

CHAPTER II

APPROPRIATION AUDIT AND CONTROL OVER EXPENDITURE

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 the 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 2003-04 against 51 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	22559.76	1740.96	24300.72	21317.81*	(-) 2982.91
	II Capital	2563.73	1516.67	4080.40	3606.63	(-) 473.77
	III Loans and Advances	631.16	461.23	1092.39	1010.57*	(-) 81.82
Total Voted		25754.65	3718.86	29473.51	25935.01	(-) 3538.50
Charged	IV Revenue	4592.20	19.22	4611.42	4739.36	127.94
	V Capital	0.00	0.00	0.00	0.00	0.00
	VI Public Debt-Repayment	10974.84	0.00	10974.84	6238.10	(-) 4736.74
Total Charged		15567.04	19.22	15586.26	10977.46	(-) 4608.80
Appropriation to Contingency Fund (if any)		..	..	..	..	..
Grand Total		41321.69	3738.08	45059.77	36912.47**	(-) 8147.30

* These are gross figures and do not take into account the recoveries adjusted in accounts under certain suspense heads as reduction of expenditure except in respect of Grant Nos. 7, 20, 26 and 38 where figures are net.

** The total expenditure includes Rs 979.74 crore transferred to 8443- Civil Deposits – 800 Other Deposits in respect of 28 Corporations / Autonomous Bodies.

2.3 Results of Appropriation Audit

The following results emerge from the audit of appropriation accounts.

2.3.1 The overall saving of Rs 8147.30 crore was the result of saving of Rs 8301.91 crore in 47 grants and 34 appropriations under Revenue Section, 26 grants under Capital Section and 11 grants and one appropriation (Public Debt - Repayments) under Loans Section, offset by excess of Rs 154.61 crore in two grants and five appropriations under Revenue Section and five grants under Capital Section.

Excess over provision requiring regularisation - previous years

2.3.2 As per Article 205 of the Constitution of India, 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 5950.82 crore for the years 1997-2003 was yet to be regularised as detailed in Appendix IX.

Excess over provision during 2003-04 requiring regularisation

2.3.3 The excess (Appendix X) of Rs 154.61 crore (2003-04) requires regularisation under Article 205 of the Constitution.

Expenditure incurred without provision

2.3.4 In 68 sub-heads, expenditure of Rs 6.82 crore had been incurred either without budget provision or the entire provision made was withdrawn subsequently through reappropriation.

Original budget and supplementary provisions

2.3.5 An analysis of the Budget provision made, expenditure incurred and amount surrendered during 1999-2004 disclosed the following:

(Rupees in crore)

Year	Original Provision	Supplementary Provision	Amount surrendered	Expenditure	Final saving (-)/ Excess (+)
1999-2000	23072.31	7199.20	1076.67	28717.41	(-) 1554.10
2000-2001	26886.68	5125.08	628.46	32256.50	(+) 244.74
2001-2002	37048.29	991.28	3800.12	34304.31	(-) 3735.26
2002-2003	37609.61	3229.38	2611.82	40165.57	(-) 673.42
2003-2004	41321.69	3738.08	7391.54	36912.47	(-) 8147.30

2.3.6 Supplementary provision obtained during the year constituted nine *per cent* of original provision. In previous years 1999-2003, it was 31, 19, three and nine *per cent* respectively.

Unnecessary supplementary provision

2.3.7 In 31 voted grants under Revenue Section and 11 voted grants under Capital Section which are detailed in Appendix XI, the original provision of Rs 16844.65 crore was augmented by first and second supplementary provisions (November 2003 and March 2004) of Rs 138.27 crore, but the expenditure fell short of even the original provision under each of these grants.

Similarly, in 34 voted grants under Revenue Section and 12 voted grants under Capital Section, second supplementary provision of Rs 106.50 crore obtained (Appendix XII) in March 2004 proved unnecessary in view of the final saving in each grant being more than the supplementary provision obtained in March 2004.

