

**CHAPTER II**  
**FINANCIAL MANAGEMENT**  
**AND**  
**BUDGETARY CONTROL**



## CHAPTER II

### 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 grants<sup>1</sup> and charged<sup>2</sup> appropriations for different purposes, as specified in the schedules appended to the Appropriation Acts. These Accounts list the original budget estimates, supplementary grants, surrenders and re-appropriations and indicate the actual capital and revenue expenditure on various specified services *vis-à-vis* those authorised by the Appropriation Acts in respect of both charged and voted items of budget. The Appropriation Accounts are complementary to the Finance Accounts.

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

#### 2.2 Summary of Appropriation Accounts

There are 37 departments in the State headed by Additional Chief Secretaries/Principal Secretaries/Secretaries to the Government. Each department operates one or more demand(s). The demand for grant generally reflects the allocation for a department. In 2016-17, 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 2016-17 against 56 grants/appropriations is given in **Table 2.1**.

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<sup>1</sup> Amounts voted by the State Legislature in respect of demands for grants for specific purposes

<sup>2</sup> 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)
<b>Voted</b>								
I Revenue	1,44,780.25	4,980.36	1,49,760.61	1,35,433.24	(-) 14,327.37	(-) 14,766.35	(-) 8,184.71	103.06
II Capital	22,533.49	4,497.27	27,030.76	20,728.32	(-) 6,302.44	(-) 6,328.37	(-) 2,887.41	100.41
III Loans and Advances	3,292.61	23,974.13	27,266.74	26,046.49	(-) 1,220.25	(-) 1,286.28	(-) 487.03	105.41
<b>Total Voted</b>	<b>1,70,606.35</b>	<b>33,451.76</b>	<b>2,04,058.11</b>	<b>1,82,208.05</b>	<b>(-) 21,850.06</b>	<b>(-) 22,381.00</b>	<b>(-) 11,559.15</b>	<b>102.43</b>
<b>Charged</b>								
IV Revenue	21,114.18	266.23	21,380.41	21,212.56	(-) 167.85	(-) 144.95	(-) 143.13	86.36
V Capital	16.09	6.82	22.91	21.46	(-) 1.45	(-) 0.17	(-) 0.17	11.72
VI Public Debt- Repayment	8,191.58	14.46	8,206.04	8,199.71	(-) 6.33	(-) 1.68	(-) 1.68	26.54
<b>Total Charged</b>	<b>29,321.85</b>	<b>287.51</b>	<b>29,609.36</b>	<b>29,433.73</b>	<b>(-) 175.63</b>	<b>(-) 146.80</b>	<b>(-) 144.98</b>	<b>83.58</b>
<b>Appropriation to Contingency Fund (if any)</b>	..	..	..	..	..	..	..	..
<b>Grand Total</b>	<b>1,99,928.20</b>	<b>33,739.27</b>	<b>2,33,667.47</b>	<b>2,11,641.78</b>	<b>(-) 22,025.69</b>	<b>(-) 22,527.80</b>	<b>(-) 11,704.13</b>	<b>102.28</b>

(Source: Appropriation Accounts for 2016-17)

Supplementary provisions of ₹ 33,739.27 crore obtained during the year constituted 14.44 per cent of the total provision. The overall saving of ₹ 22,025.69 crore was the result of savings of ₹ 22,192.85 crore in 53 grants and 52 appropriations under Revenue section, 36 grants and four appropriations under Capital section and 27 grants and one appropriation under Loan section, offset by excess of ₹ 167.16 crore in two grants under Revenue section, three grants under Capital section and two grants under Loan section.

As against the original provision of ₹ 1,99,928.20 crore, an expenditure of ₹ 2,11,641.78 crore was incurred. In view of the overall savings of ₹ 22,025.69 crore, the Supplementary provisions of ₹ 33,739.27 crore proved unnecessary to the tune of ₹ 11,713.58 crore. 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 the significant variations. Out of 1,193 sub-heads, explanations for the variations were not received (October 2017) for 480 sub-heads (saving: 333 sub-heads and excess: 147 sub-heads).

