CHAPTER II

ALLOCATIVE PRIORITIES AND APPROPRIATION

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2.1 Introduction

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

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

2.2 Summary of Appropriation Accounts

The summarised position of actual expenditure during 2006-2007 against 53 grants/appropriations was as follows:

(Rupees in crore)

	Nature of expenditure	**Original grant/appropriation**	**Supplementary grant/appropriation**	**Total**	**Actual expenditure**	**Saving (-)/ Excess (+)**
Voted	I Revenue	34901.15	1438.06	36339.21	33245.49*	(-) 3093.72
	II Capital	6439.48	963.54	7403.02	5983.25	(-) 1419.77
	III Loans and Advances	1041.56	1382.25	2423.81	2254.33*	(-) 169.48
Total Voted		**42382.19**	**3783.85**	**46166.04**	**41483.07**	**(-) 4682.97**
Charged	IV Revenue	*5857.25*	*175.09*	*6032.34*	*6023.35*	*(-) 8.99*
	V Capital	*0.16*	*8.13*	*8.29*	*7.60*	*(-) 0.69*
	VI Public Debt-Repayment	*3694.93*	*1164.46*	*4859.39*	*4690.26*	*(-) 169.13*
Total Charged		***9552.34***	***1347.68***	***10900.02***	***10721.21***	***(-) 178.81***
Appropriation to Contingency Fund (if any)		..	..	..	..	..
Grand Total		**51934.53**	**5131.53**	**57066.06**	**52204.28****	**(-) 4861.78**

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

** The total expenditure includes Rs 1397.92 crore transferred to 8443-Civil Deposits - 800 Other Deposits-AE Deposits of Government Companies, Corporations, etc., in respect of 24 Corporations/Autonomous Bodies but kept unutilised.

2.3 Results of Appropriation Audit

2.3.1 Excess over provision requiring regularisation - previous years

As per Article 205 of the Constitution, it is mandatory for the State Government to get the excess over a grant/appropriation regularised by the State Legislature. However, the excess expenditure amounting to Rs 5817.83 crore for the years 1998-2006 was yet to be regularised as detailed in **Appendix 2.1.**

2.3.2 Excess over provision during 2006-07 requiring regularisation

The excess expenditure in six grants amounting to Rs 95.22 crore and two appropriations Rs 0.39 crore, requires regularisation under Article 205 of the Constitution.

(Amount in Rupees)

Sl. No.	Number and title of grant/appropriation		Total grant/ appropriation	Expenditure	Excess
	Voted Grants -				
1.	05	Agriculture Department (Capital)	74,38,59,000	81,54,93,613	7,16,34,613
2.	28	Information and Tourism Department - Information and Publicity (Capital)	35,73,000	38,48,009	2,75,009
3.	40	Public Works Department – Irrigation (Revenue)	627,44,99,000	712,44,70,264	84,99,71,264
4.	44	Small Industries Department (Capital)	95,04,000	97,24,958	2,20,958
5.	47	Tamil Development - Culture and Religious Endowments Department - Hindu Religious and Charitable Endowments (Capital)	85,00,000	1,35,81,114	50,81,114
6.	49	Youth Welfare and Sports Development Department (Loans)	..	2,50,00,000	2,50,00,000
	Total Voted		**703,99,35,000**	**799,21,17,958**	**95,21,82,958**
	Charged Appropriations -				
7.	02	Governor and Council of Ministers (Revenue)	*4,38,31,000*	*4,51,81,758*	*13,50,758*
8.	38	Public Department (Revenue)	*7,20,000*	*32,65,790*	*25,45,790*
	Total Charged		***4,45,51,000***	***4,84,47,548***	***38,96,548***
Grand Total			**708,44,86,000**	**804,05,65,506**	**95,60,79,506**

2.3.3 Expenditure incurred without provision

In 25 sub-heads, expenditure of Rs 12.03 crore had been incurred either without budget provision or the entire provision was withdrawn through reappropriation.

2.3.4 Original budget and supplementary provisions

The overall saving of Rs 4861.78 crore was the result of saving of Rs 4957.39 crore in 50 grants and 44 appropriations under Revenue Section, 35 grants and three appropriation under Capital Section and 16 grants and one appropriation (Public Debt-Repayments) under Loan Section, offset by excess of Rs 95.61 crore in one grant and two appropriations under Revenue Section, four grants under Capital Section and one grant under Loan Section**.** Out of 690 sub-heads, explanations for variation were not received (July 2007) in respect of 415 sub-heads (Saving: 261 sub-heads and Excess: 154 sub-heads).