2.3.8 In six charged appropriations, supplementary provision of Rs 0.82 crore (Appendix XII) obtained in March 2004 proved unnecessary, in view of the final saving in each appropriation being more than the supplementary provision obtained. Similarly, in one charged appropriation (under grant number 3), supplementary provision of Rs 0.52 crore obtained in March 2004 proved unnecessary as the expenditure (Rs 24.56 crore) fell short of original provision of Rs 26.20 crore, resulting in saving of Rs 2.16 crore.

Insufficient supplementary provision

2.3.9 Supplementary provision obtained during the year proved insufficient (by more than Rs one crore), resulting in excess of Rs 10.08 crore and Rs 5.47 crore in respect of grant numbers 33 and 40 respectively aggregating excess expenditure of Rs 15.55 crore. Similarly, in one charged appropriation (Debt charges), supplementary provision obtained proved insufficient, resulting in excess expenditure of Rs 138.61 crore (Appendix XIII).

2.3.10 In 27 grants and three appropriations, the expenditure fell short by more than Rs one crore each and also by 15 *per cent* or more of the total provision (Appendix XIV).

Substantial surrenders

2.3.11 Substantial surrenders were made in respect of 116 schemes on account of either non-implementation or slow implementation. Out of the total provision amounting to Rs 11265.43 crore in these 116 schemes, Rs 8376.89 crore (74 *per cent*) were surrendered; cent *per cent* surrender was made in 34 schemes (Rs 390.16 crore). Results of review conducted by Audit in respect of a few of these cases are given in Appendix XV.

Excessive/unnecessary reappropriation of funds

2.3.12 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. Reappropriation proved excessive or insufficient and resulted in savings/excess by over Rs ten lakh in 579 sub-heads. The excess/saving was more than Rs one crore in 98 cases as detailed in Appendix XVI.

Unexplained reappropriations

2.3.13 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 9002 out of 19533 items (46 *per cent*), reasons given for additional provision/withdrawal of provision were of general nature like “actual requirement” and “based on latest assessment”.

2.4 Unreconciled Receipts/Expenditure

2.4.1 Departmental figures of Receipts and Expenditure should be reconciled with those of the Office of the Accountant General (Accounts and Entitlements) every month. The reconciliation had, however, remained in arrears in several departments.

2.4.2 Eleven Controlling Officers did not reconcile their receipt figures (September 2004) amounting to Rs 40.92 crore during 2003-2004. This

amount included Rs 39.24 crore pending reconciliation by Secretary, Finance (Ways and Means) Department.

2.4.3 The number of controlling officers who did not reconcile their expenditure figures and the amounts involved as of September 2004 were as under.

(Rupees in lakh)

Year	Number of controlling officers who did not reconcile their figures	Amount not reconciled
1992-1993	1	65.46
1995-1996	1	65.25
1996-1997	1	45.38
1998-1999	1	12.13
1999-2000	1	5.34
2001-2002	2	9.55
2002-2003	3	8.00
2003-2004	18	10000.90
Total	28	10212.01

2.4.4 Amounts exceeding Rs ten crore in each case remained unreconciled during 2003-2004 in respect of expenditure figures of the following four controlling officers.

(Rupees in crore)

Sl. No.	Controlling Officers	Amount not reconciled
1.	Commissioner of Municipal Administration	31.80
2.	Secretary, Finance Department	26.20
3.	Chief Electoral Officer & Secretary to Government (Public – Election Department)	13.97
4.	Chief Engineer, Highways, Rural Roads	11.08

2.5 Rush of expenditure

According to article 39 of Tamil Nadu Financial Code, Volume I no attempt should be made to prevent the lapse of an appropriation by any undue rush of expenditure during March.

