

Chapter 2

Financial Management and Budgetary Control

2.1 Introduction

Effective financial management ensures that policy decisions 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. 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 outcomes 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 2013-14 against 40 grants/appropriations is given below in **Table 2.1**.

Table 2.1: Summarised positions of actual expenditure vis-à-vis Budget provision

(₹ in crore)						
	Nature of expenditure	Original	Supplementary	Total	Actual Expenditure	Saving(-)/ Excess(+)
Voted	I Revenue	1,12,464.24	9,553.06	1,22,017.30	98,822.14	(-)23,195.16
	II Capital	21,544.12	912.77	22,456.89	15,580.31	(-)6,876.58
	III Loans and Advances	4,694.10	862.05	5,556.15	3,689.20	(-)1,866.95
Total Voted		1,38,702.46	11,327.88	1,50,030.34	1,18,091.65	(-)31,938.69
Charged	IV Revenue	14,669.40	74.96	14,744.36	13,148.06	(-)1,596.30
	V Capital	149.52	33.66	183.18	86.80	(-)96.38
	VI Public Debt-Repayment	8,626.68	---	8,626.68	7,285.44	(-)1,341.24
Total Charged		23,445.60	108.62	23,554.22	20,520.30	(-)3,033.92
Grand Total		1,62,148.06	11,436.50	1,73,584.56	1,38,611.95	(-)34,972.61

Source: Appropriation Accounts 2013-14;

Note: i) During the year, supporting documents/vouchers were not available for an expenditure of ₹ 3,392 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 ₹ 3.45 crore. iii) In the absence of Detailed Contingent bills in support of ₹ 500 crore drawn on Abstract Contingent bills during 2013-14, the genuineness of the expenditure cannot be vouched to that extent.

The overall savings of ₹ 34,973 crore (21 per cent of budget provision) was the result of saving of ₹ 35,503 crore in 38 grants and 12 appropriations under revenue section, 28 grants and four appropriations under capital section and 13 grants and one appropriation (Public Debt) under loans section, offset by an excess of ₹ 530 crore in two grants¹ and one appropriation² under revenue section, and two grants³ under capital section.

In view of the actual expenditure (₹ 1,38,611.95 crore) falling short of even the original budget provision (₹ 1,62,148.06 crore), the entire supplementary provision proved unnecessary. This points to unrealistic budgetary assumptions.

2.4.1 Appropriation vis-à-vis allocative priorities

There were deviations from budget allocation with regard to expenditure of the State during 2013-14 raising questions about the soundness of the budgeting process, budget monitoring process and the reliability of management information system.

¹X-Home Administration (₹ 466.85 crore) and XI-Roads, Buildings and Ports (₹ 62.43 crore)

²XVI-Medical and Health (₹ 0.08 crore)

³XVII-Municipal Administration and Urban Development (₹ 0.31 crore) and XXIX-Forest, Science, Technology and Environment (₹ 0.44 crore)

During the financial year 2013-14, appropriation audit revealed that, in 32 grants, saving (₹ 22,280 crore) exceeded ₹ 100 crore and above and also by more than 20 per cent of total provision in each case, constituting 63 per cent of total saving (₹ 35,503 crore) (*Appendix 2.1*).

Of these, saving of ₹ 18,337 crore (53 per cent of total saving) occurred in 14 cases exceeding ₹ 500 crore and more than 20 per cent of the outlay in each case. Among these, saving of ₹ 8,393 crore (24 per cent of total saving) occurred in 4 cases exceeding ₹ 1,500 crore and more than 20 per cent of the total grant in each case as indicated in **Table 2.2** raising questions about the validity of assumptions in budget formulation.

Table 2.2: Grants with huge saving

(₹ in crore)					
Sl. No.	Grant No.	Name of the grant	Total Grant	Expenditure	Savings (-)
Revenue Voted					
1	XVII	Municipal Administration and Urban Development	4,822	1,934	2,888
2	XXVII	Agriculture	4,553	2,736	1,817
3	XXXI	Panchayat Raj	6,635	4,498	2,137
Capital Voted					
4	XXXIV	Minor Irrigation	2,922	1,371	1,551

Source: Appropriation Accounts 2013-14

Government attributed savings in the above grants to non-initiation of works due to delay in according administrative approvals, non-filling up of vacancies etc. But, Government being the competent authority both for according administrative approval as well as filling up vacancies at various levels could have synchronized both better.

In addition to the above, though the saving was less than 20 per cent, it was more than ₹ 1,000 crore in three grants and two appropriations as shown below:

Table 2.3: Saving more than ₹ 1,000 crore

(₹ in crore)					
Sl. No	Grant No.	Name of the Grant/ Appropriation	Saving	Reasons	
1	IX	Fiscal Administration, Planning, Surveys and Statistics (RV)	1,614	Specific reasons for huge savings were not intimated by Government	
2	IX	Fiscal Administration, Planning, Surveys and Statistics (RC)	1,587		
3	IX	Fiscal Administration, Planning, Surveys and Statistics-Public Debt (LC)	1,341		
4	XII	School Education (RV)	1,972	Non-filling up of vacancies, non-receipt of requisition from unit offices, non-starting of works for want of administrative orders and late receipt of orders for further continuation of contract employees	

Sl. No	Grant No.	Name of the Grant/ Appropriation	Saving	Reasons
5	XXXIII	Major and Medium Irrigation(CV)	1,505	Non-starting of works for want of administrative orders, Slow progress of works, postponement of certain training programmes and non-finalization of land awards

Source: Appropriation Accounts 2013-14; RV: Revenue Voted; RC: Revenue Charged; CV: Capital Voted; LC: Loans Charged

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 2009-14

(₹ in crore)

Sl. No.	No. and Name of the Grant/Appropriation	Amount of saving				
		2009-10	2010-11	2011-12	2012-13	2013-14
	Revenue – Voted					
1	XVII - Municipal Administration and Urban Development	2,015	1,382	1,554	2,320	2,888
2	XVIII - Housing	374	189	436	239	775
3	XX - Labour and Employment	87	88	140	115	133
4	XXV - Women, Child and Disabled Welfare	647	801	507	490	744
5	XXIX - Forest, Science, Technology and Environment	90	111	107	151	156
6	XXXI - Panchayat Raj	1,006	940	1,200	1,853	2,137
7	XXXIV - Minor Irrigation	270	113	161	186	173
8	XXXVI - Industries and Commerce	582	389	478	313	462
9	XXXVII - Tourism, Art and Culture	38	41	73	53	129
	Capital – Voted					
10	XVI - Medical and Health	32	38	36	64	78
11	XXI - Social Welfare	102	75	114	196	603
12	XXIII - Backward Classes Welfare	21	25	25	98	251
13	XXV - Women, Child and Disabled Welfare	51	68	21	51	166
	Capital – Charged					
14	XXXIII - Major and Medium Irrigation	97	56	43	88	71

Source: Appropriation Accounts 2013-14

State Government attributed persistent savings to slow progress of works, delays in according administrative approvals, late release of funds, non-filling up of posts, non-finalisation of contracts etc. Considering that Government is the competent authority to address all the above issues, there is no reason why savings are occurring in the above grants year after year.

Government replied (November 2014) that to avoid delay in execution of programmes/schemes and to accelerate certain flagship programmes/CSS Schemes, Green channel was introduced and funds are released immediately after sanction of GoI share, along with State

matching share. However, late/non release of funds in respect of even Green Channel Schemes have been noticed during test check in Audit as discussed in para 2.5 Major Policy Initiatives.

It is apparent that the Government has not been able to ensure that in sectors such as housing, irrigation, medical & health and welfare clearances and sanctions are accorded in time so that the envisaged benefits could accrue to the targeted beneficiaries.

2.4.3 Excess expenditure

Excess expenditure over budget provision increased from ₹ 276 crore in 2012-13 to ₹ 530 crore during 2013-14. The excess occurred in four grants⁴ and one appropriation⁵ during the year and requires regularization under Article 205 of the Constitution. Expenditure exceeded budget by ₹ 20 crore or more each in two 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)	5,023	5,490	Clearance of pending bills, filling up vacancies, procurement of hardware and software to establish Counter Intelligence cell
XI	Roads, Buildings and Ports (RV)	1,755	1,817	Specific reasons for excess expenditure were not intimated by Government
	Total	6,778	7,307	

Source: Appropriation Accounts 2013-14, RV: Revenue Voted

Government informed (November 2014) that instructions are being issued for regularization of the excess expenditure incurred.