2.3.5 Supplementary provision obtained during the year constituted 10 *per cent* of original provision as against 14 *per cent* in the previous year.

2.3.6 Unnecessary supplementary provision

Supplementary provision aggregating Rs 879.17 crore obtained in 38 cases, Rs 10 lakh or more in each case, during the year proved unnecessary as the expenditure did not come up to the level of original provision as detailed in **Appendix 2.2**.

2.3.7 In 24 cases, against additional requirement of Rs 1721.09 crore, supplementary grants and appropriation of Rs 2173.13 crore were obtained resulting in saving, in each case exceeding Rs 50 lakh, aggregating Rs 452.04 crore. Details of these cases are given in **Appendix 2.3.**

2.3.8 Substantial surrenders

Substantial surrenders were made in respect of 166 schemes on account of either non-implementation or slow implementation. Out of the total provision amounting to Rs 6344.97 crore in these 166 schemes, Rs 5401.32 crore (85 *per cent*) were surrendered, which included cent *per cent* surrender in 62 schemes (Rs 3336.79 crore). Results of review conducted by Audit in respect of a few of these cases are given in **Appendix 2.4**.

2.3.9 Surrender in excess of actual saving

In 23 cases, the amount surrendered (Rs 50 lakh or more in each case) was in excess of actual savings indicating inadequate budgetary control. As against savings of Rs 1494.76 crore, the amount surrendered was Rs 1654.77 crore resulting in excess surrender of Rs 160.01 crore. Details are given in **Appendix 2.5**.

2.3.10 Substantial savings

In 28 cases, the expenditure fell short by more than Rs 1 crore in each case and also by 15 *per cent* or more of the total provision as detailed in **Appendix 2.6**.

2.3.11 Excessive/unnecessary reappropriation of funds

Reappropriation is transfer of funds within a grant from one unit of appropriation, where savings are anticipated, to another unit where additional funds are needed. Injudicious reappropriation proved excessive or insufficient and resulted in savings/excess of over Rs 10 lakh in 594 sub-heads. The excess/saving was more than Rs 2 crore in 87 sub-heads as detailed in **Appendix 2.7**.

2.3.12 Unexplained reappropriations

According to paragraph 151 of Tamil Nadu Budget Manual, Volume I, reasons for the additional expenditure and the savings should be explained in the reappropriation statement and vague expressions such as “based on actuals”, “based on progress of expenditure”, etc., should be avoided. However, a scrutiny of reappropriation orders issued by the Finance Department revealed that in respect of 4801 out of 19798 items (24 *per cent*), reasons given for additional provision/withdrawal of provision were of general nature like “actual requirement” and “based on latest assessment”.

2.4 Non-reconciliation of Departmental figures

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

2.4.2 Even though non-reconciliation of Departmental figures is being pointed out regularly in Audit Reports, lapses on the part of Controlling Officers in this regard persisted during 2006-07 also. Eight Controlling Officers did not reconcile expenditure amounting to Rs 228.21 crore as of September 2007 which included Rs 219.06 crore in respect of Commissioner of Social Welfare and Nutritious Meal Programme.

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

2.4.4 Eleven Controlling Officers did not reconcile receipts amounting to Rs 6.06 crore as of September 2007.

2.4.5 The Director of Government Examinations (DGE), Chennai conducts Higher Secondary Examination/Matric/Anglo-Indian Examinations throughout Tamil Nadu and Puducherry. The heads of educational institutions (except in Chennai District) were collecting the examination fees from the students at the rate prescribed by Government from time to time and the fees so collected were remitted into Government account through treasury challans. In Chennai District, the fees were remitted by way of Demand Draft (DD) by the institutions. The fees in respect of other services[1], as prescribed by DGE were remitted by the individuals through treasury challans/DDs.

Scrutiny of records (June 2007) at the DGE revealed that DGE is reconciling the departmental receipts with the treasury only in respect of five districts[2] fully and two districts[3] partly where the regional offices of DGE were located, though each of this regional office have two to seven districts under their jurisdiction. The receipts received by 24 districts and Chennai district (two PAOs) amounting to Rs 33.15 crore during 2004-05 and Rs 42.32 crore during 2005-06 were thus not reconciled with the treasuries/PAOs.

DGE stated (June 2007) that due to shortage of staff, reconciliation could not be done and for the receipts received in the districts (other than those seven districts, where regional offices of the DGE were located), the receipt figures of the Accountant General (Accounts & Entitlement), Chennai were adopted for reconciliation purposes. In the absence of reconciliation of entire receipts, the correctness of receipts accounted for could not be vouchsafed.

