

2.1 Introduction

Effective financial management ensures that decisions taken at the policy level are implemented at the administrative level without wastage or diversion of funds and with reasonable assurance about successful implementation of the policy at the ground level. This Chapter reviews the allocative priorities of the State Government and comments on the transparency and effectiveness of its budgetary processes.

2.2 Budget Preparation Process

The Andhra Pradesh Financial Code (APFC) and the Andhra Pradesh Budget Manual (APBM) lay down the procedure to be followed with regard to all matters concerning finance and budget. Budget preparation in the State is guided by a budget calendar, which is generally complied with. The exercise for preparation of budget estimates starts around October for the next financial year. Audit of various departments, however, revealed that there was no central expenditure control mechanism in terms of submission of monthly statements of expenditure to the Finance Department to ensure that there are no deviations and surprises at the end of the year.

A bottom-up approach was prescribed for budget preparation in the APBM with the requirement of funds projected from the unit level and consolidated at the district and finally the department level. There was, however, no evidence of compliance with this requirement from the departments audited during the year. Audit of several schemes/transactions of Government departments revealed that financial inputs were not correlated with the corresponding physical outputs or outcome either at the unit/district or department level and inadequate rigour was exercised in analyzing and assessing the actual requirement of funds. While Government instituted the outcome budget mechanism during the last few years, the departments do not report the extent of achievement of projected outputs with the targets fixed for a year, while submitting budget proposals for the succeeding year.

2.3 Financial accountability and budget management

Appropriation Accounts are accounts of the expenditure of the Government for each financial year, compared with the amounts of grants voted and appropriations charged 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 distinctly and indicate actual capital and revenue expenditure on various specified services *vis-à-vis* those authorised by the Appropriation Act. Appropriation Accounts thus facilitate understanding of utilisation of funds and monitoring of budgetary provisions and are, therefore, supplementary to Finance Accounts.

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

2.4 Summary of Appropriation Accounts

The summarized position of actual expenditure during 2012-13 against 40 grants/appropriations is given below in **Table 2.1**.

Table 2.1: Summarised position of Actual Expenditure vis-à-vis Budget provision

(₹ in crore)

	Nature of expenditure	Original Grant/ Appropriation	Supplementary Grant/ Appropriation	Total	Actual Expenditure ¹	Savings (-)/ Excess(+)
Voted	I Revenue	1,00,368.00	9,157.09	1,09,525.09	91,915.69	(-)17,609.40
	II Capital	19,846.17	1,568.94	21,415.11	15,373.58	(-)6,041.53
	III Loans and Advances	4,726.06	178.64	4,904.70	3,912.86	(-)991.84
Total Voted		1,24,940.23	10,904.67	1,35,844.90	1,11,202.13	(-)24,642.77
Charged	I Revenue	12,361.24	11.86	12,373.10	11,795.54	(-)577.56
	II Capital	127.63	73.06	200.69	29.14	(-)171.55
	III Public Debt - Repayment	8,813.42	---	8,813.42	7,676.85	(-)1,136.57
Total Charged		21,302.29	84.92	21,387.21	19,501.53	(-)1,885.68
Grand Total		1,46,242.52	10,989.59	1,57,232.11	1,30,703.66	(-)26,528.45

Source: Appropriation Accounts 2012-13

Note: i) During the year, supporting documents/vouchers were not available for an expenditure of ₹ 1,608 crore. Authenticity of this expenditure cannot therefore be vouched. ii) Actual expenditure is understated to the extent of un-recouped contingency fund advances amounting to ₹ 2.05 crore. iii) In the absence of Detailed Contingent bills in support of ₹ 394 crore drawn on Abstract Contingent bills during 2012-13, the genuineness of the expenditure could not be vouched to that extent.

The overall saving of ₹ 26,528 crore was the result of saving of ₹ 26,804 crore in 37 grants and 11 appropriations under Revenue Section, 28 grants and three appropriations under Capital Section and 13 grants and one appropriation (Public Debt) under Loans Section, offset by an excess of ₹ 276 crore in three grants² and one appropriation³ under Revenue Section, and two grants⁴ under Capital Section.

In view of the actual expenditure (₹ 1,30,703.66 crore) falling short of even the original budget provision (₹ 1,46,242.52 crore), the entire supplementary provision proved unnecessary. This points to unrealistic budgetary assumptions.

¹ The actual expenditure figures are gross figures without taking into account the recoveries adjusted in the accounts as reduction of expenditure under Revenue (₹ 1,009 crore) and Capital (₹ 254 crore).

² X-Home Administration (₹ 166.96 crore), XI-Roads, Buildings and Ports (₹ 57.54 crore) and XXXIX-Information Technology and Communications (₹ 48.83 crore)

³ XVI-Medical and Health (₹ 7,741 crore)

⁴ XVII-Municipal Administration and Urban Development (₹ 1.91 crore) and XXIX-Forest, Science, Technology and Environment (₹ 0.38 crore)

2.4.1 Appropriation vis-à-vis allocative Priorities

There were deviations from budget allocation both with regard to the receipts and expenditure of the State during 2012-13 raising questions about the soundness of the budgeting process, budget monitoring process and the reliability of management information system.

During the financial year 2012-13, appropriation audit revealed that, in 23 grants saving (₹ 13,176 crore) exceeded ₹ 100 crore and above and also by more than 20 per cent of total provision in each case, constituting 50 per cent of total saving (₹ 26,528 crore) (Appendix 2.1).

Of these, saving of ₹ 9,785 crore (37 per cent of total saving) occurred in seven grants exceeding ₹ 500 crore and more than 20 per cent of the outlay in each case, as indicated in Table 2.2 raising questions about the validity of assumptions in budget formulation.

Table 2.2: Grants with large saving

(₹ in crore)

Sl. No.	Grant No.	Name of the grant	Total Grant	Expenditure	Reasons for saving
Revenue Voted					
1	V	Revenue, Registration and Relief	4,370	2,663	<ul style="list-style-type: none"> • Non-filling of vacancies • Non commencement of works for lack of administrative orders • Late receipt of orders for continuation of contract employees • Non receipt of Budget Release Orders • Non receipt of request from units
2	XIII	Higher Education	2,984	2,322	
3	XVII	Municipal Administration and Urban Development	4,802	2,482	
4	XXI	Social Welfare	2,625	2,042	
5	XXXI	Panchayat Raj	5,165	3,311	
Capital Voted					
6	XI	Roads, Buildings and Ports	3,915	2,418	<ul style="list-style-type: none"> • Non-filling of vacancies • Non commencement of works for lack of administrative orders • Non acquisition of land
7	XXXIV	Minor Irrigation	2,317	1,155	

Source: Appropriation Accounts 2012-13

Further, though the percentage of saving was less than 20, there were huge savings of more than ₹ 1,000 crore in three grants and one appropriation as shown below.

