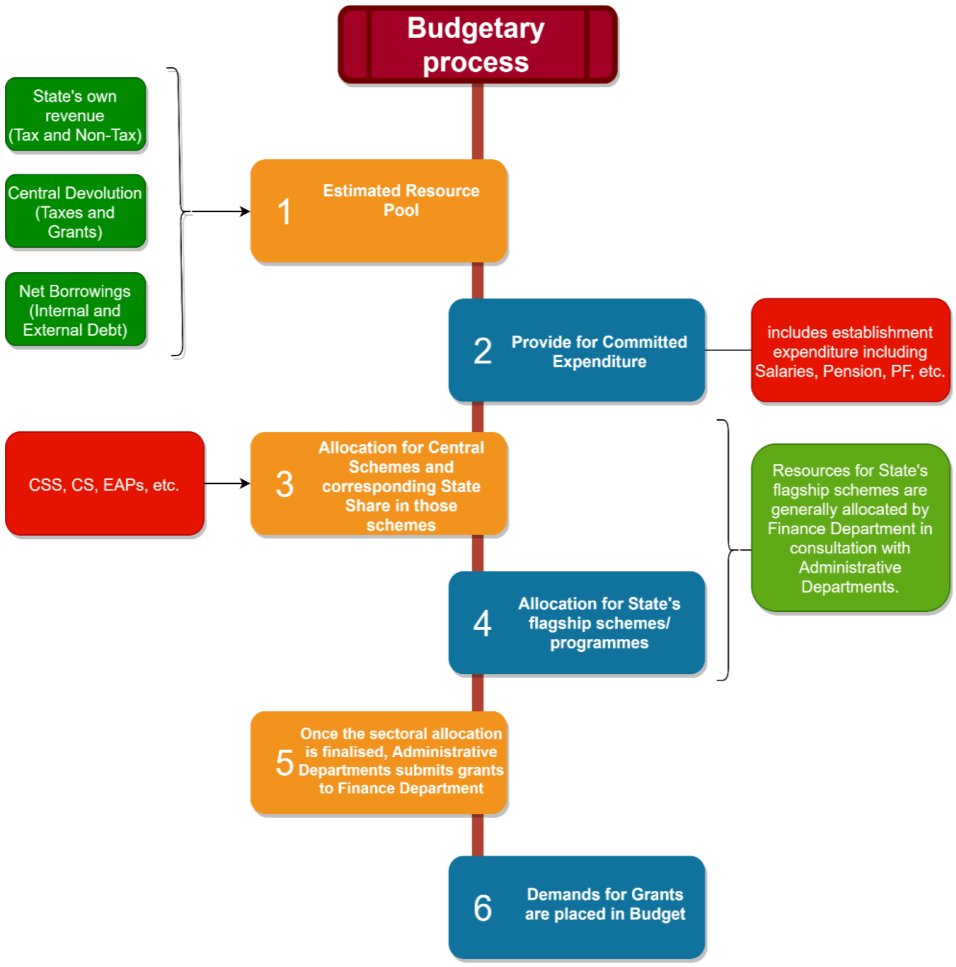
CHAPTER 3

BUDGETARY MANAGEMENT

3.1 Budget Process

The annual exercise of budgeting is a means for detailing the roadmap for efficient use of public resources. Budget glossary is given at the end of the Appendices. The Budget process commences with the issue of the Budget Circular, normally in August each year, providing guidance to the Departments in framing their estimates for the next financial year. A typical budget preparation process in the State is given in the flow chart below:

Budgetary Process



CSS: Centrally Sponsored Schemes; CS: Central Schemes; EAP: Externally Aided Projects

The Finance Bill, Annual Financial Statement (Budget), and Demands for Grants are mandated by Articles 199, 202 and 203 of the Constitution of India respectively.

Article 202 of the Constitution of India requires laying of a statement of the estimated receipts and expenditure of the State for that year, as the "Annual Financial Statement" before the House of the Legislature of the State. The Annual Financial Statement should show expenditure charged on consolidated fund and other expenditure separately. It shall also distinguish expenditure on revenue account from other expenditure.

No money shall be withdrawn from the Consolidated Fund of the State except under appropriation made by law passed in accordance with provisions of Article 204 of the Constitution of India. Supplementary or Additional Grant or Appropriation is provided during the course of a financial year in accordance with Article 205 of the Constitution. It is the provision for meeting expenditure in excess of the budgeted amount.

Apart from supplementary grant, re-appropriation can also be used to re-allocate funds within a Grant. Re-appropriation is the transfer, by competent authority, of savings from one unit of appropriation to meet additional expenditure under another unit within the same section (Revenue-Voted, Revenue-Charged, Capital-Voted, Capital-Charged) of the Grant or Charged Appropriation.

3.1.1 Summary of total provisions, actual disbursement and savings / excess during 2019-20

A summarised position of total budget provision, disbursement and saving/excess with its further bifurcation into voted/charged during the year 2019-20 is given below in **Table 3.1.**

Table 3.1: Summarised position of Budget

(*₹ in crore*)

Total Budget Provision		Disbursements		Savings (-)		Excess (+)	
Voted	Charged	Voted	Charged	Voted	Charged	Voted	Charged
2,36,358	51,995	2,10,349	50,911	(-) 26,951	(-) 1,084	(+) 942	Nil

(*Source: Appropriation Accounts*)

The overall savings of ₹ 28,035 crore shown above, when offset by excess of ₹ 942 crore in certain grants/appropriations, works out to net savings of ₹ 27,093 crore as given below in **Table 3.2**.

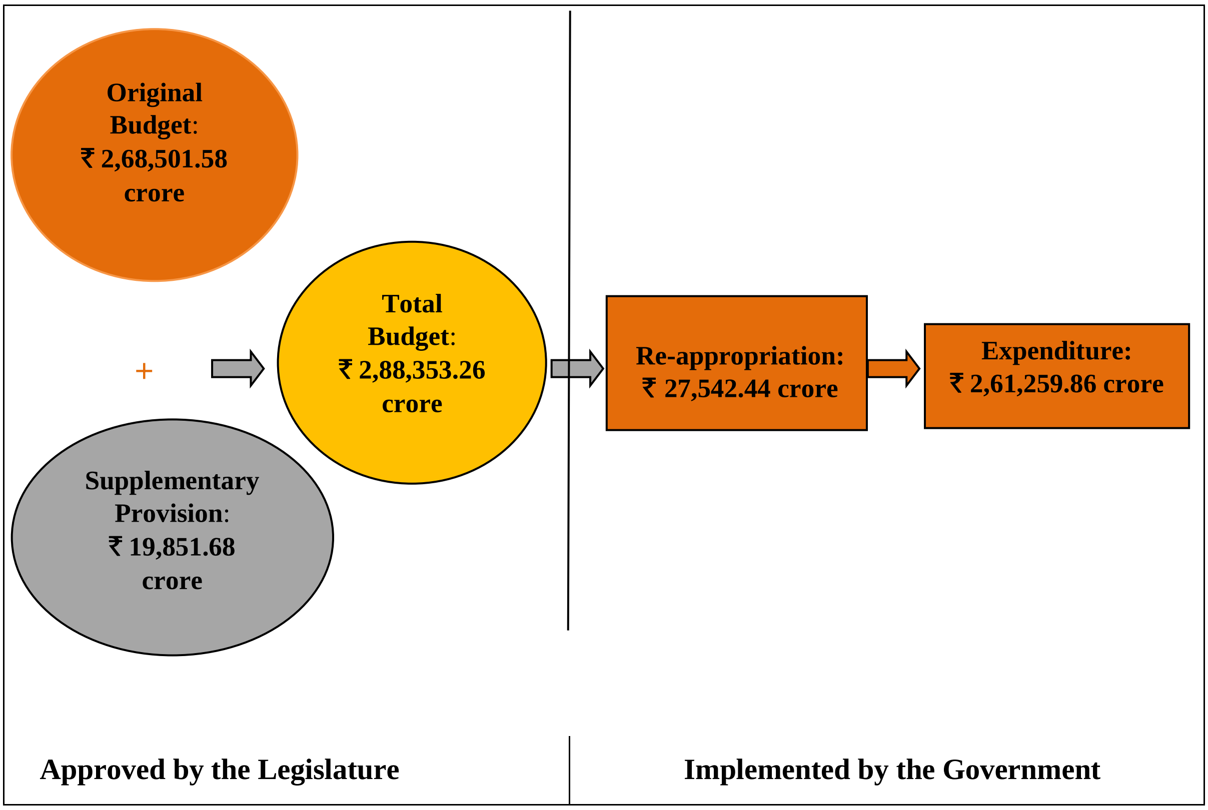
Table 3.2: Grants and Appropriations with excesses and savings

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) = (5)-(9)
Grants	51	42	31	28,035.40	3	-	2	942.00	27,093.40
Appropriations	54	5	1		-	-	-		

(*Source: Appropriation Accounts for the year 2019-20*)

The total amount approved by the State Legislature including the original and supplementary budgets, re-appropriations and expenditure during the year 2019-20 is depicted below in **Chart 3.1**.

Chart 3.1: Summary of Budget and Expenditure



3.1.2 Charged and Voted disbursements

The details of total voted and charged disbursement and savings/excess for the five-year period from 2015-16 to 2019-20 are given below in **Table 3.3.**

Table 3.3: Trend of Savings/Excess

(*₹ in crore*)

Year	Provisions		Disbursements		Net savings (-)	
	Voted	Charged	Voted	Charged	Voted	Charged
2015-16	1,70,180	25,734	1,48,658	24,630	(-) 21,521 (13)	(-) 1,104 (4)
2016-17	2,04,058	29,609	1,82,208	29,434	(-) 21,850 (11)	(-) 176 (1)
2017-18	1,98,227	38,574	1,72,362	36,260	(-) 25,865 (13)	(-) 2,314 (6)
2018-19	2,21,168	46,825	2,03,324	44,846	(-) 17,844 (8)	(-) 1,980 (4)
2019-20	2,36,358	51,995	2,10,349	50,910	(-) 26,009 (11)	(-) 1,084 (2)

Figures in parenthesis indicate per cent
(*Source: Appropriation Accounts for the respective years*)

Total disbursement of voted grant increased by 41.50 *per cent* from ₹ 1,48,658 crore in 2015-16 to ₹ 2,10,349 crore in 2019-20. Total disbursement of charged appropriations increased by 106.70 *per cent* from ₹ 24,630 crore in 2015-16 to ₹ 50,910 crore in 2019-20.

