

CHAPTER II
FINANCIAL MANAGEMENT
AND
BUDGETARY CONTROL

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2.1 Introduction

2.1.1 The Appropriation Accounts are accounts of the expenditure, voted and charged, of the Government for each financial year, compared with the amounts of the voted¹ grants and charged² appropriations for different purposes, as specified in the schedules appended to the Appropriation Acts. These Accounts list the original budget estimates, supplementary grants, surrenders and re-appropriations and indicate the actual capital and revenue expenditure on various specified services *vis-à-vis* those authorised by the Appropriation Acts in respect of both charged and voted items of budget. The Appropriation Accounts are complementary to the Finance Accounts.

2.1.2 Audit of appropriations by the Comptroller and Auditor General of India seeks to ascertain whether the expenditure actually incurred under various grants is within the authorisation given under the Appropriation Acts 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

There are 37 departments in the State headed by Additional Chief Secretaries/Principal Secretaries/Secretaries to the Government. Each department operates one or more demand(s). The demand for grant generally reflects the allocation for a department. In 2017-18, there were 54 demands for grants and two appropriations (one each for debt charges and public debt-repayment). The summarised position of actual expenditure during 2017-18 against 56 grants/appropriations is given in **Table 2.1**.

¹ Amounts voted by the State Legislature in respect of demands for grants for specific purposes.

² Amounts directly charged to the Consolidated Fund of the State, which are not subject to the vote of the State Legislature.

Table 2.1: 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 (+)	Amount surrendered	Amount surrendered on 31 March	Percentage of savings surrendered
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)=(7)/(6)
Voted								
I Revenue	1,50,724.65	8,559.65	1,59,284.30	1,45,598.58	(-) 13,685.72	(-) 13,454.20	(-) 8,088.11	98.31
II Capital	27,857.08	3,364.94	31,222.02	20,246.17	(-) 10,975.85	(-) 11,021.25	(-) 2,378.98	100.41
III Loans and Advances	3,540.66	4,180.21	7,720.87	6,517.03	(-) 1,203.84	(-) 1,248.85	(-) 427.15	103.74
Total Voted	1,82,122.39	16,104.80	1,98,227.19	1,72,361.78	(-) 25,865.41	(-) 25,724.30	(-) 10,894.24	99.45
Charged								
IV Revenue	25,965.86	1,158.61	27,124.47	27,072.11	(-) 52.36	(-) 43.51	(-) 39.31	83.10
V Capital	3.00	198.73	201.73	197.44	(-) 4.29	(-) 4.12	(-) 4.12	96.06
VI Public Debt- Repayment	11,248.23	0.00	11,248.23	8,990.85	(-) 2,257.38	(-) 2,257.38	(-) 1.25	100.00
Total Charged	37,217.09	1,357.34	38,574.43	36,260.40	(-) 2,314.03	(-) 2,305.01	(-) 44.68	99.61
Appropriation to Contingency Fund (if any)
Grand Total	2,19,339.48	17,462.14	2,36,801.62	2,08,622.18	(-) 28,179.44	(-) 28,029.31	(-) 10,938.92	99.47

(Source: Appropriation Accounts for the year 2017-18)

Supplementary provisions of ₹ 17,462.14 crore obtained during the year constituted 7.37 per cent of the total provision. The overall savings of ₹ 28,179.44 crore was the result of savings of ₹ 28,256.99 crore across several grants and appropriations, offset by excess of ₹ 77.55 crore in few others, as given in Table 2.2. In view of the overall savings of ₹ 28,179.44 crore, the whole supplementary provisions of ₹ 17,462.14 crore proved unnecessary as the actual expenditure was within the original grant/appropriation.

Table 2.2: Grants and Appropriations with excesses and savings

Description	Savings				Excess				Net savings
	Revenue	Capital	Loans	Total amount (₹ in crore)	Revenue	Capital	Loans	Total amount (₹ in crore)	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)=(9)-(5)
Grants	52	37	29	28,256.99	2	1	1	77.55	28,179.44
Appropriations	50	4	1		4	1	--		

(Source: Appropriation Accounts for the year 2017-18)

As against the original provision of ₹ 2,19,339.48 crore, an expenditure of ₹ 2,08,622.18 crore was incurred. Cases of supplementary provisions that proved unnecessary are discussed in Paragraph 2.3.6. When the reasons for savings/excesses were sought from the Controlling Officers, explanations for

the variations were not received (October 2018) for 366 sub-heads (Saving: 205 sub-heads and Excess: 161 sub-heads) out of 1,095 sub-heads.

Further, it was seen that 68.61 *per cent* of provision in Supplementary estimates (January 2018 and March 2018) i.e., in 1,379 of the total of 2,010 items, only token provision was provided. Practice of meeting expenditure with an anticipation of savings in other heads was indicative of poor budgetary process.