Table 2.3: Saving more than ₹ 1,000 crore

Grant No.	Name of the Grant/ Appropriation	Saving (₹ in crore)	Reasons for saving
IX	Fiscal Administration, Planning, Surveys and Statistics –Public Debt (LC)	1,137	<ul style="list-style-type: none"> • Non availing ways and means advances
XII	School Education (RV)	2,243	<ul style="list-style-type: none"> • Non-filling of vacancies • Non-commencement of works for lack of administrative orders and sanctions • Non-acquisition of land • Non-payment of compensation for Resettlement and Rehabilitation
XXXIII	Major and Medium Irrigation (RV)	1,010	
XXXIII	Major and Medium Irrigation (CV)	1,966	

Source: Appropriation Accounts 2012-13; LC: Loans Charged-Public Debt RV: Revenue Voted CV: Capital Voted

2.4.2 Persistent savings

There were persistent savings of more than 20 per cent of the total grant/appropriation in 10 cases (exceeding ₹ 20 crore each) during the last five years. The details are given below:

Table 2.4: Grants/appropriations with persistent savings during 2008-13

(₹ in crore)

Sl. No.	No. and Name of the Grant/Appropriation	Amount of saving				
		2008-09	2009-10	2010-11	2011-12	2012-13
Revenue – Voted						
1.	XVIII – Housing	802	374	189	436	239
2.	XXXIV – Minor Irrigation	289	270	113	161	186
3.	XXXVI - Industries and Commerce	288	582	389	478	313
4.	XXXVII – Tourism, Art and Culture	55	38	41	73	53
Capital – Voted						
5.	V – Revenue, Registration and Relief	60	23	101	91	241
6.	XVI – Medical and Health	62	32	38	36	64
7.	XXI – Social Welfare	434	102	75	114	196
8.	XXIII - Backward Classes Welfare	31	21	25	25	98
9.	XXXIV - Minor Irrigation	670	430	838	758	1,162
Capital – Charged						
10.	XXXIII – Major and Medium Irrigation	112	97	56	43	88

Source: Appropriation Accounts

Reasons for persistent savings, as intimated by Government, are as follows:

Minor Irrigation: Slow progress of works, postponement of certain maintenance work, non receipt of approvals and non-filling up of posts, non-receipt of bills/Government sanctions and non-release of funds due to administrative reasons etc.

Industries and Commerce: Non filling up of vacant posts, non release of funds by GoI, non finalization of power subsidy to industries, non finalization of incentives to entrepreneurs, non receipt of sanctions from the competent authority and non receipt of bills from concerned agencies.

Tourism, Art and Culture: Non commencement of works for want of administrative orders, non release of funds, non receipt of sanction orders, non receipt of administrative approvals for establishment of Shilparamam and construction of multipurpose cultural complexes at Kadapa and Nellore Districts.

Revenue, Registration and Relief: Non-commencement of works for want of administrative orders, non-sanction of works, slow progress of work, re-tendering of works, and fewer purchases etc.

Medical and Health: Non-commencement of works for want of administrative orders, slow progress of work, non-finalization of agencies for taking up construction work, postponement of certain works for administrative reasons and non-admission of bills at the fag end of financial year.

Social Welfare: Non-commencement of works for want of administrative orders, non-availability of sanctioned works under RIDF, non-release of amount by GoI, slow progress of work, postponement of certain works etc.

BC Welfare: Non-commencement of works for want of administrative orders, slow progress of works, non-receipt of sanction orders etc.

Major and Medium Irrigation: Non-finalisation of court cases and land acquisition awards, late receipt of administrative approvals etc.

Considering that the above grants relate to developmental schemes in housing, irrigation, medical & health and welfare sectors, it is apparent that the Government has not been able to ensure that clearances and sanctions are accorded on time so as to ensure that the envisaged benefits accrued to the targeted beneficiaries.

2.4.3 Excess expenditure

Excess expenditure over budget provision increased from ₹ 189 crore in 2011-12 to ₹ 276 crore during 2012-13. The excess occurred in five grants⁵ and one appropriation⁶ during the year and requires regularization under Article 205 of the Constitution of India. Expenditure exceeded budget by ₹ 20 crore or more in each case in three cases, as shown below.

Table 2.5: Excess expenditure

(₹ in crore)

Grant No	Name of the Grant	Total Grant	Expenditure	Reasons for excess expenditure
X	Home Administration (RV)	4,754	4,921	<ul style="list-style-type: none"> • Clearance of pending bills • Filling up vacancies • Expansion of legal interception monitoring system
XI	Roads, Buildings and Ports (RV)	1,960	2,018	Specific reasons for excess expenditure were not intimated by Government
XXXIX	Information Technology and Communications (RV)	150	199	
	Total	6,864	7,138	

Source: Appropriation Accounts 2012-13

2.4.4 Expenditure without Provision/by way of Re-appropriation

As per paragraph 17.3.1 and 17.6.1(c) of APBM, expenditure should not ordinarily be incurred on a scheme/service without provision of funds. However, ₹ 684 crore was incurred in seven cases (₹ 10 crore and above in each case) without budget provision during the year 2012-13 as detailed in **Table 2.6**. In all these cases budget provision (either original or supplementary) was not provided and expenditure was met from the funds obtained by way of re-appropriation. Also, in two instances (Sl.Nos.2&7), expenditure was incurred even without resorting to re-appropriation, which violated the sanctity of budgeting process and legislative control.

⁵ X – Home Administration (RV) ₹ 167,96,12,663, XI – Roads, Buildings and Ports (RV) ₹ 57,53,86,220, XVII – Municipal Administration and Urban Development (CV) Rs 191,20,051, XXIX – Forest, Science, Technology and Environment (CV) ₹ 38,29,958 and XXXIX – Information Technology & Communication (RV) ₹ 48,83,22,796

⁶ XVI – Medical and Health (RC) ₹ 7,741

Table 2.6: Expenditure without provision during 2012-13

(₹ in crore)

Sl No.	No. and Name of the Grant	Head of Account	Re-appropriation	Expenditure
1	IX-Fiscal Administration, Planning, Surveys and Statistics	2071-01-110-(09) Pension to the Staff of Municipalities/Corporations	57.25	57.25
2	XI-Roads, Buildings and Ports	3054-04-797-(04) Subvention from Central Road Fund	0	163.41
3	XI-Roads, Buildings and Ports	3054-04-800-(13) Core Network Roads under AP Road Development Corporation	300.00	297.67
4	XVI-Medical and Health	2210-03-103-(06) Community Health Nutrition Clusters(CHNCs)	126.03	126.03
5	XXXI-Panchayat Raj	2215-01-102-(06) Project Implementation Support	0.01	11.73
6	XXXI-Panchayat Raj	2215-01-102-(07) Infrastructure Development	12.61	12.81
7	XXXIX-Information Technology and Communications	3451-00-090(30) National e-Governance Action Plan	0	15.18
		Total	495.90	684.08

Source: Appropriation Accounts 2012-13

2.4.5 Excess expenditure over provision relating to previous years not regularised

As per Article 205 of the Constitution of India, it is mandatory for a State Government to get the excess over a grant/appropriation regularised by the State Legislature. Although no time limit has been prescribed under the Article, regularisation of excess expenditure is to be done after the completion of discussion of the Appropriation Accounts by the Public Accounts Committee (PAC). However, excess expenditure over the allocation amounting to ₹ 2,876 crore pertaining to the years 2004-12 was yet to be regularized as of July 2013, as detailed in **Appendix 2.2**, due to non-furnishing of Explanatory Notes by the concerned Administrative departments/Finance department.

