance Department. The Committee opined that it would be better to transfer the money to TSB as the amount could be withdrawn only for the appropriate expenditure and could be monitored to a certain extent. When the Committee asked about the expenditure incurred under the heads District Administration and Loans for Housing, the witness was failed to offer an exact reply. Hence, the Committee directed the Finance Department to call for additional explanation from the concerned departments and furnish the same to the Committee.

23. When noticed that only one-third of the total allocation was expended by the SC/ST Development Department, the Committee opined that waiting for budget to get passed is the reason for the failure in expenditure. Once budget was presented in the Assembly, necessary procedures for the implementation of plan schemes should be initiated to avoid rush of expenditure at the fag end of the year. It remarked that strict instructions should be issued so that 30% of the total budget provision should be expended within first four months of the financial year and 30% next four months and the rest before the end of March 31. Proper directions should be made to avoid administrative delay. For a project proposed by the Tribal Development Officer required recommendation of District Level Working Group for considering the same by State Level Working Group. The Government would issue administrative sanction only for the projects that are approved by State Level Working Group. Crossing these different levels is a time consuming process. When enquired about the procedure followed for administrative sanction, the witness, OSD, Finance Department deposed that administrative sanction was not required for the continuing schemes. The concerned departments were permitted to issue administrative sanction to the plan schemes having outlay up to ₹ 5 crore from the current year onwards and a recent Government Order authorized Head of the Department to sanction scheme costs upto ₹ 1 crore, and for the projects having more than ₹ 5 crore outlay a Committee including Secretary of the concerned administrative department would issue Administrative Sanction.

24. The Committee opined that the working group was formulated as a part of the decentralization of powers and as per the budget of each particular year the projects were prepared by the Working group. Instead of preparing projects for a particular financial year, prospective planning should be designed, so that a shelf of projects could be prepared. When budget allocation would come out, steps could be taken to get the proposal approved devoid of procedural delay. The OSD, Finance Department appraised that if administrative sanction was for 5 years, then it need not be brought under the consideration of the working group. Unfortunately proposals were designed as standalone projects for a single year. The Committee concluded that the present procedure followed by the Scheduled Castes/ Scheduled Tribes Development Department regarding the implementation of plan schemes should be reviewed. The functioning of the Working Groups at various levels should be re-looked so that unwarranted delay could be avoided in implementing the schemes. The Budget allocation for the welfare of SC/ST population should be expended in proportionate to the progress of time.

25. When noticed that the fund from NCDC would be released usually during the month of March which necessitated the rush of expenditure at the fag end of the year, the Committee enquired whether there was any other alternative. The witness, OSD, Finance Department replied that since the particulars about the loans were not known to the Department sufficiently early, it would not be in a position to be acted upon effectively. He added that at present there was no mechanism to intimate the Finance Department about the fund releasing. The Committee discussed the contingency in detail and decided to recommend that whenever proposals submitted for approval of NCDC, the matter should be intimated to the Finance Department by providing a copy of the proposal, so that the Finance Department could pursue the matter more effectively.

26. Regarding the expenditure towards capital outlay on water supply and sanitation, the witness, OSD, Finance Department informed that it was a NABARD aided water supply scheme and the amount was provided for the completion of eight schemes. Though the original project estimate was ₹ 500 crore, at present its cost escalated to ₹ 850 crore. As administrative sanction was not issued to all the projects, such schemes could not be completed yet. The period of NABARD assistance would be expired by the forthcoming year and thereafter its expenditure should be met from the State’s exchequer, since the assistance was extended by NABARD in the form of re-imbursement, on completion of works. The Committee then remarked that Water Resources Department should take necessary steps to avoid such delay in future and immediate steps should be taken for the release of the amount due from NABARD before the expiry of the period of assistance.

27. The Committee noticed that the Audit mentioned the expenditure incurred by Road Safety Authority during the fag end of the financial year as ₹ 19.31crore whereas Road Safety commissioner claimed that they expended ₹ 22,289 only. In this regard the OSD, Finance Department clarified that the Government decided to pass an amount in proportionate to the cess collected along with road tax to Road Safety Authority as onetime release. But this could be calculated after assessing the cess collection for the year and so naturally transferred during the last month of the financial year. The Road Safety Commissioner might be claimed that the expenditure during March as ₹ 22,289 i.e., the amount after deducting the fund towards Road Safety Authority from budget provision. The Committee accepted the explanation.

28. The witness, OSD, Finance Department continued that formerly administrative sanction was issued based on rough cost estimate and then detailed investigation, detailed estimate, technical sanction, tendering, re-tendering etc. were done. All these time consuming procedures delays the execution of capital works also. Even commenced in April itself, completion of all these procedures required considerable time and the work could be started only at the end of the financial year. Now instructions had been issued that administrative sanction should be given only those projects for which detailed estimate was submitted after conducting detailed investigation.