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, ₹ 383 crore was incurred in six cases (₹ 10 crore and above in each case) without budget provision during the year 2013-14 as detailed in **Table 2.6**. In all these cases budget provision (either original or supplementary) was not made and expenditure was met from the funds obtained by way of re-appropriation. Also, in four instances (Sl.Nos.1, 2, 5 & 6) expenditure was incurred even without resorting to re-appropriation, which violated the sanctity of budgeting process and legislative control.

⁴ X – Home Administration (RV) ₹ 466,85,36,962; XI – Roads, Buildings and Ports (RV) ₹ 62,42,98,016; XVII – Municipal Administration and Urban Development (CV) ₹ 31,11,927; and XXIX – Forest, Science, Technology and Environment (CV) ₹ 43,97,846

⁵ XVI – Medical and Health (RC) ₹ 8,47,349

Table 2.6: Expenditure without provision during 2013-14

(₹ in crore)				
Sl. No	No. and Name of the Grant	Head of Account	Re-appropriation	Expenditure
1	IX Fiscal Administration, Planning, Surveys and Statistics	2049-03-117-(04) Interest on Defined Contribution Pension Schemes	0.00	83.98
2	XI Roads, Buildings and Ports	3054-04-797-(04) Subvention from Central Road Fund	0.00	229.92
3	XVI Medical and Health	4210-03-105-(22) Extension and Renovation of facilities in Medical Colleges	36.67	25.05
4	XVII Municipal Administration and Urban Development	6217-60-800-(04) Loans to Municipalities for conduct of elections	17.00	17.00
5	XXV Women, Child and Disabled Welfare	2235-00-796-(05) Integrated Child Development Services	0.00	11.89
6	XXXIV Minor Irrigation	4702-00-101-(05) Tank System Improvement under APCBTMP	0.00	14.84
		Total	53.67	382.68

Source: Appropriation Accounts 2013-14

Taking note of the observation, Government assured (November 2014) that action would be taken to prevent recurrence of such instances.

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, regularization 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 ₹ 3,151 crore pertaining to the years 2004-13 was yet to be regularized as of July 2014, as detailed in **Appendix 2.2**, due to non-furnishing of Explanatory Notes by the concerned Administrative departments/Finance department.

Government informed (November 2014) that instructions are being issued to all the departments to furnish their explanatory notes regarding excess expenditure incurred by them, so as to regularize it.

2.4.6 Unnecessary/Inadequate/Excessive supplementary provision

Supplementary provision aggregating ₹ 6,204 crore obtained in 37 cases (₹ one crore or more in each case) during the year proved unnecessary as the actual expenditure (₹ 73,261 crore) did not come up to the level of original provision (₹ 90,797 crore) as detailed in **Appendix-2.3(a)**. This indicates that the CCOs could not realistically assess/estimate the actual requirement of funds for the remaining period of the financial year due to poor monitoring of expenditure through the monthly expenditure control mechanism.

Similarly, supplementary provision aggregating ₹ 4,993 crore proved excessive by ₹ 1,601 crore over the total required provision of ₹ 3,392 crore in 10 cases under 10 grants (one crore or

more in each case) as detailed in **Appendix-2.3(b)**. In two cases, supplementary provision of ₹ 141 crore proved insufficient by more than one crore rupees each leaving an aggregated uncovered excess expenditure of ₹ 529 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
Unnecessary Supplementary Provision						
1	XI	Roads, Buildings and Ports (CV)	3,841.20	3,212.27	-628.93	486.88
2	XII	School Education (RV)	16,611.43	14,965.72	-1,645.71	326.20
3	XVIII	Housing (RV)	925.48	604.01	-321.47	453.74
4	XXI	Social Welfare (RV)	3,347.13	2,277.73	-1,069.40	323.73
5	XXIII	Backward Classes Welfare (RV)	3,613.73	3,375.78	-237.95	1,077.41
6	XXVII	Agriculture (RV)	4,045.79	2,736.03	-1,309.76	507.70
7	XXXI	Panchayat Raj (RV)	6,116.79	4,498.14	-1,618.65	518.46
8	XXXII	Rural Development (RV)	4,971.29	4,157.06	-814.23	587.31
Excessive Supplementary Provision						
9	V	Revenue, Registration and Relief (RV)	2,526.52	4,456.35	1,929.83	2,677.13
10	IX	Fiscal Administration, Planning Surveys and Statistics (LV)	137.86	474.43	336.57	395.58
11	XVIII	Housing (LV)	1,400.50	1,479.01	78.51	430.00
12	XXXV	Energy (RV)	6,609.48	7,334.65	725.17	988.55

Source: Appropriation Accounts 2013-14; RV: Revenue Voted, CV: Capital Voted, LV: Loans Voted

2.4.7 Unnecessary re-appropriation of funds

As per para 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 2013-14 excessive/unnecessary/inadequate re-appropriation of funds occurred in 45 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**.

Government replied (November 2014) that instructions would be issued to all the departments to ensure that re-appropriations are not proposed where expenditure was uncertain.

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 14,372 items of re-appropriation made, specific reasons were not intimated in respect of 12,005 (84 per cent) items.

Government replied (November 2014) that instructions would be issued to all the departments duly reiterating the provisions in the Budget manual.

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 277 sub-heads amounting to ₹ 22,132 crore. These surrenders include cent per cent surrenders (₹ 6,312 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.

Government replied (November 2014) that while budget was prepared based on the estimates of revenue and expenditure by the Departments and priorities of the Government, expenditure was regulated based on the realization of revenues from time to time during the financial year.

The reply of the Government does not address the concern that budgetary estimates are unrealistic.

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 ₹ 1,703 crore was made in the budget in violation of this stipulation and the entire 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	IX- Fiscal Administration, Planning, Surveys and Statistics	2052-00-090-75-010 Lumpsum Provision	787.39	787.39
2	XXXIV - Minor Irrigation	4702-00-789-11-75-530 Lumpsum provision for implementing SC Plan	651.00	651.00
3		4702-00-796-11-75-530 Lumpsum provision for implementing ST Plan	265.00	265.00
Total			1,703.39	1,703.39

Source: Appropriation Accounts 2013-14

Specific reasons were not intimated for surrendering the entire budget provision in respect of Sl.No.1. Reasons for surrendering the entire provision in respect of Sl. No. 2 & 3 was stated to be due to release of equal amount under other demands.

Government attributed (November 2014) lumpsum provisioning to non-availability of details pertaining to priority schemes while preparing budget estimates and subsequently, where such a requirement did not arise, the amounts were surrendered. The reply is not acceptable as lumpsum provision should not be resorted to routinely and efforts should be made to keep it to the minimum.

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 results in surrender in excess of the overall saving in a grant/appropriation. In 40 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 ₹ 23,922 crore, the actual amount surrendered was ₹ 25,511 crore, resulting in excess surrender of ₹ 1,589 crore. Details are given in **Appendix 2.6**.

In three grants, surrender of ₹ 177.25 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 the grant/appropriation	Total grant/appropriation	Expenditure	Excess	Amount surrendered
Revenue Voted					
1	X Home Administration	5,023.15	5,490.00	466.85	16.40
2	XI Roads, Buildings and Ports	1,755.01	1,817.44	62.43	160.80
Revenue Charged					
3	XVI Medical and Health	0.14	0.22	0.08	0.05
	Total	6,778.30	7,307.66	529.36	177.25

Source: Appropriation Accounts 2013-14

Government assured (November 2014) that measures would be taken to prevent recurrence of such instances.

2.4.12 Savings not surrendered

At the close of the year 2013-14, there were one grant and six appropriations in which saving of ₹ 38 crore occurred but no part of it had been surrendered by the departments concerned (**Appendix 2.7**). Similarly, out of the saving of ₹ 6,612 crore under 9 grants and two appropriation, saving (Five crore rupees and above in each case) amounting to ₹ 3,099 crore (nine per cent) of total saving (₹ 35,503 crore) was not surrendered (**Appendix 2.8**).

Besides, in 69 cases, ₹ 31,809 crore (90 per cent) of the total saving of ₹ 35,503 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.

Government informed (November 2014) that instructions would be issued to all departments to report savings as soon as they occur, without waiting for the end of the financial year.

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. Expenditure⁶ during each of the three quarters ending December 2013 was between 17 and 30 *per cent* of the total expenditure. While the percentage of expenditure in the last quarter was 34 *per cent*, the expenditure in the month of March 2014 alone constituted 18 *per cent*, indicating rush of expenditure.

