

Chapter 2 Financial Management and Budgetary Control

2.1 Introduction

Effective financial management ensures that decisions taken at the policy level are implemented at the administrative level without wastage or diversion of funds and with reasonable assurance relating to 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 Transparency in Budgeting

2.2.1 Budget cycle

The Andhra Pradesh Financial Code (APFC) and the Andhra Pradesh Budget Manual (APBM) lay down the procedure to be followed with regard to all matters concerning finance and budget. Budget preparation in the State is guided by a budget calendar, which is generally complied with. The exercise for preparation of budget estimates starts around October for the next financial year. Our 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 is prescribed to be followed in budget preparation as per the APBM with the requirement of funds projected from the unit level and consolidated at the district and finally the department level. There was, however, no evidence of compliance with this requirement from the departments audited during the year. Audit of several schemes/transactions of Government departments revealed that financial inputs were not correlated with the corresponding physical outputs or outcome either at the unit/district or department level and inadequate rigour is exercised in analysing and assessing the actual requirement of funds. While the 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 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, surrenders and re-appropriations distinctly and indicate actual capital and revenue expenditure on various specified services *vis-à-vis* those authorised by the Appropriation Acts. 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 summarised position of actual expenditure during 2011-12 against 40 grants/appropriations is given below in Table 2.1.

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

(₹ in crore)

	Nature of expenditure	Original	Supplementary	Total	Actual expenditure ¹	Saving(-)/ Excess(+)
Voted	I Revenue	86,042.35	9,997.95	96,040.30	81,135.89	(-)14,904.41
	II Capital	18,030.72	1,164.36	19,195.08	14,145.28	(-)5,049.80
	III Loans and Advances	3,808.10	1,840.15	5,648.25	4,983.20	(-)665.05
Total Voted		1,07,881.17	13,002.46	1,20,883.63	1,00,264.37	(-)20,619.26
Charged	IV Revenue	11,552.25	21.25	11,573.50	10,685.28	(-)888.22
	V Capital	72.15	5.19	77.34	22.11	(-)55.23
	VI Public Debt Repayment	9,709.75	---	9,709.75	6,761.01	(-)2,948.74
Total Charged		21,334.15	26.44	21,360.59	17,468.40	(-)3,892.19
Grand Total		1,29,215.32	13,028.90	1,42,244.22	1,17,732.77	(-)24,511.45

Source: Appropriation Accounts 2011-12

Note: Detailed Contingent bills were not received as required under rules from Drawing and Disbursing Officers in support of ₹ 671 crore drawn on Abstract Contingent bills during 2011-12. In the absence of Detailed Contingent bills the genuineness of the expenditure could not be vouched.

The overall saving of ₹ 24,511 crore was the result of saving of ₹ 24,700 crore in 38 grants and 11 appropriations under Revenue Section, 26 grants and three appropriations under Capital Section and 9 grants and one appropriation (Public Debt) under Loans Section, offset by an excess of ₹ 189 crore in two grants² and two appropriations³ under Revenue Section, one grant⁴ under Capital Section and two grants⁵ under Loans Section. These savings were 1.88 times the supplementary provision made during the year, which indicated inaccurate budget estimation and inadequate monitoring of expenditure.

¹ These are gross figures without taking into account the recoveries adjusted in accounts as reduction of expenditure under revenue expenditure (₹ 1,406 crore) and capital expenditure (₹ 445 crore).

² X-Home Administration(₹ 54.73 crore) and XXIV-Minority Welfare (₹ 31.16 crore).

³ XXIII-Backward Classes Welfare (₹ 912) and XXV-Women, Child and Disabled Welfare (₹ 51,238).

⁴ XVII-Municipal Administration and Urban Development (₹ 1.69 crore).

⁵ IX-Fiscal Administration, Planning, Surveys and Statistics (₹ 98.21 crore) and XV-Sports and Youth Services (₹ 2.79 crore).

The Government attributed the huge savings during the year, to non-drawal of ways and means advance, short release of funds by GoI, less borrowing and short-fall in the State's own revenue.

The credibility of budget is measured by the number of deviations from it during the year, the extent of supplementary demands, re-appropriations and the magnitude of final excess and saving over the approved budget. Every year, the CAG brings out in his audit reports, several cases of expenditure incurred without funds availability or where the sanction of the competent authority was not obtained for incurring expenditure. The Government should ensure that funds are expended only after ensuring their availability and authorisation, and that, deviations are dealt with appropriately.