Further, it was seen that out of total of 2,159 items in Supplementary estimates (February 2017 and March 2017), in respect of 1,514 items (70.13 *per cent*) only 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 in other heads was indicative of poor budgetary process.

The trend of savings and surrenders during the period from 2012-17 is indicated in **Table 2.2**.

**Table 2.2: Trend of savings and surrenders**

(₹ in crore)

Year	Total Provision	Expenditure	Savings	Surrender
2012-13	1,40,235.43	1,23,755.97	16,479.46 (11.75)	14,455.80 (10.31)
2013-14	1,63,708.54	1,37,692.51	26,016.03 (15.89)	26,145.68 (15.97)
2014-15	1,82,805.18	1,60,576.18	22,229.00 (12.16)	23,057.81 (12.61)
2015-16	1,95,913.62	1,73,288.37	22,625.25 (11.55)	22,750.14 (11.61)
2016-17	2,33,667.47	2,11,641.78	22,025.69 (9.43)	22,527.80 (9.64)

Figures indicated in brackets are percentages to total provision

(Source: Appropriation Accounts for the respective years)

The savings varied between 9.43 and 15.89 *per cent*, while surrender of total provision varied between 9.64 and 15.97 *per cent* during 2012-17. The saving and surrender as a percentage of total provision kept declining over the last four years, indicating improvements in the accuracy of budgeting.

## **2.3 Financial accountability and budget management**

### **2.3.1 Appropriations *vis-à-vis* allocative priorities**

During 2016-17, there were savings to the tune of ₹ 11,241.23 crore in 30 cases, exceeding ₹ 10 crore in each case and also by more than 20 *per cent* of the total provision (**Appendix 2.1**). Against the overall savings of ₹ 22,025.69 crore (9.43 *per cent* of total provision), savings of ₹ 21,365.52 crore (97 *per cent*) occurred in 43 cases (30 grants and two appropriations) involving ₹ 50 crore and above in each case (**Appendix 2.2**).

The departments that registered major savings were Rural Development & Panchayat Raj, Finance, School Education, Highways & Minor Ports and Energy. Reasons wherever furnished by the departments for the major savings, as reported in Appropriation Accounts, are given below:

#### ***Rural Development & Panchayat Raj Department***

- Surrenders were noticed under Mahatma Gandhi Rural Employment Guarantee Scheme (₹ 2,537 crore), Mahatma Gandhi Rural Employment Guarantee Scheme under Special Component Plan (₹ 1,051 crore), Pradhan Mantri Awaas Yojana (Gramin) under Special

Component Plan (₹ 764 crore) and Roofing cost for construction of concrete houses for SCs (₹ 314 crore) during the year due to non-utilisation of funds for implementation of these schemes.

#### ***Finance Department***

- In the Vision 2023 document, it was proposed to form Tamil Nadu Infrastructure Board. Accordingly, a sum of ₹ 1,000 crore during 2012-13 and ₹ 2,000 crore each during 2013-17 were provided under 'Capital Outlay on Other Administrative Services - Transfer to New Urban Infrastructure Development Fund'. During 2012-13, 2013-14 and 2014-15, the entire provision was surrendered and during 2015-16 and 2016-17, only an amount of ₹ 20 crore and ₹ 30 crore respectively were transferred to the Fund, resulting in overall surrender of ₹ 1,970 crore during 2016-17. GoTN attributed lack of fiscal space to the surrender of funds during 2016-17. Surrendering ₹ 1,970 crore due to lack of fiscal space indicated defective budgeting.

#### ***Highways and Minor Ports Department***

- An amount of ₹ 917.52 crore (₹ 385.01 crore under Tamil Nadu Road Sector Project, Phase II, ₹ 368.64 crore under construction of Railway Over Bridge/Railway Under Bridges and ₹ 163.87 crore under Traffic and Transport Improvement in Chennai City) was re-appropriated mainly due to delay in land acquisition and non-finalisation of tenders.