Further, it was noticed that in 25 Major Heads where the last quarter expenditure amounted to more than 40 *per cent* of their annual expenditure, the expenditure during the month of March alone ranged from 8 to 90 *per cent* during the year 2013-14. The Major Head wise details of expenditure are detailed in *Appendix 2.10*.

Government replied (November 2014) that increase in expenditure in the last quarter is mainly because of best working season for certain departments like R&B, Irrigation & MGNREGS and releases from GoI at the fag end of the Financial Year.

2.5 Major Policy Initiatives

Several major policy initiatives/flagship schemes are announced by the Government each year reflecting its socio-economic priorities. Some of the major policy initiatives/schemes outlined in the budget speech/annual plan for the year 2013-14 were scrutinized in audit on a test check basis to verify their implementation. Significant audit findings in this regard are given below:

2.5.1 Indiramma Amrutha Hastham

Indiramma Amrutha Hastham is a Supplementary Nutrition Programme (SNP) aiming to provide one full meal to all pregnant and lactating women at Anganwadi centres (AWCs) at least for 25 days in a month. The programme was being implemented with effect from January 2013 in 27,906 AWCs falling under 102 Integrated Child Development Services (ICDS) projects covering 3.45 lakh beneficiaries. It was extended to another 15,606 AWCs falling under 63 ICDS projects in November 2013 to cover 2.58 lakh beneficiaries. State Government provided ₹ 177.88 crore in the budget for 2013-14, of which, only an amount of ₹ 127.66 crore was released and ₹96.58 crore was expended.

2.5.2 Rajiv Vidya Devena

This scheme was launched by GoI in July 2012 for granting pre-metric scholarship for needy Scheduled Castes (SC) and Scheduled Tribes (ST) students of IX and X standard. State Government provided ₹ 115 crore in this regard for SC students during 2013-14, it released only ₹ 28.75 crore and spent ₹ 22.07 crore. Although GoI released (December 2012) ₹ 112.99 crore during 2012-13, the entire amount was retained by the State Government.

⁶ Excluding interest payment

Therefore GoI did not release further funds during 2013-14. Similarly out of ₹ 5 crore released by GoI for ST students in February 2013, State Government provided budget only in March 2014 by way of re-appropriation and subsequently withdrew the entire provision.

2.5.3 Pavala Vaddi

To mitigate the financial burden of farmers, State Government has been implementing 'Pavala Vaddi scheme' to provide an interest incentive on crop loans (at three *per cent*) to farmers who repay loans within the due dates. During 2013-14 Government allocated ₹ 60 crore and released ₹ 30 crore out of which only ₹ 24 crore was drawn. However, only ₹ 6.77 crore was utilized and 1.32 lakh farmers (17 *per cent*) were benefitted against the target of 7.63 lakh farmers while the balance ₹ 17.23 crore was parked in the PD account.

2.5.4 Raithu Sri (Vaddileni Runaalu)

This scheme aimed at waiving interest on crop loans up to ₹ 1 lakh repaid by farmers at the beginning of Rabi 2011-12. As against an amount of ₹ 500 crore provided in the budget for 2013-14 in this regard, ₹ 422.83 crore was spent covering 35.23 lakh out of the 40 lakh targeted beneficiaries. An amount of ₹ 61 crore was remitted back to Government in March 2014 while the balance ₹ 16.17 crore was lying in the PD account of Commissioner of Agriculture.

2.5.5 Bangaru Talli

With a view to facilitate socio-economic growth of girl child, 'Bangaru Talli' scheme was launched during 2013-14. The scheme provided for financial incentives to girl children born after 1 May 2013 on attainment of certain milestones in life till the age of 21 years. Government provided ₹ 80.30 crore for this purpose as supplementary provision in the budget during 2013-14. While ₹ 79.19 crore was released to the implementing agencies (SERP: ₹ 64.66 crore for rural beneficiaries and MEPMA: ₹ 14.53 crore for urban beneficiaries) to cover 2,75,674 registered beneficiaries, the two implementing agencies utilised only ₹ 39.51 crore and covered 1,58,059 beneficiaries (58 *per cent*). SERP diverted an amount of ₹ 1.42 crore for administrative expenses which were not authorised and the balance ₹ 41.30 crore was parked (SERP: ₹ 21.20 crore in PD account and ₹ 7.75 crore in Current account and MEPMA: ₹ 12.35 crore in PD account).

2.5.6 Midday Meal Programme

GOI sanctioned construction of 24,754 kitchen cum store rooms in primary and upper primary schools during 2011-12 under Midday Meal programme at a total cost of ₹ 371.31 crore. Although State Government provided ₹ 126.53 crore (Central share ₹ 76.53 crore; State share: ₹ 50 crore) in budget for 2013-14 funds were not released, as ₹ 211.63 crore released in 2012-13 were lying unutilised in the PD accounts of Chief Planning Officers of 22 districts (except Hyderabad).

2.5.7 Setting up of Model Schools

The objective of 'Setting up of Model Schools', is to universalize secondary education (upto class 10) by the end of the 12th plan. During 2010-11, it was proposed to construct 370 model schools in Phase-I at an outlay of ₹ 1,394.90 crore in Educationally Backward Blocks of which only 355 models schools were sanctioned. During the year 2013-14, an amount of

₹ 200 crore was provided out of which only an amount of ₹ 28.69 crore was drawn. Out of the total amount of ₹ 941.89 crore released during the period 2011-14, (GoI share: ₹ 775.84 crore, State share ₹ 166.05 crore) expenditure to the extent of ₹ 827.99 crore only was incurred (non-recurring - ₹ 757.18 crore, recurring- ₹ 61.22 crore and MMER⁷ – ₹ 9.59 crore) on construction of 326 Model schools, leaving a balance of ₹ 113.90 crore lying unutilized with the Department in SB accounts.

2.5.8 Farm Mechanization

The objective of GoI scheme 'Work Plan on Macro Management Scheme for Agriculture is to improve power utility per hectare to bring farm power efficiency (1.75 KW *per* Hectare) during 2013-14. Farm implements like tractor drawn implements, rotavators, power tillers and tractors etc. are supplied to farmers with a subsidy component of 50 *per cent* of the cost (25 *per cent* subsidy from Macro-management and 25 *per cent* from State share). Government provided ₹ 150 crore in the budget 2013-14 for distribution of 1.50 lakh farm implements to the farmers. However, only an amount of ₹ 77.94 crore was utilised (51.96 *per cent*), reportedly due to heavy floods, drought conditions, and release of funds at the fag end of the financial year.

2.5.9 Integrated Handloom Development Scheme

Under the Scheme (CSS) financial assistance is provided for handloom clusters (300-500 handlooms). Government provided ₹ 57.41 crore (Central Share: ₹ 49.83 crore; State: ₹ 7.58 crore) in the budget during 2013-14. However, it did not release its own share along with GoI release of ₹ 2.89 crore. Hence there was no progress in implementation of this scheme.

2.5.10 Economic Support Schemes to SC/ ST communities

With an annual target to provide economic support to 1,00,000 beneficiaries of SC community for creation of income generating assets, ₹ 296.74 crore was provided in the budget for the year 2013-14, out of which APSCCFC⁸ drew ₹ 147.58 crore and transferred ₹ 72.12 crore in the form of subsidy into the Non-operative Zero Accounts of 12,924 identified beneficiaries. Of this amount only ₹ 41.93 crore was utilized and 8,155 beneficiaries were covered. The remaining amount of ₹ 30.19 crore was credited into 4,769 beneficiary accounts. This amount was yet to be utilized as of September 2014. Further, an amount of ₹ 117.82 crore has been lying unutilized with the Corporation (PD account: ₹ 113.94⁹ crore, Current account ₹ 3.88¹⁰ crore).

Under Economic Support Schemes in Tribal Welfare Department, against the out lay of ₹ 120 crore for the benefit of 60,000 persons, an amount of ₹ 25 crore towards central share was provided in the budget for 2013-14, but was re-appropriated to other heads subsequently.

⁷ Management Monitoring Evaluation and Research

⁸ Andhra Pradesh Schedule Caste Co-operative Finance Corporation

⁹ including ₹ 38.48 crore of 2012-13

¹⁰ ₹ 1.42 crore (2012-13) and ₹ 1.16 crore (2013-14) was not credited to beneficiaries account due to wrong account number, IFSC code and account freezed by the banker ₹ 86.57 lakh (2012-13) refunded amounts through DDs by the Districts, Double releases of Guntur (₹ 18.73 lakh) and Ranga Reddy (₹ 16.75 lakh)

Under Normal State Plan, Government provided ₹ 179.45 crore out of which, an amount of ₹ 135.68 crore (75.61 *per cent*) was re-appropriated and an expenditure of ₹ 43.82 crore (24.42 *per cent*) was booked in accounts. However ₹ 30 crore of this was parked in PD Account of TRICOR as of September 2014.