29. Hearing various points put forth as reasons for rush of expenditure at the fag end of the financial year, the Committee remarked that all the procedural delay in the implementation of various plan schemes in the Scheduled Caste/ Scheduled Tribe Development Departments should be avoided. The procedures followed in the case of NCDC loans should be streamlined. The details of proposal for NCDC loans should be informed to the Finance Department so that delay in administrative sanction could be avoided. The Committee observed that a considerable delay occurred in Capital expenditure in minor departments and thereby decided to recommend that administrative departments except Public Works and Irrigation should submit detailed estimate before the finalisation of the budget proposals. The departments must be more cautious in submitting proposal for works in the preceding year itself so that all the procedures could be completed by the time the budget get passed and thereby delay could be avoided to the maximum extent. Another important point the Committee came across was the re-appropriation of funds. Though Budget Manual provided the last date for re-appropriation of funds as February 25th, none of the Department complies the time frame. In the case of some Departments, the process would not be completed even at the eleventh hour of the financial year. Hence the Committee decided to recommend to take necessary steps for the surrender of unexpended balance before 15th March and to initiate appropriate disciplinary action against the controlling officers who failed to comply with the provisions.

Conclusion/Recommendation

30. **The Committee analyses the reasons for rush of expenditure at the fag end of the financial year in the present mode of implementation of plan schemes, especially in the SC/ST Development Department. It remarks that all the procedural delay in the implementation of various plan schemes in the Scheduled Caste/Scheduled Tribe Development Departments should be avoided. It directs that the SC/ST Development Department must be vigilant in spending Budget Allocation for the Welfare of the Scheduled Caste/ Scheduled Tribe population in proportionate to the progress of time. The Committee suggests that the tendency of incurring expenditure simply by transferring the fund to certain other institution should be curtailed. Knowing that the fund from NCDC was released at the eleventh hour only, it opines that the procedures followed in the case of NCDC loans should be streamlined. It recommends that the administrative departments should take necessary steps to make available a copy of the proposal submitted to NCDC to the Finance Department so that delay in administrative sanction could be avoided.**

31. **The Committee observes that a considerable delay has occurred in incurring Capital expenditure in minor departments and recommends that administrative departments except Public Works and Irrigation should submit detailed estimate before the finalisation of the budget proposals. The administrative departments should submit the proposal for works in the preceding year itself so that all the procedures could be completed by the time the budget get passed thereby delay could be avoided to the maximum extent.**

32. **Another important point the Committee came across was the re-appropriation of funds. Though Budget Manual provided the last date for re-appropriation of funds as February 25th, none of the Department complies the time frame. In the case of some Departments, the process would not be completed even at the eleventh hour of the financial year. Hence the Committee recommends to take necessary steps for the surrender of unexpended balance before 15th March and to initiate appropriate disciplinary action against the controlling officers in case of any failure to comply with the provisions.**

AUDIT PARAGRAPH

Outcome of inspection of treasuries

There are 23 District Treasuries and 180 Sub-treasuries in the State as of March 2009. The Accountant General (A&E) inspected 152 treasuries (DT: 23, ST: 129). Some of the irregularities and deficiencies noticed in the functioning of treasuries are mentioned below:

Excess payment of pension

There was excess payment of pension/family pension amounting to ₹ 35.32 lakh in 1286 cases in 117 treasuries (including 11 district treasuries) during 2008-09. The main reasons for excess payments were errors in calculation of revised pension, non-reduction of family pension after expiry of authorised period, payment of ineligible festival allowance, medical allowance and incorrect calculation of dearness relief. Out of the excess payment of ₹ 35.32 lakh, treasuries* recovered Rupees five lakh and the balance amount of ₹ 30.32 lakh remained to be recovered as of March 2009.

Excess retention of cash

In January 2000, Government enhanced the maximum amount of cash balance that could be retained in all the treasuries from ₹ 9.72 crore to ₹ 12.99 crore. Separate limits were also fixed for each treasury. Rule 309 of the Kerala Treasury Code stipulates that the actual cash balance of the District Treasuries and Sub-treasuries should be kept much below the maximum balance prescribed for it and at all times at a minimum so that the Government's credit balance with the Reserve Bank of India is at the maximum. On verification of the cash balance statement of the treasuries during 2008-09, it was found that the treasuries retained cash in excess of the prescribed limit by ₹ 4.06 lakh to ₹ 27.04 crore. This resulted in drawal of Ways and Means Advances by Government to that extent. On three days i.e., on 9th June 2008, 25th September 2008 and 26th September 2008, retention of excess cash in treasuries exceeded the quantum of Special Ways and Means Advances, which showed that on these days, Special Ways and Means Advances could have been avoided. Thus retention of cash in treasuries in excess of the prescribed limits by the Government resulted in avoidable payment of interest of ₹ 9.33 lakh on Ways and Means Advances.

Status of unoperated Treasury Savings Bank Account

As per Rules 28 and 40 of the Treasury Savings Bank Rules, Treasury Savings Bank accounts which remain unoperated for more than five completed financial years will cease to earn interest and balance under such accounts should be transfer-credited to Revenue Deposit. It was noticed that 2117 such unoperated accounts in 71 treasuries were not closed and transfer-credited to Revenue Deposit.

* 25 treasuries have recovered full amount and in respect of other part recovery has been made.

Mustering of pensioners

In terms of Rule 280 (a) of the Kerala Treasury Code Vol.I, the Treasury Officer should conduct mustering of pensioners annually in the case of pensioners/ family pensioners/Pension Treasury Savings Bank holders and once in three years, where payment of pension is made through money orders. These provisions are made to prevent fraudulent payments. However, in 118 cases in 28 treasuries as listed in Appendix III, mustering of pensioners was pending for two to three years.

