

CHAPTER II

FINANCIAL MANAGEMENT AND BUDGETARY CONTROL

2.1 Introduction

The Appropriation Accounts are accounts of the expenditure, voted and charged, of the government for each financial year, compared with the amounts of the voted grants and appropriations charged for different purposes as specified in the schedules appended to the Appropriation Acts. These Accounts list the original budget estimate, supplementary grants, surrenders and re-appropriation distinctly and indicate actual capital and revenue expenditure on various specified services *vis-à-vis* those authorized by the Appropriation Act in respect of both charged and voted items of budget. The Appropriation Accounts thus facilitate the management of finances and monitoring of budgetary provisions and are therefore, complementary to the Finance Accounts.

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

2.2 Summary of Appropriation Accounts

The summarized position of actual expenditure during 2009-2010 against 53 grants/appropriations was as given in **Table 2.1**:

Table 2.1: Summarized Position of Actual Expenditure *vis-à-vis* Original/Supplementary Provisions

(₹ in crore)

| | Nature of expenditure | Original grant/ Appropriation | Supplementary grant/ Appropriation | Total | Actual expenditure | Saving (-)/ Excess (+) |
|---|------------------------------|----------------------------------|--|------------------|-----------------------|---------------------------|
| Voted | I Revenue | 53,675.34 | 4,610.20 | 58,285.54 | 53,546.11 | (-) 4,739.43 |
| | II Capital | 10,578.47 | 225.56 | 10,804.03 | 8,582.38 | (-) 2,221.65 |
| | III Loans and Advances | 1,766.42 | 835.25 | 2,601.67 | 2,290.57 | (-) 311.10 |
| Total Voted | | 66,020.23 | 5,671.01 | 71,691.24 | 64,419.06 | (-) 7,272.18 |
| Charged | IV Revenue | 6,909.09 | 149.77 | 7,058.86 | 6,964.16 | (-) 94.70 |
| | V Capital | 6.00 | 7.58 | 13.58 | 3.54 | (-) 10.04 |
| | VI Public Debt- Repayment | 4,013.33 | 0.00 | 4,013.33 | 2,511.81 | (-) 1,501.52 |
| Total Charged | | 10,928.42 | 157.35 | 11,085.77 | 9,479.51 | (-) 1,606.26 |
| Appropriation to Contingency Fund (if any) | | .. | .. | .. | .. | .. |
| Grand Total | | 76,948.65 | 5,828.36 | 82,777.01 | 73,898.57 | (-) 8,878.44 |

(Source: Appropriation Accounts of Government of Tamil Nadu)

The overall saving of ₹ 8,878.44 crore was the result of savings of ₹ 8,933.04 crore in 48 grants and 46 appropriations under the Revenue Section, 34 grants and five appropriations under the Capital Section and 17 grants and one appropriation (Public Debt-Repayment) under the Loans Section, offset by excess of ₹ 54.60 crore in three grants and two appropriations under the Revenue Section, three grants under the Capital Section and two grants under the Loans Section.

The savings/excesses were intimated (July 2010) to the Controlling Officers, requesting them to explain the significant variations. Out of 629 sub-heads, explanations for variations were not received (July 2010) in respect of 367 sub-heads (Saving: 239 sub-heads and Excess: 128 sub-heads).

2.3 Financial Accountability and Budget Management

2.3.1 Appropriations vis-à-vis Allocative Priorities

The outcome of appropriation audit revealed that in 19 cases, savings exceeded ₹ 10 crore in each case and also by more than 20 *per cent* of the total provision (**Appendix 2.1**). Against the total savings of ₹ 8,878.44 crore, savings of ₹ 8,202.34 crore (92.38 *per cent*) occurred in 28 cases relating to 26 grants and two appropriations as indicated in **Table 2.2**.