The trend of savings and surrenders during 2013-18 is indicated in **Table 2.3**.

Table 2.3: Trend of savings and surrenders

(₹ in crore)

Year	Total Provision	Expenditure	Savings	Surrender
2013-14	1,63,708.54	1,37,692.51	26,016.03 (15.89)	26,145.68 (15.97)
2014-15	1,82,805.18	1,60,576.18	22,229.00 (12.16)	23,057.81 (12.61)
2015-16	1,95,913.62	1,73,288.37	22,625.25 (11.55)	22,750.14 (11.61)
2016-17	2,33,667.47	2,11,641.78	22,025.69 (9.43)	22,527.80 (9.64)
2017-18	2,36,801.62	2,08,622.18	28,179.44 (11.90)	28,029.31 (11.84)

Figures indicated in brackets are percentages to total provision

(Source: Appropriation Accounts of the respective years)

The savings varied between 9.43 and 15.89 *per cent*, while surrender of total provision varied between 9.64 and 15.97 *per cent* during 2013-18.

2.3 Financial accountability and budget management

2.3.1 Appropriations *vis-à-vis* allocative priorities

During 2017-18, there were savings to the tune of ₹ 20,793.84 crore in 28 cases, exceeding ₹ 10 crore in each case and also by more than 20 *per cent* of the total provision (**Appendix 2.1**). Against the overall savings of ₹ 28,179.44 crore (11.90 *per cent* of total provision), savings of ₹ 27,401.55 crore (97.24 *per cent*) occurred in 40 cases (30 grants and 1 appropriation) involving ₹ 50 crore and above in each case (**Appendix 2.2**).

The departments that registered major savings were Rural Development & Panchayat Raj, Finance, School Education, Municipal Administration & Water Supply, Irrigation, Highways & Minor Ports and Energy. Major surrenders and reasons wherever furnished by the departments for the major savings, as reported in Appropriation Accounts, are given in the succeeding sub-paragraphs:

School Education Department

- Savings in the Revenue voted grant during the year was 8.84 *per cent*. Surrenders were noticed under ‘Sarva Shiksha Abhiyan’ (₹ 894 crore), ‘Implementation of Secondary Education Improvement Scheme’ (₹ 437 crore) and ‘Sarva Shiksha Abhiyan under Special Component Plan’ (₹ 296 crore) during the year due to non-utilisation of funds for implementation of these schemes.

Municipal Administration and Water Supply Department

- Savings in the Revenue voted grant was 23.12 *per cent* and Capital voted grant was 50.68 *per cent* during the year. Surrenders in Revenue Section were noticed under (i) ‘Basic Grants to Municipal Corporations as per the recommendations of the Fourteenth Finance Commission - Controlled by Commissioner of Municipal Administration’ (₹ 253 crore), (ii) ‘Implementation of Swachh Bharat Mission in Corporations/ Municipalities’ (₹ 210 crore) and (iii) ‘Basic Grants to Municipalities as per the recommendations of the Fourteenth Finance Commission - Controlled by Commissioner of Municipal Administration’ (₹ 196 crore) during the year due to non-utilisation of funds for implementation of these schemes. Surrenders in capital section were noticed under ‘Atal Mission for Rejuvenation and Urban Transformation (AMRUT)’ (₹ 623 crore), ‘NABARD assisted combined water supply scheme executed by TWAD Board’ (₹ 450 crore) and ‘Implementation of Smart Cities Programme’ (₹ 332 crore) due to non-utilisation of funds for implementation of these schemes.

Highways and Minor Ports Department

- Savings in the Capital voted grant during the year was 20.11 *per cent*. An amount of ₹ 1,022.12 crore ((i) ₹ 668.76 crore under ‘Tamil Nadu Road Sector Project - Phase II’, (ii) ₹ 120.13 crore under ‘Chennai Outer Ring Road - Phase II’, (iii) ₹ 138.95 crore under ‘Construction of Flyover at Salem Junction - Yercaud Road’ and (iv) ₹ 94.28 crore under ‘Chennai Metropolitan Development Plan - Traffic and Transport Improvement in Chennai City’) was surrendered mainly due to delay in land acquisition and non-finalisation of tenders.

Irrigation Department

- Savings in the Capital voted grant during the year was 58.21 *per cent*. The total amount surrendered was ₹ 1,729.48 crore which included ₹ 258.71 crore under ‘Mitigation of impact of climate change in Cauvery Delta area under Asian Development

Bank Assistance Programme', ₹ 237.59 crore under 'Renovation of irrigation infrastructure in Nagapattinam, Pudukkottai, Thanjavur, Thiruvarur and Trichy districts under TNIAM Project-II', ₹ 223.44 crore under 'Mission for Water Resources Management and Reviving Kudimaramath' and ₹ 160.03 crore under 'Rehabilitation and Improvement of TANGEDCO Dams - Phase II'. These surrenders were due to non-utilisation/short utilisation of funds for implementation of these schemes.

