CHAPTER II
BUDGETARY MANAGEMENT

Chapter – II: Budgetary Management

This chapter reviews Tamil Nadu's budgetary process, revealing significant gaps between budget estimates and actual expenditure, with issues like excess spending, persistent savings, and last-minute fund surrenders. It highlights weaknesses in financial planning, controls and compliance, stressing the need for realistic budgeting, timely fund utilisation, and deviations from Constitutional provisions.

2.1 Budget Process

In compliance with Article 202 of the Constitution of India, a statement of the estimated receipts and expenditure of the State for that financial year, called "The Annual Financial Statement (Budget)" is to be laid before the State Legislature. The estimates of the expenditure show 'charged' and 'voted' items[1] of expenditure separately and distinguish expenditure on revenue account from other expenditure. Legislative authorisation is necessary before incurring any expenditure by the State Government.

As per the Tamil Nadu Budget Manual, the Finance Department is responsible for preparing the annual budget by obtaining estimates from various departments. The departmental estimates of receipts and expenditure are prepared by Controlling Officers on the advice of the heads of departments and submitted to the Finance Department on prescribed dates. The Finance Department consolidates the estimates and prepares the Detailed Estimates called 'Demand for Grants'. The State budget majorly comprises the following documents:

- ✓ Annual Financial Statement
- ✓ FRBM statement
- ✓ Demand for Grants
- ✓ Medium Term Fiscal Plan
- ✓ Detailed Estimates of Receipts
- ✓ Others

2.2 Budget projection and gap between expectation and actual

Efficient management of tax administration/other receipts and public expenditure holds the balance for optimum utilization of resources, strengthen scheme implementation and monitoring capacity and achievement of fiscal targets. Persistent savings/excesses indicate need for improvement in the underlying budgetary processes.

Details of total appropriation obtained from State Legislature, actual expenditure and savings are summarized in **Table 2.1**.

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[1] **Charged Expenditure:** Certain categories of expenditure (e.g. salaries of Constitutional authorities, loan repayments, etc.) constitute a charge on the Consolidated Fund of the State and are not subject to vote by the Legislature.
Voted Expenditure: All expenditures that are voted by the Legislature.

Table 2.1: Actual expenditure vis-à-vis budget provision during the financial year 2024-25

(₹ in crore)

	Nature of Expenditure	Original Grant/ App.	Supplementary Grant/ App.	Total Budget	Actual expenditure	Savings	Surrender during 2024-25	
							Amount	*Per cent*
Voted	I. Revenue	2,89,343.47	14,901.78	3,04,245.25	2,76,439.21	27,806.04	27,010.43	*97.14*
	II. Capital	47,684.38	6,815.65	54,500.03	47,122.93	7,377.10	7,619.76	*103.29*
	III. Loans & Advances	16,533.61	508.30	17,041.91	11,904.86	5,137.05	5,136.62	*99.99*
Total		**3,53,561.46**	**22,225.73**	**3,75,787.19**	**3,35,467.00**	**40,320.19**	**39,766.81**	***98.63***
Charged	IV. Revenue	*64,254.91*	*110.26*	*64,365.17*	*60,855.23*	*3,509.94*	*3,509.34*	*99.98*
	V. Capital	*8.19*	*132.50*	*140.69*	*132.53*	*8.16*	*8.16*	*100.00*
	VI. Public Debt-Repayment	*41,178.25*	*0.00*	*41,178.25*	*40,684.40*	*493.85*	*493.85*	*100.00*
Total		**1,05,441.35**	**242.76**	**1,05,684.11**	**1,01,672.16**	**4,011.95**	**4,011.35**	***99.99***
Appropriation to Contingency Fund		0.00	350.00	**350.00**	**350.00**	0.00	0.00	*0.00*
Grand Total		**4,59,002.81**	**22,818.49**	**4,81,821.30**	**4,37,489.16**	**44,332.14**	**43,778.16**	***98.75***

(Source: Appropriation Accounts for the year 2024-25)

Note: The expenditure shown above are gross figures without taking into account the recoveries adjusted in the accounts as reduction of expenditure under Revenue Heads (₹8,625.04 crore) and Capital Heads (₹147.50 crore). The amount of ₹8,625.04 crore relating to reduction of expenditure under Revenue Heads includes ₹4,445.90 crore being the recovery of overpayments / unspent balances of the previous years booked under the minor head "911"and also an amount of ₹100 crore relating to reimbursement by the Union Government towards Lok Sabha Election expenses initially incurred by the State Government during the year.

It may be seen from **Table 2.1** that under Capital Voted section, where surrender exceeded the savings, the departments could not ascertain the exact amount to be surrendered during re-appropriation at the end of the financial year. This highlights the insufficient oversight of the State's finances, despite the implementation of Integrated Financial and Human Resources Management System (IFHRMS).

Trends in the original budget, revised estimate, and actual expenditure for the period 2020-21 to 2024-25 are given in **Table 2.2**

Table 2.2: Original Budget, Revised Estimate and Actual Expenditure during Financial Years 2020-21 to 2024-25

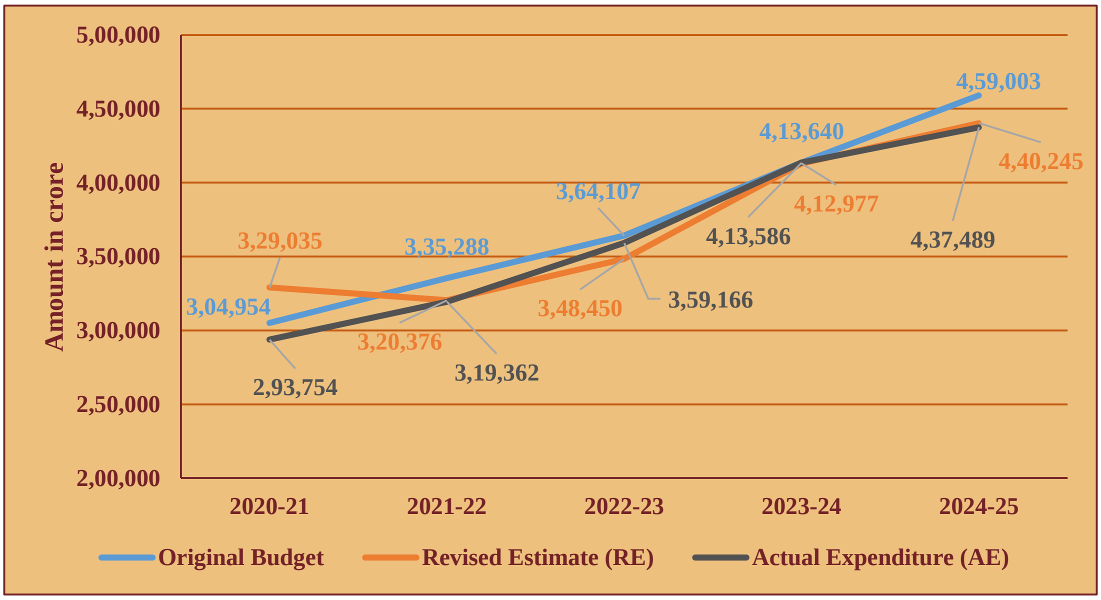
(₹ in crore)

	2020-21	2021-22	2022-23	2023-24	2024-25
Original budget	3,04,954.44	3,35,288.14	3,64,107.02	4,13,639.78	4,59,002.81
Supplementary budget	34,018.02	14,451.49	30,148.70	33,248.48	22,818.49
Total Budget (TB)	3,38,972.45	3,49,739.63	3,94,255.72	4,46,888.26	4,81,821.30
Revised Estimate (RE)	3,29,034.84	3,20,375.66	3,48,450.41	4,12,976.84	4,40,245.19
Actual Expenditure (AE)	2,93,753.73	3,19,361.82	3,59,166.33	4,13,585.72	4,37,489.16
Savings	(-) 45,218.72	(-) 30,377.81	(-) 35,089.39	(-) 33,302.54	(-) 44,332.14
Percentage of supplementary to the original budget	*11.16*	*4.31*	*8.28*	*8.04*	*4.97*
Percentage of overall savings/excess to the overall provision	*13.34*	*8.69*	*8.90*	*7.45*	*9.20*
TB-RE	9,937.61	29,363.97	45,805.31	33,911.42	41,576.10
RE-AE	35,281.11	1,013.84	(-) 10,715.92	(-) 608.88	2,756.03
(TB-RE) as % of TB	*2.93*	*8.40*	*11.62*	*7.59*	*8.63*
(RE-AE) as % of TB	*10.41*	*0.29*	*(-) 2.72*	*(-) 0.14*	*0.57*

(Source: Appropriation Accounts and Annual Financial statements of the respective years)

Though the supplementary provision of ₹22,818.49 crore during 2024-25 constituted only 4.97 *per cent* of the original provision as against 8.04 *per cent* in the previous year, the percentage of total utilisation of budget was only 90.80 *per cent* resulting in overall saving of 9.20 *per cent* during the year as against 7.45 *per cent* in the previous year. The variation between the revised estimates and the actual expenditure incurred has fluctuated over the years and has widened during the year as compared to the previous year. Further, **Table 2.2** indicates that the actual expenditure during the year was much less than the original budget allocation highlighting the deficiencies in the budget preparation.