Table 2.2: List of Grants with savings of ₹ 50 crore and above

(₹ in crore)

| Sl. No. | No. and Name of the Grant/ Appropriation | Original | Supplementary | Total | Actual Expenditure | Savings |
|----------------------|--|----------|---------------|---------|--------------------|---------|
| Revenue-Voted | | | | | | |
| 1. | 05 - Agriculture Department | 1744.32 | 246.52 | 1990.84 | 1852.79 | 138.05 |
| 2. | 10 - Commercial Taxes (Commercial Taxes and Registration Department) | 261.91 | 2.38 | 264.29 | 206.70 | 57.59 |
| 3. | 12 - Cooperation (Cooperation, Food and Consumer Protection Department) | 459.90 | 268.92 | 728.82 | 612.62 | 116.20 |
| 4. | 13 - Food and Consumer Protection (Cooperation, Food and Consumer Protection Department) | 3112.06 | 1204.68 | 4316.74 | 4224.82 | 91.92 |
| 5. | 16 - Finance Department | 477.67 | 1.09 | 478.76 | 409.87 | 68.89 |
| 6. | 19 - Health and Family Welfare Department | 3184.83 | 328.05 | 3512.88 | 3340.74 | 172.14 |
| 7. | 20 - Higher Education Department | 1429.55 | 263.06 | 1692.61 | 1300.64 | 391.97 |
| 8. | 21 - Highways Department | 1295.98 | 14.83 | 1310.81 | 1155.53 | 155.28 |
| 9. | 22 - Police (Home, Prohibition and Excise Department) | 2706.35 | 10.73 | 2717.08 | 2453.67 | 263.41 |
| 10. | 27 - Industries Department | 256.26 | 440.69 | 696.95 | 38.77 | 658.18 |

| Sl. No. | No. and Name of the Grant/ Appropriation | Original | Supplementary | Total | Actual Expenditure | Savings |
|-------------------------|---|-----------------|----------------|-----------------|--------------------|----------------|
| 11. | 34 - Municipal Administration and Water Supply Department | 2767.22 | 124.99 | 2892.21 | 2729.31 | 162.9 |
| 12. | 41 - Revenue Department | 2146.17 | 13.03 | 2159.2 | 2058.54 | 100.66 |
| 13. | 42 - Rural Development and Panchayat Raj Department | 4504.92 | 137.07 | 4641.99 | 4285.23 | 356.76 |
| 14. | 45 - Social Welfare and Nutritious Meal Programme Department | 2167.43 | 0.20 | 2167.63 | 2103.02 | 64.61 |
| 15. | 50 - Pension and Other Retirement Benefits | 9861.95 | .. | 9861.95 | 8437.99 | 1423.96 |
| 16. | 51 - Relief on account of Natural Calamities | 250.02 | 92.18 | 342.2 | 286.98 | 55.22 |
| Revenue- Charged | | | | | | |
| 17. | 53 - Debt Charges | 6805.04 | 122.53 | 6927.57 | 6849.69 | 77.88 |
| Capital-Voted | | | | | | |
| 18. | 12 - Cooperation (Cooperation, Food and Consumer Protection Department) | 957.77 | 0.12 | 957.89 | 750.38 | 207.51 |
| 19. | 19 - Health and Family Welfare Department | 205.86 | 0.10 | 205.96 | 154.57 | 51.39 |
| 20. | 21 - Highways Department | 3087.25 | .. | 3087.25 | 2660.22 | 427.03 |
| 21. | 26 - Housing and Urban Development Department | 874.12 | .. | 874.12 | 319.16 | 554.96 |
| 22. | 34 - Municipal Administration and Water Supply Department | 1192.00 | 1.20 | 1193.2 | 884.16 | 309.04 |
| 23. | 40 - Irrigation (Public Works Department) | 957.13 | 3.01 | 960.14 | 722.31 | 237.83 |
| 24. | 41 - Revenue Department | 269.98 | .. | 269.98 | 10.01 | 259.97 |
| Loans -Voted | | | | | | |
| 25. | 26 - Housing and Urban Development Department | 220.79 | 337.78 | 558.57 | 507.78 | 50.79 |
| 26. | 27 - Industries Department | 200.00 | 40.65 | 240.65 | 93.98 | 146.67 |
| 27. | 34 - Municipal Administration and Water Supply Department | 265.74 | 8.20 | 273.94 | 173.93 | 100.01 |
| Loans-Charged | | | | | | |
| 28. | 54 - Public Debt Repayment | 4013.33 | .. | 4013.33 | 2511.81 | 1501.52 |
| Total | | 55675.55 | 3662.01 | 59337.56 | 51135.22 | 8202.34 |

(Source: Appropriation Accounts of Government of Tamil Nadu)

2.3.2 Persistent Savings

In 18 cases, during the last five years there were persistent savings of more than five *per cent* of the total grant as indicated in **Table 2.3**.

