

Chapter 2

Financial Management and Budgetary Control

2.1 Introduction

The Appropriation Accounts are accounts of the expenditure, voted and charged, of the Government for each financial year compared with the amounts of the grants voted and appropriations charged for different purposes as specified in the schedules appended to the Appropriation Acts. These Accounts depict the original budget estimates, supplementary grants, surrender and re-appropriations distinctly and indicate actual capital and revenue expenditure on various specified services *vis-à-vis* those authorised by the Appropriation Act in respect of both charged and voted items of budget. The Appropriation Accounts thus facilitate understanding of utilisation of finances and monitoring of budgetary provisions and are therefore complementary to Finance Accounts.

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

2.2 Summary of Appropriation Accounts

The summarised position of actual expenditure during 2009-10 against 40 grants/appropriations is as given in **Table 2.1**.

Table 2.1: Summarised position of actual expenditure vis-à-vis original/supplementary provisions

| <i>(Rupees in crore)</i> | | | | | | |
|-----------------------------------|------------------------------|----------------------------------|---------------------------------------|------------------|---------------------|---------------------------|
| | Nature of expenditure | Original grant/ appropriation | Supplementary grant/ appropriation | Total | Actual expenditure* | Saving (-)/ Excess (+) |
| Voted | I Revenue | 67632.32 | 5506.68 | 73139.00 | 55870.36 | (-) 17268.64 |
| | II Capital | 17974.06 | 1077.07 | 19051.13 | 14576.42 | (-) 4474.71 |
| | III Loans and Advances | 866.36 | 901.49 | 1767.85 | 1589.81 | (-) 178.04 |
| Total Voted | | 86472.74 | 7485.24 | 93957.98 | 72036.59 | (-) 21921.39 |
| Charged | IV Revenue | 9220.47 | 8.86 | 9229.33 | 8999.27 | (-) 230.06 |
| | V Capital | 108.70 | 7.44 | 116.14 | 9.45 | (-) 106.69 |
| | VI Public Debt- Repayment | 8084.48 | -- | 8084.48 | 6277.00 | (-) 1807.48 |
| Total Charged | | 17413.65 | 16.30 | 17429.95 | 15285.72 | (-) 2144.23 |
| Appropriation to Contingency Fund | | -- | -- | -- | -- | -- |
| Grand Total | | 103886.39 | 7501.54 | 111387.93 | 87322.31 | (-) 24065.62 |

* These are gross figures without taking into account the recoveries adjusted in accounts as reduction of expenditure under revenue expenditure (₹ 1421.70 crore) and capital expenditure (₹ 792.82 crore).

Note: At the end of June 2010 Detailed Contingent bills were not received as required under rules from Drawing and Disbursing Officers in support of ₹ 1209.19 crore drawn on Abstract Contingent bills during 2009-10. In the absence of Detailed Contingent bills, the genuineness of the expenditure could not be vouched. The total expenditure stands inflated to that extent.

The overall saving of ₹ 24065.62 crore was the result of saving of ₹ 24175.36 crore in 38 grants and 14 appropriations under Revenue Section, 23 grants and three appropriations under Capital Section and 10 grants and one appropriation (Public Debt) under Loans Section, offset by excess of ₹ 109.74 crore in two grants and two appropriations under Revenue Section, five grants under Capital Section and three grants under Loans Section.

2.3 Financial accountability and budget management

2.3.1 Appropriation vis-à-vis allocative priorities

The appropriation audit reveals that, in 20 cases, saving exceeded ₹ 100 crore in each case and also by more than 20 per cent of total provision (**Appendix 2.1**). Against the total saving of ₹ 24175.36 crore, saving of ₹ 6016.29 crore (24.89 per cent) occurred in three grants as indicated in **Table 2.2**.

Table 2.2: List of grants with large saving

| <i>(Rupees in crore)</i> | | | | | | |
|--------------------------|---|----------|---------------|---------|--------------------|----------------|
| S.No. | No. and Name of the Grant | Original | Supplementary | Total | Actual Expenditure | Saving |
| Revenue - Voted | | | | | | |
| 1 | XVII - Municipal Administration and Urban Development | 3825.72 | 467.56 | 4293.28 | 2278.02 | 2015.26 |
| 2 | XXXV - Energy | 6086.40 | -- | 6086.40 | 3249.80 | 2836.60 |
| 3 | XXXVIII - Civil Supplies Administration | 3710.49 | 0.07 | 3710.56 | 2546.13 | 1164.43 |
| Total | | | | | | 6016.29 |

The Saving under Revenue Section of Municipal Administration and Urban Development grant was mainly due to treating the expenditure (i) towards Godavari Water Supply in Greater Hyderabad Municipal Corporation area as a loan to Hyderabad Metropolitan Water Supply and Sewerage Board and (ii) towards Outer Ring Road Project as loan to Hyderabad Metropolitan Development Authority.