3.2 Appropriation Accounts

Appropriation Accounts are accounts of the expenditure of the Government for each financial year, compared with the amounts of voted[1] grants and charged[2] appropriations for different purposes as specified in the schedules appended to the Appropriation Act. These Accounts depict the original budget provision, supplementary grants, surrenders and re-appropriations and indicate actual 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. The Appropriation Accounts thus facilitate understanding of utilisation of funds and are, therefore, complementary to the Finance Accounts. Audit of appropriations by the Comptroller and Auditor General seeks to ascertain whether the expenditure actually incurred under various grants is in accordance with the authorisation given under the Appropriation Act and that the expenditure required to be charged under the provisions of the Constitution (Article 202) is so charged. It also ascertains whether the expenditure incurred is in conformity with the laws, relevant rules, regulations and instructions.

3.3 Integrity of Budgetary and Accounting Process

Article 202 of Constitution of India requires the laying of a statement of estimated receipts and expenditure of the State for that year, as the "Annual Financial Statement" before the House or Houses of the Legislature of the State. The annual financial statement should show expenditure charged on Consolidated Fund and other expenditure separately. It shall also distinguish expenditure on revenue account from other expenditure.

3.3.1 Expenditure incurred without authority of law

3.3.1.1 Expenditure incurred without Final Modified Appropriation (FMA)

No money shall be withdrawn from the Consolidated Fund of the State except under appropriation made by law passed in accordance with provisions of Article 204 of the Constitution. Expenditure on new scheme should not be incurred on a scheme/service without provision of funds except after obtaining additional funds by supplementary grant or appropriation or an advance from the Contingency Fund of the State.

It was, however, noticed that in 30 cases, a total expenditure of ₹ 130.71 crore was incurred without FMA wherein no provision was made either in the original / supplementary / re-appropriation or provision was withdrawn through re-appropriation, but expenditure was incurred which led to unauthorised expenditure as detailed in **Appendix 3.1**.

3.3.1.2 Expenditure without provision in Original and Supplementary

Article 266 (3) of the Constitution of India prohibits withdrawal of money from the Consolidated Fund of the State unless relevant Appropriation Acts under

[1] Amounts voted by the State Legislature in respect of demands for grants for specific purposes.

[2] Amounts directly charged to the Consolidated Fund of the State, which are not subject to the vote of the State Legislature.

Articles 204 and 205 of the Constitution of India are passed by the Legislature. It was, however, noticed that in 14 cases, a total expenditure of ₹ 1.80 crore was incurred through re-appropriation[3] without appropriation by the Legislature either in the Original or Supplementary estimates as detailed below in **Table 3.4**.

Table 3.4: Expenditure without Original and Supplementary provision

(*₹in lakh*)

Grant No.	Heads	Total Grant (Re-Appropriation)	Actual Expenditure
6	2403.00.794.C. SA	2.45	2.45
9	2225.80.101.A. BA	0.36	0.28
16	2075.00.800.A. JG	17.48	16.69
29	4202.04.106.A. JZ	82.23	82.22
29	4202.04.106.C. SA	44.25	44.24
40	4701.03.280.A. PA	0.62	0.19
40	2701.03.204.A. AY	1.01	5.13
40	2711.01.800.A. AY	0.42	0.44
40	4701.01.201.A. JA	13.50	13.47
40	4701.03.242.A. JB	3.32	3.32
40	4701.03.289.A. JA	0.50	0.50
40	4701.03.203.A. JF	0.63	0.63
43	2202.01.800.A. AD	0.50	0.50
44	4059.01.051.A. KZ	10.25	10.24
Total		**177.52**	**180.30**

(*Source: Appropriation Accounts*)

3.3.2 Transfers not mandated by the Appropriation Act

The Appropriation Act, authorizes incurrence of expenditure under specified Grants, during the financial year. Hence, transfer of amounts from the Consolidated Fund of the State into Public Account heads or into bank accounts were scrutinised to ascertain if these transfers were authorized by the Appropriation Act. The findings are discussed below:

According to Para 178 of the Tamil Nadu Budget Manual, it is irregular to draw money from Government account without immediate requirement. However, it was noticed in the following two instances that amount had been withdrawn and kept in the Bank Account/PD Account as detailed below:

Based on the proceeding issued by Industries Commissioner and Director of Industries and Commerce (IC&DIC), General Manager of District Industries Centres (DIC) of 32 Districts and IC&DIC drew an amount of ₹ 8.66 crore for the scheme of Unemployed Youth Employment Generation Programme (UYEGP) during 2019-20. Out of this, an amount of ₹ 4.35 crore, which remained unutilised was not surrendered during the year. On further scrutiny,

[3] Re-appropriation is the allocation/transfer of funds by competent authority, of savings from one unit of appropriation to another within the same grant/appropriation

it was seen that the amount was remitted back to Government account in 2020-21, indicating that amount had been drawn without immediate need.

In another case, in Animal Husbandry, Dairying and Fisheries Department, an amount of ₹ 1.10 crore provided in the original Budget Estimate and available through the year under the Head of Account (2403-00-101-AC – Purchase of machinery and equipment and material and supplies) was withdrawn on the last day of the year i.e., 31 March 2020 and remitted into PD Account of Tamil Nadu Medical Service Corporation in order to avoid lapse of Budgetary Grants.

3.3.3 Misclassification of Expenditure

Misclassification of expenditures and receipts has a great impact on the integrity of the financial statements. Annual Financial Statement distinguishes expenditure on revenue account from other expenditure. Classification of expenditure of revenue nature as capital expenditure or vice-versa, results in overstatement/understatement of revenue expenditure and revenue deficit/surplus.

3.3.3.1 Incorrect booking of expenditure

There are specific object heads meant for obtaining provision for acquisition of Capital Assets and other Capital Expenditure. These object heads pertaining to booking of expenditure of capital nature should correspond with capital major heads only. However, in the following instances, object heads of revenue nature are incorrectly operated with capital major heads and vice-versa.

- During the year, capital expenditure of an amount of ₹ 21.02 crore was adjusted as 'Expenditure met from Reserve Fund' under revenue expenditure for transfer to 'State Infrastructure and Amenities Fund' instead of booking it under capital expenditure. This misclassification has resulted in understatement of Revenue Deficit to that extent.
- Further, during the year, an amount of ₹ 0.84 crore relating to execution of major works under 'Major and Medium Irrigation' was wrongly classified under Revenue Section instead of under Capital Section, resulting in overstatement of revenue expenditure and overstatement of revenue deficit.

3.3.3.2 Non operation of prescribed heads

In terms of Article 150 of the Constitution of India, the accounting classification adopted by Union and State Government up to Minor Head level should follow the List of Major and Minor Heads (LMMH). Correction Slips were issued to the LMMH in 2004 stipulating that Irrigation Projects should be classified at Sub-Major Head level for Major and Medium Irrigation separately. The Government of Tamil Nadu, however, has not adopted the Correction Slips on the ground that the 'two-digit' sub-major code is not sufficient to cater to the large number of projects in the State. Instead the State Government has adopted 'three-digit' codes at Minor Head level which is not authorized. Details are as given in **Table 3.5**.

Table 3.5: Details of amount booked under unauthorised heads

(*₹ in crore*)

Grant No.	Head of account to be operated as per LMMH	Head of account adopted by State Government	Amount
40	2701.01 - Each Commercial Irrigation Project should be classified as sub major head	2701.00 - Each Irrigation Scheme is classified as minor head	1,585.45
40	4701.01 - Each Commercial Irrigation Project should be classified as sub major head	4701.00 - Each Irrigation Scheme is classified as minor head	1,583.67
60	0701.01 - Each Commercial Irrigation Project should be classified as sub major head	0701.00 - Each Irrigation Scheme is classified as minor head	47.65
5	2810.00.800	2810.02.800	2.96
12	2810.00.800	2810.02.800	1.00
42	2810.00.102	2810.01.102	1.06
57	6004.02.105	6004.02.800	1,055.97

(*Source: Appropriation Accounts*)

3.3.4 Unnecessary or excessive Supplementary grant

As per Article 205 of the Constitution, a Supplementary or Additional Grant or Appropriation over the provisions made by the Appropriation Act for the year can be made during the current financial year but not after the expiry of the current financial year as is necessary to meet-

i. Expenditure on Schemes of New Expenditure to be taken up within the current financial year,
ii. Inadequacy of provision,
iii. Fresh expenditure but not technically "Schemes of New Expenditure" ,
iv. Omissions of provision.

When such additional expenditure is found to be inevitable and there is no possibility of effecting savings within the Grant to cover the excess by re-appropriation, the Secretary in the Department concerned proposes to the Finance Department for Supplementary or Additional Grant or Appropriation. During 2019-20, against the original provision of ₹ 2,68,501.58 crore and supplementary provision of ₹ 19,851.68 crore, only an expenditure of ₹ 2,61,259.86 crore was incurred. There were variations between the total grant / appropriation and expenditure incurred, leading to a net savings of ₹ 27,093.40 crore under 51 revenue, 42 capital, 31 loan grants and 54 revenue, 5 capital and one loan appropriation. In view of the overall net savings, supplementary provisions of ₹ 50 lakh or more in each case aggregating ₹ 980.26 crore in 86 cases in 29 grants proved unnecessary as the original provision was not exhausted as detailed in **Appendix 3.2**. It was further noticed that not only unnecessary excess provisions were made in the supplementary grants, but there were also instances when the funds provided in the supplementary grants proved inadequate as discussed below in Para 3.3.4.1 below.

3.3.4.1 Inadequate Supplementary grants

In three cases, the supplementary provisions of ₹ 3,989.37 crore proved insufficient, leaving an aggregate uncovered excess expenditure of ₹ 941.81 crore as detailed in **Table 3.6.**

Table 3.6: Cases where supplementary provision proved insufficient (excess expenditure more than ₹ 1 crore)

(*₹ in crore*)

Sl. No.	Grant number and Description	Original provision	Supple-mentary provision	Total provision	Actual expenditure	Excess expenditure
1	13 - Food and Consumer Protection (Co-operation, Food and Consumer Protection Department) – **Revenue (Voted)**	6,159.89	2,372.46	8,532.35	8,534.07	1.72
2	40 - Irrigation (Public Works Department) –**Revenue (Voted)**	2,092.27	0.26	2,092.53	2,333.37	240.84
3	43 – School Education Department – **Revenue (Voted)**	28,573.01	1,616.65	30,189.66	30,888.91	699.25
	Total	**36,825.17**	**3,989.37**	**40,814.54**	**41,756.35**	**941.81**

(*Source: Appropriation Accounts*)

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.