Table 2.3: List of Grants indicating Persistent Savings during 2005-10

(₹ in crore)

| Sl. No. | No. and Name of the Grant | Amount of Savings | | | | |
|------------------------|---|-------------------|----------------|----------------|----------------|----------------|
| | | 2005-06 | 2006-07 | 2007-08 | 2008-09 | 2009-10 |
| Revenue - Voted | | | | | | |
| 1. | 2 – Governor and Council of Ministers | 3.08 (17.45) | 2.54 (14.23) | 1.32 (6.94) | 2.99 (13.38) | 4.67 (17.90) |
| 2. | 5 – Agriculture Department | 69.72 (8.58) | 69.51 (7.16) | 168.51 (14.97) | 113.43 (7.62) | 138.05 (6.93) |
| 3. | 7 – Fisheries (Animal Husbandry, Dairying and Fisheries Department) | 20.88 (25.18) | 35.30 (32.92) | 28.67 (29.64) | 36.69 (32.99) | 37.53 (19.51) |
| 4. | 9 – Backward Classes, Most Backward Classes and Minorities Welfare Department | 23.31 (7.69) | 38.35 (11.44) | 36.74 (9.91) | 31.18 (7.70) | 37.37 (8.58) |
| 5. | 11 – Stamps and Registration (Commercial Taxes on Registration Department) | 11.38 (11.23) | 22.04 (17.11) | 11.34 (7.89) | 14.79 (9.99) | 25.41 (13.55) |
| 6. | 20- Higher Education Department | 172.47 (18.56) | 110.79 (12.37) | 227.47 (21.56) | 152.68 (12.31) | 391.96 (23.16) |
| 7. | 21- Highways and Minor Ports Department | 172.47 (18.56) | 142.30 (12.44) | 165.71 (13.78) | 155.90 (12.35) | 155.29 (11.85) |
| 8. | 22 – Police (Home, Prohibition and Excise) Department | 98.09 (7.17) | 192.65 (11.46) | 301.63 (15.65) | 177.61 (7.98) | 263.41 (9.69) |
| 9. | 23 – Fire and Rescue Services (Home, Prohibition and Excise Department) | 26.82 (29.08) | 27.51 (26.04) | 32.09 (27.89) | 23.00 (17.92) | 43.95 (24.61) |
| 10. | 25 – Motor Vehicles Acts – Administration (Home, Prohibition and Excise Department) | 20.53 (29.09) | 4.72 (7.04) | 10.51 (17.06) | 18.49 (21.14) | 16.43 (17.35) |
| 11. | 27 – Industries Department | 23.63 (46.23) | 21.76 (25.56) | 45.05 (56.29) | 161.25 (46.17) | 658.18 (94.44) |
| 12. | 28 - Information and Publicity (Tamil Development, Religious Endowments and Information Department) | 8.54 (21.95) | 3.13 (8.60) | 2.29 (6.43) | 2.85 (6.54) | 3.34 (6.91) |
| 13. | 33 – Law Department | 2.19 (22.73) | 2.44 (23.04) | 4.89 (35.85) | 3.66 (25.73) | 2.79 (18.49) |
| 14. | 35 – Personnel and Administrative Reforms Department | 1.69 (6.81) | 3.35 (11.29) | 3.69 (10.71) | 3.17 (8.12) | 4.51 (10.06) |
| 15. | 38 – Public Department | 37.00(23.36) | 36.12 (18.49) | 20.58 (13.64) | 25.59 (15.70) | 27.83 (9.81) |
| 16. | 44 – Micro, Small and Medium Enterprises Department | 30.46 (35.58) | 8.36 (17.71) | 28.10 (44.51) | 42.74 (45.44) | 27.05 (27.17) |
| 17. | 46 – Tamil Development (Tamil Development, Religious Endowments and Information Department) | 2.77 (7.08) | 2.94 (6.50) | 4.08 (14.49) | 4.19 (14.98) | 2.76 (8.86) |
| 18. | 47 – Hindu Religious and Charitable Endowments (Tamil Development, Religious Endowments and Information Department) | 2.37 (8.22) | 3.86 (11.37) | 4.87 (11.36) | 10.45 (19.09) | 2.60 (5.24) |

(Source: Appropriation Accounts of Government of Tamil Nadu)

From the above table, it may be seen that the savings continued over the years indicating improper estimation.