2.4.1 Appropriation vis-à-vis allocative priorities

There were deviations from budget allocation both with regard to the receipts as well as expenditure during the financial year 2011-12 raising questions about the credibility of the budgeting process, budget monitoring process and the reliability of management information system.

Our appropriation audit revealed that, in 22 Grants and one Appropriation, savings exceeded ₹ 100 crore and above and also by more than 20 per cent of total provision in each case, constituting 54 per cent of total savings (₹ 24,700 crore) (*Appendix 2.1*). Of these, saving of ₹ 10,133 crore (41 per cent) occurred in eight grants and one appropriation as indicated in **Table 2.2**. Saving in all these grants exceeded ₹ 500 crore and was more than 20 percent of the outlay, raising questions about the validity of assumptions in budget formulation.

Table 2.2: Grants with large saving

(₹ in crore)

Sl. No.	Grant No.	Name of the grant/ appropriation	Original Provision	Supplementary Provision	Total	Actual Expenditure	Saving
Revenue Voted							
1	XIII	Higher Education	2,472	106	2,578	1,950	628
2	XVII	Municipal Administration and Urban Development	3,951	283	4,234	2,680	1,554
3	XXI	Social Welfare	2,040	378	2,418	1,712	706
4	XXIII	Backward Classes Welfare	2,074	1,628	3,702	2,753	949
5	XXV	Women, Child and Disabled Welfare	1,914	93	2,007	1,500	507
6	XXXI	Panchayat Raj	3,918	182	4,100	2,901	1,199
						Total	5,543
Capital Voted							
7	XI	Roads, Buildings and Ports	2,264	347	2,611	1,728	883
8	XXXIV	Minor Irrigation	2,031	0	2,031	1,273	758
						Total	1,641
Loans Charged (Public debt)							
9	IX	Fiscal Administration, Planning, Surveys and Statistics	9,710	0	9,710	6,761	2,949
						Total	2,949
						Grand Total	10,133

Source: Appropriation Accounts 2011-12

Reasons for the large saving were attributed by the Government to the following factors:

Higher Education: Non-filling up of vacant posts, non-receipt of requisition from unit offices for release of funds, non-receipt of UGC grants, not receiving continuation orders in respect of contract appointees and lack of approvals from competent authority.

Municipal Administration and Urban Development: The saving was due to 'non-receipt of sanction orders' and 'slow progress of works'.

Social Welfare: Late release of Tuition fee and Post-Matriculation Scholarships by GoI, non-filling up of retirement vacancies, slow progress of maintenance works and non receipt of bills from concerned agencies.

Backward Classes Welfare: Non-release of Post Matriculation Scholarship funds by GoI and postponement of expenditure relating to reimbursement of Tuition Fee to Economically Backward Classes students to next financial year.

Women, Child and Disabled Welfare: 'Postponement of maintenance works under Integrated Child Development Services', 'late release of State share of Nutrition Programme' and 'SABALA (Rajiv Gandhi Scheme for Empowerment of Adolescent Girls) funds by GoI and consequent non-release of funds by the State Government'.

Panchayat Raj: Non-receipt of sanction orders & requisition for release of funds, late approval of TFC works by High Powered Committee, slow progress of works and postponement of maintenance works.

Roads, Buildings & Ports: Slow progress of works and non-receipt of sanction orders from competent authorities.

Minor Irrigation: The saving was due to 'slow progress of works', 'non-receipt of bills' and 'non-receipt of sanction orders from the Government'.

Fiscal Administration, Planning, Surveys and Statistics: Non-availment of Ways and Means advance from RBI during 2011-12.

In addition to the above, though the percentage of saving was less than 20, huge saving of more than ₹ 1,000 crore was noticed in three grants, as shown in the table below:

Table 2.3: Saving more than ₹ 1,000 crore

(₹ in crore)

Sl No.	Grant No.	Name of the Grant	Amount of saving	Reasons
1	XII	School Education (Revenue Voted)	2,324	Non-filling up of vacant posts, non-receipt of funds from GoI and non-receipt of requisitions from units.
2	XXXIII	Major and Medium Irrigation (Capital Voted)	2,165	Non-receipt of administrative approvals from competent authority, slow progress in acquisition of land, slow progress of works, non-finalisation of compensation, non-filling up of vacant posts, postponement of certain maintenance works and non-receipt of bills from APTRANSCO.
3	XXXIII	Major and Medium Irrigation (Revenue Voted)	1,482	Postponement of maintenance works, non-receipt of bills, and non-receipt of administrative approvals.

