

### 3.1 Introduction

Effective Budgeting ensures that decisions taken at the policy level are implemented successfully at the administrative level without wastage or diversion of funds. This Chapter reviews the allocative priorities of the State Government and comments on the transparency of budget formulation and effectiveness of its implementation.

### 3.2 Budget Preparation Process

The annual exercise of budgeting details the roadmap for efficient use of public resources. The Budget process commences with the issue of the comprehensive instructions for preparation of Budget Estimates by the Finance Department.

The Government of Andhra Pradesh follows a bottom up approach in budgeting. The process of budget preparation is broadly as follows:

- ❖ The budget estimates for receipts will be prepared based on the existing rates of taxes, duties and fees, *etc.* The arrears of collections which are likely to be collected in the current year will also be assessed.
- ❖ The estimate for expenditure includes administrative expenditure (Office Expenses, Vehicle Hire Charges *etc.*), schemes expenditure including Centrally Sponsored Schemes (CSS), NABARD, State Schemes, Works Expenditure.
- ❖ Estimating officers will furnish explanations for material variations between the Budget and Revised Estimates of the current year and the Budget Estimates for the ensuing year both under Receipts and Expenditure.
- ❖ The Administrative Departments of Secretariat will scrutinize the estimates of Departments under their control and forward proposals to the Finance Department for being presented to the State Legislature.

The State Government secures legislative approval for expenditure out of the Consolidated Fund of the State by presenting its annual Budget and Demands for Grants/ Appropriations. Normally, every Department has one Demand for Grant, to ensure that the Head of the Department takes responsibility for implementing the policy decisions and expending public funds for the intended purposes.

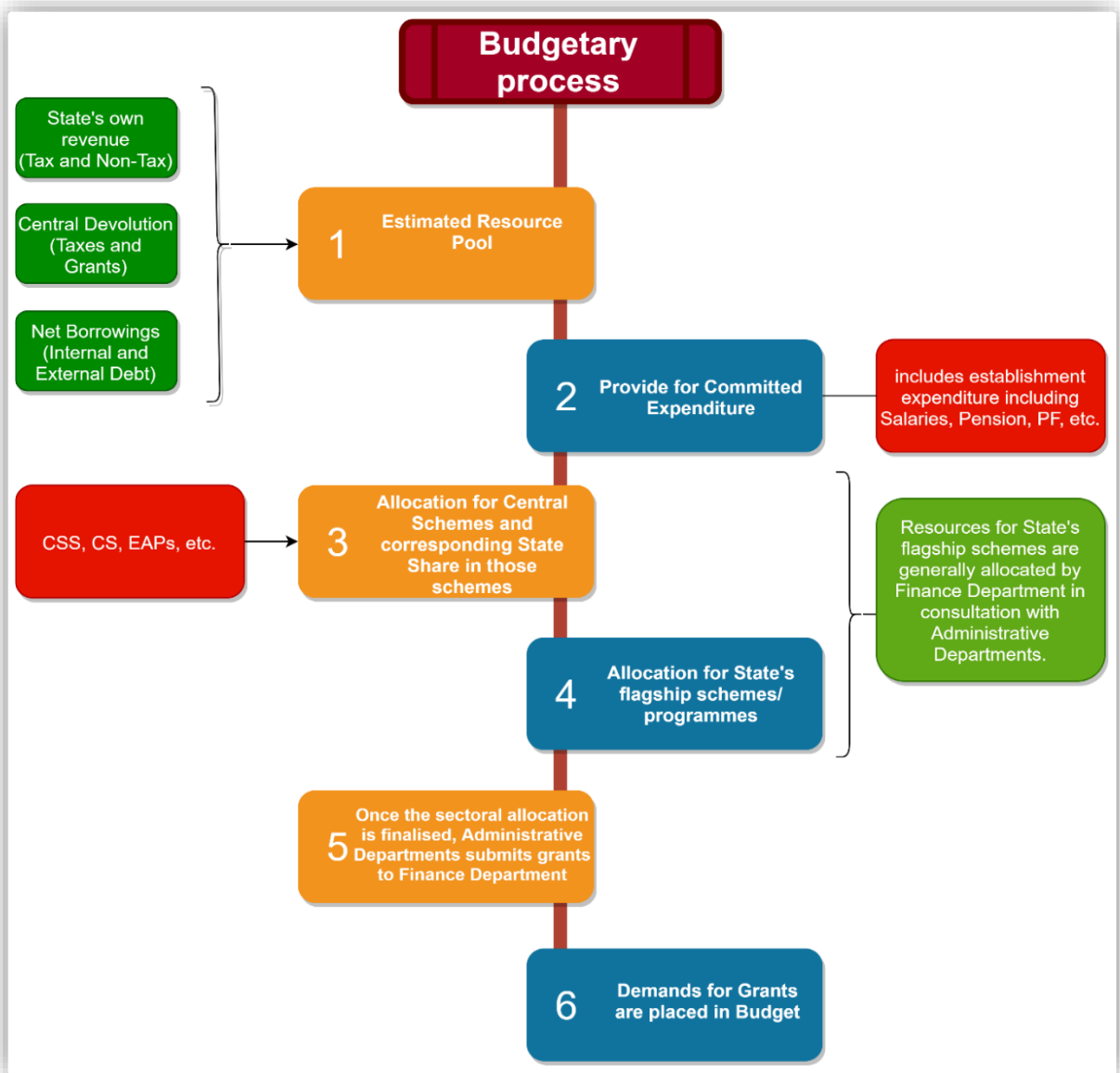
Supplementary or additional Grant/ Appropriation is provided during the course of the financial year for meeting expenditure in excess of the originally budgeted amount. Further, the State Government also re-appropriates/re-allocates funds from various Units of Appropriation where savings are anticipated, to Units where additional expenditure is envisaged (within the Grant<sup>35</sup>/ Appropriation) under the same section<sup>36</sup> during the year.