2.3.3 Expenditure without Provision

As per Para 14 (ii) of the Tamil Nadu Budget Manual, expenditure should not be incurred on a scheme/service without provision of funds. It was, however,

noticed that expenditure of ₹ 1.08 crore was incurred in 17 cases as detailed in **Table 2.4** without any provision in the original estimates/supplementary demand and without any re-appropriation orders to this effect.

Table 2.4: Expenditure incurred without provision during 2009-10

(In ₹)

| Sl.No | Grant No | Head of Account | Actual Expenditure |
|--------------|----------|--------------------|--|
| | 04 | 2225.01.277.KH (V) | 17500 |
| | 22 | 7610.00.201.JB (V) | 440000 |
| | 40 | 4701.03.226.JC (V) | 42486 |
| | 40 | 4701.03.308.JA (V) | 72269 |
| | 40 | 4701.03.315.JA (V) | 34109 |
| | 40 | 4701.03.367.PA (V) | 3700482 |
| | 40 | 4701.03.372.PA (V) | 1630410 |
| | 53 | 2049.01.101.AB (C) | 1591467 |
| | 53 | 2049.60.101.AD (C) | 124050 |
| | 53 | 2049.60.101.AQ (C) | 2646023 |
| | 53 | 2049.60.101.AR (C) | 25862 |
| | 53 | 2049.60.101.AS (C) | 4074 |
| | 53 | 2049.60.101.AV (C) | 3245 |
| | 53 | 2049.60.101.CN (C) | 33878 |
| | 53 | 2049.60.101.EF (C) | 8469 |
| | 53 | 2049.60.101.EG (C) | 391299 |
| | 53 | 2049.60.101.EP (C) | 9014 |
| Total | | | 10774637 or ₹ 1.08 crore |

(Source: Appropriation Accounts of Government of Tamil Nadu)

V: Voted; C: Charged

2.3.4 Drawal of funds to avoid lapse of budget grant

As per Article 39 of the Tamil Nadu Financial Code, Volume-I, all appropriations lapse at close of financial year. No money should be drawn from the treasury in order to prevent it from lapsing and use it for expenditure after the end of year.

However, under Integrated Child Development Services (ICDS) programme, to implement Kishori Sakthi Yojana, a training programme, and to purchase computers, a sum of ₹ 4.95 crore was drawn (March 2010) by the Commissioner, ICDS in order to avoid lapse of funds.

2.3.5 Excess over provisions relating to previous years requiring regularization

As per Article 205 of the Constitution of India, it is mandatory for a State Government to get the excess over a grant/appropriation regularized by the State Legislature. Although no time limit for regularization of expenditure has been prescribed under the Article, the regularization of excess expenditure is done after the completion of discussion of the Appropriation Accounts by the

Public Accounts Committee. However, excess expenditure amounting to ₹ 5,947.25 crore for the years 1999-2009 was still to be regularized as detailed in **Appendix 2.2**.

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

2.3.6 Excess over provisions during 2009-10 requiring regularization

Table 2.5 contains a summary of the total excess over provision of funds in nine grants amounting to ₹ 54.60 crore during 2009-10, requiring regularization under Article 205 of the Constitution.

Table 2.5: Excess over provisions requiring regularization during 2009-10

(₹ in crore)

| Sl. No. | Number and title of grant/appropriation | | Total grant/appropriation | Expenditure | Excess |
|---------------------------------|---|--|---------------------------|-----------------|--------------|
| Voted Grants - | | | | | |
| 1. | 14 | Energy Department – Capital | 128.00 | 135.00 | 7.00 |
| 2. | 16 | Finance Department – Loans | 38.13 | 38.77 | 0.64 |
| 3. | 26 | Housing and Urban Development Department – Revenue | 815.77 | 815.95 | 0.18 |
| 4. | 40 | Irrigation (Public Works Department) - Revenue | 937.17 | 947.05 | 9.88 |
| 5. | 43 | School Education Department – Revenue | 9085.06 | 9116.11 | 31.05 |
| 6. | 43 | School Education Department – Loans | 0.06 | 0.09 | 0.03 |
| 7. | 44 | Micro, Small and Medium Enterprises Department - Capital | 0.73 | 5.68 | 4.95 |
| 8. | 47 | Hindu Religious and Charitable Endowments (Tamil Development, Religious Endowments and Information Department) - Capital | 2.22 | 2.63 | 0.41 |
| Total Voted | | | 11007.14 | 11061.28 | 54.14 |
| Charged Appropriations - | | | | | |
| 9. | 02 | Governor and Council of Ministers – Revenue | 6.43 | 6.45 | 0.02 |
| 10. | 50 | Pensions and Other Retirement Benefits – Revenue | 0.81 | 1.25 | 0.44 |
| Total Charged | | | 7.24 | 7.70 | 0.46 |
| Grand Total | | | 11014.38 | 11068.98 | 54.60 |