Chart 2.1: Trend showing BE, RE and Actuals during 2020-21 to 2024-25



(Source: Appropriation Accounts and Annual Financial statements of the respective years)

From **Chart 2.1**, it can be observed that during 2020-21, there was a divergence between total original budget and revised estimate. This narrowed steadily from 2021-22 and converged during 2023-24 and then widened again in 2024-25, reflecting inconsistencies in the budgetary process.

2.2.1 Component/Services wise analysis of budgetary provisions and expenditure

Component wise analysis of the Budget and Expenditure for the FY 2024-25 is summarized in **Table 2.3.** The summary of explanations received in case of variations in Appropriation Accounts is depicted in **Chart 2.2.**

Table 2.3: Component Wise Budget and Expenditure for the year 2024-25

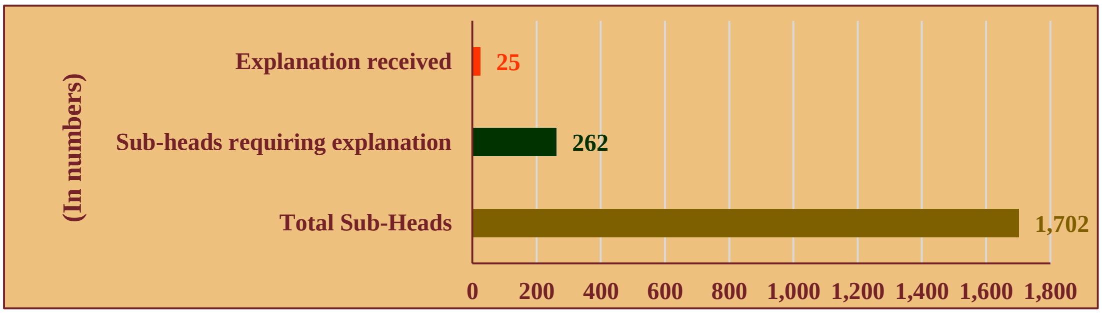
(₹ in crore)

Component	Total Budget	Total Expenditure	Percentage of Total Budget	Percentage of Total Expenditure	Percentage of expenditure against the total Budget
(1)	**(2)**	**(3)**	**(4)**	**(5)**	**(6=3/2*100)**
Committed Expenditure	1,76,775	1,76,676	*36.69*	*40.38*	*99.94*
State Schemes	1,14,622	64,958	*23.79*	*14.85*	*56.67*
Central Share for CSS	13,581	14,918	*2.82*	*3.41*	*109.84*
State Share for CSS	9,476	9,423	*1.97*	*2.15*	*99.44*
EAP – Externally Aided Projects	25,099	13,572	*5.21*	*3.10*	*54.07*

(Source: Finance Accounts for the year 2024-25)

The committed expenditure of the Government on revenue account comprises of interest payments, expenditure on salaries and wages, salary grants and pensions. This collectively has the first charge on Government resources. It could be seen from the accounts that the Committed expenditure increased by ₹13,321 crore (8.15 *per cent)* over the previous year i.e. from ₹1,63,355 crore in 2023-24 to ₹1,76,676 crore in 2024-25. Upward trend on committed expenditure leaves the Government with lesser flexibility for development sector.

Chart 2.2: Summary of Explanation for variation in Appropriation Accounts



(Source: Detailed furnished by O/o AG(A&E))

Out of 1,702 sub-heads for which comments for excess/savings were included, explanations were required for 262 sub-heads. However, reasons for variations were received from the State Government only for 25 sub-heads.

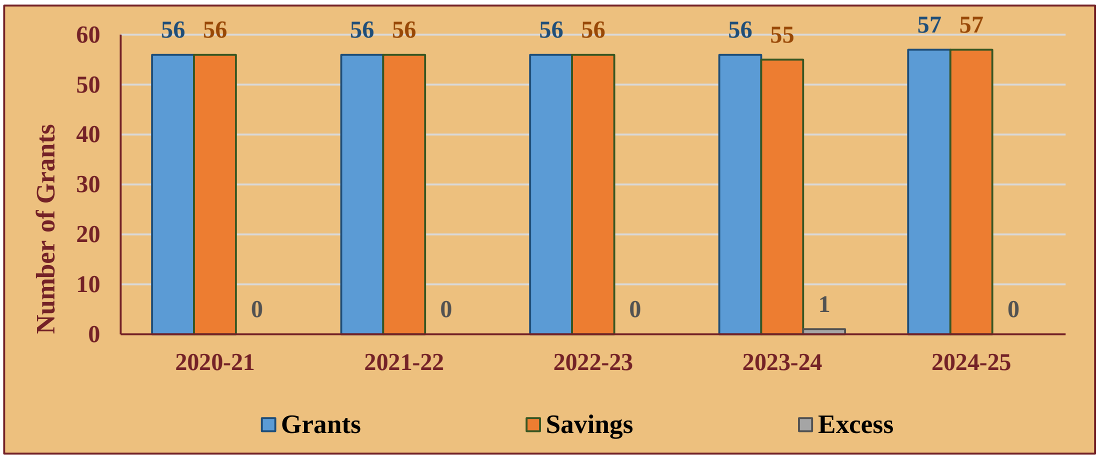
2.3 Budget markmanship

Expenditure Composition Outturn

Expenditure Composition Outturn measures the extent to which re-allocations between the main budget categories during execution have contributed to variance in expenditure composition.

A year-wise analysis of grants, excesses, and savings provides valuable insights into the efficiency of budget execution and financial management by the State. This has been depicted in **Chart 2.3**.

Chart 2.3: Year-wise Grants, Savings and Excesses



(Source: Appropriation Accounts of the respective years)

It may be seen from the above chart that there was no excess expenditure under the grant during the years from 2020-21 to 2024-25 except in 2023-24 where excess expenditure was incurred under one grant. The expenditure composition outturn for the FY 2024-25 is given in **Table 2.4.**

Table 2.4: Expenditure composition overall deviation FY 2024-25

Section	Overall Deviation (*per cent*)	Range of Deviation (*per cent*)	Number of Grants
Revenue (Voted)	*(-) 10.25*	0 to ± 25	51
		± 26 to ± 50	3
		± 51 to ± 100	1
Capital (Voted)	*(-) 36.52*	0 to ± 25	23
		± 26 to ± 50	5
		± 51 to ± 100	14
Revenue (Charged)	*(-) 59.08*	0 to ± 25	21
		± 26 to ± 50	2
		± 51 to ± 100	30
Capital (Charged)	*(-) 58.89*	0 to ± 25	3
		± 26 to ± 50	1
		± 51 to ± 100	5
No provision was, however, made in respect of 13 grants (Grant nos. 1, 2, 3, 10, 11, 18, 31, 33, 37, 46, 50, 51, 53) of the Capital section.			

(Source: Appropriation Accounts 2024-25)

Though the overall deviation under voted items was much lower than that under charged items, which exceeded 50 *per cent* of the budgetary estimates, further analysis revealed that deviations under Revenue voted items (savings) exceeded 50 *per cent* in one grant, *viz.*, Grant No. 31 – Information Technology and Digital Services Department, with savings of ₹92.76 crore. Similarly, under Capital voted items, savings exceeding 50 *per cent* were observed in 14 grants, with Grant No. 17 – Handlooms and Textiles (Handlooms, Handicrafts, Textiles and Khadi Department) recording the highest savings of 100 *per cent* amounting to ₹113 crore.

2.4 Appropriation Accounts

Appropriation Accounts are accounts of the expenditure of the Government for each financial year, compared with the amounts of grants voted and appropriations charged for different purposes as specified in the schedules appended to the Appropriation Act passed under Article 204 of the Constitution of India. These Accounts depict actual expenditure as against the original budget provision, supplementary grants, surrenders and re- appropriations distinctly in gross basis.

Audit of appropriations by the Comptroller and Auditor General (CAG) seeks to ascertain whether the expenditure actually incurred under various grants is in accordance with the authorisation given under the Appropriation Act and that the expenditure required to be charged under the provisions of the Constitution (Article 202) is so charged. It also ascertains whether the expenditure incurred is in conformity with the laws, relevant rules, regulations and instructions.

2.5 Budgetary and accounting process

The budgetary and accounting process compares actual financial performance to the planned budget to ensure funds utilised are authorised. This process enables planning, control and performance evaluation of financial activities. The outcome of this process is discussed in the succeeding paragraphs.

2.5.1 Expenditure incurred without authority of law

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. Further, Paragraph 153 of the Tamil Nadu Budget Manual also provides that expenditure on a new scheme not contemplated in the Budget estimates should not be incurred until it is included either in the Supplementary estimates or drawn as an advance from the Contingency Fund of the State.