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<sup>35</sup> Grant means the amount voted by the Legislative Assembly in respect of a demand for grant

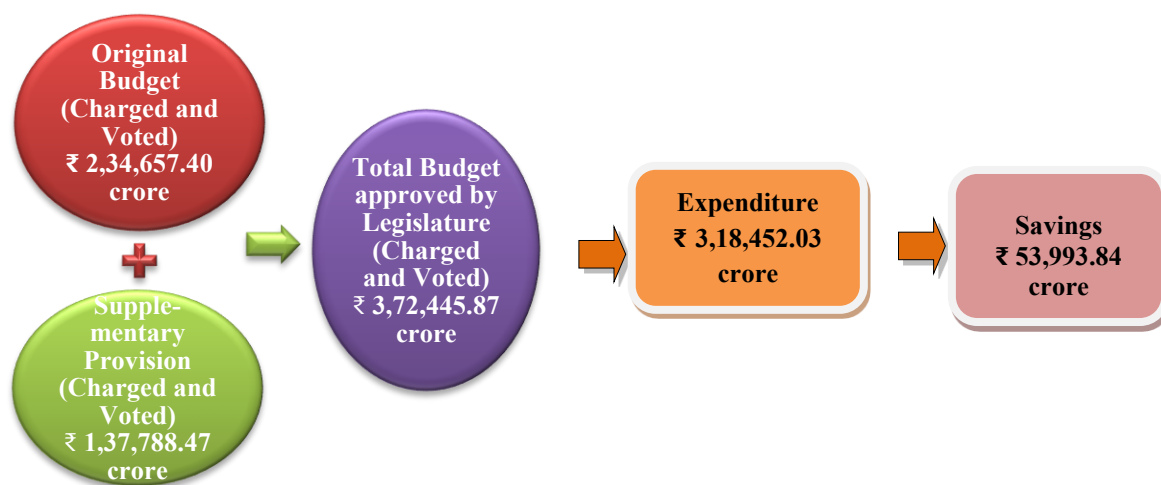
<sup>36</sup> Capital, Revenue or Loans

The budget preparation process in the State is given below:



The total amount approved by the State Legislature including the original and supplementary budgets, expenditure, and savings during the year 2021-22 is depicted in the *Chart 3.1*.

Chart 3.1: Summary of Budget and Expenditure of Andhra Pradesh for 2021-22



Approval by the Legislature

Implementation by the Government

**Source:** Based on the procedure prescribed in Budget Manual and Appropriation Accounts; **Note:** The supplementary provision includes an amount of ₹ 1,06,205.59 crore towards repayment of Ways and Means Advances.

### 3.3 Financial Accountability and Budget Review

The Finance Bill, Annual Financial Statement (Budget), and Demands for Grants are mandated by Articles 199, 202 and 203 of the Constitution of India respectively.

Article 199 of the Constitution of India deals with Money Bills. As per Article 202 of Constitution of India the Governor shall in respect of every financial year cause to be laid before the House or Houses of the Legislature of the State a statement of the estimated receipts and expenditure of the State for that year referred to as the “annual financial statement”. The estimates of receipts and disbursements in the Annual Financial Statement and of expenditure in the demand for grants are shown according to the accounting classification under Article 150 of the Constitution.

As per Article 203 and 204 of the Constitution of India, as soon as demands for grants have been made by the Assembly, a Bill is introduced to provide for the appropriation out of the Consolidated Fund of the State of all moneys required to meet (a) the grants so made by the Assembly; and (b) the expenditure charged on the Consolidated Fund of the State but not exceeding in any case the amount shown in the statement previously laid before the House or Houses. The expenditure charged on the Consolidated Fund of the State is not subjected to vote of the State Legislature.

Legislative authorization is the *sine qua non* for incurring all expenditure by the State Government. Appropriation Bill is a Money Bill that allows the Government to withdraw funds from the Consolidated Fund of India to meet its expenses during a financial year. As per article 204 of the Constitution, the Government can withdraw money from the Consolidated Fund only after Legislative approval. The Supplementary Statement of Expenditure, in accordance with Article 205 of the Constitution, includes

Appropriation for (i) repayment to the Contingency Fund on account of advances authorised therefrom for incurring expenditure sanctioned by Government in anticipation of approval of the Legislature, (ii) Additional provision required for items already provided in the budget estimates for the current year, (iii) 'new expenditure' which requires specific approval of the Legislature, and (iv) adjustment in account for which provisions are necessary. After approval of Legislature, the supplementary Statement of Expenditure becomes the Supplementary Grant.

Apart from supplementary grant, Re-appropriation can also be used to re-allocate funds within a Grant. Re-appropriation is the transfer, by competent authority, of savings from one unit of appropriation to meet additional expenditure under another unit within the same section (Revenue-Voted, Revenue-Charged, Capital-Voted, Capital-Charged) of the Grant or Charged Appropriation.

*State Government in its reply informed that, instructions were issued to all the Finance (Finance Management Units) sections to ensure that while submitting proposals for supplementary estimates the additional amount sought for is actually required over and above the provision available to the Departments. State Government also replied that, it has instructed to examine that the correct estimation to be done to cover the actual expenditure.*

### **3.3.1 Outcome Budget**

Since the introduction of the Outcome Budget 2005-06 by the Union Government, several State Governments have followed suit to link their outlays to outputs and outcomes. The Thirteenth Finance Commission has suggested preparing outcome budgets at the level of actual spending and its consideration at the relevant level of Government. It also suggested the State Government could prepare Outcome Budgets in respect of expenditures incurred directly by them.

Government of Andhra Pradesh prepares an Outcome Budget every year, indicating the outputs expected to be achieved with regard to the outlays. However, while presenting the Budget for the year 2021-22 the State Government did not furnish the details of achievement of any of the performance parameters specified in the previous years' budget.