Energy Department

- Savings in the Capital voted grant during the year was 65.65 *per cent*. The total amount surrendered was ₹ 1,493.46 crore, which included ₹ 1,218.46 crore under 'Share Capital Assistance to Tamil Nadu Electricity Board' and ₹ 195 crore under 'Cyclone Resilient Electrical Network under Coastal Disaster Risk Reduction Project' (CDRRP). These surrenders were due to non-utilisation of funds for implementation of these schemes.

2.3.2 Excess over provisions relating to previous years requiring regularisation

As per Article 205 of the Constitution of India, it is mandatory for a State Government to get the excess over a grant/appropriation regularised by the State Legislature. Although no time limit for regularisation of expenditure has been prescribed under the above Article, the regularisation of excess expenditure is done after the completion of discussion of the Appropriation Accounts by the Committee on Public Accounts (PAC). Excess expenditure of ₹ 1,099.58 crore relating to 2012-17 was yet to be regularised as detailed in **Appendix 2.3**. Repeated excess expenditure over the grants approved by the State Legislature is in violation of the will of the Legislature and the basic principle of democracy.

2.3.3 Excess over provisions during 2017-18 requiring regularisation

Table 2.4 contains a summary of the excess expenditure under four grants and five appropriations amounting to ₹ 77.55 crore from the Consolidated Fund of the State over the amounts authorised by the State Legislature during 2017-18, which requires regularisation under Article 205 of the Constitution.

Table 2.4: Summary of excess expenditure

Sl. No.	Grant number and description	Total grant	Expenditure	Surrender	Excess
(A)	Voted Grants				(₹ in crore)
1	10 Commercial Taxes (Commercial Taxes and Registration Department) - Revenue	365.68	367.56	(-) 38.26	1.88
2	19 Health and Family Welfare Department - Capital	132.72	133.58	(-) 10.76	0.86
3	40 Irrigation (Public Works Department) - Revenue	1,939.82	2,014.54	(-) 126.24	74.72
4	52 Department for the Welfare of Differently Abled Persons - Loans	0.00*	0.06	0.00	0.06
	Total (A)	2,438.22	2,515.74	(-) 175.26	77.52
(B)	Charged Appropriation				(₹ in lakh)
1	06 Animal Husbandry (Animal Husbandry, Dairying and Fisheries Department) - Revenue	2.32	2.42	(-) 0.01	0.10
2	13 Food and Consumer Protection (Co-operation, Food and Consumer Protection Department) - Revenue	0.04	0.32	(-) 0.04	0.28
3	21 Highways and Minor Ports Department - Revenue	0.05	0.19	(-) 0.05	0.14
4	24 Prisons (Home, Prohibition and Excise Department) - Revenue	9.87	11.99	(-) 0.06	2.12
5	41 Revenue Department - Capital	14,249.41	14,249.71	(-) 7.61	0.30
	Total (B)	14,261.69	14,264.63	(-) 7.77	2.94
	Total (B) (₹ in crore)	142.62	142.65	(-) 0.08	0.03
	Grant Total (A) + (B) (₹ in crore)	2,580.84	2,658.39	(-) 175.34	77.55

* Token provision of ₹ 1,000

(Source: Appropriation Accounts for the year 2017-18)

It could be seen from **Table 2.4** that in case of three grants and five appropriations, an amount of ₹ 175.34 crore was surrendered injudiciously, in spite of excess expenditure.

2.3.4 Persistent savings

In 37 cases (26 grants and four appropriations), there were persistent savings of more than five *per cent* of the total grant during the last five years as indicated in **Appendix 2.4**.

Savings in each financial year during 2013-18 ranged between 8.39 and 65.08 *per cent* of total provisions under 'Grant 14 - Energy Department - (Voted - Revenue)' and between 9.19 and 99.91 *per cent* under 'Grant 4 - Adi-Dravidar and Tribal Welfare Department (Charged - Revenue)'. The savings increased persistently from 12.14 *per cent* to 36.64 *per cent* under 'Grant 9 - Backward Classes, Most Backward Classes and Minorities Welfare Department (Voted - Revenue)'. The savings under the Capital Section was 97.91 *per cent* in respect of 'Grant 44 - Micro, Small and Medium Enterprises Department' during 2017-18. The persistent savings under the grants indicated unrealistic estimation of the anticipated expenditure during the period and poor control over expenditure.

2.3.5 Expenditure without provision of funds

Article 266 (3) of the Constitution of India prohibits withdrawal of money from the Consolidated Fund of the State unless relevant Appropriation Acts under Articles 204 and 205 of the Constitution of India are passed by the Legislature. As per Paragraph 14 (ii) of the Tamil Nadu Budget Manual, expenditure should not be incurred on a scheme or service without provision of funds. It was, however, noticed that in 35 cases, a total expenditure of ₹ 2.85 crore was incurred without appropriation by the Legislature either in the Original or Supplementary estimates as detailed in **Appendix 2.5**.