It was, however, observed that an expenditure of ₹0.08 crore, shown below in **Table 2.5** was incurred in two cases (more than ₹ one lakh in each case) under one scheme each in two grants during the year 2024-25 without any provision in the original budget estimates/supplementary demands.

Table 2.5 - Expenditure without Budget Provision or Re-appropriation

Sl. No.	Grant Number & Name	Head of Account & Nomenclature	No. of cases	Expenditure Incurred (₹ in crore)
1	42 - Rural Development and Panchayat Raj Department	2505.01.702.JP - Sampoorna Grameen Rozgar Yojana - Village Panchayat	1	0.07
2	51 - Relief on Account of Natural Calamities	2245.02.112.AC - Reimbursement (Ministry of Defence, New Delhi) assistance during flood relief and rescue operations	1	0.01
Total				**0.08**

(Source: Appropriation Accounts for the year 2024-25)

Audit observed that, in respect of the first scheme, '*Sampoorna Grameen Rozgar Yojana – Village Panchayat*', expenditure was incurred towards Salary, Dearness

Allowance and travel expenses, while under the second scheme, *'Reimbursement (Ministry of Defence, New Delhi) assistance during flood relief and rescue operations'*, expenditure was incurred towards payment for Professional and Special Services.

In response to an audit enquiry regarding inadequate controls in IFHRMS that permitted expenditure to be incurred without budget provision, the State Government stated during the Exit Conference that the expenditure related to the salary component, for which exceptions are allowed under the in-built controls of the IFHRMS system.

Further, in respect of the heads shown below in **Table 2.6**, expenditure was incurred only through re-appropriation orders issued in the month of March 2025. It was also noticed that for the scheme mentioned in Sl.No.1, expenditure had been incurred from the month of November 2024. However, provision for the same was omitted from the subsequent supplementary estimates in March 2025.

Table 2.6 - Expenditure incurred only through Re-appropriation

Sl. No.	Grant Number & Name	Head of Account & Nomenclature	No. of cases	Expenditure Incurred (₹ in crore)
1	21 – Highways and Minor Ports Department	3054.80.001.AR Special Staff for Land Acquisition under Tamil Nadu Urban Development Project	1	0.12
2	43 – School Education Department	2202.02.109.KX Perasiriyar Anbazhagan Award to Best Schools	1	0.07
Total				**0.19**

(Source: Appropriation Accounts for the year 2024-25)

Failure to observe the prescribed procedure had led to expenditure on the schemes without the authority of the legislature. Also, this clearly highlighted the lack of proper control mechanism in IFHRMS as the expenditure was incurred without any budget provision.

2.5.2 Excess expenditure and its regularisation

As per Article 205 of the Constitution of India, it is mandatory for a 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 by the Public Accounts Committee.

A. Excess expenditure during current year

During 2024-25, all the disbursements made were within the authorisation made by the State Legislature which is appreciable.

B. Regularisation of excess expenditure of previous financial years

Excess disbursements pertaining to previous years pending regularization from State Legislature as shown in **Table 2.7**.

Table 2.7: Excess expenditure relating to previous years requiring regularisation

Year	Grant No./ Appropriation	Grant/ Appropriation details	Amount of excess required to be regularized as commented in the Appropriation Accounts (*₹ in crore*)
2022-23	51	Relief on Account of Natural Calamities **(Revenue-Charged)**	*0.01**
2023-24	10	Commercial Taxes (Commercial Tax and Registration Department)- **(Loans-Voted)**	0.03
	17	Handlooms and Textiles (Handlooms, Handicrafts, Textiles and Khadi Department) - **(Revenue-Voted)**	0.75
	19	Health and Family Welfare Department **(Revenue-Charged)**	*0.01*
	43	School Education Department **(Loans-Voted)**	0.17
Total			**0.97**

* ₹50,000

(Source: Appropriation Accounts of the respective years)

The regularisation of excess expenditure is done after the completion of discussion of the Appropriation Accounts by the Committee of Public Accounts (PAC). The excess expenditure under one grant for the year 2022-23 was discussed by the Public Accounts Committee and recommendations are awaited. The SFAR for the year 2023-24 was placed in the legislative assembly on 17 October 2025.

2.5.2.1 Persistent excess expenditure in certain Grants

Audit scrutiny revealed that in six cases under two grants (Grant 19 and 50), there was persistent excess expenditure of more than ₹ one crore in each case during the last five years as detailed in **Table 2.8**. In one case (Sl. No. 6), during 2020-21, the expenditure was incurred without any budget provision.

Table 2.8: Persistent excess expenditure during 2020-21 to 2024-25

(₹ in crore)

Sl. No.	Description of Grant/Appropriation	2020-21	2021-22	2022-23	2023-24	2024-25
1.	**Grant No.-19-Health & Family Welfare Department** 2210- Medical and Public Health 01- Urban Health Services - Allopathy 110 - Hospital and Dispensaries- EB - CEMONC posts in the District Head Quarters Hospitals					
	Grant (O+S) Expenditure Excess	35.03 37.37 2.34	26.95 28.50 1.55	30.84 32.64 1.80	31.69 34.29 2.60	35.61 37.14 1.53
2.	**Grant No.-19-Health & Family Welfare Department** 2210- Medical and Public Health 05 - Medical Education 105- Allopathy AC- Kilpauk Medical College, Chennai					

(₹ in crore)

Sl. No.	Description of Grant/Appropriation	2020-21	2021-22	2022-23	2023-24	2024-25
	Grant (O+S) Expenditure Excess	44.19 64.74 20.55	65.38 67.49 2.11	73.88 76.75 2.87	86.70 88.42 1.72	88.75 103.87 15.12
3.	**Grant No.-19-Health & Family Welfare Department** 2210- Medical and Public Health 05 - Medical Education 105- Allopathy CA- Government Medical College at Omandurar Government Estate					
	Grant (O+S) Expenditure Excess	42.81 48.28 5.47	49.54 52.31 2.77	45.73 57.52 11.79	63.89 65.58 1.69	70.24 75.14 4.90
4.	**Grant No.-50 – Pension and Other Retirement Benefits** 2071- Pensions and other Retirement Benefits 01 - Civil 101- Superannuation and Retirement Allowances AO- Additional Pension to Tamil Nadu Government Pensioners Aged above 80 years					
	Grant (O+S) Expenditure Excess	181.29 266.97 85.66	218.71 391.40 172.69	293.66 433.86 140.20	428.56 480.49 51.93	477.24 520.50 43.26
5.	**Grant No.-50 – Pension and Other Retirement Benefits** 2071- Pensions and other Retirement Benefits 01 - Civil 105- Family Pensions AH- Additional Family Pension to Tamil Nadu Government Pensioners Aged above 80 years					
	Grant (O+S) Expenditure Excess	31.40 41.22 9.82	32.18 68.74 36.56	47.40 84.69 37.29	72.18 93.09 20.91	93.16 100.03 6.87
6.	**Grant No.-50 – Pension and Other Retirement Benefits** 2071- Pensions and other Retirement Benefits 01 - Civil 800 - Other Expenditure AO- Corpus Fund for COVID-19 treatment in empanelled Hospitals under New Health Insurance Scheme for Pensioners / Family Pensioners					
	Grant (O+S) Expenditure Excess	0.00 10.00 10.00	5.00 25.00 20.00	2.50 15.00 12.50	2.50 27.50 25.00	2.50 7.50 5.00

(Source: Detailed Appropriation Accounts of the respective years)

During the year, while the overall expenditure of departments remained within the total grants allotted, expenditure under two grants, involving three schemes each, exceeded the budget provision at the scheme level. This indicates deficiencies in budget formulation and expenditure control. The departments need to strengthen scrutiny of budget proposals at both the stages of preparation of Demands for Grants and Supplementary Demands for Grants. Further, effective planning and closer monitoring of expenditure vis-à-vis voted grants are required to prevent recurrence of excess expenditure under the schemes.

2.5.3 Supplementary grants rendered unnecessary

Article 205 of the Constitution of India prescribes the requirement of a Supplementary or Additional Grant or Appropriation to cater to the requirements in excess of the original provisions.

It was noticed that in 21 instances (***Appendix 2.1)*** even though the supplementary provisions of ₹3,803.56 crore were made, the actual expenditure was less than the original provision during the year 2024-25. Similarly, the supplementary provisions of ₹12,673.55 crore in 33 cases (more than ₹ three crore in each case) proved to be excessive (***Appendix 2.2***).

2.5.4 Injudicious re-appropriation of funds

Re-appropriation is transfer of funds within a grant from one unit of appropriation to another unit where additional funds are needed. During 2024-25, re-appropriation orders under 55 grants and two appropriations amounting to ₹43,778.16 crore were issued. All re-appropriation orders were issued in two stages *viz.*, Re-appropriation-I (₹17,673.51 crore) on 21 March 2025 and Re-appropriation-II (₹26,104.65 crore) on 31 March 2025.