3.3.5 Unnecessary/excess/insufficient re-appropriation of funds

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. However, considerable re-appropriation from one sub-head to another must always be avoided and the process of re-appropriation should not be merely used to rectify omissions and lack of foresight. The audit findings are discussed below:

- Re-appropriations proved excessive or insufficient and resulted in savings/excess of over ₹ 10 lakh under 770 sub-heads. The savings/excess of more than ₹ 2 crore each, as a result of injudicious re-appropriations were ₹ 933.52 crore (77 items under savings) and ₹ 1,564.11 crore (81 items under excess) in 158 sub-heads as detailed in **Appendix 3.3**.
- In respect of 32 Heads of Account (**Appendix 3.4)**, though an amount of ₹ 1,172.15 crore was available (Original and Supplementary), an additional amount of ₹ 65.97 crore was provided at re-appropriation stage which was unnecessary as the total expenditure in these cases were only ₹ 1,137.96 crore and well within the earlier provisions made.
- In 14 cases across 11 Grants, an amount of ₹ 2,985.30 crore provided in original budget was fully withdrawn by re-appropriation during the year 2019-20 as listed in the **Appendix 3.5**. Withdrawal of the entire amount provided for not only indicates inaccurate budgeting, but also deprives the other departments of the funds required.
- It was further noticed that in respect of eight cases, where a provision of ₹ 4.17 crore was made under the Head of Account '2049' by the Finance Department towards interest liability for various deposits held under the HoA '8342' in Public Account in the Budget, the entire amount was

fully withdrawn leaving a token provision at the re-appropriation stage indicating unrealistic budget allocations. (**Appendix 3.6**).

- Further and more serious, it was noticed that in 25 cases as detailed in **Appendix 3.7**, though the entire provision was fully withdrawn by re-appropriations, expenditure of ₹ 128.93 crore was incurred under the scheme, indicating injudicious re-appropriations. Also, in two out of the eight cases, after withdrawing almost the entire provision leaving a token provision of ₹ 1,000, an expenditure of ₹ 2.25 crore has been incurred as may be noticed from **Appendix 3.6.**
- A further detailed scrutiny of all the re-appropriation orders issued by the Finance Department revealed that in respect of 13,118 out of 23,383 items (56.10 *per cent*), no valid reasons were given for additional provisions/withdrawal of provisions and only vague expressions such as ‘actual requirement’, ‘lesser/higher requirement’, ‘based on actuals’, etc., was given, which is in violation of paragraph 151 (ii) of the Tamil Nadu Budget Manual. This has been pointed out by Audit in the past. During the exit conference, the Government stated that necessary instructions would be issued to the Departments/Controlling Officers to give the actual reasons for variations in re-appropriation.

Thus, the injudicious re-appropriations at various stages and incurring expenditure without provisions, clearly indicate the weak internal controls/monitoring mechanism at both the budget allocation levels and at the re-appropriation stage.

3.3.6 Unspent amount and surrendered appropriations and/or large savings / surrenders

Complete accuracy of estimates may not always be possible; but where the omission or inaccuracy is the result of lack of forethought, neglect of the obvious or slipshod estimating, it is not readily excusable. The golden rule for all the Estimating Officers should be to provide in the budget, everything that can be foreseen and to provide only as much as is necessary. No object is served by keeping back savings which should ideally be surrendered in time. For this reason, appropriations which are likely to remain unspent must be reported for surrender as early as possible. If this is not done, other spending Departments are deprived of the funds which they could have utilised. Surrenders are being made generally in the month of March, and a careful study of figures of the expenditure incurred and watch over previous month’s expenditure should enable the Controlling Officer to fix upon his final requirements with a reasonable degree of exactness. No savings shall be held in reserve for possible future excesses.

Budgetary allocations based on unrealistic proposals, poor expenditure monitoring mechanism, weak implementing capacities and poor internal controls promote release of funds towards the end of the financial year, and increase the propensity of the Departments to retain huge balances outside the

Government Account in Bank accounts. Excessive savings also deprives other Departments of the funds which they could have utilised. The instances of huge savings and surrenders are discussed in the succeeding paragraphs.

3.3.6.1 Savings

Audit observed that in 36 cases there were savings of above ₹ 100 crore amounting to ₹ 26,403.66 crore across various grants as detailed in **Appendix 3.8.** The details of Grants/Appropriations, where provision is more than ₹ 10 crore, with Budget utilisation less than 50 *per cent* during the year is given in **Table 3.7**.

Table 3.7: Grants/ Appropriations where utilisation of budget was less than 50 *per cent*

(*₹ in crore*)

Sl. No.	Grant	Total provision	Expenditure	Percentage of utilisation
	Revenue			
1.	50 – Pension and Retirements (Charged)	22.72	3.06	13.45
	Capital			
2.	08 – Dairy Development (Animal Husbandry, Dairying and Fisheries Department) (Voted)	200.00	--	--
3.	09 – Backward Classes, Most Backward Classes and Minorities Welfare Department (Voted)	10.12	4.21	41.61
4.	13 – Food and Consumer Protection (Co-operation, Food and Consumer Protection Department) (Voted)	483.81	213.09	44.04
5.	16 – Finance (Voted)	770.00	1.59	0.21
6.	26 – Housing and Urban Development Department (Voted)	859.12	--	--
7.	29 – Tourism, Art and Culture (Voted)	197.84	60.55	30.60
8.	40 – Irrigation (Public Works Department) (Charged)	85.25	29.56	34.68
9.	41 – Revenue and Disaster Management Department (Voted)	16.75	6.26	37.38
10.	44 – Micro, Small and Medium Enterprises (Voted)	71.00	26.80	37.74
	Loans			
11.	5 – Agriculture (Voted)	130.75	0.21	0.16
12.	12 – Co-operation (Voted)	11.92	1.31	10.95
13.	15 – Environment (Environment and Forest Department) (Voted)	20.00	--	--
14.	26 – Housing and Urban Development (Voted)	2,091.00	321.25	15.36

(*Source: Appropriation Accounts*)

3.3.6.2 Surrenders

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.

During the year, out of total savings of ₹ 28,035.40 crore, an amount of ₹ 27,542.44 crore only (₹ 16,216.52 crore on 22 March 2020 and ₹ 11,325.92 crore on 31 March 2020) was surrendered. Out of the ₹ 11,325.92 crore surrendered on the last day (31 March 2020), 88 cases amounting to ₹ 10,311.98 crore (**Appendix 3.9)** were in excess of over ₹ 10 crore indicating inadequate financial control and non-availability of funds for other development purposes since surrenders were made on the last days of the financial year.

It was further noticed that no part of the savings was surrendered at the close of the year 2019-20 in respect of two cases as shown in **Table 3.8** below.

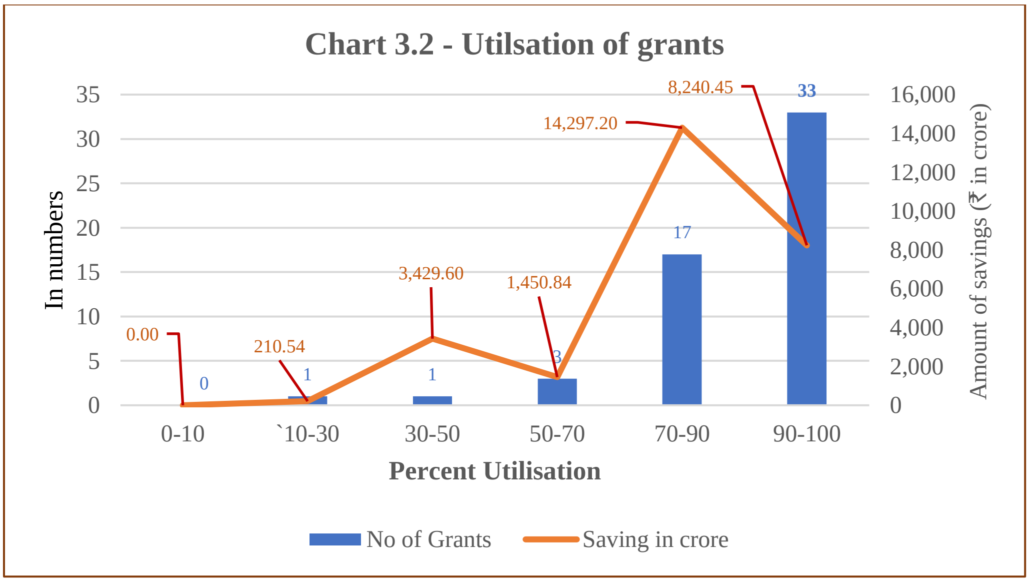
Table 3.8: Savings not surrendered at the close of year

(*₹in lakh*)

Sl. No	Grant Number and Description	Savings	Surrender
1	47 - Hindu Religious and Charitable Endowments (Tourism, Culture and Religious Endowments Department)- **Revenue – Charged**	300.00	--
2	19 - Health and Family Welfare Department – **Capital – Charged**	379.64	--
	Total	**679.64**	**--**

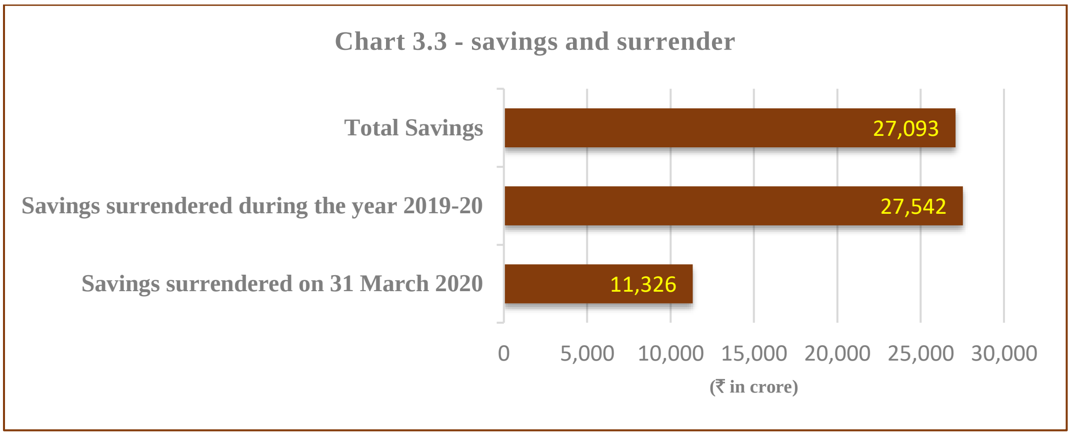
- Further, under 18 grants and two appropriations, savings of more than rupees one crore (₹ 1,354.55 crore) was not surrendered fully as given in **Appendix 3.10**.
- In 31 Grants/Appropriation under Revenue and 17 Grants/ Appropriation under Capital, surrenders were made more than savings as listed in **Appendix 3.11.**

The following **Chart 3.2** depicts the distribution of the number of grants/appropriations grouped by percentage of utilisation along with total savings in each group.