[Para 2.7 contained in the Report of the 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.

33. During the course of evidence, the Committee desired to know whether the entire amount was recovered. The Director of Treasuries replied that out of the excess payment of ₹ 30 lakh, ₹ 2 lakh had to be recovered. The Committee directed to recover the balance amount urgently.

34. When enquired whether the treasuries strictly adhered to the direction of Government regarding the retention of cash in treasuries, the Director of Treasuries informed that the tendency of crossing the prescribed limit of cash balance in treasuries was comparatively less with respect to last year. To a query of the Committee whether the cash position of all treasuries could be traced daily the witness replied that after the completion of networking process the cash position of treasuries could be strictly monitored.

35. When asked about the current position of the un-operated Treasury Savings Bank Account, the witness reported that all the unoperated accounts were closed and transfer–credited to Revenue deposit.

36. Regarding the audit findings, the Director of Treasuries reported that mustering of pensioners in the treasuries mentioned in the audit para had been completed.

Conclusion/Recommendation

No comments.

DR. T. M. THOMAS ISAAC,

Thiruvananthapuram, *Chairman,*
9th July, 2013. *Committee on Public Accounts.*

APPENDIX I

Summary of Main Conclusion/Recommendation

Sl. No.	*Para No.*	*Department concerned*	*Conclusion/Recommendation*
(1)	(2)	(3)	(4)
1	7	Finance	The Committee analyses that with the computerisation of treasuries, transaction under each head of account could be monitored more effectively. It urges the Finance Department that strict measures should be taken to ensure that the expenditure is within the allotment. It directs that the conditions stipulated in the circular dated, 25-7-2009 issued by Finance Department in this regard should be enforced strictly. It recommends that the Finance Department shall remind the administrative departments that they would be aware of the financial position in each and every head of account under their control and if necessary, they should turn out for additional authorisation either by re-appropriation or move for Supplementary Demands for Grants.
2	9	,,	Regarding the practice of drawing the unspent amount of the allocated fund at the fag end of the financial year, to avoid the lapse of fund and to keep as DD, the Committee comments that it was a typical example of financial impropriety and the departments lacked budgetary control and suggests that in such cases, where expenditure was inevitable in the forthcoming financial year, the unspent balance amount should be provided in the next years budget. The Committee also emphasizes the need for modifying the existing budgetary procedure and remarks that a list of inevitable expenditure, to be incurred in the next financial year should be sorted out by the administrative departments and proposal for the same should be included in the forthcoming years' budget.

(1)	(2)	(3)	(4)
3	12	Finance	Regarding the excess expenditure incurred by Public Works Department during 2008-09, the Committee noticed the failure on the part of administrative department to regularise the excess expenditure as per the provisions in the Budget Manual. It remarks that the Public Works Department must be more cautious to avoid such lapses in future.
4	14	,,	The Committee expresses its dissatisfaction over the irresponsibility of the officials of Taxes Department as it noticed that during 2008-09, Taxes Department had obtained a huge sum as SDG and even single paise was expended out of it. Therefore, the Committee urges that Finance Department should scrutinise the necessity of a particular demand before granting fund towards the demand. The Committee observes that even though Finance Department provided fund for the new proposals in the Budget speech, the whole amount left unspent at the end of the financial year mostly because the administrative department were not aware of the fund allocation. Therefore, the Committee recommends that when a particular scheme had been declared in the Budget Speech an interim review on the action to be taken for the implementation of scheme should be conducted by each administrative department in consultation with the Finance Department.
5	16	,,	While examining the audit paragraph 'excessive/unnecessary re-appropriation of funds', the Committee is surprised to notice that in certain cases additional fund was provided under heads-of-account through re-appropriation, where original allocation itself was surplus.

(1)	(2)	(3)	(4)
6	17	Finance	The Committee remarks that re-appropriation should be sought for only when it is absolutely required and any kind of financial impropriety should be viewed seriously.
7	18	Public Works	The Committee urges the Public Works Department to furnish an explanation detailing the circumstances under which ₹ 26 crore was re-appropriated in the head of account 5054-80-001-99 resulting a savings of ₹ 30 crore and urges the defaulting departments to adhere to financial rules and it also directs the Finance Department to call for the reason for such irregularities from concerned departments and furnish the same to the Committee.
8	20	Finance	The Committee observes that in many cases re-appropriation was sanctioned for unspecified purposes. In order to streamline the procedures followed for re-appropriation the Committee directs the Finance Department to select some obvious and glaring instances for which specific explanations required and furnish to the Committee.
9	30	SC/ST Development & Finance	The Committee analyses the reasons for rush of expenditure at the fag end of the financial year in the present mode of implementation of plan schemes, especially in the SC/ST Development Department. It remarks that all the procedural delay in the implementation of various plan schemes in the Scheduled Caste/ Scheduled Tribe Development Departments should be avoided. It directs that the SC/ST Development Department must be vigilant in spending Budget Allocation for the Welfare of the Scheduled Caste/Scheduled Tribe population in proportionate to the progress of time. The Committee suggests that the