Audit observed that in four schemes (***Appendix 2.3*** - Sl. Nos. 1 to 4), provision (exceeding ₹ three crore) was withdrawn through re-appropriation orders issued by two departments *viz*. Grant No.05 - Agriculture and Farmers' Welfare Department and Grant No.19 - Health and Family Welfare Department. These withdrawals were injudicious as this resulted in excess expenditure in those cases. Further, in two schemes under Grant No.05 - Agriculture and Farmers Welfare Department, (***Appendix 2.3*** - Sl. Nos. 5 and 6) enhancement of provision (exceeding ₹ three crore) through re-appropriation orders proved unnecessary as no expenditure was incurred.

2.5.5 Unspent amount and surrendered appropriation and/or Large Savings/Surrenders

Budget proposals should strive to achieve/optimize all foreseeable expenditure to appropriate spending levels for balancing the quality of expenditure and reduce underutilization of budgeted funds. Timely surrenders by the spending units are an important mechanism for optimal reallocation within the approved budget.

The analysis of grants and appropriations showed that in 12 cases (under 11 grants) during the year 2024-25, the savings (excluding surrenders) exceeded ₹3 crore in each case (***Appendix 2.4***). It was further noticed that in four grants no expenditure was incurred vis-à-vis total grant amounting to ₹113.80 crore as given in **Table 2.9** during the year resulting in the entire budget allocation remaining unutilized and futile.

Table 2.9: Entire grant remaining unutilised during the financial year 2024-25

(₹ in crore)

Sl. No.	Number and name of grant	Amount
1.	17 – Handlooms and Textiles (Handlooms, Handicrafts, Textiles and Khadi Department (Capital – Voted)	113.00
2.	44 - Micro, Small and Medium Enterprises Department (Capital – Voted)	0.70
3.	*51 - Relief on Account of Natural Calamities (Revenue – Charged)*	*0.04*
4.	*55 - Natural Resources Department (Revenue – Charged)*	*0.06*
	Total	**113.80**

(Source: Appropriation Accounts)

On enquiry regarding surrender of the entire budget provision of ₹113 crore under the Head of Account "4851-00-103-AC – Construction of Unity Malls" under Grant No. 17 – Handlooms and Textiles (Sl. No. 1 above), the Department stated that pursuant to the announcement in the Union Budget 2023-24 to establish PM Ekta Malls (Unity Malls) in 27 States for promotion of One District One Product (ODOP), Geographical Indication (GI) products and other handicrafts, an interest-free loan of ₹223 crore was earmarked for Tamil Nadu. A Detailed Project Report was accordingly prepared for construction of the Unity Mall at the Co-optex premises, Egmore, Chennai, at a total cost of ₹227 crore (GoI share: ₹223 crore; GoTN share: ₹4 crore). The GoI sanctioned the first instalment of ₹111.50 crore in January 2024, stipulating that release of the second instalment would be subject to reporting of physical and financial progress.

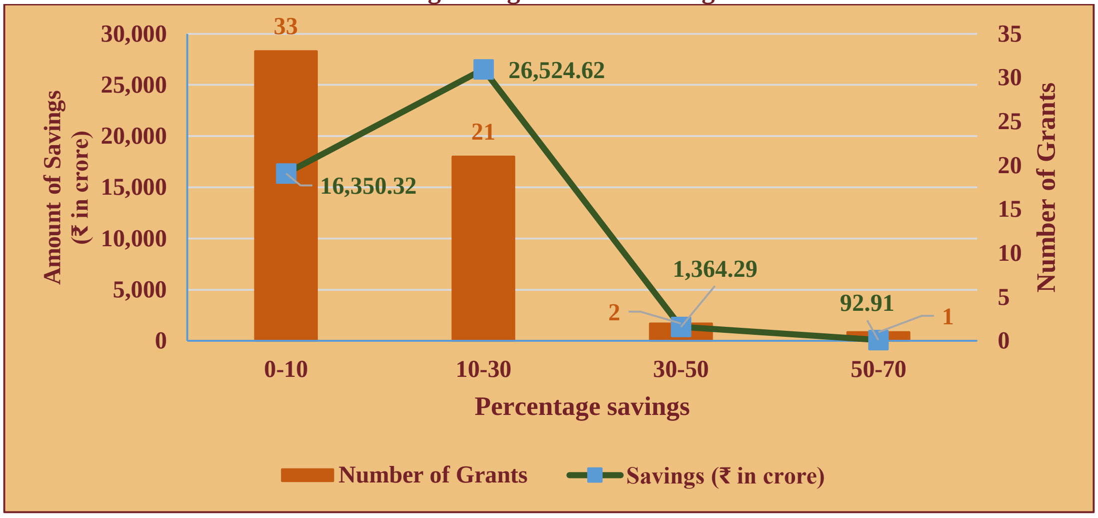
The State Government accorded administrative sanction during 2023-24 and the sanctioned amount was drawn and deposited in the Single Nodal Agency (SNA) account. Anticipating release of the second instalment, provision of ₹113 crore was made in the Budget Estimate 2024-25. However, demolition of the existing structure at the project site was not completed during the year and the foundation stone was laid only on 29 January 2025. Consequently, construction commenced only on 14 February 2025 and no significant physical or financial progress could be reported during 2024-25. As a result, the second instalment was not released by the GoI and the entire provision made in the Budget Estimate 2024-25 was surrendered.

The Department further stated that, as per revised guidelines of the GoI, release of the balance funds is contingent upon utilisation of 75 *per cent* of the funds released earlier. As of end of November 2025, utilisation of ₹97.61 crore was reported and budget provision has been made in the Budget Estimate 2025-26, anticipating release of the remaining funds.

Further, it was observed that in 37 cases under 29 grants, there was persistent savings of more than five *per cent* of the total grant and exceeding ₹3 crore in each case (***Appendix 2.5***) during 2022-23 to 2024-25. These issues continued despite being highlighted in previous State Finance Audit Reports. Persistent savings is indicative of defective budgeting process as well as under-utilisation of the total Grant or Appropriation and the need for critical review of budgetary process.

Detail of grants grouped by the percentage of savings along with total savings during 2024-25 has been shown in ***Appendix 2.6*** and **Chart 2.4**

Chart 2.4: Distribution of the number of Grants/Appropriations grouped by the percentage of Savings along with total savings

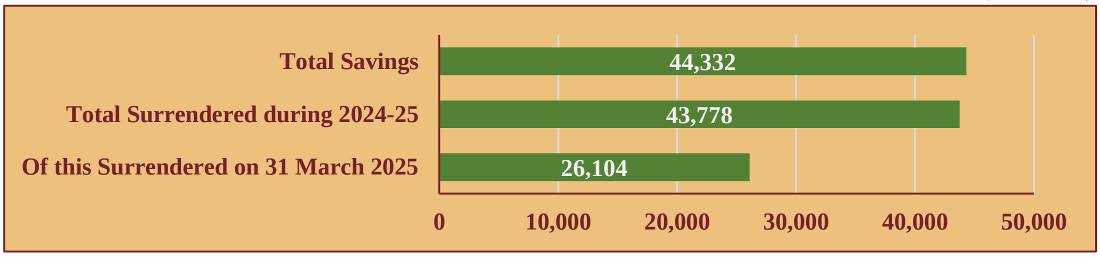


(Source: Appropriation Accounts)

Out of the total savings of ₹44,332.14 crore, an amount of ₹26,098.42 crore in 53 grants and one appropriation (exceeding ₹3 crore in each case) were surrendered on the last day of March 2025 as depicted in ***Appendix 2.7.***

Chart 2.5: Savings and Surrenders during the year 2024-25

(₹ in crore)



(Source: Appropriation Accounts)

Analysis of **Chart 2.5** revealed that 98.75 *per cent* of the savings were surrendered. Out of the total surrendered amount of ₹43,778 crore, ₹26,104 crore (59.63 *per cent*) was surrendered on 31 March 2025. It was seen that major surrenders were made by five departments (***Appendix 2.7***) *viz*., School Education Department (₹6,997.99 crore), Rural Development & Panchayat Raj Department (₹5,228.45 crore), Municipal Administration & Water Supply Department (₹2,246.91 crore), Health & Family Welfare Department (₹1,990.71 crore) and Higher Education Department (₹1,084.99 crore). Further scrutiny revealed the following:

In Grant No. 43 – School Education Department, savings amounted to 15.32 *per cent* of the total budget under the Grant. Out of the total savings of ₹7,012.56 crore, amounts exceeding ₹100 crore each were surrendered under 12 schemes during the year.

In Grant No. 42 – Rural Development and Panchayat Raj Department, savings constituted 20.56 *per cent* of the total budget under the Grant. Of the total savings of ₹6,083.81 crore, surrenders exceeding ₹100 crore each were made under 16 schemes during the year.

In Grant No. 34 – Municipal Administration and Water Supply Department, savings accounted for 9.92 *per cent* of the total budget under the Grant. Of the total savings of ₹2,718.46 crore, amounts exceeding ₹100 crore each were surrendered under six schemes during the year.