The saving in Energy grant mainly occurred under assistance to Transmission Corporation of AP (APTRANSCO) (₹ 2827.60 crore) and in Civil Supplies Administration grant under subsidy on rice (₹ 1150 crore). However, no specific reasons were intimated for the savings in these grants.

2.3.2 Persistent savings

There were persistent savings of more than ₹ 20 crore in each case and also by 20 per cent or more of the total grant in eight cases, during the last five years (**Table 2.3**).

Table 2.3: List of grants/appropriations indicating persistent savings during 2005-10

(Rupees in crore)

| Sl. No. | No. and Name of the Grant | Amount of saving | | | | |
|--------------------------|--|------------------|---------|---------|---------|---------|
| | | 2005-06 | 2006-07 | 2007-08 | 2008-09 | 2009-10 |
| Revenue -Voted | | | | | | |
| 1 | XVIII – Housing | 110.27 | 407.29 | 341.95 | 801.71 | 374.16 |
| 2 | XXXVI - Industries and Commerce | 140.05 | 151.69 | 165.40 | 287.74 | 582.38 |
| 3 | XXXVII – Tourism, Art and Culture | 31.35 | 65.87 | 74.13 | 55.18 | 38.16 |
| Capital -Voted | | | | | | |
| 4 | V – Revenue, Registration and Relief | 28.50 | 36.54 | 36.59 | 60.30 | 22.98 |
| 5 | XXI – Social Welfare | 146.39 | 175.71 | 109.39 | 434.29 | 102.29 |
| Loans -Voted | | | | | | |
| 6 | IX - Fiscal Administration, Planning, Surveys and Statistics | 37.70 | 37.90 | 25.91 | 29.18 | 51.56 |
| 7 | XXXV - Energy | 431.53 | 32.46 | 183.31 | 360.59 | 152.00 |
| Capital - Charged | | | | | | |
| 8 | XXXIII – Major & Medium Irrigation | 74.21 | 51.95 | 69.04 | 112.27 | 96.96 |

Persistent savings under Industries and Commerce were stated to be mainly due to non-release of central share by GOI, non-receipt of administrative sanctions, no requirement towards reimbursement of Purchase Tax Incentives and making provision under Transport, Roads and Buildings Department towards reimbursement of Sales Tax (VAT) on aviation turbine fuel to Air Sahara and other Airlines etc.

Saving under Housing grant was mainly due to providing equal amount under Rural Development for construction of rooms for Grama Aikhya Sangams and Grama Sachivalaya buildings under Panchayat Raj department, abolition of PMGM scheme by Government of India after first quarter (2005-06) and assistance to AP Housing Board for allotment of housing board land to AP Congress Committee for construction of State headquarters' office of the Indian National Congress Committee.

Saving under Tourism, Art & Culture grant was mainly due to non-materialization of action plan and non-receipt of administrative sanction, delay in calling the tenders through e-process for archaeological conservation and making provision towards construction of multi-purpose cultural complexes at Kadapa and Nellore.

Saving under Revenue, Registration and Relief grant was due to non-construction of buildings and non-taking up of construction works under National Cyclone Risk Mitigation Project.

Saving under Social Welfare grant was due to requirement of additional funds under other sub-heads for maintenance of schools functioning under DPIP & APRPRP projects, establishment of hostels, loan to AP Backward Classes Co-operative Finance Corporation and maintenance of schools.

Persistent saving under Fiscal Administration, Planning, Surveys and Statistics was mainly due to making huge provision under various loan heads in each year though proposals for loans have not been received from Heads of Departments.

Non-release of expected funds by GOI for power development, making investment in APTRANSCO as equity instead of loans, equity participation in Andhra Pradesh Power Generation Corporation (APGENCO) for setting up of Krishnapatnam Thermal Power project and non-taking up of modernisation and strengthening of transmission system in Hyderabad Metropolitan areas, an EAP project were stated to be the main reasons for persistent savings under Energy.

No specific reasons for the saving were intimated under Major and Medium Irrigation grant.

2.3.3 Excess disbursement

In three cases, excess disbursement aggregating ₹ 94.99 crore exceeded the approved provision by ₹ 10 crore or more in each case (Table 2.4).

