

## CHAPTER II

### ALLOCATIVE PRIORITIES AND APPROPRIATION

#### 2.1 Introduction

**2.1.1** The Appropriation Accounts prepared annually indicate capital and revenue expenditure on various specified services *vis-à-vis* those authorised by the Appropriation Act in respect of both charged and voted items of budget.

**2.1.2** Audit of appropriation by the Comptroller and Auditor General of India seeks to ascertain whether expenditure actually incurred under various grants is within the authorisation given under the Appropriation Act and that 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, regulations and instructions.

#### 2.2 Summary of Appropriation Accounts

The summarised position of actual expenditure during 2007-2008 against 53 grants/appropriations was as given in **Table 2.1**:

Table 2.1

(Rupees in crore)

	Nature of expenditure	Original grant/appropriation	Supplementary grant/appropriation	Total	Actual expenditure	Saving (-)/ Excess (+)
<b>Voted</b>	I Revenue	39518.62	1551.51	41070.13	37094.46*	(-) 3975.67
	II Capital	7867.36	1138.24	9005.60	7631.78	(-) 1373.82
	III Loans and Advances	1098.75	804.69	1903.44	1781.56*	(-) 121.88
<b>Total Voted</b>		<b>48484.73</b>	<b>3494.44</b>	<b>51979.17</b>	<b>46507.80</b>	<b>(-) 5471.37</b>
<b>Charged</b>	IV Revenue	6064.03	623.70	6687.73	6612.23	(-) 75.50
	V Capital	2.00	39.94	41.94	41.79	(-) 0.15
	VI Public Debt-Repayment	3916.80	0.00	3916.80	3545.61	(-) 371.19
<b>Total Charged</b>		<b>9982.83</b>	<b>663.64</b>	<b>10646.47</b>	<b>10199.63</b>	<b>(-) 446.84</b>
<b>Appropriation to Contingency Fund (if any)</b>		..	..	..	..	..
<b>Grand Total</b>		<b>58467.56</b>	<b>4158.08</b>	<b>62625.64</b>	<b>56707.43**</b>	<b>(-) 5918.21</b>

\* These are gross figures except in respect of Grant Nos. 20, 21, 39 and 40 in which certain suspense heads are operated.

\*\* The total expenditure includes Rs 1687.31 crore transferred to 8443-Civil Deposits - 800 Other Deposits-AE Deposits of Government Companies, Corporations, etc., in respect of 26 Corporations/Autonomous Bodies but kept unutilised.

## 2.3 Results of Appropriation Audit

### 2.3.1 Excess over provision requiring regularisation - previous years

As per Article 205 of the Constitution, it is mandatory for the State Government to get the excess over a grant/appropriation regularised by the State Legislature. However, the excess expenditure amounting to Rs 5913.44 crore for the years 1998-2007 was yet to be regularised as detailed in **Appendix 2.1**.

### 2.3.2 Excess over provision during 2007-08 requiring regularisation

The excess expenditure in six grants amounting to Rs 113.04 crore as indicated in **Table 2.2**, requires regularisation under Article 205 of the Constitution.

Table 2.2

(Amount in Rupees)

Sl. No.	Number and title of grant/appropriation	Total grant/appropriation	Expenditure	Excess
<b>Voted Grants -</b>				
1.	18 Khadi, Village Industries and Handicrafts (Handlooms, Handicrafts, Textiles and Khadi Department) (Revenue)	62,84,44,000	62,85,91,444	1,47,444
2.	35 Personnel and Administrative Reforms Department (Capital)	15,82,000	16,36,743	54,743
3.	40 Irrigation (Public Works Department) (Revenue)	646,28,10,000	741,27,02,099	94,98,92,099
4.	42 Rural Development and Panchayat Raj Department (Revenue)	3,065,06,02,000	3,079,23,37,603	14,17,35,603
5.	48 Transport Department (Capital)	102,42,59,000	102,89,51,998	46,92,998
6.	51 Relief on Account of Natural Calamities (Revenue)	685,00,39,000	688,39,59,621	339,20,621
<b>Total</b>	<b>Voted</b>	<b>4,561,77,36,000</b>	<b>4,674,81,79,508</b>	<b>113,04,43,508</b> or 113.04 crore

### 2.3.3 Expenditure incurred without provision

In 47 sub-heads, expenditure of Rs 2.05 crore had been incurred either without budget provision or the entire provision was withdrawn through reappropriation. The details are given in **Appendix 2.2**.