Under Tribal Area Sub-Plan, State Government provided ₹ 60 crore in the budget 2013-14 towards Central Share. However, although GoI released an amount of ₹ 43.42 crore, this was not released or utilized by the State Government.

2.5.11 Financial Assistance to Handloom & Textiles Promotion

The objective of this scheme is to setup apparel export parks, textile and handloom parks and to provide sustainable employment to weavers. Government provided ₹ 63.43 crore in the budget during 2013-14 but released only ₹ 32.77 crore (52 *per cent*) which was utilised for payment of power tariff concessions to power loom units for the years 2010 to 2013.

2.5.12 Accelerated Irrigation Benefits Programme (AIBP)

To provide financial assistance to States to complete some of the incomplete major/minor irrigation projects which are in advanced stage of completion Government provided budget allocation as well as release of ₹480 crore, expenditure of ₹71.42 crore (15 *per cent*) was incurred on the scheme covering 36,469 acres (30 *per cent*) as against the target of 1,21,042 acres.

2.5.13 NABARD Assisted Schemes

To provide irrigation facilities to upland areas through lift irrigation, and to create and restore minor irrigation tanks to stabilize the intended ayacut, irrigation schemes are taken up under NABARD/RIDF (90 *per cent*) assistance with State Government contributing 10 *per cent*. Government provided ₹ 379.74 crore in the budget 2013-14 but released ₹ 118.09 crore and only an amount of ₹ 97.37 crore (26 *per cent*) was expended on the scheme covering 24,759 acres (70 *per cent*) as against the target of 35,266 acres.

2.5.14 AP Community based Tank Management Project (APCBTMP)

The project is primarily designed to improve the status of selected tanks in the State to improve agricultural productivity. Government provided ₹ 251.02 crore in the budget for 2013-14 but released ₹ 175.04 crore and expended ₹ 141.85 crore (57 *per cent*) on the scheme. As against the target of 1,078 tanks to be handed over to the Water User Associations, only 396 were handed over (37 *per cent*) and against the target of completing 742 tanks, only 381 were completed (51 *per cent*).

2.5.15 JICA assisted AP Irrigation and livelihood improvement project

The project was envisaged to be implemented in three stages over a period of nine years (2007-2016), to increase agricultural production in the State by constructing one new minor irrigation tank in water surplus basin at an estimated cost of ₹ 291.34 crore (JICA loan assistance: ₹ 257.79 crore and State Government share: ₹ 33.55 crore). Against the budget provision ₹ 130.10 crore for 2013-14, an expenditure of ₹ 112.01 crore was incurred. Against the target of 1,21,894 acres of land for stabilization, only 38,362 acres of land (31 *per cent*) was stabilized. Frequent dislocation and shortage of staff, political unrest, disruption of work, unpredictable climatic events etc. were stated as constraints in implementation of the scheme.

2.5.16 Development of drinking water supply project in Chittoor

In order to ensure drinking water supply to Tirupati, Chittoor and other urban and rural areas of Chittoor district, 'Chittoor district Drinking Water Supply Project' was taken up (December 2012) at an estimated cost of ₹ 5,990 crore (Phase-I) and ₹ 1,400 crore (Phase-II) to benefit 10,917 villages of the area. Infrastructure Corporation of Andhra Pradesh (INCAP) was entrusted with the work of implementation of the project for completion in two years. During 2013-14, an amount of ₹ 250 crore was provided in budget, against which, an amount of ₹ 244.59 crore was released and ₹ 61.78 crore (25 per cent) was expended.

2.5.17 Streenidhi

Government envisaged facilitating credit to Self Help Group members through Mandal Mahila Samakhya/Village Officers through "Stree Nidhi Cooperative Federation Limited", to cater to emergent requirements, viz., medical, educational and short term loans for income generating activities. Although Government provided ₹ 204.57 crore (Share capital: ₹ 100 crore: SC/ST sub plan ₹ 104.57 crore) in the budget during 2013-14, no funds were released.

2.5.18 Solar Energy programme

Under the Jawaharlal Nehru National Solar Mission (JNNSM), GoI has been encouraging installation of solar PV pump sets to save conventional energy for water pumping in agriculture and horticulture sectors. GoI provides 30 per cent subsidy on the cost of the systems and additional subsidy of 50 per cent of the unit cost is proposed by the State Government to SC/ST/small and marginal farmers. Although an amount of ₹ 30.02 crore was provided in the budget, no funds were released by the Government, resulting in non-implementation of the programme.

2.5.19 Construction of buildings for Schools in Tribal welfare Department

Government budgeted for ₹160.06 crore during 2013-14, to provide additional accommodation and amenities for residential schools and junior colleges in tribal areas. However, only ₹ 96.33 crore was released and ₹ 89.32 crore was expended. Against the target of 536 works (estimated cost ₹ 319.50 crore) only 127 works (24 per cent) were completed, 107 works were not started and remaining 302 works are in progress.

2.5.20 Providing drinking water in inaccessible Tribal Areas

Government prepared action plan for providing drinking water facilities in inaccessible tribal areas at an estimated cost of ₹ 200 crore in a phased manner for completion within four years from 2011-12. During the year, total 886 works were targeted at an estimated cost of ₹ 57.79 crore. Against the budget provision of ₹ 50 crore, ₹ 20.51 crore was released, out of which only ₹ 12.58 crore was expended. Out of 886 works only 123 works (14 per cent) were completed and 101 works were not grounded and remaining 662 works were in progress.

2.5.21 Construction of Roads under NABARD Programme

Government provided ₹ 40 crore in budget for 2013-14 for 83 works relating to laying of BT roads in tribal areas with NABARD assistance as against estimated cost of ₹ 127.50 crore. Out of the total release of ₹ 40 crore, an amount of ₹ 38.57 crore was expended. Only 39 works were completed, 36 works were in progress and 8 works were not started due to non-obtaining of forest clearance etc.

2.5.22 National Mission on Food Processing (NMFP)

National Mission on Food Processing (NMFP) was launched in Twelfth plan (2012-17) by Ministry of Food Processing Industries (GoI) with funding from GoI and State in the ratio of 75:25 with an objective to promote facilities for post harvest operations including setting up of food processing industries, to raise the standards of food safety and hygiene in order to meet the norms set up by FSSAI etc. Government provided ₹ 120 crore (CSS: ₹ 20 crore and MSS: ₹ 100 crore) during 2013-14 but released only an amount of ₹ 9.56 crore from the Central Share. The entire State Share of ₹ 100 crore was re-appropriated.

2.5.23 SC and ST sub-plan

As per Government instructions¹¹, all Government departments should earmark at least a minimum of 16.2 per cent and 6.6 per cent of Plan outlay in the budget exclusively for the development of Scheduled Castes and Scheduled Tribes 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. Government of Andhra Pradesh has enacted “The Andhra Pradesh Scheduled Castes Sub-Plan and Tribal Sub-Plan Act, 2013” (Planning, Allocation and Utilization of Financial Resources) in January, 2013, to ensure accelerated and human development, ensuring security and social dignity and promoting equity among SCs and development of SCs and STs with emphasis on achieving equality in the next 10 years focusing on economic, educational STs, by earmarking a portion, in proportion to the population of SCs and STs in the State, of the total plan outlay.

Budget allocation and expenditure under Special Component Plan (SCP) for SCs and Tribal Area Sub-plan (TSP) during the period 2011-14 were as follows.

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

(₹ in crore)									
Year	Total State Plan Budget	Budget for SCP (original)	% of SCP budget	Total Budget SCP (O+S)	Expenditure	Budget for TSP (original)	% of TSP budget	Total Budget TSP (O+S)	Expenditure
2011-12	47,558	5,854	12	7,005	4,919 (70%)	2,464	5	3,228	2,290 (71%)
2012-13	54,031	6,959	13	7,587	4,801 (63%)	3,254	6	3,557	2,374 (67%)
2013-14	59,422	8,818	15	10,544	4,896 (46%)	3,818	6.5	4,656	1,982 (43%)

Source: Appropriation Accounts, Budget in Brief

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

During the period 2011-14 State Government’s allocation of Plan budget ranged between 12-15 per cent under SCP and 5-6.5 per cent under TSP respectively, below the mandatory allocation of 16.2 and 6.6 per cent. However, out of the allocation, during the period 2011-14, actual amount of expenditure stagnated around the same level, despite the increased allocations as seen from the fact that savings increased significantly by 171 per cent and 185 per cent under SCP and TSP respectively.