Table 2.4: Excess disbursement

(Rupees in crore)

| Sl. No. | Grant No. | Name of the Grant | Total Grant | Disbursement | Excess Disbursement |
|--------------|-----------|--|----------------|----------------|---------------------|
| 1 | XI | Roads, Buildings and Ports (Loans Voted) | 34.27 | 74.20 | 39.93 |
| 2. | XVII | Municipal Administration and Urban Development (Loans Voted) | 815.00 | 859.91 | 44.91 |
| 3. | XIX | Information and Public Relations (Revenue Voted) | 212.55 | 222.70 | 10.15 |
| Total | | | 1061.82 | 1156.81 | 94.99 |

Sanctioning of more loans to APSRTC than the provision resulted in excess under Grant No. XI. Under Grant No. XVII, the excess was due to treating the assistance to Hyderabad Metro Development Authority for Outer Ring Road Project as loan subsequent to the passage of budget. Excess under revenue section of Grant No. XIX was mainly due to more expenditure than provision for advertisement of Government Departments in Print Media.

2.3.4 Expenditure without Provision

As per Para 20.3.1 of the Budget Manual, expenditure should not ordinarily be incurred on a scheme/service without provision of funds.

It was, however, noticed that expenditure of ₹ 226.98 crore was incurred in three cases (₹ 10 crore and above in each case) as detailed in **Table 2.5** without any provision in the original estimates/supplementary demands.

Table 2.5: Expenditure incurred without provision during 2009-10

(Rupees in crore)

| Sl. No. | No. and Name of the Grant | Head of Account | Expenditure without provision | Reasons |
|--------------|---------------------------------|-----------------|-------------------------------|--|
| 1 | XI - Roads, Buildings and Ports | 3054-04-797-04 | 188.55 | Non-provision of funds in the budget for transfer of amount received from Central Government to Central Road Fund. |
| 2 | - do - | 5054-04-800-19 | 12.02 | Reasons not intimated |
| 3 | - do - | 5054-80-001-80 | 26.41 | Reasons not intimated |
| Total | | | 226.98 | |

2.3.5 Excess over provision relating to previous years requiring regularisation

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 for regularisation of expenditure has been prescribed under the Article, regularisation of excess expenditure is done after the completion of discussion of the Appropriation Accounts by the Public Accounts Committee (PAC). However, the excess expenditure amounting to ₹ 1709.91 crore for the years 2004-05 to 2008-09 is yet to be regularised as detailed in **Appendix 2.2**. The year-wise amount of excess expenditure pending regularisation for grants/appropriations is summarised in **Table 2.6**.

Table 2.6: Excess over provision relating to previous years requiring regularisation

(Rupees in crore)

| Year | Number of | | Amount of excess over provision | Status of Regularisation |
|--------------|-----------|----------------|---------------------------------|---|
| | Grants | Appropriations | | |
| 2004-05 | 5* | 1 | 14.83 | Explanatory notes are awaited from the Administrative Departments/Finance Department for vetting by the Principal Accountant General. |
| 2005-06 | 10@ | 3 | 585.82 | |
| 2006-07 | 7* | 1 ^s | 198.72 | |
| 2007-08 | 7 | 3 | 201.30 | |
| 2008-09 | 11 | 3 | 709.24 | |
| Total | 40 | 11 | 1709.91 | |

* Explanatory notes for one Grant was received and vetted

@ Explanatory notes for two Grants was received

^s Explanatory notes for the Appropriation was received and vetted

2.3.6 Excess over provision during 2009-10 requiring regularisation

Table 2.7 contains the summary of total excess in 10 grants and two appropriations amounting to ₹ 109.74 crore over authorisation from the Consolidated Fund of the State during 2009-10 which requires regularisation under Article 205 of the Constitution.

Table 2.7: Excess over provision requiring regularisation during 2009-10

(Rupees in crore)

| Sl. No. | Number and name of grant/appropriation | Total grant/ appropriation | Expenditure | Excess |
|------------------------|---|----------------------------|----------------|---------------|
| Revenue-Voted | | | | |
| 1. | III - Administration of Justice | 362.18 | 363.03 | 0.85 |
| 2. | XIX - Information and Public Relations | 212.55 | 222.70 | 10.15 |
| Capital-Voted | | | | |
| 3. | IV - General Administration and Elections | 3.52 | 4.30 | 0.78 |
| 4. | VII – Commercial Taxes Administration | 0.25 | 4.00 | 3.75 |
| 5. | X – Home Administration | 17.50 | 22.04 | 4.54 |
| 6. | XVII - Municipal Administration and Urban Development | 1.03 | 1.96 | 0.93 |
| 7. | XXIX – Forest, Science, Technology and Environment | 0.68 | 0.83 | 0.15 |
| Loans-Voted | | | | |
| 8. | XI – Roads, Buildings and Ports | 34.27 | 74.20 | 39.93 |
| 9. | XVI – Medical and Health | 132.87 | 136.60 | 3.73 |
| 10. | XVII - Municipal Administration and Urban Development | 815.00 | 859.91 | 44.91 |
| Total Voted | | 1579.85 | 1689.57 | 109.72 |
| Revenue-Charged | | | | |
| 1 | VII – Commercial Taxes Administration | -- | 0.01 | 0.01 |
| 2. | XIII - Higher Education | -- | 0.01 | 0.01 |
| Total Charged | | -- | 0.02 | 0.02 |
| Grand Total | | 1579.85 | 1689.59 | 109.74 |