Source: Appropriation Accounts 2011-12

2.4.2 Persistent saving

There were persistent savings of more than ₹ 20 crore in each case and 20 per cent or more of the total grant/appropriation, in eight cases, during the last five years. The details of these grants are given below:

Table 2.4: Grants/appropriations with persistent savings during 2007-12

(₹ in crore)

Sl. No.	No. and Name of the Grant/Appropriation	Amount of saving				
		2007-08	2008-09	2009-10	2010-11	2011-12
Revenue - Voted						
1.	XVIII – Housing	342	802	374	189	436
2.	XXXIV – Minor Irrigation	107	289	270	113	161
3.	XXXVI - Industries and Commerce	165	288	582	389	478
4.	XXXVII – Tourism, Art and Culture	74	55	38	41	73
Capital – Voted						
5.	V – Revenue, Registration and Relief	37	60	23	101	91
6.	XVI – Medical and Health	37	62	32	38	36
7.	XXI – Social Welfare	109	434	102	75	114
Capital - Charged						
8.	XXXIII – Major and Medium Irrigation	69	112	97	56	43

Source: Appropriation Accounts

Considering that the above grants relate to developmental schemes in housing, irrigation, medical & health and welfare sectors, clearly, the Government has not been able to ensure that the envisaged benefits accrued to the targeted beneficiaries.

Reasons for the persistent savings, as intimated by Government, are given below.

Housing: There was fluctuation in the quantum of saving during the last five years (2007-12). Saving during the current year was attributed by the Government to ‘non-receipt of administrative sanction under ‘Weaker Section Housing Programme’ under *INDIRAMMA*.

Minor Irrigation: Slow progress of works, non-receipt of approvals and postponement of maintenance works.

Industries and Commerce: Non-requirement of funds towards reimbursement of Purchase Tax Incentive and non-utilisation of the provision under Transport, Roads and Buildings department towards reimbursement of Sales Tax (VAT) on aviation turbine fuel during 2007-11. For the current year, saving was due to non-release of its share by GoI consequent on non-release of State’s share, non-finalisation of incentives to entrepreneurs by the State Level Committee, non-receipt of sanctions from the Competent Authority, non-finalisation of power subsidy, non-filling up of vacant posts and retirements.

Tourism, Art and Culture: Non-materialization of action plan, non-receipt of administrative sanction, delay in tendering for archaeological conservation, non-construction of multi-purpose cultural complexes at Kadapa and Nellore etc.

Revenue, Registration and Relief: Non-construction of buildings, bridges, cyclone shelters and roads and not taking up construction works under National Cyclone Risk Mitigation Project, slow progress of works, non-receipt of sanctions/approvals for works and non-filling up of vacant and outsourcing posts.

Medical and Health: Non-receipt of administrative orders, slow progress of works and non-finalisation of agencies for taking up construction work.

Social Welfare: Non-receipt of funds by GoI, slow progress of works and non-agreement by NABARD for sanction of works under RIDF under 'Construction of buildings for Integrated Hostels (HUDCO Loan).

Major and Medium Irrigation: (Capital Charged section) Specific reasons for savings during 2007-12 were not intimated by the Government. Reasons for saving during the current year was due to non-finalisation of land acquisition awards, court cases and late receipt of administrative approvals for depositing amount in court.

2.4.3 Excess expenditure

Excess expenditure over the budget provision was reduced from ₹ 842 crore in 2010-11 to ₹ 189 crore during 2011-12, which is encouraging. The excess occurred in five grants and two appropriations during the year and requires regularisation under Article 205 of the Constitution of India.

Expenditure exceeded the budget by ₹ 20 crore or more in each case amounting to ₹ 184 crore in three cases, as shown in table below.

Table 2.5: Excess expenditure

(₹ in crore)						
Sl.	Grant No.	Name of the Grant	Total Grant	Expenditure	Excess expenditure	
1.	IX	Fiscal Administration, Planning, Surveys and Statistics (LV)	124	222	98	
2.	X	Home Administration (RV)	4,290	4,345	55	
3.	XXIV	Minority Welfare (RV)	334	365	31	
Total			4,748	4,932	184	

Source: Appropriation Accounts 2011-12; RV- Revenue Voted; LV- Loans Voted

Excess under Home Administration was due to (i) payment of arrears of DA, Automatic Advancement Scheme and other allowances, (ii) payment of remuneration to the outsourced staff and (iii) payment of property tax on Government buildings and quarters.