### **3.4 Appropriation Accounts**

Appropriation Accounts are accounts of the expenditure of the Government for each financial year, compared with the amounts of Grants voted and Appropriation Act passed under Articles 204 and 205 of the Constitution of India. These Accounts list the original budget provisions, supplementary grants, surrenders and re-appropriations distinctly. They also indicate actual Capital and Revenue Expenditure on various specified services, *vis-à-vis* those authorized by the Appropriation Act in respect of both Charged and Voted items of budget. Thus, the Appropriation Accounts facilitate the understanding of utilization of funds, the management of finances and monitoring of budgetary provisions, and are, therefore, complementary to the Finance Accounts.

### 3.4.1 Audit of Appropriations

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 authorization 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 law, relevant rules, regulations and instructions.

The total amount approved by the State Legislature including the original and supplementary budgets, expenditure and savings during the year 2021-22 is depicted below:

### 3.4.2 Summary of total provisions and actual expenditure during 2021-22

The summarised position of actual expenditure during 2021-22 against 40 demands (96 grants/ appropriations) is given in **Table 3.1**.

**Table 3.1: Position of actual expenditure vis-à-vis allocation for the year 2021-22**

(₹ in crore)								
Section	Nature of expenditure	Original Grant/ Appropriation	Supplementary Grant/ Appropriation	Total Provision	Actual Expenditure	Savings (-) / Excess (+)	Total Surrenders made during the year	Percentage of Surrenders during month of March 2022
	1	2	3	4= (2+3)	5	6=(5-4)		
Voted	Revenue	1,63,868.50	24,813.76	1,88,682.26	1,56,136.65	(-)32,545.61	28,621.33	100
	Capital	31,484.91	4,614.16	36,099.07	17,476.03	(-)18,623.04	18,411.71	99.07
	Loans and Advances	881.51	613.76	1,495.27	2,138.05	(+)642.78	459.30	100
<b>Total Voted</b>		<b>1,96,234.92</b>	<b>30,041.68</b>	<b>2,26,276.60</b>	<b>1,75,750.73</b>	<b>(-)50,525.87</b>	<b>47,492.24</b>	<b>99.64</b>
Charged	Revenue	22,884.12	1,399.45	24,283.58	22,309.08	(-)1,974.50	13.62	100
	Capital	35.51	142.75	178.25	146.15	(-)32.10	32.11	100
	Public Debt Repayment	15,502.85	1,06,204.59	1,21,707.44	1,20,246.07	(-)1,461.37	1,392.94	0
<b>Total Charged</b>		<b>38,422.48</b>	<b>1,07,746.79</b>	<b>1,46,169.27</b>	<b>1,42,701.30</b>	<b>(-)3,467.97</b>	<b>1,438.67</b>	<b>3.18</b>
<b>Grand Total</b>		<b>2,34,657.40</b>	<b>1,37,788.47</b>	<b>3,72,445.87</b>	<b>3,18,452.03</b>	<b>(-)53,993.84</b>	<b>48,930.91</b>	<b>96.80</b>

*Source: Appropriation Accounts of 2021-22. Note: The supplementary provision includes an amount of ₹1,06,205.59 crore towards repayment of Ways and Means Advances.*

It can be seen from the **Table 3.1** that the total budget of 2021-22 was ₹ 3,72,445.87 crore and the actual gross expenditure during the year was ₹ 3,18,452.03 crore leaving an overall gross savings of ₹ 54,636.62 crore and gross excess of ₹ 642.78 crore across all grants, thus resulting in a net savings of ₹ 53,993.84 crore in 2021-22.

However, except for the Voted item of Loans and Advances, there were savings in almost every other Head of expenditure. The total saving in all the Heads other than

Loans and advances amounted to ₹ 54,636.62 crore which was 14.73 per cent of the allocation of ₹ 3,70,950.60 crore under those heads.

Public Debt repayment includes an amount of ₹ 1,06,325.66 crore towards repayment of Ways and Means Advances obtained during 2021-22.

The State Government incurred an amount of ₹ 2,812.79 crore without any budget provision during 2021-22. Details in this regard are given in **Table 3.4**.

Efficient management of tax administration/other receipts and public expenditure holds the key for achievement of various fiscal indicators. Budgetary allocations based on unrealistic proposals, poor expenditure monitoring mechanism, weak scheme implementation capacities and weak internal controls lead to sub-optimal allocation among various developmental needs. Excessive savings in some departments deprives other departments of the funds, which they could have utilised.

### 3.4.3 Summary of total provisions, actual disbursements and savings during the year

The summarised position of total budget provision, disbursement and savings/excess with its further bifurcation into voted/charged is given in **Table 3.2**.

**Table 3.2: Budget provision, disbursement and savings/excess during the financial year**

(₹ in crore)					
Total Budget provision		Disbursements		Savings (-) / Excess (+)	
Voted	Charged	Voted	Charged	Voted	Charged
2,26,276.60	1,46,169.27	1,75,750.73	1,42,701.30	(-)50,525.87	(-)3,467.97

Source: Appropriation Accounts of 2021-22

### 3.4.4 Charged and voted disbursements

The summarised position of disbursements and savings/ excess with further bifurcation into voted/charged for the last five years is given in **Table 3.3**.