Of the total excess (₹ 109.74 crore), 77 per cent excess occurred under Grant Nos. XI and XVII (Loans Voted section).

Excess expenditure under Grant No. III – Administration of Justice was stated to be due to additional expenditure on wages of contingent employees, Travelling Allowance of Judicial officers, conveyance charges of personal assistants, revision of property tax of court buildings in various municipalities and rents of private buildings occupied by the Judicial officers in respect of newly sanctioned courts, ex-gratia payment to legal representatives and purchase of motor car.

Reasons for excess expenditure under other grants were not intimated.

2.3.7 Unnecessary/Excessive/Inadequate supplementary provision

Supplementary provision aggregating ₹ 1883.27 crore obtained in 28 cases (Rupees one crore or more in each case) during the year proved unnecessary as the expenditure did not come up to the level of original provision as detailed in *Appendix 2.3(A)*.

As the expenditure fell short of even the original provision, obtaining huge supplementary provision in respect of Municipal Administration and Urban Development, Backward Classes Welfare and Panchayat Raj grants proved unnecessary and the supplementary provision could have been restricted to a token provision wherever necessary.

Supplementary provision aggregating ₹ 4610.40 crore was proved excessive by ₹ 1579.95 crore over the required provision of ₹ 3030.45 crore under 10 grants (Rupees one crore or more in each case) as detailed in *Appendix 2.3 (B)*.

In four cases, supplementary provision of ₹ 969.55 crore proved insufficient by more than Rupees one crore each leaving an aggregate uncovered excess expenditure of ₹ 63.33 crore [*Appendix 2.3 (C)*].

In view of the final excess, the supplementary provision obtained proved insufficient.

2.3.8 Excessive/unnecessary re-appropriation of funds

Re-appropriation is transfer of funds within a grant from one unit of appropriation, where savings are anticipated, to another unit where additional funds are needed. Injudicious re-appropriation in 216 sub-heads proved excessive or unnecessary and resulted in saving/excess of over ₹ 1 crore in each case. Major cases where the excess/saving was more than ₹ 10 crore in each case are detailed in *Appendix 2.4*.

Reasons in respect of cases where saving/excess exceeded by ₹ 100 crore and above are given below:

(Rupees in crore)

| Head of account | Saving/ Excess | Reasons |
|---|-------------------|--|
| X – Home Administration | | |
| 2055-00-109-03 | (+) 104.08 | Reduction in the provision was mainly due to non-filling up of vacant posts (₹ 73.60 crore) and increase in the provision was mainly due to clearing of pending bills and electricity charges payable to APTRANSCO (₹ 8.22 crore). Reasons for the final excess were not furnished. |
| XXI – Social Welfare | | |
| 2225-01-277-06 | (-) 145.31 | Reasons for the reduction in the provision by ₹ 38.76 crore as well as for final saving were not furnished. |
| XXIII – Backward Classes Welfare | | |
| 2225-03-277-05 | (-) 152.11 | Reasons for the reduction in the provision by ₹ 61.61 crore as well as for final saving were not furnished. |
| XXXIII - Major and Medium Irrigation | | |
| 4701-01-120 | (-) 427.92 | Reduction in the provision by ₹ 242.17 crore was due to non-commissioning and non-grounding of works. Reasons for final saving were not furnished. |
| 4701-01-133 | (+) 320.06 | Increase in the provision by ₹ 4.00 crore was due to payment of land acquisition charges under Sri Krishna Devaraya Galeru Nagari Sujala Sravanti. Reasons for the decrease in the provision (₹ 539.81 crore) and for final excess were not furnished. |
| 4701-01-138 | (-) 128.52 | Increase in the provision by ₹ 65.00 crore was due to payment of work bills and land acquisition charges. Reasons for the decrease in the provision (₹ 106.99 crore) and for final saving were not furnished. |
| 4701-01-156 | (-) 108.82 | Increase in the provision by ₹ 90.28 crore was due to payment of work bills, land acquisition charges and compensation. Reasons for the decrease in the provision (₹ 49.59 crore) and for final saving were not furnished. |
| 4701-01-170 | (-) 177.34 | Reasons for the decrease in the provision by ₹ 3.32 crore and for final saving were not furnished. |
| 4701-01-800 | (-) 183.62 | Increase in the provision by ₹ 14.23 crore was mainly due to payment of salaries to the work-charged establishment, allowances to employees, advertisement and publicity charges, for clearance of pending bills, hike in Dearness Allowance from time to time, payment of wages, water, electricity charges and salaries to outsourcing staff. Reasons for the decrease in the provision (₹ 27.35 crore) and for final saving were not furnished. |

