

**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<sup>1</sup> grants 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 2018-19, 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 2018-19 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
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)=(7)/(6)
<b>Voted</b>								
I Revenue	1,65,429.35	15,563.28	1,80,992.63	1,71,547.29	(-) 9,445.34	(-) 10,955.51	(-) 9,211.42	115.99
II Capital	28,757.92	3,639.09	32,397.01	25,299.11	(-) 7,097.90	(-) 7,025.38	(-) 1,805.82	98.98
III Loans and Advances	4,302.03	3,476.37	7,778.40	6,478.03	(-) 1,300.37	(-) 1,300.94	(-) 442.56	100.04
<b>Total Voted</b>	<b>1,98,489.30</b>	<b>22,678.74</b>	<b>2,21,168.04</b>	<b>2,03,324.43</b>	<b>(-) 17,843.61</b>	<b>(-) 19,281.83</b>	<b>(-) 11,459.80</b>	<b>108.06</b>
<b>Charged</b>								
IV Revenue	30,022.08	422.58	30,444.66	29,641.66	(-) 803.00	(-) 799.32	(-) 580.42	99.54
V Capital	10.00	1,016.84	1,026.84	140.32	(-) 886.52	(-) 885.50	(-) 881.56	99.88
VI Public Debt-Repayment	15,325.88	28.00	15,353.88	15,063.62	(-) 290.26	(-) 299.54	(-) 299.54	103.20
<b>Total Charged</b>	<b>45,357.96</b>	<b>1,467.42</b>	<b>46,825.38</b>	<b>44,845.60</b>	<b>(-) 1,979.78</b>	<b>(-) 1,984.36</b>	<b>(-) 1,761.52</b>	<b>100.23</b>
<b>Appropriation to Contingency Fund (if any)</b>	..	..	..	..	..	..	..	..
<b>Grand Total</b>	<b>2,43,847.26</b>	<b>24,146.16</b>	<b>2,67,993.42</b>	<b>2,48,170.03</b>	<b>(-)19,823.39</b>	<b>(-) 21,266.19</b>	<b>(-) 13,221.32</b>	<b>107.28</b>

(Source: Appropriation Accounts for the year 2018-19)

Supplementary provisions of ₹ 24,146.16 crore obtained during the year constituted 9.01 per cent of the total provision. The overall savings of ₹ 19,823.39 crore was the result of savings of ₹ 21,303.93 crore across several grants and appropriations, offset by excess of ₹ 1,480.54 crore in few others, as given in **Table 2.2**. In view of the overall savings of ₹ 19,823.39 crore, supplementary provisions to the tune of ₹ 4,322.77 crore proved unnecessary.

Table 2.2: Grants and Appropriations with excesses and savings

Description	Savings				Excess				Net savings
	Revenue	Capital	Loans	Total amount (₹ in crore)	Revenue	Capital	Loans	Total amount (₹ in crore)	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)=(9)-(5)
Grants	50	39	33	21,303.93	4	2	1	1,480.54	19,823.39
Appropriations	53	5	1		-	-	-		

(Source: Appropriation Accounts for the year 2018-19)

As against the total provision of ₹ 2,67,993.42 crore (Original: ₹ 2,43,847.26 crore and Supplementary: ₹ 24,146.16 crore), an expenditure of ₹ 2,48,170.03 crore was incurred. Cases of supplementary provisions that proved unnecessary are discussed in **Paragraph 2.3.7**. When the reasons for savings/excesses were sought from the Controlling Officers, explanations for the variations were not received (February 2020) for 305 sub-heads

(Saving: 177 sub-heads and Excess: 128 sub-heads) out of 1,233 sub-heads, i.e. variations were not explained for 25 per cent of the sub-heads.

Further, it was seen that 75.99 per cent of provision in Supplementary estimates (January 2019 and February 2019) i.e., in 1,551 of the total of 2,041 items, only token provision was provided. Practice of meeting expenditure with an anticipation of savings in other heads was indicative of poor budgetary process.

The trend of savings and surrenders during 2014-19 is indicated in **Table 2.3**.

**Table 2.3: Trend of savings and surrenders**

(₹ in crore)

Year	Total Provision	Expenditure	Savings	Surrender
2014-15	1,82,805.18	1,60,576.18	22,229.00 (12.16)	23,057.81 (12.61)
2015-16	1,95,913.62	1,73,288.37	22,625.25 (11.55)	22,750.14 (11.61)
2016-17	2,33,667.47	2,11,641.78	22,025.69 (9.43)	22,527.80 (9.64)
2017-18	2,36,801.62	2,08,622.18	28,179.44 (11.90)	28,029.31 (11.84)
2018-19	2,67,993.42	2,48,170.03	19,823.39 (7.40)	21,266.19 (7.94)

Figures indicated in brackets are percentages to total provision

(Source: Appropriation Accounts of the respective years)

The savings varied between 7.40 and 12.16 per cent, while surrender of total provision varied between 7.94 and 12.61 per cent during 2014-19. The percentage of savings was on a declining trend from 2014-15 to 2016-17 but increased in 2017-18. However, the percentage of savings declined from 11.90 per cent in 2017-18 to 7.40 per cent during the current year indicating that the Government has been able to prioritise expenditure at par with the budget thereby reducing the gap between total provision and expenditure.