#### **2.3.2 Excess over provisions relating to previous years requiring regularisation**

As per Article 205 of the Constitution of India, it is mandatory for a State Government to get the excess over a grant/appropriation regularised by the State Legislature. Although no time limit for regularisation of expenditure has been prescribed under the Article, the regularisation of excess expenditure is done after the completion of discussion of the Appropriation Accounts by the Committee on Public Accounts (PAC). Excess expenditure of ₹ 932.42 crore (including excess expenditure of ₹ 733.29 crore for 2012-13) relating to 2012-16 was yet to be regularised as detailed in **Appendix 2.3**.

#### **2.3.3 Excess over provisions due to injudicious surrender requiring regularisation**

**Table 2.3** contains a summary of the excess expenditure under five grants amounting to ₹ 167.16 crore from the Consolidated Fund of the State over the amounts authorised by the State Legislature during 2016-17, 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
<b>Voted Grants</b>						
1.	10	Commercial Taxes (Commercial Taxes and Registration Department) - Loans	0.25	0.36	0.00	0.11
2.	12	Cooperation (Cooperation, Food and Consumer Protection Department) - Loans	184.32	186.10	(-) 0.20	1.78
3.	32	Labour and Employment Department - Capital	23.22	23.49	(-) 2.42	0.27
4.	39	Buildings (Public Works Department) - Capital	875.97	956.97	(-) 24.47	81.00
5.	40	Irrigation (Public Works Department) - Revenue	1,727.01	1,811.01	(-) 265.26	84.00
<b>Total</b>			<b>2,810.77</b>	<b>2,977.93</b>	<b>(-) 292.35</b>	<b>167.16</b>

(Source: Appropriation Accounts for 2016-17)

It could be seen from the **Table 2.3** that in case of five grants, an amount of ₹ 292.35 crore was surrendered injudiciously, in spite of excess expenditure.

#### **2.3.4 Persistent savings**

In 30 cases (22 grants and five appropriations), there were persistent savings of more than five *per cent* of the total grant during the last five years as indicated in **Appendix 2.4**.

Savings in each financial year during 2012-17 ranged between 12.37 and 65.08 *per cent* of total provisions under Grant 14 - Energy Department - (Voted - Revenue) and between 9.19 and 99.91 *per cent* under Grant 4 - Adi-Dravidar and Tribal Welfare Department (Charged - Revenue). The savings under the Capital Section was 90.17 *per cent* in respect of Grant 44 - Micro, Small and Medium Enterprises Department during 2016-17. The persistent savings under the grants indicated unrealistic estimation of the anticipated expenditure during the period and poor control over expenditure.

#### **2.3.5 Expenditure without provision of funds**

Article 266 (3) of the Constitution of India prohibits withdrawal of money from the Consolidated Fund of the State unless relevant Appropriation Acts under Articles 204 and 205 of the Constitution of India are passed by the Legislature. As per Paragraph 14 (ii) of the Tamil Nadu Budget Manual, expenditure should not be incurred on a scheme or service without provision of funds. It was, however, noticed that in 21 cases, an expenditure of ₹ 0.93 crore was incurred without appropriation by the Legislature either in the Original or Supplementary estimates as detailed in **Appendix 2.5**.

### 2.3.6 Unnecessary/Inadequate supplementary provision

Supplementary provisions of ₹ 50 lakh or more in each case aggregating ₹ 1,007.07 crore obtained in 31 cases, during the year 2016-17 proved unnecessary as the expenditure did not come up even to the level of the original provisions as detailed in **Appendix 2.6**. On the other hand, in two cases where excess expenditure was more than ₹ 1 crore, supplementary provisions of ₹ 98.17 crore proved insufficient, leaving an aggregate uncovered excess expenditure of ₹ 165.01 crore as detailed in **Table 2.4**.