### 2.3.4 Original budget and supplementary provisions

The overall saving of Rs 5918.21 crore was the result of saving of Rs 6031.25 crore in 47 grants and 48 appropriations under Revenue Section, 36 grants and three appropriation under Capital Section and 17

grants and one appropriation (Public Debt-Repayments) under Loan Section, offset by excess of Rs 113.04 crore in four grants under Revenue Section and two grants under Capital Section. Out of 949 sub-heads, explanations for variation were not received (July 2008) in respect of 876 sub-heads (Saving: 526 sub-heads and Excess: 350 sub-heads).

**2.3.5** Supplementary provision obtained during the year constituted 7 per cent of original provision as against 10 per cent in the previous year.

**2.3.6 Unnecessary supplementary provision**

Supplementary provision aggregating Rs 557.77 crore obtained in 39 cases, Rs 10 lakh or more in each case, during the year proved unnecessary as the expenditure did not come up to the level of original provision as detailed in **Appendix 2.3**.

**2.3.7** In 17 cases, against additional requirement of Rs 1362.71 crore, supplementary grants and appropriation of Rs 1550.98 crore were obtained resulting in saving, in each case exceeding Rs 50 lakh, aggregating Rs 188.27 crore. Details of these cases are given in **Appendix 2.4**.

**2.3.8 Substantial surrenders**

Substantial surrenders (the cases where more than 50 per cent of total provision was surrendered) were made in respect of 202 sub-heads on account of either non-implementation or slow implementation. Out of the total provision amounting to Rs 5488.22 crore in these 202 schemes, Rs 4766.83 crore (87 per cent) were surrendered, which included cent per cent surrender in 60 schemes (Rs 2427.54 crore). Results of 11 such cases are given in **Appendix 2.5**.

**2.3.9 Surrender in excess of actual saving**

In 25 cases, the amount surrendered (Rs 50 lakh or more in each case) was in excess of actual savings indicating inadequate budgetary control. As against savings of Rs 1169.57 crore, the amount surrendered was Rs 1307.86 crore resulting in excess surrender of Rs 138.29 crore. Details are given in **Appendix 2.6**.

**2.3.10 Substantial savings**

In 33 cases, the expenditure fell short by more than Rs 1 crore in each case and also by 15 per cent or more of the total provision as detailed in **Appendix 2.7**.

**2.3.11 Excessive/unnecessary reappropriation of funds**

Reappropriation is transfer of funds within a grant from one unit of appropriation, where savings are anticipated, to another unit where additional funds are needed. Injudicious reappropriation proved excessive or insufficient and resulted in savings/excess of over Rs 10 lakh in 577 sub-heads. The excess/saving was more than Rs 2 crore in 76 sub-heads as detailed in **Appendix 2.8**.

### 2.3.12 Unexplained reappropriations

According to paragraph 151 of Tamil Nadu Budget Manual, Volume I, reasons for the additional expenditure and the savings should be explained in the reappropriation statement and vague expressions such as “based on actual requirements”, “based on trend of expenditure”, etc., should be avoided. However, a scrutiny of reappropriation orders issued by the Finance Department revealed that in respect of 4,108 items out of 20,428 items (20 per cent), reasons given for additional provision/withdrawal of provision in reappropriation orders were of general nature like “actual requirement”, “based on latest assessment” and “restriction of expenditure”.

## 2.4 Non-reconciliation of Departmental figures

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

Even though non-reconciliation of Departmental figures is being pointed out regularly in Audit Reports, lapses on the part of Controlling Officers in this regard persisted during 2007-08 also. Eleven Controlling Officers did not reconcile expenditure amounting to Rs 333.81 crore as of September 2008.

Of the 11 controlling officers, amounts exceeding Rs 10 crore in each case remained unreconciled during 2007-08 in respect of the following five Controlling Officers as given in **Table 2.3**.

**Table 2.3**

(Rupees in crore)

Sl. No.	Controlling Officers	Amount not reconciled
1.	Director of Handlooms and Textiles	12.18
2.	Director of Medical and Rural Health Services	60.67
3.	Project Director, Tamil Nadu Health System Project	61.09
4.	Registrar of Co-operatives (Housing)	165.64
5.	Chief Engineer, Buildings	26.37

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

Eleven Controlling Officers did not reconcile receipts amounting to Rs 3.87 crore as of September 2008.

