

CHAPTER II
FINANCIAL MANAGEMENT
AND
BUDGETARY CONTROL

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FINANCIAL MANAGEMENT AND BUDGETARY CONTROL

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 voted grants¹ and appropriations charged² 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 at the Secretariat level headed by Principal Secretaries/Secretaries. Each department operates one or more demand. The demand for grant generally reflects the allocation for a department. In 2014-15, 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 2014-15 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 by 31 March
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9) = (7)/(6)
Voted								
I Revenue	1,12,934.46	13,946.24	1,26,880.70	1,16,167.04	(-) 10,713.66	(-) 11,572.59	(-) 8,236.63	108.02
II Capital	23,781.41	4,051.08	27,832.49	18,070.22	(-) 9,762.27	(-) 9,739.16	(-) 2,429.76	99.76
III Loans and Advances	2,523.14	2,447.37	4,970.51	4,318.95	(-) 651.56	(-) 653.51	(-) 339.32	100.30
Total Voted	1,39,239.01	20,444.69	1,59,683.70	1,38,556.21	(-) 21,127.49	(-) 21,965.26	(-) 11,005.71	
Charged								
IV Revenue	15,327.19	187.06	15,514.25	15,473.73	(-) 40.52	(-) 34.54	(-) 34.44	85.24
V Capital	1.00	60.32	61.32	58.54	(-) 2.78	(-) 1.36	(-) 1.36	49.02
VI Public Debt- Repayment	7,499.49	46.42	7,545.91	6,487.70	(-) 1,058.21	(-) 1,056.65	(-)1.10	99.85
Total Charged	22,827.68	293.80	23,121.48	22,019.97	(-) 1,101.51	(-) 1,092.55	(-) 36.90	
Appropriation to Contingency Fund (if any)	
Grand Total	1,62,066.69	20,738.49	1,82,805.18	1,60,576.18	(-) 22,229.00	(-) 23,057.81	(-) 11,042.61	

(Source: Appropriation Accounts for 2014-15)

Supplementary provisions of ₹ 20,738.49 crore obtained during the year constituted 11.34 per cent of the total provision. The overall saving of ₹ 22,229 crore was the result of savings of ₹ 22,307.56 crore in 50 grants and 54 appropriations under Revenue section, 38 grants and four appropriations under Capital section and 35 grants and one appropriation under Loan section, offset by excess of ₹ 78.56 crore in four grants under Revenue section, four grants under Capital section and two grants under Loan section.

As against the original provision of ₹ 1,62,066.69 crore, expenditure of ₹ 1,60,576.18 crore was incurred. In view of the overall savings of ₹ 22,229 crore, the Supplementary provisions of ₹ 20,738.49 crore proved wholly unnecessary. Cases of supplementary provisions that proved unnecessary are discussed in paragraph 2.3.6. The savings/excesses were intimated to the Controlling Officers, requesting them to state the reasons for significant variations. Out of 1,174 sub-heads, explanations for the variations were not received (September 2015) for 490 sub-heads (saving: 272 sub-heads and excess: 218 sub-heads).

The budgetary control was adversely affected by issue of 2,826 number of Additional Financial Sanctions (AFS) for 3,893 head of accounts, which were to be funded out of savings in the regular budgetary allocations. However, the AFS did not spell out the heads under which such savings would arise.

Further, it was seen that out of total of 2,643 items in Supplementary estimates (August 2014, December 2014 and March 2015), in respect of 1,920 items (72.64 per cent) where token provision was provided, it was proposed to meet the remaining expenditure by re-appropriation from savings that would arise in other heads of account. Such practice of meeting expenditure with an anticipation of savings was indicative of poor budgetary process.

The trend of savings and surrenders during the period from 2010-11 to 2014-15 is indicated in **Table 2.2**.