Some instances of rush of expenditure in March are given below:

Grant No. 33 - 2217.04.192.II.JA

Slum Improvement Programme in Urban Local Bodies

Government of India introduced National Slum Development Programme for the up-gradation of urban slum and ten *per cent* of the provision under the programme was allocated for Shelter Upgradation. Commissioner of Municipal Administration did not obtain the detail of works to be taken up district-wise from Municipal Corporations, Municipalities and Town Panchayats even by February 2004. Government sanctioned Rs 19.02 crore in

February 2004 and Rs 6.17 crore in March 2004 for the implementation of the scheme. The amount was released to the respective Municipalities/Municipal Corporations in the month of March. The entire amount was drawn and released only to avoid the lapse of budgetary provision. Even as of August 2004 only Rs 12.39 lakh (0.5 per cent) out of Rs 25.20 crore released were utilised leaving an unspent balance of Rs 25.08 crore.

Grant No. 33 - 6215.01.192.II.JA

Loans to Municipal Corporations and Municipalities

Loan of Rs 84.72 crore was obtained in May 2002 from LIC of India for implementing new Rural and Urban Water Supply Scheme by Tamil Nadu Water Supply and Drainage (TWAD) Board and the provision was made in the budget during 2003-04 only. However, Government released Rs 64.58 crore in March 2004, which was credited to Personal Deposit Account of TWAD Board. This was done evidently to avoid lapse of Budget provision.

2.6 Budgetary procedure and control over expenditure

Inadequate control over expenditure

2.6.1 The Appropriation Acts specify the sums authorised by the Legislature under each grant for meeting expenditure during a financial year; the final modified grants authorised by Government are the sums to be spent upto 31 March and the difference is resumed to the Consolidated Fund. Such resummptions of funds under the grants were persistent and significant not only during 2003-04 but also in earlier years. Further, there had also been significant variations (excess or saving) between the final modified grant/appropriation and actual expenditure. Overall position for the five years from 1999-2004 is indicated below:

(Rupees in crore)

Year	Sums authorised by the Legislature	Amount resumed (surrendered)	Final Modified Grant/Appropriation	Actual expenditure	Variation between (4) and (5) Excess (+) / Saving (-)
(1)	(2)	(3)	(4)	(5)	(6)
1999-2000	30271.51	1076.67	29194.84	28717.41	(-) 477.43
2000-01	32011.76	628.46	31383.30	32256.50	(+) 873.20
2001-02	38039.57	3800.12	34239.45	34304.31	(+) 64.86
2002-03	40838.99	2611.82	38227.17	40165.57	(+) 1938.40
2003-04	45059.77	7391.54	37668.23	36912.47	(-) 755.76

2.6.2 Savings compared to the final modified grant showed that estimates of expenditure prepared even in March, the last month of the financial year, were defective. Similarly, excess expenditure over and above the final modified grant indicated that the control over expenditure was inadequate.

2.6.3 Rupees 7391.54 crore were surrendered during 2003-04 and resumed to Consolidated Fund on 31 March 2004. However, in two capital voted grants (5 and 43) and two Revenue charged appropriations (1 and 51) total provision of Rs 4572.10 crore was reduced to Rs 4529.72 crore in the final modified grant stage, but expenditure incurred under these grants/appropriations (Rs 4710.85 crore) was in excess of final modified grant/appropriation by Rs 181.13 crore.

2.6.4 In 13 Revenue (Voted)¹ grants, 12 Capital (Voted) grants², three Loans (Voted) grants (Grant No 12, 25 and 42) and two Revenue (Charged) appropriations (Nos. five and 34) against Rs 632.83 crore surrendered in March 2004, the saving was only Rs 497.64 crore, resulting in excess expenditure over the final modified grant/appropriation.

2.6.5 In 47 Revenue (Voted) grants³, 26 Capital (Voted) grants⁴, 11 Loans (Voted) grants⁵ and 34 Revenue (Charged) appropriations⁶ and one Public Debt Repayment, against Rs 7349.16 crore surrendered in March 2004, the saving was Rs 8301.91 crore, indicating that the departments had not utilised Rs 952.75 crore out of the final modified grant/appropriation.