**2.4.3** In paragraph 2.4.4 of Audit Report (Civil) 2006-07, non-reconciliation of receipts pertaining to 2006-07 to the extent of Rs 6.06 crore, which included Rs 3.53 crore relating to Commissioner of Municipal Administration, was pointed out. As of September 2008 Rs 2.58 crore out of the amount relating to Commissioner of Municipal Administration was pending reconciliation.

## 2.5 Rush of expenditure

According to the Tamil Nadu Financial Code, rush of expenditure in the closing month of the financial year should be avoided. Contrary to this, in respect of 53 sub-heads, expenditure exceeding Rs 10 crore and also more than 50 *per cent* of the total expenditure for the year was incurred in March 2008 (**Appendix 2.9**). Results of review conducted by Audit in respect of a few of these cases revealed that

(1) Government provided funds (Rs 78.65 crore) in the original budget estimates for supply of free bicycles to the following categories of students studying in standard XI and XII in Government/Government aided/self financing schools during 2007-08 under the following sub heads:

2225.01.277.KJ	Girl students belonging to Scheduled Caste/Scheduled Tribe/Scheduled Caste Convert Communities
2225.03.277.KR	Girl students belonging to Most Backward Classes and Denotified Communities
2225.01.277.KO	Boy students belonging to Scheduled Castes/Scheduled Tribes/Scheduled Caste Converts
2225.03.277.KT	Boy students belonging to Most Backward Classes and Denotified Communities
2225.03.277.KS	Girl students belonging Backward Classes

Token provisions were also made in Supplementary II for meeting out the expected additional expenditure. However, the procurement procedure was completed and funds were allotted to districts for supply of bicycles only in February/March 2008. Payments for supply of bicycles were made by the districts during March 2008. This has resulted in rush of expenditure in March 2008 besides postponement of benefit to the students.

(2) Government provided funds for the following schemes for the welfare of agricultural labourer in the original estimates of 2007-08.

2235 60 200 KK	Tamil Nadu Agriculture Labour Welfare Board - Financial assistance for the marriage of children of the members (Original: Rs 28.00 crore reduced to Rs 26.20 crore in RE)
2235 60 200 KL	Tamil Nadu Agriculture Labour Welfare Board – Old Age Pension to the members (Original: Rs 14.11 crore reduced to Rs 13.51 crore in RE)
2235 60 789 JN	Agriculture Labour Welfare Board – Financial Assistance for the marriage of children of the members under Special Component Plan (Original: Rs 12.00 crore increased to Rs 13.80 crore in RE)

The funds were required to be allotted quarterly in June 2007, September 2007, December 2007 and March 2008. However, of the total funds of Rs 53.51 crore, Rs 51.65 crore for the above three schemes was drawn in March 2008 by Commissioner of Land Reforms and credited to the Personal Deposit account of the Tamil Nadu Agriculture Labour Welfare Board in April 2008 resulting in rush of expenditure.

## 2.6 Personal Deposit Accounts

**2.6.1** Personal Deposit (PD) Accounts is created for parking funds by debit to the Consolidated Fund of the State and should be closed at the end of the financial year by minus debit to the relevant service heads. There were 1,294 PD accounts in 29 District Treasuries and five Pay and Accounts Offices in operation. Of these accounts, 1,109 PD accounts were not closed as of March 2008 and the balance of Rs 230.68 crore with these accounts was not transferred back to the respective service heads. Of these 1,109 accounts 758 accounts were not operated during 2007-08.

**2.6.2** During the inspection of treasuries by the Accountant General (A&E) and information collected from PAO (North) it was found that 159 PD accounts with balances exceeding Rs 5,000 were remaining inoperative for periods upto 24 years. The total amount involved in these accounts was Rs 3.21 crore. Of these accounts seven were not in operation for more than 20 years; 38 for more than ten years and 56 for more than five years.

**2.6.3** According to Tamil Nadu Financial Code, an expenditure should not be *prima facie* more than occasion demands and Government funds should not on any account be reserved or appropriated by transfer to a deposit or any other head or be drawn from the treasury and kept in a cash chest in order to prevent the funds from lapsing.

The following deposit accounts of Government Companies and Corporations (8443-00-800) funds were kept unutilised.