In Grant No. 19 - Health and Family Welfare Department, savings accounted for 8.09 *per cent* of the total budget under the Grant. Of the total savings of ₹1,833.64 crore, surrenders exceeding ₹100 crore each were made under five schemes during the year. In respect of one such scheme, the Department stated that additional funds anticipated from the Government of India for the "*National Health Mission"* were provided for in the Revised Estimates; however, as these funds were not released, an amount of ₹162.45 crore was surrendered under the scheme.

In Grant No. 20 - Higher Education Department, savings amounted to 24.52 *per cent* of the total budget under the Grant. Of the total savings of ₹2,052.10 crore, amounts exceeding ₹100 crore each were surrendered under five schemes during the year. In reply, it was stated that under one of the schemes *viz.*, "*Upgradation of Polytechnics",* the tender process could not be completed until March 2025, which resulted in the surrender of ₹410.44 crore.

Details of surrenders exceeding ₹100 crore are furnished in ***Appendix 2.8***.

Further, during the year, in nine grants, under 23 schemes where the budget provision exceeded ₹100 crore, no expenditure was incurred, resulting in 100 *per cent* savings. The details are given in ***Appendix 2.9***. The non-utilisation of budgetary allocations in these cases indicates non-achievement of the projected financial outlay.

Budget review of Grant 52 – Department for the Welfare of Differently Abled Persons, revealed that in respect of schemes mentioned in **Table 2.10**, the entire Budget provision remained unutilised and was surrendered.

Table 2.10: Entire provision surrendered during the year 2024-25

(₹ in crore)

Sl. No.	Head of Account	Nomenclature	Provision (O+S)	Re-appropriation	Expenditure
1.	2235.02.001.AK	Conduct of Access Audit in Tourist Spots	0.49	(-) 0.49	0.00
2.	2235.02.001.AL	Conduct of Access Audit in all Government Offices	1.97	(-) 1.97	0.00
3.	2235.02.101.DO	Development of Integrated Services Ability Platform / Super App – Schemes under State Innovation Fund	0.56	(-) 0.56	0.00
4.	2235.02.101.MZ	Augmentative and Alternative Communication system for persons affected by Cerebral Palsy	1.36	(-) 1.36	0.00
5.	2235.02.101.NR	Providing Sign Language interpreter Training through Non-Government Organisation	0.11	(-) 0.11	0.00
6.	2235.02.101.NS	Interest Free Loan Assistance to Differently Abled for paying beneficiaries Share to Housing facilities allotted by Government to Differently Abled Person	1.20	(-) 1.20	0.00
7.	4235.02.101.SA	Scheme for Implementation of Persons with Disabilities Act - (SIPDA)	5.00	(-)5.00	0.00
Total			**10.69**	**(-) 10.69**	**0.00**

(Source: Appropriation Accounts for the year 2024-25)

The Department for the Welfare of Differently Abled Persons in its reply stated that,

(i) Although budget provision was made for the creation of a new website (Super PP Web Portal) (Sl.No.3), the website was developed under another scheme, *viz*., "Tamil Nadu Skill Development Corporation and Tamil Nadu Rights Scheme", resulting in the surrender of the entire provision through re-appropriation.

(ii) During the tendering process for procurement of equipment for "Augmentative and Alternative Communication system for persons affected by Cerebral Palsy" (Sl.No.4), no eligible company was selected. Hence, the budget provision could not be utilised.

(iii) Budget allocated towards the scheme for providing Sign Language Interpreter Training in Charal Thakkar College (Autonomous) at Tirunelveli District (Sl.No.5) could not be utilised due to non-receipt of Rehabilitation Council of India Registration Certificate for conducting the related training.

(iv) An amount of ₹1.20 crore was allocated to Tamil Nadu State Co-operative Bank (Sl.No.6) to provide interest free Housing loan assistance to the beneficiaries for contributing their share towards the houses allocated by the Government for persons with disabilities. However, due to non-submission of utilisation certificate (UC) for the year 2023-24, the entire amount of ₹1.20 crore allocated for the year 2024-25 was surrendered.

(v) Being a Centrally Sponsored scheme (Sl.No.7), in accordance with the PWD's proposal, the Government of India had sanctioned 1st instalment of Grants-in-aid for creation of barrier free environment in the Government Buildings in Chennai and Coimbatore for Accessible India Campaign. Further, as approval of 2nd instalment subsequently forwarded to the Government of India was yet to be received, an amount of ₹5.00 crore was surrendered.

No reasons were provided for non-conducting of Access Audit (Sl.No.1 & 2). In other cases, though the reasons for surrendering the entire budget allocation appears to be valid, the fact remains that the intended schemes could not take off (except Sl. No. 3) during the year.

2.5.6 Misclassification between Revenue Expenditure and Capital Expenditure

As per rule 30 of the Government Accounting Rules, 1990, expenditure that only results in the creation of concrete, material, and permanent assets should be classified as capital expenditure.

During the financial year 2024-25, the State Government had wrongly booked ₹0.88 crore as Capital Expenditure and ₹1.00 crore as Revenue Expenditure as given in ***Appendix 2.10***. Further analysis revealed that,

(i) An expenditure of ₹0.50 crore towards Grants in Aid for creation of capital assets under the scheme Support to Tribal Research Institute was wrongly classified under Capital Expenditure instead of Revenue Expenditure and

(ii) An expenditure of ₹0.38 crore towards the compensation paid by the Joint Commissioner (Labour) was wrongly classified under Capital Account instead of Revenue Expenditure. The above misclassifications resulted in Understatement of Revenue Expenditure to that extent and overstatement of Capital Expenditure.

(iii) Further, an expenditure of ₹1.00 crore towards the scheme 'Seed fund for Clean Tamil Nadu Company Limited' was wrongly classified under Revenue Account instead of Capital Account as the expenditure incurred was towards share capital subscription resulting in overstatement of Revenue Expenditure and understatement of Capital Expenditure

2.5.7 Major policy pronouncements in budget and their actual funding for ensuring implementation

The State Government declares new policies /schemes as a part of major policy announcements during the budget speech every year. To implement the same, there should be a commitment on the part of the State Government to allocate sufficient funds in the budget and sanction the funds for timely implementation. Several policy initiatives taken up by the Government are wholly or partially not executed due to non-approval of scheme guidelines/modalities, non-commencement of works for want of administrative sanction and non-release of budget.

Scrutiny of budget speech, budget documents and appropriation accounts for the year 2024-25 revealed that the Government had announced a new scheme "Kalaignarin Kanavu Illam" with a budget outlay of ₹3,500 crore under the Rural Development and Panchayat Raj Department to construct one lakh houses at a unit cost of ₹3.50 lakh during the year 2024-25. The Government accorded administrative sanction (March 2024) for the above amount for implementation of the Scheme during 2024-25 and had also prescribed scheme guidelines for implementation. The scheme guidelines stipulate that the budget allocation would be 40 *per cent* for SC/ST beneficiaries and the remaining 60 *per cent* for others. However, it was observed that the Government had provided only ₹1,700 crore (48.57 *per cent*) as against the budget commitment of ₹3,500 crore (₹680 crore for SC/ST against ₹1,400 crore and ₹1,020 crore for general category as against ₹2,100 crore) which clearly reflects that the budget pronouncements were not fully translated into actual budget allocation.

Further, the Government had announced a new scheme "Chief Minister Thayumanavar Scheme" with a budget outlay of ₹27,922 crore under the Rural Development and Panchayat Raj Department to provide special assistances to the most vulnerable sections of the society *viz.*, the destitute, elderly persons living alone, single parent families and orphaned children. However, it was observed that the Government had not provided any funds for the above scheme during 2024-25 as the scheme was administratively sanctioned and launched only during the month of August of the succeeding year. This indicates a gap between budget policy announcements and their translation into budgetary allocations.