2.6.6 Budget Review of Home Department - Police

(i) Introduction

Police is responsible for maintenance of law and order, detection of crime and enforcement of the various legislations. In the Budget Provision for Home Department-Police under Grant 21 for 2003-04, 97 per cent of the demand is under the Heads of Department 'Police (DGP)' and 'Police (Commissioner)', the balance being spread over nine other heads. The entire budget of the Department is covered under 145 sub-heads.

(ii) Overall position

The total grant, actual expenditure and variation (savings/excess) for the years 2002-04 are as under:

(Rupees in crore)

Year	Division		Total provision	Actual Expenditure	Savings(-)/ Excess(+)
2002-03	Revenue	V	1173.87	1017.31	(-) 156.56
		C	0.93	0.95	(+) 0.02
	Capital	V	165.69	118.93	(-) 46.76
		C	..	..	..
	Loans	V	2.00	1.00	(-) 1.00
		C	..	..	..
2003-04	Revenue	V	1240.75	1071.77	(-) 168.98
		C	2.02	1.79	(-) 0.23
	Capital	V	152.90	103.49	(-) 49.41
		C	..	..	..
	Loans	V	1.00	0.50	(-) 0.50
		C	..	..	..

V: Voted C: Charged

The percentage of savings under Revenue heads during 2002-03 and 2003-04 were 13.34 and 13.62 respectively and under Capital heads during the same period were 28.22 and 32.32 respectively.

¹ Revenue (Voted) Grant – 5, 14, 16, 17, 26, 27, 28, 34, 37, 38, 43, 46 and 49
² Capital (Voted) Grant - 5, 7, 9, 21, 26, 29, 33, 35, 38, 40, 41 and 43
³ Revenue (Voted) Grant - 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 34, 35, 36, 37, 38, 39, 41, 42, 43, 44, 45, 46, 47, 48 and 49
⁴ Capital (Voted) Grant - 4, 6, 7, 9, 12, 14, 15, 18, 19, 20, 21, 22, 23, 25, 26, 29, 31, 33, 35, 38, 39, 40, 41, 42, 45 and 46
⁵ Loan (Voted) Grant - 4, 12, 13, 15, 16, 19, 21, 25, 33, 41 and 42
⁶ Revenue (Charged) appropriation - 2,3,4,5,6,7,8,9,10,11,12,15,16,18,19,20,21,22,23,24,25, 26, 29, 31, 33, 34, 36, 39, 41, 42, 43, 45, 46 and 47

Unrealistic Budgeting

As per Paragraph 18 of the Tamil Nadu Budget Manual estimates should be framed after a careful and thorough consideration of all items of expenditure and of all source of income and of every factor likely to affect the actual results.

Non-adherence to the provision of the Manual led to large scale saving and surrenders under various sub-heads during 2003-04, as illustrated below:

(Rupees in lakh)

Sl. No.	Head of account	Original provision	Supplementary provision	Total provision	Expenditure	Savings	Percentage of savings to the total provision
1	2055.00.101.IAA	2444.91	0.02	2444.93	1387.51	1057.42	43
2	2055.00.109.IAA	50900.82	51.85	50952.67	44332.83	6619.84	13
3	2055.00.109.IAL	10625.89	9.18	10635.07	9154.40	1480.67	14
4	2055.00.115.IAA	8097.66	83.78	8181.44	4230.37	3951.07	48
5	4055.00.207.VI.UA	5000.00	..	5000.00	2487.82	2512.18	50
6	4055.00.211.IAJ	8911.15	..	8911.15	6797.92	2113.23	24

Savings/Excess

Under the grant, the gross savings of Rs 250.24 crore under 145 sub-heads were partly offset by excess expenditure of Rs 31.12 crore under 28 sub-heads resulting in net savings of Rs 219.12 crore during 2003-04.

Unnecessary supplementary provision

In 29 sub-heads under the Grant, original provision of Rs 1071.13 crore was augmented by supplementary provision (November 2003 and February 2004) of Rs 1.68 crore, but the expenditure fell short of even the original provision under each of these sub-heads.