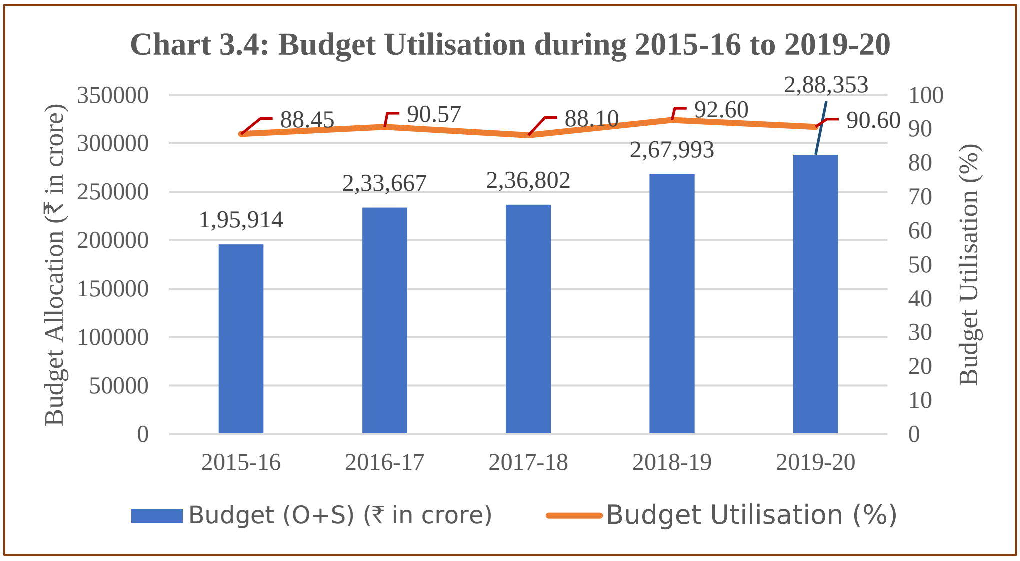
(*Source: Appropriation Accounts*)

The following **Chart 3.3** shows savings and surrenders during the year.



(*Source: Appropriation Accounts and Re-appropriation orders*)

The following **Chart 3.4** shows the budget utilisation for the period from 2015-16 to 2019-20.



(*Source: Appropriation Accounts*)

From the chart above, it is seen that the utilisation of budget provision ranged between 88.10 *per cent* and 92.60 *per cent* during the period 2015-16 and 2019-20. Thus, there has been a persistent non-utilisation of 7.40 to 11.90 *per cent* of budget provision during the five-year period.

3.3.6.3 Persistent Savings

Under 23 Grants/Appropriations, there were persistent savings of more than five *per cent* of the total grant during the last five years as indicated in **Appendix 3.12**. The percentage of savings under Revenue Section ranged from 5.04 to 81.74 and Capital Section ranged from 12.05 to 100 *per cent*.

As may be noted from the **Appendix 3.12**, there was a persistent savings of more than 98 *per cent* during all the past five years in Grant 16 - Finance Department. It was noticed that during the past five years, huge amounts provided were withdrawn through re-appropriation under the HoA: 4070-00-800-KF – Transfer to Tamil Nadu Infrastructure Development Fund as shown below in **Table 3.9**.

Table: 3.9: Provision and re-appropriation under Tamil Nadu Infrastructure Development Fund

(*₹ in crore*)

Details	2015-16	2016-17	2017-18	2018-19	2019-20
Provision	2,000	2,000	2,000	500	500
Re-appropriation	(-) 1,980	(-) 1,970	(-) 2,000	(-) 499	(-) 498

(*Source: Appropriation Accounts for the respective years*)

It could be seen from the above table that the entire provisions were made consistently during all the five years in the original budget stage and withdrawn at the re-appropriation stage and that too without giving specific reasons for the same.

This unrealistic estimation of the anticipated expenditure and poor control over expenditure continued despite a comment made in the C&AG's Audit report on the State Finances, Government of Tamil Nadu vide Para 2.3.1 for the year ended March 2017.

3.3.7 Excess expenditure and its regularisation

As per Article 205(1)(b) 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).

3.3.7.1 Excess over provisions during the year requiring regularisation

The summary of excess disbursements over grants/appropriations during the year 2019-20 is given below in **Table 3.10.**

Table 3.10: Excess over Provisions during the year

(*₹ in crore*)

Name of the Department	Voted			Charged		
	Revenue	Capital	Loans and Advances	Revenue	Capital	Loans and Advances
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Food and Consumer (Co-operation, Food and Consumer Protection Department (Grant No. 13)	1.71	--	--	--	--	--
Irrigation (Public Works Department (Grant No. 40)	240.85	--	--	--	--	--
School Education Department (Grant No. 43)	699.25	--	--	--	--	--
Transport Department (Grant No.48)	--	--	0.13	--	--	--
Revenue and Disaster Management Department (Grant No. 41)	--	--	0.06	--	--	--
No. of Grants/ Appropriation	3	--	2	--	--	--
Total	**941.81**	**--**	**0.19**	**--**	**--**	**--**
Grant Total	**942.00**					

(*Source: Appropriation Accounts*)

Excess expenditure over the provisions for the year is not only in contravention of the provisions requiring Legislative sanction but also indicative of bad planning which could be avoided by keeping track of expenditure progression with budget made for the purpose.

3.3.7.2 Regularisation of excess expenditure of previous years

Excess expenditure of ₹ 2,657.67 crore relating to 2012-19 was yet to be regularised as detailed below in **Table 3.11**.

Table 3.11: Regularisation of excess expenditure of previous years

(*₹ in crore*)

Year	Grant No./Appropriation	Amount of excess required to be regularised	Status of regularisation
(1)	(2)	(3)	(4)
2012-13	11, 48, 51, 53	733.29	Explanatory Notes received for all the grants.
2013-14	09, 19, 40	38.42	Explanatory Note for one grant (Grant No. 40) has not been received.
2014-15	10, 16, 23,30, 32, 35, 36, 40, 43, 45	78.55	Explanatory Note for six grants (Grant Nos. 16, 23, 30, 40, 43 and 45) has not been received.
2015-16	19, 23, 30, 39, 47, 49	82.16	Explanatory Note for one grant (Grant No. 39) has not been received.
2016-17	10, 12, 17, 21, 32, 39, 40	167.16	Explanatory Note for two grants (Grant No. 39 and 40) have not been received.
2017-18	06, 10, 13, 19, 21, 24, 40, 41, 52	77.55	Explanatory Note for three grants (Grant No. 19, 40 and 52) and five appropriations (6, 13, 21, 24 and 41) have not been received.
2018-19	10, 15, 27, 37, 40, 42, 43	1,480.54	Report placed on the Table of the Legislature on 24 June 2021
	Total	**2,657.67**	

(*Source: Appropriation Accounts*)

There was an excess disbursement of ₹ 942 crore over the authorisation made by State Legislature under five grants/appropriations during the financial year 2019-20. An excess disbursement of ₹ 2,657.67 crore pertaining to the years 2012-13 to 2018-19 is yet to be regularized by the State Legislature. 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.

3.4 Comments on effectiveness of budgetary and accounting process

Efficient management of tax administration/other receipts and public expenditure holds the balance for achievement of various fiscal indicators. Budgetary allocations based on unrealistic proposals, poor expenditure monitoring mechanism, weak scheme implementation capacities/ weak internal controls lead to sub-optimal allocation among various developmental needs. Excessive savings in some departments deprives other departments of the funds which they could have utilized.

3.4.1 Budgetary projection and gap between expectations and actuals

Summarised position of actual expenditure *vis-à-vis* Budget (Original/Supplementary) provision during 2019-20 (Voted and Charged) is given below in **Table 3.12.**

Table 3.12: Position of actual expenditure *vis-à-vis* original/supplementary provisions

(*₹ in crore*)

Nature of expenditure	Original grant/ Appropriation	Supple-mentary grant/ Appro-priation	Total	Actual expenditure	Net Saving (-)/	Amount surrendered	Amount surrendered on 31 March	Percentage of savings surren-dered
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)=((7)/(6)) x 100
Voted								
I Revenue	1,80,974.06	11,793.85	1,92,767.91	1,80,709.74	(-) 12,058.17	(-) 13,136.95	(-) 7,877.20	108.95
II Capital	32,532.92	4,487.76	37,020.68	25,617.48	(-) 11,403.21	(-) 11,085.66	(-) 2,744.77	97.22
III Loans and Advances	3,677.48	2,892.32	6,569.80	4,022.25	(-) 2,547.55	(-) 2,639.99	(-) 549.68	103.63
Total Voted	**2,17,184.46**	**19,173.93**	**2,36,358.39**	**2,10,349.47**	**(-) 26,008.93**	**(-) 26,862.60**	**(-) 11,171.65**	
Charged								
IV Revenue	33,664.46	173.12	33,837.58	32,876.97	(-) 960.60	(-) 561.41	(-) 106.67	58.44
V Capital	61.16	166.41	227.57	166.96	(-) 60.61	(-) 55.69	(-) 44.55	91.88
VI Public Debt-Repayment	17,591.50	338.22	17,929.72	17,866.46	(-) 63.26	(-) 62.75	(-) 3.05	99.18
Total - Charged	**51,317.12**	**677.75**	**51,994.87**	**50,910.39**	**(-) 1,084.47**	**(-) 679.85**	**(-) 154.27**	
Appropriation to Contingency Fund (if any)	..	..	..	..	..	..	..	..
Grand Total	**2,68,501.58**	**19,851.68**	**2,88,353.26**	**2,61,259.86**	**(-) 27,093.40**	**(-) 27,542.45**	**(-) 11,325.92**	

(*Source: Appropriation Accounts for the year 2019-20*)

The whole amount of surrender of ₹ 27,542.45 crore was made in the month of March 2020. Out of this, an amount of ₹ 11,325.92 crore (41 *per cent*) was surrendered on the last day i.e., 31 March 2020. In view of the overall savings of ₹ 27,093.40 crore (9.40 *per cent*), the entire supplementary provision of ₹ 19,851.68 crore proved unnecessary.