## 2.3 Financial accountability and Budget management

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

During 2018-19, there were savings to the tune of ₹ 9,852.49 crore in 33 cases, exceeding ₹ 10 crore in each case and also by more than 20 per cent of the total provision (**Appendix 2.1**). The percentage of savings to total provision ranged between 20 per cent and 50 per cent in 21 cases, between 50 per cent and 100 per cent in nine cases and in three cases, the percentage had even stood at 100 per cent. Savings of ₹ 20,224.21 crore occurred in 43 cases (29 grants and 4 appropriations) involving ₹ 50 crore and above in each case (**Appendix 2.2**).

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

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

- Savings in the Revenue voted grant during the year was 12.83 *per cent*. Surrenders were noticed under Special Fund Assistance to the families under Below Poverty Line-Rural Area (₹ 700 crore), Pradhan Mantri Yojana (Gramin) under Special Component Plan (₹ 211 crore), Pradhan Mantri Awaas Yojana (Gramin) (₹ 131 crore) and Basic Grants to Village Panchayats as per the recommendations of the 14<sup>th</sup> Finance Commission (₹ 119 crore) during the year due to non-utilisation of funds for implementation of these schemes.
- Savings in the Capital appropriation grant was due to supplementary grant obtained inadvertently under Charged instead of Voted under Roads/Bridge works under PMGSY - Bharat Nirman (₹ 677 crore), Implementation of Road Works with NABARD assistance (₹ 102 crore) and Road/Bridge Works under PMGSY-II (₹ 60 crore) during the year.
- Excess expenditure of ₹ 277.55 crore in the Capital Voted grant was due to supplementary grant obtained inadvertently under Charged instead of Voted.

***Highways and Minor Ports Department***

- Savings in the Capital voted grant during the year was 20.82 *per cent*. Surrenders were noticed under Acquisition of Lands for Bye Passes (₹ 286 crore), Revamped Central Road Fund (₹ 200 crore), Construction of over and under bridges in lieu of existing level crossings (₹ 156 crore), Chennai Metropolitan Development Plan-Traffic and Transport Improvement in Chennai City (₹ 140 crore) and Tamil Nadu Road Sector Project Phase-II (₹ 105 crore).

***Municipal Administration and Water Supply Department***

- Savings in the Revenue voted grant during the year was 15.41 *per cent*. Surrenders were noticed under Special Fund Assistance to the families under Below Poverty Line-Urban Area (₹ 500 crore), Incentive to Urban Local Bodies (₹ 232 crore), Performance Grants to Municipal Corporation as per the recommendation of the 14<sup>th</sup> Finance Commission - Controlled by Commissioner of Municipal Administration (₹ 166 crore), Performance Grants to Town Panchayats as per the recommendation of the 14<sup>th</sup> Finance Commission - Controlled by Director of Town Panchayats (₹ 129 crore), Performance Grants to Municipalities as per the recommendation of the 14<sup>th</sup> Finance Commission - Controlled by Commissioner of Municipal Administration (₹ 120 crore) and Implementation of Swacch Bharat Mission in Corporations/Municipalities (₹ 105 crore).

### *Irrigation Department*

- Savings in the Capital voted during the year was 43.18 *per cent*. Surrenders were noticed under Ground water recharge and drinking water supply programme at Athikadavu-Avinashi under PMKSY (₹ 250 crore), Construction of Check Dam and Anicuts across all River Basins of Tamil Nadu with NABARD Loan (₹ 151 crore) and Renovation of Irrigation Infrastructures in Nagapattinam, Pudukottai, Thanjavur, Thiruvarur and Tiruchirappalli Districts under TNIAM Project-II (₹ 104 crore).
- Savings in the Capital Charged during the year was 17.05 *per cent*. Surrenders were noticed under Construction of Dam for Storage of Krishna River water (₹ 744 crore), Modernisation and Rehabilitation of Thamirabarani Anicut System under WRCP Stage II (₹ 373 crore) and Improvement to Veeranam Lake for Water Supply (₹ 2,017 crore).

### *Agriculture Department*

- Savings in the Capital voted during the year was 24.53 *per cent*. Surrenders were noticed under Rain Water Harvesting under Rural Infrastructure Development Fund of NABARD (₹ 82.02 crore), Establishing of “Amma Green Park” at Guindy (₹ 20 crore), Strengthening of Seeds production infrastructure with NABARD loan assistance (₹ 10.34 crore), Dam Rehabilitation and Improvement Project (DRIP) (₹ 6.80 crore), Improving farmer access to markets and promoting enterprises for Tank and Non-Tank Irrigation under TNIAM Project-II (₹ 5.38 crore), Construction work under National Agriculture Development Programme (NADP-RKVY) - Development of Agriculture Marketing and Agri Business (₹ 5.18 crore).