2.5.8 Non-adherence to the Quarterly Expenditure Limit

According to Article 39 of the Tamil Nadu Financial Code read with the Government Order on expenditure control issued (March 2024) by the Government of Tamil Nadu, government funds should be evenly spent throughout the year and rush of expenditure, particularly in the closing months of the financial year, should be avoided. The rush of expenditure towards the end of the financial year is considered as a breach of financial propriety. The details of expenditure incurred during the last quarter, in the month of March and on the last day of the financial year is shown in **Table 2.11** below:

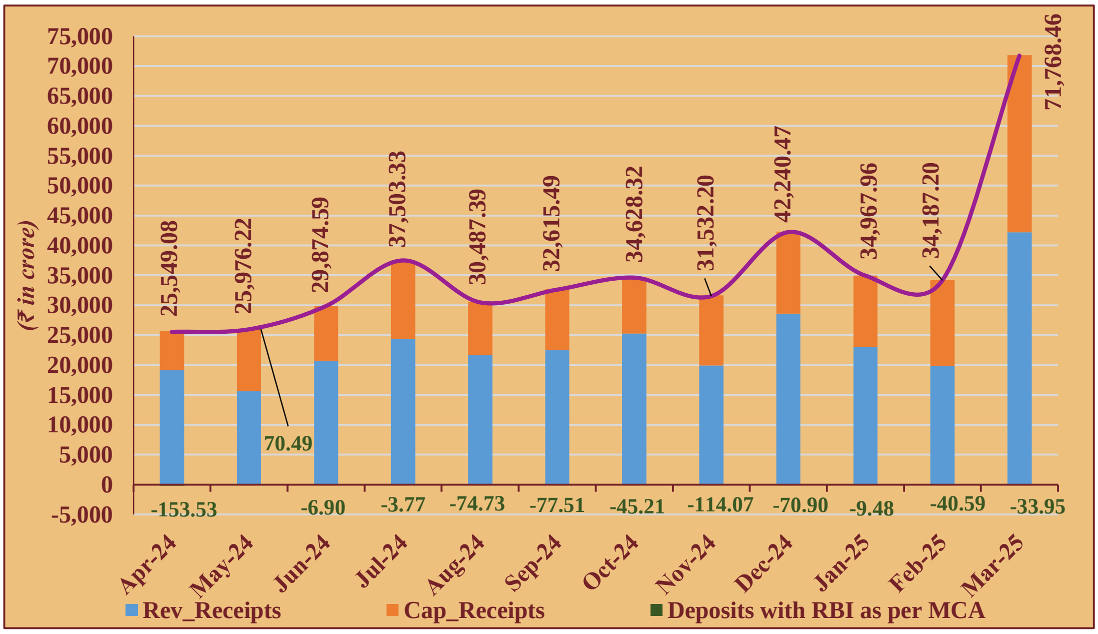
Table 2.11: Rush of Expenditure during 2024-25

	Amount (₹ *in crore*)	Percentage of Total expenditure in the year
Last Quarter of the year (Jan-2025 to Mar-2025)	1,32,580.36	*30.30*
Last month of the year (Mar-2025)	72,600.97	*16.59*
Last day of the year (31st March 2025)	2,049.84	*0.47*

(Source: Compilation from VLC data of O/o AG (A&E))

Trend of total Monthly receipts (Revenue Receipts, Capital Receipts and cash balance) and expenditure during financial year 2024-25 is shown in **Chart 2.6 and Chart 2.7**

Chart 2.6: Trend analysis of receipts (Month wise)

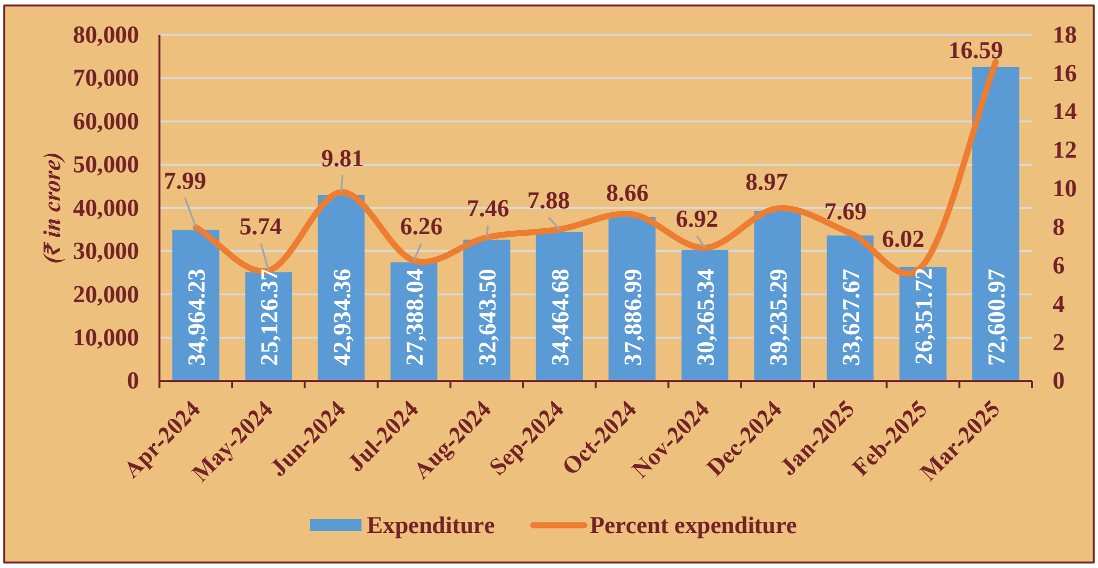


(Source: Compilation from VLC data of O/o AG (A&E))

Chart 2.6 indicates that receipts increased by ₹37,581.26 crore during March 2025 as compared to February 2025. Further analysis revealed that this sharp increase was mainly attributable to substantial interest receipts, particularly interest on investments under DCPS and higher collections under the Tax on Consumption or Sale of Electricity Act, 2003.

The monthly expenditure trend depicted in the **Chart 2.7** below indicates a pronounced skewness in the month of March 2025, as the expenditure increased by ₹46,249.25 crore compared to February 2025. Further scrutiny of March 2025 expenditure revealed that the increase was mainly due to major payments made towards interest on various pension schemes, provident funds, compensation and assignments to local bodies, capital expenditure on water supply and sanitation and Roads and bridges.

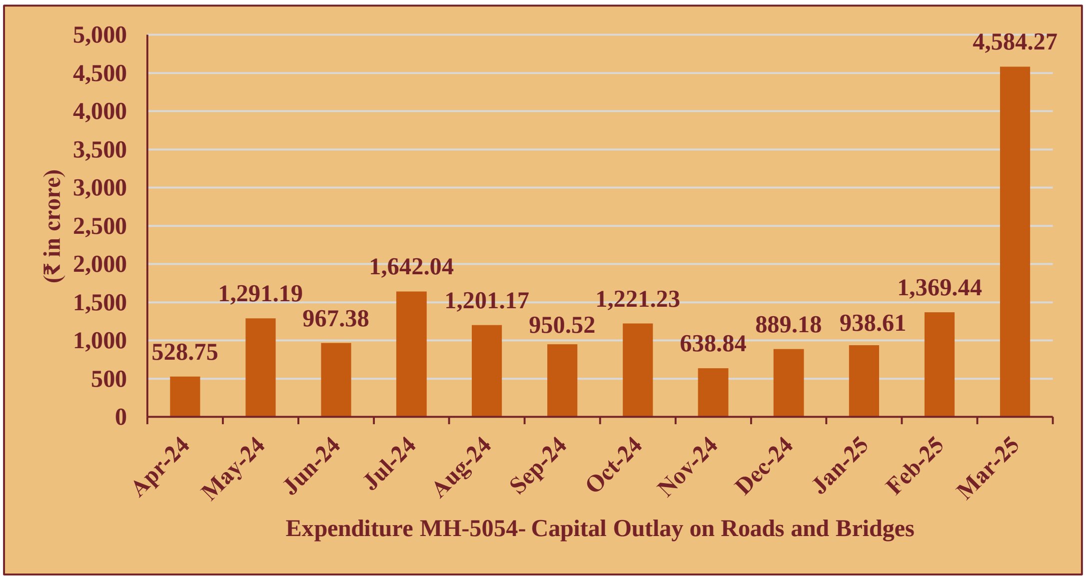
Chart 2.7: Trend analysis of expenditure (Month wise)



(Source: Compilation from VLC data of O/o AG (A&E))

Out of ₹72,600.97 crore (16.59 *per cent* of total expenditure) incurred during the month of March 2025, for 122 sub heads, entire expenditure (₹12,469.02 crore) was incurred only in the month of March 2025 (***Appendix 2.11***). Further, Audit observed that the maximum amount was incurred under the Major Head "5054 – Capital Outlay on Roads and Bridges" during the month of March 2025. The month wise expenditure incurred under the Major Head 5054 is given in **Chart 2.8**.

Chart 2.8: Month wise expenditure under Major Head 5054-Capital Outlay on Roads and Bridges during 2024-25



(Source: Compilation from VLC data of O/o AG (A&E))

Further, the State Government has prescribed quarter-wise percentages *viz.*, 1st Quarter-25 *per cent*; 2nd Quarter-25 *per cent*; 3rd Quarter-25 *per cent*; 4th Quarter-25 *per cent*) for incurring expenditure during the year, with the aim of regulating the expenditure in a phased manner. Audit observed that in

2,185 sub heads, expenditure in the 4th Quarter was 30.30 *per cent*. In the previous Quarters, it ranged from 21.60 *per cent* to 24.55 *per cent*. The quarterly details of expenditures incurred across all Grants are shown in the ***Appendix 2.12***.

Maintaining a steady pace of expenditure is a crucial component of sound public financial management as it prevents fiscal imbalances and temporary cash crunches.

2.6 Implementation of Selected Centrally Sponsored Schemes (CSS) in the State

Centrally Sponsored Schemes (CSS) represent a key component of India's cooperative federalism, with the Union Government providing Grants-in-Aid to States for social sector programmes. Despite reforms to improve fund flow efficiency-such as the introduction of the Single Nodal Agency (SNA) model, SNA-SPARSH platform and Just-in-Time releases via Public Financial Management System (PFMS), challenges persist in budgeting, accounting, and reconciling Central and State shares. The GoI has incentivized States to adopt these reforms through performance-based grants, encouraging adoption of digital tools and integration of financial systems.