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

2.6 Review of Selected Grants

During the year 2013-14, three grants viz., Municipal Administration and Urban Development, Panchayat Raj and Medical and Health were selected for detailed audit scrutiny to ascertain compliance with budgeting processes, utilization of funds, expenditure control mechanisms and implementation of schemes within these grants. Audit findings in this regard are discussed below.

2.6.1 Municipal Administration and Urban Development Grant

This Grant is administered by the Municipal Administration and Urban Development Department (MAUD).

2.6.1.1 Budget and Expenditure

Total budget allocation for MAUD for the year 2013-14 was ₹ 6,980.09 crore. Details of budgetary provision, actual expenditure and savings in this grant during the years 2011-12 to 2013-14 are as follows:

Table 2.11: Budget vis-à-vis expenditure

Section	2011-12			2012-13			2013-14		
	B	E	S/E	B	E	S/E	B	E	S/E
Revenue	42,34.19	26,80.01	(-)15,54.18 (37%)	48,01.83	24,81.79	(-)23,20.04 (48%)	48,22.21	19,34.12	(-)28,88.09 (60%)
Capital	1.03	2.72	(+)1.69	1.37	3.28	(+)1.91	0	0.31	(+)0.31
Loans	16,56.53	14,26.16	(-)2,30.37 (14%)	21,55.00	17,83.00	(-)3,72.00 (17%)	21,57.88	11,03.60	(-) 10, 54.28 (49%)

Source: Appropriation Accounts; B: Budget; E: Expenditure; S/E: Savings(-)/Excess(+)

During the years 2011-14, revenue expenditure registered a consistent decline and during 2013-14 a decline of 28 per cent over 2011-12 was noticed. During this period, unutilised provision/savings under revenue section increased from 37 to 60 per cent and under Loans section from 14 to 49 per cent. Savings under Plan component of revenue expenditure increased from 40 to 73 per cent, while under Loans for implementation of Plan schemes, savings increased from 14 to 50 per cent. During all these years, the entire Supplementary provision proved unnecessary under Revenue Section.

Under Capital section of the grant, expenditure (₹ 6 crore) has consistently been in excess of the provision (₹ 2.40 crore) by more than 200 per cent (2011-12 and 2012-13) and during the year 2013-14, it was incurred without any budget provision.

2.6.1.2 Surrender of Savings

As per the provisions of the APBM (Para 17.2.2) all departments are required to surrender the grants/appropriations or portion thereof to the Finance Department as and when savings are anticipated. Savings vis-à-vis surrenders made during the years 2011-14 are detailed below.

Table 2.12: Surrender of Savings

(₹ in crore)

Year	Savings		Amount surrendered	
	Revenue	Loans	Revenue	Loans
2011-12	1,554.19	230.37	1,272.59	742.92
2012-13	2,320.04	372.00	2,274.18	417.67
2013-14	2,888.10	1,054.28	2,907.81	1,102.74

Surrenders made were more than the savings under Loans section of the Grant throughout 2011-14 and the same was the case with Revenue section during the year 2013-14. Further, ₹ 4,010.55 crore (57.46 per cent of the total Grant) under Revenue and Loans sections was surrendered on the last working day of the financial year 2013-14. This could have been avoided, as the opportunity cost of withholding funds of this magnitude till the last day of the financial year is huge.

2.6.1.3 Expenditure incurred without Budget Provision

As per the Budget Manual, expenditure should not be incurred on a scheme/service without provision of funds. However, it was noticed that an expenditure of ₹ 23.15 crore was incurred without budget provision as detailed in *Appendix 2.11*.

2.6.1.4 Surrender of entire Provision

In respect of certain schemes/programmes/projects especially JNNURM, although funds were provided as per Annual Plan, entire provision under certain heads of accounts of the scheme/programme amounting to ₹ 1,122.58 crore were re-appropriated/surrendered during 2013-14 as detailed in *Appendix 2.12*.

During 2013-14, as against a total provision of ₹ 3,408.58 crore under certain schemes, only ₹ 863.61 crore (25 per cent) was spent, resulting in huge surrenders/savings as detailed in *Appendix 2.13*.

2.6.1.5 Programme implementation

Test check of a few schemes revealed the following:

(A) Andhra Pradesh Municipal Development Project (APMDP)

The APMDP Project (formerly Andhra Pradesh Urban Reforms and Municipal Services (APURMS)) is being implemented with aid from the World Bank with the objective of improving the capacities of ULBs. The project implementation period is 28 January 2010 to 31 July 2015.

Against a budget outlay of ₹ 962.80 crore during the period 2010-11 to 2013-14, an amount of ₹ 235 crore was released, out of which, ₹ 72.17 crore was spent. An amount of ₹ 48.15 crore was lying in the PD account of Commissioner and Director of Municipal Administration without being released to APMDP, six crore rupees in Fixed Deposit of Municipal Support Unit of APMDP, ₹ 8.67 crore in Savings Account of APMDP and

Andhra Pradesh Urban Infrastructure Financial Development Corporation and ₹ 100 crore in the escrow accounts of ULBs. Out of a total of 113 ULBs, Water Supply Schemes were proposed to be taken up in 13 ULBs in the first phase. However, funds were released only to nine ULBs and work was taken up in six of these.

(B) Rajiv Awaas Yojana

This scheme, financed by GoI, GoAP and ULBs, was taken up to provide affordable housing with basic amenities, community halls, urban health centers, primary schools, etc. to slum dwellers and urban poor.

During the Preparatory phase from 2010-11 to 2012-13, out of the total releases of ₹ 20.59 crore, only ₹ 12.81 crore was spent, leaving a balance of ₹ 7.78 crore, which was kept in a bank account along with ₹ 0.86 crore earned as interest. During the year 2013-14, an amount of ₹ 50 crore was provided in the budget but the entire amount was withdrawn by way of re-appropriation. Non-utilization of funds was attributed by Mission Director, MEPMA to non-release by the State Government.

In the implementation stage beginning 2013, nine projects were proposed at a total project cost of ₹ 256.78 crore and a total of 3,426 slums with 9,08,379 dwelling units were identified. As at the end of June 2014, the Government has neither released its share nor the amount of ₹ 46.36 crore received as GoI share.

Non-achievement of targets was stated by Mission Director, MEPMA to be due to reluctance of the beneficiaries to accept the approved model of the house and land issues resulting in revision of Detailed Project Report and continuation of preparatory activities of pilot phase due to increase of area of certain ULBs due to merger of the surrounding Panchayats.

(C) Swarna Jayanthi Shahari Rozgar Yojana (SJSRY)

Swarna Jayanthi Shahari Rozgar Yojana was launched in December 1997 to provide gainful employment to the urban unemployed or underemployed through provision of self-employment ventures or wage employment. SJSRY is being implemented on fund sharing basis between the central and State Governments in ratio of 75:25.

During the year 2013-14, out of the total allocation of ₹ 46.45 crore (GoI: ₹ 28.19 crore and State: ₹ 18.26 crore), only an amount of ₹ 1.09 crore (GoI: 0.78 crore, State: 0.31 crore) was released to the implementing agency, Mission for Elimination of Poverty in Municipal Areas (MEPMA) in April 2014, resulting in surrender of ₹ 45.36 crore (98 per cent).

Scrutiny of funds with the implementing agency (MEPMA) revealed that central share of ₹ 28.19 crore (₹ 84.58 crore–₹ 56.39 crore) was not released by State Government during the year 2012-13 and its own matching share of ₹ 18.80 crore¹² and ₹ 21.73 crore for the years 2012-13 and 2013-14 respectively was also not released.

(D) Jawaharlal Nehru National Urban Renewal Mission (JNNURM)

This flagship programme was launched by GoI in partnership with the State Government and ULBs for planned development of identified cities with focus on efficiency in urban service

¹²₹ 28.19 crore–₹ 9.40 crore

delivery mechanism. As part of JNNURM 253 projects costing ₹ 12,553.75 crore were sanctioned to Andhra Pradesh under various sub-components during project period. During 2013-14, an amount of ₹ 1,832.31 crore was re-appropriated as against total provision of ₹ 1,855.01 crore about ₹ 22.69 crore (1.22 per cent) was spent during March 2014. Delayed release of GoI releases by the Government, surrenders ranging from 46 per cent to 99 per cent (detailed in *Appendix 2.14*) have been observed.