**Table 3.3: Disbursement and savings/excess during the last five years**

Year	(₹ in crore)			
	Disbursements		Savings (-) / Excess (+)	
	Voted	Charged	Voted	Charged
2017-18	1,34,239.65	69,008.25	(-)33,512.20	46,054.63
2018-19	1,42,964.84	88,697.50	(-)73,951.20	62,566.03
2019-20	1,51,423.04	97,213.02	(-)66,725.06	67,082.27
2020-21	1,65,857.11	1,38,416.87	(-)56,003.14	1,04,760.28
2021-22	1,75,750.73	1,42,701.30	(-)50,525.87	(-)3,467.97

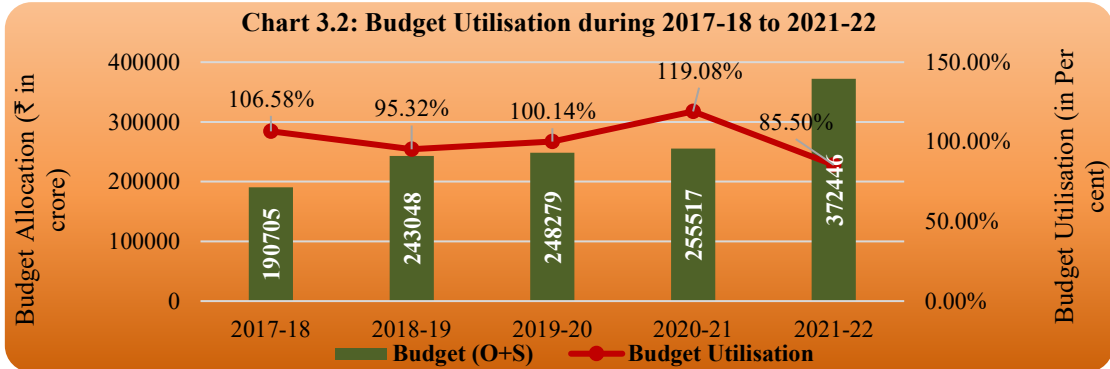
Source: Appropriation Accounts of respective years.

It is evident from the Table 3.3 that persistent savings occurred in voted section. During the five-year period for the first time savings occurred in charged section during the year 2021-22.

*The State Government replied that it is constantly guiding all the departments not to propose for excess or supplementary grants. The Finance Department is also contemplating to avoid recurrence of such instances by incorporating necessary validations in the Budget Module of CFMS software.*

### 3.5 Utilisation of Budgeted Funds

Utilisation of budgeted funds by the State during the five-year period from 2017-18 to 2021-22 is given in **Chart 3.2**.



Source: Appropriation Accounts of respective years

It can be seen from the chart 3.2 that, utilisation of Budget provisions shown fluctuating trend during the five-year period 2017-18 to 2021-22. The expenditure exceeded the budget provision during the years 2017-18, 2019-20 and 2020-21 and declined during 2018-19 and 2021-22. The above figures have to be read in conjunction with the analysis given in paragraph 3.4.2.

Excess over budget provision occurred under repayment of Ways and Means Advances (WMA) during the years 2017-18, 2019-20 and 2020-21 which resulted in overall excess expenditure during those years. During the years 2018-19 and 2021-22, State Government has provided supplementary provision for repayment of WMA which mainly resulted in decline of excess expenditure over budget provision in those years.

### 3.6 Missing/ Incomplete Explanation for variation from Budget

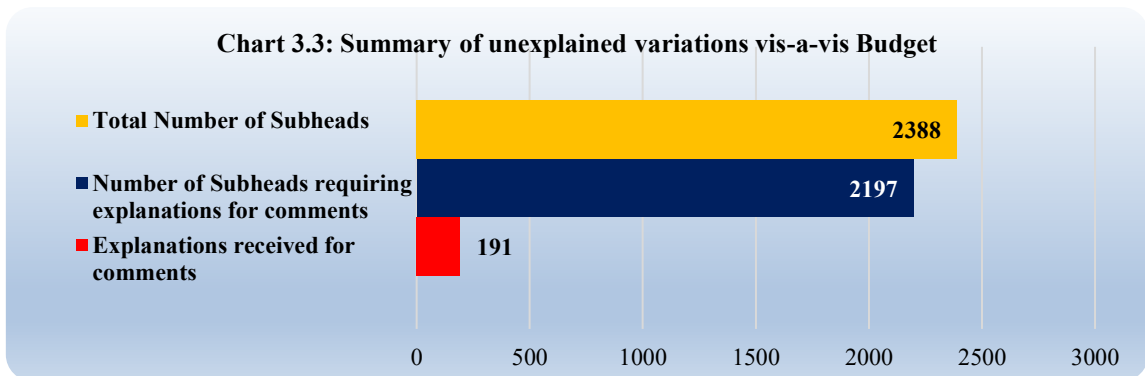
The following norms which have been approved by the PAC of Andhra Pradesh State Legislature in January 2013, have been adopted for comments on the Appropriation Accounts.

Whenever, excess expenditure or savings at Sub-Head level varies beyond the limits set by the Public Accounts Committee (PAC) comments on such variations are included the Appropriation Accounts.

<b>Savings</b>	<p>(a) When the overall savings under a grant or appropriation is less than five <i>per cent</i> of total provision, no comment is necessary. However, if the total provision under a grant/appropriation is ₹ 500 crore and above, comments on savings/excess under individual subheads are included when the savings/excess under individual subheads exceeds 10 <i>per cent</i> of the provision or ₹ 100 lakh whichever is higher.</p> <p>(b) When the overall saving under a grant or appropriation is five <i>per cent</i> or above of the total provision, comments on savings/excess against individual subheads are included when the savings/excess under individual subheads exceeds 10 <i>per cent</i> of the provision or ₹ 50 lakh whichever is higher.</p>
	<p>(a) When there is overall excess under a grant/appropriation even by a rupee, it requires regularisation by the Legislature.</p> <p>(b) Comments on excess under individual subheads are included only when</p>

<b>Excess</b>	the excess under individual sub-heads is ₹ 25 lakh and above. (c) Comments on savings (in excess grant) under individual sub-heads are included when the savings under individual sub-heads exceeds 10 <i>per cent</i> of the provision or ₹ 50 lakh whichever is higher.
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Principal Accountant General (A&E) forwarded the draft Appropriation Accounts to the Departments and sought the reasons/explanations for the excess/savings at Sub-head level. Audit of Appropriation Accounts of 2021-22 and analysis of the accounting data revealed that the Controlling Officers have not furnished explanation for the variations in the expenditure *vis-à-vis* budgeted allocation in about 92 *per cent* of cases. Out of 96 Grants/Appropriations, for 68 Grants/Appropriations reasons were not furnished by the Controlling Officers of Government Departments. In terms of the Sub-Heads involved, the total number of Sub-Heads in the accounts, those requiring explanation for variation and the Sub-Heads where explanations were received for variations from allocations are shown in **Chart 3.3**.