(1)	(2)	(3)	(4)
			tendency of incurring expenditure simply by transferring the fund to certain other institution should be curtailed. Knowing that the fund from NCDC was released at the eleventh hour only, it opines that the procedures followed in the case of NCDC loans should be streamlined. It recommends that the administrative departments should take necessary steps to make available a copy of the proposal submitted to NCDC to the Finance Department so that delay in administrative sanction could be avoided.
10	31	All Administrative Departments	The Committee observes that a considerable delay has occurred in incurring Capital expenditure in minor departments and recommends that administrative departments except Public Works and Irrigation should submit detailed estimate before the finalisation of the budget proposals. The administrative departments should submit the proposal for works in the preceding year itself so that all the procedures could be completed by the time the budget get passed thereby delay could be avoided to the maximum extent.
11	32	Finance	Another important point the Committee came across was the re-appropriation of funds. Though Budget Manual provided the last date for re-appropriation of funds as February 25th, none of the Department complies the time frame. In the case of some Departments, the process would not be completed even at the eleventh hour of the financial year. Hence the Committee recommends to take necessary steps for the surrender of unexpended balance before 15th March and to initiate appropriate disciplinary action against the controlling officers in case of any failure to comply with the provisions. Finance Department should issue necessary instructions in this regard.

APPENDIX II

STATEMENT OF ACTION TAKEN ON PARA 2.3 OF C & AG REPORT FOR THE YEAR ENDED 31ST MARCH, 2009 ON STATE FINANCES

Sl. No.	*Para No.*	*Audit Observation*	*Remedial measures taken*
(1)	(2)	(3)	(4)
1	2.3.1	The outcome of appropriation audit reveals that in three cases savings exceeded ₹ 10 crore and also by more than 20% of total provision. The concerned departments could not furnish reason for savings under 'pension and miscell-aneous', 'social welfare inclu-ding welfare of SC/ST and Other Backward Classes', 'Debt Charges'.	All HODs/CCO were given circular instructions from this department every year to furnish complete reason for savings/excess while forwar-ding final reappropriation/ resumption proposals. The latest circular issued in this regard is Circular No. 19/2011/Fin. dated 8-3-2011.
2	2.3.2	As per Kerala Budget Manual expenditure should not be incurred on a scheme/service without provision of funds. It was noticed that expen-diture of ₹ 23.86 crore was incurred in 11 cases without any provision. (Social Welfare including Welfare of SC/ST and Other Backward Classes, Agriculture, Animal Husbandry, Dairy, Forest, Industries, Transport)	Vide circular No. 59/2009/Fin. dated 25-7-2009, directions were issued to all the HODs/ CCOs to take strict measures to avoid the excess expenditure over voted/granted/charged appropriations.

(1)	(2)	(3)	(4)
3	2.3.3	As per Article 40(C) of KFC, no money is to be drawn from the treasury unless it is required for immediate disbursement. In respect of the cases mentioned below, the amounts were drawn at the fag end of the financial year and were credited to TSB accounts or kept as DDs for eventual transfer to other institutions to avoid lapse of budget provision.	All DDOs has been given circular instruction from this department every year that advance drawal in the form of cash, DD, by transfer credit to treasury deposits by DDOs, HODs, etc. will not be permitted. Latest instructions issued vide circular No. 17/11/ Fin. dated 7-3-2011.
		(i) *Directorate of Health Services*	
		₹ One crore was drawn on 30-3-2009 and deposited in the TSB account of the Director for release to the Society for medical assistance to the Poor. However, the list of beneficiaries were finalized only in July 2009.	DHS has informed that before disbursing the amount to beneficiaries through SMAP, the health condition of applicants are to be ascertained. The financial assistance is released only after reply from the applicants/hospitals is received. Hence delay occurred in finalizing the list of beneficiaries for SMAP.
		(ii) *Directorate of Fisheries*	
		The Director of Fisheries drew (31st March, 2009) ₹ 9.50 crore and transferred the amount to the Special Treasury Savings Bank account in the District Treasury, Thiruvananthapuram for meeting the financial requirement for the Kerala	Government have accorded sanction to write-off an amount of ₹ 1182.60 lakh towards outstanding dues against housing loans availed by fishermen from HUDCO through Matsyafed enabling them to get back their title deeds by including it in the Fishermen Debt Relief Scheme and to sanction an amount

(1)	(2)	(3)	(4)
		Fishermen Debt Relief Commission. The amount remained unutilized as of July 2009.	equal to 50% of the outstanding dues of ₹ 1182.60 lakh in cash to Matsyafed. Sanction was also accorded for the withdrawal of ₹ 591.3 lakh from TSB No. 15006 vide G.O.(Ms.) No. 78/2009/F&PD dated 15-12-2009. In G.O. (Rt.) No. 43/10/F&PD dated: 12-1-2010 sanction was accorded for transfer crediting ₹ 950 lakh to the Special TSB A/c No. 15006 being the amount provided in the budget for the debt relief to fishermen. In G.O. (Ms.) No. 9/10/F&PD dated 24-2-2010 Govt. have accorded sanction to implement the scheme for a total amount of ₹ 1,15, 03,49,024 by way of conversion of an amount of ₹ 41,50,79,942 from the Principal amount of outstanding dues of ₹ 54,65,95,856 of NCDC loan availed up to 31-12-2007 by fishermen of the State into equity of GOK in the Matsyafed and by reimbursing ₹ 13,15,15,914 to the primary fishermen Co-operative society against issue of share capital in favour of Govt. ₹ 1300 lakh was released to Matsyafed from the TSB A/c No. 15006 for reimbursing the amount due to primary fishermen Cooperative society against issue of share certificate in favour of Government.