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

As per Article 205 of the Constitution of India, it is mandatory for a State Government to get the excess over a grant/appropriation regularised by the State Legislature. Although no time limit for regularisation of expenditure has been prescribed under the above Article, the regularisation of excess expenditure is done after the completion of discussion of the Appropriation Accounts by the Committee on Public Accounts (PAC). Excess expenditure of ₹ 1,177.13 crore relating to 2012-18 was yet to be regularised as detailed in **Appendix 2.3**. Observations relating to excess expenditure of ₹ 932.42 crore for the period 2012-16 and ₹ 1,099.58 crore for the period 2012-17 were made in the reports ended March 2017 (Report No. 6 of 2017) and March 2018 (Report No. 1 of 2019) respectively. Government should initiate necessary action to expedite regularisation of excess expenditure, as per constitutional provisions from 2012-13 onwards. Repeated excess expenditure over the

grants approved by the State Legislature is in violation of the will of the Legislature and the basic principle of democracy.

### 2.3.3 Excess over provisions during 2018-19 requiring regularisation

**Table 2.4** contains a summary of the excess expenditure under seven grants amounting to ₹ 1,480.54 crore from the Consolidated Fund of the State over the amounts authorised by the State Legislature during 2018-19, which requires regularisation under Article 205 of the Constitution.

**Table 2.4: Summary of excess expenditure**

Sl. No.	Grant number and description	Total grant	Expenditure	Surrender	Excess
	<b>Voted Grants</b>	(₹ in crore)			
1	10 Commercial Taxes (Commercial Taxes and Registration Department) - <b>Revenue</b>	397.18	411.70	0.00	14.52
2	15 Environment (Environment and Forests Department) - <b>Capital</b>	13.18	15.83	0.00	2.65
3	27 Industries Department - <b>Loan</b>	709.87	709.87	0.00*	0.00**
4	37 Prohibition and Excise (Home, Prohibition and Excise Department) - <b>Revenue</b>	127.59	132.24	0.00	4.65
5	40 Irrigation (Public Works Department) - <b>Revenue</b>	2,035.46	2,153.70	(-) 226.46	118.24
6	42 Rural Development and Panchayat Raj Department - <b>Capital</b>	2,086.85	2,364.40	(-) 277.55	277.55
7	43 School Education Department - <b>Revenue</b>	27,036.50	28,099.43	0.00	1,062.93
	<b>Total</b>	<b>32,406.63</b>	<b>33,887.17</b>	<b>(-) 504.01</b>	<b>1,480.54</b>

\* ₹ 7,000      \*\* ₹ 2,000

(Source: Appropriation Accounts for the year 2018-19)

It could be seen from **Table 2.4** that in case of two grants, an amount of ₹ 504.01 crore was surrendered injudiciously, inspite of excess expenditure. This is in violation of Article 204 of the Constitution which provides that no money shall be withdrawn from the Consolidated Fund except under appropriation made by Law by the State Legislature. This vitiates the system of budgetary and financial control and encourages financial indiscipline in management of public resources.

### 2.3.4 Persistent savings

In 34 cases (25 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 2014-19 ranged between 11.20 and 36.64 *per cent* of total provisions under ‘Grant 09 - Backward Classes, Most Backward Classes and Minorities Welfare Department- (Voted - Revenue)’ and between 10.24 and 35.98 *per cent* under ‘Grant 54 - Forests (Environment and Forests Department) - (Voted - Revenue)’ and between 8.31 *per cent* and 59.67 *per cent* under ‘Grant 19 - Health and Family Welfare Department’ -



(Charged - Revenue). The savings under the Capital Section was 53.29 *per cent* in respect of 'Grant 29 -Tourism - Art and Culture (Tourism, Culture and Religious Endowments Department)' during 2018-19. 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 20 cases, a total expenditure of ₹ 1.34 crore was incurred without appropriation by the Legislature either in the Original or Supplementary estimates as detailed in **Appendix 2.5**.

### **2.3.6 Expenditure incurred without Final Modified Appropriation**

Article 114(3) of the Constitution provides that no money shall be withdrawn from the Consolidated Fund of India except under appropriations made by law. Expenditure should not be incurred on a scheme or service without provision of funds. It was noticed that in 24 cases, a total expenditure of ₹ 8.15 crore was incurred without Final Modified Appropriation (FMA). No provision had been made either in the Original or Supplementary estimates or Re-appropriation or was withdrawn totally by re-appropriation which led to unauthorised expenditure as detailed in **Appendix 2.6**.