Unnecessary or excessive reappropriations

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. In the case of 53 sub-heads, there were savings with reference to Final Modified Grant (FMG) due to excess augmentation (11 sub-heads) or insufficient reduction (42 sub-heads) in reappropriation. Again in the case of 46 sub-heads, there was excess expenditure with reference to FMG due to insufficient augmentation (11 sub-heads) or excess reduction (35 sub-heads) in reappropriation.

Three cases where excess was more than Rs ten lakh due to inadequate augmentation of funds in reappropriation as given below:

(Rupees in lakh)

Head of Account	Original provision	Supplementary provision	Total Provision	Reappropriation	Final Modified Appropriation	Actual Expenditure	Excess
2055.00.101.IAD	316.85	0.01	316.86	59.43	376.29	392.70	16.41
2055.00.003.IAA	874.76	106.99	981.75	1047.98	2029.73	2041.07	11.34
2055.00.800.IAL	..	0.01	0.01	438.90	438.91	457.49	18.58

Injudicious withdrawal of funds in reappropriation

In the case of the sub-head indicated below, funds were injudiciously withdrawn in reappropriation (March 2004) since the final expenditure exceeded the provision after reappropriation.

(Rupees in lakh)

Head of account	Original Budget provision	Reappropriation	Total expenditure	Final excess
2055.00.101.I.AP	642.56	(-) 184.62	618.69	(+) 160.75

(iii) Non-adherence to provisions of the Manual resulted in huge surrender

As per Paragraph 37 (a) of Tamil Nadu Budget Manual (Volume I), the estimate for salary should be framed on the basis of the expenditure likely to be incurred in the coming year on account of the officers and subordinates likely to be on duty and the actual pay (including special pay and personal pay excluding the compensatory allowances) to be drawn by them irrespective of the actual sanctioned strength. As per Paragraph 37(d) of the above Manual, the estimates for salary should be examined with reference to the differences between the estimates and the actuals in the past years and a lump sum deduction should be made for probable savings. Non-adherence to the provisions of the Manual has led to large-scale savings and surrender of Rs 96.21 crore in the reappropriation under Pay and Dearness Allowance (DA) under the following heads of account during 2003-04, though there was substantial savings under these sub-heads during 2001-03.

(Rupees in lakh)

Sl. No.	Head of account	Pay and DA 2001-02	Pay and DA 2002-03	Pay and DA 2003-04
Office of the Director General of Police, Chennai				
1	2055.00.101.I.AA	335.68	405.93	1084.67
2	2055.00.109.I.AA	1800.36	5814.16	6540.23
3	2055.00.104.I.AA	122.91	68.89	122.54
4	2055.00.104.I.AE	57.77	64.84	93.36
5	2055.00.104.I.AG	82.13	26.22	113.96
6	2055.00.104.I.AO	38.79	89.93	106.02
7	2055.00.104.I.AP	140.13	66.91	110.36
8	2055.00.104.I.AQ	73.10	94.65	180.91
9	2055.00.104.I.AS	113.31	117.37	134.03
10	2055.00.104.I.AU	85.01	51.66	94.64
11	2055.00.104.I.AY	166.95	68.38	145.27
12	2055.00.109.I.AN	267.41	270.20	111.93
13	2055.00.111.I.AB	165.36	156.88	234.51
14	2235.02.105.I.AB	343.92	283.53	244.27
	Total	3792.83	7579.55	9316.70
Office of the Commissioner of Police, Chennai				
1	2055.00.108.I.AC	383.95	185.72	304.50
	Grand Total	4176.78	7765.27	9621.20

In the following sub-head, though budget estimate was less than that projected in the number statement for 2003-04, there was huge surrender of funds (10.94 per cent).

(Rupees in lakh)

Head of account	Funds required as per number statement		Funds provided as per budget estimate		Surrender		Total
	PAY	DA	PAY	DA	PAY	DA	
2055.00.109.I.AL	6102.50	3600.48	4929.33	3006.89	333.54	728.27	1061.81

In the following sub-head provision in the budget estimate was more than the requirement as per the number statement, resulting in surrender.

