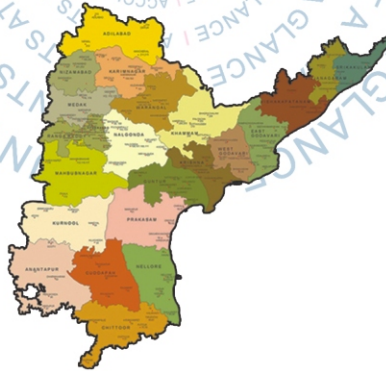




Government of Andhra Pradesh

Accounts at a glance 2009 - 2010



PRINCIPAL ACCOUNTANT GENERAL
(Accounts and Entitlements)
ANDHRA PRADESH, HYDERABAD





Government of Andhra Pradesh

**ACCOUNTS AT A GLANCE
2009-2010**

PRINCIPAL ACCOUNTANT GENERAL
(Accounts and Entitlements)

ANDHRA PRADESH, HYDERABAD



Andhra Pradesh Legislative Assembly

I am happy to present the Twelfth issue of our annual publication, the '**Accounts at a Glance**' of the Government of Andhra Pradesh. The purpose of this publication is to distil and make more accessible the voluminous information that is available in the annual Finance and Appropriation Accounts (totalling 948 pages in this year) prepared by my office under the directions of the Comptroller and Auditor General of India and placed before the Legislature in accordance with Article 149 of the Constitution of India.

This year marks the 150th anniversary of the Indian Audit and Accounts Department (IA&AD). The years have seen major changes in the scope and presentation of the various reports through which the IA&AD keeps the stakeholders - the Legislators, the Executive and the Public - informed. This year, the format of the Finance Accounts has undergone significant changes, with additional statements incorporated to bring out the financial position of the Government more clearly. Consequently, the Finance Accounts, for the first time, are in two volumes. In keeping with these changes, the Accounts at a Glance has also been completely remodelled and made more comprehensive. A combined reading of the Finance Accounts and Appropriation Accounts, the Report on State Finances and the Accounts at a Glance, will help the stakeholders to more effectively comprehend the various facets of the finances of the Government of Andhra Pradesh.

We look forward to comments and suggestions for improving this publication.



V. Ravindran

Principal Accountant General (A&E)

Andhra Pradesh

Place : Hyderabad

Date : 10th December 2010

Our Vision, Mission and Core Values

The **vision** of the institution of the Comptroller and Auditor General of India represents what we aspire to become

We strive to be a global leader and initiator of national and international best practices in public sector auditing and accounting and recognised for independent, credible, balanced and timely reporting on public finance and governance.

Our **mission** enunciates our current role and describes what we are doing today

Mandated by the Constitution of India, we promote accountability, transparency and good governance through high quality auditing and accounting and provide independent assurance to our stakeholders- the Legislature, the Executive and the Public- that public funds are being used efficiently and for the intended purposes.

Our **core values** are the guiding beacons for all that we do and give us the benchmarks for assessing our performance

- Independence
- Objectivity
- Integrity
- reliability
- Professional Excellence
- Transparency
- Positive Approach



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OVERVIEW

1.1. Introduction

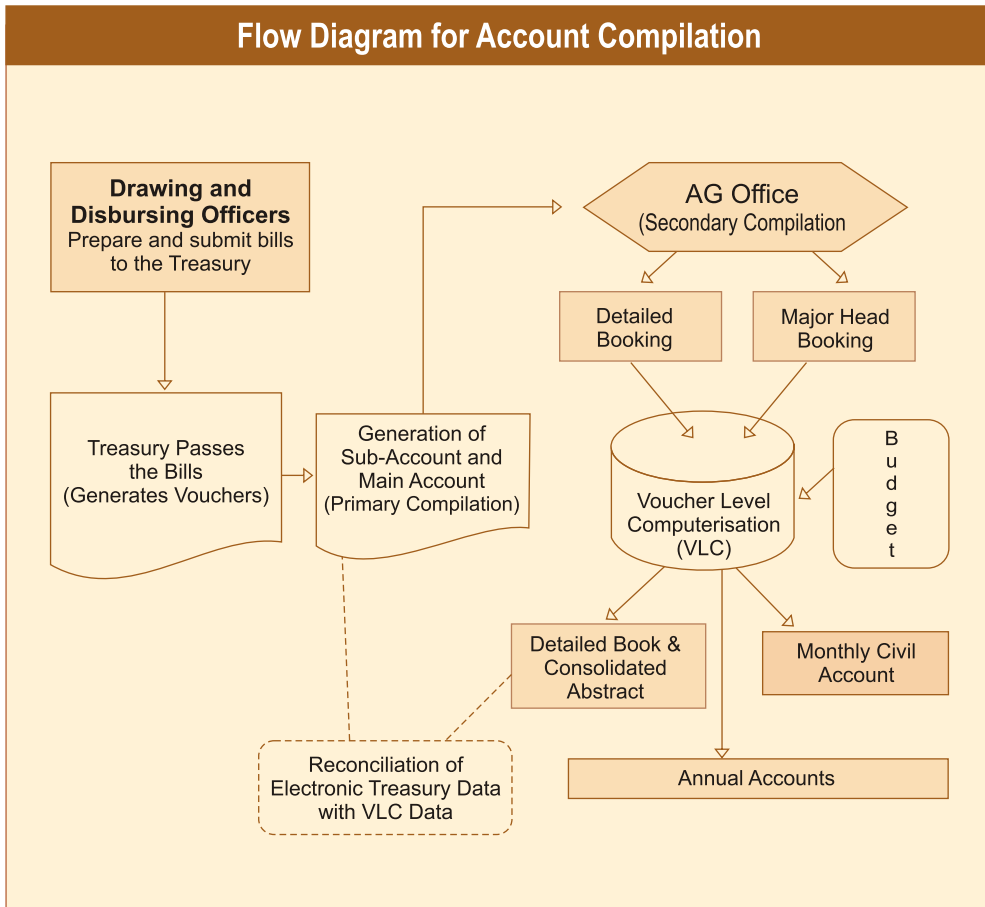
The Principal Accountant General (Accounts and Entitlements), Andhra Pradesh compiles the accounts of receipts and expenditure of the Government of Andhra Pradesh. This compilation is based on the initial accounts rendered by the District Treasuries, PAOs of Public Works and Forest Divisions and advices of the Reserve Bank of India. Following such compilation, the Principal Accountant General (A&E) prepares, annually, the Finance Accounts and the Appropriation Accounts, which are placed before the State Legislature after audit by the Principal Accountant General (Civil Audit) Andhra Pradesh and certification by the Comptroller and Auditor General of India.

1.2. Structure of Accounts

1.2.1. Government Accounts are kept in three parts:

Part 1 CONSOLIDATED FUND	Receipts and Expenditure on Revenue and Capital Account, Public Debt and Loans and Advances.
Part 2 CONTINGENCY FUND	Intended to meet unforeseen expenditure not provided for in the budget. Expenditure from this Fund is recouped subsequently from the Consolidated Fund.
Part 3 PUBLIC ACCOUNT	Comprises of Debt, Deposits, Advances Remittances and Suspense transactions. Debt and Deposits represent repayable liabilities of the Government. Advances are receivables of the Government. Remittances and Suspense transactions are adjusting entries that are to be cleared eventually by booking to the final heads of account.

1.2.2. *Compilation of Accounts*



1.3. Finance Accounts and Appropriation Accounts

1.3.1. Finance Accounts

The Finance Accounts depict the receipts and disbursements of the Government for the year, together with the financial results disclosed by the revenue and capital accounts, public debt and public account balances recorded in the accounts. This year, the Finance Accounts have been issued in two volumes, in a new format, to make them more comprehensive and informative. Volume I of the Finance Accounts contains the certificate of the Comptroller and Auditor General of India, summarised statements of overall receipts and disbursements and 'Notes to accounts' containing summary of significant accounting policies, quality of accounts and other items; Volume II contains other summarised statements (Part-I), detailed statements (Part-II) and appendices (Part-III).

Receipts and disbursements of the government of Andhra Pradesh as depicted in the Finance Accounts 2009-10 are given below.

(In Rupees Crore)

Receipts (Total: 78,831)	Revenue Total: 64,678	Tax Revenue	47,317
		Non Tax Revenue	7,803
		Grants-in-Aid	9,558
	Capital (Total: 14,153)	Recovery of Loans and Advances	143
		Borrowings and other Liabilities	14,010
Disbursements (Total: 78,831)	Revenue	63,448	
	Capital	13,793	
	Loans and Advances	1,590	

* Borrowings and other Liabilities: Net (Receipts-Disbursements) of Public Debt + Net of Contingency Fund + Net (Receipts - Disbursements) of Public Account + Net of Opening and Closing Cash Balance

The Union Government transfers substantial funds directly to State Implementing Agencies/ NGOs for implementation of various schemes and programmes. This year, the Government of India directly released ₹6,964 crore (₹2,455 crore last year). Since these funds are not routed through the State Budget, they are not reflected in the accounts of the State Government. These transfers are now exhibited in Appendix III of Volume II of the Finance Accounts.

1.3.2. Appropriation Accounts

The Appropriation Accounts supplement the Finance Accounts. They depict the expenditure of the State Government against amounts 'charged' on the Consolidated Fund or 'voted' by the State Legislature. There are 19 charged Appropriations and 40 voted Grants.