2.4.4 Expenditure without Provision

As per paragraph 20.3.1 of APBM, expenditure should not ordinarily be incurred on a scheme/service without provision of funds. However, ₹ 326 crore was incurred in six cases (₹ 10 crore and above in each case) during the year 2011-12 without budget provision as detailed in **Table 2.6**.

Table 2.6: Expenditure without provision during 2011-12

(₹ in crore)

Sl.	No. and Name of the Grant	Head of Account	Expenditure	Reasons
1	IX-Fiscal Administration, Planning, Surveys and Statistics	2071-01-110-(09)	53	Payment of pension/family pension in revised pay scales and also payment of Dearness Relief from time to time
2	XI-Roads, Buildings and Ports	3054-04-797-(04)	198	Non-provision of funds in the budget for transfer of amount received from Central Government to Road Fund
3	XII - School Education	2202-01-789-(30)	23	Expenditure was incurred under 'Nutritious Meals Programme' under Elementary and Secondary education. Reasons for incurring expenditure without budget provision have not been intimated.
4	XII - School Education	2202-02-789-(13)	15	
5	XVII – Municipal Administration and Urban Development	2217-80-001-(75)	25	Reasons for incurring expenditure under the sub-head 'Lumpsum provision' without budget provision were not intimated.
6	XXXII-Rural Development	2501-01-003-(25)	12	Expenditure was incurred towards matching state share in the new scheme 'Mahila Kisan Shashaktikaran Pariyojana' (MKSP)
		Total	326	

Source: Appropriation Accounts 2011-12

2.4.5 Excess expenditure over provision relating to previous years not regularised

As per Article 205 of the Constitution of India, it is mandatory for a State Government to get the excess over a grant/appropriation regularised by the State Legislature. Although no time limit has been prescribed under the Article, regularisation of excess expenditure is to be done after the completion of discussion of the Appropriation Accounts by the Public Accounts Committee (PAC). However, excess expenditure over the allocation amounting to ₹ 2,687 crore pertaining to the years 2004-11 was yet to be regularized as of July 2012, as detailed in **Appendix 2.2**, due to non-furnishing of Explanatory Notes by the concerned Administrative departments/Finance department. The year-wise amount of excess expenditure pending regularisation is summarised in **Table 2.7**.

Table 2.7: Excess over provision relating to previous years requiring regularization

(₹ in crore)

Year	Number of		Amount of excess over provision	Status of Regularisation
	Grants	Appropriations		
2004-05	5	1	15	Out of these 61 Grants and 18 Appropriations, Explanatory Notes for 18 Grants and 6 Appropriations were received and vetted by the PAG (GSSA) as of July 2012.
2005-06	10	3	586	
2006-07	7	1	199	
2007-08	7	3	201	
2008-09	11	3	709	
2009-10	10	2	110	
2010-11	11	5	867	Explanatory Notes for the remaining 43 Grants and 12 Appropriations are awaited from the Administrative Departments /Finance Department.
Total	61	18	2,687	

Source: Summary to Appropriation Accounts from 2004-05 to 2010-11

2.4.6 Unnecessary supplementary provision

Supplementary provision aggregating ₹ 3,822 crore obtained in 33 cases (₹ one crore or more in each case) during the year proved unnecessary, as the original provision itself could not be utilised as detailed in *Appendix 2.3*.

In the following departments, expenditure fell short of the original provision by over ₹ 100 crore, rendering the provision of supplementary funds redundant as given in table below.

Table 2.8: List of un-necessary Supplementary Grants

(₹ in crore)

Sl. No.	No. & Name of the Grant	Original Provision	Actual expenditure	Saving out of original provision	Supplementary provision
Revenue Voted					
1	III-Administration of Justice	648.80	526.04	122.76	35.96
2	XII-School Education	13,934.11	12,147.23	1,786.88	537.58
3	XIII-Higher Education	2,472.63	1,950.05	522.58	105.83
4	XIV-Technical Education	794.51	692.52	101.99	27.88
5	XVII-Municipal Administration and Urban Development	3,951.48	2,680.01	1,271.47	282.71
6	XXI-Social Welfare	2,040.36	1,712.07	328.29	378.17
7	XXII-Tribal Welfare	1,069.73	944.98	124.75	279.28
8	XXV-Women, Child and Disabled Welfare	1,914.58	1,500.17	414.41	92.88
9	XXVIII-Animal Husbandry and Fisheries	909.22	704.85	204.37	57.95
10	XXX-Co-operation	306.72	165.89	140.83	2.15
11	XXXI-Panchayat Raj	3,918.23	2,900.62	1,017.61	181.98
12	XXXVI-Industries and Commerce	802.26	375.74	426.52	51.28
13	XXXVIII- Civil Supplies Administration	2,784.50	2,450.74	333.76	2.50
Capital Voted					
14	XI-Roads, Buildings and Ports	2,264.25	1,727.90	536.35	346.34
Loans Voted					
15	XVIII-Housing	1,339.63	1,216.99	122.64	150.00