Government stated (December 2013) that instructions have been issued to all the Departments in June 2013 to furnish Explanatory notes to regularize the excess expenditure.

2.4.6 Unnecessary/Inadequate/Excessive supplementary provision

Supplementary provision aggregating ₹ 3,577 crore obtained in 37 cases (₹ one crore or more in each case) during the year proved unnecessary as the actual expenditure (₹ 48,705 crore) did not come up to the level of original provision (₹ 60,802 crore) as detailed in **Appendix-2.3(a)**. This indicates that the CCOs were not aware of the actual requirement of funds for the remaining period of the financial year due to poor monitoring of the flow of expenditure through the monthly expenditure control mechanism.

Similarly, supplementary provision aggregating ₹ 7,167 crore proved excessive by ₹ 4,411 crore over the total required provision of ₹ 2,756 crore in 16 cases under 13 grants (one crore or more in each case) as detailed in **Appendix-2.3(b)**. In two cases, supplementary provision

of ₹ 225.88 crore proved insufficient by more than ₹ one crore each leaving an aggregated uncovered excess expenditure of ₹ 224.51 crore as detailed in **Appendix.2.3(c)**.

Significant cases of un-necessary/excessive supplementary provision in various departments are given below.

Table 2.7: Unnecessary/Excessive Supplementary Grants

(₹ in crore)

Sl. No.	Grant No.	Name of the Grant	Original Provision	Actual expenditure	Saving (-)/ Excess(+)	Supplementary provision
<i>Revenue Voted</i>						
<i>Unnecessary Supplementary Provision</i>						
1	XII	School Education	15,212.63	13,042.15	(-) 2,170.48	72.40
2	XVI	Medical and Health	5,643.18	5,126.61	(-) 516.57	212.74
3	XVII	Municipal Administration and Urban Development	4,530.01	2,481.79	(-) 2,048.22	271.83
4	XXXI	Panchayat Raj	5,027.83	3,311.27	(-) 1,716.56	136.78
5	XXXVIII	Civil Supplies Administration	3,299.50	2,792.37	(-) 507.13	111.91
<i>Excessive Supplementary Provision</i>						
6	V	Revenue, Registration and Relief	2,318.87	2,662.48	343.61	2,051.00
7	IX	Fiscal Administration, Planning, Surveys and Statistics	12,935.54	13,526.38	590.84	1,108.78
8	XXXII	Rural Development	5,064.73	5,175.01	110.28	1,000.66
9	XXXV	Energy	5,554.55	6,219.98	665.43	1,178.44

Source: Appropriation Accounts 2012-13

2.4.7 Unnecessary re-appropriation of funds

According to paragraph 17.4 of APBM, 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. During the year 2012-13 excessive/unnecessary/inadequate re-appropriation of funds occurred in 47 cases which resulted in either non-utilisation of funds or excess over provision by ₹ 10 crore and above in each case as detailed in **Appendix 2.4**.

2.4.8 Unexplained re-appropriations

Paragraph 17.17.2 of APBM stipulates that reasons for additional expenditure and savings should be explained in the re-appropriation statement and vague expressions such as “based on actual requirement/expenditure”, “savings are anticipated” “observance of economy”, “original provision proved insufficient or excessive”, “based on progress of actuals” etc., should be avoided. However, a scrutiny of re-appropriation orders issued by the State Government revealed that out of 16,171 items of re-appropriations made, specific reasons were not intimated to Office of PAG (A&E) in respect of 12,450 (77 per cent) items.

2.4.9 Substantial surrenders

Funds in excess of ₹ 10 crore and also more than 50 per cent of total provision in each case were surrendered in respect of 232 sub-heads amounting to ₹ 15,394 crore. These surrenders include cent per cent surrenders (₹ 6,239 crore) under 79 sub-heads. Details of cases where the surrendered amount was more than ₹ 100 crore and more than 90 per cent of the provision in each case are given in **Appendix 2.5**. Government could have assessed its requirement more realistically in these cases.

2.4.10 Lumpsum provision

Paragraph 13.12 of the APBM stipulates that lumpsum provision should not as a rule be made in the budget estimates. However, lumpsum provision of ₹ 538 crore was made in the budget in violation of this stipulation and ₹ 299 crore (56 per cent) of this provision remained unutilized at the end of the year. The details in this regard are tabulated below.

Table 2.8: Lumpsum provision

(₹ in crore)

Sl No.	No. and Name of the Grant	Head of Account	Budget provision	Amount surrendered
1	XI - Roads, Buildings and Ports	MH 5054-04-789-75-Lumpsum provision for PPP projects	56.70	56.70
2		MH 5054-04-796-75-Lumpsum provision for PPP projects	23.10	23.10
3		MH 5054-04-800-75-Lumpsum provision for PPP projects	270.20	31.66
4	XII - School Education	MH 2202-01-800-75-Lumpsum provision	15.05	15.05
5	XIII - Higher Education	MH 2202-03-001-75-Lumpsum provision	43.14	43.14
6		MH 2202-03-102-41-Lumpsum provision for additional commitment for UGC pay scales (20% arrears of UGC Scales from 01-01-2006 to 31-03-2010)	74.00	74.00
7		MH 2202-03-102-75-Lumpsum provision	42.85	42.85
8		MH 2202-03-104-75-Lumpsum provision	4.92	4.92
9	XVI - Medical and Health	MH 2210-01-001-75-Lumpsum provision	7.92	7.92
Total			537.88	299.34

Source: Appropriation Accounts 2012-13

As can be seen from the above details, in eight out of nine sub-heads under four grants, the entire provision remained unutilized. Budget provision under three sub-heads, (Sl.Nos. 1 to 3) amounting to ₹ 111 crore was surrendered on the last day of the financial year due to non-commencement of works for want of administrative orders. Reasons for surrendering the entire provision in respect of Sl. Nos. 4, 5, 7, 8 and 9 was due to availability of sufficient budget provision for regular salaries and grants-in-aid towards salaries. Specific reasons were not intimated for surrendering the entire budget provision in respect of Sl.No.6.

Government assured (December 2013) that this issue is being addressed and that, it has reduced the lumpsum provision in the Budget for the year 2013-14.

2.4.11 Surrender in excess of actual saving

The spending departments, as per the provisions of the APBM (paragraph 17.2.2), are required to surrender the grants/appropriations or portion thereof to the Finance Department

as and when savings are anticipated. Surrender of the provision in anticipation of saving and incurring expenditure subsequently by the controlling officers is resulting in surrender in excess of the overall saving in a grant/appropriation. In 19 cases, the amount surrendered (₹ 50 lakh or more in each case) was in excess of actual saving indicating lack of/inadequate budgetary control and monitoring in these departments. As against the saving of ₹ 3,021 crore, the actual amount surrendered was ₹ 3,388 crore, resulting in excess surrender of ₹ 367 crore. Details are given in **Appendix 2.6**.