Though the mission period is 2005-12, Government of India allowed the States three more years for accessing the balance Additional Central Assistance and to complete projects by March 2015. Due to non release of budget, pending spill over works under Urban Infrastructure and Governance scheme, delay in starting of some Basic Services for Urban Poor projects due to non-availability of land, court litigations etc., there is short fall in achieving the physical targets as detailed below:

Table 2.13: Targets vis-à-vis achievement

Sl. No.	Component	Projects/DUs	Target	Completed	Short fall in Achievement
1	UIG	Project	56	30	46.43%
2	BSUP(Houses)	DUs	1,39,854	1,01,739	27.25%
3	UIDSSMT	Project	84	70	16.66%
4	IHSDP(Houses)	DUs	39,914	26,919	32.56%

Unrealistic budgetary allocations, including unnecessary Supplementary provision together with poor programme implementation resulted in resources remaining largely unutilized under the MAUD Grant. Expenditure incurred without provision, excess re-appropriations and drawal of funds in excess of requirement, indicate the need for improved budgetary control.

2.6.2 Panchayat Raj Grant

This Grant is administered by the Panchayat Raj Department.

2.6.2.1 Devolution of Funds and Functions

Eleventh Schedule to 73rd Constitutional Amendment Act, 1992 listed 29 subjects for devolution to strengthen the PRIs. During 2007-08, State Government devolved 10¹³ functions to PRIs but subsequently no initiative was taken for devolving the remaining functions. Further, funds relating to devolved functions are being released through the line departments concerned, instead of direct releases to the PRIs.

2.6.2.2 Budget and Expenditure

Total budget allocation for Panchayat Raj Grant for the year 2013-14 was ₹ 6,934.97 crore. Details of budgetary provision, expenditure and savings during the three year period 2011-14 are as follows.

¹³(i) Agriculture and Agricultural extension (ii) Animal Husbandry, Dairy and Poultry (iii) Fisheries (iv) Rural Development (v) Drinking water and Sanitation (RWS) (vi) Primary, Secondary and Adult Education (vii) Health, Sanitation, Primary Health Centres, Dispensaries and Family welfare (viii) Social welfare, (ix) Backward classes welfare, (x) Women and Child Development.

Table 2.14: Budget vis-à-vis expenditure

(₹ in crore)

Section	2011-12			2012-13			2013-14		
	B	E	S/E	B	E	S/E	B	E	S/E
Revenue	4,100.31	2,900.72	(-)1,199.59 (29.26%)	5,164.74	3,311.40	(-)1,853.34 (35.88%)	6,635.25	4,498.14	(-)2,137.11 (32.20%)
Capital	457.64	155.85	(-)301.79 (65.94%)	242.11	210.83	(-)31.28 (12.91%)	299.72	219.21	(-)80.51 (26.86%)

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

During the year 2013-14, revenue expenditure showed an increase by 55 per cent and capital expenditure by 41 per cent compared to 2011-12. During 2011-14, per cent of unutilized provision/savings under Revenue section ranged from 29 to 36 per cent and savings under Capital section declined from 66 to 27 per cent.

As the expenditure fell short of even the original provision, supplementary provision of ₹ 532.65 crore proved unnecessary (Revenue section: ₹ 518.46 crore).

The following are a few plan schemes where the supplementary provision proved unnecessary.

Table 2.15: Unnecessary supplementary provision

(₹ in crore)

Sl. No	Head of Account	Original Budget Provision	Supplementary provision	Total provision	Expenditure	Surrendered
1.	Upgradation of NREGP works	25.00	310.00	335.00	17.81	317.19
2.	ARWS Programme (Jalamani)	0	6.17	6.17	0	6.17
3.	Protected water supply to Yogi Vemana university at Kadapa	0	0.63	0.63	0	0.63
4.	Rajiv Gandhi Panchayat Sashaktikaran Abhiyan	0	19.62	19.62	0	19.62
Total		25.00	336.42	361.42	17.81	343.61

Source: Appropriation Accounts 2013-14

2.6.2.3 Surrender of Savings

As per the provisions of the APBM (Para 17.2.2) all departments are required to surrender the grants/appropriations or portion thereof to the Finance Department as and when savings are anticipated. Savings vis-à-vis surrenders made during the years 2011-14 are detailed below:

Table 2.16: Surrenders and savings

(₹ in crore)

Year	Savings		Amount surrendered	
	Revenue	Capital	Revenue	Capital
2011-12	1,199.59	301.78	1,000.55	198.04
2012-13	1,853.34	31.28	1,789.73	59.97
2013-14	2,137.12	80.51	2,210.09	80.83

It was observed that surrenders were more than the savings under Revenue and Capital sections of the Grant during 2013-14. About 32 *per cent* of the total provision under the Grant was saved and 100 *per cent* of it was surrendered on the last working day of the financial year 2013-14. Further, surrender of ₹ 2,290.92 crore in the month of March 2014 was in excess of the eventual saving of ₹ 2,217.62 crore.

2.6.2.4 Expenditure incurred without Budget Provision

As per the Budget manual, expenditure should not be incurred on a scheme/service without provision of funds. However, it was observed that during the year 2013-14 expenditure of ₹ 149 crore was incurred without any budget provision as detailed in **Appendix 2.15**.

2.6.2.5 Surrender of entire Provision

In certain schemes/programmes/projects, though provision of funds was made as per Annual plan, entire provision under certain heads of accounts under the schemes/programmes, amounting to ₹ 137.09 crore was re-appropriated/surrendered during the year as detailed in **Appendix 2.16**.

During 2013-14 saving exceeded one crore rupees and above and also by more than 15 *per cent* of total provision of ₹ 1,158.09 crore in each case under certain schemes and only ₹ 381.52 crore (33 *per cent*) was spent, resulting in surrenders/savings as detailed in **Appendix 2.17**.

2.6.2.6 Programme implementation

Test check of a few schemes revealed the following:

(A) National Rural Drinking Water Programme

National Rural Drinking Water Programme is a centrally sponsored scheme with 50 *per cent* matching State share.

As against the matching State share of ₹ 709.72 crore due for the year, only ₹ 100 crore was provided in the budget and the entire amount was re-appropriated in March, 2014. Short release of State matching share under the scheme from the period 2009 to 2014 accumulated to the tune of ₹ 2,268.75 crore. Despite requirement, Government did not allocate the required funds and also surrendered the allocated funds. This resulted in slow progress of works which affected programme coverage.

(B) Rajiv Gandhi Panchayat Sashaktikaran Abhiyan

This scheme was launched by the GoI in 2013-14 with fund sharing between Central and State Governments in the ratio of 75:25 for strengthening the Panchayat Raj system across the country and to address the critical gaps that constrain it. Activities under the scheme include construction of GP buildings, capacity buildings, institutional structure at State/District and Block level, strengthening of Panchayats, administrative and technical support at GP Level etc., at a planned total outlay of ₹ 203.32 crore.

During the year, an amount of ₹ 76.24 crore was released (December 2013) towards central share, and matching state share of ₹ 25.42 crore was provided in supplementary estimates. Government issued budget release orders for ₹ 101.66 crore (State share ₹ 25.42 crore and

GoI share ₹ 76.24 crore) but an amount of ₹ 17.38 crore was diverted towards SCSP/TSP of GoI share and kept in HDFC bank and the balance of ₹ 58.86 crore retained by the GoAP. Entire matching State share was not spent and surrendered in March 2014.

(C) Grants under the 13th Finance commission

Funds were provided by 13th Finance Commission to Zilla Parishads, Mandal Parishads, and Gram Panchayats. Also, Special Area Grants are provided for GPs located in the Vth Schedule areas for maintenance and gap filling works in respect of water supply, roads, buildings, sanitation including solid waste management etc.

An amount of ₹ 1,327.09 crore was provided in the budget for the year 2013-14 towards allocation to the PRIs in this regard. Out of this, only an amount of ₹ 592.62 crore was spent and the balance ₹ 734.48 crore was withdrawn by way of re-appropriation. Similarly, funds provided under the Grant were surrendered during 2011-12 and 2012-13 also. Despite orders by the Department to DTOs for release of funds for adjustment to the PD Accounts of the respective PRIs, it was observed that an amount of ₹ 363.80 crore was not adjusted in the PD Accounts due to freeze orders.