Source: Appropriation Accounts 2011-12

2.4.7 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. During the year 2011-12 excessive/unnecessary/inadequate re-appropriation of funds occurred in 103 cases which resulted in either non-utilisation of funds or excess over provision by ₹ 10 crore and above in each case as detailed in *Appendix 2.4*.

2.4.8 Unexplained re-appropriations

Paragraph 20.17.2 of APBM stipulates that reasons for the 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 13,248 items of re-appropriations made, specific reasons were intimated only in respect of 6,940 (52 *per cent*) items. There was also no consistency in the reasons cited for savings/additional expenditure by the administrative departments concerned and the Finance department.

2.4.9 Substantial surrenders

Funds in excess of ₹ 10 crore and also more than 50 *per cent* of total provision in each case was surrendered in respect of 183 sub-heads. The savings were mainly due to (i) non-availment of Ways and Means Advances from the RBI, (ii) non-release of funds for administrative reasons, (iii) postponement and slow progress of work, (iv) non-receipt of grants from GoI, (v) non-filling up of vacant posts, (vi) non-agreement for sanction of works under RIDF⁶ by NABARD, (vii) non-receipt of administrative approvals and (viii) non-finalisation of land acquisition awards.

Out of the total provision of ₹ 15,873 crore under 183 sub-heads, ₹ 13,362 crore (84 *per cent*) was surrendered, which included *cent per cent* surrenders (₹ 6,556 crore) under 62 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**. The Government could have assessed its requirement more realistically in these cases.

2.4.10 Lumpsum provision

Paragraph 16.12 of the APBM stipulates that lumpsum provision should not as a rule be made in the budget estimates. However, lumpsum provision of ₹ 1,205 crore was made in the budget in violation of this stipulation and ₹ 1,130 crore (94 *per cent*) of this provision remained unutilized at the end of the year. The details in this regard are tabulated below.

⁶ RIDF: Rural Infrastructure Development Fund; NABARD: National Bank for Agriculture and Rural Development

Table 2.9: 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	2052-090-75-Lumpsum provision	700.00	700.00
2	XI - Roads, Buildings and Ports	5054-04-789-36-Lumpsum provision for PPP projects	32.40	32.40
3		5054-04-796-36-Lumpsum provision for PPP projects	13.20	13.20
4		5054-04-800-36-Lumpsum provision for PPP projects	154.40	79.72
5	XII - School Education	2202-01-800-75-Lumpsum provision	15.05	15.05
6	XIII - Higher Education	2202-03-001-75-Lumpsum provision	35.65	35.65
7		2202-03-102-41-Lumpsum provision for addl commitment for UGC pay scales (20% arrears from 01-01-2006 to 31-03-2010)	77.20	77.20
8		2202-03-102-75-Lumpsum provision	141.97	141.97
9		2202-03-104-75-Lumpsum provision	4.06	4.06
10		2202-03-789-41-Lumpsum provision for addl commitment for UGC pay scales (20% arrears from 01-01-2006 to 31-03-2010)	16.20	16.20
11		2202-03-796-41-Lumpsum provision for addl commitment for UGC pay scales (20% arrears from 01-01-2006 to 31-03-2010)	6.60	6.60
12	XVI - Medical and Health	2210-01-001-75-Lumpsum provision	7.92	7.92
Total			1,204.65	1,129.97

Source: Appropriation Accounts 2011-12

As can be seen from the above details, in 11 out of 12 sub-heads under five Grants, the entire provision remained unutilised. Budget provision under nine sub-heads, (sl.nos. 1 and 5 to 12) amounting to ₹ 1,005 crore was surrendered on the last day of the financial year.

Government accepted (November 2012) the audit finding and assured necessary corrective action.