The Appropriation Act, 2009-2010, had provided for gross expenditure of ₹1,11,388 crore and reduction of expenditure (recoveries) of ₹401 crore. Against this, the actual gross expenditure was ₹87,322 crore and reduction of expenditure was ₹2,214 crore, resulting in net savings of ₹24,066 crore (21.6 %) and an under-estimation of ₹1,813 crore (452 %) on reduction of expenditure. Reduction of expenditure, both revenue and capital, was far more than estimates, due to lapsing of unspent balance of deposits in March 2010, as detailed at Para 1.6 of this publication. The gross expenditure includes ₹427 crore drawn on Abstract Contingent (AC) Bills, which is still outstanding at the end of the year for want of supporting Detailed Contingent (DC) bills.

During 2009-10, ₹1,272 crore was transferred from the Consolidated Fund to Personal Deposit (PD) Accounts under the Public Account, which are maintained by designated Administrators for specific purposes. Normally, unspent balances under PD accounts are to be transferred back to the Government at the end of the financial year. However, details of such transfers, if any, and outstanding balances in individual PD accounts are available only with the treasuries, since they are responsible for maintaining such records.

1.4. Sources and Application of Funds

1.4.1. *Ways and Means Advances*

The Reserve Bank of India (RBI) extends the facility of Ways and Means Advances (WMA) to enable State Governments to maintain their liquidity. Overdraft (OD) facilities are provided when there is a shortfall in the agreed minimum cash balance (₹3.32 crore) maintained with the RBI. During 2009-10, the Government of Andhra Pradesh did not resort to OD facilities and availed of WMA only once (₹33 crore), for one day, on 15-09-2009. This has to be viewed against the fact that there were savings totalling ₹24,065 crore in almost all 40 grants, resulting in a shortfall of 22% in expenditure against estimates.

1.4.2. *Fund flow statement*

The State had a Revenue Surplus of ₹1,230 crore and a Fiscal Deficit of ₹14,010 crore representing 0.3 % and 3.4 % of the Gross State Domestic Product (GSDP)¹. The Fiscal Deficit constituted 18 % of total expenditure. This deficit was met from Public Debt (₹13,476 crore), increase in Public Account (₹845 crore), un-recouped contribution from the Contingency Fund (₹7 crore), and net of opening and closing cash balance (- ₹318 crore). Around 56% of the revenue receipts (₹64,678 crore) of the State Government was spent on committed expenditure like salaries (₹15,022 crore), interest payments (₹8,914 crore) and pensions (₹6,339 crore).

¹ Except where indicated otherwise, GSDP figures used in this publication are adopted from the Economic Survey of the Planning Department, Government of Andhra Pradesh.

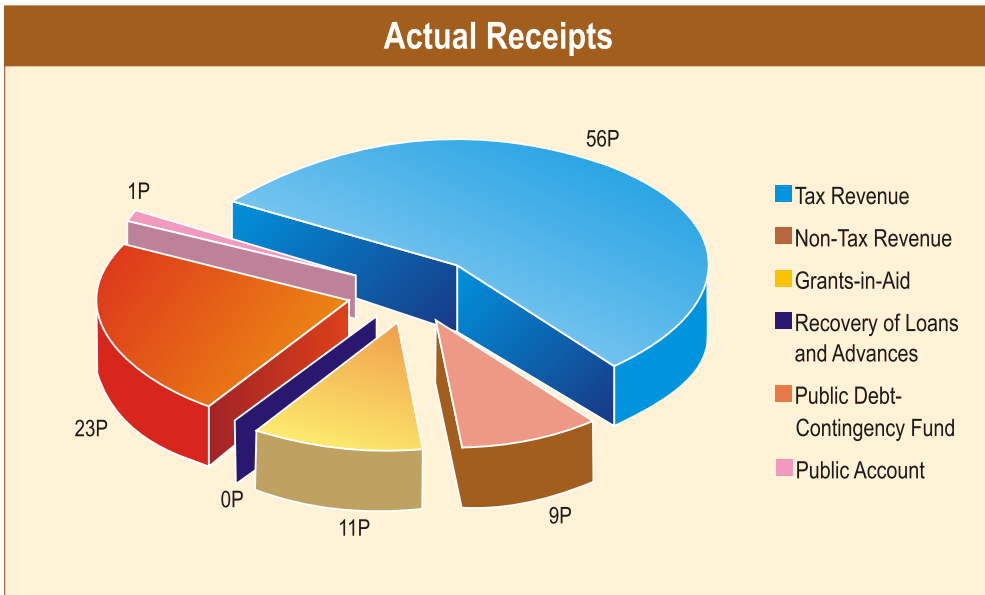
Sources and Application of Funds

(In Rupees Crore)

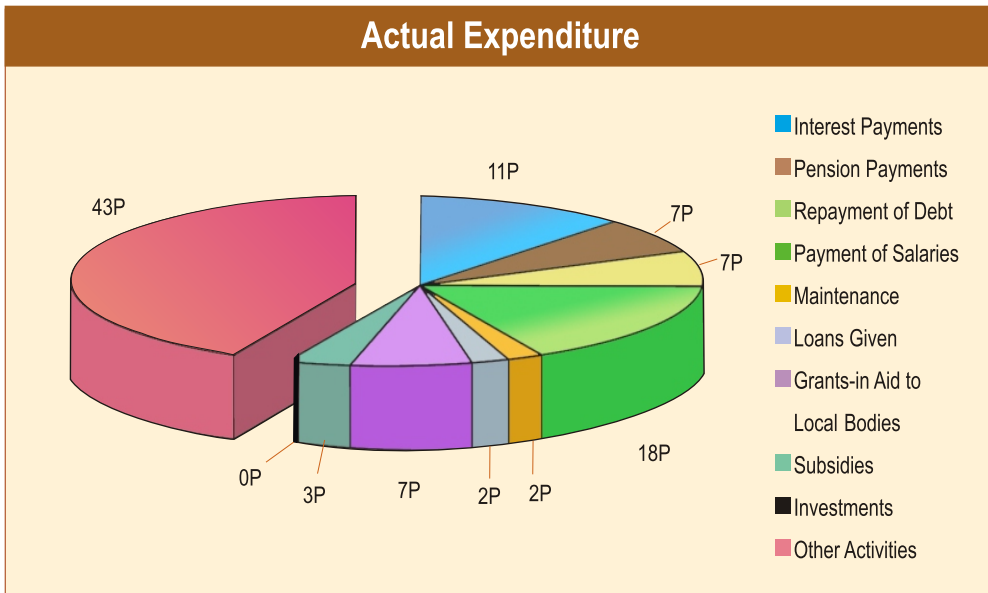
	PARTICULARS	AMOUNT
	Opening Cash Balance as on 1.4.2009	(-)286
	Revenue Receipts	64,678
	Recovery of Loans & Advances	143
	Public Debt	19,753
	Small Savings Provident Fund & Others	2,383
SOURCES	Reserves & Sinking Funds	1,916
	Deposits Received	35,385
	Civil Advances Repaid	100
	Suspense Account	87,927
	Remittances	19,787
	Contingency Fund	7
	TOTAL	2,31,793

	Revenue Expenditure	63,448
	Capital Expenditure	13,793
	Loans Given	1,590
	Repayment of Public Debt	6,277
	Small Savings Provident Fund & Others	1,422
APPLICATION	Reserves & Sinking Funds	2,029
	Deposits Spent	36,819
	Civil Advances Given	102
	Suspense Account	87,928
	Remittances	18,353
	Closing Cash Balance as on 31.3.2010	32
	TOTAL	2,31,793

1.4.3. Where the Rupee came from



1.4.4. Where the Rupee went



1.5. Highlights of Accounts

	B.E 2009-10	Actuals	Percentage of actuals to B.E	Percentage of actuals to GSDP(\$)
1. Tax Revenue (@)	52,773	47,317	90	12
2. Non-Tax Revenue	12,946	7,803	60	2
3. Grants-in-aid & Contributions	13,245	9,558	72	2
4 .Revenue Receipts (1+2+3)	78,964	64,678	82	16
5. Recovery of Loans and Advances	275	143	52	---
6. Borrowings & other Liabilities (A)	16,151	14,010	87	3
7. Capital Receipts (5+6)	16,426	14,153	86	3
8. Total Receipts(4+7)	95,390	78,831	83	19
9. Non-Plan Expenditure (*)	55,216	47,920	87	12
10. NPE on Revenue Account	55,093	48,006	87	12
11. NPE on Interest Payments out of 10	9,104	8,914	98	2
12. NPE on Capital Account (**)	123	(-)86	(-)70	---
13. Plan Expenditure (*)	40,174	30,911	77	8
14. PE on Revenue Account	21,464	15,442	72	4
15. PE on Capital Account	18,710	15,469	83	4
16. Total Expenditure (9+13)	95,390	78,831	83	19
17. Revenue Expenditure (10+14)	76,557	63,448	83	15
18. Capital Expenditure(12+15) (#)	18,833	15,383	82	4
19. Revenue Surplus (4-17)	2,407	1,230	51	---
20. Fiscal Deficit (4+5-16)	16,151	14,010	87	3

(@) Includes State's share of Union Taxes of ₹12,142 crore

(\$) GSDP figure of ₹4,11,349 crore adopted from the Economic Survey published by Planning Department, Government of Andhra Pradesh.