Source: Appropriation Accounts of Government of Andhra Pradesh for the year 2021-22.

Absence of explanation for variation between the budgeted allocation and its utilisation indicates limited control of Legislature over the State budget.

*State Government replied that action will be taken to expedite necessary remarks from the concerned departments.*

### **3.7 Comments on integrity of budgetary and accounting process**

#### **3.7.1 Expenditure incurred without authority of law**

No money shall be withdrawn from the Consolidated Fund of the State except under appropriation made by law passed in accordance with the provisions of this Article 204 of the Constitution. Expenditure on new scheme/service should not be done without provision of funds except after obtaining additional funds by reappropriation, supplementary grant or appropriation or an advance from the Contingency Fund of the State.

As per Article 205(1)(a) of the Constitution, ‘New Service’ means expenditure arising out of a new policy decision, not brought to the notice of State Legislature earlier, including a new activity or a new form of investment. ‘New Instrument of Service’ means relatively large expenditure arising out of important expansion of an existing activity.



As per Para 17.3.1 and 17.6.1(c) of AP Budget Manual, 2011, amount should not ordinarily be incurred on a scheme/service without provision of funds even through Re-appropriation.

During the year 2021-22, an amount of ₹ 2,812.79 crore was incurred in 19 cases (₹ one crore and above in each case) without budget provision. The grant-wise cases of one crore and above in which amount was incurred without budget provision (either original or supplementary) are detailed in **Table 3.4**.

**Table 3.4: Cases where amount was incurred without budget provision (₹ one crore and above)**

(₹ in crore)

S. No.	Grant No. and Name	No. of cases	Expenditure
1	IV - General Administration and Elections	1	5.50
2	V - Revenue Registration and Relief	2	1,006.11
3	VIII - Transport Administration	1	5.80
4	IX - Fiscal Administration Planning Surveys and Statistics	6	1,523.05
5	XI - Roads Buildings and Ports	1	18.11
6	XII - School Education	1	2.63
7	XIV – Skill Development and Training	1	7.03
8	XVII-Municipal Administration and Urban Development	2	177.50
9	XXVII-Agriculture	1	3.55
10	XXXIII - Major and Medium Irrigation	1	29.23
11	XXXIV - Minor Irrigation	1	28.83
12	XXXV - Energy	1	5.45
<b>Total</b>		<b>19</b>	<b>2,812.79</b>

*Source: Appropriation Accounts of 2021-22 and Grant Audit Registers of 2021-22 of office of the PAG (A&E), Andhra Pradesh.*

*State Government in its reply stated that, compared to last year, there is drop in the expenditure incurred without authority of Law. It was also replied that, the State Government while taking note of the observation, assured that action will be taken to prevent the recurrence of such instances in the future.*

The reply of the State Government is not acceptable as an amount of ₹ 741.66 crore (excluding ways and means advances) was incurred during 2020-21 without any budget provision. During 2021-22, it was increased by ₹ 2,071.13 crore when compared to the previous year.

### 3.7.2 Misclassification of Revenue expenditure as Capital Expenditure

Misclassification of expenditure and receipts has a great impact on the integrity of the financial statements. Article 202 of the Constitution prescribes that, in respect of every financial year, a statement of the estimated receipts and expenditure of the State for that year, called the “Annual Financial Statement” (or the “budget”), is to be laid before both the Houses of the State Legislature. The estimates of expenditure are classified under ‘charged’ (such expenditure as is not to be submitted to the vote of the Legislative Assembly under the provisions of the Constitution) and ‘voted’ items of expenditure separately. Annual Financial Statement distinguishes expenditure on revenue account from other expenditure.

State financial rules categorise the primary units of appropriation. There are specific object heads meant for obtaining provision for acquisition of Capital Assets and other Capital Expenditure. These object heads pertaining to booking of expenditure of capital nature should correspond with capital major heads only. However, there are instances involving a total amount of ₹ 688.80 crore (Minor works – ₹ 686.26 crore and Grants-in-Aid – ₹ 2.54 crore) where object heads of revenue nature were incorrectly operated with capital major heads.

Classification of expenditure of revenue nature as capital expenditure results in understatement of revenue expenditure/revenue deficit.

The cases where revenue expenditure was misclassified as capital expenditure (₹ one crore and above in each case) are detailed grant-wise in **Table 3.5**.

**Table 3.5: Grant-wise cases of misclassification of revenue expenditure as capital expenditure during 2021-22 (₹ one crore and above in each case)**

Sl.No.	Grant No. and Name	Expenditure (₹ in crore)
<b>1</b>	<b>XI - Roads Buildings and Ports</b>	
	a. 5054-04-337-06-18-270	2.00
<b>2</b>	<b>XVII – Municipal Administration and Urban Development</b>	
	a. 4217-60-051-03-10-310	2.05
<b>3</b>	<b>XXXIII - Major and Medium Irrigation</b>	
	a. 4700-01-120-11-27-270	391.15
	b. 4700-01-133-11-26-270	14.80
	c. 4700-01-135-11-26-270	48.86
	d. 4700-01-137-11-26-270	161.04
	e. 4700-01-147-11-28-270	8.34
	f. 4700-01-157-11-27-270	19.43
	g. 4700-01-158-11-26-270	14.72
	h. 4700-01-161-11-26-270	3.90
	i. 4700-01-181-11-27-270	4.01
	j. 4701-03-173-11-26-270	4.50
<b>4</b>	<b>XXXIV - Minor Irrigation</b>	
	a. 4702-00-101-11-12-270	9.89
	b. 4702-00-101-11-15-270	1.12

*Source: Appropriation Accounts of 2021-22 and Grant Audit Register of 2021-22 compiled by O/o the PAG (A&E), AP.*

It can be seen from the table 3.5, misclassification of revenue expenditure as capital expenditure occurred majorly in Grant XXXIII- Major and Medium Irrigation involving an amount of ₹ 670.93 crore.