Trends in expenditure during the past five years with reference to the Original Budget and Revised Estimate are as given below in **Table 3.13.**

Table: 3.13: Trend of savings/excess

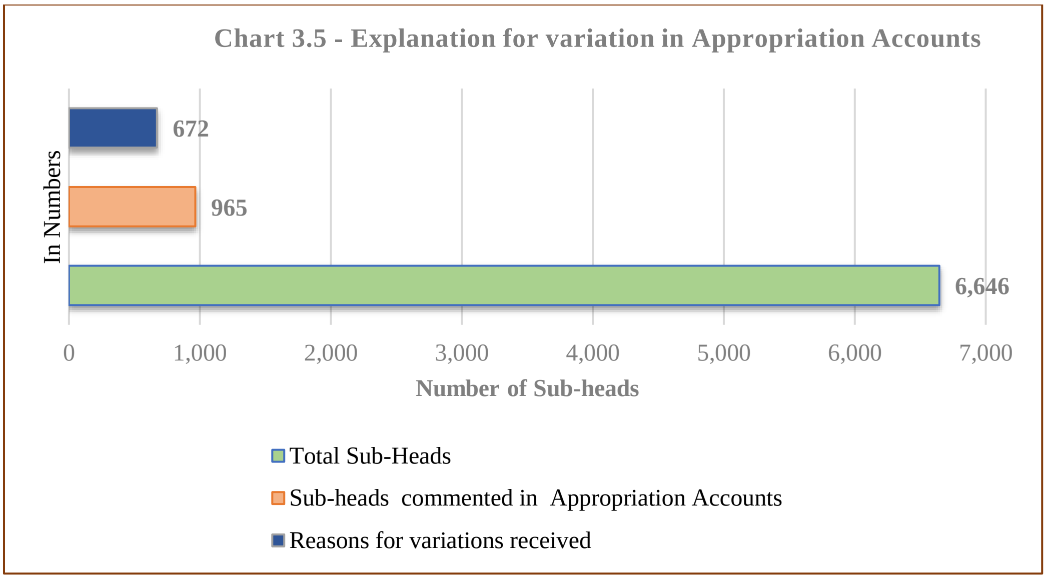
(*₹ in crore*)

	2015-16	2016-17	2017-18	2018-19	2019-20
Original budget	1,84,296.00	1,99,928.20	2,19,339.48	2,43,847.26	2,68,501.58
Supplementary budget	11,617.62	33,739.27	17,462.14	24,146.16	19,851.68
Revised Estimate (O+S)	1,95,913.62	2,33,667.47	2,36,801.62	2,67,993.42	2,88,353.26
Actual expenditure	1,73,288.37	2,11,641.78	2,08,622.18	2,48,170.03	2,61,259.86
Net savings	(-) 22,625.25	(-) 22,025.69	(-) 28,179.44	(-) 19,823.39	(-) 27,093.40
Percentage of savings	11.55	9.43	11.90	7.40	9.40

(*Source: Appropriation Accounts for the respective years*)

From the above table, it may be seen that though there was a significant improvement in the percentage of savings which had come down from 11.90 in 2017-18 to 7.40 *per cent* in 2018-19, the trend has been reversed in 2019-20.

No reasons were received for the variations from the controlling officers for sub-heads as detailed in the **chart – 3.5** given below:



(Source: Details received from AG (A&E))

3.4.2 Rush of expenditure

Government funds should be evenly spent throughout the year. The rush of expenditure towards the end of the financial year is regarded as a breach of financial propriety. Maintaining a steady pace of expenditure is a crucial component of sound public financial management, as it obviates fiscal imbalance and temporary cash crunches due to mismatch of revenue expenditure during a particular month arising out of unanticipated heavy expenditure in that particular month.

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, an amount of ₹ 3,708.88 crore under 92 sub-heads for which provision was made in the original grant, as listed in **Appendix 3.13** was fully expended during the month of March 2020. Besides, in respect of four grants listed below in **Table 3.14**, 50 *per cent* of expenditure was incurred in the month of March 2020. Rush of expenditure at the end of the year shows poor expenditure control.

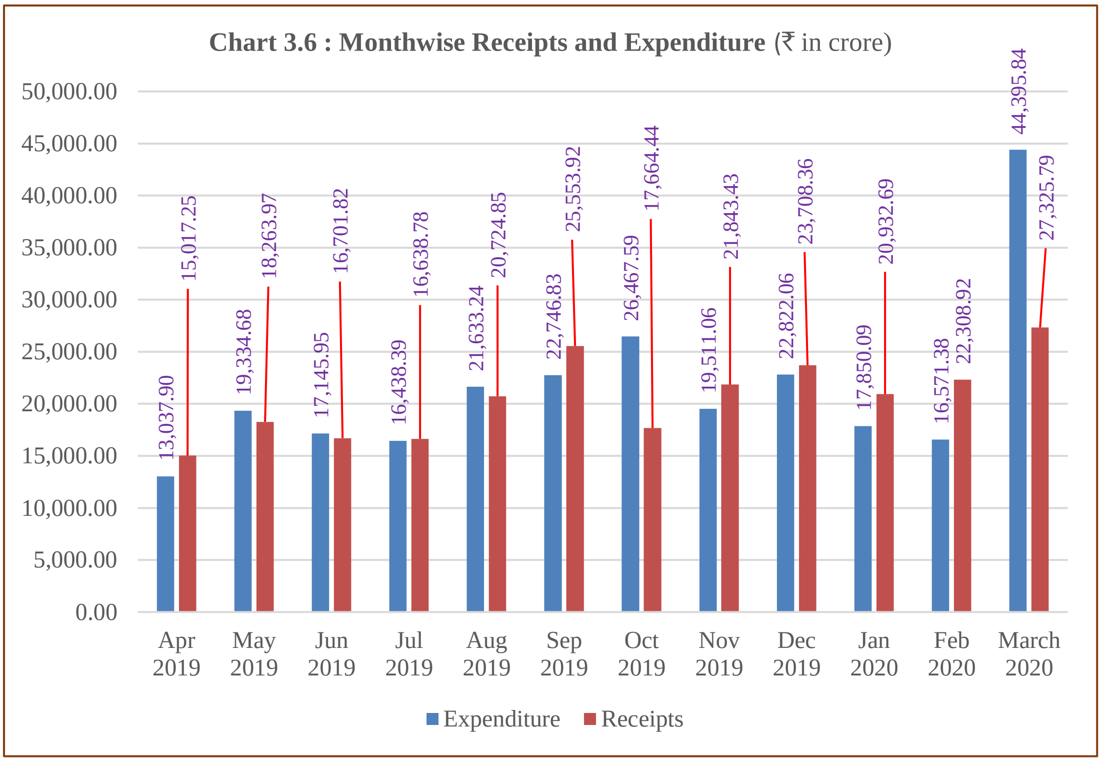
Table 3.14: Grants with more than 50 *per cent* of expenditure in March alone

(*₹ in crore*)

Sl. No.	Grant No.	Description	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total	Expenditure in March	Expenditure in March as percentage of Total Expenditure
1.	36	Planning, Development and Special Initiatives Department	31.36	34.93	43.87	273.98	384.14	245.41	63.89
2.	47	Hindu Religious and Charitable Endowments (Tourism, Culture and Religious Endowments Department)	27.63	23.32	27.78	173.81	252.53	158.47	62.75
3.	27	Industries Department	36.71	817.70	350.71	2,025.36	3,230.47	1,968.83	60.95
4.	40	Irrigation (Public Works Department)	335.73	717.09	692.95	2,957.83	4,703.60	2,632.64	55.97
Total							**8,570.74**	**5,005.35**	**58.40**

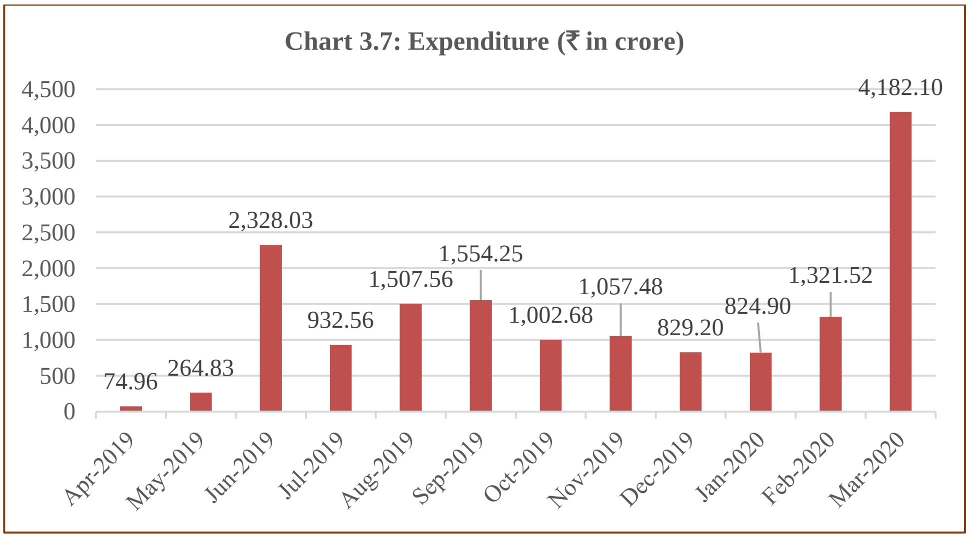
(Source: Compilation from VLC data)

The following **Chart 3.6** shows the monthly receipts and expenditure during 2019-20 is given below:



(*Source: compilation from VLC data*)

The Department of Rural Development and Panchayati Raj expended 26.34 *per cent* in March 2020 as given below in **Chart 3.7**.



(*Source: compilation from VLC data*)

3.5 Advances from the Contingency Fund

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

Details of sanctions accorded for drawal of CF advance and actually utilised are given in **Table 3.15** below.

Table 3.15: Details of Contingency Fund advances sanctioned

Year	Sanction of CFA		Utilisation of CFA		Percentage of utilisation	
	No.	Amount (*₹ in crore*)	No.	Amount (*₹ in crore*)	No.	Amount
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*
2019-20	30	40.01	27	33.69	*90*	*84*

(*Source: Government Orders*)

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 3.14**.