### **2.3.7 Unnecessary/Inadequate supplementary provision**

Supplementary provisions of ₹ 50 lakh or more in each case aggregating ₹ 3,093.34 crore obtained in 34 cases during the year 2018-19 proved unnecessary as the original provisions was not exhausted as detailed in **Appendix 2.7**. On the other hand, in five cases where excess expenditure was more than ₹ 1 crore, the supplementary provisions of ₹ 207.83 crore proved insufficient, leaving an aggregate uncovered excess expenditure of ₹ 1,477.89 crore as detailed in **Table 2.5**.

Such huge variations in unnecessary/inadequate supplementary provisions is indicative of improper budgetary planning which could be avoided by strengthening the reconciliation process of tracking the progressive expenditure with budget estimates by the Government.

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

(₹ in crore)

Sl. No.	Grant number and description	Original provision	Supplementary provision	Total provision	Actual expenditure	Excess expenditure
1	10 - Commercial Taxes (Commercial Taxes and Registration Department) - <b>Revenue</b>	366.32	30.86	397.18	411.70	14.52
2	37 - Prohibition and Excise (Home, Prohibition and Excise Department) - <b>Revenue</b>	120.75	6.84	127.59	132.24	4.65
3	40 - Irrigation (Public Works Department) - <b>Revenue</b>	2,035.15	0.31	2,035.46	2,153.70	118.24
4	42 - Rural Development and Panchayat Raj Department - <b>Capital</b>	2,086.85	0.00	2,086.85	2,364.40	277.55
5	43 - School Education Department - <b>Revenue</b>	26,866.68	169.82	27,036.50	28,099.43	1,062.93
	<b>Total</b>	<b>31,475.75</b>	<b>207.83</b>	<b>31,683.58</b>	<b>33,161.47</b>	<b>1,477.89</b>

(Source: Appropriation Accounts for the year 2018-19)

### 2.3.8 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 2018-19, surrenders to the tune of ₹ 8,044.89 crore (3.00 per cent of the total provision) were made on 22 March 2019 and ₹ 13,221.31 crore (4.93 per cent of the total provision) on 31 March 2019. 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 571 sub-heads. The savings/excess of more than ₹ 2 crore each, as a result of injudicious re-appropriations, were ₹ 568.33 crore (40 items under savings) and ₹ 2,149.60 crore (75 items under excess) in 115 sub-heads as detailed in **Appendix 2.8**.

(iii) Further, it was noticed that in 25 cases as detailed in **Appendix 2.9**, though the entire provision was fully withdrawn by re-appropriations, expenditure of ₹ 10.92 crore was incurred by the Controlling Officers, indicating injudicious re-appropriations.

### 2.3.9 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 'actual requirement', 'lesser requirement', 'higher requirement', 'additional requirement', '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 21,511 out of 22,796 items (94.36 *per cent*), no valid reasons were given for additional provisions/withdrawal of provisions.

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

In 355 cases, each case involving more than ₹ 10 crore or 50 *per cent* of the total provision, the provision was withdrawn fully or partially. In these cases, out of the total provision of ₹ 20,986.88 crore, ₹ 17,567.30 crore (83.85 *per cent*) was withdrawn. The details of *per cent* withdrawal of provision above ₹ one crore in 130 cases (₹ 7,600.38 crore) are given in **Appendix 2.10**. Some of the departments which made substantial withdrawals were Rural Development and Panchayat Raj Department, Municipal Administration and Water Supply Department, Energy, Finance (including Debt Charges) and Co-operation (Co-operation, Food and Consumer Protection Department).

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

In 31 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 ₹ 7,271.29 crore, the amount surrendered was ₹ 7,930.50 crore resulting in excess surrender of ₹ 659.25 crore. Details are given in **Appendix 2.11**. Some of the departments which surrendered funds in excess of savings are Health and Family Welfare Department, Police (Home, Prohibition and Excise Department), Municipal Administration and Water Supply Department, Social Welfare and Nutritious Meal Programme Department and Labour and Employment Department.

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

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

Details of 16 grants and two appropriations where savings of more than ₹ 1 crore was not surrendered fully are given in **Appendix 2.12**. Out of the total savings of ₹ 9,316.12 crore, ₹ 640.34 crore was not surrendered. In 93 cases of surrender of funds in excess of ₹ 10 crore, ₹ 13,098.78 crore (**Appendix 2.13**) was surrendered on the last day of the year indicating inadequate financial control.

### **2.3.13 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 57 sub-heads, for which provision was made in the original grant, as listed in **Appendix 2.14**, it was noticed that the entire expenditure of more than ₹ 1 crore was incurred only in the month of March 2019. Rush of expenditure at the end of the year shows poor expenditure control.

## 2.4 Review of selected grants

A review of budgetary procedure and control over expenditure was conducted in respect of 'Grant Number 7 - Fisheries (Animal Husbandry, Dairying and Fisheries Department) and Grant Number 43-School Education Department in respect of two Chief Controlling offices viz., Directorate of Elementary Education and Directorate of School Education. Test check disclosed deficiencies in the budgetary process, as discussed in the succeeding paragraphs.