2.4.11 Surrender in excess of actual saving

The spending departments, as per the provisions of the APBM (paragraph 20.2.2), are required to surrender the grants/appropriations or portion thereof to the Finance Department as and when savings are anticipated. Surrender of the provision in anticipation of saving and incurring expenditure subsequently by the controlling officers is resulting in surrender in excess of the overall saving in a grant/appropriation.

In 21 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 ₹ 6,886 crore, the actual amount surrendered was ₹ 8,204 crore, resulting in excess surrender of ₹ 1,318 crore. Details are given in *Appendix 2.6*.

2.4.12 Savings not surrendered

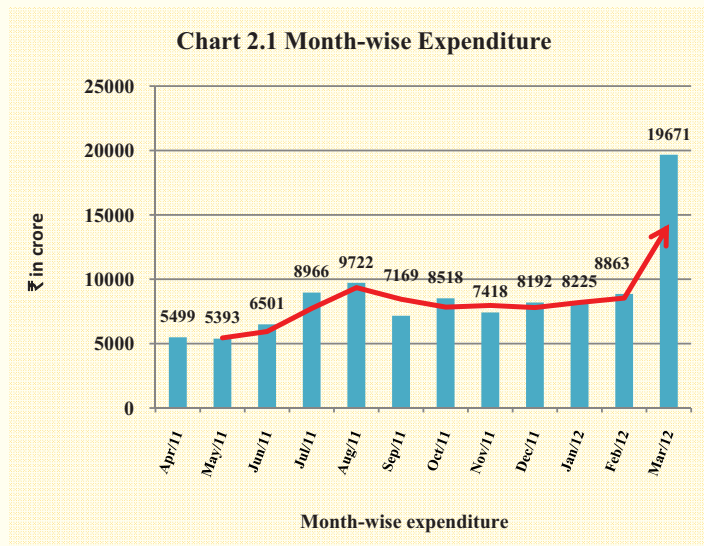
At the close of the year 2011-12, there were four grants and four appropriations in which saving of ₹ 290 crore occurred but no part of it had been surrendered by the departments concerned (*Appendix 2.7*).

Similarly, out of the saving of ₹ 12,762 crore under 30 grants/ appropriations, saving (₹ 5 crore and above in each case) amounting to ₹ 5,024 crore (20 per cent) of total saving (₹ 24,700 crore) was not surrendered. Details are given in *Appendix 2.8*.

Besides, in 79 cases, ₹ 20,522 crore (83 per cent) of the total saving of ₹ 24,700 crore was surrendered (in excess of ₹ 10 crore in each case), on the last two working days of March 2012 (*Appendix 2.9*) indicating inadequate financial control and poor capacity to spend.

2.4.13 Rush of expenditure

Article 39 of the APFC requires that expenditure should be evenly distributed throughout the year and no attempt should be made to prevent the lapse of an appropriation by any undue rush of expenditure during March.



Contrary to these provisions, while the expenditure during the months from April 2011 to February 2012 was between 5 and 9 per cent of the total expenditure of ₹1,04,137 crore (both revenue and capital expenditure), expenditure in the month of March 2012 alone constituted 19 per cent indicating rush of expenditure at the end of the financial year.

Source: Monthly Civil Accounts prepared by PAG(A&E)

2.5 Major Policy Initiatives

Some of the major policy initiatives/schemes outlined in the Budget speech/ annual plan of the State Government during the year 2011-12 were scrutinized in audit on a test check basis to verify if these pronouncements were implemented. Audit findings in this regard are given below:

2.5.1 With a view to relieve the Weavers Cooperative Societies and weavers from indebtedness, Government introduced the scheme “Assistance towards Loan Waiver to Weavers” and allocated a sum of ₹ 200 crore in the Budget for the year 2011-12. However, only an amount of ₹ 32.88 crore (16 per cent) was released for the purpose during the year.