Table 2.2: Trend of savings and surrenders

(₹ in crore)

Year	Total Provision	Expenditure	Savings	Surrender
2010-11	1,00,467.34	94,218.57	6,248.77 (6.2)	5,904.86 (5.9)
2011-12	1,23,744.35	1,12,427.48	11,316.87 (9.1)	12,408.15 (10.0)
2012-13	1,40,235.43	1,23,755.97	16,479.46 (11.8)	14,455.80 (10.3)
2013-14	1,63,708.54	1,37,692.51	26,016.03 (15.9)	26,145.68 (16.0)
2014-15	1,82,805.18	1,60,576.18	22,229.00 (12.16)	23,057.81 (12.61)

(Source: Appropriation Accounts for the respective years)

(Figures indicated in brackets are percentages to total provision)

The savings varied between 6.2 and 15.9 *per cent*, while surrender of total provision varied between 5.9 and 16.0 *per cent* during 2010-15.

2.3 Financial Accountability and Budget Management

2.3.1 Appropriations *vis-à-vis* allocative priorities

During 2014-15, savings in 36 cases exceeded ₹ 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 ₹ 22,229 crore, savings of ₹ 21,576.31 crore (97.06 *per cent*) occurred in 47 cases (33 grants and one appropriation) involving ₹ 50 crore and above in each case (**Appendix 2.2**).

The departments that registered major savings were Rural Development and Panchayat Raj Department, Municipal Administration and Water Supply Department, Department of Special Programme Implementation and Industries Department under Revenue section, Rural Development and Panchayat Raj Department, Finance Department and Highways and Minor Ports Department under Capital section and Public Debt Repayment under Loan section. Reasons wherever furnished by the departments for the major savings, as reported in Appropriation Accounts, are given below:

Rural Development and Panchayat Raj Department

- Savings of ₹ 1,428 crore under ‘Solar powered Green House’ was due to rectificatory reclassification of expenditure from Capital to Revenue section, as required.
- An amount of ₹ 1,216 crore given as Mahatma Gandhi National Rural Employment Guarantee Scheme under both General and as Special Component Plan was surrendered by the Department for which no specific reasons were furnished.

Municipal Administration and Water Supply Department

- An amount of ₹ 291 crore, ₹ 200 crore and ₹ 177 crore provided as Grants to Municipal Corporations as per the recommendation of State Finance Commission, Tamil Nadu Urban Livelihood Mission in Corporations/Municipalities and Town Panchayats and Grants to Tamil Nadu Urban Finance and Infrastructure Development Corporation towards Urban Infrastructure Development Schemes for Small and Medium Towns (UIDSSMT) Scheme respectively was surrendered by the Department for which no specific reasons were furnished.

Department of Special Programme Implementation

- An amount of ₹ 738.05 crore and ₹ 283.69 crore under Free Distribution of Electric Fans, Mixies and Grinders and Free Distribution of Laptop Computers to Students respectively was surrendered due to delay in finalisation of tender process.

Industries Department

- An amount of ₹ 900 crore and ₹ 100 crore was surrendered under Value Added Tax Refund Subsidy for Promotion of Industries and Global Investors Meet for which no specific reasons were given by the State Government.

Finance Department

- In the Vision 2023 document, it was proposed to form Tamil Nadu Infrastructure Board. Accordingly a sum of ₹ 1,000 crore, ₹ 2,000 crore and ₹ 2,000 crore were provided under 'Capital Outlay on Other Administrative Services - Transfer to New Urban Infrastructure Development Fund' during 2012-13, 2013-14 and 2014-15 respectively. The entire provision given under capital outlay was surrendered in all the years due to delay in finalisation of the projects.

Highways and Minor Ports Department

- An amount of ₹ 440 crore, ₹ 271 crore, ₹ 187 crore and ₹ 186 crore was surrendered under Tamil Nadu Road Sector Project Phase – II, Construction of Railway Over Bridges / Railway Under Bridges, Acquisition of Lands for Bye Passes and Outer Ring Road respectively during the year due to delay in acquisition of lands and non-finalisation of tenders.

Public Debt Repayment

- During 2014-15 an amount of ₹ 2,000 crore was provided under the major heads 2801 and 6003 to facilitate the take over of loan and booking of repayment respectively of TANGEDCO. However, an amount of ₹ 1,000 crore was surrendered due to reduced commitment for taking over of the liability of TANGEDCO.