### 2.4.1 Grant Number 7 - Fisheries (Animal Husbandry, Dairying and Fisheries Department)

The Principal Secretary to Government, Animal Husbandry, Dairying and Fisheries Department is the administrative head. The field formation is headed by the Director of Fisheries.

#### 2.4.1.1 Allocation and Expenditure

A summary of actual expenditure vis-à-vis original/supplementary provisions made during the year 2018-19 is given in **Table 2.6**.

**Table 2.6: Details of Budget Provision and Actual Expenditure under Grant No. 7**

(₹ in crore)

	Nature of expenditure	Original	Supplementary	Total	Expenditure	Savings(-)/ Excess (+)	Percentage of savings	Amount surrendered
<b>Voted</b>	I Revenue	733.01	1.64	734.65	525.98	(-) 208.67	28.40	208.57
	II Capital	283.52	0.00*	283.52	250.43	(-) 33.09	11.67	33.05
<b>Total Voted (A)</b>		<b>1,016.53</b>	<b>1.64</b>	<b>1,018.17</b>	<b>776.41</b>	<b>(-) 241.76</b>	<b>23.74</b>	<b>241.62</b>
<b>Charged</b>	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>Grand Total (A+B)</b>		<b>1,016.53</b>	<b>1.64</b>	<b>1,018.17</b>	<b>776.41</b>	<b>(-) 241.76</b>	<b>23.74</b>	<b>241.62</b>

\* ₹ 5,000 given as token provision;

\*\* ₹ 1,000 given as token provision

(Source: Appropriation Accounts for the year 2018-19)

Though the final saving in the Grant is ₹ 241.76 crore, the amount surrendered was ₹ 241.62 crore only.

#### 2.4.1.2 Inconsistent/Improper budget allocation

##### (a) Persistent savings under Revenue Sections

During 2018-19, there was a saving of 28.40 per cent in the Grant under Revenue Sections. During the five year period 2014-19, the Department had persistent savings in excess of five per cent of the total grant. The gradual increase in savings from 12.95 per cent of total provision in 2016-17 to 28.40 per cent in 2018-19 occurred due to improper budgeting. The details of which are given in **Table 2.7**.

**Table 2.7: Year-wise allocation and savings**

(₹ in crore)

Year	Total grant	Expenditure incurred	Saving	Amount surrendered	Percentage of saving
2014-15	382.45	361.50	20.95	21.60	5.48
2015-16	435.93	367.45	68.48	68.73	15.71
2016-17	438.12	381.36	56.76	65.06	12.95
2017-18	717.51	562.36	155.15	155.16	21.62
2018-19	734.65	525.98	208.67	208.57	28.40

(Source: Appropriation Accounts of the respective years)

**(b) Substantial Surrender of funds**

Observations based on test check of records related to huge surrender of funds in respect of the schemes are given in **Table 2.8**.

**Table 2.8: Details of budget provision and surrender**

(₹ in crore)

S.No.	Name of the Scheme / Head of Account	Provision (O + S)	Actual Expenditure	Surrender
1	Diversification of trawl fishing boats from Palk Bay into Deep Sea fishing boats (2405-00-800-UD)	122.25	0.00	122.25
2	Subsidy assistance for the purchase of Mechanised boats for Tuna Fishing (2405-00-103-JZ)	17.10	0.00	17.10
3	Subsidy assistance for the purchase of Mechanised boats for Tuna Fishing (2405-00-103-UE)	6.00	0.00	6.00
4	Transport of Fish to Marketing Centres (2405-00-105-AI)	2.29	0.00	2.29
5	TNIAM Project in Fisheries Department (2405-00-101-PE)	25.24	10.06	15.18
6	Improvement to Fish Landing Facilities with loan assistance from NABARD (2405-00-121-AB)	1.30	0.26	1.04
7	Grants to Tamil Nadu Fisheries University under NABARD Loan assistance (2415-05-120-JH)	40.00	18.65	21.35
8	Improvement to Fish Landing Facilities with loan assistance from NABARD (4405-00-104-JE)	50.00	31.96	18.01
<b>Total</b>		<b>264.18</b>	<b>60.93</b>	<b>203.22</b>

(Source: Appropriation Accounts for the year 2018-19)

It could be seen from the table that out of ₹ 264.18 crore provided towards eight schemes during the year, only an amount of ₹ 60.93 crore (23.06 per cent) was utilised and ₹ 203.22 crore (76.92 per cent) was surrendered.

The surrenders ranged between 36 *per cent* to 80 *per cent* in four schemes while the total amount was surrendered in four out of eight schemes without incurring any expenditure which is indicative of improper budgeting.

With respect to the scheme of Diversification of trawl fishing boats from Palk Bay into Deep Sea fishing boats (2405-00-800-UD), an amount of ₹ 16.22 crore was available in the Personal Deposit Account of the department as of 31 March 2019, out of an amount of ₹ 19.80 crore drawn as contingency fund advance during 2017-18. Thus, it was noticed that the contingency fund advance drawn for immediate expenditure during 2017-18 had not been spent even during 2018-19.