(1)	(2)	(3)	(4)
		(iii) *Directorate of Sports and Youth Affairs*	
		The Director of Sports and Youth Affairs withdrew ₹ 1 crore on 30-3-2009 in the form of a demand draft in favour of the Managing Director, Kerala Police Housing and Construction Corporation for carrying out the work of 'renovation of Jimmy George Indore Stadium'. The demand draft was retained (August 2009), in the Directorate.	Government have accorded Administrative Sanction for the Modernization/Renovation of Jimmy George Indoor Stadium at a cost of ₹ 1crore on condition that the work should be entrusted with the KPHCC Ltd. Vide G.O. (Rt.) No.1437/09/G.Edn. dated 31-3-2009 and the amount was released as DD in favour of the Managing Director, KPHCC on 27-3-2009. Since Jimmy George Indoor Stadium is one of the main venue for the conduct of forthcoming National Games, the execution of modernization work of the existing Indoor Stadium should be carried out by the National Games Secretariat vide G.O. (Rt.) No. 4084/09/G.Edn. dated 30-9 2009. Government have accorded order for transferring the amount of ₹ 1 crore to the National Games Secretariat for executing the work and this department had transferred the said amount to the National Games Secretariat vide order No. E4-1714/0-7 dated 20-10 2009.
		Three demand drafts for ₹ 1 crore each were drawn on 30/31 March 2009 by the Director of Sports and Youth Affairs for construction of	Orders for the release of ₹ 1 crore has been issued vide office order No. A2-1652/07 dated 27-3-2009 as sanctioned by Government vide G.O. (Rt.) No. 948/09/G.Edn. dated 4-3-2009

(1)	(2)	(3)	(4)
		stadia at Nedumkandom Grama Panchayat, Alappuzha and Muvattupuzha Municipalities. The demand drafts were transferred to the Secretary, Nedumkandom GramaPanchayat, Alappuzha and Muvattupuzha Municipality in May 2009. The demand draft meant for Alappuzha stadium was not transferred as of July 2009.	subject to actual requirements. But the demand draft for the amount of ₹ One crore (D. D. No. 462485 dated 13-4-2009) was received from SBT only on 20-4-2009. Further the D.D. was handed over to the Panchayath in a function arranged on 29-5-2009 in Nedumkandom by the Hon'ble Minister (Sports). Department have released an amount of ₹ One crore for the cost of Municipal Stadium at Muvattupuzha vide this office order No. A2-317/2000. Dated 31-3-2009 consequent to the sanctioning of the amount by Government vide G. O. (Rt.) No. 1534/09/G.Edn. dated 31-3-2009. Hence the demand draft could be handed over in a function arranged at Moovattupuzha on 23-5-2009. Government have accorded sanction for the release of the amount vide G. O. (Rt.) No. 1387/09/G.Edn. dated 30-3-2009. This department have issued orders vide order No. A2-1086/02 dated 31-3-2009 for the release of the amount. D.D. as sanction was accorded for the drawal of ₹ 1,29,90,000 for the disbursement to the eligible applicants who had applied for financial assistance for the maintenance of play fields subject to the condition that the amount will be

(1)	(2)	(3)	(4)
			transfer credited to the TSB account of Directorate of Sports and Youth Affairs and necessary orders sanctioning the amount to the beneficiaries will be effected only after the completion of the Lok Sabha Election process and the amount was thus transfer credited. Later on completion of the election process sanction was accorded by the Government vide G.O.(Rt.) No. 4040/09/G.Edn. dated 26-9-2009 to release the amount credited in TSB account for distribution among the 52 institutions identified by the Government and amount was disbursed to the institutions.
4	2.3.4	As per Article 205 of Constitution of India, it is mandatory for a state Government to get excess over Grants/Appropriations regularized by State Legislature. Although no time limit for regularization has been prescribed under the article, the regularization of excess expenditure is done after the completion of discussion of Appropriation Accounts and the connected audit report by the PAC. However excess expenditure amounting to ₹ 7421.30 crore for the years 1990-91 to 2007-08 was still to be regularized.	Out of ₹ 7421.30 crore, ₹ 7221.19 crore was already regularized. Notes for regularizing ₹ 121.86 crore was forwarded to AG for vetting (XVII Revenue 2003-04). Remaining amount for regularization has undergone discussion by PAC on 18-1-2012 and report is awaited.