2.3.2 Persistent Savings

In 28 cases (22 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 2.3**.

Savings in each financial year during 2010-15 ranged between 19 and 96 *per cent* of total provisions under Grant 27 - Industries - (Voted - Revenue) and 74 *per cent* of the total provision in 2014-15 under Grant 13 - Food and Consumer Protection (Cooperation, Food and Consumer Protection Department) (Voted - Capital). The persistent savings under the grants indicated unrealistic estimation of the anticipated expenditure during the period and poor control over expenditure.

2.3.3 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 Para 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 30 cases, ₹ 82.53 crore was incurred without appropriations by the Legislature either in the Original or Supplementary estimates as detailed in **Appendix 2.4**. Out of these cases, in one case the expenditure was ₹ 27.32 crore, in three cases the expenditure exceeded ₹ 10 crore and in three cases the expenditure was ₹ one crore and above.

2.3.4 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 Article, the regularisation of excess expenditure is done after the completion of discussion of the Appropriation Accounts by the Public Accounts Committee. Excess expenditure of ₹ 1,565.96 crore for the years 2005-2014 was yet to be regularised as detailed in **Appendix 2.5**.

2.3.5 Excess over provisions during 2014-15 requiring regularisation

Table 2.3 contains a summary of the excess expenditure under 10 grants amounting to ₹ 78.55 crore from the Consolidated Fund of the State over the amounts authorised by the State Legislature during 2014-15, which requires regularisation under Article 205 of the Constitution.

Table 2.3: Summary of excess expenditure

(₹ in crore)

Sl. No.	Grant Number and Description		Total grant	Expenditure	Surrender	Excess
	Voted Grants					
1.	10	Commercial Taxes (Commercial Taxes and Registration Department) - Loans	0.00*	0.05	0.00*	0.05
2.	16	Finance Department - Loans	102.46	111.25	(-) 1.07	8.79
3.	23	Fire and Rescue Services (Home, Prohibition and Excise Department) - Revenue	189.65	203.84	(-) 2.37	14.19
4.	30	Stationery and Printing (Tamil Development, Religious Endowments and Information Department) - Revenue	92.45	92.49	(-) 0.88	0.04
5.	32	Labour and Employment Department - Capital	33.24	33.95	(-) 1.89	0.71
6.	35	Personnel and Administrative Reforms Department - Capital	12.39	13.86	0.00	1.47
7.	36	Planning, Development and Special Initiatives Department - Capital	98.77	98.90	0.00	0.13
8.	40	Irrigation (Public Works Department) - Revenue	1,690.73	1,737.96	(-) 36.05	47.23
9.	43	School Education Department - Revenue	19,953.34	19,957.14	(-) 820.89	3.80
10.	45	Social Welfare and Nutritious Meal Programme Department - Capital	63.30	65.44	(-) 1.12	2.14
Total			22,236.33	22,314.88	(-) 864.27	78.55

(Source: Appropriation Accounts for 2014-15)

* ₹ 1,000 only.

It could be seen from the above table that in case of eight grants an amount of ₹ 864.27 crore was surrendered injudiciously inspite of excess expenditure.

2.3.6 Unnecessary/Inadequate supplementary provision

Supplementary provisions aggregating ₹ 2,359.84 crore obtained in 26 cases, ₹ 50 lakh or more in each case, during the year 2014-15 proved unnecessary as the expenditure did not come up to the level of the original provisions as detailed in **Appendix 2.6**. On the other hand, in six cases where excess expenditure was more than ₹ one crore, supplementary provisions of ₹ 2,774.76 crore proved insufficient leaving an aggregate uncovered excess expenditure of ₹ 77.62 crore as detailed in **Table 2.4**.