- 2.5.2** “Rashtriya Madhyamika Siksha Abhiyan (RMSA)” is a centrally sponsored scheme, with the funding pattern of 75:25 between the Central and State Governments being implemented in the State with the objective to provide access to secondary education for the age group of 14 to 18 years duly providing necessary physical facilities, teaching and non-teaching staff for every secondary school and financial assistance to the Government/Local body/ aided schools. The State Government allocated ₹ 300 crore as state matching share during the year 2011-12. Out of ₹ 322.05 crore (₹ 227.90 crore Central share and ₹ 94.15 crore State share) released, the expenditure incurred was only ₹ 225.52 crore. Reasons for non-utilisation of funds to the extent of ₹ 96.53 crore were due to non-approval of the Executive Committee of the State Project and the unutilised funds (together with the earlier unspent balances) were kept as fixed sweep deposits.
- 2.5.3** In order to ensure good quality education at secondary level, the scheme ‘Setting up of Model Schools at Block level as benchmark of excellence’ was taken up as a Centrally Sponsored Scheme on 75:25 cost share basis between Central and State Governments and an amount of ₹ 200 crore was allocated as State share in the Budget during the year 2011-12. Although, Central share of ₹ 412.09 crore was released by GoI in July 2011, the corresponding State’s share of ₹ 137.36 crore was not released by the State. Further, out of the total Central share released, only ₹ 6.33 crore was spent and ₹ 400 crore was kept as Fixed Deposits.
- 2.5.4** Rajiv Gandhi Scheme for Empowerment of Adolescent Girls (RGSEAG)-SABALA was introduced by GoI to enable self-development and empowerment of adolescent girls in the age group of 11 to 18 years. Out of the Budget allocation of ₹ 124.91 crore during the year 2011-12, only an amount of ₹ 20.25 crore (16 per cent) was expended.
- 2.5.5** GoI introduced (October 2010) a 100 per cent CSS “Indira Gandhi Matrutwa Sahayog Yojana (IGMSY)”- a conditional maternity benefit scheme, with a view to provide cash incentive directly to pregnant and lactating women. The scheme was taken up in West Godavari and Nalgonda districts during 2011-12 and an amount of ₹ 10.32 crore was released by GoI for the purpose. However, only ₹ 1.26 crore was utilized as of March 2012.
- 2.5.6** Government decided to introduce a Comprehensive Financial Management System (CFMS) to provide a seamless interface with all the stakeholders with regard to budgeting and accounting processes and an amount of ₹ 100 crore was provided in the budget for the year the year 2011-12. However, only ₹ 1.65 crore was incurred on the programme due to non-floating of RFP⁷ and non-appointment of System Integrator during the year 2011-12.

⁷ RFP:- Request For Proposal

- 2.5.7** AP Road Sector Project was approved by GoI and World Bank for developing and maintaining roads in the State under AP State Highway Project (APSHP) at an estimated cost of ₹ 3,165 crore and an amount of ₹ 600 crore was provided in the Budget 2011-12. A scrutiny of the relevant records revealed that only an amount of ₹ 221.27 crore (48 *per cent*) was incurred as against the budget allocation of ₹ 463.20 crore under the general component.
- 2.5.8** Government proposed to construct 2,93,000 houses under 'INDIRAMMA' rural scheme and 50,000 houses under 'INDIRAMMA' urban scheme during 2011-12 and ₹ 571.25 crore (₹ 514.12 crore for Rural, ₹ 57.13 crore for Urban) was allocated in the Budget. As against this, only an amount of ₹ 142.81 crore (Rural ₹ 128.53 crore and Urban ₹ 14.28 crore) was released by the Government towards subsidy and expenditure was incurred to that extent.
- 2.5.9** Government provided ₹ 100 crore in the Budget as State's share for 'National Rural Drinking Water Programme (NRDWP)'. However, no amount was released during the year 2011-12.
- 2.5.10** Government initiated a new Employment Generation scheme and set up "Rajiv Udyogasri Society (RUS)" with the objective of imparting necessary skills to the candidates so as to enable them to get absorbed in the private establishment. An amount of ₹ 40 crore was provided in the budget for the year 2011-12. However, only ₹ 10 crore was released and expended. Government did not release funds for the 2nd to 4th quarter (₹ 30 crore).
- 2.5.11** Government allocated ₹ 100 crore for 'Assistance to Panchayat Raj Bodies for Rural Sanitation'. Only ₹ 28 crore was expended on the scheme, and as against the physical target of providing 9.28 lakh individual household latrines, the achievement was only 0.91 lakh (9.8 *per cent*).
- 2.5.12** Against an allocation of ₹ 1,112 crore for providing 'Mid Day Meals' to poor children, Government could spend only ₹ 673 crore (61 *per cent*) on the scheme during the year.

2.6 Advances from Contingency Fund

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

During the year 2011-12, 73 sanctions aggregating ₹ 4.02 crore have been issued for drawal from CF. An amount of ₹ 3.96 crore was met from these sanctions, of which, ₹ 3.75 crore was recouped to the Fund, leaving a balance of ₹ 21 lakh un-recouped. In addition, ₹ 1.54 crore which remained un-recouped in 2010-11, was also re-couped in the current year.