2.3.6 Unnecessary/Inadequate supplementary provision

Supplementary provisions of ₹ 50 lakh or more in each case aggregating ₹ 967.99 crore obtained in 25 cases, during the year 2017-18 proved unnecessary as the original provisions was not exhausted as detailed in **Appendix 2.6**. On the other hand, in two cases where excess expenditure was more than ₹ 1 crore, the supplementary provisions of ₹ 153.57 crore proved insufficient, leaving an aggregate uncovered excess expenditure of ₹ 76.60 crore as detailed in **Table 2.5**.

**Table 2.5: Cases where supplementary provision proved insufficient
(excess expenditure more than ₹ 1 crore)**

(₹ in crore)

Sl. No.	Grant number and description	Original provision	Supplementary provision	Total provision	Actual expenditure	Excess expenditure
1	10 - Commercial Taxes (Commercial Taxes and Registration Department) - Revenue	336.52	29.16	365.68	367.56	1.88
2	40 - Irrigation (Public Works Department) - Revenue	1,815.41	124.41	1,939.82	2,014.53	74.72
	Total	2,151.93	153.57	2,305.50	2,382.09	76.60

(Source: Appropriation Accounts for the year 2017-18)

2.3.7 Excessive/insufficient re-appropriation of funds

(i) 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. It was seen that during 2017-18, surrenders to the tune of ₹ 17,090.39 crore (7.22 per cent of the total provision) were made on 22 March 2018 and ₹ 10,938.92 crore (4.62 per cent of the total provision) on 31 March 2018. As surrenders by the departments were made during the fag end of the year, Government could not utilise the surrendered amount.

(ii) Re-appropriations proved excessive or insufficient and resulted in savings/excess of over ₹ 10 lakh under 595 sub-heads. The savings/excess of more than ₹ 2 crore each, as a result of injudicious re-appropriations, were ₹ 2,144.08 crore (49 items under savings) and ₹ 972.92 crore (57 items under excess) in 106 sub-heads as detailed in **Appendix 2.7**.

(iii) Further, it was noticed that in 14 cases as detailed in **Appendix 2.8**, though the entire provision was fully withdrawn by re-appropriations,

expenditure of ₹ 0.33 crore was incurred by the Controlling Officers, indicating injudicious re-appropriations.

2.3.8 Non-furnishing of valid reasons for re-appropriations

According to paragraph 151 (ii) of the Tamil Nadu Budget Manual, reasons for additional expenditure and savings should be explained in the re-appropriation statement and vague expressions such as 'based on actuals', 'based on progress of expenditure', etc., should be avoided. However, scrutiny of re-appropriation orders issued by the Finance Department revealed that in respect of 19,850 out of 23,288 items (85.24 *per cent*), no valid reasons were given for additional provisions/withdrawal of provisions.

2.3.9 Withdrawal of entire provision by re-appropriation

In 309 cases, each case involving more than ₹ 10 crore or 50 *per cent* of the total provision, the provision was withdrawn fully or partially. In these cases, out of the total provision of ₹ 25,269.12 crore, ₹ 21,421.44 crore (84.77 *per cent*) was withdrawn. The details of *per cent* withdrawal in 106 cases (₹ 8,565.75 crore) are given in **Appendix 2.9**. Some of the departments which made substantial withdrawals were Municipal Administration & Water Supply, Housing & Urban Development, Energy, Irrigation (Public Works) and Finance (including Debt Charges). Large scale withdrawals were noticed in respect of Municipal Administration & Water Supply Department, which withdrew the entire provisions amounting to ₹ 2,112.91 crore, under 24 sub-heads.

2.3.10 Surrender in excess of actual savings

In 28 grants, the amounts surrendered were in excess of the actual savings indicating incorrect assessment of probable savings by the departments concerned. As against savings of ₹ 6,693.31 crore, the amount surrendered was ₹ 7,055.17 crore resulting in excess surrender of ₹ 361.86 crore. Details are given in **Appendix 2.10**. Some of the departments which surrendered funds in excess of savings are Pension and Other Retirement Benefits, Social Welfare & Nutritious Meal Programme, Energy, Police (Home, Prohibition and Excise) and Irrigation (Public Works).

2.3.11 Anticipated savings partially surrendered or not surrendered

As per Paragraph 140 of the Tamil Nadu Budget Manual, the spending departments are required to surrender the grants/appropriations or a portion thereof to the Finance Department as and when savings are anticipated.

Details of 19 grants and one appropriation where savings of more than ₹ 1 crore was not surrendered fully are given in **Appendix 2.11**. Out of the total savings of ₹ 12,878.81 crore, ₹ 743.83 crore was not surrendered. In 78 cases of surrender of funds in excess of ₹ 10 crore, ₹ 10,316.46 crore (**Appendix 2.12**) was surrendered on the last day of the year indicating inadequate financial control.