**Table 2.4: Cases where supplementary provision proved insufficient
(excess expenditure more than ₹ one crore)**

(₹ in crore)

Sl. No.	Grant Number and Description	Original Provision	Supplementary Provision	Total Provision	Actual Expenditure	Excess Expenditure
Voted						
1.	23 - Fire and Rescue Services (Home, Prohibition and Excise Department) - Revenue	189.65	0.00*	189.65	203.84	14.19
2.	40 - Irrigation (Public Works Department) - Revenue	1,460.84	229.89	1,690.73	1,737.96	47.23
3.	43 - School Education Department - Revenue	17,480.40	2,472.94	19,953.34	19,957.14	3.80
4.	35 - Personnel and Administrative Reforms Department - Capital	12.30	0.09	12.39	13.86	1.47
5.	45 - Social Welfare and Nutritious Meal Programme Department - Capital	3.12	60.18	63.30	65.44	2.14
6.	16 - Finance Department - Loans	90.80	11.66	102.46	111.25	8.79
Total		19,237.11	2,774.76	22,011.87	22,089.49	77.62

(Source: Appropriation Accounts for 2014-15)

* ₹ 14,000 only

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 2014-15 surrenders were made on 28 and 31 March 2015. As an amount of ₹ 23,057.81 crore (12.61 per cent of the total provision) was surrendered by the departments in the last week of the financial year, Government could not utilise the surrendered amount for other development purposes.

(ii) Injudicious re-appropriations proved excessive or insufficient and resulted in savings/excess of over ₹ 10 lakh under 766 sub-heads. The savings/excess of more than ₹ two crore each resulting from the injudicious re-appropriations was ₹ 656.88 crore (54 items under savings) and ₹ 1,351.35 crore (84 items under excess) in 138 sub-heads as detailed in **Appendix 2.7**.

(iii) Further, it was noticed that in 15 cases as detailed in **Appendix 2.8**, though the entire provision was fully withdrawn by re-appropriations, expenditure of ₹ 4.86 crore, incurred by the Controlling Officers, resulted in 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, Volume-I, reasons for the additional expenditure and the savings should be explained in the re-appropriation statement and vague expressions such as “based on 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 14,885 out of 21,391 items (69.59 *per cent*), no valid reasons were given for additional provisions/withdrawal of provisions in the re-appropriation orders.

2.3.9 Withdrawal of entire provision by re-appropriation

In 312 cases (each case more than ₹ 10 crore or 50 *per cent* of the total provision), the entire provision was withdrawn or partially withdrawn. In these cases, out of the total provision of ₹ 22,266.20 crore, ₹ 18,439.17 crore (82.81 *per cent*) was withdrawn. The details of 100 *per cent* withdrawal in 117 cases (₹ 9,295.35 crore) are given in **Appendix 2.9**. Some of the departments which made substantial withdrawals were Finance Department (including Debt Charges and Public Debt Repayments), Rural Development and Panchayat Raj, Municipal Administration and Water Supply Department and Irrigation (Public Works Department).

2.3.10 Surrender in excess of actual savings

In 36 grants and one appropriation, the amounts surrendered were in excess of the actual savings indicating incorrect assessment of probable savings by the departments concerned. As against savings of ₹ 6,900.68 crore, the amount surrendered was ₹ 7,319.37 crore resulting in excess surrender of ₹ 418.69 crore. Details are given in **Appendix 2.10**. Some of the departments which surrendered funds in excess of savings are Police (Home, Prohibition and Excise Department), Revenue Department, Social Welfare and Nutritious Meal Programme Department, Health and Family Welfare Department and Buildings (Public Works Department).

2.3.11 Anticipated savings partially surrendered or not surrendered

As per Para 140 of the Tamil Nadu Budget Manual, the spending departments are required to surrender the grants/appropriations or portion thereof to the Finance Department as and when savings are anticipated. At the close of the year 2014-15, in two grants, no part of the savings was surrendered by the departments concerned. The amount involved in these cases was ₹ 4.94 crore as indicated in **Table 2.5**.