In three grants, surrender of ₹ 406.27 crore proved injudicious in view of eventual excess under these grants at the close of the financial year as shown below:

Table 2.9: Cases of injudicious surrenders

(₹ in crore)

Sl. No.	Number and Name of grant/appropriation	Total grant/appropriation	Expenditure	Excess	Amount surrendered
Revenue Voted					
1	X Home Administration	4,754.40	4,921.36	166.96	237.52
2	XI Roads, Buildings and Ports	1,960.01	2,017.55	57.54	168.74
Capital Voted					
3	XXIX Forest, Science, Technology and Environment	0.61	0.99	0.38	0.01
	Total	6,715.02	6,939.90	224.88	406.27

Source: Appropriation Accounts 2012-13

2.4.12 Savings not surrendered

At the close of the year 2012-13, there were five grants and three appropriations in which saving of ₹ 248 crore occurred but no part of it had been surrendered by the departments concerned (**Appendix 2.7**). Similarly, out of the saving of ₹ 18,707 crore under 22 grants and one appropriation, saving (₹ five crore and above in each case) amounting to ₹ 1,342 crore (five per cent) of total saving (₹ 26,528 crore) was not surrendered. Details are given in **Appendix 2.8**.

Besides, in 92 cases, ₹ 25,276 crore (95 per cent) of the total saving of ₹ 26,528 crore was surrendered (in excess of ₹ 10 crore in each case) on the last working day of the financial year (**Appendix 2.9**) indicating poor expenditure management and inadequate financial control.

2.4.13 Rush of expenditure

Article 39 of the APFC requires that expenditure should be evenly distributed throughout the year and no attempt should be made to prevent the lapse of an appropriation by any undue rush of expenditure during March. Contrary to the provisions, while the expenditure during each of the three quarters ending December 2012 was between 20 and 23 per cent, it was 36 per cent in the last quarter of the year. Expenditure in the month of March 2013 alone constituted 20 per cent indicating rush of expenditure.

Government attributed (December 2013) the increase in expenditure during March to releases from GoI at the fag end of the financial year.

2.5 Advances from Contingency Fund

Contingency Fund (CF) of the State has been established under the Andhra Pradesh Contingency Fund Act, 1957, in terms of provisions of Article 267(2) and 283(2) of the Constitution of India. Advances from the CF are to be made only for meeting expenditure of an unforeseen and emergent nature. The Fund is in the nature of an imprest with a corpus of ₹ 50 crore.

During the year 2012-13, 37 sanctions aggregating ₹ 3.11 crore have been issued for drawal from Contingency Fund. An amount of ₹ 2.77 crore was met from these sanctions, of which, ₹ 0.72 crore was recouped to the Fund, leaving an un-recouped balance of ₹ 2.05 crore. In addition, ₹ 0.21 crore which remained un-recouped in 2011-12 was also recouped in the current year. There were two sanctions amounting to ₹ 0.16 crore for which no expenditure was recorded though recouped during the year 2012-13.

Government stated (December 2013) that the advances from Contingency Fund would be recouped in the next financial year since the concerned Departments may not have utilized the amount during the current year.

2.6 Major Policy Initiatives

Several major policy initiatives/flagship schemes are announced by the Government each year for socio-economic development, assistance/relief to farmers affected in floods/drought, upliftment of women etc. Some of the major policy initiatives/schemes outlined in the Budget speech/ annual plan for the year 2012-13 were scrutinized in audit on a test check basis to verify their implementation. Significant audit findings in this regard are given below:

2.6.1 Vaddileni Runalu⁷

- i. **Agriculture department:** Government allocated ₹ 375 crore under this scheme for waiver of interest on crop loans repaid by farmers beginning Rabi 2011-12 (*i.e* loans granted from 1 October 2011). This scheme involved 100 *per cent* interest waiver on all crop loans upto ₹ one lakh and for loans exceeding ₹ one lakh and upto ₹ three lakh, *Pavala Vaddi*⁸ is applicable. Due to non-approval of the scheme guidelines and modalities by the Government (as of April 2013) for drawal of amounts, claims for waiver under the scheme amounting to ₹ 98 crore in respect of 14.05 lakh farmers were not settled.
- ii. **Rural Development department:** To provide interest subsidy on the bank loans (irrespective of bank interest rates) taken by Women Self Help Groups (SHGs), Government introduced 'Vaddileni Runalu' for DWCRA Women and allocated ₹ 1,303 crore in budget 2012-13 with a target to cover 7,63,652 SHGs. Out of the total budget allocated, ₹ 826 crore was drawn (April 2012 to March 2013) by Commissioner, Rural Development and credited to Society for Elimination of Rural Poverty (SERP)'s PD account. The balance ₹ 477 crore was not drawn due to non passing of the bills.

⁷ Interest free loans to farmers

⁸ Interest @ 25 paisa

2.6.2 Pavala Vaddi

To mitigate the financial burden of farmers, Government has been implementing the 'Pavala Vaddi' scheme allowing an interest incentive (@ three *per cent*) on crop loans to farmers who repaid loans within the due date. For this purpose, ₹ 200 crore was allocated by Government in budget 2012-13 but only ₹ 100 crore was released, of which, an amount of ₹ 69 crore (35 *per cent*) was spent based on the claims submitted by the bankers and the balance ₹ 31 crore was lying un-utilized as of July 2013. Also, against the target of 25.45 lakh farmers to be covered, only 13.82 lakh farmers (54 *per cent*) were covered.

2.6.3 Milk Mission

State Milk Mission is a new intervention of the Government to increase milk production from 298.01 LLPD (2010-11) to 496.31 LLPD (67 *per cent* increase) in a span of four years (2010-14); improve productivity from 3.8 litres/day to 4.78 litres/day (26 *per cent* increase) *per animal* and to increase *per capita* availability of milk from the level of 269.25 grams to 426 grams (58 *per cent* increase). An amount of ₹ 50.38 crore was provided in the Budget under Normal State Plan for the year 2012-13. However, the scheme was not cleared by the Government and consequently, Budget Release Orders (BROs) were not issued.

2.6.4 Construction of Cyclone Shelters under National Cyclone Risk Mitigation Project (NCMP)

Government provided ₹ 80.40 crore (Central share: ₹ 72.40 crore; matching State share: ₹ eight crore) towards '*construction of cyclone shelters under NCMP*' during 2012-13. However, only ₹ 6.23 crore (8 *per cent*) (Central Share: ₹ 4.72 crore and State's share: ₹ 1.51 crore) was utilised. As against the targeted seven works, only two works were completed (August 2013).

2.6.5 Rajiv Yuva Kiranalalu

Rajiv Yuva Kiranalalu (RYK) is a flagship scheme launched by the State Government during 2011-12 to provide 15 lakh jobs to unemployed youth and students coming out of educational institutions by 2014. A Society named 'Rajiv Education and Employment Mission in Andhra Pradesh (REEMAP)' was established in 2011 to implement the programme. During 2012-13, as against the budget provision of ₹ 150 crore, only an amount of ₹ 113 crore (75 *per cent*) was utilised leaving a balance of ₹ 37 crore. Out of the targeted 3.43 lakh youth, only 1.57 lakh (46 *per cent*) were provided employment.