On further scrutiny of utilisation of CFA sanctions during the year, three CFA sanctions issued by Backward class, Most Backward Classes and Minority Welfare Department for ₹ 12.22 lakh were fully unutilised as detailed in **Table 3.16** below**.**

Table 3.16: Details of 100 *per cent* unutilised CF

Sl.No.	CFA No.	Grant No. and Department	Date of issue of CFA	Amount of CFA sanctioned (in ₹)	Reasons
1	28	9 - Backward Classes, Most Backward Classes and Minorities Welfare Department	26.02.2020	6,96,000	Providing Telephone connection with broadband facility to the BC, MBC, DC hostels
2	29		06.03.2020	43,000	
3	30		12.03.2020	4,83,000	

(*Source: Government orders*)

Besides, in the remaining sanction of ₹ 39.89 crore, only ₹ 33.69 crore (85 *per cent*) was spent. Non-utilisation of the CF advances (fully/partially) indicated that amount was drawn without immediate need.

Government stated in the exit conference that more caution would be exercised in future in sanctioning advances from the Contingency Fund.

3.6 Review of selected Grants

A review of budgetary procedure and control over expenditure was conducted in respect of 'Grant Number 5 - Agriculture Department' and 'Grant Number 21 - Highways and Minor Ports Department'. Test check disclosed deficiencies in the budgetary process, as discussed in the succeeding paragraphs.

3.6.1 Grant Number 5 – Agriculture Department

The Principal Secretary to Government of Tamil Nadu, Agriculture Department is the administrative head. The Department of Agriculture is headed by Director of Agriculture and the Department of Horticulture and Plantation Crops is headed by Director of Horticulture and Plantation Crops. Two Chief Controlling Officers (CCOs) *viz*., (i) Directorate of Agriculture and

(ii) Directorate of Horticulture were selected for Budget review under the department.

3.6.1.1 Allocation and Expenditure

A summary of actual expenditure *vis-à-vis* original/supplementary provisions made during the year 2019-20 is given in **Table 3.17** below.

Table 3.17: Details of Budget Provision and Actual Expenditure under Grant No. 5

(*₹ in crore*)

	Nature of expenditure	Original	Supple-mentary	Total	Expenditure	Savings(-)/ Excess (+)	Percentage of savings	Amount surren-dered
Voted	I Revenue	10,001.41	265.28	10,266.69	10,040.36	(-) 226.33	*2.20*	160.48
	II Capital	418.68	7.25	425.93	265.28	(-) 160.65	*37.72*	160.64
	III Loan	130.75	0.00	130.75	0.21	(-) 130.54	*99.84*	130.54
Total Voted (A)		**10,550.84**	**272.53**	**10,823.37**	**10,305.85**	**(-) 517.52**	**4.78**	**451.66**
Charged	IV Revenue	--*	*0.53*	*0.53*	*0.05*	*(-) 0.48*	*90.57*	--**
Total Charged (B)		--	***0.53***	***0.53***	***0.05***	***(-) 0.48***	***90.57***	--
Grand Total (A+B)		**10,550.84**	**273.06**	**10,823.90**	**10,305.90**	**(-) 518.00**	**4.79**	**451.66**

** ₹ 3,000 given as token provision* *** ₹ 2,000 surrendered*

(*Source: Appropriation Accounts for the year 2019-20*)

From **Table 3.17**, it may be seen that, as against an actual saving of ₹ 518.00 crore in the grant, only an amount of ₹ 451.66 crore was surrendered by way of re-appropriation. The overall savings was 4.79 *per cent* of the provision. Further scrutiny revealed that there were persistent savings in the Capital Section under the Grant as detailed in the succeeding paragraphs.

3.6.1.2 Persistent savings under Capital Sections

During 2019-20, there was a saving of 37.72 *per cent* in the Grant under Capital Section. During the five year period 2015-20, the Department had persistent savings ranging between 17.76 *per cent* and 55.57 *per cent* of the total grant as given in **Table 3.18** below.

Table 3.18: Year-wise allocation and savings

(*₹ in crore*)

Year	Total grant	Expenditure incurred	Saving	Amount surrendered	Percentage of saving
2015-16	337.66	223.03	(-) 114.63	(-) 113.20	*33.95*
2016-17	356.56	295.01	(-) 61.55	(-) 59.87	*17.26*
2017-18	437.10	194.19	(-) 242.91	(-) 243.68	*55.57*
2018-19	461.88	348.59	(-) 113.29	(-) 113.22	*24.53*
2019-20	425.93	265.28	(-) 160.65	(-) 160.64	*37.72*

(*Source: Appropriation Accounts for the respective years*)

Expenditure in capital nature is incurred for creation of capital assets. The persistent savings on capital heads indicates that Government did not give sufficient importance towards creation of capital assets and also shows lack of expenditure control.

3.6.1.3 Non-receipt of Central Share

In the following four schemes, the amount was withdrawn at the re-appropriation stage due to lesser receipts of central grants as listed below in **Table 3.19.**

Table 3. 19: Unnecessary supplementary grant

(*₹ in lakh*)

Sl. No.	Scheme/Head of Account	Original	Supple-mentary	Re-appropriation	Total Provision	Actual Expenditure
1	Integrated farming in Coconut holding for productivity improvement 2401.00.114.SB	140.00	20.00	(-) 102.19	57.81	58.17
2.	Replanting and Rejuvenation of Coconut Gardens 2401.00.114.SC	1,600.00	5,605.42	(-) 245.47	6,959.95	665.77
3.	Replanting and Rejuvenation of Coconut Gardens for SCSP 2401.00.793.SI	380.00	1,683.29	(-) 1,475.79	587.50	210.67
4.	National Agriculture Development Programme (NADP-RKVY) - Agriculture Department 2401.00.800.UF	13,503.14	258.62	(-) 6,969.60	6,792.16	6,770.78
	Total	**15,623.14**	**7,567.33**	**(-) 8,793.05**	**14,397.42**	**7,705.39**

(*Source: Detailed Appropriation Accounts*)

In the above cases supplementary provisions were made in anticipation of receipt of Central grants. However, due to non-receipts of the same, amounts were surrendered at the re-appropriation stage.

3.6.1.4 Injudicious re-appropriation of funds

Test-check of records of Directorate of Agriculture/Horticulture revealed that injudicious re-appropriation of funds were made in various heads as detailed in **Table 3.20** below:

Table 3.20: Injudicious appropriation

(*₹ in lakh*)

Scheme	Head of account	Original Provision	Supple-mentary Provision	Re-appropria-tion	Final Modified Grant	Actual Expen-diture	Reasons furnished
'Replanting and Rejuvenation of Coconut Gardens'	2401-00-794-SB (ST Plan)	20.00	0.03	146.09	166.12	0.26	Funds were provided to eight districts, of which seven districts had surrendered the entire provision of ₹ 39 lakh. Under the component 'Replanting coconut gardens – new' ₹ 19 lakh was surrendered as there were no eligible ST farmers with coconut gardens and under the component *viz.* 'setting up of small coconut nurseries', ₹ 20 lakh was surrendered as farmers did not come forward to get back-end subsidy for producing coconut seedlings because the seedlings so produced could not be sold.
Oil Palm Development Project under National Food Security Mission (NFSM)	2401-00-114-UE	305.69	0.02	(-) 81.54	224.17	228.58	Due to deficit rainfall, the targets of plantation as anticipated could not be achieved.
Production and distribution of quality seeds (Seed Village scheme)	2401-00-794-UI	75.00	0.00	(-) 18.77	56.23	55.22	14 districts[4] surrendered ₹ 11 lakh as there were no eligible ST farmers
Construction of Integrated Agriculture Extension Centres under NADP - RKVY	4401-00-103-UA	1,835.60	0.02	(-) 748.65	1,086.97	1,109.23	Works could not be taken up as planned due to delay in supply of sand and for other administrative reasons. CE/AED had stated that the amount surrendered would be got revalidated in 2020-21.
	4401-00-793-UA	1,362.70	0.02	(-) 301.76	1,060.96	1,037.63	
	4401-00-794-UA	114.62	0.03	(-) 81.12	33.53	33.53	

(*Source: Detailed Appropriation Accounts*)

4 Dindigul, Kancheepuram, Pudukottai, Ramnathapuram, Sivagangai, Tirunelveli, Thanjavur, Tuticorin, Virudhunagar, Theni, Karur, Ariyalur, Tirupur and Madurai

In the Schemes mentioned above, it can be seen that provisions were made in the Original and supplementary budget estimates without assessing the actual necessities on ground, thereby leading to huge surrender / savings of provisions indicating poor budgetary planning.

3.6.1.5 Withdrawal of entire provision by re-appropriation

GoI sanctioned an amount of ₹ 968.10 lakh towards construction of two processing unit godowns to house the modernised Seed Processing Units (SPU) machinery and the processed stock with three phase electric connection and Dunnages each with the capacity of 1000 MT - ₹ 105.00 lakh; construction of 15 seed storage godowns having capacity of 1000 MT with electric connection and Dunnages - ₹ 787.50 lakh; and two modernised SPUs having capacity of 2 MT/hour - ₹ 75.60 lakh. An amount of ₹ 429.75 lakh had been released by GoI (March 2019).

Token amounts were sanctioned in July 2019 (Supplementary Estimate: 1) and March 2020 (Supplementary Estimate: 2) under the Heads of Account 2401-00-103-ST and 4401-00-103-SA indicating that the balance amount would be provided by re-appropriation.

Scrutiny revealed that amounts provided were withdrawn entirely. On enquiry, the Department stated that the entire provision was surrendered because the work of construction of godown was not taken up, as the proposal for changing the size of the godown was not approved by the Government at that time and that State Government had accorded permission to construct godowns with revised dimensions only in July 2020 and the construction works were in progress (October 2020).

The fact remains that funds released by GoI were not utilised for more than a year due to improper planning and assessment of the actual requirement of funds.

Further test check revealed that the entire amount provided under the following Schemes were also withdrawn as detailed in **Table 3.21** below.