Table 2.5: Statement of grants/appropriations in which savings occurred but not surrendered at all

			(₹ in lakh)
Sl. No.	Grant Number	Name of grant/appropriation	Savings
Capital - Voted			
1.	49	Youth Welfare and Sports Development Department	483.18
Loans - Voted			
2.	48	Transport Department	10.51
Total			493.69

(Source: Appropriation Accounts for 2014-15)

Details of 22 grants and three appropriations where savings of ₹ one crore and above was not surrendered fully are given in **Appendix 2.11**. Out of the total savings of ₹ 10,307.96 crore, savings of ₹ 514.37 crore was not surrendered. In 73 cases of surrender of funds in excess of ₹ 10 crore, ₹ 9,757.89 crore (**Appendix 2.12**), were 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 112 sub-heads as listed in **Appendix 2.13**, it was noticed that more than 50 *per cent* of the total expenditure in each sub-head was incurred in March 2015. Rush of expenditure at the end of the year shows poor expenditure control.

2.3.13 Classification of Revenue expenditure as Capital

As per Chapter I of Tamil Nadu Budget Manual, Paragraph 4 relating to Division of Consolidated Fund, “Capital Account is the account of expenditure incurred with the object of increasing concrete assets of a material character and which are more or less of permanent value as in the case of building, etc. Expenditure on assets which do not vest in Government is not treated as capital expenditure”.

It was seen that the State Government classified the expenditure of ₹ 50 crore incurred for construction of houses for individuals affected by Cyclone Thane as detailed in **Table 2.6**, as capital expenditure.

The head of account and amount of money spent during 2014-15 for the schemes are detailed in **Table 2.6**.

Table 2.6: Details of expenditure incurred on houses

Sl. No.	Head of Account	Description	Expenditure (₹ in crore)
1.	4216.03.789.JD	Special Housing Programme for THANE affected region	10.00
2.	4216.03.796.JD	Special Housing Programme for THANE affected region	0.50
3.	4216.03.800.JD	Special Housing Programme for THANE affected region	39.50
Total			50.00

(Source: Appropriation Accounts for 2014-15)

As the scheme guidelines stipulate that the houses were to be constructed in the plots owned by the individuals with financial assistance from State Government, the asset so created do not vest with Government. Hence the expenditure should have been classified as revenue instead of capital.

2.4 Review of a selected Grant

A review of budgetary procedure and control over expenditure was conducted in respect of Grant Number 20 – Higher Education Department. Test check disclosed deficiencies in budgetary process as discussed in the succeeding paragraphs.

2.4.1 Allocation and Expenditure

Summary of actual expenditure *vis-à-vis* original/supplementary provisions made during 2014-15 is given in **Table 2.7**.

Table 2.7: Details of Budget Provision and Actual Expenditure under Grant No. 20

(₹ in crore)

	Nature of expenditure	Original	Supplementary	Total	Expenditure	Savings(-)/Excess (+)	Percentage of Savings/Excess	Amount surrendered
Voted	I Revenue	3,339.73	0.00*	3,339.73	3,000.73	(-) 339.00	10.15	328.91
	II Capital	288.20	72.09	360.29	357.56	(-) 2.73	0.76	3.10
	III Loans and Advances	0.00**	0.20	0.20	0.00	(-) 0.20	100.00	0.00
Total Voted (A)		3,627.93	72.29	3,700.22	3,358.29	(-) 341.93	9.24	332.01
Charged	IV Revenue	0.00***	0.00	0.00	0.00	0.00	0	0
	V Capital	0.00	7.02	7.02	7.02	0.00	0	0
Total Charged (B)		0.00	7.02	7.02	7.02	0.00	0	0
Grand Total (A+B)		3,627.93	79.31	3,707.24	3,365.31	(-) 341.93	9.24	332.01

(Source: Appropriation Accounts for 2014-15)

* ₹ 63,000 given as token provision; ** ₹ 1,000 given as token provision; *** ₹ 2,000 given as token provision

Surrender less than actual savings

Under this Grant, the overall surrender of funds (₹ 332.01 crore) by the Department was less than the actual savings (₹ 341.93 crore). Under Revenue section, as against savings of ₹ 339 crore, the amount actually surrendered was ₹ 328.91 crore resulting in short surrender of ₹ 10.09 crore.