The misclassification of revenue expenditure as capital expenditure increased by ₹ 540.82 crore over the previous year (₹147.98 crore).

### **3.8 Supplementary budget and opportunity cost**

As per Article 205 of the Constitution, a Supplementary or Additional Grant or Appropriation over the provision made by the Appropriation Act for the year can be made during the current financial year but not after the expiry of the current financial year as is necessary to meet (i) Expenditure on Schemes of New Expenditure to be taken up within the current financial year; (ii) Inadequacy of provision; (iii) Fresh

expenditure but not technically “Schemes of New Expenditure.” and (iv) Omissions of provision.

When such additional expenditure is found to be inevitable and there is no possibility of effecting savings within the Grant to cover the excess by re-appropriation, the Secretary in the Department concerned proposes to the Finance Department for Supplementary or Additional Grant or Appropriation. In deserving cases which are unforeseen, and which cannot wait for provision by Supplementary or Additional Grant or Appropriation, advances from the Contingency Fund may be sanctioned in accordance with the provisions made in the Constitution and the relevant rules. The advances so sanctioned will have to be regularised by a Supplementary Grant or Appropriation and recouped to the Contingency fund.

### 3.8.1 Large supplementary Grant due to unrealistic budgetary projections

As per Para 13.7.1 of AP Budget Manual, budget estimates of the ensuing year should generally follow the revised estimates of the current year after allowing for any abnormal circumstances that have existed in the current year or are expected in the budget year.

During the year 2021-22, the State Government made supplementary provision of ₹ 1,37,788.47 crore in addition to the original provision of ₹ 2,34,657.40 crore. The supplementary provision included an amount of ₹ 1,06,205.59 crore (77 per cent of total supplementary provision) towards the repayment of Ways and Means Advances (WMA).

WMA is a facility to meet temporary mismatch between receipts and expenditure and is expected to help the State to meet the revenue gap. For the current year, the State Government resorted to WMA continuously for 139 days and overdraft for 164 days indicating poor efficacy in cash management as well as unrealistic estimation of receipts and expenditure.

The details of repayment of WMA and the amount provided in original and supplementary estimates to repay WMA for the period 2017-18 to 2021-22 are given in Table 3.6.

**Table 3.6: Estimates vis-à-vis repayment of Ways and Means Advances**

(₹ in crore)

Year	Repayment of WMA (% of increase)	Total provision			Total provision taken to repay WMA	
		Original (O)	Supplementary (S)	% of S to O	Original	Supplementary
2017-18	45,630.29 (56.51)	1,65,769.71	24,935.76	15.04	1,500	0
2018-19	59,729.01 (30.90)	1,93,924.00	49,123.51	25.33	1,500	0
2019-20	60,740.83 (1.69)	2,32,287.00	15,991.85	6.88	0	0
2020-21	1,04,539.24 (72.11)	2,28,734.15	26,782.39	11.71	0	0
2021-22	1,06,325.66 (1.71)	2,34,657.40	1,37,788.47	58.72	0	1,06,204.59

Note: Figures in parenthesis shows the increase over the previous year

There is an upward trend in repayment of WMA during 2017-18 to 2021-22. Accordingly, the State Government should have made provision for repayment of

WMA in the original estimates itself rather than in supplementary estimates, based on trend of WMA availed over the years. The State Government, however, did not provide any amount in the original estimate from 2019-20 to 2021-22 towards WMA. Even known expenditure outgoes are suppressed in the main budget to be provided for in subsequent supplementary provisions. The supplementary budget should normally be for unexpected items of expenditure or schemes taken up for compelling public interest.

Large supplementary provisions indicates that the Departments did not prepare estimates on a realistic basis. Further, the practice of supplementary provisions during the fiscal year even for known expenditure outgoes such as WMA, in addition to the main budget undercuts the sanctity of budgetary provisions.

### 3.8.2 Un-utilised supplementary provision

The details of grants in which the supplementary provision remained un-utilised are presented in **Table 3.7** and the cases where there was unutilised supplementary provision were detailed in **Appendix 3.1**.

**Table 3.7: No. of grants/ appropriations in which supplementary provision (₹ one crore and above) remained un-utilised**

S No.	Nature of Grant	No. of Cases	Original	Supplementary	Total Grant	Expenditure	(₹ in crore)
							Un-utilised Supplementary Grant
1	Revenue (Voted)	34	1,38,926.40	17,932.50	1,56,858.90	1,21,388.00	12,755.64
2	Revenue (Charged)	2	22,770.19	1,398.40	24,168.59	22,197.53	1,398.40
3	Capital (Voted)	23	27,109.69	4,614.08	31,723.77	14,422.25	2,730.98
4	Capital (Charged)	1	32.05	142.75	174.80	145.07	29.73
5	Loans (Voted)	3	486.47	613.76	1,100.23	767.92	282.41
6	Public Debt Charged (PDC)	1	15,502.85	1,06,204.60	1,21,707.45	1,20,246.10	1,461.37
<b>Total</b>		<b>64</b>	<b>2,04,827.65</b>	<b>1,30,906.09</b>	<b>3,35,733.74</b>	<b>2,79,166.87</b>	<b>18,658.53</b>