**Table 2.4: Cases where supplementary provision proved insufficient (excess expenditure more than ₹ 1 crore)**

(₹ in crore)

Sl. No.	Grant Number and Description	Original Provision	Supplementary Provision	Total Provision	Actual Expenditure	Excess Expenditure
<b>Voted</b>						
1.	39 - Buildings (Public Works Department) - Capital	777.80	98.17	875.97	956.97	81.00
2.	40 - Irrigation (Public Works Department) - Revenue	1,727.01	0.00	1,727.01	1,811.02	84.01
<b>Total</b>		<b>2,504.81</b>	<b>98.17</b>	<b>2,602.98</b>	<b>2,767.99</b>	<b>165.01</b>

(Source: Appropriation Accounts for 2016-17)

### 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 2016-17, surrenders to the tune of ₹ 10,823.67 crore (4.63 per cent) were made on 24 March 2017 and ₹ 11,704.13 crore (5.01 per cent) on 31 March 2017. As surrenders by the departments were made during the fag end of the year, Government could not utilise the surrendered amount for other development purposes.

(ii) Re-appropriations proved excessive or insufficient and resulted in savings/excess of over ₹ 10 lakh under 752 sub-heads. The savings/excess of more than ₹ 2 crore each, as a result of injudicious re-appropriations, were ₹ 1,311 crore (66 items under savings) and ₹ 1,365.26 crore (70 items under excess) in 136 sub-heads as detailed in **Appendix 2.7**.

(iii) Further, it was noticed that in 21 cases as detailed in **Appendix 2.8**, though the entire provision was fully withdrawn by re-appropriations, expenditure of ₹ 10.49 crore was incurred by the Controlling Officers, which indicated injudicious re-appropriations.



### **2.3.8 Non-furnishing of valid reasons for re-appropriations**

According to paragraph 151 (ii) of the Tamil Nadu Budget Manual, reasons for additional expenditure and savings should be explained in the re-appropriation statement and vague expressions such as “based on actuals”, “based on progress of expenditure”, etc., should be avoided. However, scrutiny of re-appropriation orders issued by the Finance Department revealed that in respect of 19,357 out of 21,794 items (88.82 *per cent*), no valid reasons were given therein for additional provisions/withdrawal of provisions.

### **2.3.9 Withdrawal of entire provision by re-appropriation**

In 296 cases (each case more than ₹ 10 crore or 50 *per cent* of the total provision), the provision was withdrawn fully or partially. In these cases, out of the total provision of ₹ 24,789.62 crore, ₹ 16,957.72 crore (68.41 *per cent*) was withdrawn. The details of cent *per cent* withdrawal in 96 cases (₹ 3,426.07 crore) are given in **Appendix 2.9**. Some of the departments which made substantial withdrawals were Housing & Urban Development, Transport, Energy, Irrigation (Public Works) and Finance (including Debt Charges).

### **2.3.10 Surrender in excess of actual savings**

In 33 grants, the amounts surrendered were in excess of the actual savings indicating incorrect assessment of probable savings by the departments concerned. As against savings of ₹ 10,502.12 crore, the amount surrendered was ₹ 11,524.16 crore resulting in excess surrender of ₹ 1,022.04 crore. Details are given in **Appendix 2.10**. Some of the departments which surrendered funds in excess of savings are Special Programme Implementation, Municipal Administration & Water Supply, Social Welfare and Nutritious Meal Programme, and Forests (Environment and Forests).

### **2.3.11 Anticipated savings partially surrendered or not surrendered**

As per Paragraph 140 of the Tamil Nadu Budget Manual, the spending departments are required to surrender the grants/appropriations or portion thereof to the Finance Department as and when savings are anticipated. At the close of the year 2016-17, the Highways & Minor Ports Department had a savings of ₹ 57.88 lakh (Grant No. 21 - Capital - Charged), no part of the savings was surrendered.

Details of 23 grants and two appropriations where savings of more than ₹ 1 crore was not surrendered fully are given in **Appendix 2.11**. Out of the total savings of ₹ 8,067.84 crore, ₹ 971.36 crore was not surrendered. In 79 cases of surrender of funds in excess of ₹ 10 crore, ₹ 11,186.36 crore (**Appendix 2.12**) was surrendered on the last day of the year indicating inadequate financial control.

### 2.3.12 Rush of expenditure

According to Article 39 of the Tamil Nadu Financial Code, rush of expenditure in the closing month of the financial year should be avoided. Contrary to this, in 103 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 2017. Rush of expenditure at the end of the year shows poor expenditure control.