(#) Expenditure on Capital Account includes Capital Expenditure (₹13,793 crore) and Loans and Advances disbursed (₹1,590 crore).

(*) Expenditure includes ₹76 crore under Non-Plan and ₹1,514 crore under Plan which pertains to Loans and Advances.

(A) Borrowings and other Liabilities: Net (Receipts-Disbursements) of Public Debt + Net of Contingency Fund+ Net (Receipts - Disbursements) of Public Account + Net of Opening and Closing Cash Balance.

(**) Negative expenditure is due to recoveries not estimated in the Budget.

1.6. What do the Deficits and Surpluses indicate?

Deficit	Refers to the gap between Revenue and Expenditure. The kind of deficit, how the deficit is financed, and application of funds are important indicators of prudence in Financial Management.
Revenue Deficit /Surplus	Refers to the gap between Revenue Receipts and Revenue Expenditure. Revenue Expenditure is required to maintain the existing establishment of Government and ideally, should be fully met from Revenue Receipts.
Fiscal Deficit/Surplus	Refers to the gap between Total Receipts (excluding borrowings) and Total Expenditure. This gap, therefore, indicates the extent to which expenditure is financed by borrowings. Ideally, the Borrowings should be invested in capital projects.

Deficit indicators, revenue augmentation and expenditure management are major yardsticks for judging the fiscal performance of the Government. The 12th Finance Commission had recommended that the States achieve revenue balance by 2008-09 and reduce Gross Fiscal Deficit to 3% of GSDP by 2009-10. In view of the economic slow-down, Government of India further relaxed the acceptable ceiling for the Fiscal Deficit-GSDP ratio to 3.5% in 2008-09 and to 4% in 2009-10. To encourage the State Governments to achieve these goals, Government of India extended Debt Consolidation and Relief Facility (DCRF) to States, under which, successful State Governments would receive relief on repayment of principal and/or interest. Consequently, the Government of Andhra Pradesh enacted the Fiscal Responsibility and Budget Management (FRBM) Act, 2005, committing the State Government to reduce the revenue deficit by an amount equivalent to at least 0.32% of GSDP in each financial year, beginning from 1st April 2005 so as to eliminate it by 31st March 2009 and generate Revenue Surplus thereafter.

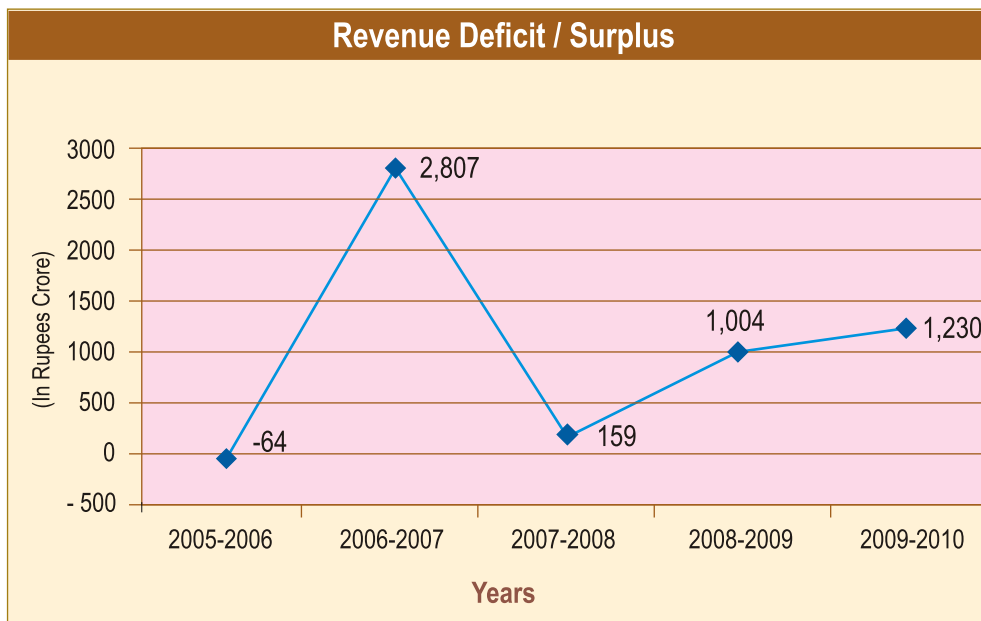
The State Government has been successful in achieving the Revenue Surplus target as early as in 2006-07 and maintaining it thereafter². There is however, a difference of opinion between the State Government and the Government of India on the calculation of the percentage of Fiscal Deficit to GSDP. While, according to the State Government estimation, the ratio of Fiscal Deficit³ to GSDP ranged between 3.29% (provisional figures) and 3.34% (quick figures) in 2008-09 and 3.96% (budget estimates) in 2009-10, the same, as per the Government of India, was 3.70% in 2008-09 and 4.35% (budget estimates) in 2009-10⁴. In view of this, the Government of India, in March 2010, withdrew the debt waiver of ₹703.08 crore already granted for 2008-09, and refused to grant debt waiver for 2009-10. This resulted in an unanticipated increase in the Fiscal Deficit of the State Government to the tune of ₹1,406.16 crore. To counter this, the State Government issued a series of Orders, all dated 31st March 2010, lapsing amounts parked in PD accounts under the Public Account (that had been booked as Revenue/ Capital Expenditure in the earlier respective years) which had been earmarked for payments towards 'Land Acquisition' and 'Relief and Rehabilitation Deposits'. By these measures, the State Government was able to reduce the Revenue Expenditure for the current year by ₹48.91 crore and the Capital Expenditure by ₹500.60 crore, thereby bringing the Fiscal Deficit to 3.40 % of GSDP as per the State Government's estimates, and to 3.77% of the GSDP as per Government of India's estimates based on the projections of the 12th Finance Commission.

² The Revenue Surplus was ₹1,004 crore in 2008-09 and ₹1,230 crore in 2009-10.

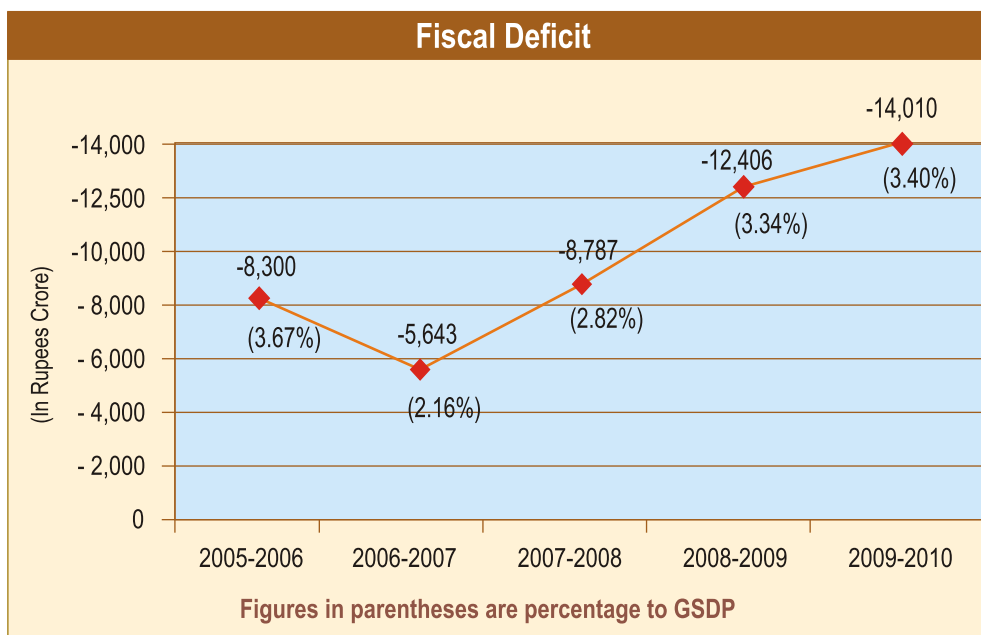
³ The Fiscal Deficit was ₹12,406 crore in 2008-09 and ₹14,010 crore in 2009-10.

⁴ According to the Planning Department, Government of Andhra Pradesh, the GSDP ranged between ₹3,71,229 crore (quick figures) and ₹3,77,346 crore (provisional figures) for 2008-09 and ₹4,11,349 crore (quick figures) for 2009-10, whereas, according to the projections of the 12th Finance Commission, as adopted by the Government of India, the GSDP was ₹3,34,496 crore for 2008-09 and ₹ 3,71,291 crore for 2009-10.