Source: Appropriation Accounts of 2021-22

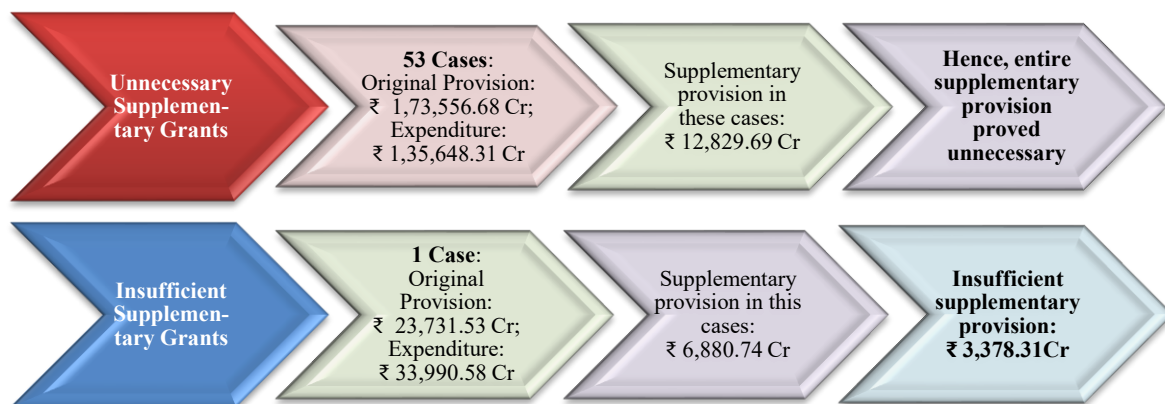
It is evident that out of the total supplementary provision of ₹1,30,906.09 crore, ₹ 18,658.53 crore (14.25 per cent) remained unutilised. State Government needs to examine the reasons for un-utilisation of allocated funds and take appropriate corrective action.

The Finance Department stated that it is constantly guiding all the departments not to propose excess supplementary grants.

### 3.8.3 Unnecessary/ Insufficient supplementary grants

The details of Unnecessary/ Insufficient Supplementary provisions, where Supplementary provision is more than or equal to ₹ one crore, are as detailed in **Chart 3.4**.

Chart 3.4: Unnecessary/ Insufficient Supplementary provision



Source: Appropriation Accounts of 2021-22.

Details of unnecessary/insufficient Supplementary provision are shown in *Appendix 3.2* and *Appendix 3.3* respectively.

Further, the supplementary grant of ₹ 6,880.74 crore was insufficient as the total provision (₹ 30,612.27 crore) was not adequate to meet the requirement (₹ 33,990.58 crore).

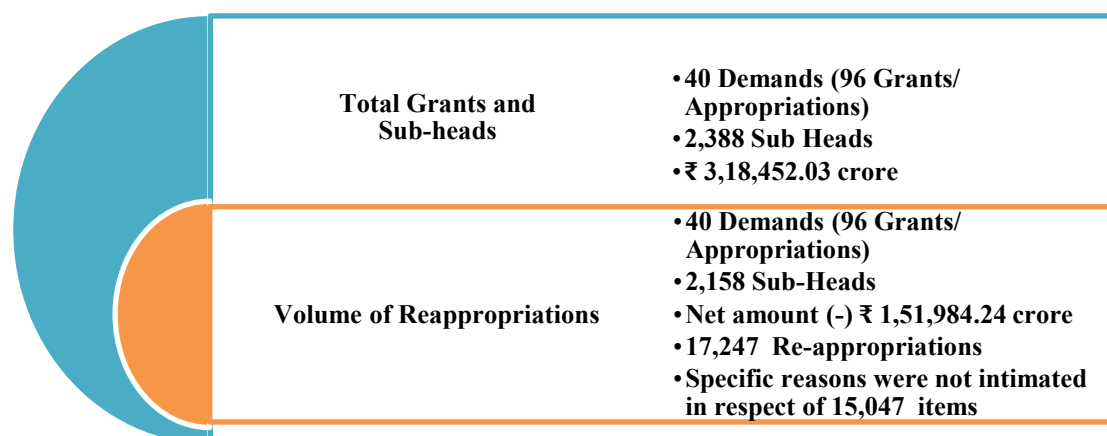
State Government replied that, necessary action will be taken to estimate realistic figures.

### 3.9 Re-appropriations

Re-appropriations are meant for transfer of savings from one scheme / unit to another within the same grant and under same section (*i.e.*, Capital, Revenue or Loans).

The details of Re-appropriations for the year 2021-22 are depicted in *Chart 3.5*.

Chart 3.5: Re-appropriation in the overall budget



Source: Appropriation Accounts of 2021-22 and Grant Audit Register 2021-22 compiled by O/o the PAG (A&E), AP.

#### 3.9.1 Unnecessary/ Excessive/ In-sufficient re-appropriations

Details of unnecessary/excessive/insufficient re-appropriations are shown in *Appendix 3.4*, *Appendix 3.5* and *Appendix 3.6* respectively.

The cases in which the provision was excessive or unnecessary are presented in **Table 3.8**.

**Table 3.8: Cases in which re-appropriation was excessive or unnecessary**

(₹ in crore)

Grant No. and Name	No. of cases	Original	Supplement ary	Re-appropriation	Net Provision	Expenditure	Unnecessary/ Excessive Re-appropriation
II - Governor and Council of Ministers	1	31.09	0.00	2.58	33.67	21.83	2.58
IX - Fiscal Administration Planning Surveys and Statistics	5	1,260.09	101.36	475.59	1,837.04	1,206.98	438.87
XII - School Education	3	113.01	4.35	20.83	138.19	126.88	7.13
XVI - Medical and Health	1	0.00	14.29	110.30	124.59	0.00	110.30
XXVII - Agriculture	1	43.13	0.00	1.75	44.88	14.75	1.75
XXXIII - Major and Medium Irrigation	2	170.83	1.92	4.58	177.33	166.53	4.58
<b>Total</b>	<b>13</b>	<b>1,618.15</b>	<b>121.92</b>	<b>615.63</b>	<b>2,355.70</b>	<b>1,536.97</b>	<b>565.21</b>

Source: Appropriation Accounts of 2021-22 and Grants Audit Register of 2021-22 compiled by O/o PAG (A&E), AP.