2.5 Rush of expenditure

According to the Tamil Nadu Financial Code, rush of expenditure in the closing month of the financial year should be avoided. Contrary to this, in respect of 34 sub-heads, expenditure exceeding Rs 10 crore and also more than 50 *per cent* of the total expenditure for the year was incurred in March 2007 (**Appendix 2.8**).

2.6 Non-adjustment of temporary advances

2.6.1 Drawing and Disbursing Officers (DDOs) draw temporary advances for the purpose of meeting contingent expenditure either on the authority of standing orders or specific sanction of the State Government. According to

[1] Obtaining Xerox copy of answer sheets, revaluation of answer papers, retotalling of marks etc.

[2] Coimbatore, Cuddalore, Trichy, Tirunelveli and Vellore.

[3] Madurai (PAO only) and Chennai (PAO (south) only).

the provisions of Article 99 of Tamil Nadu Financial Code, Volume I, if any temporary advance is pending for more than four months, the Treasury Officer/Pay and Accounts Officer is required to write to the Head of Department concerned for adjustment within a month duly supported with vouchers. An advance pending for more than five months should be brought to the notice of the Government.

2.6.2 Scrutiny of records of the offices of the Director of Teacher Education Research and Training (DTERT) and the Secretary to the Government of Tamil Nadu, Information and Tourism Department revealed that Government, in violation of the above article, sanctioned drawal of advances under Article 99 of TNFC, Volume I aggregating Rs 1.30 crore for four schemes[4]. After incurring an expenditure of Rs 67.25 lakh, Rs 42.25 lakh was remitted back to Government Account after a delay of 16 and 24 months, and the balance of Rs 23.83 lakh (including interest of Rs 3.53 lakh) continued to be kept by DTERT unutilised, outside Government account for periods upto 17 months, as discussed below:

- Rupees 20 lakh received from Government of India for the preparation of perspective plan under Restructuring and Reorganisation of Teacher Education were released (March 2004) to the DTERT. Of this, Rs 2.75 lakh alone were spent for organising various workshops, meetings and studies to prepare the perspective plan. As GOI had specifically mentioned in their sanction order (July 2003) that no expenditure could be made beyond March 2004 and the State Government had to obtain prior permission for carrying forward the unspent balance, Rs 17.25 lakh were remitted (August 2005) back to State Government account, 16 months after its drawal, which is yet to be refunded to Government of India.

- Rupees 25 lakh released (March 2004) for the establishment of web streaming system in Information and Public Relations Department, were remitted (April 2006) back to Government account, 24 months after its drawal as the department failed to establish the system due to poor response for the tender calls issued in January 2004, March 2004, July 2005 and September 2005. The Secretary to Government, Tamil Development, Religious Endowments and Information Department admitted (May 2007) that the funds were drawn in advance in March 2004 to avoid lapse of funds and the project could not take off leading to surrender of funds.

- Out of Rs 74.30 lakh drawn and deposited in an SB account in May 2005 for the scheme "Computerisation of DTERT and strengthening of hardware and software", Rs 51.66 lakh were incurred towards purchase of software, hardware, furniture, motor vehicles etc., from ELCOT,

[4] Preparation of perspective plan under Restructuring and reorganisation of Teacher Education (Rs 20 lakh), Computerisation of DTERT and strengthening of hardware and software (Rs 74.30 lakh), Programmes and Projects for faculty development-Exposure visit (Rs 10.50 lakh) and Establishment of Web Streaming System in Tourism Department (Rs 25 lakh). Total Rs 129.80 lakh or Rs 1.30 crore.

TANSI, Voltas and Trans Tempo etc., and Rs 3.88 lakh were spent towards preparation of Audio/video workshops. Due to the delayed supply of software and electronic equipment, the production of audio and video was delayed. As of March 2007, Rs 22.29 lakh (including interest) were still kept unutilised in an SB Account, outside Government account.

- Out of Rs 10.50 lakh drawn in February 2005 for the scheme "Programme and Projects for faculty development" under DTERT, Rs 1.54 lakh were still lying unspent in an SB account even after two years.

2.7 Personal Deposit Accounts

2.7.1 Personal Deposit (PD) Accounts are created by debit to the Consolidated Fund of the State and should be closed at the end of the financial year by minus debit to the relevant service heads. There were 1,322 PD accounts in 29 District Treasuries and five Pay and Accounts Offices in operation. Of these accounts, 1,145 PD accounts were not closed as of March 2007 and the balance of Rs 197.23 crore with these accounts was not transferred back to the respective service heads. Of these 1,145 accounts 876 accounts were not operated during 2006-07.