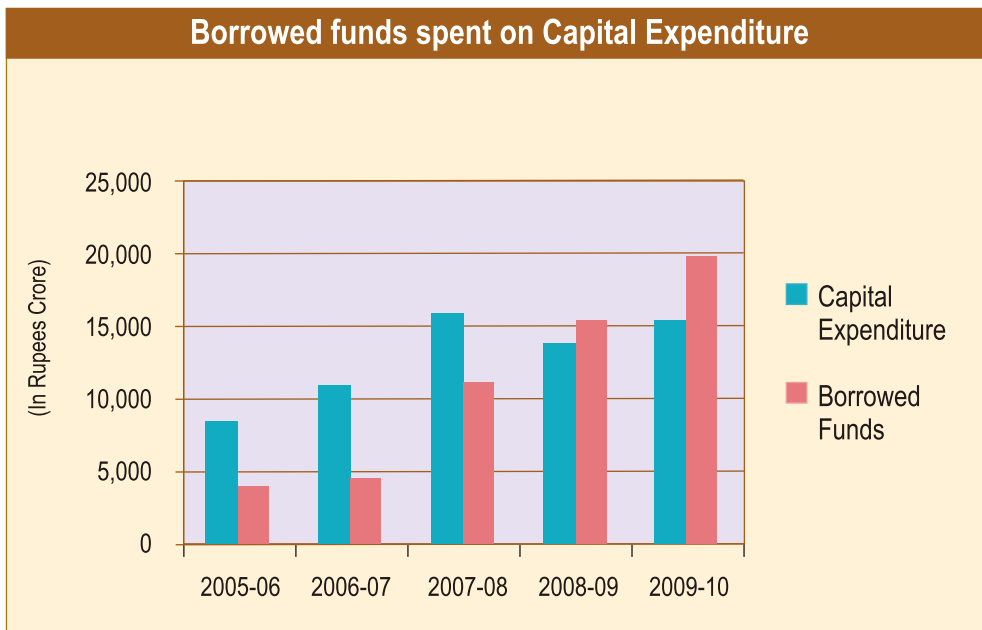
1.6.1. Trend of Revenue Deficit / Surplus



1.6.2. Trend of Fiscal Deficit



1.6.3. Proportion of borrowed funds spent on Capital expenditure.



It is desirable to fully utilise borrowed funds for the creation of capital assets, and to use revenue receipts for the repayment of principal and interest. The State Government, however, spent only 68 % of the borrowings of the current year (₹19,753 crore) on capital expenditure (₹13,793 crore). It would therefore appear that 32 % of the public debt (₹6,277 crore) was utilised on the following: to repay the principal and interest on public debt of previous years, to meet periodic shortfalls of revenues against expenditure in the current year, to maintain a positive cash balance at the end of the year and to invest in treasury bills.

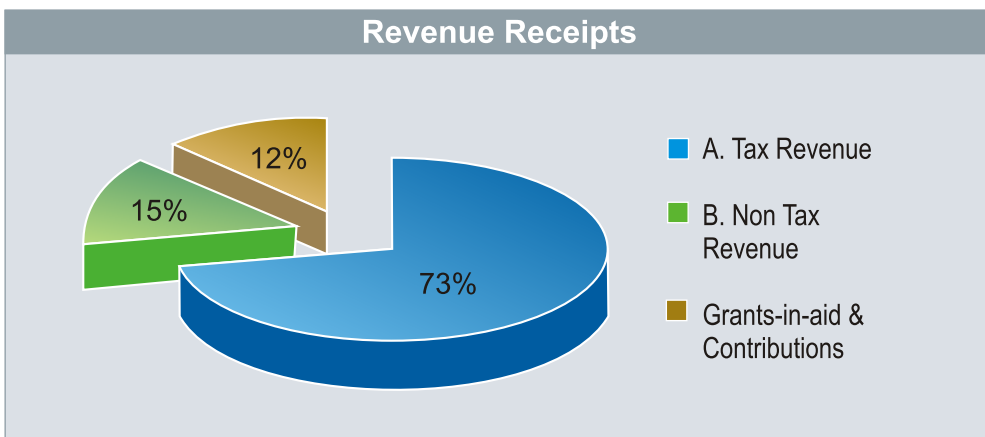
RECEIPTS

2.1. Introduction

Receipts of the Government are classified as Revenue Receipts and Capital Receipts. Total Receipts for 2009-10 were ₹78, 831 crore

2.2. Revenue Receipts

Tax Revenue	Comprises taxes collected and retained by the State and State's share of Union taxes under Article 280(3) of the Constitution.
Non-Tax Revenue	Includes interest receipts, dividends, profits etc.
Grants-in-Aid	Essentially, a form of Central Assistance to the State Government from the Union Government. Includes 'External Grant Assistance' and 'Aid, Material & Equipment' received from foreign Governments and channelised through the Union Government. In turn, the State Governments also give Grants-in-aid to institutions like Panchayati Raj Institutions, Autonomous bodies etc.



Revenue Receipt Components (2009-10)

(In Rupees Crore)

Components	Actuals
A. Tax Revenue	47,317
Taxes on Income & Expenditure	8,210
Taxes on Property & Capital Transactions	2,934
Taxes on Commodities & Services	36,173
B. Non-Tax Revenue	7,803
Interest Receipts, Dividends and Profits	4,874
General Services	(*) (-) 360
Social Services	273
Economic Services	3,016
C. Grants-in-aid & Contributions	9,558
Total - Revenue Receipts	64,678

(*) Includes ₹48 crore towards sale proceeds of Land and Property and recovery of Debt Relief of ₹703 crore sanctioned by the Government of India in 2008-09.

2.3. Trend of Receipts

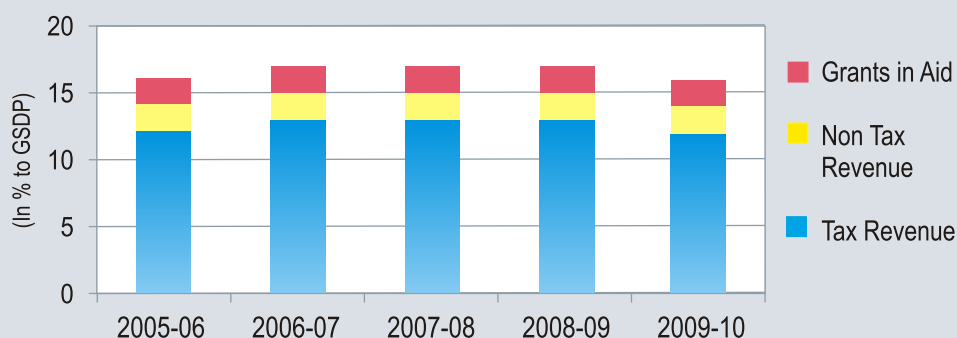
(In Rupees Crore)

	2005-06	2006-07	2007-08	2008-09	2009-10
Tax Revenues	26,158 (12)	32,792 (13)	39,978 (13)	45,160 (12)	47,317 (12)
Non-Tax Revenues	4,691 (2)	6,488 (2)	7,064 (2)	9,683 (3)	7,803 (2)
Grants in Aid	4,002 (2)	4,965 (2)	7,101 (2)	8,015 (2)	9,558 (2)
Total Revenue Receipts	34,851 (15)	44,245 (17)	54,143 (17)	62,858 (17)	64,678 (16)
GSDP	2,25,892	2,60,734	3,11,752	3,71,229	4,11,349

Note: Figures in parentheses represent percentage to GSDP

Though the GSDP increased by 11 % between 2008-09 and 2009-10, growth in revenue collection was only 3 %. While tax revenues increased by 5 %, non-tax revenues declined by 2 % despite significant collections under 'non-ferrous mining and metallurgical industries' (₹1,887 crore), 'crop husbandry' (₹103 crore) and 'other rural development programs' (₹563 crore). The decline under non-tax revenues was mainly on account of non-receipt of debt relief of ₹703.08 crore in 2009-10 from Government of India and recovery of ₹703.08 crore earlier granted for 2008-09. Further, collection through sale of land was only ₹48 crore (BE ₹3,000 crore), against ₹2,147 crore in 2008-09. The State's own revenue under certain tax components, like taxes on sales, trade etc., (₹23,640 crore), state excise (₹5,849 crore) and taxes on vehicles (₹1,995 crore), showed a higher trend.

Components under Revenue Receipts as proportion to GSDP



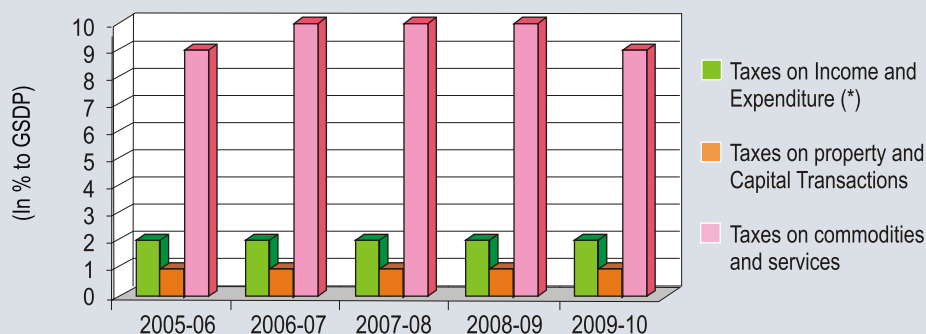
Sector-wise Tax Revenue

(In Rupees Crore)

	2005-06	2006-07	2007-08	2008-09	2009-10
Taxes on Income and Expenditure	3,499	4,759	6,287	6,674	8,210
Taxes on Property and Capital Transactions	2,089	3,008	3,325	3,145	2,934
Taxes on Commodities and Services	20,570	25,025	30,366	35,340	36,173
Total Tax Revenues	26,158	32,792	39,978	45,160	47,317

The decrease in collection of Taxes on Property and Capital Transactions is mainly due to less collection under MH 0030-Stamps and Registration fees and MH 0035-Taxes on immovable property other than agricultural land.