(i) Tamil Nadu Rural Housing Infrastructure Corporation (TNRHIC)	Rs 1.46 crore (from April 2005)
(ii) MGR University	Rs 99.07 lakh (from March 2004)
(iii) Adyar Poonga Trust	Rs 10.00 crore (from March 2007)

It was seen in as far as TNRHIC is concerned the amount was originally sanctioned for payment of interest on housing loans obtained from HUDCO. However, from March 2005 onwards the loans were ordered to be taken over by Director of Rural Development and payment of interest was to be made by DRD. However, the balance amount in this account was not remitted back to Government.

The MGR University has stated that the expenditure to the extent of Rs 61.29 lakh was already incurred for Upgradation of Regional Medical Library (Rs 28.97 lakh) and Establishment of Virtual Library (Rs 32.32 lakh) from the General Fund and same would be withdrawn from the PD account for recouping their General Fund.

The Adyar Poonga Trust has not made use of the funds during 2007-08 indicating that funds were released in March 2007 far in advance of requirements.

## 2.7 Lapsed Deposit

As per Article 271 (v) of Tamil Nadu Financial Code, all works deposits (deposits for work of land acquisition for public bodies or individuals) exceeding five rupees and unclaimed for more than five complete financial years shall lapse to Government. The amount lapsed should be credited to the Government at the close of March in each year.

A review of records on works deposits (8443.00.117) in two Pay and Accounts Officers, Chennai (North and South) revealed the following:

- PAO (South) had a balance of Rs 71.80 crore as at the end of 2007-08 out of which amounts pertaining to period prior to 2003-04 were Rs 4.49 crore. The PAO stated (October 2008) that proposals for lapsing the above amount would be sent shortly to the Accountant General.
- PAO (North) had a balance of Rs 5.52 crore. Of the balance, Rs 3.95 crore relating to period 1989-1995 (due for lapsing during 1995-1999) was not lapsed (September 2008) to Government.

The above instances would indicate failure on the part of the PAOs in lapsing the deposits.

## 2.8 Non-adjustment of Temporary Advances

Drawing and Disbursing Officers (DDOs) draw temporary advances for the purpose of meeting contingent expenditure either on the authority of standing orders or specific sanction of the State Government. According to the provisions of Article 99 of Tamil Nadu Financial Code, Volume I, if any temporary advance is pending for more than four months, the Treasury Officer/Pay and Accounts Officer is required to write to the Head of Department concerned for adjustment within a month duly supported with vouchers. An advance pending for more than five months should be brought to the notice of the Government.

As of 31 January 2008, 1,947 advances aggregating Rs 107.56 crore were pending adjustment by DDOs in the records of Pay and Accounts Offices (PAO) (7) and Treasuries (30) in the State. Agewise analysis of advances pending is given in **Table 4**.

**Table 4**

SINo	Pendancy	No of Advances	Amount (Rs in crore)
1	More than 10 years	56	2.78 (3)
2	More than five year upto 10 years	103	4.31 (4)
3	More than one year but less than five years	816	64.84 (60)
4	Less than one year	972	35.63 (33)
	<b>Total</b>	<b>1947</b>	<b>107.56 (100)</b>

Figures in brackets indicate percentage to total amount

Test check of records of eight<sup>1</sup> Drawing and Disbursing Officers in the State revealed non-adjustment of temporary advances and Rs 53.56 crore were pending adjustment as of March 2008 for periods ranging from one year to more than 10 years for reasons discussed below:

<b>(Rupees in crore)</b>	
a) Details for adjustment of accounts awaited from sub-ordinate offices/other agencies	10.37
b) Adjustment bills submitted to PAOs not adjusted	5.19
c) Adjustment vouchers not available with the Department	19.30
d) Clarification on expenditure incurred awaited from the Government	0.10
e) Pending with controlling officers	12.37
f) Amount already remitted but not reflected in PAO records	0.17
g) Advances claimed to have not drawn	1.99
h) Pending for reconciliation with PAOs	0.15
i) Original vouchers/details not available	2.13
j) Amount kept unutilised	0.08
k) Relevant records seized by Anti-corruption/vigilance department	1.71
<b>Total</b>	<b>53.56</b>

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

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<sup>1</sup> Commissioner of Tourism (Rs 63.43 lakh), Commissioner of Animal Husbandry (Rs 1930.15 lakh), Director General of Police (Rs 1021.22 lakh), Director of School Education (Rs 309.76 lakh), Director of Treasury and Accounts (Rs 965.15 lakh), Director of Social Welfare (Rs 849.25 lakh), District Election Officer, Chennai (Rs 95.26 lakh) and Department of Tamil Development, Religious Endowments and Information (Rs 121.97 lakh).