(1)	(2)	(3)	(4)
5	2.3.5	The Appropriation Accounts disclosed excess of 148.99 crore over the authorization from the consolidated fund of the State during 2008-09 in 10 grants and 1 appropriation. Out of this ₹ 44.52 crore in Grant XXXIV Forest did not require regularization because the excess occurred due to booking of expenditure by AG (A&E) under these Grants even though a provision was available under another Grant. Excess of ₹ 104.47 crore over authorization from the consolidated fund require regularization under Article 205 of Constitution of India.	The notes for regularizing the excess expenditure during 2008-09 has already been forwarded to Legislature Secretariat after vetting by AG.
		A scrutiny of transactions under Grant No. XV Public Works revealed that the Finance department authorized (June 2008 to February 2009) the Public Works Department to spend ₹ 102.31 crore additionally under the heads of account '3054-80-800-93 Sabarimala Works' (₹ 26.84 crore), '3054-80-800-95 Road Safety Works' (₹ 0.54 crore), '3054-80-800-96' 'Flood Damage Repairs' (₹ 24.64 crore) and '3054-80-800-97 Special Repairs to communications (₹ 50.29 crore) during 2008-09 under the provisions of Paragraph 95(3) of Kerala	The PWD has informed that the additional expenditure was authorized for clearing pending work bills of contractors resulting excess expenditure. Though a portion of excess expenditure incurred could be set off by re-appropriation of savings within the grant the entire portion of excess expenditure could not be regularized before the end of financial year as the actual savings under the grant was below expectation. Notes for regularizing the excess expenditure has been vetted by AG and forwarded to Legislature Secretariat.

(1)	(2)	(3)	(4)
		Budget Manual before the close of the financial year. However, the Public Works Department did not obtain sufficient funds either through re-appropriation or by supplementary grants to regularize the expenditure, with the result that the revenue portion of the grant was exceeded by ₹ 99.23 crore due to incurring of expenditure based on the additional authorization, the responsibility for which vested with the Chief Controlling Officer.	
6	2.3.6	Supplementary provisions aggregating ₹ 537.36 crore obtained in 20 cases of 50 lakh or more in each case during the year proved unnecessary as expenditure did not come up to the level of the original provisions. In 13 cases against the additional requirement of ₹ 699.47 crore supplementary grants of ₹ 1351.74 crore were obtained resulting in savings exceeding ₹ 1 crore and above in each case aggregating ₹ 332.42 crore. In two cases supplementary provision of ₹ 273.37 crore proved insufficient by more than rupees one crore in each case, leaving an aggregate uncovered excess expenditure of ₹ 102.78 crore.	Finance Department issued directions to all CCOs that the proposals for supplementary grants has to be prepared judiciously with utmost care and caution so as to ensure that such supplementary grants are inevitable for the purpose they are proposed to be obtained vide Circular No. 32/2009/Fin. dated 23-4-2009.

(1)	(2)	(3)	(4)
7	2.3.7	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. The excess/ savings were more than Rupees two crore in 72 sub-heads as detailed in Appendix 2.6. Reasons for the variations were not furnished by the department/Government.	All HODs/CCO were given circular instructions from this department every year to furnish complete reason for savings/excess while forwarding final re-appropriation/resumption proposals. The latest circular issued in this regard is Circular No. 19/2011/Fin.dated 8-3-2011.
		A few cases are discussed below:	
		In Grant No. XV, ₹ 30.68 crore was provided under '3054-80-800-97—Special Repairs to Communications'. Further, an amount of ₹ 3.23 crore was augmented through re-appropriation for clearance of pending bills of contractors up to 31st December 2007 bringing the total provisions to ₹ 33.91 crore. However, the year ended with an excess expenditure of ₹ 55.86 crore.	The PWD has informed that pending bills of contractors for the period from August 2007 to 30th November 2008 had been cleared by authorizing additional funds which resulted excess expenditure under this head of account. It was anticipated that there would be sufficient savings under other head of account within the grant during 2008-09 and excess could be set off by re-appropriation of savings. But actual savings obtained was below expectation. Though the excess expenditure was counter poised to some extent by the savings available within the grant the same could not be regularized fully before the end of financial year.

(1)	(2)	(3)	(4)
8	2.3.8	Para 86(3) of the Kerala Budget Manual lays down that the authority sanctioning re-appropriations should satisfy himself 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 anticipated' etc., as they have to be incorporated in the Appropriation Accounts which are examined by the Public Accounts Committee of Legislature. However, a scrutiny of re-appropriation orders issued by the Finance Department revealed that in respect of 617 items (30.28 per cent) scrutinized out of 2037 items, the reasons given for withdrawal of provisions in re-appropriation orders were of general nature like 'expenditure is less than anticipated', 'reduced provision is sufficient to meet the expenditure' etc.	All HODs/CCO were given circular instructions from this department every year to furnish complete reason for savings/excess while forwarding final re-appropriation/resumption proposals. The latest circular issued in this regard is Circular No. 19/2011/Fin. dated 8-3-2011.
9	2.3.9	Substantial surrenders (where more than 50 per cent of the total provisions were surrendered) were made in respect of 372 sub-heads on account of either non-implementation or slow implementation of schemes/programmes. Out of the total provision amounting to ₹ 1357.86 crore in these 372 sub-heads, ₹ 1033.64 crore	As per G.O.(P) 351/2008/Fin. dated 6-8-2008 instructions were issued for the constitution of special working groups to grant the Administrative Sanction for new schemes in the Annual Plan Document/ continuing schemes with deviation with outlays exceeding ₹ 3 crore to ensure