(Source: Appropriation Accounts of Government of Tamil Nadu)

2.3.7 Unnecessary/Excessive/ Inadequate supplementary provision

Supplementary provisions aggregating ₹ 1212.03 crore obtained in 32 cases of ₹ 50 lakh or more in each case during the year, proved unnecessary as the expenditure did not come up to the levels of the original provision as detailed in **Appendix 2.3**. In four cases, supplementary provisions of ₹ 346 crore proved insufficient by more than ₹ 1 crore in each case, leaving an aggregate uncovered excess expenditure of ₹ 53 crore (**Appendix 2.4**).

2.3.8 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. Injudicious re-appropriation proved excessive or insufficient and resulted in savings/excess of over ₹ 10 lakh under 782 sub-heads. The excess/savings were more than ₹ 2 crore under 130 sub-heads as detailed in **Appendix 2.5**.

2.3.9 Unexplained re-appropriations

According to paragraph 151 (ii) of the Tamil Nadu Budget Manual, Volume-I, reasons for the additional expenditure and the savings should be explained in the re-appropriation statement and vague expressions such as “based on actual requirements”, “based on trend of expenditure”, etc., should be avoided. However, a scrutiny of re-appropriation orders issued by the Finance Department revealed that in respect of 3,376 items out of 16,570 items (20.37 *per cent*), reasons given for additional provision/withdrawal of provision in re-appropriation orders were of general nature like “actual requirement”, “based on latest assessment” and “restriction of expenditure”.

2.3.10 Substantial surrenders

Substantial surrenders (the cases where more than 50 *per cent* of the total provision was surrendered) were made in respect of 184 sub-heads on account of either non-implementation or slow implementation of schemes/programmes. Out of the total provision amounting to ₹ 8,224.78 crore in these 184 schemes, ₹ 6,767.93 crore (82 *per cent*) were surrendered, which included *per cent* surrender in 56 schemes (₹ 3,120.06 crore).

2.3.11 Surrender in excess of actual saving

In 28 cases, the amounts surrendered (₹ 50 lakh or more in each case) were in excess of the actual savings, indicating lack of or inadequate budgetary control in these departments. As against savings of ₹ 3,620.04 crore, the amount surrendered was ₹ 3,988.55 crore, resulting in excess surrender of ₹ 368.51 crore. Details are given in **Appendix 2.6**.

2.3.12 Anticipated savings not surrendered

As per Para 140 the Tamil Nadu Budget Manual, spending departments are required to surrender the grants/appropriations or portion thereof to the Finance Department as and when savings are anticipated. At the close of the year 2009-10, there were, however, four 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 ₹ 221.98 crore (2.48 per cent of the total savings) is indicated in **Table 2.6**.

Table 2.6: Statement of various grants/appropriations in which savings occurred but no part of which had been surrendered

| (₹ in crore) | | | |
|--------------------------|-----------|---|---------------|
| Sl.No. | Grant No. | Name of grant/appropriation | Savings |
| Capital - Voted | | | |
| 1. | 12 | Cooperation (Cooperation, Food and Consumer Protection Department) | 207.51 |
| 2. | 17 | Handlooms and Textiles (Handlooms, Handicrafts, Textiles and Khadi Department)) | 3.71 |
| 3. | 27 | Industries Department | 6.40 |
| Capital - Charged | | | |
| 4. | 21 | Highways Department | 4.36 |
| Grand Total | | | 221.98 |

(Source: Appropriation Accounts of Government of Tamil Nadu)

Similarly, out of the total savings of ₹ 5,044.96 crore under 35 grants/appropriations (savings of ₹ 1 crore and above were indicated in each grant/appropriation) grants aggregating ₹ 653.66 crore (7.32 per cent of the total savings) were not surrendered, details of which are given in **Appendix 2.7**. Besides, in 27 cases, (surrender of funds in excess of ₹ 10 crore) ₹ 2214.90 crore (**Appendix 2.8**) were surrendered on the last two working days of March 2010 indicating inadequate financial control and the fact that these funds could not be utilized for other development purposes.