(Rupees in lakh)

Head of account	Funds required as per number statement		Funds provided as per budget estimates		Surrender		Total
	PAY	DA	PAY	DA	PAY	DA	
2055.00.111.I.AA	419.97	247.78	607.13	370.35	208.85	203.59	412.44

2.6.7 Drawal of funds far in advance of requirement

A sum of Rs two crore was sanctioned by the Youth Welfare and Sports Development Department for relaying astroturf (Rs one crore) and to provide flood-lighting facilities in Mayor Radhakrishnan Hockey Stadium (Rs one crore), Chennai in May 2003 and October 2003 respectively and the amount was drawn and deposited in Personal Deposit Account of the Sports Development Authority of Tamil Nadu (SDAT) in June 2003 and January 2004. The amount was withdrawn from Personal Deposit account and deposited in Indian Overseas Bank, Nehru Park branch in April 2004 for 91 days fixed deposit. Member Secretary, SDAT to an audit enquiry regarding non-utilisation of funds replied (July 2004) that the amount could not be utilised as the tender was yet to be finalised. Drawal of funds before finalisation of tender violated paragraph 178 (ix) of Tamil Nadu Budget Manual according to which moneys should not be drawn from treasury unless required for immediate use.

The above facts indicate that the release of Rs two crore to SDAT was made far in advance of requirement which is against the provisions of Tamil Nadu Budget Manual.

2.6.8 Non-encashed cheques

As per paragraph 92 of Pay and Accounts Office Manual, in cases where cheques are not cashed within three months after the month of issue, payees concerned should be advised by Pay and Accounts Officer to surrender the time barred cheques. On receipt of non-payment certificate from the bank, action should be taken to cancel the time barred cheques and this fact must be appraised to the departmental officer of having cancelled the payment originally authorised and only fresh claims should be entertained.

The details of cheques issued by Pay and Accounts Offices and not cashed and time barred as on 31 March 2003 are as below:

(Rupees in crore)

Sl.No.	Name of PAO	Number of cheques	Amount
1.	PAO (South)	26355	15.40
2.	PAO (East)	12156	35.89
3.	PAO (North)	5082	68.16
4.	PAO (Secretariat)	401	7.39
5.	PAO (Madurai)	4812	5.46
6.	Sub PAO (Corporation)	297	1.71
Total		49103	134.01

Commissioner of Treasuries and Accounts informed Audit (May 2004) that suitable instructions have been issued in April 2004 to Pay and Accounts Offices/Treasury offices for following the codal provisions in respect of

cheques issued after April 2000. Failure on the part of Pay and Accounts Offices to comply with codal provisions contained in paragraph 92 of Pay and Accounts Office Manual had resulted in accumulation of 49103 time barred cheques amounting to Rs 134.01 crore being kept without cancellation and also resulted in boosting of expenditure to that extent in previous years.

Government instructed (November 2004) the Special Commissioner and Commissioner of Treasuries and Accounts to monitor the adjustments of unencashed cheques on a monthly basis.

2.7 Irregularities in the maintenance of 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 1458 PD Accounts in 28 District Treasuries and five Pay and Accounts Offices (PAO) with a closing balance of Rs 153.64 crore as of March 2004.

2.7.2 Autonomous bodies/Universities/Public Sector Corporations maintain Deposit account in the Public Account into which grants released by Government are credited. Withdrawals are made when needed with the concurrence of Finance Department.

2.7.3 Irregularities noticed during test-check in the maintenance of PD Account by their administrators are given below:

8443 – Civil Deposits – 106 – Personal Deposit Account

Barathi Women's College, Chennai

The college has a PD Account for grants received from Government towards scholarship for the SC/BC/MBC students. Contrary to codal provisions, the Account was not closed at the end of 2002-03 and had an opening balance of Rs 6.32 lakh. It received Rs 54.86 lakh during 2003-04 and transferred Rs 56.54 lakh to a Savings Bank (SB) account whose balance at the end of the 2003-04 was Rs 20.32 lakh. The above amount along with Rs 4.64 lakh available in the PD account as on 31 March 2004 was not remitted back into Government account.