2.3.9 Unexplained re-appropriations

According to Paragraph 20.17.2 of Andhra Pradesh Budget Manual, reasons for the additional expenditure and savings should be explained in the re-appropriation statement and vague expressions such as “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 Finance Department revealed that in respect of 6597 items out of 8090 items (82 per cent), reasons given for additional

provision/withdrawal of provision in re-appropriation orders were of general nature like “actual requirement/expenditure”, “due to observance of economy measures” and “savings are anticipated”.

2.3.10 Substantial surrenders

Substantial surrender in excess of ₹ 10 crore and above and more than 50 per cent of total provision in each case were made in respect of 106 sub-heads on account of either non-implementation or slow implementation of schemes/programmes. Out of the total provision amounting to ₹ 15631 crore in these 106 sub-heads, ₹ 12164.36 crore (78 per cent) was surrendered, which included cent per cent surrenders (₹ 2292.19 crore) in 29 sub-heads. The details of cases of more than ₹ 100 crore and above surrendered were audited/verified by Audit are given in **Appendix 2.5**. The following are the audit observations.

- As per Para 16.12 of the Budget Manual, lumpsum provision should not as a rule be made in the Budget estimates. However, lump sum provisions were made in the Budget Estimates in violation of the provisions of Budget Manual and surrendered on the last day of the financial year. Specific reasons were not given for the surrenders.

(Rupees in lakh)

| Sl. No. | No. and Name of the Grant | Head of Account | Budget provision | Amount Surrendered |
|--------------|----------------------------|-----------------|------------------|--------------------|
| 1 | IX – Fiscal Administration | 2052-00-090-75 | 256.94 | 256.94 |
| 2 | XII – School Education | 2202-01-800-75 | 11.40 | 10.92 |
| 3 | XIII – Higher Education | 2202-03-001-75 | 8.04 | 8.04 |
| 4 | XVI – Medical and Health | 2210-01-001-75 | 6.00 | 6.00 |
| Total | | | 282.38 | 281.90 |

- Though a provision of ₹ 3000 crore was made for Ways and Means Advance (WMA), the Government had not availed WMA during the last four years. However, again in the current year, a provision of ₹ 3000 crore was made, of which a meagre amount of ₹ 33 crore was availed resulting in a large saving of ₹ 2967 crore.

2.3.11 Surrender in excess of actual saving

The spending departments, as per the provisions of the Budget Manual, are required to surrender the grants/appropriations or portion thereof to the Finance Department as and when the savings are anticipated. Surrender of the provision in anticipation of savings and incurring expenditure subsequently by controlling officers is resulting in surrender in excess of the overall saving in a grant/appropriation.

In 16 cases, the amount surrendered (₹ 50 lakh or more in each case) was in excess of actual saving indicating lack of or inadequate budgetary control in these departments. As against the saving of ₹ 2814.82 crore, the actual amount surrendered was ₹ 3345.85 crore, resulting in excess surrender of ₹ 510.98 crore. Details are given in **Appendix 2.6**.

2.3.12 Anticipated savings not surrendered

As per Para 20.2.2 of the Budget Manual, the spending departments are required to surrender the grants/appropriations or portion thereof to the Finance Department as and when the savings are anticipated.

At the close of the year 2009-10, there were however, 19 grants/appropriations in which saving occurred but no part of which had been surrendered by the departments concerned. The saving in these cases was ₹ 458.06 crore constituting 1.89 per cent of the total saving (**Appendix 2.7**).

Similarly, out of the saving of ₹ 20380.43 crore under 33 grants/appropriations (unsurrendered saving of ₹ 5 crore and above in each case) ₹ 9046.54 crore (37.42 per cent of total saving) was not surrendered, details of which are given in **Appendix 2.8**. Besides, in 64 cases (surrender of funds in excess of ₹ 10 crore in each case), ₹ 14742.80 crore was surrendered (**Appendix 2.9**) on the last two working days of March 2010 indicating inadequate financial control and possible low capacity to spend and the fact that these funds could have been utilised for other development purposes where needed.