Trend of Major Taxes in proportion to GSDP



(*) Primarily net proceeds of Central share to the State

2.4. Performance of State's own tax revenue collection

(In Rupees Crore)

Year	Tax Revenue	State share of Union Taxes	State's Own Tax Revenue	
			Rupees	Percentage to GSDP
(1)	(2)	(3)	(4)	(5)
2005-06	26,158	6,951	19,207	8.5%
2006-07	32,792	8,866	23,926	9.2%
2007-08	39,978	11,184	28,794	9.2%
2008-09	45,160	11,802	33,358	8.9%
2009-10	47,317	12,142	35,175	8.5%

The proportion of the State's Own Tax Revenue to GSDP is perceptibly higher than the target of 6.8% recommended by the 12th Finance Commission.

2.5. Efficiency of Tax Collection

A. Taxes on Property and Capital Transactions

(In Rupees Crore)

	2005-06	2006-07	2007-08	2008-09	2009-10
Revenue Collection	2,089	3,008	3,325	3,145	2,934
Expenditure on Collection	99	122	152	142	154
Efficiency of Tax Collection	5%	4%	5%	5%	5%

B. Taxes on Commodities and Services

(In Rupees Crore)

	2005-06	2006-07	2007-08	2008-09	2009-10
Revenue Collection	20,570	25,025	30,366	35,340	36,173
Expenditure on Collection	338	396	407	454	493
Efficiency of Tax Collection	2%	2%	1%	1%	1%

Taxes on commodities and services form a major chunk of tax revenue. Tax collection efficiency is excellent. However, the collection efficiency of taxes on property and capital transactions can be improved.

2.6 Trend in State's Share of Union Taxes over the past five years

(In Rupees Crore)

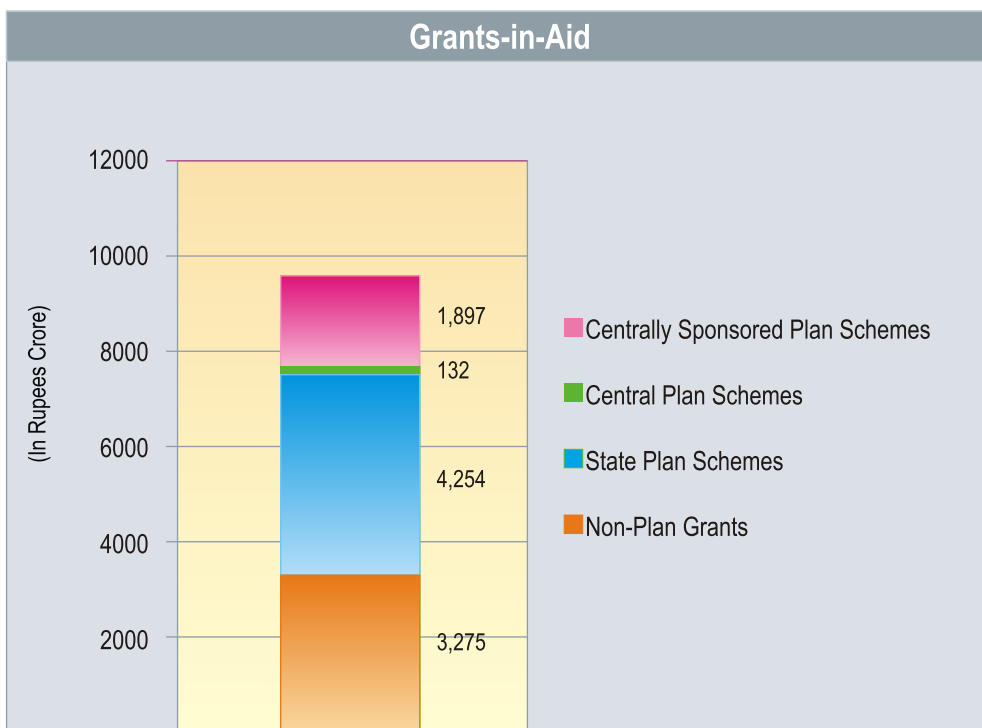
Major Head description	2005-06	2006-07	2007-08	2008-09	2009-10
Corporation Tax	1,919	2,767	3,549	3,870	4,997
Taxes on Income other than Corporation Tax	1,353	1,680	2,382	2,430	2,784
Taxes on Wealth	4	4	4	4	11
Customs	1,355	1,729	2,114	2,256	1,699
Union Excise Duties	1,808	1,836	2,018	1,967	1,369
Service Tax	513	851	1,117	1,275	1,282
Other Taxes and Duties on Commodities and Services	-1	-1	-	-	-
State Share of Union Taxes	6,951	8,866	11,184	11,802	12,142
Total Tax Revenue	26,158	32,792	39,978	45,160	47,317
% of Union Taxes to Total Tax Revenue	27	27	28	26	26

Government of Andhra Pradesh received 7.3% of the net proceeds of all shareable Union taxes during the period 2005-06 to 2009-10, excepting share of Service Taxes, which is 7.4%.

The decline in the State's share of Union excise duties is mainly due to lowering of tax rates on specific items by the Government of India from time to time.

2.7 Grants in Aid

Grants in Aid represent assistance from the Government of India, and comprise, Grants for State Plan Schemes, Central Plan Schemes and Centrally Sponsored Schemes approved by the Planning Commission and State Non-plan Grants recommended by the Finance Commission. Total receipts during 2009-2010 under Grants in Aid were ₹9,558 crore as shown below:



The share of non-plan grants in total grants-in-aid increased from 28 % during 2008-09 to 34 % in 2009-10, while, the share of grants for plan schemes declined from 72 % in 2008-09 to 66 % in 2009-10. As against a budget estimate of ₹11,173 crore of Union share in Plan schemes, the State Government has actually received ₹6,283 of Grants in Aid (56% of BE).

2.8. Public Debt

Trend of Public Debt over the past 5 years

(In Rupees Crore)

Description	2005-06	2006-07	2007-08	2008-09	2009-10
Internal Debt	(-) 1,240	1,173	6,182	10,911	13,403
Central Loans	(-) 84	(-) 876	(-) 43	(-) 391	73
Total Public Debt	(-) 1,324	297	6,139	10,520	13,476

Note: Negative figures indicate that repayment is in excess of receipts.

In 2009-10, fourteen loans totalling ₹15,383 crore at interest rates varying from 7.11% to 8.48% and redeemable in the years 2019-2020 were raised at par.

Against the total internal debt of ₹18,185 crore of the State Government in 2009-10 plus the central loan component of ₹1,568 crore received during this period, capital expenditure was only ₹13,793 crore (70 %), indicating that the rest of the public debt was used for non-developmental purposes.



EXPENDITURE

3.1. Introduction

Expenditure is classified as Revenue Expenditure and Capital Expenditure. Revenue expenditure is used to meet the day-to-day running of the organisation. Capital expenditure is used to create permanent assets, or to enhance the utility of such assets, or to reduce permanent liabilities. Expenditure is further classified under Plan and Non-Plan.

General Services	Includes Justice, Police, Jail, PWD, Pension etc.
Social Services	Includes Education, Health & Family Welfare, Water Supply, Welfare of SC-ST etc.
Economic Services	Includes Agriculture, Rural Development, Irrigation, Cooperation, Energy, Industries, Transport etc.

3.2. Revenue Expenditure

Revenue Expenditure of ₹63,448 crore for 2009-10 fell short of budget estimates by ₹13,109 crore due to less disbursement of ₹6,022 crore under Plan Expenditure and ₹7,087 crore under Non-plan Expenditure. This shortfall is to be viewed in the light of the ₹14,286 crore (18%) shortfall in Revenue Receipts and the need of the State to maintain a revenue surplus in terms of the Andhra Pradesh FRBM Act, 2005. To this end, in the last quarter of 2009-10, the Government transferred, through supplementary estimates and re-appropriations, ₹1,974 crore of the revenue expenditure already booked, to Loans head (₹869 crore) and Capital head (₹1,105 crore).

The shortfall of expenditure against budget estimates under Revenue section during the past five years is given below:

(In Rupees Crore)

	2005-06	2006-07	2007-08	2008-09	2009-10
Budget Estimates	37,378	45,327	54,986	70,218	76,557
Actuals	34,915	41,438	53,984	61,854	63,448
Gap	2,463	3,889	1,002	8,364	13,109
% of gap over BE	7	9	2	12	17

Compounding the shortfall (by 17%) of revenue receipts against budget estimates, the State Government was faced with the problem of generating revenue surplus in terms of the FRBM Act. Nearly 76% of total revenue expenditure was committed to Non-Plan expenditure (salaries, pensions etc.). Added to this was the fact that the Government of India released only 56% of the promised grant in aid. The Plan expenditure has resultantly fallen by 17%, from ₹18,892 crore in 2008-09 to ₹15,442 crore in 2009-10.