8443 – Civil Deposits – 800 – Other Deposits – AE Deposits of Government Companies and Corporations

(i) Commissioner of Handlooms and Textiles

A Deposit account has been operated by the Commissioner of Handlooms and Textiles (CHT) from April 1998 onwards for implementing the schemes "Free supply of Sarees and Dhoties" and "Free supply of uniform to school children", through Tamil Nadu Handloom Weavers Co-operative Society Ltd. (Co-optex) and Tamil Nadu Textiles Corporation (TNTC). As the operation of head of account of this deposit account is limited to Government companies and corporations, its use by the CHT was irregular.

It was noticed that a sum of Rs 22 crore was withdrawn on 28 March 2003 from the above account and paid to Co-optex which redeposited the same on 3 April 2003. The reasons for this withdrawal/redeposit are awaited from Co-optex/CHT/Government.

(ii) Tamil Nadu Medical Services Corporation

Tamil Nadu Medical Services Corporation Limited (TNMSC) operates a Deposit Account wherein various departments deposit funds for purchase of drugs, medicines, equipments and for construction. The position of deposits and withdrawals by TNMSC from this account during 1999-2004 is given below:

(Rupees in crore)

Year	Opening balance as on 1 April	Deposited during the year	Total funds available	Withdrawn during the year	Closing balance as on 31 March	Percentage of closing balance to total available funds
1999-2000	68.92	74.31	143.23	71.00	72.23	50
2000-01	72.23	65.52	137.75	78.50	59.25	43
2001-02	59.25	185.19	244.44	94.50	149.94	61
2002-03	149.94	200.56	350.50	293.45	57.05	16
2003-04	57.05	313.94	370.99	307.71	63.28	17

a) TNMSC had no data regarding the directorate-wise break-up of withdrawals and unutilised funds. TNMSC stated that they were maintaining details of receipts of funds directorate-wise and withdrawals of funds on daily basis to reconcile their figures with Pay and Accounts Office (East), who maintained the Deposit Account of TNMSC.

b) Huge variations were noticed between amounts reported as transferred to TNMSC by three Directorates⁷ during 1999-2003, and as received by TNMSC as indicated below:

(Rupees in crore)

Year	DPHPM		DMRHS		DME		Total	
	Released by the Directorate	Received by the TNMSC	Released by the Directorate	Received by the TNMSC	Released by the Directorate	Received by the TNMSC	Released by the Directorates	Received by the TNMSC
1999-2000	17.28	5.31	41.48	28.46	30.74	30.74	89.50	64.51
2000-01	25.20	13.94	38.26	18.98	30.75	31.05	94.21	63.97
2001-02	43.02	65.30	33.99	68.21	27.56	32.85	104.57	166.36
2002-03	36.75	36.75	40.37	61.89	43.51	30.00	120.63	128.64
Total	122.25	121.30	154.10	177.54	132.56	124.64	408.91	423.48

Perusal of records of PAO (South) wherein bills are admitted and passed for payment for the Directorates and of PAO (East) which is maintaining the Deposit Account of TNMSC revealed that the differences were due to delay in sending the intimation of credit adjustment to Personal Deposit Account by PAO (South) to PAO (East) for crediting the Personal Deposit Account of TNMSC. Though Commissioner of Treasuries and Accounts had directed as early as in February 2002 that the responsibility of maintaining the Deposit Account of TNMSC be transferred from PAO (East) to PAO (South) to avoid the recurrence of such non/belated communication of adjustment, the Deposit Account was transferred only in April 2004. The huge differences are yet to be reconciled by the Directorates.

Government, with a view to avoid funds being kept idle with TNMSC, had issued a revised procedure in July 1999, directing all the Directorates to release the funds for the fourth quarter, only after receiving the accounts for

⁷ Directorate of Public Health and Preventive Medicine (DPHPM), Directorate of Medical and Rural Health Services (DMRHS) and Directorate of Medical Education (DME).

the first three quarters from TNMSC and after assessing the quantum of drugs etc. actually required for the fourth quarter from all the institutions under their control. However this procedure is not being followed.