2.6.6 Indira Jala Prabha

Indira Jala Prabha was introduced by the Government (September 2011⁹) at an estimated cost of ₹ 1800.60 crore for development of one lakh irrigation sources to bring 10 lakh acres of land belonging to SCs/STs under cultivation. As per the timelines fixed by the Government, the Project was to be completed by January 2013. Since the Government released only ₹ 95 crore during 2012-13 for the purpose, against the target of 67,000 bore wells to be drilled by the end of March 2013, only 12,392 borewells (19 *per cent*) were dug and 5,008 borewells (7 *per cent*) were fitted with pump sets. Out of 10 lakh acres targeted to be irrigated, only 1.04 lakh acres were brought under irrigation.

⁹ G.O.Rt.No.315 Panchayat Raj & Rural Development (RD-III) Department, dated 09-09-2011

2.6.7 Integrated Child Protection Scheme (ICPS)

ICPS is aimed at improvement in the well being of children in difficult circumstances as well as to reduce vulnerability to situations and actions that lead to abuse, neglect, exploitation, abandonment and separation of children. An amount of ₹ 28.41 crore (CSS- ₹ 21.42 crore and MSS- ₹ 6.99 crore) was provided in budget 2012-13 for the purpose. Government released ₹ 19.84 crore of which, the department had drawn ₹ 14.08 crore and ₹ 6.85 crore was spent for the purpose leaving a balance of ₹ 7.23 crore (of which ₹ 6.23 crore meant for maintenance of 81 Government-run Homes) was parked in Short Term Deposits (STDs). An amount of ₹ 9.68¹⁰ crore including previous years' balances was lying unutilized (STDs: ₹ nine crore and Current Account: ₹ 0.68 crore) as of March 2013.

2.6.8 Bhu Bharathi

Integrated Land Record Management Project '*Bhu Bharathi*' has been conceived by Government as an innovative project to cover all types of land, record all their attributes including geographical dimensions, ownership, usage and other related data in digital format in an integrated manner. A pilot project was taken up (January 2005) in Nizamabad District and ₹ 29.22 crore was spent as of March 2013. The project period was 24 months which was extended by Government upto December 2013 and while the pilot project was yet to be completed, Government rolled out the project (March 2008) in the entire State at an estimated cost of ₹ 1,556 crore. ₹ 23.25 crore was drawn during 2007-12 for implementation of the project of which, ₹ 23.08 crore was parked in Fixed Deposits (FDs). During 2012-13 ₹ 75 crore was allocated in the Budget for the purpose and ₹ 37.74 crore was released. However, no amount could be spent due to delayed receipt of authorisation from the Treasury. Thus Bhu Bharathi project planned in 2008 could not be implemented so far.

2.6.9 Urban Infrastructure Development Scheme for Small and Medium Towns (UIDSSMT)

Government provided ₹ 825.95 crore in Budget 2012-13 for 'UIDSSMT' under Jawaharlal Nehru National Urban Renewal Mission (JNNURM), of which only ₹ 12.51 crore (1.5 per cent) was spent on implementation of the scheme during the year due to non-commencement of works for want of administrative orders.

2.6.10 Integrated Housing and Slum Development Programme (IHSDP)

Government provided ₹ 163.20 crore in budget 2012-13 for 'IHSDP' under JNNURM, of which only ₹ 0.03 crore was spent on implementation of the scheme during the year due to non-commencement of works for want of administrative orders.

2.6.11 Contribution to Agricultural Credit Stabilization Fund

An amount of ₹ 100 crore was provided by GoI to APCOB¹¹ towards contribution to Agricultural Credit Stabilization Fund aimed at re-scheduling crop loans during Kharif 2011 and Rabi 2011-12 as crops were badly affected due to heavy rains. However, the amount was not utilized. Further, the entire contribution made by GoI from 2008 onwards also was not

¹⁰ Indian Bank, Vengalrao nagar, Ameerpet, Hyderabad.

¹¹ Andhra Pradesh State Co-operative Bank

utilised due to non-release of funds by the Government (2012-13) and non-receipt of administrative sanction (2010-11 & 2011-12).

2.6.12 Integrated education for disabled children (IED)

The objective of IED (a CSS scheme) is to bring more children with special needs in the 6-14 years age group under the umbrella of Sarva Siksha Abhiyan (SSA) and provide them functional literacy and education at par with other children. An amount of ₹ 109.61 crore was provided in the budget for 2012-13. However, only ₹ 3.37 crore was incurred on the scheme as of 31 March 2013.

2.6.13 Road Development Fund-State Allocation Works

An amount of ₹ 187.65 crore was provided in the budget for the year 2012-13 under CRF works *viz.*, development and maintenance of national highways/other state roads including roads of inter-state connectivity, development of rural roads, construction of roads under/over railways etc. Out of this allotment, ₹ 93.83 crore (50 *per cent*) was released and only ₹ 18.43 crore (20 *per cent*) was spent for the purpose.

2.6.14 Upgradation of NREGP Works

This scheme aimed at creating durable assets for the roads improved under MGNREGS. An amount of ₹ 100 crore was allocated for the purpose, of which, only ₹ 2.31 crore was spent during the year.

2.6.15 SC and ST sub-plan

Apart from the major policy initiatives announced in the budget/annual plan 2012-13, Government passed a legislation in December 2012 to ensure accelerated development of Scheduled Castes (SCs) and Scheduled Tribes (STs) with emphasis on achieving equality in the next 10 years focusing on economic, educational and human development along with ensuring the security and social dignity and promoting equity among SC and ST communities. In this context, Audit reviewed the budget and expenditure of various departments relating to the socio-economic development of SCs and STs. Audit findings in this regard are given below:

As per Government instructions¹², all the Government departments should earmark at least a minimum of 16.2 *per cent* and 6.6 *per cent* of their Plan outlay in the budget exclusively for the development of SCs and STs respectively by designing schemes that would directly benefit the SCs/STs individually or as a community so as to improve the economic and social condition of the targeted groups.

During the period 2008-13 budget allocation and expenditure under Special Component Plan (SCP) for SCs and Tribal Area Sub-plan (TSP) were as follows.

¹² G.O.Ms.No.17 Planning (XVIII) Department, dated 07-11-2005

Table 2.10: Budget vis-à-vis expenditure under SCP and TSP

(₹ in crore)

Year	Total State Budget	Budget for SCP	Percentage of SCP budget to State budget	Expenditure	Budget for TSP	Percentage of TSP budget to State budget	Expenditure
2008-09	47,541	3,656	8	2,114 (58%)	1,765	4	977 (55%)
2009-10	43,199	3,376	8	2,069 (61%)	1,469	3	967 (66%)
2010-11	43,360	4,017	9	2,680 (67%)	1,615	4	1,061 (66%)
2011-12	51,230	4,921	10	3,487 (71%)	1,969	4	1,409 (72%)
2012-13	55,572	5,120	9	2,952 (58%)	2,167	4	1,428 (66%)

Source: Appropriation Accounts

Figures in parenthesis indicate percentage of funds expended vis-à-vis allocation

As is evident from the above table, State Government's allocation of Plan budget ranged between 8-10 per cent under SCP and 3-4 per cent under TSP below the mandatory allocation of 16.2 and 6.6 per cent respectively. Further, out of the allocation, Government could spend only about 58 to 71 per cent and 55 to 72 per cent under SCP and TSP respectively.