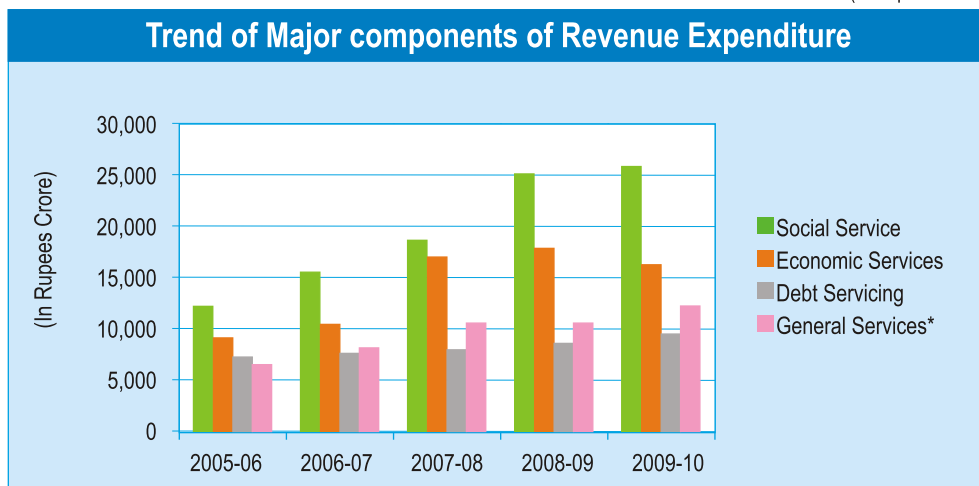
3.2.1 Sectoral distribution of Revenue Expenditure (2009-10)

(In Rupees Crore)

Components	Amount	Percentage
A. Fiscal Services	723	1
(i) Collection of Taxes on Property and Capital transactions	154	-
(ii) Collection of Taxes on Commodities and Services	493	-
(iii) Other Fiscal Services	76	-
B. Organs of State	670	1
C. Interest Payments and Servicing of debt	9,370	15
D. Administrative Services	4,290	7
E. Pensions and Miscellaneous General Services	6,339	10
F. Social Services	25,757	41
G. Economic Services	16,213	25
H. Grants-in-aid and Contributions	86	-
Total Expenditure (Revenue Account)	63,448	100

3.2.2 Major components of Revenue Expenditure (2005 - 2010)

(In Rupees Crore)



* General Services excludes MH 2048 (Appropriation for reduction or avoidance of debt), MH 2049 (Interest payments) and includes MH 3604 (Compensation and assignment to Local Bodies and Panchayati Raj Institutions).

The expenditure on Economic Services (which includes important sectors like Rural Development, Agriculture and Irrigation) has gone down, as against a steady increase in other services.

3.3. Capital Expenditure

Capital disbursements for 2009-10 at 4 % of GSDP were less than Budget Estimates by ₹3,450 crore (less disbursement of ₹3,241 crore under Plan Expenditure and ₹209 crore under Non-plan Expenditure).

3.3.1. Sectoral distribution of Capital Expenditure

During 2009-10, the Government spent ₹10,946 crore on various Projects (₹9,745 crore on Major Irrigation, ₹429 crore on Medium Irrigation, and ₹772 crore on Minor Irrigation) and ₹68 crore on Ports and Light Houses. Apart from above, the Government spent ₹410 crore on Construction of Buildings, and invested ₹24 crore in various Corporations /Companies/ Societies.

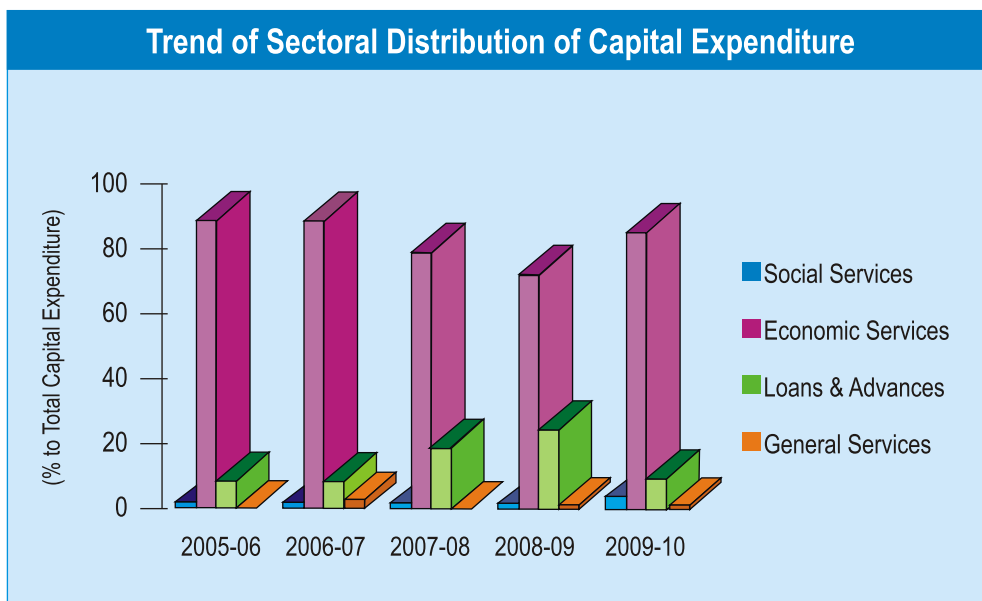
(In Rupees Crore)

Sl.No	Sector	Amount	Percentage
1.	General Services -Police, Land Revenue etc.	92	1
2.	Social Services -Education, Health & Family Welfare, Water Supply, Welfare of SC/ST etc.,	639	4
3.	Economic Services -Agriculture, Rural Development, Irrigation, Cooperation, Energy, Industries, Transport etc.,	13,062	85
4.	Loans and Advances Disbursed	1,590	10
Total		15,383	100

3.3.2 Sectoral distribution of capital expenditure over the past 5 years

(In Rupees Crore)

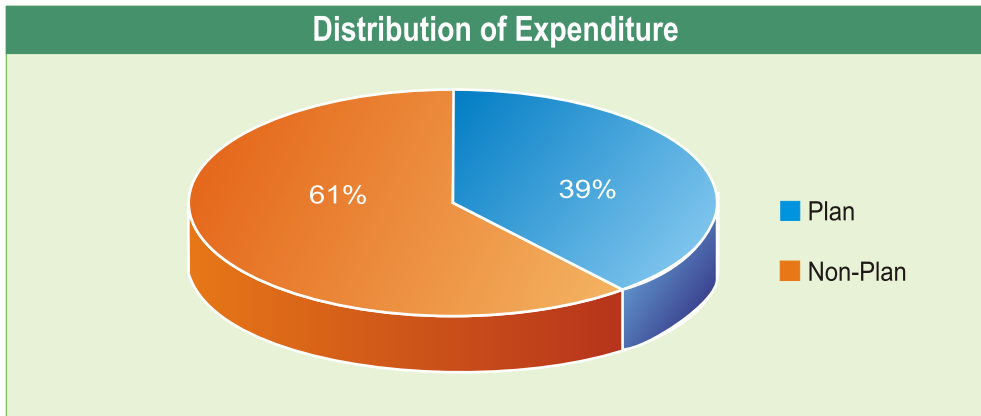
Sl.No.	Sector	2005-06	2006-07	2007-08	2008-09	2009-10
1.	General Services	26	344	36	59	92
2.	Social Services	156	164	284	324	639
3.	Economic Services	7,480	9,396	12,454	9,984	13,062
4.	Loans and Advances	756	907	2,921	3,413	1,590
Total		8,418	10,811	15,695	13,780	15,383





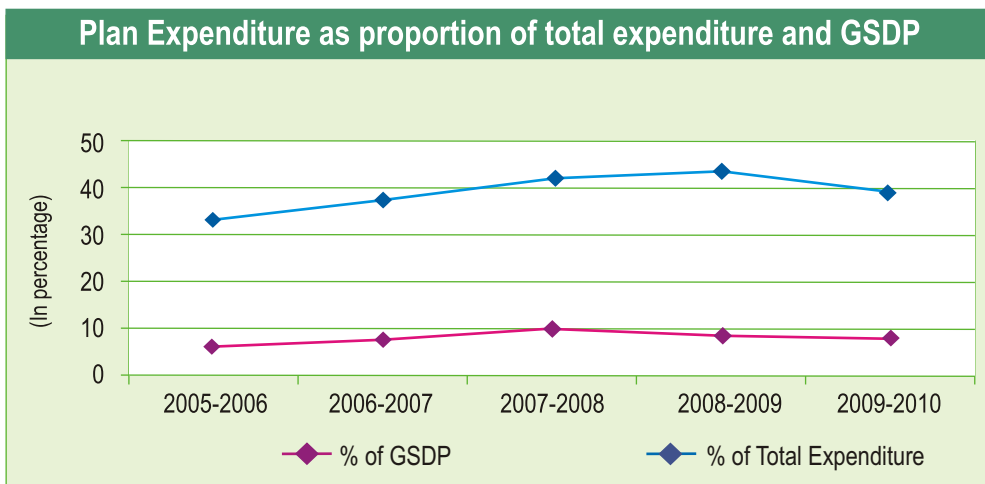
PLAN & NON PLAN EXPENDITURE

4.1. Distribution of expenditure (2009-2010)



4.2. Plan Expenditure

During 2009-2010, Plan Expenditure, representing 39 percent of total disbursements, was ₹30,911 crore (₹26,966 crore under State Plan, ₹2,431 crore under Centrally Sponsored Plan Schemes and ₹1,514 crore under Loans and Advances).