2.3.13 Rush of expenditure

Article 39 of the Financial Code 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 these provisions, while the expenditure during each of the three quarters ending December 2009 was between 17 and 23 per cent of the total expenditure, it was highest at 37 per cent in the last quarter of the year. The expenditure, in the month of March 2010 alone constituted 21 per cent indicating rush of expenditure at the end of the financial year (**Table 2.8**).

Table 2.8: Rush of expenditure

| Quarter ended | Expenditure (Rupees in crore) | Percentage of total expenditure |
|-------------------------------|-------------------------------|---------------------------------|
| 30 June 2009 | 12872.83 | 17 |
| 30 September 2009 | 17862.39 | 23 |
| 31 December 2009 | 18151.62 | 23 |
| 31 March 2010 | 28354.14 | 37 |
| Total Expenditure | 77240.98* | -- |
| Expenditure during March 2010 | 16435.31 | 21 |

*represents revenue and capital expenditure

2.4 Unreconciled expenditure

To enable Controlling Officers of Departments to exercise effective control over expenditure to keep it within the budget grants and to ensure accuracy of their accounts, Financial Rules¹ stipulate that expenditure recorded in their books be reconciled by them every month during the financial year with that recorded in the books of the Accountant General. Even though non-reconciliation of departmental figures is being pointed out regularly in Audit Reports, lapses on the part of Controlling Officers in this regard continued to persist during 2009-10 also. Out of the total expenditure² of ₹ 78830.79 crore during 2009-10, expenditure amounting to ₹ 34314.22 crore (44 *per cent* of the total expenditure) was not reconciled by 255 Controlling Officers as of June 2010, of which 14 Controlling Officers did not reconcile expenditure exceeding ₹ 500 crore in each case as given in **Table 2.9**.

Table 2.9: List of controlling officers where expenditure exceeding ₹ 500 crore in each case remained un-reconciled during 2009-2010

| <i>(Rupees in crore)</i> | | |
|--------------------------|---|-----------------------|
| Sl. No. | Controlling Office | Amount not reconciled |
| 1 | Finance (2049 – Interest payments) | 8913.59 |
| 2 | Land Administration (2053 – District Administration) | 635.53 |
| 3 | Finance (2071 – Pensions & other Retirement benefits) | 6337.89 |
| 4 | Chief Engineer, RWS (2215 – Water Supply & Sanitation), | 557.61 |
| 5 | Backward Classes Welfare (2225 – Welfare of SCs, STs & OBCs) | 683.92 |
| 6 | Panchayat Raj (2515 – Other Rural Development Programmes) | 634.54 |
| 7 | Panchayat Raj & Rural Development – Secretariat (2515 – Other Rural Development Programmes) | 585.96 |
| 8 | Admn.-cum-Chief Engineer, SRSP (2701 – Major & Medium Irrigation) | 550.79 |
| 9 | Chief Engineer, Tungabhadra Project (4701 – Capital Outlay on Major & Medium Irrigation) | 1088.50 |
| 10 | Chief Engineer, Roads & Buildings (5054 – Capital Outlay on Roads & Bridges) | 1326.39 |
| 11 | Planning, Secretariat department (5475 – Capital Outlay on Other General Economic Services) | 508.50 |
| 12 | Secretary to Government, Planning department (5475 – Capital Outlay on Other General Economic Services) | 507.12 |
| 13 | Director, Medical Education (6210 – Loans for Medical & Public Health) | 845.43 |
| 14 | Director of Town & Country Planning (6217 – Loans for Urban Development) | 572.40 |

Further, every Controlling Officer should obtain regular accounts and returns from his subordinates for the amounts realised by them and paid

¹ Article 9 of the Andhra Pradesh Financial Code

² includes revenue, capital and loans and advances

into the treasury and compare the figures with the accounts received from the Accountant General and reconcile any differences as early as possible before the accounts of the year are closed. However, receipts amounting to ₹ 63175 crore, 98 *per cent* of total revenue receipts during 2009-10 under 45 heads were not reconciled by the concerned Controlling Officers. Similarly, out of total repayment of loans (₹ 143 crore) during 2009-10, ₹ 138 crore (97 *per cent*) was not reconciled under 14 heads as of June 2010.

2.5 Advances from Contingency Fund

The 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 character, postponement of which, till its authorisation by the Legislature would be undesirable. The Fund is in the nature of an imprest with a corpus of ₹ 50 crore.