## 2.4 Review of selected grants

Review of budgetary procedure and control over expenditure was conducted in respect of Grant Number 9 - Backward Classes, Most Backward Classes and Minorities Welfare Department and Grant Number 54 - Forests (Environment and Forests Department). Test check disclosed deficiencies in the budgetary process, as discussed in the succeeding paragraphs.

### 2.4.1 Grant Number 9 - Backward Classes, Most Backward Classes and Minorities Welfare Department

The Secretary to Government, Backward Classes, Most Backward Classes and Minorities Welfare (BC, MBC and MW) was the administrative head. The field formations were headed by Commissioner of Backward Classes, Commissioner of Most Backward Classes and De-notified Communities and Director of Minorities Welfare.

#### 2.4.1.1 Allocation and expenditure

Summary of actual expenditure *vis-à-vis* Original/Supplementary provisions made during the year 2016-17 is given in **Table 2.5**.

**Table 2.5: Details of Budget Provision and Actual Expenditure under Grant No. 9**

(₹ in crore)

	Nature of expenditure	Original	Supplementary	Total	Expenditure	Savings(-)/Excess (+)	Percentage of savings/Excess	Amount surrendered
Voted	I Revenue	940.66	0.00*	940.66	750.75	189.91	20.19	188.88
	II Capital	105.75	Nil	105.75	29.58	76.17	72.03	76.17
	III Loans and Advances	0.00**	0.50	0.50	0.50	Nil	Nil	Nil
<b>Total Voted (A)</b>		<b>1,046.41</b>	<b>0.50</b>	<b>1,046.91</b>	<b>780.83</b>	<b>266.08</b>	<b>25.41</b>	<b>265.05</b>
Charged	IV Revenue	1.24	0.08	1.32	1.22	0.10	7.58	0.04
<b>Total Charged (B)</b>		<b>1.24</b>	<b>0.08</b>	<b>1.32</b>	<b>1.22</b>	<b>0.10</b>	<b>7.58</b>	<b>0.04</b>
<b>Grand Total (A+B)</b>		<b>1,047.65</b>	<b>0.58</b>	<b>1,048.23</b>	<b>782.05</b>	<b>266.18</b>	<b>25.39</b>	<b>265.09</b>

\* ₹ 18,000 given as token provision

\*\* ₹ 1,000 given as token provision

(Source: Appropriation Accounts for 2016-17)

**2.4.1.2 Excess allocation of funds**

(a) Government of Tamil Nadu provides hostels to students from BC, MBC, Denotified Communities and Minorities. The construction of hostels was undertaken by the Public Works Department (PWD). Every year, the budget proposals for the construction works were sent to the Finance Department by the Department of BC, MBC and MW, based on the estimates prepared by the PWD. During 2016-17, it was noticed that under four schemes for construction of hostels, there was a huge surrender of ₹ 60.31 crore. The amount provided, expenditure incurred, amount surrendered, number of works proposed to be taken up during 2016-17 and budget estimate sought for by the Department for the works are given in **Table 2.6**.

**Table 2.6: Scheme-wise allocation and surrender**

(₹ in crore)

Head of Account	Name of the Scheme	Number of works proposed (in numbers)	Budget estimate sought for by the Department	Amount provided	Expenditure incurred	Amount surrendered (percentage)
4225.03.277.JY	Construction of buildings for hostels for BC students	20	7.81	29.86	8.42	21.45 (71.84)
4225.03.277.KA	Construction of hostel buildings for BC students with loan assistance from NABARD	2	1.40	10.72	1.26	9.46 (88.25)
4225.03.277.JZ	Construction of Buildings for Most Backward Classes and De-notified Communities Students	16	5.49	27.94	6.42	21.59 (77.27)
4225.03.277.UB	Construction of MBC and De-notified Students Hostel	2	0.75	8.89	1.08	7.81 (87.85)
	<b>Total</b>	<b>40</b>	<b>15.45</b>	<b>77.41</b>	<b>17.18</b>	<b>60.31 (77.91)</b>

(Source: Appropriation Accounts for 2016-17)

A scrutiny of records revealed that, although the Department had sought for a provision of ₹ 15.45 crore only for carrying out 40 works, the Finance Department allotted ₹ 77.41 crore resulting in surrender of 77.91 *per cent* of funds provided.