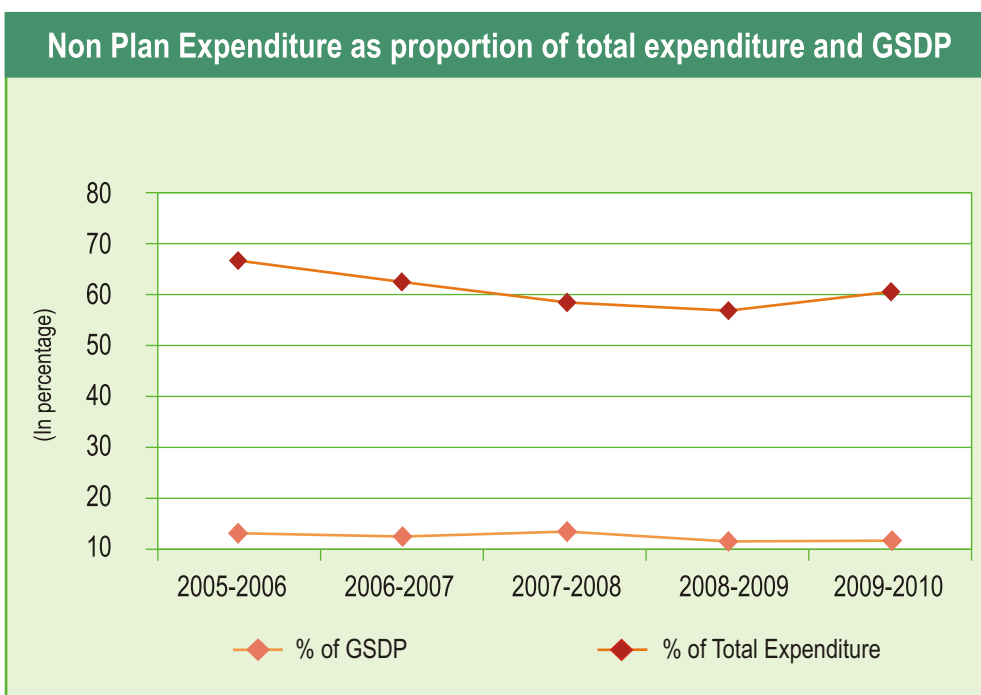
4.2.1. Plan expenditure under Capital Account

(In Rupees Crore)

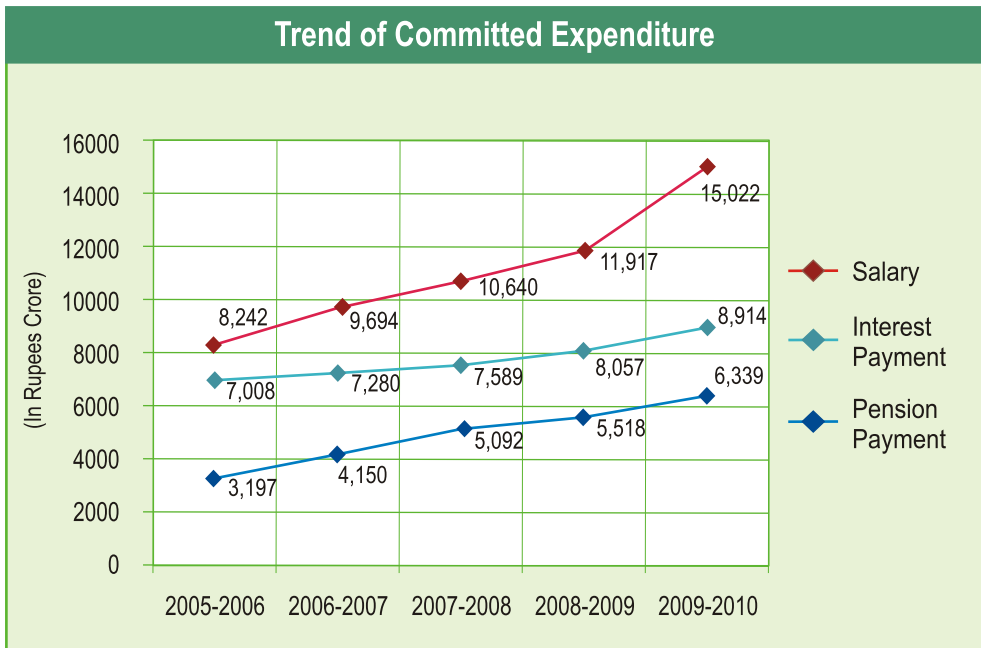
	2005-06	2006-07	2007-08	2008-09	2009-10
Total Capital Expenditure	8,418	10,811	15,695	13,780	15,383
Capital Expenditure (Plan)	8,020	10,092	15,087	13,708	15,469
% of Capital Expenditure(plan) to Total Capital Expenditure	95	93	96	99	100

4.3. Non-Plan Expenditure

Non-Plan Expenditure during 2009-2010, representing 61 per cent of total disbursements, was ₹47,920 crore, (₹48,006 crore under Revenue and (-)₹86 crore under Capital). Negative expenditure under non-plan capital is due to excess recoveries, not estimated in the Budget.



4.4. Committed Expenditure



Component	2005-06	2006-07	2007-08	2008-09	2009-10
Committed Expenditure	18,439	21,044	23,321	25,492	30,275
Revenue Expenditure	39,915	41,438	53,984	61,854	63,448
% of committed expenditure to Revenue Receipts	53	48	43	41	47
% of committed expenditure to Revenue expenditure	46	51	43	41	48

The steep upward trend on committed expenditure leaves the government with lesser flexibility for developmental spending.

APPROPRIATION ACCOUNTS

5.1. Summary of Appropriation Accounts for 2009-10

(In Rupees Crore)

Sl. No.	Nature of expenditure	Original grant	Supplementary grant	Re-appropriation	Total	Actual expenditure	Savings(-) Excesses(+)
1	Revenue Voted Charged	67,928 9,220	5,507 9	(-)11,227 (-) 127	62,208 9,102	54,449 8,999	(-) 7,759 (-)103
2	Capital Voted Charged	18,080 109	1,077 7	(-)1,859 (-) 3	17,298 113	13,784 9	(-) 3,514 (-)104
3	Public Debt Charged	8,084	...	(-)1,785	6,299	6,277	(-) 22
4	Loans and Advances Voted	866	902	(-)134	1,634	1,590	(-) 44
	Total	1,04,287	7,502	(-) 15,135	96,654	85,108	(-) 11,546

5.2. Trend of Savings/Excess during the past five years

(In Rupees Crore)

Year	Savings (-) / Excess(+)				Total
	Revenue	Capital	Public Debt.	Loans & Advances	
2005-06	(-) 583	(+) 263	-	(-) 83	(-) 403
2006-07	(-) 2,087	(-) 682	(-) 1	(-) 25	(-) 2,795
2007-08	(-) 2,833	(-) 53	-	(-) 28	(-) 2,914
2008-09	(-) 1,470	(-) 3,682	(+) 122	(-) 77	(-) 5,107
2009-10	(-) 5,019	(-) 2,032	(-) 22	(-) 44	(-) 7,117

5.3. Significant Savings

Substantial savings under a grant indicates either non-implementation or slow implementation of certain schemes/ programmes.

Some grants with persistent and significant savings are given below:

(In Rupees Crore)

Grant	Nomenclature	2005-06	2006-07	2007-08	2008-09	2009-10
IX	Fiscal Administration	26%	17%	17%	20%	11%
XVI	Medical and Health	-	14%	11%	13%	15%
XXXIII	Major and medium Irrigation	-	13%	-	39%	22%
XXXIV	Minor Irrigation	34%	-	23%	57%	42%

During 2009-10, supplementary grants totalling ₹7,502 crore (8% of total expenditure) proved to be unnecessary in some cases, where there were significant savings at the end of the year even against original allocations. A few instances are given below.

(In Rupees Crore)

Grant	Nomenclature	Section	Original	Supple- Mentary	Actual Expenditure
VII	Commercial Taxes Administration	Revenue	325	4	254
IX	Fiscal Administration, Planning, Surveys & Statistics.	Revenue	8,113	4	7,316
XI	Roads ,Buildings & Ports	Revenue	1,388	3	1,330
XII	School Education	Revenue	8,282	74	6,666
XIII	Higher Education	Revenue	1,916	16	1,259
XVII	Municipal Administration & Urban Development	Revenue	3,826	468	2,278
XX	Labour & Employment	Revenue	331	36	279
XXI	Social Welfare	Revenue	1,438	69	1,150
XXV	Women, Child & Disabled Welfare	Revenue	1,588	46	986
XXVIII	Animal Husbandry & Fisheries	Revenue	624	10	502
XXXI	Panchayati Raj	Revenue	2,964	582	2,540
XXXVI	Industries & Commerce	Revenue	868	4	289



ASSETS AND LIABILITIES

6.1. Assets

The existing form of accounts do not easily depict valuation of Government assets like land, buildings etc., except in the year of acquisition/purchase. Similarly while the accounts present the impact of liabilities arising in the current year, they do not depict the overall impact of the liabilities to future generations except to the limited extent shown by the rate of interest and period of existing loans.

Total investments as share capital in non-financial public sector undertakings (PSUs) stood at ₹6,003 crore at the end of 2009-2010. However, dividends received during the year were ₹23 crore (i.e., 0.38%) on investment. During 2009-2010, investments increased by ₹24 crore, while dividend income increased by ₹4 crore.