(1)	(2)	(3)	(4)
		(76 per cent) was surrendered, which included cent per cent surrender in 26 sub-heads, the details of which are given in Appendix 2.7. A few cases of substantial surrenders are discussed below: Rupees eight crore was provided for 'Development of schools under NABARD assisted scheme (2202-02-800-74)'. The entire provision was withdrawn due to non-implementation of the scheme. During 2006-07 and 2007-08 also, the entire provision of ₹ 5 crore and ₹ 15 crore respectively remained unutilized.	speedy financial clearances and the sanctions and also effective financial services by this department.
10	2.3.10	In 20 cases (Grants) the amounts surrendered (₹ 50 lakh or more in each case) was in excess of the actual savings indicating lack of or inadequate budgetary control. As against savings of ₹ 581.67 crore, the amount surrendered was ₹ 692.69 crore, resulting in excess surrender of ₹ 111.02 crore. Details are given in Appendix 2.8. A case where surrender was made in excess of the actual saving is discussed below: Under Grant No. XX, ₹ 315.39 crore was surrendered on 31st March while the grant showed a saving of ₹ 270.65	As per Circular No. 59/2009/ Fin dated 23-7-2009 instructions were issued to all HODs/CCOs for strict adherence to relevant rules and procedures stipulated in para 97(1) of KBM for close monitoring and progress of expenditure against Budget allocation and reconciliation. Moreover, circular instructions are being issued from this department every year to forward final resumption proposal early, without waiting till the last day of the Financial Year specifying full reason justifying presumption as stipulated in the KBM.

(1)	(2)	(3)	(4)
		crore (excess surrender of ₹ 44.74 crore). This grant showed substantial savings during 2006-07 and 2007-08 which indicated that the budget provisions were not made in a realistic way.	
11	2.3.11	As per para 91 of the Kerala Budget Manual, spending departments are required to surrender grants/appropriations or portion thereof to the Finance Department as and when savings are anticipated. At the close of the year 2008-09, there were, however, five grants/appropriations in which savings occurred but no part of which had been surrendered by the concerned departments. The amount involved in these cases was ₹ 176.29 crore (2.24 per cent of the total savings) (Appendix 2.9). Similarly, out of the total savings of ₹ 6581.85 crore under 29 other grants/ appropriations (savings of ₹ 1.00 crore and above in each grant/appropriation) amounts aggregating ₹ 901.69 crore (13.7 per cent of savings) were not surrendered, details of which are given in Appendix 2.10. Besides, in 33 cases (surrender of funds in excess of ₹ 10.00 crore), ₹ 1509.87 crore (Appendix 2.11)	As per Circular No. 59/2009/ Fin. dated 23-7-2009 instructions were issued to all HODs/ CCOs for strict adherence to relevant rules and procedures stipulated in para 97(1) of KBM for close monitoring and progress of expenditure against Budget allocation and reconciliation. Moreover, circular instructions are being issued from this department every year to forward final resumption proposal early, without waiting till the last day of the Financial Year specifying full reason justifying presumption as stipulated in the KBM.

(1)	(2)	(3)	(4)
		was surrendered on the last two working days of March 2009 indicating inadequate financial control and the fact that these funds could not be utilized for other development purposes.	
12	2.3.12	According to para 91 (2) of the Kerala Budget Manual, rush of expenditure in the closing month of the financial year should be avoided. Contrary to this, in respect of 25 sub-heads listed in Appendix 2.12, expenditure of ₹ 10 crore and above and also more than 50 per cent of the total expenditure for the year was incurred in March 2009. Table 20.6 also presents the Major Heads where more than 50 per cent expenditure was incurred either during the last quarter or during the last month of the financial year.	Circular instructions are being issued from this department to all HODs/DDOs to present cheques, chalan, etc. to the treasuries before the last day of the financial year in order to avoid rush of transactions during the fag end of March. The latest instruction issued in this regard is Circular No. 17/11/Fin. dated 7-3-2011.

GOVERNMENT OF KERALA

Finance (Establishment-C) Department

STATEMENT OF ACTION TAKEN ON THE PARA INCLUDED IN THE REPORT OF COMPTROLLER AND AUDITOR GENERAL OF INDIA FOR THE YEAR ENDED ON 31-3-2009 ON STATE FINANCES

Sl. No.	*Para Number*	*Department Concerned*	*Recommendation*	*Action Taken*
(1)	(2)	(3)	(4)	(5)
	2.7.1	Finance	**Excess payment of pension**	
			There was excess payment of pension/ family pension amounting to ₹ 35.32 lakh in 1286 cases in 117 treasuries (including 11 district treasuries) during 2008-09. The main reasons for excess payments were errors in calculation of revised pension, non-reduction of family pension after expiry of authorized period, payment of ineligible festival allowance, medical allowance and incorrect calculation of dearness relief. Out of the excess payment of ₹ 35.32 lakh, treasuries recovered Rupees five lakh and the balance amount of ₹ 30.32 lakh remained to be recovered as on March 2009.	The Director of Treasuries vide letter No. TM2/10350/2010 dated 8-10-2010 has reported that in Sub Treasury, Gandhinagar vide Lr. No. A1/861/ 2010 Sub Treasury Officer, Sub Treasury, Gandhinagar had informed that the pensioners mentioned in Part II para V are not attached to that Treasury. Hence recovery of ₹ 600 cannot be effected. Sub Treasury Officer, Kallachi vide letter No. A14/2009 informed that the amount of ₹ 200 could not be recovered from that Treasury since the pensioner has transferred the PPO to Canara Bank, Vattoli Branch, Kozhikode District. The matter