2.4.2 Savings due to unrealistic budget provision

Scrutiny of records revealed that due to unrealistic budget proposals significant savings/surrenders occurred under the following schemes:

Director of Collegiate Education

(a) Infrastructure improvement of Arts and Science colleges under '100 crore project'

The details of budget provision, expenditure and savings under the head 'Infrastructure improvement of Arts and Science colleges' during 2014-15 are given in **Table 2.8**.

Table 2.8: Details of Budget Provision and Actual Expenditure

(₹ in crore)

Head of account	Original	Supple- mentary	Total Provision	Expendi- -ture	Savings
2202.03.103.BC	18.70	0.00	18.70	0.00	18.70
19 Machinery and Equipment	4.70	0.00	4.70	0.00	4.70
68 Cost of Note books/slates	4.00	0.00	4.00	0.00	4.00
76 Computer and Accessories	10.00	0.00	10.00	0.00	10.00

(Source: Figures compiled by AG (A & E) from accounts rendered by PAOs and Treasuries)

Scrutiny of records revealed that the entire provision under this head ended up as savings due to the following reasons:

- Under this scheme, ₹ four crore was provided in the budget estimate for purchase of library books for 69 Government Arts and Science colleges and 24 University Constituent Arts & Science colleges. As ‘orders on circulation’ was obtained only at the fag end of 2014-15 (i.e. on 15 March 2015), the Department did not issue necessary orders for implementation of the scheme before the end of the financial year on the grounds of limited availability of time for following the purchase procedure and no books were purchased.
- The Department sought (November 2014) concurrence of Finance Department for ₹ 8.93 crore from the budget allocation (of ₹ 10 crore) towards computerization of libraries in 69 Government Arts and Science colleges and six University Constituent Arts & Science colleges. The Department was instructed (January 2015) to re-submit the proposals after excluding 18 colleges which were not eligible as they had received similar grants during 2010-11. However, the Department failed to do so before March 2015 which resulted in non-implementation of computerisation and consequent savings of entire provision.
- Reasons for savings of ₹ 4.70 crore provided for purchase of machinery and equipment was not furnished by the Department (November 2015).

(b) National Service Scheme

Government of India (GoI) which implements the National Service Scheme (NSS) shared the expenditure incurred under NSS with the State Government in the ratio of 7:5. The yearly financial assistance from GoI was subject to furnishing of Utilisation Certificates (UCs) by the grantee institutions and settlement of accounts for the grants released for the previous years. GoI also instructed that the requirement of funds under NSS should be calculated after taking into account the unspent balance of the previous years available with the implementing agencies including the State NSS Cell. GoI further instructed (May 2014) to furnish audited accounts for the funds received and submit UCs in the prescribed format failing which grants for 2014-15 would not be released.

The details of budget allocation, expenditure and savings under NSS for 2014-15 are given in **Table 2.9**.

Table 2.9: Details of Budget Provision and Actual Expenditure

(₹ in crore)

Head of account	Original	Supplementary	Total Provision	Expenditure	Savings
2204-00-102-UC	9.95	0.00	9.95	0.00	9.95
2204-00-789-UA	1.62	0.00	1.62	0.00	1.62
2204-00-796-UA	1.40	0.00	1.40	0.00	1.40

(Source: Appropriation Accounts for 2014-15)

Scrutiny of records relating to NSS revealed that GoI had not released the financial assistance for 2014-15 due to non-settlement of accounts and non-furnishing of UCs for the grants received upto 2013-14. As a result the State Government could not release its matching share and the entire budget allocation of ₹ 12.97 crore ended up as savings. In reply, the State NSS Cell stated (October 2015) that the unspent balance available in its bank account as of 31 March 2014 was ₹ 2.49 crore and that details in respect of Universities/Colleges would be obtained and furnished.