In April 2004, TNMSC requested all the Directorates to reconcile the entire transactions since 1994-95.

Though Government directed (November 2004) the TNMSC to transfer the unutilised balance in the PD account for purchase of equipment, furniture etc., for the five new medical colleges, action is yet to be taken to reconcile the accounts between the Directorates and TNMSC (December 2004).

2.8 Non-adjustment of temporary advances

2.8.1 Drawing and Disbursing Officers (DDOs) draw temporary advances either on the authority of standing orders or specific sanction of Government. Tamil Nadu Financial Code requires that if any temporary advance is pending for more than four months, the Treasury Officer (TO)/Pay and Accounts Officer (PAO) should write to the Head of Department concerned to adjust the same with a Detailed Contingent (DC) bill supported by vouchers, within a month. An advance pending for more than five months should be brought to the notice of the Government.

2.8.2 Scrutiny of Register of temporary advances in two PAOs⁸ in respect of six offices indicated in the table below revealed that the above provisions were disregarded by the DDOs.

(Rupees in lakh)

Offices	Pendency as on 31 March 2004					Total
	More than 5 years	3 to 5 years	2 to 3 years	1 to 2 years	Less than one year	
Commissioner of Police Chennai (COP)	-	152.07	-	24.24	-	176.31
Director of Agriculture (DOA)	-	-	191.87	77.93	-	269.80
Director of Elementary Education (DEE)	158.97	-	13.40	-	-	172.37
Director General of Police (DGP)	127.83	4.93	545.87	646.57	1505.45	2830.65
Director of School Education (DSE)	1625.20	-	6.58	-	-	1631.78
Project Officer World Bank Assisted Integrated Child Development Scheme III (P.O., WBA ICDS III)	16.91	22.51	-	390.36	238.26	668.04
Total	1928.91	179.51	757.72	1139.10	1743.71	5748.95

2.8.3 In response to PAO's (South and East) communications, DEE, DSE and DGP denied pendency of 36 DC bills involving Rs 9.82 crore on the ground that the concerned advances did not pertain to their office. Result of verification by the PAOs of the advances in question is awaited (August 2004).

2.8.4 Government in June 2001 instructed to stop payment of non-salary bills of DDOs who have not adjusted the temporary advances for a long time. However, Special Commissioner and Commissioner of Treasuries and Accounts (SC & CTA) based on the orders of the Finance Department,

⁸ PAO (East) and PAO (South), Chennai.

instructed PAO (South) (December 2003 and January 2004) to admit non-salary bills pertaining to DEE and DSE upto March 2004 on the condition that pending temporary advances are settled before 31 March 2004. However, these DDOs adjusted only a meagre amount of Rs 8.28 lakh (0.5 per cent) out of Rs 1804.15 lakh as on 31 March 2004.

2.8.5 Thus, laxity in enforcing codal provisions has resulted in pendency of large number of temporary advances involving huge amounts. A risk of such pendency is that misappropriation, if any, would go undetected.

2.9 Expenditure on New Service/New Instrument of Service

2.9.1 According to Article 205 of the Constitution, no expenditure should be incurred on a service not contemplated in the Budget except after getting vote of the Legislature or by an advance from the Contingency Fund.

2.9.2 During 2003-04, expenditure totaling Rs 0.93 crore was incurred in four schemes, where only token provision was made. For six new schemes, expenditure of Rs 12.07 crore was incurred without any original or supplementary provision and had to be treated as New Service/New Instrument of Service. Expenditure of Rs 95.10 crore was incurred on eight schemes by utilising reappropriated funds.

2.9.3 Though only token provision was made in the Budget for a scheme receiving assistance from Government of India in respect of Grant No. 7 (Animal Husbandry and Fisheries Department - Fisheries), Rs 0.76 crore was incurred during the year without seeking supplementary grant.