(b) The Government of India was providing 100 *per cent* GoI's assistance towards implementation of post-matric scholarship schemes for (i) other

backward classes and (ii) denotified communities. It was seen that under two centrally sponsored schemes, an amount of ₹ 36.02 crore was surrendered during 2016-17. The amount provided, expenditure incurred, amount surrendered and budget estimate sought for by the Department for the works are given in **Table 2.7**.

**Table 2.7: Scheme-wise allocation and surrender**

(₹ in crore)

Head of Account	Name of the Scheme	Budget estimate sought for by the Department	Amount provided	Expenditure incurred	Amount surrendered (percentage)
2225.03.277.SA	Post-Matric scholarships to OBC students - controlled by Director of Backward Classes and Minorities Welfare	22.85	43.00	24.99	18.01 (41.88)
2225.03.277.SB	Post-Matric scholarships to OBC students - controlled by Director of Most Backward Classes and Denotified Communities	22.85	43.00	24.99	18.01 (41.88)
	<b>Total</b>	<b>45.70</b>	<b>86.00</b>	<b>49.98</b>	<b>36.02 (41.88)</b>

(Source: Appropriation Accounts for 2016-17)

A scrutiny of records revealed that although the Department sought for ₹ 45.70 crore only, for distribution of scholarships during 2016-17, the Finance Department had allotted ₹ 86 crore resulting in a surrender of 41.88 per cent of funds provided.

GoTN, while accepting (November 2017) the fact, stated that higher provision was made after due diligence of the requirement. The fact, however, remained that the higher than requested provision towards construction of hostels and post-matric scholarships could not be utilised by the Department, leading to huge surrender.

#### **2.4.1.3 Unnecessary allotment of funds**

Government of Tamil Nadu was availing loan assistance from National Bank for Agriculture and Rural Development (NABARD) for construction of hostels. The construction of hostels was undertaken by the PWD. Every year, the budget proposals received from the PWD for the construction works are forwarded to the Finance Department by the BC, MBC and MW Department. It was seen that an amount of ₹ 6.13 crore was surrendered under two schemes.

The amount provided, expenditure incurred, amount surrendered, and budget estimate sought for by the Department for the works are given in **Table 2.8**.

**Table 2.8: Scheme-wise allocation and surrender**

(₹ in crore)					
Head of Account	Name of the Scheme	Budget estimate sought for by the Department	Amount provided	Expenditure incurred	Amount surrendered (percentage)
4225.03.277.KB	Construction of Hostel buildings for Most Backward Classes Students with loan assistance from NABARD	Nil	5.00	0.69	4.23 (84.6)
4225.03.277.KC	Construction of Hostel buildings for Minority students with loan assistance from NABARD	Nil	2.00	0.10	1.90 (95)
<b>Total</b>		<b>Nil</b>	<b>7.00</b>	<b>0.79</b>	<b>6.13 (87.57)</b>

(Source: Appropriation Accounts for 2016-17)

A scrutiny of records revealed that though the Department did not seek any funds during 2016-17, the Finance Department allotted ₹ 7 crore resulting in a surrender of 88 *per cent* of funds provided.

GoTN, while accepting (November 2017) the fact, stated that higher provision was made after due diligence of the requirement. The fact, however, remained that the Department could not utilise the provision in full, leading to surrender, indicating unrealistic budgeting.

#### **2.4.1.4 Persistent savings due to improper budgeting**

Government of Tamil Nadu was granting monthly pension to Ulemas who have rendered service in religious and wakf institutions and who are in indigent circumstances. A scrutiny of savings under the scheme ‘Financial Assistance to Ulemas’ revealed that there was a persistent savings in the past three years as given in **Table 2.9**.

**Table 2.9: Year-wise allocation and savings**

(₹ in crore)				
Year	Amount provided	Expenditure incurred	Savings	Amount surrendered
2014-15	3.12	2.07	1.05	1.05
2015-16	3.12	1.93	1.19	1.13
2016-17	3.12	1.94	1.18	1.08

(Source: Appropriation Accounts for the year 2016-17)

On being pointed out by Audit, the Government stated that the surrender was due to death of pensioners, non-identification of new pensioners and non-implementation of enhancement (November 2016) of monthly pension rates.