(c) Grants for creation of capital assets and reimbursement of expenditure

The State Government gives grants to Colleges/Universities for creation of capital assets and for reimbursement of recurring/non-recurring expenditure. The details of budget allocation, expenditure and savings for 2014-15 in respect of such grants given to Bharathidasan University are given in **Table 2.10**.

Table 2.10: Details of Budget Provision and Actual Expenditure

(₹ in crore)

Head of account	Original	Supplementary	Total Provision	Expenditure	Savings
Bharathidasan University, Tiruchirappalli					
2202.03.102.AF	33.35	0.00	33.35	13.00	20.35
Bharathidasan University constituent Colleges					
2202.03.102.KC	24.41	0.00	24.41	6.50	17.91
2202.03.102.JT	0.85	0.00	0.85	0.00	0.85

(Source: Appropriation Accounts for 2014-15)

Out of ₹ 33.35 crore provided as Grants to the University there were a savings of ₹ 20.35 crore. In reply to an Audit query regarding the huge savings, the University stated (October 2015) that as against proposals for reimbursement of ₹ 34.91 crore sent (upto January 2015) to Government, only ₹ 13 crore was released, resulting in savings. Scrutiny of records however revealed that the budget provision was restricted by Finance Department based on the instructions by the auditors - Director of Local Fund Audit (DLFA).

Similarly, against budgetary allocation of ₹ 5.08 crore as “Grants for current expenditure” and ₹ 19.33 crore as “Grants for creation of capital assets” to the University’s constituent colleges there was savings of ₹ 17.91 crore. University attributed the reasons for savings to (i) sanction by the Government of ₹ 0.25 crore only against its reimbursement proposal for ₹ 1.80 crore under

‘current expenditure’ (upto January 2015) and (ii) incurring of ₹ 6.25 crore only under ‘creation of capital assets’ (upto January 2015) due to non-completion of land acquisition process.

The entire budgetary allocation of ₹ 0.85 crore under “Grants for current expenditure” for one of the constituent colleges of Bharathidasan University at Tiruchirapalli ended as savings. Scrutiny of records revealed that the provision could not be utilised as the Grant proposal was returned by DLFA for want of Government’s ratification for an expenditure incurred during 2011-12.

(d) Government Arts and Science Colleges - delay in completion of work

Government of Tamil Nadu (GoTN) accorded sanction (June 2013 and September 2013) for construction of buildings for seven and five new Government Arts colleges at a cost of ₹ 7.25 crore and ₹ 7.98 crore for each college respectively. The details of budget allocation, expenditure and savings for 2014-15 are given in **Table 2.11**.

Table 2.11: Details of Budget Provision and Actual Expenditure

(₹ in crore)

Head of account	Original	Supplementary	Total Provision	Expenditure	Savings
4202.01.203.JB	70.86	0.00*	70.86	35.25	35.61

(Source: Appropriation Accounts for 2014-15)

* ₹ 2,000 given as token provision

The budgetary allocation of ₹ 70.86 crore included provision towards construction of buildings for the new colleges, construction of laboratories, additional class rooms and hostels for various colleges. Scrutiny of records revealed that while work in respect of six colleges was in progress and tender process had not been finalised for three colleges, work had not commenced due to non-handing over/non-identification of site in respect of remaining three colleges, which resulted in savings. Thus, failure to assess the requirement of funds before seeking budget provision and the resultant savings indicated poor budgeting by the Department.

Commissioner of Technical Education

An amount of ₹ 5.03 lakh was initially provided in the budget and a token provision was also made in the Supplementary estimates towards payment of property tax by the Construction Wing of Directorate of Technical Education. Further, an amount of ₹ 50.71 lakh was provided through first round of reappropriation as Corporation of Chennai had raised (August 2014) a demand for an amount of ₹ 51.62 lakh. Details of Budget provision and actual expenditure are given in **Table 2.12**.