Table 3.21: Withdrawal of entire provision

(*₹ in lakh*)

Sl. No	Scheme	Head of account	Original Provision	Supple-mentary Provision	Surrender	Remarks
1	Creation of infrastructure for State Horticulture - Farms under NABARD	4401-00-119-JO	5,000.00	--	5,000.00	The justification given for withdrawal by way of re-appropriation was pending sanction of funds by NABARD
2	Horticulture Training and Information Centre	2401-00-119-LJ	--	80.00	80.00	Amount was sanctioned towards the formation of Horticulture Technical Hubs in four districts in Supplementary Estimate II in February 2020. However, the entire amount was withdrawn through re-appropriation as financial sanction was not accorded by GoTN during the year.

(*Source: Appropriation Accounts*)

Thus, the grants approved by the Legislature was not utilised.

3.6.1.6 Incorrect accounting resulted in savings

In the appropriation accounts, it was noticed that under the Centrally Sponsored Scheme 'Replanting and Rejuvenation of Coconut Gardens' (HoA: 2401-00-114-SC), funded by Coconut Development Board (GoI), only an amount of

₹ 6.66 crore was booked as expenditure as against a Final Modified Grant of ₹ 69.60 crore.

Detailed scrutiny revealed that the Central share under the centrally sponsored scheme which was incurred by the State Government during 2018-19 was received during the current year. However, the reimbursed amount was treated as reduction of expenditure instead of as receipts during the year. This incorrect accounting treatment led to wrong depiction of huge savings under the said scheme.

The above accounting treatment has resulted in inflating the savings to an extent of ₹ 68.12 crore in the Appropriation Accounts. Due to this, though an amount of ₹ 62.92 crore had been actually incurred towards the Scheme during the year, the accounts depict only an amount of ₹ 6.66 crore as incurred towards the Scheme, which is not correct. The issue discussed in the exit conference was accepted by the Government and it was stated that remedial action would be taken to issue directions to all concerned for accounting such cases as receipts and not as reduction of expenditure.

3.6.1.7 Non-Materialisation of Budget Commitment

While presenting the Budget for the year 2019-20 in the State Legislature, the Finance Minister announced various schemes/ projects under Grant No. 5 – Agriculture. Details of funds committed for the test-checked cases, budget allotment and Audit comment are given below in **Table 3.22.**

Table 3.22 – Details of announcements made in the Assembly

Scheme for which announcement made	Provisions made in the budget	Audit comment
Agriculture: The transitional production incentive introduced in 2018-19, for sugarcane over and above the Fair and Remunerative Price announced by the Government of India, will be continued during 2019-20 and allocation of ₹ 200 crore has been provided for this purpose	₹ 200 crore was provided in Original estimate and ₹ 65 crore withdrawn in re-appropriation.	The withdrawal of 32 *per cent* of provision due to non-payment of incentive shows **inaccurate estimates** of cane quantity that are eligible for incentive.
Agriculture: A sum of ₹ 180 crore will be provided as an incentive for paddy procurement in the Budget Estimates 2019-2020	Out of original provision of ₹ 180 crore, ₹ 32.48 crore was withdrawn in re-appropriation.	The incentive is given by Tamil Nadu Civil Supplies Corporation to farmers while procuring paddy and GoTN reimburses the amount thus paid by TNCSC. Withdrawal of 18 *per cent* of original provision showed inaccurate estimates of requirement.
Agriculture: The scheme 'Mission on Sustainable Dry land Agriculture (MSDA)' will be continued in 2019-20 with a financial allocation of ₹ 292 crore for covering 400 more clusters	₹ 224 crore was provided in the Original estimate and ₹ 40.55 crore was withdrawn during re-appropriation.	Expenditure of ₹ 186.56 crore was incurred against the FMG of ₹ 183.45 crore. The reason for the excess over provision is not known and is a matter of concern.
Agriculture: During 2019-20, another 5,000 Integrated Farming System (IFS) units in Agriculture will be assisted in 25 districts at an outlay of ₹ 101.62 crore	The provision of ₹ 101.62 crore for IFS under the HoA 2401-00-104-AF was not drawn for utilisation during 2019-20.	IFS is a component under NADP and ₹ 10 crore was provided during 2019-20 and ₹ 10 crore spent. Provision of ₹ 101.62 crore proved unnecessary.
Horticulture: Chief Minister's scheme for Augmentation of fruits and vegetables will be implemented from 2019-20 for which ₹ 50 crore was earmarked.	₹ 50 crore was provided in Original estimates, of which ₹ 47 crore was withdrawn in re-appropriation.	Under HoA of 2401-00-119-BE, ₹ 3 crore was booked as expenditure for the new priority scheme announced by the Chief Minister during centenary function (30 September 2018) of Dr. MGR, to encourage vegetable production in their house or a portion of land for rural people and farmers. The remaining amount of ₹ 47 crore was withdrawn citing the reason 'non-availing of central grant'. Thus, 94 *per cent* of the provision was withdrawn for scheme announced in the Legislative Assembly.

(*Source: Budget Speech and Appropriation Accounts*)

Thus, the inaccurate assessment of the requirements on the policy pronouncements in the Budget resulted in excess provision made being withdrawn at the re-appropriation stage which deprives the other departments/schemes in which the funds could have been utilised.

3.6.2 Grant No. 21 - Highways and Minor Ports Department

Highways and Minor Ports Department in Tamil Nadu is responsible for the development of road infrastructure. The Principal Secretary to Government, Highways and Minor Ports Department is the administrative head. The field formations are headed by the Chief Engineers and Project Directors. Two Chief Controlling Officers (CCOs) viz., Chief Engineer (Construction and Maintenance) - Highways and Chief Engineer (Highways) – NABARD and Rural Roads were selected for Budget review under the department.

3.6.2.1 Allocation and Expenditure

A summary of actual expenditure vis-à-vis original/supplementary provisions made during the year 2019-20 is given in **Table 3.23** below.

Table 3.23: Details of Budget Provision and Actual Expenditure under Grant No. 21

(*₹ in crore*)

	Nature of expenditure	Original	Supple-mentary	Total	Expendi-ture	Savings(-)/ Excess (+)	Percentage of savings	Amount surrendered
Voted	I Revenue	1,564.77	118.17	1,682.95	1,599.40	(-) 83.54	82.79	(-) 69.16
	II Capital	12,040.42	84.43	12,124.85	9,259.59	(-) 2,865.26	98.35	(-) 2,817.95
	III Loan	--*	--	--	--	--	100.00	--
Total Voted (A)		**13,605.19**	**202.60**	**13,807.80**	**10,858.99**	**(-) 2,948.80**	**21.36**	**(-) 2,887.11**
Charged	IV Revenue	--**	--	--	--	--	*100.00*	--
	V Capital	--***	*13.08*	*13.08*	*13.07*	*(-) 0.01*	*97.38*	*(-) 0.01*
Total Charged (B)		--	***13.08***	***13.08***	***13.07***	***(-) 0.01***	***0.08***	***(-) 0.01***
Grand Total (A+B)		**13,605.19**	**215.68**	**13,820.88**	**10,872.06**	**(-) 2,948.81**	**21.34**	**(-) 2,887.12**

** ₹1,000 token provision   ** ₹5,000 token provision   *** ₹3,000 token provision*

(*Source: Appropriation Accounts for the year 2019-20*)

Though the ultimate saving in the Grant during the year was ₹ 2,948.81 crore, the amount surrendered was ₹ 2,887.12 crore only. The overall savings was 21.34 *per cent* of the provision. Further scrutiny revealed that there were persistent savings in the Capital Section under the Grant as detailed in the succeeding paragraphs.

3.6.2.2 Persistent Savings

It was seen from the Appropriation Accounts that there was persistent savings in the grant under the Capital heads during the period 2015-16 to 2019-20 as detailed below in **Table 3.24** below.

Table 3.24: Persistent Savings under Capital Section

(*₹ in crore*)

Year	Original provision	Supple-mentary provision	Total provision	Expenditure	Excess (+) /Savings (-)	Percentage of savings
2015-16	6,920.02	80.71	7,000.73	5,411.28	(-) 1,589.45	22.70
2016-17	7,111.85	*	7,111.85	5,763.01	(-) 1,348.84	18.97
2017-18	8,667.68	#	8,667.68	6,924.37	(-) 1,743.31	20.11
2018-19	9,557.01	4.18	9,561.19	7,570.32	(-) 1,990.87	20.82
2019-20	12,040.42	84.43	12,124.85	9,259.59	(-) 2,865.26	23.63

** ₹33,000 # ₹49,000*

(*Source: Appropriation Accounts for the respective years*)

Savings during the past five years ranged between 18.97 and 23.63 *per cent*.

On further scrutiny, it was noticed that savings occurred mainly under the following Capital Heads of Accounts persistently as detailed in **Table 3.25**.

Table 3.25: Details of Persistent savings under Capital Head of Account

Sl. No.	Head of Account with Nomenclature	Amount of Savings (*₹ in crore*)				
		2015-16	2016-17	2017-18	2018-19	2019-20
1.	5054.03.337.JD (V) City Traffic Improvement works - controlled by Chief Engineer (General) Highways	120.36 (56.51)	38.73 (25.82)	22.72 (44.68)	31.49 (81.32)	21.68 (45.00)
2.	5054.04.337.JZ (V) Construction / Reconstruction of Bridges with Loan Assistance from NABARD	..	33.72 (12.80)	147.73 (47.65)	134.89 (53.95)	65.81 (21.97)
3.	5054.04.337.KA (V) Bye Pass Works	24.00 (96.00)	33.97 (80.57)	41.41 (99.11)	13.91 (45.57)	1.89 (16.70)
4.	5054.04.337.KC (V) Acquisition of Lands for Bye Passes	..	96.43 (80.97)	278.51 (92.84)	285.32 (84.74)	382.96 (91.71)
5.	5054.04.800.JK (V) Acquisition of Lands for Bye Passes	196.47 (98.24)	80.23 (78.15)	65.06 (44.42)	159.43 (88.63)	130.21 (98.13)
6.	5054.04.101.JE (V) Construction / Reconstruction of Bridges	..	..	33.83 (37.99)	56.48 (67.59)	10.88 (26.10)
7.	5054.04.101.JH (V) Chennai Metropolitan Development Plan - Traffic and Transport Improvement in Chennai City	..	..	22.94 (76.47)	27.53 (81.14)	14.22 (34.73)
8.	5054.80.004.AA (V) Investigation / Estimation of project work under Roads and Bridges	0.93 (15.53)	..	2.09 (14.97)	0.80 (8.61)	3.51 (31.49)
9.	5054.80.800.JJ (V) Construction of over and under Bridges in lieu of existing level crossing	142.77 (60.40)	93.82 (40.10)	138.47 (41.18)	155.63 (64.46)	206.69 (74.07)
10.	5054.80.800.JS (V) Road Works under Bharath Nirman	..	..	2.52 (49.95)	2.17 (29.11)	2.35 (46.62)
11.	5054.80.800.JT (V) Construction of Railway Over Bridges /Railway Under Bridges	313.39 (65.32)	368.79 (71.56)	198.73 (52.29)	139.21 (51.14)	194.91 (60.99)
12.	5054.80.800.KJ (V) Works executed by Chief Engineer (Metro), Highways from State Infrastructure and Amenities Fund	40.94 (81.88)	39.53 (79.06)	39.95 (69.02)	45.40 (78.04)	235.72 (90.55)
13.	5054.80.800.KN (V) Development of Northern Port Access Road Project – Land acquisition	..	..	99.40 (49.70)	100.00 (49.85)	200.00 (99.88)
14.	5054.80.800.PC (V) Tamil Nadu Road Sector Project Phase - II	..	385.14 (31.97)	668.76 (44.89)	105.46 (21.84)	110.93 (24.13)

(*Figures in brackets indicate savings as a percentage of total provision*)

(*Source: Detailed Appropriation Accounts for the respective years*)

Persistent savings in the aforementioned schemes indicate a lapse in the budgeting process resulting in the projects under these schemes not progressing as envisaged, resulting in savings every year.