(1)	(2)	(3)	(4)	(5)
				has already been intimated to the Branch Manager vide that office letter No. A14/2009 dated 7-6-2010. Sub Treasury Officer, Kuzhalmannam has reported that pensioner was employed only on 24-8-2007. Hence he was eligible for FA on 14-6-2006. So no excess payment made. In Sub Treasury, Kollengode Para was dropped vide letter No. TMIII/4-313408-09/834 dated 14-8-2009 of the Accountant General. In District Treasury, Thiruvananthapuram the Accountant General (A&E), Kerala vide TM III/A/4-3170/09-10/2 dated 6-4-2009 in Part II, Para XIV has pointed out that an amount of ₹ 3,13,500 has been credited to PTSB account of Shri Varkala Radhakrishnan. The Accountant General (A&E), Kerala, Thiruvananthapuram vide letter No. P19/LB/MLA/35 dated 18-5-2005 has informed to remit the

(1)	(2)	(3)	(4)	(5)
				actual excess credit of pension amounting to ₹ 60,109 only and the same has been remitted by Shri Varkala Radhakrishnan vide Seq. No. 555 on 7-7-2005. The Accountant General (A&E), Kerala vide TMV/4-3170/08-09/705 dated 5-3-2010 had dropped the para and hence no amount in this item is due to recover. Director of Treasuries also reported that the recovery is being effected from the monthly pension in District Treasury, Malappuram, Sub-Treasury, Muvattupuzha, Pension Payment Sub Treasury, Ernakulam, Sub Treasury, Mancompu, Pension Payment Sub Treasury, Kozhikode, Sub Treasury, Pathanamthitta, Sub Treasury Ettumanoor, Sub Treasury Pallickathode, Sub Treasury Vizhinjam, Sub-Treasury, Kadakkavoor, Sub Treasury Chirayinkil and Pension Payment Sub Treasury, Statue, Thiruvananthapuram.

GOVERNMENT OF KERALA

STATEMENT OF ACTION TAKEN ON THE AUDIT PARA CONTAINED IN THE REPORT OF THE COMPTROLLER AND AUDITOR GENERAL FOR THE YEAR ENDED ON 31-3-2009

Name of Department : Finance (Streamlining)

Sl. No.	*Para Number*	*Audit para*	*Statement of Action Taken on the Audit Para*
(1)	(2)	(3)	(4)
1	2.7.2	**Excess retention of cash** In January 2000, Government enhanced the maximum amount of cash balance that could be retained in all the treasuries from ₹ 9.72 crore to ₹ 12.99 crore. Separate limits were also fixed for each treasury. Rule 309 of the Kerala Treasury Code stipulates that the actual cash balance of the District Treasuries and Sub-treasuries should be kept much below the maximum balance prescribed for it and at all times at a minimum so that the Government's credit balance with the Reserve Bank of India is at the maximum. On verification of the cash balance statement of the treasuries during 2008-09, it was found that the treasuries retained cash in excess of the prescribed limit by ₹ 4.06 lakh to ₹ 27.04 crore. This resulted in drawal	Director of Treasuries have issued direction to all Treasury Officers as per Cir. No. 2/08 dated 6-3-2008 for scrupulously adhering the limit prescribed. The issue is monitored closely by the Director of Treasuries.

(1)	(2)	(3)	(4)
		of Ways and Means Advances by Government to that extent. On three days i.e., on 9th June 2008, 25 Septemeber and 26 September 2008, retention of excess cash in treasuries exceeded the quantum of special Ways and Means Advances which showed that on these days, Special Ways and Means Advances could have been avoided. Thus retention of cash in treasuries in excess of the prescribed limits by the Government resulted in avoidable payment of interest of ₹ 9.33 lakh on Ways and Means Advances.	
2	2.7.3	**Status of unoperated Treasury Savings Bank account**	
		As per Rules 28 and 40 of the Treasury Savings Bank Rules, Treasury Savings Bank accounts which remain unoperated for more than five completed financial years will cease to earn interest and balance under such accounts should be transfer-credited to Revenue Deposit. It was noticed that 2117 such unoperated accounts in 71 treasuries were not closed and transfer-credited to Revenue Deposit.	Director of Treasuries has reported that all the unoperated accounts were closed and transfer credited to Revenue Deposit.

(1)	(2)	(3)	(4)
3	2.7.4	**Mustering of pensioners**	
		In terms of Rule 280 (a) of the Kerala Treasury Code Vol. I, the Treasury Officer should conduct mustering of pensioners annually in the case of pensioners/family pensioners/Pension Treasury Savings Bank holders and once in three years, where payment of pension is made through money orders. These provisions are made to prevent fraudulent payments. However, in 118 cases in 28 treasuries as listed in Appendix 2.17, mustering of pensioners was pending for two to three years.	Director of Treasuries has reported that mustering of pensioners in 118 cases in 28 treasuries has been completed.