Audit observed that while the actual number of beneficiaries during the last three years was less than 2,000, the Department continued to adopt the number as 2,600 to work out the budget estimates, leading to savings and subsequent surrenders.

#### **2.4.2 Grant Number 54 - Forests (Environment and Forests Department)**

The Principal Secretary, Environment and Forests Department is the administrative head. The Principal Chief Conservator of Forests is the Head of the Department, and advises the Government on the policy matters.

##### **2.4.2.1 Allocation and Expenditure**

Summary of actual expenditure *vis-à-vis* original/supplementary provisions made during 2016-17 is given in **Table 2.10**.

**Table 2.10: Details of budget provision and actual expenditure under Grant No. 54**

(₹ in crore)

	Nature of expenditure	Original	Supplementary	Total	Expenditure	Savings(-)/ Excess (+)	Percentage of Savings/ Excess	Amount surrendered
Voted	I Revenue	485.31	2.53	487.84	319.30	(-) 168.54	34.55	193.40
	II Capital	120.61	23.93	144.54	100.47	(-) 44.07	30.49	44.70
<b>Total Voted (A)</b>		<b>605.92</b>	<b>26.46</b>	<b>632.38</b>	<b>419.77</b>	<b>(-) 212.61</b>	<b>33.62</b>	<b>238.10</b>
Charged	IV Revenue	0.00*	0.00	0.00	0.00	0.00	0.00	0.00
<b>Total Charged (B)</b>		<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Grand Total (A+B)</b>		<b>605.92</b>	<b>26.46</b>	<b>632.38</b>	<b>419.77</b>	<b>(-) 212.61</b>	<b>33.62</b>	<b>238.10</b>

\* ₹ 2,000 given as token provision

(Source: Appropriation Accounts for 2016-17)

##### **2.4.2.2 Provision of funds in supplementary estimate at the fag end of the year resulting in huge savings**

A new scheme, *viz.*, Restoration of Green Cover was introduced in supplementary estimate (March 2017) for which an amount of ₹ 13.42 crore was allotted. An amount of ₹ 1.03 crore only was spent under the scheme, resulting in a savings of ₹ 12.39 crore.

When the matter was taken up with the Department, the Department replied that with the short span of time available, only a portion of the amount could be utilised. The reply was not tenable as the provision of funds made at the fag end of the year, resulted in savings to an extent of 92 *per cent* of the provision.

##### **2.4.2.3 Unnecessary provision of funds**

(a) Under the scheme 'Conservation and Management of Wetlands' *viz.*, Point Calimere, Kazhaveli and Pallikaranai, it was noticed that the amount provided for in the budget was surrendered fully during the year 2015-16 and 2016-17. The provision of funds and amount surrendered were as in **Table 2.11**.

**Table 2.11: Scheme-wise allocation and surrender**

(₹ in crore)				
Head of account	Name of the scheme	Year	Amount provided	Amount surrendered
4406.02.110.SV	Conservation and Management of Point Calimere Wetlands Complex in Tamil Nadu	2015-16	0.80	0.80
		2016-17	0.60	0.60
4406.02.110.TA	Conservation and Management of Kazhuvveli Wetland in Tamil Nadu	2015-16	2.58	2.58
		2016-17	0.79	0.79
4406.02.110.TB	Conservation and Management of Pallikaranai Wetland	2015-16	0.68	0.68
		2016-17	0.58	0.58
<b>Total</b>		<b>2015-16</b>	<b>4.06</b>	<b>4.06</b>
		<b>2016-17</b>	<b>1.97</b>	<b>1.97</b>

(Source: Appropriation Accounts for the respective years)

An amount of ₹ 4.06 crore provided in the budget during 2015-16 and an amount of ₹ 1.97 crore provided during 2016-17 were surrendered. Government of India (GoI) revised (April 2016) the funding pattern for the above schemes with 50:50 sharing between Centre and the State. Audit, however, noticed that due to non-fulfilling the conditions stipulated by GoTN, GoI assistance for the schemes was not received and consequently, the schemes were not implemented.