Sector-wise expenditure vis-à-vis allocation during 2008-13 under General, Social and Economic Services is given below.

Table 2.11: Sector-wise Budget vis-à-vis expenditure under SCP and TSP

(₹ in crore)

Sector	Total Plan Budget	SCP		TSP	
		Allocation	Expenditure	Allocation	Expenditure
General Services	3,061.74	86.29(3%)	6.55(8%)	35.32(1%)	2.67(8%)
Social Services	1,06,288.03	12,596(12%)	8,742.36(69%)	5,236.59(5%)	3,585.41(68%)
Economic Services	1,31,552.30	8,406.66(6%)	4,552.45(54%)	3,712.38(3%)	2,254.14(61%)

Source: Appropriation Accounts

Figures in parenthesis indicate percentage to total plan budget and expenditure vis-à-vis allocation

A test check of records pertaining to Irrigation, Agriculture, Education, Housing, Municipal Administration and Urban Development departments revealed that funds for SCP and TSP were released below the stipulated percentage. Details in this regard relating to major departments are given below.

Irrigation Department (under TSP)

- An amount of ₹ 9.23 crore allocated for minor irrigation projects in tribal areas in Kurnool (₹ 1.20 crore) and Mancherial (₹ 8.03 crore) during the period 2008-12 was diverted for construction of projects/laying BT roads in non-tribal areas.
- Though 35 agreements were entered into during 2008-13 for Rural Water Supply works in Mulugu at a cost of ₹ 2.11 crore, not a single work was completed as of February 2013.

School Education

Sarva Shiksha Abhiyan (SSA) was initiated to provide free and compulsory education to all the children in the age group of 6-14 years.

- During 2012-13, Government allocated ₹ 250.04 crore (SCP) and ₹ 101.87 crore (TSP) for implementation of four schemes¹³ through SSA. However, only an amount of ₹ 151.72 crore (SCP) and ₹ 58.48 crore (TSP) were released.
- An amount of ₹ 248.74 crore (SCP) and ₹ 107.36 crore (TSP) were provided for implementation of 11 schemes¹⁴, of which, only an amount of ₹ 139.82 crore (SCP) and ₹ 77.75 crore (TSP) were utilized.

No reply has been furnished by the Government in this regard.

2.7 Review of Selected Grants

During the year 2012-13, two grants viz., Energy and Minority Welfare were selected for detailed audit scrutiny to ascertain compliance with budgeting processes, monitoring of funds, control mechanisms and implementation of the schemes within these grants. Audit findings in this regard are discussed below.

2.7.1 Energy Grant

Energy grant is administered by the Energy Department while power sector in the State is regulated by the Andhra Pradesh Electricity Regulatory Commission (APERC). As part of power sector reforms, through various transfer schemes, the erstwhile Andhra Pradesh State Electricity Board (APSEB) was unbundled into Andhra Pradesh Power Generation Corporation Limited (APGENCO) and Transmission Corporation of Andhra Pradesh Limited (APTRANSCO). Subsequently, APTRANSCO was unbundled (1 April 2000) into "Transmission Corporation" and four "Distribution Companies" (DISCOMs).

2.7.1.1 Budget and Expenditure

Budget allotment for Energy department for the year 2012-13 was ₹ 7,174 crore. The overall position of budgetary provision, expenditure and savings during the period 2008-13 is detailed below.

Table 2.12: Budget vis-à-vis Expenditure under Energy Grant

(₹ in crore)

	2008-09			2009-10			2010-11			2011-12			2012-13		
	B	E	S/E	B	E	S/E	B	E	S/E	B	E	S/E	B	E	S/E
Revenue	3671	3660	(-)11	6086	3250	(-)2836	4550	3687	(-)863	4363	4348	(-)15	6733	6220	(-)513
Capital	0	0	0	20	10	(-)10	10	10	0	20	20	0	30	30	0
Loans	361	1	(-)360	152	0	(-)152	458	494	36	1475	1475	0	411	373	(-)38

Source: Appropriation Accounts, B: Budget, E: Expenditure, S/E: Saving(-)/Excess(+)

¹³ Assistance to KGBV, NPEGEL, SSA, XIII Finance Commission Grants.

¹⁴ Continuation of DIETs, Upgradation of IASEs/CTEs, Information & Communication Technology in 2000 schools, Information & Communication Technology in 5000 schools, Nutritious Meals Programme Primary, Nutritious Meals Programme Upper Primary, Rashtriya Madhyamika Siksha Abhiyan, setting up of model schools, supply of text books and material to SCs/STs and Minorities, Establishment of B.Ed & D.Ed colleges for ST students in Tribal Areas. Nutritious Meals programme for IX & X classes.

- Allocation under Revenue section has shown an increase of 48 *per cent* between 2010-11 and 2012-13. While savings under this section have shown a consistent decline from 19 *per cent* in 2010-11 to eight *per cent* in 2012-13, out of the total savings of ₹ 513.01 crore during 2012-13, ₹ 508.90 crore was surrendered in March 2013 i.e. at the fag end of the financial year. In view of the savings, the entire supplementary provision of ₹ 117.84 crore proved excessive.
- **‘Assistance to APTRANSCO for Agricultural and allied Subsidy’** is being provided towards free power to Agriculture sector since May 2004. Provision for this purpose ranged between 91 to 99 *per cent* of the total under Revenue section during 2010-13. Expenditure for this purpose has shown a 69 *per cent* increase during this period.
- Although there were persistent savings ranging between 34 to 68 *per cent* in the budget provided under **‘Assistance to A.P. Power Finance Corporation’** during 2010-13, allocation continued in excess of requirement.

2.7.1.2 *Misclassification of subsidy*

Subsidy is being operated under the detailed heads 310/312-Other Grants-in-aid instead of under the prescribed detailed head 330-subsidies. The following amounts relating to Energy grant were mis-classified under grants-in-aid instead of under subsidies.

- ₹ 297.50 crore incurred towards payment of outstanding interest on AP Power Bonds Series was debited to this head of account instead of to MH 2049-01-200-(25) Power Bonds-450- interest payments (Charged).
- ₹ 300 crore, released towards power generation for RLNG¹⁵ through Andhra Pradesh Mineral Development Corporation being loan for additional generation of 300 MW from IPPs¹⁶ was classified under Grants-in-aid.

2.7.1.3 *Persistent diversion of funds for other purposes*

Wide variation between original budget estimates and revised estimates indicate non-preparation of realistic budget and defeats the objective of the scheme from which funds were diverted. No budget was provided in 2010-11 & 2011-12 (original budget) under loans to APGENCO for Supercritical Thermal Power Station, Krishnapatnam but funds were re-appropriated from APTRANSCO to the tune of ₹ 329.26 crore and ₹ 478 crore respectively.

2.7.1.4 *Poor utilization of project resources/budgeted resources*

- **‘Modernization of Transmission System in Twin Cities’**, funded by JICA¹⁷ was launched by Government (2009) for construction of sub-stations/lines to maintain reliable and quality power in and around the twin cities of Hyderabad and Secunderabad to be completed in two phases by June 2014. However, Government allocated only ₹ 515.41 crore out of ₹ 940 crore (loan obtained from JICA) as of March, 2013 leaving a balance of ₹ 424.59 crore (45 *per cent*) for utilisation in a year’s period.