During 2009-10, ₹ 7.89 crore was drawn from the CF of which ₹ 0.43 crore remained un-recouped³ at the end of the year. Instances of unnecessary drawal of advances from CF were noticed as under:

Irregular drawal of advance from Contingency Fund

(i) The High Court of AP issued orders in February 2006 to the Revenue Divisional Officer, Sangareddy to deposit an amount of ₹ 1.52 crore towards decretal charges in respect of land acquisition in Sangareddy mandal (Medak district) for establishing Ordinance Factory (OP No. 553/87). The amount was neither deposited in the court immediately nor a provision made in the Budget/ Supplementary Estimates for the years 2007-08 to 2009-10. The amount was sanctioned from Contingency Fund during March 2010 and paid in May 2010. The expenditure could not be considered as unforeseen or urgent in nature as three years had lapsed since the issue of court orders and hence the drawal of advance from Contingency Fund was irregular.

(ii) The High Court of AP issued orders in July 2000 to the Chief Engineer, R&B department (ADB & CAD) to pay 80 *per cent* of the land compensation to land owners in respect of land acquisition in Chevella Revenue Division, RR district, for widening of Hyderabad-Karimnagar-Ramagundem road (WP No. 3882 of 1996). The amount was neither deposited in the court immediately nor provision made in the Budget/ Supplementary Estimates for the years 2001-02 to 2008-09. Instead ₹ 1.66 crore was drawn from the Contingency Fund in September 2009 and deposited with the RDO, Chevella (RR District) in January 2010 for making payment to the land owners which was irregular as the expenditure could have been included in the Budget/Supplementary Estimates.

³ includes ₹ 0.02 crore pertaining to 2008-09

2.6 Errors in Budgeting process

The following lapses/errors were observed in the process of budgeting by the State Government:

- Though the omissions/errors in the budget process are pointed out every year to the Finance department by the Principal Accountants General (A&E) and (Civil Audit) the corrections to List of Major and Minor Heads (LMMH) made by the Controller General of Accounts from time to time are not being incorporated by the State Government in the Budget Estimates for the years subsequent to year of issue of correction slips⁴. This may cause distortion in the annual accounts of the State and lead to incorrect assessment of the State's financial position by the Planning Commission, Finance Commission, Comptroller and Auditor General of India, etc.
- State Government is in receipt of assistance from Government of India each year towards maintenance of Central Road Fund of the State and for National Road Development activities in the form of grant under MH 1601. Necessary budget provision under relevant revenue expenditure major heads [e.g. MH 3054-04-797-SH (04)] for its eventual transfer to MH 8449-Other Deposits-103 Subvention from Central Road Fund is to be made by the State Government.

Necessary budget provision is also to be made under minor head 902 MH 5054 Capital Outlay on Roads and Bridges to adjust the initial expenditure incurred under the above head, finally to the Central Road Fund. However, no budget provision was made in the budget estimates for the last five years giving without any justifiable reasons.

Similarly the total cess collected and booked under MH 0515-800-SH (05) in the preceding year is required to be transferred to A.P. Rural Development fund by making a suitable provision under MH 2515-797-SH (04) in Grant No. XXXI - Panchayat Raj. However, no such provision was made in the Budget Estimates 2009-10 under MH 2515 by the Government.

Such non-provision of budget could seriously affect the presentation of accounts.

- A provision of ₹ 763.28 crore was made in the budget for 2009-10 under Revenue Section of Grant No. XVII – Municipal Administration and Urban Development towards assistance to Hyderabad Metropolitan Water Supply and Sewerage Board (HMWS&SB) (₹ 325 crore) and Hyderabad Metropolitan Development Authority (₹ 378.28 crore) for Godavari Water

⁴ Correction slip Nos. 382 and 383 dated 23-11-2000; 417 dated 16-01-2002; 444 dated 01-10-2002; 446 dated 22-10-2002; 506 to 515 dated 13-05-2004

Supply and for implementation of sewage master plan and Outer Ring Road Project in twin cities. However, Government decided to treat the assistance as loan to HMWS&SB and obtained supplementary provision for the purpose under Loans Section of the Grant resulting in huge saving under Revenue Section. Similarly, provision of ₹ 2312.50 crore was made in the budget 2009-10 for five projects⁵ under Revenue Section. During the course of the financial year Government transferred the expenditure of ₹ 1420.13 crore booked against these projects to Capital Section without budget provision resulting in huge saving under Revenue Section and excess under Capital Section.