It was also noticed that in three of the eight mentioned schemes above, the total provision was surrendered during the previous years too as shown in **Table 2.9**.

**Table 2.9: Details of budget provision and surrender in previous years**

(₹ in crore)

Name of the Scheme / Head of Account	Year	Provision (O + S)	Actual Expenditure	Surrender
Subsidy assistance for the purchase of Mechanised boats for Tuna Fishing (2405-00-103-JZ)	2016-17	14.32	0.00	14.32
	2017-18	17.10	0.00	17.10
Subsidy assistance for the purchase of Mechanised boats for Tuna Fishing (2405-00-103-UE)	2016-17	5.50	0.00	5.50
	2017-18	6.00	0.00	6.00
TNIAM Project in Fisheries Department (2405-00-101-PE)	2017-18	23.83	0.00	23.83

(Source: Appropriation Accounts of the respective years)

Surrender of huge funds in various schemes shows that the department was unable to execute the schemes and surrender under the same schemes consecutively is indicative of defective budgeting process, which could have been used for other development schemes in the department.

#### **2.4.2 Grant Number 43-School Education Department**

The Principal Secretary to Government, School Education Department is the administrative head. The field formation is headed by the Director of School Education in respect of High Schools and Higher Secondary Schools and Director of Elementary Education in respect of Elementary Schools in the state.

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

Summary of actual expenditure *vis-à-vis* original/supplementary provisions made during 2018-19 is given in **Table 2.10**.

Table 2.10: Details of budget provision and actual expenditure under Grant No. 43

(₹ in crore)

	Nature of expenditure	Original	Supplementary	Total	Expenditure	Savings(-)/ Excess (+)	Percentage of Savings/ Excess	Amount surrendered
Voted	I Revenue	26,866.68	169.81	27,036.49	28,099.42	1,062.93	3.93	0.00
	II Capital	339.20	*0.00	339.20	260.51	(-) 78.69	23.20	80.29
	III Loan	**0.00	0.29	0.30	0.13	(-) 0.17	57.64	0.00
<b>Total Voted (A)</b>		<b>27,205.88</b>	<b>170.10</b>	<b>27,375.99</b>	<b>28,360.06</b>	<b>984.07</b>	<b>3.59</b>	<b>80.29</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>27,205.88</b>	<b>170.10</b>	<b>27,375.99</b>	<b>28,360.06</b>	<b>984.07</b>	<b>3.59</b>	<b>80.29</b>

\* ₹ 4,000 only; \*\* ₹ 2,000 given as token provision; \*\*\* ₹ 17,000 only

(Source: Appropriation Accounts for 2018-19)

### Excess expenditure over provision

Under Revenue section of this Grant, as against the provision of ₹ 27,036.49 crore, an expenditure of ₹ 28,099.42 crore had been incurred, resulting in excess expenditure of ₹ 1,062.93 crore which requires regularisation.

Two Chief Controlling Offices (CCOs) viz., (i) Directorate of School Education and (ii) Directorate of Elementary Education, were selected for Budget review under the department.

#### 2.4.2.2 Directorate of School Education

##### (a) Surrender of funds

Observations based on test check of records related to the surrender of funds are as given in **Table 2.11**.

Table 2.11: Details of budget provision and actual expenditure

(₹ in crore)

Sl. No.	Scheme/Head of Account	Budget Estimate	Expenditure	Amount Surrendered	Remarks
1	Free supply of Footwear to School going children (i) 2225-01-789-JF (ii) 2202-02-796-JC (iii) 2202-02-800-JS	10.00 0.40 29.60	0.00 0.00 0.00	10.00 0.40 29.60	Due to non-receipt of sanction orders from Government, the entire amount allotted in BE was surrendered
2	Distribution of Free Note Books to Students (i) 2202-02-789-JK (ii) 2202-02-796-JF (iii) 2202-02-800-JV	17.92 0.62 43.27	16.56 0.57 39.98	1.36 0.05 3.29	
3	Implementation of Bio-Metric Attendance to the Teaching and Non-Teaching Staff of Govt Schools and Govt Aided Schools 2202-02-101-AD	5.00	2.77	2.23	Due to purchase of finger print scanner device and iris authentication scanner device in lieu of Tab with finger print plus front end camera AEBAS machine, the amount surrendered
4	Free Supply of Bicycles to the students studying in XI and XII standard in Government Schools and Aided Schools in which classes are conducted on self-financing basis 2202-02-800-JQ	5.21	4.03	1.18	The Financial sanction has been received from Government at the fag end of the year.
<b>Total</b>		<b>112.02</b>	<b>63.91</b>	<b>48.11</b>	

(Source: Appropriation Accounts for the year 2018-19)

It was noticed that under four schemes, ₹ 48.11 crore (42.95 per cent) out of the provision of ₹ 112.02 crore was surrendered.