(D) Nirmal Bharat Abhiyan

This was launched during 1999 with matching State share primarily with the objective of improving the quality of life of rural people and also to ensure privacy and dignity of women. An amount of ₹ 145.24 crore was released by GoI during 2013-14 directly to the Bank Account maintained with the Union Bank of India (Project Director, State Water and Sanitation Mission). Though an amount of ₹ 49.22 crore was provided in the Budget estimates towards MSS, only ₹ 24.56 crore was released. Out of which, the department had distributed only an amount of ₹ 12.74 crore to the Districts of Karimnagar and Medak.

Further, as against the target for construction of 6,44,440 IHHLs to the eligible households, only 1,13,195 toilets were completed (18 *per cent*) despite the fact that the department had an accumulated balance of ₹ 211.96 crore at its disposal in the bank.

(E) Grants to PRIs

Per capita Grant is given to a PRI based on its population, to be utilized for development activities as part of its General resources. During the year, an amount of ₹ 88.64 crore was provided towards assistance to PRIs under per capita Grants. Despite, the release ₹ 60.94 crore, an amount of ₹ 56.84 crore (64 *per cent*) was only expended leaving a balance of ₹ 31.80 crore, which was withdrawn by way of re-appropriation. The non-release of these grants adversely affected the limited finances available to these PRIs for taking up developmental activities.

Seigniorage Grant (Non-Plan) relates to the share of the PRIs in respect of Seigniorage fee collections made by the Mines and Geology Department from metal, sand etc. The Seigniorage fee collected during a previous year is initially adjusted in Government Account and apportioned among the Local Bodies in the ratio of 25:50:25 to ZPs/MPPs/GPs. During the year 2012-13, an amount of ₹ 1,076.87 crore was collected towards Seigniorage Fee. Provision was however made only for an amount of ₹ 110 crore in the Budget during the year 2013-14 and only an amount of ₹ 75 crore was released under Seigniorage charges to the PRIs.

Unrealistic budgetary allocations, including unnecessary supplementary grants, resulted in continued savings under the Grant both in Revenue and Capital section even as expenditure was incurred without provision and excess re-appropriations under a few heads, indicating poor budgetary controls. Short release of Grants due to PRIs raise questions about the State's commitment to devolution of funds to PRIs.

2.6.3 Medical and Health Grant

This Grant is implemented by Health, Medical and Family Welfare Departments. The allocation of budget to Health, Medical and Family Welfare Department constituted four *per cent* of the total state budget during the last three years 2011-14.

2.6.3.1 Budget and Expenditure

The overall budget provision, actual expenditure and savings under the grant during the last three years 2011-12 to 2013-14 are given below.

Table 2.17: Budget vis-à-vis expenditure

Section	2011-12			2012-13			2013-14		
	B	E	S/E	B	E	S/E	B	E	S/E
Revenue	5,323.24	4,828.45	(-)494.79 (9%)	5,856.14	5,126.83	(-)729.31 (12%)	6,422.00	5,502.45	(-)919.55 (14%)
Capital	109.80	74.17	(-)35.63 (32%)	145.53	81.95	(-)63.58 (44%)	239.72	162.02	(-)77.70 (39%)
Loans	253.75	79.60	(-)174.15 (69%)	117.65	104.77	(-)12.88 (11%)	117.65	74.44	(-) 43.21 (37%)

Source: Appropriation Accounts; B: Budget; E: Expenditure; S/E: Savings (-)/Excess (+)

During the years 2011-14, unutilized provision/savings under Revenue section increased from 9 to 14 *per cent*, under Capital section it ranged from 32 to 44 *per cent* and under Loans section, it was between 11 to 69 *per cent*. Persistent savings under Capital Section were mainly due to non-commencement of works for want of administrative orders, slow progress of works and non-finalization of contracts.

2.6.3.2 Surrender of Savings

Unutilized funds of ₹ 1,040.47 crore, amounting to 15 *per cent* of the total Grant (₹ 6,779.37 crore) were surrendered on the last day of the financial year 2013-14. In view of the huge opportunity cost of surrender of funds on the last day of the financial year, this could have been avoided.

Surrenders made were more than the savings under Revenue section of the Grant during the years 2011-12 and 2013-14 by 19 *per cent* and 11 *per cent* respectively. Similarly, under Capital section, surrenders made were more than the savings during the years 2011-12 and 2012-13 by 11 *per cent* and 38 *per cent*. Short surrenders made under loans section were 38 *per cent* and 71 *per cent* during the years 2011-12 and 2013-14 respectively and under Capital section it was 17 *per cent* during the year 2013-14.

2.6.3.3 Unnecessary and Excessive Supplementary Grants

During the year, supplementary grants obtained for ₹ 117.17 crore proved unnecessary in the following schemes:

Table 2.18: Unnecessary supplementary provision

(₹ in crore)					
Scheme	Original	Supplementary	Re-Appropriation	Net Appropriation	Expenditure
Grant-in-aid to Arogyasri Health Care Trust under MiH 789 SCP	150.00	70.00	(-)70.00	150.00	150.00
Grant-in-aid to Arogyasri Health Care Trust under MiH 796 TSP	35.00	25.00	(-)25.00	35.00	35.00
Rajiv Bala Sanjeevani (Other Charges)	0	12.17	(-)12.17	0	0
Development of NIMS University, Rangapur (Major Works)	10.00	10.00	(-)15.00	5.00	5.00
Total	195.00	117.17	(-)122.27	190.00	190.00

2.6.3.4 Re-appropriation/Surrender of Provision

As per norms, State Government has to release its share in respect of CSS by making provision of funds initially in the Budget/Annual Plan. However, State Government subsequently re-appropriated the entire provision totaling ₹ 134 crore (*Appendix 2.18*) or substantially, i.e. 50 per cent and more (*Appendix 2.19*), which indicates poor expenditure management.

2.6.3.5 Injudicious re-appropriations

In 167 cases (five crore rupees and above cases detailed in *Appendix 2.20*), out of total provision ₹ 2,765.37 crore an amount of ₹ 353.52 crore was subsequently re-appropriated. As against the net appropriation of ₹ 2,411.85 crore, expenditure to an extent of ₹ 2,501.55 crore was incurred resulting in excess expenditure of ₹ 89.70 crore.

2.6.3.6 Expenditure without Provision

As per paragraph 17.3.1 and 17.6.1(c) of APBM expenditure should not be incurred unless there is a provision in the budget for any particular head specifically and a special or general order is issued by the Competent Authority. However, in respect of 15 Heads of account, expenditure was incurred without budget provision amounting to ₹ 9.11 crore under Revenue section (*Appendix 2.21*).

2.6.3.7 Programme Implementation

Schemes/programmes/projects, where either the entire allocation or substantial part of the funds were re-appropriated/surrendered under both Revenue and Capital account during 2013-14, indicating poor programme implementation in the Department are illustrated below.

(A) Construction of Buildings under Director of Medical Education

During 2013-14, Government allocated ₹ 154.37 crore for construction of Medical Colleges, Teaching Hospitals, Hostels to Sr. Residents, Nursing Colleges and hostels etc. However, either the entire allocation was surrendered or expenditure incurred was not even 50 per cent due to various reasons from 2011-14 (*Appendix 2.22*).

During 2012-14 funds amounting to ₹ 73 crore were directly allotted to Nizam Institute of Medical Science (NIMS) towards Development and Modernization and Mehdi Nawaz Jung (MNJ) Institute of Oncology towards construction of Buildings. However, there were huge savings as detailed in *Appendix 2.22(a)*.

(B) Schemes affected due to non-release of allocated funds

(i) Reduction of Infant Mortality Rate

Out of ₹ 16 crore allocation, an amount of ₹ 2.31 crore allocated under Tribal Area Sub Plan was not utilized and lapsed to Government, as the Budget Release Order was not issued by the Government.

(ii) Rajiv Bala Sanjeevani

An amount of ₹ 12.17 crore provided through supplementary budget was not utilized and lapsed to Government as guidelines for drawal of funds were not clearly mentioned in the Government Orders.

(iii) National Rural Health Mission

Out of ₹ 350 crore provided towards State share, ₹ 124.24 crore (35 per cent) was unutilized, due to delay in issuance of administrative sanction by the Government.

(iv) Sukhibhava

Out of an amount of ₹ 10 crore allocated, ₹ 4.60 crore lapsed to Government, due to non-issue of Budget Release Order for fourth Quarter.

(v) Fixed Day Health Services (104 Services)

Out of ₹ 50 crore allocated, ₹ 12.50 crore lapsed to the Government, due to non-release of Budget Release Order for fourth quarter.