Table 2.12: Details of Budget Provision and Actual Expenditure

(₹ in lakh)

Head of account	Original	Supplementary	Total Provision	Expenditure	Savings	FMA # I	FMA II
2203.00.001.AB.06.02	5.03	0.00*	5.03	3.26	1.77	50.71	(-) 53.41

(Source: Figures compiled by AG (A & E) from accounts rendered by PAOs and Treasuries)

* ₹ 1,000 token provision;

Final Modified Appropriation

Scrutiny of records revealed that ₹ 53.41 lakh was surrendered (31 March 2015) in the second round of re-appropriation. The Executive Engineer, PWD, Technical Education Division stated that educational institutions were exempted from the purview of property tax.

Thus, the failure of the Department to ascertain the exact provisions for payment of property tax before seeking allocation of funds led to unnecessary provision and subsequent withdrawal of funds during reappropriation, showing poor budgetary control.

2.5 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.

Number of Contingency Fund Advance (CFA) orders issued and utilisation thereof are detailed in **Table 2.13**.

Table 2.13: Number of CFA orders issued and utilisation of contingency fund

(₹ in crore)

Year	Number of CFA orders issued	Amount	Number of CFA utilised	Amount	Percentage of number of CFA utilised over number issued
2013-14	50	95.87	25	74.94	50
2014-15	46	47.94	40	41.66	87

(Source: Information furnished by Accountant General (A&E), Tamil Nadu)

Entire amount released through Contingency Fund during the year 2014-15 was recouped by the end of the year including the balance left unrecouped at the end of 2013-14.

The exact non-utilisation of CF could not be ascertained as the Treasury/ Department while incurring expenditure drew bills against the service head instead of under Major Head 8000. Though the Accountant General (A&E) (AG (A&E)) took up the matter with the Government in the past, the same procedure still continued.

Details of CF orders issued, utilisation as reported and the amount of expenditure incurred as at the end of the year have been given in **Appendix 2.14**. It could be seen that out of 46 cases, in one case no expenditure was incurred.

An amount of ₹ 10.63 lakh was provided (May 2014) as advance from Contingency Fund for Preparation of Disaster Management Plan. However, the entire amount was not utilised and was withdrawn (March 2015) through Final Modified Appropriation. No reply was received from the Revenue Department when the matter of non-utilisation was taken up (November 2015).

2.6 Conclusion

During 2014-15, expenditure of ₹ 1,60,576.18 crore was incurred against the total grants and appropriations of ₹ 1,82,805.18 crore resulting in savings of ₹ 22,229 crore. In 72.64 *per cent* of the items included in the Supplementary estimates where token provision was provided, it was proposed to meet the remaining expenditure by re-appropriation from savings that would arise in other heads of accounts. These overall savings were the net result of savings of ₹ 22,307.56 crore offset by excess expenditure of ₹ 78.56 crore. There were persistent savings of more than five *per cent* of the total provision in 22 grants and four appropriations. Expenditure of ₹ 82.53 crore was incurred in 30 cases without appropriations by the Legislature. Excess expenditure of ₹ 1,565.96 crore pertaining to the period 2005 to 2014 was pending regularisation. Supplementary provisions of ₹ 2,359.84 crore obtained in 26 cases, ₹ 50 lakh or more in each case, during 2014-15 proved unnecessary as the expenditure was less than the original provisions. As an amount of ₹ 23,057.81 crore (12.61 *per cent* of the total provision) was surrendered through re-appropriation in March 2015 and at the fag end of the financial year, the Government could not utilise the amount. In 36 grants and one appropriation, as against the savings of ₹ 6,900.68 crore, the amount surrendered was ₹ 7,319.37 crore resulting in excess surrender of ₹ 418.69 crore. Rush of expenditure at the end of the year reflects poor expenditure control. In one out of 46 Contingency Fund orders issued, no expenditure was incurred.

2.7 Recommendations

- Government may consider issuing instructions to all the departments to ensure surrender of unutilised allocations as soon as they are foreseen so that the funds could be allocated to other departments requiring funds.
- Excess expenditure over provision in the grants out of the Consolidated Fund of the State needs to be regularised.
- Utilisation of funds drawn from the Contingency Fund should be ensured.