**(b) Excess expenditure over provision under the schemes**

Observations based on test check of records related to the excess expenditure incurred and surrender of funds are given in **Table 2.12**.

**Table 2.12: Details of budget provision, actual expenditure and amount exceeded**

(₹ in crore)

Sl. No.	Name of the Scheme / Head of Account	Provision (O+S)	Re-appropriation	FMA	Expenditure	Excess
1	Oriental Schools (Arabic) 2202-05-200-AA	8.20	0.29	8.49	9.82	1.33
2	Oriental Schools (Sanskrit) 2202-05-103-AA	6.22	0.32	6.54	6.89	0.35
3	Salary of Teachers and staff in Government Secondary and Higher Secondary Schools 2202-02-109-AA	6,397.93	213.62	6,611.55	6,724.57	113.02
4	Salaries of Municipal and Corporation Secondary / Higher Secondary School Teachers 2202-02-109-AB	434.98	29.59	464.57	513.93	49.36
5	Payment of salary to Teachers of Government High Schools and Higher Secondary Schools under Sarva Shiksha Abhiyan 2202-02-109-AZ	597.45	23.90	621.35	663.77	42.42
6	Creation of Additional posts in High Schools and Higher Secondary Schools under Rashtriya Madhyamik Shiksha Abhiyan 2202-02-109-BC	472.42	18.21	490.63	581.59	90.96
7	Upgradation of Schools under Rashtriya Madhyamik Shiksha Abhiyan 2202-02-109-KH	433.12	16.96	450.08	511.40	61.32
8	Opening of Model Schools under Rashtriya Madhyamik Shiksha Abhiyan 2202-02-109-KI	40.27	2.63	42.90	46.96	4.06
9	Assistance to Aided High Schools and Higher Secondary Schools 2202-02-110-AA	2,801.55	3.62	2,805.17	3,217.43	412.26
10	Compensation of Loss for the abolition of Special Fees in Government / Aided Schools - Controlled by Director of School Education 2202-02-109-BA	17.78	(-) 1.43	16.35	16.49	0.14
<b>Total</b>		<b>11,209.92</b>	<b>307.71</b>	<b>11,517.63</b>	<b>12,292.85</b>	<b>775.22</b>

(Source: Appropriation Accounts for the year 2018-19)



Excess expenditure of ₹ 775.22 crore, in ten schemes, over and above the final modified appropriation indicated defective budgeting and re-appropriating process.

### 2.4.3 Directorate of Elementary Education

#### 2.4.3.1 Excess expenditure over FMA under the schemes

Test check of records revealed that there was excess expenditure incurred over and above the Final Modified Appropriation under four schemes as shown in **Table 2.13**.

**Table 2.13: Details of excess expenditure incurred**

(₹ in crore)

Sl. No.	Scheme/Head of Account	Provision (O+S)	Re-appropriation	FMA	Expenditure	Excess
1	Grants to Non-Government Elementary Schools 2202-01-102-AD	2,831.11	(-) 129.29	2,701.82	2,879.27	177.45
2	Salaries to Panchayat Union Elementary School Teachers 2202-01-101-AC	5,688.57	41.23	5,729.79	5,829.97	100.18
3	Salaries of Municipal and Corporation Elementary School Teachers 2202-01-101-AA	475.94	43.47	519.41	519.60	0.19
4	Government Elementary Schools 2202-01-101-AB	130.84	9.88	140.71	140.80	0.09
	<b>Total</b>	<b>9,126.46</b>	<b>(-) 34.71</b>	<b>9,091.73</b>	<b>9,369.64</b>	<b>277.91</b>

(Source: Appropriation Accounts for the year 2018-19)

Excess expenditure of ₹ 277.91 crore, in four schemes, over and above the final modified appropriation indicated defective budgeting and re-appropriating process.

## 2.5 Accounting issues

### 2.5.1 Incorrect bookings

The Head of Account '8782 - Cash Remittances and Adjustments' between officers rendering accounts to the same Accounts Officer - '102 - Public Works Remittances' and '103 - Forest Remittances' was operated by Public Works and Forest Divisions under Letter of Credit (LOC) system till March 2016. This system was scrapped and all the transactions were to be regulated and accounts rendered by the treasuries with effect from April 2016. Under the Treasury system, all the transactions earlier operated under '8782-102-Public Works Remittances' and '103 - Forest Remittances' by the above departments are required to be booked under the respective service major heads and the closing balances under these heads were required to be aligned with the treasury mode of accounting system. However, during the year, fresh credits of ₹ 144.31 crore were booked under '8782-102 - Public Works' and the closing balance of ₹ 12.90 crore (Net debit) and ₹ 13.40 crore (Credit)

continued to exist under the minor heads '102 - Public Works Remittances' and '103 - Forest Remittances' respectively.