Further, out of the ₹ 4.02 crore sanctioned from CF during 2011-12, ₹ 2.72 crore (68 per cent) pertains to decretal payments ordered by courts prior to 2011-12. A test check of five of these sanctions (₹ 1.51 crore) revealed that, payment of the amounts ordered by Hon'ble Courts (between September 2006 and July 2010) was postponed by the Government till attachment of Government property or initiation of contempt proceedings by the respective courts indicating that the payments were not in the nature of unforeseen/emergent character and funds for these payments could have been provided in the regular Annual Budget or the Supplementary Estimates.

2.7 Errors in budgeting process

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

- 2.7.1 Non-incorporation of correction slips:** Though the omissions/errors in budget process are being pointed out every year to the Finance department by the PAG(A&E), corrections to List of Major and Minor Heads 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 the year of issue of correction slips. Details in this regard are given in *Appendix 2.10*.
- 2.7.2 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 were deleted in 2003. However the Sub Major Head 01 continued to be operated. Government accepted (November 2012) the audit finding and assured necessary corrective action.
- 2.7.3 Incorrect booking of Revenue:** Under MH 0056-Jails specific Minor Head-102 is provided for booking proceeds out of sale of jail manufacture. However, the entire amount is being treated as "User Charges" collection and shown under MH 0056-800-SH (02) Sale of jail manufacture-800 User charges. Similarly under MH 0051-Public Service Commission, entire examination fee is being treated as User charges collection. Government replied that a policy decision has been taken to allow Jails department and AP Public Service Commission to remit such receipts as User charges.
- 2.7.4 Incorrect classification:** Subsidies are being shown under Detailed Head 310-Grants-in-aid instead of under 330-Subsidies. It was noticed that an amount of ₹ 4,300 crore was shown as 310-Grants-in-aid under MH 2801-05-800-SH (06) Assistance to APTRANSCO for Agriculture and allied subsidy. Government accepted (November 2012) the audit finding and assured necessary corrective action.
- 2.7.5** The entire provision of ₹ 148 crore under 'Loans to APTRANSCO for High Voltage Distribution System (HVDS)' for the year 2011-12 was re-appropriated to the head 'Loans to APGENCO for Supercritical Thermal Power Station, Krishnapatnam'. Further, the entire provision of ₹ one crore each during the years

2009-10 and 2010-11 respectively was also re-appropriated to APGENCO, defeating the purpose for which funds were provided for in the budget.

- 2.7.6** Similarly, the entire provision of ₹ 330 crore under ‘Loans to APTRANSCO for Krishnapatnam Thermal Power Project’ for the years 2010-11 and 2011-12 was re-appropriated to the head ‘Loans to APGENCO for Supercritical Thermal Power Station, Krishnapatnam’. Further, ₹ 150 crore provided under Loans to APTRANSCO for Krishnapatnam Thermal Power Project was not utilized during 2009-10.
- 2.7.7** *Misclassification in budget estimates:* The Detailed head of account 530-Major Works, which is supposed to be operated under Capital section, was classified in Revenue section. An illustrative list of cases in this regard are detailed in *Appendix-2.11*. Government accepted (November 2012) the audit finding and assured necessary corrective action.
- 2.7.8** While the detailed heads 270-Minor Works and 310-Grants-in-aid are to be operated under Revenue section, these were classified in Capital section under Grants XI-Roads, Buildings and Ports, XVII-Municipal Administration & Urban Development, XXXIII-Major and Medium Irrigation and XXXIV-Minor Irrigation. An illustrative list of such cases are detailed in *Appendix-2.12 & 2.13*.

2.8 Conclusion

As with 2010-11, there were several lacunae in the budgetary processes of the State Government. There were errors in budgeting, several misclassifications continued to exist, lumpsum provisions were made without clarity of purpose (only to be surrendered later), excess expenditure over allocation, expenditure without budget provision etc. Financial rules were flouted by several departments by resorting to re-appropriations without proper explanations and expending without provision of funds. Persistent savings in certain Grants and huge savings of over ₹ 500 crore and over 20 per cent of budgetary provision in certain other Grants, raise serious questions about budgetary assumptions.

Saving of about one sixth of the budgetary allocation and non-utilisation of the allocated funds for various developmental programmes raises serious questions about the budget formulation exercise. While this could show a healthy picture as far as fiscal indicators are concerned, it has had an adverse impact on implementation of various policy initiatives announced/taken up by the Government.