2.3.12 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 119 sub-heads as listed in **Appendix 2.13**, it was noticed

that the entire expenditure of more than ₹ 1 crore was incurred only in the month of March 2018. Rush of expenditure at the end of the year shows poor expenditure control.

In terms of expenditure progress, it was found that while the expenditure under four major heads, eight major heads and eight major heads exceeded 50 per cent of total expenditure during first, second and third quarter of 2017-18 respectively, in the fourth quarter expenditure under 40 major heads exceeded 50 per cent of the total expenditure.

2.4 Review of selected grants

A review of budgetary procedure and control over expenditure was conducted in respect of ‘Grant Number 39 - Buildings (Public Works Department)’ and ‘Grant Number 42 - Rural Development and Panchayat Raj Department’. Test check disclosed deficiencies in the budgetary process, as discussed in the succeeding paragraphs.

2.4.1 Grant Number 39 - Buildings (Public Works Department)

The Principal Secretary to Government, Public Works Department is the administrative head. Engineer-in-Chief (Buildings) is in-charge of the functioning of the Department. The Department is entrusted with the construction and maintenance of Government buildings.

2.4.1.1 Allocation and Expenditure

A summary of actual expenditure *vis-à-vis* original/supplementary provisions made during the year 2017-18 is given in **Table 2.6**.

Table 2.6: Details of Budget Provision and Actual Expenditure under Grant No. 39

(₹ in crore)								
	Nature of expenditure	Original	Supplementary	Total	Expenditure	Savings(-)/ Excess (+)	Percentage of savings	Amount surrendered
Voted	I Revenue	261.87	15.38	277.25	258.74	(-) 18.51	6.68	18.14
	II Capital	984.69	7.22	991.91	910.27	(-) 81.64	8.23	121.19
	III Loans	0.00*	0.18	0.18	0.18	0.00	0.00	0.00
Total Voted (A)		1,246.56	22.78	1,269.34	1,169.19	(-) 100.15		139.33
Charged	IV Revenue	0.00**	0.00	0.00	0.00	0.00	0.00	0.00
	V Capital	0.00	0.87	0.87	0.87	0.00	0.00	0.00
Total Charged (B)		0.00	0.87	0.87	0.87	0.00	0.00	0.00
Grand Total (A+B)		1,246.56	23.65	1,270.21	1,170.06	(-) 100.15	7.88	139.33

* ₹ 1,000 given as token provision;

** ₹ 2,000 given as token provision

(Source: Appropriation Accounts for the year 2017-18)

From **Table 2.6**, it may be seen that, in view of the ultimate saving of ₹ 81.64 crore under Capital Section, surrender of ₹ 121.19 crore proved injudicious.

2.4.1.2 Inconsistent/Improper budget allocation

(a) Persistent savings under Revenue Sections

During 2017-18, there was a saving of 6.68 *per cent* in the Grant under Revenue Sections. During the five year period 2013-18, the Department had persistent savings in excess of five *per cent* of the total grant. The gradual reduction in savings from 18.92 *per cent* of total provision in 2015-16 to 6.68 *per cent* in 2017-18 was a good sign of improvement in budgeting accuracy. The details of which are given in **Table 2.7**.

Table 2.7: Year-wise allocation and savings

(₹ in crore)

Year	Total grant	Expenditure incurred	Saving	Amount surrendered	Percentage of saving
2013-14	224.10	206.76	17.34	18.08	7.74
2014-15	226.90	208.76	18.14	12.11	8.00
2015-16	278.00	225.39	52.61	48.44	18.92
2016-17	252.44	231.74	20.70	20.55	8.20
2017-18	277.25	258.74	18.51	18.14	6.68

(Source: Appropriation Accounts of the respective years)

(b) Excess/Savings under Capital Sections

Under Capital Section, it was observed that during the current year, 8.23 *per cent* of the budget allocation remained unutilised. This was a reversal of the trend of excess over Budget Estimates during the two previous years as given in **Table 2.8**.

Table 2.8: Year-wise allocation and excess/savings

(₹ in crore)

Year	Total Grant	Expenditure incurred	Excess (+)/Saving (-)	Amount surrendered
2015-16	836.27	901.71	(+) 65.44 (7.83 <i>per cent</i>)	115.03
2016-17	875.97	956.96	(+) 80.99 (9.25 <i>per cent</i>)	24.47
2017-18	991.91	910.27	(-) 81.64 (8.23 <i>per cent</i>)	121.19

(Source: Appropriation Accounts of the respective years)

Test check of records disclosed the following avoidable inaccuracies in budgeting.