(vi) Exgratia Assistance in case of fatality/complication due to vasectomy/tubectomy/IUD insertions

Out of ₹ 9 crore allocated towards State share during 2013-14, an amount of ₹ 3.99 crore remained undisbursed and lapsed to Government due to non-release of Budget Release Order for fourth quarter.

(vii) National Vector Borne Diseases Control Programme

This is a Centrally Sponsored (CSS) programme covering Malaria, Japanese Encephalitis, Dengue, Filariasis and Chikungunya. Under the National Filariasis Control Programme with funding pattern of 50:50 between GoI and State Government, the State Government provided ₹ 1.45 crore as against its matching requirement of ₹ 30.80 crore. Further, out of

₹ 30.80 crore allocated under CSS, an amount of ₹ 25.30 crore was deposited in PD account of APSMIDC and bills worth ₹ 5.50 crore were returned due to freeze orders by Government/Treasuries. Under National Programme for control of Japanese Encephalitis and National Programme for control of Dengue and chikungunya, out of a total allocation of ₹ 1.05 crore, ₹ 0.79 crore could not be utilized due to freezing of funds.

Due to non-release of budgeted funds, implementation of several important schemes thus suffered in the crucial health sector.

2.6.3.8 Personal Deposit Accounts

The Andhra Pradesh Medical Services and Infrastructure Development Corporation (APMSIDC) is responsible for procurement and supply of equipment, drugs and construction works in respect of all medical departments. Unspent balances of ₹ 150 crore are found in the PD Account of APMSIDC as of March 2014. Further, an amount of ₹ 25.89 crore, lapsed without being utilized during the last three years due to improper planning which were meant for delivery of Health services.

Unrealistic budgetary allocations resulting in substantial savings, unnecessary Supplementary grants, expenditure incurred without provision, excess re-appropriations resulting in excess over provision point to poor budget management. Drawal of funds in excess of requirement and transfer to PD Accounts indicate poor internal controls. Surrender of Scheme funds are also indicative of poor programme implementation and expenditure monitoring systems, while non-release of budgeted funds on the other hand affected programme implementation in other cases.

2.7 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 2013-14 also. Major instances in this regard are detailed below.

2.7.1 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-Roads and Bridges-797-Transfers to Reserve Fund-Deposit Account. Although provision for transfer of grant received is required to be made every year in the budget, this was not done. During the year 2013-14 an amount of ₹ 71.90 crore was met from the fund account.

Government replied (November 2014) that necessary budget provision has been made in BE 2014-15.

2.7.2 Non-incorporation of correction slips

The Controller General of Accounts vide their correction slips to List of Major and Minor Heads of Account (No. 382, 383 dated 23 November 2000 and Correction slips No.508,509,510 dated 13 May 2004) have instructed to book the expenditure on 'Maintenance and Repairs' under two distinct sub-heads viz., 'Other Maintenance' and

‘Work Charged Establishment’ below Minor Head 053 under the Major Heads 2059-Public Works, 2216-Housing, 2700-Major Irrigation, 2701-Medium Irrigation, 2702-Minor Irrigation and 3054-Roads and Bridges.

State Government continued to exhibit these items at Sub-detailed Head level i.e., 272 and 273 below Detailed Head 270-Minor Works instead of at Sub Head level.

Government assured (November 2014) that the issue will be examined and resolved when such a situation occurs in the future.

2.7.3 Incorrect classification

Subsidies are being shown under Detailed Head 310-Grants-in-Aid instead of under 330-Subsidies. During the year 2013-14 an amount of ₹ 2,851 crore was provided for under 310-Grants-in-aid instead of under 330-Subsidies in various departments.

Government replied (November 2014) that the issue will be examined and resolved when such a situation occurs in the future.

2.7.4 Misclassification in budget estimates

An amount of ₹ 146.08 crore was provided for under Detailed Head “320-Contributions and 310-Grants - in -Aid” on account of compensation to be paid by Government. This should have been provided for under a separate detailed Head “500/501-Compensation” under Major Head 3604- Compensation and Assignments to Local bodies and Panchayat Raj Institutions.

The Detailed head of account 530-Major Works, which is to be operated under Capital section, was classified in Revenue section and ₹ 259.41 crore was provided under Grants XXXIII-Major and Medium Irrigation and XXXIV-Minor Irrigation during 2013-14.

The Detailed head of account 520-Machinery and Equipment, which is to be operated under Capital section, was classified in Revenue section and ₹ 117 crore was provided under 17 grants during 2013-14.

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 ₹ 425.36 crore was provided for during 2013-14. Similarly while 310-Grants-in-aid is to be operated under Revenue section, it was classified in Capital section of the Grants and ₹ 5.20 crore was provided during the current year.

Government replied (November 2014) that this would be examined and resolved while formulating the budget.

2.7.5 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. Government needs to operate a separate Group Sub Head to ensure easy identification of Central Plan Schemes.

Government stated (November 2014) that action has been taken to include a new GSH 12-Centrally assisted State Plan schemes in the Budget Estimates 2014-15, as per the Planning Commission’s advice.

2.7.6 Operation of un-authorized Sub Major Head/Minor Heads

The Sub Major Head 01 and all the Minor Heads operated there under below MH 2501-Special Programme for Rural Development are no longer in operation and have been deleted in 2003. However the Sub Major Head 01 continues to be operated. Although Government assured in November 2012 that necessary action would be taken to discontinue the operation of these unauthorized Sub Major Head/Minor Head under MH 2501, this Sub Major Head 01 has continued to be in operation for the years 2012-13 and 2013-14 also.

Government replied (November 2014) that the issue will be examined and resolved.

2.7.7 Opening of new sub-heads

Article 205 of the Constitution of India provides that expenditure on a “New Service” not contemplated in the Annual Financial Statement (Budget) can be incurred only after its specific authorization by the Legislature. The Government has issued orders in May 1990 based on recommendations of Public Accounts Committee, laying down various criteria for determining items of “New Service/New Instrument of Service”.

During 2013-14, State Government opened 82 new Sub-Heads involving an expenditure of ₹ 1,500.68 crore in respect of various schemes under 21 Grants without prior concurrence of Accountant General (A&E). Further, out of this, budgetary support was provided in respect of 69 sub heads for an amount of ₹ 1,773.82 crore, of which an amount of ₹ 1,386.31 crore was spent. In respect of 13 Sub-heads an amount of ₹ 114.37 crore was incurred without any provision. Out of the above new Sub Heads, although eight schemes were operated with a particular Sub Head number in budget estimates during the years 2011-12 and 2012-13, the same schemes were opened under different Sub Head numbers during the year 2013-14.

Government replied (November 2014) that concurrence of AG (A&E) would be ensured in the future.

2.8 Conclusion

Evidence of unrealistic budgetary assumptions and weakness in expenditure monitoring and control were noticed during the year. The entire Supplementary provision (₹ 11,436 crore) proved unnecessary as the actual expenditure (₹ 1,38,612 crore) incurred was less than the original budget provision (₹ 1,62,148 crore) and there were savings for the fourth consecutive year which stood at ₹ 34,973 crore (20 per cent) during the year.

Several policy initiatives taken up by Government were either unfulfilled or were partially executed, primarily due to non-approval of scheme guidelines/modalities, non-commencement of works for want of administrative sanction and poor project implementation, apart from non-release of budget. Therefore, savings occurred due to its inability to take timely action to remove the bottlenecks affecting implementation of its policy decisions at the field level.

Excess expenditure of ₹ 530 crore was incurred during 2013-14 without Legislative authorization. Regularisation of such expenditure since 2004-05 amounting to ₹ 3,151 crore was yet to be carried out by Government by taking Legislative approval. Lumpsum provision

(₹ 1,703 crore) without specific details of expenditure continued to be included in the budget for 2013-14 and the entire provision was surrendered at the end of the year.

There were several instances of misclassifications in the budget. Most of these have been flagged in earlier Audit Reports, but Government did not initiate corrective action in this regard, especially classification of subsidies under other heads when there is a specific head to account for these items, operation of omnibus Minor Head 800 etc.

Unrealistic budgetary allocations resulting in substantial savings, unnecessary Supplementary grants, expenditure incurred without provision, excess re-appropriations resulting in excess over provision, point to poor budget management. Drawal of funds in excess of requirement and transfer to PD Accounts indicate poor internal controls in the Departments administering Municipal Administration and Urban Development, Panchayat Raj and Medical & Health Grants. Surrender of Scheme funds are also indicative of poor programme implementation and weak expenditure monitoring systems.