2.6.1 Single Nodal Agency- Central and State Share Transfer to Centrally Sponsored Schemes

The Ministry of Finance, Government of India, mandated (March 2021) that funds for each Centrally Sponsored Scheme (CSS) be released through a Single Nodal Agency (SNA) designated for that particular scheme. The SNA is responsible for monitoring the utilisation of these funds. Each SNA must maintain a dedicated bank account in an authorized Scheduled Commercial Bank. The State Government is required to transfer the Central Share received, to the respective SNA's account, along with the corresponding State share.

Details of fund transfers relating to one CSS is given below:-

Jal Jeevan Mission

The Jal Jeevan Mission (JJM) is a flagship Indian government program launched in 2019 to provide safe and adequate drinking water to every rural household through individual tap connections by 2024. As per GoI's Operational Guidelines for implementation of JJM, the Centre-State funding pattern for implementation of the scheme is 50:50 for Coverage i.e., infrastructure in terms of Functional Household Tap Connections (FHTCs) provided to rural households and 60:40 for Support Activities including Water Quality Monitoring and Surveillance (WQM&S). Till 2022-23, the Centre's share was credited to the State Government through the Public Financial Management System portal. Thereafter, the State was required to release or transfer the sanctioned amount to the 'Single Nodal Account' (SNA) of the scheme maintained by the Mission Director, along with the matching State share, within 15 days of receipt. From January 2023, both the Centre and State's share of funds were directly released to the SNA. All payments were made by the implementing agencies through the portal by using the SNA.

The details of funds received and expenditure incurred under JJM in Tamil Nadu for the period 2019-2025 are given in **Table 2.12**

Table 2.12 Receipts and expenditure of JJM funds at State level

(₹ in crore)

Year	Opening Balance (OB)	Receipts during the year	Total	Expenditure during the year	Closing Balance (CB)
2019-20	11.76[2]	561.47	573.23	199.10	374.13
2020-21	374.13	1,366.95	1,741.08	965.10	775.98
2021-22	775.98	1,479.36	2,255.34	973.93	1,281.41
2022-23	1,281.41	1,753.90	3,035.31	1,290.40	1,744.91
2023-24	1,744.91	5,209.67	6,954.58	5,303.60	1,650.98
2024-25	1,650.98	3,313.03	4,964.01	4,740.42	223.59

(Source: TWAD Board, Chennai and Appropriation accounts of the respective years)

Delayed release of Central Assistance

Audit scrutiny revealed that, the GoI share received by the State Government were released to the SNA with delays ranging from 6 to 104 days beyond the stipulated transfer date. Further, delays ranging from 14 to 313 days were noticed in the release of State's share to SNA upto the year 2022-23, though there had been no delay during the last two years. Audit however observed that though there was delay in release of funds, the progress of the works under JJM was not affected for want of funds.

2.6.2 Other issues noticed in Detailed Review of Selected grants

As per the SNA Report-01 of PFMS Portal, the State Government received ₹9,080.03 crore being SNA's Central Share of CSS during the year. The Government stated that Central share of ₹9,556.48 crore (includes the amount not reflected in PFMS report due to transfer of funds before on-boarding) and State share of ₹10,130.68 crore was transferred to the SNAs during the year. However, related vouchers and supporting documents were not received by the Office of the PAG(A&E). As of 31 March 2025, the unspent amount in the SNA Account stood at ₹4,976.23 crore.

On enquiry regarding the status of unspent amount in the SNA account, it was replied by the Government (December 2025) that 46 State Level Societies (SLS) under 17 CSS have been on-boarded to SNA SPARSH account during February and March 2025. Further, it was stated that based on continuous follow-up action, the proportionate Central share amounting to ₹246.42 crore under 39 SLS had been remitted back to the GoI as of November 2025. The Government further stated that suitable instructions had been issued to all departments to adhere to the GoI guidelines regarding remittance of unspent balances to the SPARSH account.

During the review of the selected "Grant 42 – Rural Development & Panchayat Raj Department", Audit observed that the SNA accounts of the department showed an unspent balance of ₹799.58 crore as of March 2025. It was also noticed that in the SNA account of the Centrally Sponsored Scheme, Prime Minister Awaas Yojana (PMAY), there was a huge balance of ₹690.22 crore as on 31 March 2025. As sufficient unspent funds were already available in the Single Nodal Agency (SNA) account from the previous financial year, no further funds were released by the GoI during 2024–25.

[2] OB taken from erstwhile National Rural Drinking Water Programme.

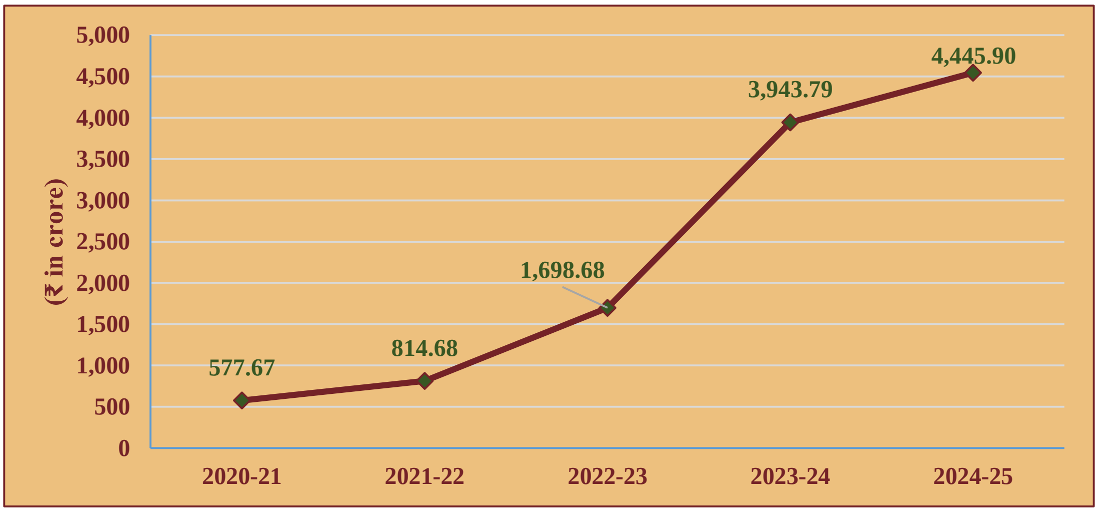
2.6.3 Recoveries under Minor head – 911 – Recoveries of overpayment unspent balances of previous years

As per Para 178 of the Tamil Nadu Budget Manual, it is irregular to draw funds from the Government account without immediate requirement. Further, as per Article 39 of the Tamil Nadu Financial Code (Vol I), all appropriations lapse at the close of the financial year and no funds should be drawn from the treasury to avoid lapse of budget. Hence, all appropriations which remain unspent must be surrendered to the Government in the same financial year.

During the year, an unspent amount of ₹4,445.90 crore relating to previous years pertaining to 829 heads of account/Schemes across Grants was remitted into the Government account under the Minor Head “911 - Deduct - Recoveries of overpayment”.

Further scrutiny revealed that during the period 2020-21 to 2024-25 the remittances under minor head “911” was on an increasing trend and had increased by 7.87 times over the past five years as depicted in **Chart 2.9**.

Chart 2.9: 911-Recoveries of Overpayments for the period 2020-21 to 2024-25



(Source: Appropriation Accounts of the respective years)

Further analysis of these bookings under the Grant selected for review, *viz*., “Grant 42 – Rural Development & Panchayat Raj Department”, revealed that, a total amount of ₹1,466.47 crore was remitted under 20 sub heads of account during the year. On audit enquiry, the department replied that these amounts remitted related mainly towards the works which did not take off.

The impact of these unspent balances is that not only was the actual expenditure inflated during the year of drawal but that it also inflated revenue deficit to that extent.

In the Exit conference, it was stated that, the government has constituted a “Special Task Force” (September 2021) to reconcile, identify and assess the funds kept outside the government account, relating to unspent balances of the previous years and remit the balance funds into the Government account.

2.7 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. Further, in exercise of the powers conferred by section 3 of the Tamil Nadu Contingency Fund Act, 1954 (Tamil Nadu Act II of 1954), the State established the Tamil Nadu Contingency Fund Rules, 1963 for regulating all matters connected with or ancillary to the custody of payment of monies into and the withdrawal of monies from the Contingency Fund of the State for meeting unforeseen expenditure. The fund is in the nature of an imprest. The Fund is recouped when the State Legislature authorises the additional expenditure. The corpus of the Fund was increased from ₹150 crore to ₹500 crore during the year.

2.7.1 Advances from Contingency Fund

Advances from the Contingency 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.

During the financial year 2024-25, an amount of ₹56.27 crore was withdrawn as an advance by Six Departments[3] from the Contingency Fund in respect of six schemes/programmes.