Under "4059-01-051-JD - Registration", against the provision of ₹ 8.22 crore, only ₹ 2.78 crore was utilised as the Department was not in possession of the land for 'Construction of Integrated Office Complex buildings at Velachery, Selaiyur, Koyambedu, Tiruppur and Salem'. Seeking budget provision without ensuring the availability of land had resulted in savings of ₹ 5.44 crore.

Similarly, under '4235-02-103-JC - Construction of own buildings for Working Women Hostel', against the provision of ₹ 9.10 crore, only ₹ 1.16 crore was utilised and ₹ 7.94 crore was not utilised due to

non-identification of site for ‘Construction of Working Women Hostel at Tiruvallur, Chengalpattu and Sriperumbudur’.

(c) Rush of expenditure

As per Article 39 of the Tamil Nadu Financial Code, all appropriations lapse at the close of the financial year. No attempt should be made to prevent the lapse of an appropriation by any undue rush of expenditure during March.

It was, however, seen that more than 60 *per cent* of the total expenditure was incurred in the month of March 2018 in four heads as given in **Table 2.9**.

Table 2.9: 60 per cent of the total expenditure incurred during March 2018

(₹ in crore)

Name of the Scheme and Head of Account	Original Estimates	Supple-mentary Estimates	Total provision	Total expenditure	Expenditure in the month of March 2018
Maintenance of BC/MBC/DNC Hostel controlled by Chief Engineer (Buildings)	5.70	0.30	6.00	5.79	4.87 (84 per cent)
Maintenance and Provision of Amenities for Judges and other officials’ residences in Government Bungalows at Madurai	1.49	0.00	1.49	1.49	0.91 (61 per cent)
Public Works Department - Housing Schemes	36.71	0.00	36.71	14.91	14.89 (100 per cent)
Buildings	15.00	0.00*	15.00	1.34	1.13 (84 per cent)

* ₹ 2,000 only

(Source: Detailed Appropriation Accounts for the year 2017-18)

The rush of expenditure is considered imprudent as this could lead to compromising the built-in controls in the rush to spend the provision.

2.4.2 Grant Number 42 - Rural Development and Panchayat Raj Department

The Rural Development and Panchayat Raj (RD & PR) Department is responsible for the implementation of various Centrally-sponsored, State-funded, and Externally-aided schemes for poverty alleviation, employment generation, sanitation, capacity building, women’s social and economic empowerment, etc.

The Additional Chief Secretary, RD & PR Department is the administrative head. The field formation is headed by the Director of RD & PR who is the Chief Controlling Officer.

2.4.2.1 Allocation and Expenditure

Summary of actual expenditure *vis-à-vis* original/supplementary provisions made during 2017-18 is given in **Table 2.10**.

Table 2.10: Details of budget provision and actual expenditure under Grant No. 42

(₹ in crore)

	Nature of expenditure	Original	Supplementary	Total	Expenditure	Savings(-)/Excess (+)	Percentage of Savings/Excess	Amount surrendered
Voted	I Revenue	15,236.99	0.00*	15,236.99	11,388.40	(-) 3,848.59	25.26	3832.09
	II Capital	1,428.44	288.58	1,717.02	1,717.02	0.00	0.00	0.00
	III Loan	0.00**	0.35	0.35	0.35	0.00	0.00	0.00
Total Voted (A)		16,665.43	288.93	16,954.36	13,105.77	(-) 3,848.59	22.70	3,832.09
Charged	IV Revenue	0.00***	0.00	0.00	0.00	0.00	0.00	0.00
Total Charged (B)		0.00	0.00	0.00	0.00	0.00	0.00	0.00
Grand Total (A+B)		16,665.43	288.93	16,954.36	13,105.77	(-) 3,848.59	22.70	3,832.09

* ₹ 42,000 only; ** ₹ 1,000 given as token provision; *** ₹ 5,000 given as token provision
(Source: Appropriation Accounts for 2017-18)

2.4.2.2 Persistent savings

As per Rule 18 of the Tamil Nadu Budget Manual, preparation of departmental estimates should receive the closest personal attention of the estimating officers. Every care should be taken to see that the estimates are neither inflated nor under-pitched but are as accurate as possible.

Audit noticed that during 2017-18, there was a saving of 25.26 per cent in the Grant under Revenue heads, and 22.70 per cent under the Grant as a whole. It was observed that a substantial portion of the budget allocation remained unutilised in the Grant as a whole during the last five years (2013-18) as given in **Table 2.11**.

Table 2.11: Year-wise allocation and savings

(₹ in crore)

Year	Total Grant	Expenditure incurred	Saving	Amount surrendered	Percentage of saving
2013-14	12,873.49	11,155.90	1,717.59	1,720.70	13.34
2014-15	19,312.09	14,799.72	4,512.37	4,514.16	23.37
2015-16	18,479.58	17,059.82	1,419.76	1,419.07	7.68
2016-17	21,420.78	15,770.99	5,649.79	5,654.13	26.38
2017-18	16,954.36	13,105.77	3,848.59	3,832.09	22.70

(Source: Appropriation Accounts of the respective years)

This indicated the lapses in the budgetary procedure adopted while preparing the budget estimates.