¹⁵ Refined Liquefied Natural Gas

¹⁶ Independent Power Producers

¹⁷Japan International Cooperation Agency

- **High Voltage Distribution System (HVDS):** This scheme with a total project cost of ₹ 1,154.80 crore with JICA assistance, aimed at reduction of distribution losses. Though the project period was 2011-16, it is yet to take-off, as the tendering process is still in progress. No expenditure was incurred in 2010-11 (₹ one crore token provision) and the entire provision in 2011-12 (₹ 148 crore) and 2012-13 (₹ 50 crore) were re-appropriated to loans to APGENCO Krishnapatnam Thermal Power Project.

2.7.1.5 Off budget borrowings

Government has been taking this route for about a decade now to meet the requirements of the Power sector. During 2012-13, APTRANSCO was directed to obtain a loan of ₹ 245 crore from AP Mineral Development Corporation (APMDC) for production of additional power with an assurance to reimburse the amount later. The details of off budget borrowings, repayment methodology and its impact on accounts are given in **Chapter-1** (refer to para 1.12.4).

2.7.1.6 Equity, loans and guarantees

There are differences in figures between the Finance Accounts and the balance sheets of the PSUs in respect of equity, loans and outstanding guarantees given by Government to the PSUs in the Power sector. Government equity in the PSUs was ₹ 2,925.35 crore less as per the Finance Accounts when compared to the PSUs' accounts, while it was ₹ 2,697.96 crore more in respect of loans given by the Government to these PSUs as on March 2012¹⁸. The outstanding Guarantees as per Finance Accounts was less by ₹ 4,393.97 crore as against ₹ 13,116.92 crore as per the accounts of the PSUs.

Further, **a total outstanding receivable amount from the State Government for ₹ 13,129 crore as of March 2012 (from 2008-09 onwards) towards subsidy for high cost power was found in the accounts of four distribution companies¹⁹.**

During the Exit Conference (December 2013), Government stated that the differences have arisen due to non-bifurcation of assets and liabilities pursuant to unbundling of APSEB and will be sorted out once the exercise of determining the assets and liabilities is completed. In its written reply, Government stated that it will take over 50 per cent of the liabilities of DISCOMs as per the GoI scheme and that, the liability has been included in Government accounts under "100 % risk weighted guarantees".

Reasons for the differences need to be analysed by the Finance Department and the PSUs and reconciled expeditiously.

2.7.2 Minority Welfare Grant

This Grant is administered by the Department of Minorities Welfare (DoMW), which is responsible for implementation of schemes for social, educational and economic development of Muslims, Christians, Sikhs, Jains, Buddhists and other Minorities that constitute nine per cent of the State's population.

¹⁸ 2012-13 accounts are yet to be finalised

¹⁹ Central Power Distribution Company of Andhra Pradesh Limited: ₹ 5345.70 crore, Southern Power Distribution Company of Andhra Pradesh Limited: ₹ 2,983.44 crore, Northern Power Distribution Company of Andhra Pradesh Limited: ₹ 2,525.66 crore and Eastern Power Distribution Company of Andhra Pradesh Limited: ₹ 2,274.20 crore.

2.7.2.1 Budget and Expenditure

Budget allotment under the grant for the year 2012-13 was ₹ 611 crore. The overall position with regard to budgetary provision, expenditure and savings during the period 2008-13 is detailed below.

Table 2.13: Budget vis-à-vis expenditure under Minority Welfare grant

(₹ in crore)

	2008-09			2009-10			2010-11			2011-12			2012-13		
	B	E	S/E	B	E	S/E	B	E	S/E	B	E	S/E	B	E	S/E
Revenue	187	196	9	235	198	-37	319	325	6	334	365	31	571	350	(-221)
Capital	0	0	0	0	0	0	0	0	0	5	0	(-5)	35	0	(-35)
Loans	0	0	0	0	0	0	0	0	0	5	5	0	5	1	(-4)

Source: Appropriation Accounts, B: Budget, E: Expenditure, S/E: Saving(-)/Excess(+)

- The entire allocation of ₹ five crore and ₹ 35 crore under Capital section during 2011-12 & 2012-13 respectively, was not utilised. The expenditure under Loans section was only 25 per cent (₹ 1.25 crore) and the balance (₹ 3.75 crore) was surrendered (March 2013).

2.7.2.2 Unrealistic budgetary estimates and poor budgetary control

About 42.5 per cent of the total provision under the grant remained as savings and 97 per cent of it was surrendered on the last working day of the financial year (2012-13). DoMW attributed the savings to non-receipt of proposals from units, non-filling up of vacancies, non-acceptance of bills by PAO due to budget freeze orders and proposals sent by the units based on the previous budget with 10 per cent enhancement without assessing the actual requirement.

Provision for Scholarships and reimbursement of tuition fee for minority students accounted for 86 per cent of the total budget provision under Revenue section. The following are the details of utilization of funds.

Table 2.14: Details of utilisation of funds

(₹ in crore)

	Original Provision	Supplementary Provision	Total Provision	Expenditure	Saving
Scholarships to Minority Students	147.48	45.32	192.80	101.78	91.02
Tuition Fee reimbursement to Minority Students	220.00	76.26	296.26	185.23	111.03
Total	367.48	121.58	489.06	287.01	202.05

Source: Appropriation Accounts 2012-13

As can be seen above, the entire supplementary provision was unnecessary, as the expenditure fell short of even the original provision, indicating that budgetary estimates were not prepared realistically and there was no mechanism for periodic review of expenditure.

2.7.2.3 Persistent Savings

Persistent savings were observed under Capital section (MH 4225-80-800-(05)-construction of buildings for hostels and residential schools) for the last two years. No expenditure was booked against the provision of ₹ five crore (2011-12) and ₹ 35 crore (2012-13).

2.7.2.4 Non utilization of Scheme funds

Due to issue of BROs at the closure of financial year as also delay in issue of administrative sanction by the MW Department and budget freeze orders, releases of ₹ 69.31 crore by the Minorities Welfare Department for implementation of various schemes could not be drawn. Following are other significant instances of non-utilization of Scheme funds.

- An amount of ₹ 35 crore provided for 'Construction of Residential School Buildings / Hostels for Minority Students', BRO for which was issued in February 2013, could not be utilised due to delay in finalization of terms and conditions.
- Out of the ₹ 22.33 crore provided for maintenance/improvement and development of Pre/ Post Matric Hostels and Residential schools in Minority concentrated districts, only an amount of ₹ 7.17 crore was spent by the Implementing Agencies due to non-availability of full strength of the students and staff.
- ₹ 9.20 crore released to AP State Christian (Minorities) Finance Corporation (APSCMFC) for welfare schemes of Christian community (2010-11) and further amounts of ₹ 3.75 crore each provided during 2011-12 and 2012-13 were lying unutilized with the Corporation (June 2013).
- Funds of ₹ 2.45 crore released (August & September 2008) for 'Construction of English medium Residential Schools and Post-Matric Hostels' could not be utilized as construction of work was stopped due to irregularities.