### 2.5.2 Outstanding balances under 8658-101-PAO-Suspense

The head '8658-101-PAO-Suspense' is intended for settlement of transactions between the Accountant General (AG) and the various separate Pay and Accounts Officers (PAO). The transactions initially recorded under this head in the books of the AG are cleared on receipt of the Cheques/Demand Drafts from the Pay and Accounts Officers and on the issue of Cheque/Demand Draft in respect of amounts received in the State Treasuries on behalf of the Pay and Accounts Officers. Outstanding debit balance under this head would mean that payments have been made by the AG on behalf of a PAO, which were yet to be recovered. Outstanding credit balance would mean that payments have been received by the AG on behalf of a PAO, which were yet to be paid. The net debit balance under this head showed an increasing trend and increased from ₹ 85.74 crore in 2016-17 to ₹ 171.15 crore in 2018-19. On clearance/settlement of this, the cash balance of the State Government will increase.

## 2.6 Advances from the Contingency Fund

The Contingency Fund (CF) of the State was established under the Tamil Nadu Contingency Fund Act, 1954 in terms of provisions of Article 267 (2) and 283 (2) of the Constitution of India. Advances from the Fund are to be made only for meeting expenditure of an unforeseen and emergent character, postponement of which, till its authorisation by the Legislature, would be undesirable. The Fund is in the nature of an imprest and its corpus is ₹ 150 crore.

Details of sanctions accorded for drawal of CF advance and actually utilised are given in **Table 2.14**.

Table 2.14: Details of CF advances sanctioned

Year	Sanction of CFA		Utilisation of CFA		Percentage of utilisation	
	No.	Amount (₹ in crore)	No.	Amount (₹ in crore)	No.	Amount
2013-14	50	95.87	25	74.94	50	78
2014-15	46	47.94	40	41.66	87	87
2015-16	38	68.68	37	67.16	97	98
2016-17	22	31.02	19	27.93	86	90
2017-18	46	50.78	43	42.12	93	83
2018-19	35	64.15	33	46.95	94	73

(Source: Government Orders)

As could be seen from **Table 2.14**, the CF advances were sanctioned without immediate need and hence the utilisation ranged from 73 to 98 per cent.

During the year, 35 sanctions were issued for an amount of ₹ 64.15 crore from out of contingency fund. Out of sanctioned amount of ₹ 64.15 crore towards Contingency Fund expenditure, ₹ 10.48 crore remained unrecouped during 2018-19, actual expenditure incurred being ₹ 10.32 crore. An amount of ₹ 0.71 crore remained unutilised (Welfare of Differently Abled and Co-operation), ₹ 35.55 crore was partially utilised and the remaining ₹ 17.41 crore was fully utilised.

Details of CF orders issued during the year, and the amount of expenditure incurred as at the end of the year have been given in **Appendix 2.15**.

On scrutiny of utilisation of CFA sanctions, two CFA sanctions were fully unutilised as detailed in **Table 2.15**.

**Table 2.15: Details of CFA sanctions fully unutilised**

Sl. No.	CFA No.	Grant No. and Department	Date of issue of CFA	Amount of CFA sanctioned (in ₹)	Reasons
1	15	52 - Welfare of Differently Abled	04-10-2018	45,00,000	Promoting one class room in nine special schools.
2	32	12 - Co-operation	12-02-2019	25,63,000	Four zonal committees to decide petitions of complaints on co-operative elections
<b>Total</b>				<b>70,63,000</b>	

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

## 2.7 Conclusion

During 2018-19, expenditure of ₹ 2,48,170.03 crore was incurred against the total grants and appropriations of ₹ 2,67,993.42 crore, resulting in savings of ₹ 19,823.39 crore. In view of the overall savings of ₹ 19,823.39 crore, supplementary provisions to the tune of ₹ 4,322.77 crore proved unnecessary. Excess expenditure of ₹ 1,177.13 crore pertaining to the period of 2012 to 2018 was pending regularisation. Excess expenditure of ₹ 1,480.54 crore during the year over the provision requiring regularisation indicates lack of adequate budgetary control. In 20 cases, an expenditure of ₹ 1.34 crore was incurred without appropriation by the Legislature either in the Original or Supplementary estimates. Under 24 subheads, expenditure of ₹ 8.15 crore was incurred with nil Final Modified Appropriation (FMA). There were persistent savings of more than five *per cent* of the total provision in 25 grants and five appropriations. Supplementary provisions of ₹ 50 lakh or more in each case aggregating ₹ 3,093.34 crore obtained in 34 cases during the year 2018-19 proved unnecessary, as the expenditure did not come up to the level of original provisions. As an amount of ₹ 13,221.31 crore (4.93 *per cent* of the total provision) was surrendered by the departments on the last day of the financial year, Government could not utilise the surrendered amount for other

development purposes. Rush of expenditure at the end of the year was noticed, as the entire expenditure of more than ₹ 1 crore was incurred only in the month of March 2019 in 57 sub-heads reflecting poor expenditure control.

## **2.8 Recommendations**

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