2.4.2.3 Surrenders

Observations based on test check of records related to the surrender of funds are as given in **Table 2.12**.

**Table 2.12: Details of budget provision and actual expenditure under
Fourteenth Finance Commission**

(₹ in crore)

Sl. No.	Scheme/Head of Account	Original Estimate	Expenditure	Amount Surrendered	Remarks
1	Basic grants to Village Panchayats as per the recommendation of Fourteenth Finance Commission	1,516.12	758.06	758.06	Funds provided in the budget without ensuring receipt of Gol grant resulted in surrender of the provision.
2	Performance Grants to Rural Local Bodies as per the recommendations of the Fourteenth Finance Commission - Controlled by Director of Rural Development	194.78	0.00	194.78	
3	Pradhan Mantri Awaas Yojana (Gramin) - State Additional Share for Roofing Cost for Scheduled Castes, Under Tribal Sub Plan and for Other Backward Classes	881.69	150.11	731.58	Non-identification/delay in identification of beneficiaries resulted in surrender of the provision.
4	Pradhan Mantri Awaas Yojana (Gramin) - Matching State Share for Scheduled Castes, Under Tribal Sub Plan and for Other Backward Classes	2,200.70	577.90	1,622.80	
5	Mahatma Gandhi Rural Employment Guarantee Scheme under Special Component Plan, Tribal Sub Plan and to Others	1,000.00	752.16	247.84	Short release of funds had resulted in surrender of the provision.
6	World Bank aided Tamil Nadu Rural Transformation Project (TNPVP Phase-II)	100.00	2.35	97.65	Slow progress of work by the implementing agencies.
7	Tamil Nadu Women Development Project (Mahalir Thittam)	27.10	3.26	23.84	
Total		5,920.39	2,243.84	3,676.55	

(Source: Appropriation Accounts for the year 2017-18)

2.5 Accounting issues

2.5.1 Misclassification under Minor head level

Provision was made under ‘Grant 50 - Pension and Other Retirement Benefits’ towards ‘Government contribution for New Pension Scheme for Tamil Nadu State Public Works Department Divisional Accountants/Accounts Officers’ under the minor head ‘101 - Superannuation and Retirement Allowances (2071-01-101-AP)’ instead of under the minor head ‘117 - Government contribution for Defined Contribution Pension Scheme’ and an expenditure of ₹ 0.21 crore had been incurred under the scheme.

According to correction slip to LMMH (No. 879) dated 01-01-2018, minor head '114' is to be included under the head of account '1601-08' for classification of 'Compensation for loss of revenue arising out of implementation of GST'. GoTN, however, accounted the compensation of ₹ 632 crore received by the State under the minor head '110 - Grants to cover up gap in resources'.

2.5.2 Error due to provision made under non-existent sub-major head

Sub major head '01 - Government Residential Building' under '2216-Housing' was deleted vide Correction slip no. 535 dated 30-12-2004 (effective 2005-06). However, this head was operated under 'Grant No.38 - Public Department' and an amount of ₹ 0.23 crore was booked under '2216-01-800-AB - Private Residence of Ministers/Representatives (Lease Charged) - Controlled by the Public Department'.

2.5.3 Incorrect bookings

The Head of Account '8782 - Cash Remittances and Adjustments' between officers rendering accounts to the same Accounts Officer - '102 - Public Works Remittances' and '103 - Forest Remittances' was operated by Public Works and Forest Divisions under Letter of Credit (LOC) system till March 2016. This system was scrapped and all the transactions were to be regulated and accounts rendered by the treasuries with effect from April 2016. Under the Treasury system, all the transactions earlier operated under '8782-102 - Public Works Remittances' and '103 - Forest Remittances' by the above departments are required to be booked under the respective service major heads and the closing balances under these heads were required to be aligned with the treasury mode of accounting system. However, during the year, fresh debits of ₹ 1.59 crore were booked under '8782-102 - Public Works' and the closing balance of ₹ 212.44 crore (Net debit) and ₹ 13.40 crore (Credit) continued to exist under the minor heads '102 - Public Works Remittances' and '103 - Forest Remittances' respectively.

2.5.4 Outstanding balances under 8658-101-PAO-Suspense

The head '8658-101-PAO-Suspense' is intended for settlement of transactions between the Accountant General (AG) and the various separate Pay and Accounts Officers (PAO). The transactions initially recorded under this head in the books of the AG are cleared on receipt of the Cheques/Demand Drafts from the Pay and Accounts Officers and on the issue of Cheque/Demand Draft in respect of amounts received in the State Treasuries on behalf of the Pay and Accounts Officers. Outstanding debit balance under this head would mean that payments have been made by the AG on behalf of a PAO, which were yet to be recovered. Outstanding credit balance would mean that payments have been received by the AG on behalf of a PAO, which were yet to be paid. The net debit balance under this head showed an increasing trend and increased from ₹ 75.86 crore in 2015-16 to ₹ 151.32 crore in 2017-18. On clearance/settlement of this, the cash balance of the State Government will increase. The transactions mainly related to payments made by State Government to Central Government Civil Pensioners and Ministry of Surface Transport.