2.7.2.5 Irregular parking of funds in banks/FDRs

Parking of funds outside Government account runs against the canons of financial propriety. Following are the details of scheme funds parked in FDRs/bank accounts without the respective Board's approval.

Table 2.15: Details of funds parked in banks as of March 2013

(₹ in crore)

Name of the Corporation	Amount	Remarks
A.P. State Minorities Finance Corporation	107.69	Amount lying in multiple bank accounts/ FDRs
A.P. State Christian Minorities Corporation	16.90	
District Offices (MFC)	4.37	
Urdu Academy	0.79	
Total	129.75	

Source: Departmental information

2.7.2.6 Funds lying unutilised in Personal Deposit Accounts

An amount of ₹ 18.47 crore was lying unutilized in the PD accounts of the respective Corporations/Academy as of March 2013, which needs to be transferred to Government account. Details are given below.

Table 2.16: Details of unutilized funds

(₹ in crore)

Name	Un-spent balances available as of March 2013
A.P. State Minorities Finance Corporation	13.35
A.P. State Christian Minorities Corporation	1.76
Urdu Academy	3.36
Total	18.47

Source: Departmental information

Budgetary allocations based on unrealistic proposals, poor expenditure monitoring mechanism, release of funds towards the end of the financial year, weak scheme implementation capacities in the Department etc, resulted in funds remaining unutilized in the Minorities Welfare Department, thereby depriving the beneficiaries of the intended benefits. Weak internal controls facilitated the retention of huge balances by various agencies outside the Government account.

2.8 Errors in budgeting process

Over the years errors/lapses in classification of receipts and expenditure in budget and thereby in accounts, were brought to the attention of the State Government for rectificatory action. While Government took corrective action in certain cases, in some areas omissions/errors continued to figure in budget/accounts during 2012-13 also. Major instances in this regard are detailed below.

- **No Provision in Budget Estimates under Subventions from Central Road Fund:** Subvention from Central Road Fund is released to the State by GoI for road development works. These amounts are to be transferred to Major Head 8449-Other Deposits-103-Subvention from Central Road Fund by debit to MH 3054-797. Though provision for transfer of grant received is required to be made every year in the budget, this was not done. Similarly provision was not made under MH 5054-902 in the Budget. During the year an amount of ₹ 163.41 crore (MH 3054-797) and ₹ 18.36 crore (MH 5054-902) were booked as expenditure.
- **Non-remittance of Institutional Loans received under MH 6003-Internal Debt of State:** Anticipated receipts out of borrowings from various financial institutions viz., NCDC, LIC, NABARD, GIC and other Institutions etc. are to be depicted in the receipt budget of the State. Similarly, budget provision is also to be made under Grant IX below MH 6003 towards repayment of installment. The loan receipts directly received from the Financial Institutions are not being properly remitted under MH 6003 and treated as departmental receipts or being parked under other heads. Due to non-accountal of these receipts under Public Debt below MH 6003, the repayment of these loans made to the financial institutions leads to adverse balances. During the year 2012-13 an amount of ₹ 577 crore was booked as payment towards Loans from Other Institutions (MH 6003-109) resulting in adverse balance of ₹ 2,901 crore at the end of the year.

- **Assigning new group sub head (GSH) for identification of Central Plan Schemes:** GSH 10 is being used for both Central Plan Schemes and Centrally Sponsored Schemes. Hence, a separate GSH is required for easy identification of central plan schemes. State Government needs to make necessary changes in the classification.
- **Non-apportionment of expenditure under Revenue, Capital and Loans:** Expenditure pertaining to Hyderabad International Airport Limited (HIAL) is to be apportioned under Revenue, Capital and Loans based on financial support extended by Government. However, the entire expenditure was classified under Capital MH 5054-03-337-SH (19)-Establishment of HIAL. In the absence of correct apportionment of expenditure, monitoring of repayment of loan by HIAL will become difficult.
- **Incorrect classification:** Subsidies are being shown under Detailed Head 310-Grants-in-Aid instead of under 330-Subsidies. During the year 2012-13 an amount of ₹ 6,360 crore was budgeted for under 310-Grants-in-aid instead of under 330-Subsidies in various departments. This includes ₹ 597.50 crore relating to Energy grant alone, as mentioned in paragraph 2.7.1.2.
- **Misclassification in budget estimates:** The Detailed head of account 530-Major Works, which is supposed to be operated under Capital section, was classified in Revenue section and ₹ 230 crore was provided for 2012-13 under grants IX-Fiscal Administration, Planning, Surveys and Statistics, XI-Roads, Buildings and Ports, XXXIII-Major and Medium Irrigation and XXXIV-Minor Irrigation.
- While the detailed head 270-Minor Works is to be operated under Revenue section, the head was classified in Capital section of the Grants and ₹ 452 crore was provided for during 2012-13. Similarly while 310-Grants-in-aid is to be operated under Revenue section, it was classified in Capital section of the Grants and ₹ 8.01 crore was provided during the current year.

2.9 Conclusion

Budgetary assumptions were unrealistic and expenditure monitoring and control mechanism was weak during the year. The entire Supplementary provision (₹ 10,990 crore) proved unnecessary as the actual expenditure (₹ 1,30,704 crore) incurred was less than the original budget provision (₹ 1,46,243 crore) and the overall saving (₹ 26,528 crore) stood at 17 per cent of the budget.

Despite flagging the issue repeatedly, excess expenditure of ₹ 276 crore was incurred during 2012-13 without Legislative authorization. Regularisation of such expenditure since 2004-05 amounting to ₹ 2,876 crore was yet to be carried out by Government by taking Legislative approval. Lumpsum provision (₹ 538 crore) without specific details of expenditure continued to be accommodated in the budget for 2012-13 with about 56 per cent of it being surrendered at the end of the year.

Several policy initiatives taken up by Government were either unfulfilled or were partially executed due to non-approval of scheme guidelines/modalities, non-commencement of works for want of administrative sanction, non-release of budget, parking of funds in Banks/ FDRs

etc. Weak internal controls facilitated the retention of balances by various agencies (under Minorities Welfare department) outside the Government account.

There were differences in figures between the Finance Accounts and the balance sheets of the PSUs in respect of equity, loans and outstanding guarantees given by Government, especially with regard to the PSUs in Power sector. Government equity in the PSUs was ₹ 2,925.35 crore less as per the Finance Accounts when compared to the PSUs' accounts, while it was ₹ 2,697.96 crore more in respect of loans given by the Government to these PSUs. The outstanding guarantees as per Finance Accounts was less by ₹ 4,393.97 crore compared to the amount in the accounts of the PSUs. Further, a total outstanding receivable amount of ₹ 13,129 crore from the State Government towards subsidy for high cost power was found in the accounts of four distribution companies as of March 2012 (from 2008-09 onwards).

2.10 Recommendations

- 1. Government should be more realistic in its budgetary assumptions and ensure efficient control mechanisms to curtail savings/ excess expenditure.*
- 2. Government should enforce its commitment to achieve its promised/intended objectives for overall development of the State through improved execution, monitoring and financial management of schemes/projects.*
- 3. Government needs to reconcile the differences in the amounts relating to its investment in the State PSUs with regard to equity, loans and guarantees shown in its accounts and the accounts of the concerned PSUs.*