2.3.13 Rush of expenditure

According to Article 39 of the Tamil Nadu Financial Code, rush of expenditure in the closing month of the financial year should be avoided. Contrary to this, in respect of the 57 sub-heads listed in **Appendix 2.9**, expenditure exceeding ₹ 10 crore and also more than 50 per cent of the total expenditure for the year was incurred in March 2010.

Appropriate action needs to be taken to regulate and systematise the procedure to avoid heavy expenditure in the closing month of the financial year.

2.4 Non-reconciliation of Departmental figures

2.4.1 Unreconciled Expenditure

To enable Controlling Officers of Departments to exercise effective control over expenditure to keep it within the budget grants and to ensure accuracy of their accounts, Financial Rules stipulate that expenditure recorded in their books be reconciled by them every month during the financial year with that recorded in the books of the Accountant General (Accounts & Entitlements).

Even though non-reconciliation of Departmental figures is being pointed out regularly in Audit Reports, lapses on the part of Controlling Officers in this regard persisted during 2009-10 also. Twenty two Controlling Officers did not reconcile expenditure amounting to ₹ 1890.75 crore as of June 2010.

Of the 22 Controlling Officers amounts exceeding ₹ 10 crore in each case remained unreconciled during 2009-2010 in respect of the following 6 Controlling Officers.

Table 2.7: Unreconciled expenditure during 2009-10

(₹ in crore)

| Sl. No. | Controlling Officers | Amount not reconciled |
|---------|---|-----------------------|
| 1. | Director of Seed Certification | 12.31 |
| 2. | Commissioner of Agriculture Marketing | 28.41 |
| 3. | Principal Secretary to Government, Finance Department | 1678.20 |
| 4. | The Commissioner of Municipal Administration | 50.00 |
| 5. | The Commissioner of Industries and Commerce | 92.88 |
| 6. | The Secretary to Government, Transport Department | 10.00 |

(Source: Office of the Principal Accountant General (A&E), Tamil Nadu)

The Tamil Nadu Budget Manual stipulates (vide Paragraph 109) that Chief Controlling Officers should arrange to obtain from their subordinates, monthly accounts and returns in suitable form claiming credit for so much paid into the Treasury or otherwise accounted for and compare these with the Statements of treasury credits furnished by the Accountant General, Tamil Nadu, to see that the amounts reported as collected have been duly credited to Government account. Paragraph 128 of the Budget Manual also stipulates that all disbursing officers and subordinate controlling officers should reconcile their departmental figures including receipts with the treasury figures.

Twenty five Controlling Officers did not reconcile receipts amounting to ₹ 227.40 crore as of June 2010.

2.4.2 Non-adjustment of Temporary Advances

Drawing and Disbursing Officers (DDOs) draw temporary advances for the purpose of meeting contingent expenditure either on the authority of standing orders or specific sanction of the State Government. According to Article 99 of the Tamil Nadu Financial Code, the advances should be adjusted by presenting detailed bills and vouchers as soon as possible.

Scrutiny of information furnished by six Pay and Accounts officers¹ (PAO) and nine District Treasury Officers² disclosed that as of March 2010, an aggregate amount of ₹ 141.81 crore was pending adjustment in respect of 2,817 advances by DDOs. Age-wise analysis of advances pending are given in Table 2.8.

Table 2.8: Age-wise Analysis of Advances Pending

| Sl. No. | Pendency | No. of Advances | Amount (₹ in crore) |
|--------------|---|-----------------|---------------------|
| 1 | More than 10 years | 73 | 5.40 |
| 2 | More than five years upto 10 years | 88 | 2.79 |
| 3 | More than one year but less than five years | 1,715 | 107.32 |
| 4 | Less than one year | 1,001 | 26.30 |
| Total | | 2,817 | 141.81 |

(Source: Data furnished by Pay and Accounts Officers/Treasury Officers)

¹ PAO (East), PAO (High Court), PAO (North), PAO (Secretariat), PAO (South) and PAO (Madurai).