Further, it may be seen from the table that three out of fourteen heads of account (Schemes - Sl. No. 4, 5 and 13) relate to Land acquisition. In addition to these three Schemes, savings occurred under two more heads of account towards land acquisition during the year. The details of provision, expenditure and savings under these schemes during the year are detailed in **Table 3.26** below**.**

Table 3.26 - Details of savings under Land Acquisition cases

(*₹ in crore*)

Head of Account with Nomenclature	Original Provision	Supple-mentary Provision	Re-appropriation	Final Modified Grant	Expenditure	Savings
5054-04-337-KC	417.56	*	(-) 382.85	34.71	34.60	(-) 0.11
5054-04-800-JK	132.68	*	(-) 130.20	2.48	2.48	--
5054-80-800-KN	200.25	--	(-) 200.00	0.25	0.25	--
5054-03-337-PB	800.00	--	(-) 770.02	29.97	29.95	(-) 0.02
5054-04-337-PC	660.00	--	(-) 659.20	0.80	0.79	(-) 0.01

** Token provision ₹1,000*

(*Figures in brackets indicate savings as a percentage of total provision*)

(*Source: Detailed Appropriation Accounts*)

From the above table, it could be seen that 91.69 to 99.87 *per cent* of the original provision was withdrawn by re-appropriation. In all the five cases, reasons attributed for re-appropriation was slow progress of land acquisition including litigations and dropping of certain projects under lands.

In respect of Chennai Kanyakumari Industrial Corridor Project (5054-03-337-PB), out of 366 land acquisition proposals only 45 proposals were published in the Government Gazette as of March 2020 and in none of the cases, the award has been passed. Thus, the slow progress in the land acquisition process has impacted the progress of the project and consequent savings in the budget provision.

Land acquisition being a long drawn process, provision of funds could have been made depending on the stage of land acquisition and additional funds could be obtained during supplementary demand stage.

3.6.2.3 Unnecessary/excess/insufficient re-appropriation of funds

Re-appropriations proved excessive or insufficient and resulted in savings/excess under the sub-heads as mentioned in **Appendix 3.3** (Sl.Nos.35 to 39 under savings category) and (Sl.Nos.34 to 36 under excess category).

Though the expenditure was within the Original and Supplementary provision, unnecessary re-appropriation was made in respect of two Heads of Account to the tune of ₹ 17.01 crore as detailed in **Table 3.27.**

Table 3.27: Unnecessary Re-appropriation

(*₹ in lakh*)

Head of Account	Original	Supplementary	Provision	Re-appropriation	Expenditure
3054.80.001.AE	13,477.90	0.02	13,477.92	1,690.08	13,141.27
5054.80.800.AA	24.51	0.01	24.52	11.30	24.50
Total	**13,502.41**	**0.03**	**13,502.44**	**1,701.38**	**13,165.77**

(*Source: Detailed Appropriation Accounts*)

3.6.2.4 Withdrawal of entire provision by re-appropriation

In one HoA – 5054-04-337-PB – 'Widening from intermediate lane to four lane and strengthening of Puduvoyal- Pulicat road with JICA assistance', the entire original provision of ₹ 25.79 crore was withdrawn indicating incorrect budgeting.

3.6.2.5 Unnecessary or excessive Supplementary grants

Test check of HoA - 5054-03-337-JI – 'Comprehensive Road Infrastructure Development Programme (CRIDP)' - State Highways revealed that original provision of ₹ 1,322.18 crore and supplementary grant of ₹ 1.79 crore was provided in January 2020. However, the requirement was revised as ₹ 1,324.20 crore in FMA (February 2020). Besides, in the surrender proposal sent to Government in March 2020 the requirement was further reduced to ₹ 1,180.58 crore. This indicated that supplementary provision was made without assessing the actual requirement and it indicates the lack of monitoring the financial discipline.

3.6.2.6 Huge surrender of funds under 'Road Maintenance'

It was seen from the Budget allocation and expenditure under the Revenue Heads of Account that savings occurred mainly under the following Heads of Account. The details are detailed in **Table 3.28** below**.**

Table 3.28: Huge surrender of funds

(*₹ in crore*)

Head of Account	Original provision	Suppleme-ntary provision	Total	Re-appropriation	FMG	Expenditure	Excess(+) / Savings(-) Against O+S	Excess(+) / Savings(-) Against FMG
3054-03-337-AA	193.68	--	193.68	(-) 45.04	148.64	149.68	(-) 44.00	(+) 1.04
3054-04-337-AA	175.95	--	175.95	(-) 54.26	121.69	126.17	(-) 49.78	(+) 4.48
3054-04-337-AB	619.06	--	619.06	(-) 186.99	432.07	435.12	(-) 183.94	(+) 3.05

(*Source: Detailed Appropriation Accounts*)

It was seen that there were huge withdrawal of funds under the above heads of account. Thus, obtaining huge provision and huge surrender of funds at the fag end of the year was indicative of improper estimation of requirement.

Further, it was also seen that in all the above Heads of Account the final expenditure has exceeded the FMG by ₹ 8.57 crore indicating excessive withdrawal of funds by re-appropriation even at FMA stage which indicated poor monitoring of expenditure and absence of financial discipline.

3.7 Conclusion and recommendations

Expenditure incurred without authority of law

In respect of 30 cases, a total expenditure of ₹ 130.71 crore was incurred without FMA. No provision was made either in the original or supplementary or at re-appropriation stage. In 14 cases, a total expenditure of ₹ 1.80 crore was incurred without appropriation by the Legislature either in the Original or Supplementary estimates.

Recommendation: *It should be ensured that expenditure should not be incurred without appropriation by the Legislature.*

(Paragraphs 3.3.1.1 and 3.3.1.2)

Unnecessary or excessive Supplementary grant/re-appropriations

Supplementary provisions of ₹ 50 lakh or more in each case aggregating ₹ 980.26 crore obtained in 86 cases, during the year 2019-20 proved unnecessary as the original provisions itself was not exhausted.

In respect of 32 Heads of Account, though an amount of ₹ 1,172.14 crore was available (Original and Supplementary), an additional amount of ₹ 65.97 crore was provided at re-appropriation stage which was unnecessary as the total expenditure in these cases were only ₹ 1,137.96 crore and well within the earlier provisions made.

In 25 cases, though the entire provision was fully withdrawn by re-appropriations, expenditure of ₹ 128.93 crore was incurred under the scheme, indicating injudicious re-appropriations.

In 14 cases across 11 Grants, an amount of ₹ 2,985.30 crore provided in original budget was fully withdrawn by re-appropriation during the year 2019-20. Withdrawal of the entire amount provided for not only indicates inaccurate budgeting, but also deprives the other departments of the funds required.

Recommendation: *Efforts should be made to avoid unnecessary supplementary provision/re-appropriations and the Controlling Officers are to be held responsible if supplementary appropriations in cases where recommended has been found unnecessary as per Rule 153(g) under Chapter IX of the Budget Manual.*

(Paragraphs 3.3.4 & 3.3.5)

Unspent amount, surrendered appropriations and persistent savings

In 36 cases, there were savings of above ₹ 100 crore amounting to ₹ 26,403.66 crore across various grants.

Surrenders to the tune of ₹ 16,216.52 crore (5.62 *per cent* of the total provision) were made on 22 March 2020 in 3,374 cases and ₹ 11,325.92 crore (3.93 *per cent* of the total provision) on 31 March 2020 in 3,689 cases. Out of ₹ 11,325.92 crore surrendered on the last day (31 March 2020), 88 cases amounting to ₹ 10,311.98 crore were in excess of over ₹ 10 crore, indicating inadequate financial control.

Under 23 Grants/Appropriations there were persistent savings of more than five *per cent* of the total grant during the last five years. There was a persistent savings of more than 98 *per cent* during all the past five years in Grant 16 - Finance Department.

Recommendation: *An appropriate control mechanism needs to be instituted by the Government to enforce proper implementation and monitoring of budget to ensure that savings are curtailed, large savings within the grant/appropriation are controlled and anticipated savings are identified and surrendered within the specified timeframe so that the funds can be utilised for other development purposes.*

(Paragraphs 3.3.6.1, 3.3.6.2 and 3.3.6.3)

Excess expenditure and its regularisation

During the year, excess disbursements over grants/appropriations were made for ₹ 942 crore. This expenditure needs to be regularised. Besides, excess expenditure of ₹ 2,657.67 crore relating to 2012-19 was yet to be regularised.

Recommendation: *Excess expenditure over grants approved by the legislature are in violation of the will of the Legislature. It, therefore, needs to be viewed seriously and regularised at the earliest and all the existing cases of excess expenditure need to be got regularised at the earliest.*

(Paragraphs 3.3.7.1 and 3.3.7.2)

Rush of expenditure

An amount of ₹ 3,708.88 crore under 92 sub-heads for which provision was made in the original grant and was available throughout the year was fully expended only during the month of March 2020 against the provisions of Article 39 of the Tamil Nadu Financial Code directing that rush of expenditure in the closing month of the financial year should be avoided.

Recommendation: *Expenditure at the fag end of the year to avoid lapsing of funds should clearly be avoided.*

(Paragraph 3.4.2)