2.7.2 During the inspection of treasuries by the Accountant General (A&E) it was found that 124 PD accounts with balances exceeding Rs 5,000 were remaining inoperative for periods ranging from three to 26 years. The total amount involved in these accounts was Rs 5.04 crore. Of these accounts seven were not in operation for more than 20 years; 26 for more than ten years and 36 for more than five years.

2.7.3 According to Tamil Nadu Financial Code, Government funds should not on any account be reserved or appropriated by transfer to a deposit or any other head or be drawn from the treasury and kept in a cash chest in order to prevent the funds from lapsing.

Based on the recommendation of Twelfth Finance Commission, Government sanctioned (March 2006) the construction of tenements in selected mofussil areas, by Tamil Nadu Slum Clearance Board (TNSCB) under "State specific needs grants" and transferred the amount of Rs 2.50 crore released for this purpose, to the Deposit Account of TNSCB.

Even before commencing the scheme, TNSCB transferred (July 2006) the entire amount to its current account maintained in a nationalised bank, outside Government account. As of February 2007, only Rs 10.94 lakh were spent. The Executive Engineer, (Planning) TNSCB admitted (March 2007) that the works had not commenced as the tenders had not been finalised. As the amount was not required immediately, drawal of the money from Government account by TNSCB for keeping it outside was not justified. The amount could have been drawn in phases as and when required, as Government had placed the amount in the Deposit account in Government account with that intention only.

The Chief Engineer, TNSCB stated (August 2007) that out of the eight schemes for which the above amount was drawn, six schemes were dropped and the other two schemes were in progress.

2.8 Non-utilisation of Reserve Fund

Locking of Rs 614.69 crore levied as infrastructure surcharge

Government issued (August 2003) orders for the creation of an Infrastructure Development Fund (Fund) under Public Account to pool the collection of a specific infrastructure surcharge of five *per cent*, leviable on Sales Tax. This was also later notified under the Tamil Nadu General Sales Tax Act, 1959. The amount realised was to be credited to a new sub-head was to be utilised for various infrastructure development schemes in order to improve the quality of life of the people and to provide a conducive environment for growth of business and industry.

Government subsequently decided (February 2004) through an amendment to invest the unutilised balance in the Fund in the GOI securities. As of March 2007, no expenditure was incurred out of the Fund and the amount invested out of the fund was Rs 867.23 crore. Consequent to the introduction of VAT in the State from January 2007, this surcharge was abolished.

In response to an audit query on the reasons for non-utilisation of the accumulated amount in the Fund for any infrastructural development projects, Deputy Secretary, Finance Department stated (May 2006) that no proposals were received from Secretariat departments/Heads of Department (HODs) seeking financial sanction.

The Deputy Secretary also stated (May 2007) that the scheme for the development of infrastructure of ordinary nature were implemented out of regular budgetary allocations, as part of the capital works programme of the Government for which funds were mobilised through borrowings from NABARD and other external agencies. This infrastructure fund was created to provide financial support to mega projects. This was, though, contradictory to what was envisaged in the original Government order on the formation of the fund, in which Government had not categorised the infrastructure projects into two classes, viz., mega or ordinary.

The Finance Accounts revealed that sizeable capital expenditure was incurred under eight out of 11 sectors identified by Government during 2004-05 and 2005-06 (**Appendix 2.9**) and loans were also obtained from LIC, NABARD, HUDCO, HDFC, TUFIDCO, CANFIN, IOB etc., for executing infrastructural projects in five out of the earmarked 11 sectors (**Appendix 2.10**) for which the departments could have utilised the amount available in the “Fund”. The weighted interest rate paid on the borrowings of the State Government was 9.1 and 7.8 *per cent* during 2004-05 and 2005-06 respectively.

Audit noticed as a specific case that Rs 847.78 crore were obtained during 2004-05 and 2005-06 as loans from NABARD for various infrastructural development projects at an interest rate of 6.50 *per cent* (the rate prevailing since 2003-04) while the interest earned by investing the Fund amount was only around 4 to 5 *per cent.*

Thus, neither had the departments taken care to utilise the funds for infrastructural projects executed by them, nor did Finance Department, through which such projects were to be cleared and sanctioned, propose to utilise the funds. This defeated the purpose for which the fund was created, depriving the public who paid the additional surcharge, of the benefits projected.