(b) An amount of ₹ 1.69 crore was provided for in the budget for incurring expenditure under National Afforestation Programme. However, the entire fund was surrendered. A scrutiny of records revealed that, although the GoI released the funds in January 2017, the GoTN accorded expenditure sanction for the same in April 2017. Delay in issue of sanction order resulted in surrender of entire provision.

## 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 were 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 during 2015-17 are detailed in **Table 2.12**.

**Table 2.12: Number of CFA orders issued and utilisation of Contingency Fund**

Year	Number of CFA orders issued	Amount (₹ in crore)	Number of CFA utilised	Amount (₹ in crore)	Percentage of number of CFA utilised over number issued
2015-16	38	68.68	37	67.16	97
2016-17	22	31.02	19	27.93	86
<b>Total</b>	<b>60</b>	<b>99.70</b>	<b>56</b>	<b>95.09</b>	

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

An amount of ₹ 19.14 crore not recouped during last year had been recouped during the current year. Details of CFA orders issued, utilisation as reported and the amount of expenditure incurred as at the end of the year are given in **Appendix 2.14**. It could be seen from the **Appendix 2.14** that three of the CFAs *viz.*, 4, 16 and 21 were not utilised.

In respect of Contingency Fund Advance 4, orders were issued for drawal of ₹ 68,37,000 from Contingency Fund for purchase of printers for the use in the office of the Chief Electoral Officer, District Election Officers, Electoral Registration Officers and Assistant Electoral Registration Officers for carrying out the works in connection with the General Elections to Tamil Nadu Legislative Assembly 2016. It was, however, found that the amount was not utilised as the expenditure of ₹ 68,37,000 was already incurred in March 2016. Sanction of advance from Contingency Fund during 2016-17 for an expenditure already incurred in 2015-16 was not in order. The matter was taken up with the Finance Department (March 2017) and no reply was received (October 2017).

In respect of Contingency Fund Advance 16, orders were issued for drawal of Contingency Fund, an amount of ₹ 4,05,000 under the head of account 2235.02.106.AD.01.09 for providing counseling service to the children in seven Government Observation Homes and two Government Special Homes run by the Director of Social Defence. The matter was taken up (February 2017) with Director of Social Defence regarding utilisation or otherwise of the advance.

In reply, it was stated that the fund was not utilised since inviting of application, interview and selection had taken a considerable time. The reply was not acceptable as Contingency Fund should only be operated under emergency situation. The matter was taken up (June 2017) with the Finance Department and no reply was received (October 2017).

## **2.6 Conclusion**

During 2016-17, expenditure of ₹ 2,11,641.78 crore was incurred against the total grants and appropriations of ₹ 2,33,667.47 crore, resulting in savings of ₹ 22,025.69 crore. In view of the overall savings of ₹ 22,025.69 crore, the supplementary provisions of ₹ 33,739.27 crore proved unnecessary to the tune of ₹ 11,713.58 crore. Excess expenditure of ₹ 932.42 crore pertaining to the



period of 2012 to 2016 was pending regularisation. In 21 cases, an expenditure of ₹ 0.93 crore was incurred without appropriation by the Legislature either in the Original or Supplementary estimates. There were persistent savings of more than five *per cent* of the total provision in 22 grants and five appropriations. Supplementary provisions of ₹ 50 lakh or more in each case aggregating ₹ 1,007.07 crore obtained in 31 cases during the year 2016-17 proved unnecessary, as the expenditure did not come upto the level of original provisions. As an amount of ₹ 11,704.13 crore (5.01 *per cent* of the total provision) was surrendered by the departments on the last day of the financial year, Government could not utilise the surrendered amount for other development purposes. Rush of expenditure at the end of the year was noticed, as more than 50 *per cent* of the total expenditure was incurred in March 2017 in 103 sub-heads reflecting poor expenditure control.

### **2.7 Recommendation**

- Government may streamline the process of budget estimation to ensure accuracy in budgeting.