Details of schemes in which amounts were withdrawn as advances from the Contingency Fund are given in **Table 2.13**.

Table 2.13: Details of schemes in which amount was withdrawn as an advance from Contingency Fund

(₹ in crore)

Sl. No.	Demand No, HOA and Nomenclature of the Scheme	CFA Number and Date of Sanction	Original Budget	Supplementary Budget	Total	Expenditure	Savings / Excess	Advance from Contingency Fund
1.	Demand No.22 2055-00-109-AL Commissioner of Police in Districts	CF No.4, dt.07.11.2024	1,761.93	0.37	1,762.30	1,726.35	(-) 35.95	0.37
2.	Demand No.33 2052-00-091-AA State Official Language (Legislation) Commission	CF No.3, dt.28.10.2024	3.69	0.89	4.58	4.45	(-) 0.13	0.73
3.	Demand No.38 2070-00-105-DC Commission of Inquiry to Inquire the incident of consuming arrack admixed with methanol at Karunapuram in Kallakurichi District	CF No.1, dt.29.08.2024 CF No.2, dt.24.10.2024 CF No.6, dt.27.11.2024	0.00	0.65	0.65	0.89	0.25	0.65
4.	Demand No.41 2053-00-094-AB Taluk Establishments	CF No.5, dt.14.11.2024	491.14	0.30	491.44	479.54	(-) 11.90	0.30
5.	Demand No.42 2216-03-796-JG	CF No.7, dt.26.02.2025	0.00	108.71	108.71	108.71	0.00	54.00

[3] Police, Law, Public, Revenue and Disaster Management, Rural Development & Panchayat Raj and Welfare of Differently Abled Persons)

(₹ in crore)

Sl. No.	Demand No, HOA and Nomenclature of the Scheme	CFA Number and Date of Sanction	Original Budget	Supplementary Budget	Total	Expenditure	Savings / Excess	Advance from Contingency Fund
	Additional Unit cost for the houses under the Pradhan Mantri JANMAN Scheme							
6.	Demand No.52 2235-02-101-NT Centre of Excellence for Autism Spectrum Disorder	CF No.8, 28.03.2025	0.00	0.00	0.00	0.00	0.00	0.22
Total			**2,256.76**	**110.92**	**2,367.68**	**2,319.94**	**(-) 47.74**	**56.27**

(Source: State Government CFA Orders and Details furnished by O/o AG (A&E))

As per Para 6 of the Tamil Nadu Contingency Fund Rules, if an amount drawn from the Contingency Fund remains unutilised, an application is required to be submitted to the sanctioning authority for cancellation of the sanction. Audit, however, observed that CFA No. 8 dated 28 March 2025, issued to the Department of Welfare of Differently Abled Persons, remained unutilised at the end of the financial year and was subsequently utilised in the succeeding year.

Audit scrutiny also revealed that although a proposal was made during the Budget Session 2024-25 (February 2024) to establish a Centre of Excellence (CoE) for persons with Autism Spectrum Disorder (ASD) in Chennai District at an estimated cost of ₹25 crore, and the Centre commenced functioning from December 2024 by engaging specialists/therapists and procuring materials in anticipation of administrative sanction, the Contingency Fund sanction was accorded only on 28 March 2025 and remained unutilised during the year.

2.8 Other issues

2.8.1 Operation of omnibus detailed head "99 – Miscellaneous" and unauthorised reappropriation

Under Rule 10 read with Rule 39 of the Tamil Nadu Government Business Rules and Secretariat Instructions, all cases involving the State's finances have to be referred to the Finance Department except those for which general delegations have been indicated by the Finance Department. Accordingly, the Finance Department (vide G.O.Ms.No.519, Finance (Salaries) Department dated 29.09.1997) had delegated certain financial powers upto ₹25 lakhs to the Secretaries to the Government and Departments of Secretariat to dispose of cases expeditiously without reference to Finance Department.

Subsequently, during 2022-23, the Finance Department (vide G.O.No.334 dated 22.10.2022) enhanced the delegation of powers to the Secretaries from ₹25 lakhs to ₹75 lakhs to enable disposal of cases without reference to Finance Department. Hence, expenditure incurred based on this G.O. does not require concurrence of the Finance Department. The Secretaries to the Government Departments were also given powers to sanction certain expenditure, listed in the said Government Order (G.O.), subject to availability of budgetary allocation with following directions *viz.*,

(i) A Grant for unforeseen expenditure with an annual cap of ₹75 lakh to all Secretaries to the Government of Administrative Departments will be annually provided in the Budget.

(ii) This grant shall be utilized only in the manner and for the items of expenditure specified in the G.O.

(iii) This grant is inapplicable to the items of expenditure which are charged on the Consolidated Fund of the State.

(iv) This grant cannot be reappropriated.

During the year 2024-25, under 37 demands for Grants[4], budget allocation totalling to ₹27.75 crore (₹75 lakh under each grant) was made towards the scheme *viz*., "Grants for unforeseen expenditure provided to Secretaries to the Government" under detailed head "*99 – Miscellaneous*" against which ₹14.47 crore was incurred. (Grant wise details given in ***Appendix 2.13***)

During certification process, it was observed that except the Finance Department (Grant No.16), Secretaries of all the departments for whom the budget was allocated had incurred expenditure against it. The expenditure incurred was mostly towards purchase of furniture, works related to repairs, alteration, minor improvement in office buildings, payment of pleader fees and towards professional and special services. It is pertinent to mention that all such expenses are not unforeseen and had specific related detailed heads available to record each such expenditure in the books of accounts.

Further, it was also observed that at the end of March 2025, a proposal was made by the Department of Animal Husbandry (Grant No.6) to transfer ₹5 lakh from the head of account "3451-00-090-AQ-Grants for unforeseen expenditure provided to Secretaries to the Government" to "2404-00-001-JA-Headquarters - Establishment of Milk Production and Dairy Development Department - 305- Office expenses – 05 Furniture" under Dairy Development Department (Grant No.8). Audit scrutiny revealed that the expenditure of ₹4,99,492/- incurred towards purchase of furniture was drawn by the Commissioner of Animal Husbandry under Grant No. 8 - Dairy Development Department based on the proposal. It was seen that both the Grants fall under the same Department, the Secretary being the same. This is clearly in violation of the conditions specified in the G.O. that the grant provided to meet unforeseen expenditure cannot be re-appropriated.

As grants provided under this scheme do not require the approval of the Finance Department, there is always a room for such violations leading to indirect method of Grant-to-Grant re-appropriation which is not admissible as per the Tamil Nadu Budget Manual. Also incurring expenditure under omnibus detailed head "*99-Miscellaneous*" impacts the transparency in financial reporting.

2.9 Conclusions

The audit of budgetary management for 2024-25 indicates that while aggregate expenditure remained within the authorisation of the Legislature, gaps persisted between budget estimates, revised estimates and actual expenditure.

[4] Grant Nos. 4, 5, 6, 9, 10, 12, 14, 15, 16, 17, 19, 20, 21, 22, 26, 27, 29, 31, 32, 33, 34, 35, 36, 38, 39, 40, 41, 42, 43, 44, 45, 46, 48, 49, 52, 53 and 55

Persistent savings, large-scale year-end surrenders and instances of unnecessary supplementary grants point to weak alignment between budgeting and implementation capacity. Entire provisions aggregating ₹113.80 crore under four grants remained unutilised, while several schemes with substantial allocations recorded no expenditure. More than half of the total surrenders (₹26,104 crore) occurred on the last day of the financial year, limiting the scope for effective reallocation.

Although the quantum of expenditure incurred without budget provision was small (₹0.08 crore), such instances indicate gaps in expenditure controls and system-level safeguards. Recurrent excess expenditure at the scheme level under select grants over multiple years further highlights the need for stronger scrutiny during budget formulation and execution.

The audit also noted a rush of expenditure towards the year-end, with 30.30 *per cent* incurred in the last quarter and 16.59 *per cent* in March 2025, contrary to prescribed expenditure norms. Significant unspent balances in Single Nodal Agency accounts and partial translation of budget policy announcements into actual allocations affected fiscal discipline.

Overall, the chapter highlights the need to improve budget planning, strengthen expenditure controls and enhance the linkage between policy announcements, budget provisioning and actual implementation.

2.10 Good Practices

(i) All the disbursements during the year were well within the authorization made by the State and no expenditure was incurred in excess of the total grant allocated to the departments.

(ii) Excess expenditure relating to grants of previous years has been regularised, except for the year 2023-24, which was placed before the Legislative Assembly on 17.10.2025.

2.11 Recommendations

(i) The State may enforce proper implementation and monitoring of the budget mechanism to ensure identification of anticipated savings and avoid last minute surrender as well as rush of expenditure. It should also ensure continuous monitoring of the progress of expenditure through the Business Intelligence module of IFHRMS.

(ii) Expenditure controls, including system validations within IFHRMS, may be strengthened to prevent incurrence of expenditure without budget provision.

(iii) The State should ensure that adequate provisions were made for major policies /schemes announced in the Budget.