² Chennai, Coimbatore, Namakkal, Salem, Sivaganga, Vellore, Villupuram, Tirunelveli and Thanjavur.

The above instances would prove that laxity in enforcing codal provisions has resulted in pendency of a large number of advances involving substantial amounts.

2.5 Advances from Contingency Fund

The Contingency Fund of the State has been established under The Tamil Nadu Contingency Fund Act, 1954 in terms of provisions of Article 267 (2) and 283 (2) of the Constitution of India. Advances from the fund are to be made only for meeting expenditure of an unforeseen and emergent character, postponement of which, till its authorization by the Legislature would be undesirable. The fund is in the nature of an imprest and its corpus is ₹ 150 crore. During the year 2009-10, however, it was noticed that in 50 out of 99 cases wherein funds were drawn from Contingency Fund amounting to ₹ 88.02 crore, as detailed in **Appendix 2.10** were not fully utilized indicating that the funds were not drawn to meet unforeseen expenditure/urgent expenditure. In respect of eight cases, the actual expenditure was less than 50 *per cent* of the funds sanctioned as detailed in **Appendix 2.11**.

2.6 Personal Deposit Accounts

2.6.1 Personal Deposit (PD) Accounts are created for parking of funds by debit to the Consolidated Fund of the State and are required to be closed at the end of the financial year by minus debit to the relevant service heads. There were 1,270 PD accounts in 29 District Treasuries and five Pay and Accounts Offices, in operation. Of these accounts, 1,137 PD accounts were not closed as of March 2010 and the balance of ₹ 213.98 crore with these accounts was not transferred back to the respective service heads. Out of 1,137 accounts 735 accounts with a balance of ₹ 17.60 crore were not operated during 2009-10.

2.6.2 According to Tamil Nadu Financial Code, an expenditure should not be *prima facie* more than the occasion demands and Government funds should not on any account be reserved or appropriated by transfer to a deposit or any other head or be drawn from the treasury and kept in a cash chest in order to prevent the funds from lapsing. However, scrutiny of records relating to the maintenance of PD account operated by the Commissioner (Hindu Religious and Charitable Endowments) revealed that out of ₹ 9 crore sanctioned during 2007-10 for undertaking repairs and renovations of temples, only ₹ 3.22 crore (2007-08 – ₹ 1.54 crore; 2008-09 – ₹ 1.68 crore and 2009-10 – Nil) were spent. The remaining amount of ₹ 5.78 crore was withdrawn from the PD account and retained in the savings bank account of the temples as of March 2010.

Thus, the department in order to avoid lapsing of budgetary grants, drew the money from the PD account and retained it in the savings bank accounts.

2.7 Conclusion

During 2009-10, expenditure of ₹ 73898.57 crore was incurred against total grants and appropriations of ₹ 82777.01 crore, resulting in savings of ₹ 8878.44 crore. The overall savings were the net result of savings of ₹ 8933.04, crore offset by excess of ₹ 54.60 crore. Inaccuracies in budgeting

resulted in persistent saving of five *per cent* or more in 18 grants during 2005-10. In 28 cases, the amounts surrendered (₹ 50 lakh or more) were in excess of the actual savings. As against savings of ₹ 3620.04 crore, the amount surrendered was ₹ 3988.55 crore, resulting in excess surrender of ₹ 368.51 crore. There were four grants/appropriations in which total savings of ₹ 221.98 crore were observed but the same were not surrendered by the concerned departments. Similarly, out of the total saving of ₹ 5044.96 crore in other grants/appropriations (saving of ₹ 1 crore and above), ₹ 653.66 crore were not surrendered.

2.8 Recommendations

- Budgetary controls should be strengthened in all the Government departments, especially in those departments where savings had been observed for the last five years regularly.
- Rush of expenditure during the fag end of the financial year should be avoided.
- Heads of Departments should reconcile their expenditure every month during the financial year with that of the books of the Accountant General (Accounts and Entitlements).
- Government should initiate action to clear the pendency in adjustment of temporary advances.
- All Personal Deposit Accounts (8443-Civil Deposits-106-PD) should be closed and the unspent balances be credited to the Head of Account concerned at the end of every financial year.