2.6 Advances from the Contingency Fund

The Contingency Fund (CF) of the State was 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 authorisation by the Legislature, would be undesirable. The Fund is in the nature of an imprest and its corpus is ₹ 150 crore.

Details of sanctions accorded for drawal of CF advance and actually utilised are given in **Table 2.13**.

Table 2.13: Details of CF advances sanctioned

Year	Sanction of CFA		Utilisation of CFA		Percentage of utilisation	
	No.	Amount (₹ in crore)	No.	Amount (₹ in crore)	No.	Amount
2013-14	50	95.87	25	74.94	50	78
2014-15	46	47.94	40	41.66	87	87
2015-16	38	68.68	37	67.16	97	98
2016-17	22	31.02	19	27.93	86	90
2017-18	46	50.78	43	42.12	93	83

(Source: Government Orders)

As could be seen from **Table 2.13**, the CF advances were sanctioned without immediate need and hence the utilisation ranged from 78 to 98 *per cent*.

Details of CF orders issued during the year, and the amount of expenditure incurred as at the end of the year have been given in **Appendix 2.14**.

On scrutiny of utilisation of CFA sanctions, three CFA sanctions were fully unutilised as detailed in **Table 2.14**.

Table 2.14: Details of CFA sanctions fully unutilised

Sl. No.	CFA No.	Grant No. and Department	Date of issue of CFA	Amount of CFA sanctioned (in ₹)	Reasons
1	19	33 - Law	13-09-2017	10,00,000	Specific reasons for non-utilisation of the advance were not provided
2	33	28 - Information and Publicity	22-11-2017	25,00,000	The Valedictory Function, for which the CFA was sanctioned, was not conducted
3	37	2 - Governor and Council of Ministers	13-12-2017	1,14,50,000	The advance sanctioned for provision of cabling for air-conditioner at Raj Bhavan was not utilised due to administrative reasons
Total				1,49,50,000	

(Source: CFA Orders and replies received from the departments concerned)

It was further noticed:

- ₹ 3.56 crore sanctioned (February 2018) in CFA No. 42 to the Department of Horticulture as additional assistance to the affected farmers due to “Ockhi” cyclone in Kanyakumari District, was drawn from the Treasury (February 2018) and kept in the savings bank account of Director of Horticulture. After incurring an expenditure of ₹ 0.76 crore (March 2018), the balance amount of ₹ 2.80 crore was retained in the bank account as of 31 March 2018.
- ₹ 19.80 crore sanctioned to the Fisheries Department in CFA No. 16 in August 2017 for the implementation of the Scheme of ‘Diversification of trawl fishing boats from Palk Bay into Deep Sea fishing boats’, was drawn in full, but only ₹ 0.11 crore was utilised. The balance amount was deposited in PD account of Director of Fisheries.

The above instances pointed to drawal of CFA without any immediate need.

2.7 Conclusion

During 2017-18, expenditure of ₹ 2,08,622.18 crore was incurred against the total grants and appropriations of ₹ 2,36,801.62 crore, resulting in savings of ₹ 28,179.44 crore. In view of the overall savings of ₹ 28,179.44 crore, the whole supplementary provisions of ₹ 17,462.14 crore proved unnecessary as the actual expenditure was within the original grant/appropriation. Excess expenditure of ₹ 1,099.58 crore pertaining to the period of 2012 to 2017 was pending regularisation. In 35 cases, an expenditure of ₹ 2.85 crore was incurred without appropriation by the Legislature either in the Original or Supplementary estimates. There were persistent savings of more than five *per cent* of the total provision in 26 grants and four appropriations. Supplementary provisions of ₹ 50 lakh or more in each case aggregating ₹ 967.99 crore obtained in 25 cases during the year 2017-18 proved unnecessary, as the expenditure did not come upto the level of original provisions. As an amount of ₹ 10,938.92 crore (4.62 *per cent* of the total provision) was surrendered by the departments on the last day of the financial year, Government could not utilise the surrendered amount for other development purposes. Rush of expenditure at the end of the year was noticed, as the entire expenditure of more than ₹ 1 crore was incurred only in the month of March 2018 in 119 sub-heads reflecting poor expenditure control.

2.8 Recommendations

- Government may streamline the process of budget estimation to ensure accuracy in budgeting.
- Government may restrict advances from contingency fund only for meeting expenditure of an unforeseen and emergent character.