Cash Balance with RBI stood at (-)₹286 crore on 31st March 2009 and increased to ₹32 crore at the end of March, 2010.

6.2. Debt and Liabilities

Article 293 of the Constitution of India empowers the State Government to borrow on the security of the Consolidated Fund of the State within such limits, if any, as may be from time to time fixed by the State Legislature.

Details of the Public Debt and total liabilities of the State Government are as under:

(In Rupees Crore)

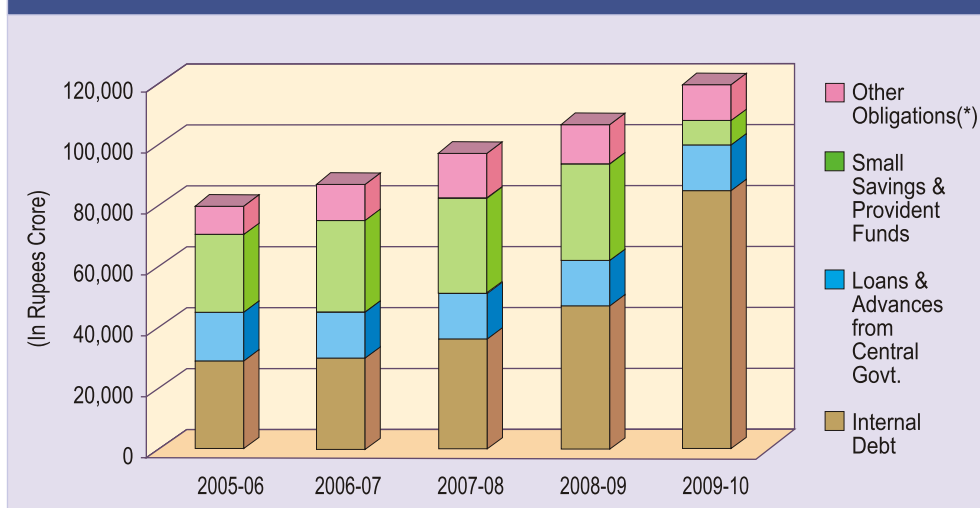
Year	Public Debt	% to GSDP	Public Account (*)	% to GSDP	Total Liabilities	% to GSDP
2005-06	44,958	20	34,591	15	79,549	35
2006-07	45,256	17	41,366	16	86,622	33
2007-08	51,395	16	45,974	15	97,368	31
2008-09	61,914	17	45,003	12	1,06,917	29
2009-10	99,573	24	20,233	5	1,19,806	29

(*) Excludes suspense and remittance balances.

Note: Figures are progressive balances to end of the year.

There is a net increase of ₹12,889 crore (12%) in Public Debt and Other liabilities as compared to 2008-09.

Trends in Government Liabilities



(*) Non-interest bearing obligations such as deposits of Local Funds, other earmarked funds, etc.

Government of India determines, from time to time, the limits upto which State Governments can borrow from the market. This limit was increased (by 41%), for the Government of Andhra Pradesh, from ₹10,934 crore in 2008-09 to ₹15,383 crore in 2009-10.

6.3 Guarantees

The position of guarantees by the State Government for the payment of loans and capital and payment of interest thereon raised by Statutory Corporations, Government Companies, Corporations, Cooperative Societies, etc., is given below.

(In Rupees Crore)

At the end of the year	Maximum Amount Guaranteed (Principal only)	Amount outstanding as on 31st March 2010	
		Principal	Interest
2005-06	30,200	17,711	779
2006-07	29,160	18,018	864
2007-08	18,798	14,502	167
2008-09	29,990	15,239	734
2009-10	20,324	12,207	929

**OTHER ITEMS****7.1 Adverse Balances under Internal Debt**

Borrowings of State Governments are governed by Article 293 of the Constitution of India. In addition to directly raising loans, State Governments also guarantee loans raised by Government Companies and Corporations from the market and financial institutions for implementation of various Plan schemes and programmes which are projected outside the State Budget. These loans are treated as receipts of the concerned Administrative Departments and do not appear in the books of the Government. However, the loan repayments appear in Government account, resulting in irreconcilable adverse balances and understatement of liabilities in Government accounts. As on March 31st 2010, the adverse balances amounted to ₹2,613.41 crore.

7.2 Loans and Advances by the State Government

Total Loans and Advances made by the State Government at the end of 2009-2010 was ₹17,868 crore. Of this, Loans and Advances to Government Corporations/ Companies, non-Government Institutes and Local Bodies amounted to ₹17,664 crore. Recovery of Principal aggregating to ₹15,154 crore and Interest amounting to ₹8,728 crore is in arrears at the end of 31st March 2010.

7.3 Financial assistance to local bodies and others

During the past five years, Grants in Aid to local bodies etc., increased from ₹9,080 crore in 2005-2006 to ₹20,458 crore in 2009-2010. Grants to Zilla Parishads, Panchayat Samitis and Municipalities (₹4,284 crore) represented 21 per cent of total grants given during the year.

Details of Grants-in-aid for the past 5 years are as under.

(In Rupees Crore)

Year	Zillaparishads	Municipalities	Panchayat Samithis	Others	Total
2005-06	146	456	603	7,875	9,080
2006-07	889	233	421	8,390	9,933
2007-08	699	2,699	221	12,287	15,906
2008-09	1,234	3,111	1,620	15,521	21,486
2009-10	3,492	169	623	16,174	20,458

7.4 Cash Balance and investment of Cash Balance

(In Rupees Crore)

Component	As on 1st April 2009	As on 31st March 2010	Net increase (+) / decrease (-)
Cash Balances	(-)-286	32	318
Investments from cash balance (GOI Treasury Bills)	2,284	2,274	(-) 10
Investment from earmarked fund balances	2,973	3,674	701
(a) Sinking Fund	2,420	3,063	643
(b) Guarantee Redemption Fund	539	597	58
(C) Other Funds	14	14	—
Interest realised	346	377	31

State Government had a positive closing cash balance at the end of 2009-10, despite utilising its cash balances and earmarked fund balances towards investments. Interest receipt on these investments was increased by 9%.

7.5 Reconciliation of accounts

Accuracy and reliability of accounts depend, among other things, on timely reconciliation of the figures available with the departments and the figures appearing in the accounts compiled by the Principal Accountant General (Accounts and Entitlements). This exercise is to be conducted by respective Heads of Departments. The reconciliation of accounts of many departments is in arrears. In 2009-10, only 52% (₹44,517 crore) of the total expenditure of ₹85,108 crore of the State Government was reconciled. Similarly, out of total receipts of ₹64,821 crore, only 2% (₹1,508 crore) was reconciled. The status of reconciliation of accounts in respect of the Chief Controlling Officers (CCO) of different departments is given below:

PARTICULARS	TOTAL No. OF CCOs	FULLY RECONCILED	PARTIALLY RECONCILED	NOT RECONCILED
EXPENDITURE	419	215	65	139
RECEIPTS	72	10	6	56
TOTAL	491	225	71	195

Some chronic defaulters in reconciliation are listed below.

Sl.No.	Name of the Department / Chief Controlling Officer	Year / Years pending
1.	Secretary, Environment, Forest, Science & Technology	1997-98 to 2009-10
2.	Secretary, Finance	1997-98 to 2009-10(except 2003-04)
3.	Secretary, Food and Civil Supplies	1997-98 to 2009-10
4.	Secretary, Municipal Admn. & Urban Develop.	2002-03 to 2009-10
5.	Secretary, Irrigation and Command Area Development	2000-01 to 2009-10
6.	Secretary, Industries and Commerce	1997-98 to 2009-10
7.	Secretary, Energy	1997-98 to 2009-10 (except 2000-01)
8.	Secretary, Revenue	2001-02 to 2009-10
9.	Secretary, Secondary Education	1998-99 to 2009-10
10.	Secretary, Social Welfare	2001-02 to 2009-10
11.	Secretary, Road Transport	1996-97 to 2009-10 (except 1998-99 to 2000-01)
12.	Secretary, Women Development, Child Welfare and Welfare of Disabled	1997-98 to 2009-10
13.	Secretary, Infrastructure & Investment	2002-03 to 2009-10
14.	Secretary, Transport, Roads & Buildings Department.	1998-99 to 2009-10
15.	Commissioner, Land Administration	1999-00 to 2009-10
16.	Secretary, Youth Affairs, Tourism & Culture Department	1997-98 to 2009-10 (Except 1999-00 to 2001-02)
17.	Secretary, Tribunal for Disciplinary Proceedings	1997-98 to 2009-10 (except 2001-02 to 2003-04)
18.	Director General & Inspector General of Prisons	1997-98 to 2009-10

7.6 Submission of accounts by Treasuries

The rendition of initial accounts by the Treasuries is satisfactory. However, submission of accounts by the Pay and Accounts Officers (PAOs) of the Public Works and Forest Departments should improve.

7.7 Abstract Contingent (AC) Bills and Detailed Contingent (DC) Bills

When money is required in advance or the Drawing and Disbursing Officers (DDOs) are not able to calculate the exact amounts required, they are permitted to draw money without supporting documents through AC bills. Such AC bills are required to be settled, within a maximum of 90 days, through submission of DC bills. The fact that to the end of 31st March 2010, 1,22,324 DC bills amounting to ₹1,209.19 crore was outstanding, indicates that these instructions have not been followed.