2.7 Outcome of review of selected grants

A detailed review of Budgetary procedures and expenditure controls in two grants viz., Social Welfare (Demand No. XXI) and Energy (Demand No. XXXV) for the year 2009-10 revealed the following:

2.7.1 Budget procedures

Social Welfare Department

- Certificate of reconciliation issued by Principal Accountant General (A&E) was not appended to the departmental estimates in token of reconciliation of differences between departmental figures and PAG (A&E) by the HODs⁶.
- A provision of ₹ 3.53 crore was included by the Commissioner of Social Welfare in the budget estimates 2009-10 in respect of 620 posts which were not sanctioned by the Government.
- Budget estimates were submitted to the Finance/Administrative Departments by the HODs with a delay ranging from 12 days to 65 days.
- Number statements were submitted to the Finance Department by the HODs with a delay ranging from 82 days to 501 days.
- Huge saving of ₹ 459.19 crore (27 per cent of total provision) under Revenue and Capital Sections of the grant shows that the estimates were prepared without proper scrutiny as required under para 18.1 of AP Budget Manual.

⁵ Nagarjuna Sagar, Kadam, Sriramsagar, Srisailam Right Branch Canal and Srisailam Left Bank Canal

⁶ Social Welfare : i) Commissioner of Social Welfare and ii) AP Social Welfare Residential Educational Institutions

Energy Department

- Provision was made for posts vacant for more than six months as per cadre/sanctioned strength instead of actual posts in operation resulting in excess provision by ₹ 35.49 lakh in respect of 29 posts.
- Budget estimates were submitted to the Finance/Administrative Departments by the HODs with a delay ranging from 27 days to 50 days.
- Number statements were submitted to the Finance Department by the HODs with a delay ranging from 24 days to 110 days.

2.7.2 Control of expenditure

Social Welfare Department

- An amount of ₹ 164.19 crore was surrendered out of final saving of ₹ 459.19 crore. Saving amounting to ₹ 295 crore was not surrendered on 31 March 2010 indicating inadequate financial control and the fact that these funds could not be utilized for other development purposes.
- While the expenditure pertaining to the Commissioner of Social Welfare during the previous three quarters ending December 2009 was ₹ 409 crore, it was ₹ 406 crore (50 per cent of the total expenditure of ₹ 815 crore) during last quarter. Expenditure in the month of March 2009 was ₹ 113 crore (14 per cent of the total expenditure) indicating rush of expenditure during the last quarter and in the month of March.

Energy Department

- As per para 20.2.2 of AP Budget Manual, the spending departments are required to surrender the grants/appropriation or portion thereof to the Finance Department as and when the savings are anticipated. However, saving amounting to ₹ 2998 crore (99.98 per cent) of the total saving was not surrendered indicating lack of financial control.

2.8 Conclusions and Recommendations

The financial management and budgetary control of the Government was not satisfactory. Government presented ambitious budget of ₹ 111387.93 crore⁷ for the year 2009-10, of which it could incur an expenditure of ₹ 87322.31 crore resulting in an overall shortfall in disbursements of ₹ 24065.62 crore (22 per cent of total provision).

⁷ Original budget ₹ 103886.39 crore and Supplementary ₹ 7501.54 crore

Supplementary provision of ₹ 1883.27 crore obtained in 28 grants/appropriations proved unnecessary, excessive by ₹ 1579.95 crore under 10 grants and insufficient by ₹ 63.33 crore in four grants.

During the current year, Government incurred ₹ 109.74 crore in excess of the provision under 10 grants and two appropriations which requires regularisation by the State Legislature.

During the last five years, there were persistent shortfall in utilisation of more than ₹ 20 crore in each case under seven grants and one appropriation. Under 20 grants/appropriations, savings exceeded by ₹ 100 crore and also by 20 *per cent* of provision in each case.

Injudicious re-appropriations in 216 sub-heads proved excessive or insufficient resulting in saving/excess of over ₹ 1 crore in each case. Specific reasons were not furnished in respect of 6597 (82 *per cent*) out of 8090 re-appropriations.

Saving amounting to ₹ 14743 crore (in excess of ₹ 10 crore in each case) was surrendered on the last two working days of March 2010 denying the possibility of utilisation of these funds for other development purposes.

There was rush of expenditure during the last quarter of the year. Forty four *per cent* of total expenditure was not reconciled by the controlling officers.

There were deficiencies in budgetary procedure and expenditure control in Social Welfare Department and Energy Department. Submission of budget estimates to the Finance Department was delayed, funds were provided for the vacant posts or the posts not sanctioned, there were large savings which were either not surrendered or surrendered late.

Recommendations

- *Efforts should be made by all the departments to submit realistic budget estimates keeping in view the trends in receipts and expenditure in order to avoid large scale saving/excess, re-appropriations and surrenders at the fag end of the year. Savings should be surrendered as and when they were noticed.*
- *Re-appropriations should be judicious to avoid excessive and insufficient funds.*
- *Timely reconciliation should be ensured to avoid misclassifications and distortions in financial reporting.*