From the table 3.8, it is evident that re-appropriation of ₹ 565.21 crore was unnecessary/ excessive in 13 cases. Further, in four cases, the re-appropriation (more than ₹ one crore) of ₹ 2,912.84 crore was insufficient as the net provision (₹ 3,433.53 crore) was not adequate to meet the expenditure (₹ 7,012.95 crore) (**Appendix 3.6**).

Finance Department replied that the department has issued guidelines to all HoDs and FMUs to incorporate the reasons for excess and savings clearly and fully while issuing the orders of Re-appropriation. Further, the department has also stated that the same instructions reiterated in FY 2022-23 also and necessary validations are developed in the Budget Module in CFMS not to generate any re-apportion orders unless valid reasons are furnished.

### 3.9.2 Surrender in excess of savings

In six grants, against savings of ₹ 3,797.91 crore, an amount of ₹ 3,916.68 crore was surrendered which resulted in excess surrender (₹ one crore or more in each case) of ₹ 118.77 crore as detailed in **Table 3.9**.

**Table 3.9: Surrender in excess of savings during 2021-22**

(₹ in crore)

Sl No.	Number and Name of the grant / appropriation	Total grant/ appropriation	Savings	Amount Surrendered	Amount Surrendered in excess
<b>Revenue Voted</b>					
1	I - State Legislature	108.33	7.37	7.97	0.60
2	IV - General Administration and Elections	834.01	74.14	84.02	9.88
3	X - Home Administration	7,264.43	521.25	522.34	1.09
4	XXXIII - Major and Medium Irrigation	1,628.30	91.29	96.38	5.09
5	XXXV - Energy	14,006.56	3,103.16	3,205.14	101.98
<b>Revenue Charged</b>					
6	I - State Legislature	2.74	0.70	0.83	0.13
<b>Total</b>		<b>23,844.37</b>	<b>3,797.91</b>	<b>3,916.68</b>	<b>118.77</b>

Source: Appropriation Accounts of 2021-22.

The State Government has stated that, proper care will be taken to ensure not to recur such instances in future.

### 3.9.3 Anticipated savings not surrendered

As per paragraph 17.2.2 of AP Budget Manual, savings should not be kept in reserve by the disbursing or controlling officer to meet possible unforeseen excesses under other heads or to cover new expenditure which would normally be provided for in the next year's estimates. All savings should, when they come to notice, be immediately surrendered to the Finance Department through the Administrative Department concerned with full explanations as to how they came about. A review of savings of grants and appropriations and surrender thereof revealed that out of total savings of ₹ 38,955.27 crore in 30 cases, only ₹ 29,221.75 crore was surrendered, leaving a balance of ₹ 9,733.52 crore which was not surrendered and the details of nature of grants are detailed in **Table 3.10**.

**Table 3.10: No. of grants/ appropriations in which savings were not surrendered**

(₹ in crore)						
Sl. No	Nature of the grant	No. of Cases	Total grant/ appropriation	Savings	Amount Surrendered	Savings which remained to be surrendered
1	Revenue (Voted)	22	1,25,015.59	28,899.60	21,460.56	7,439.04
2	Capital (Voted)	3	12,572.95	6,518.34	6,306.99	211.35
3	Loans (Voted)	2	295.04	106.50	57.20	49.30
4	Revenue (Charged)	2	24,154.84	1,969.46	4.06	1,965.40
5	PDC	1	1,21,707.44	1,461.37	1,392.94	68.43
<b>Total</b>		<b>30</b>	<b>2,83,745.86</b>	<b>38,955.27</b>	<b>29,221.75</b>	<b>9,733.52</b>

Source: Appropriation Accounts of 2021-22

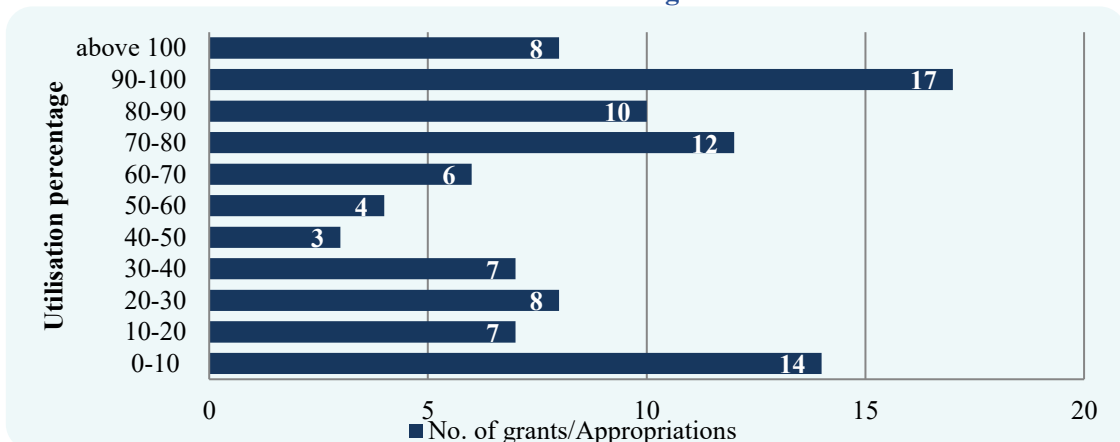
Out of 30 cases, there were savings of ₹ 9,730.15 crore in 23 cases (more than one crore) which were not surrendered. The details of are given in **Appendix 3.7**.

State Government stated that necessary instructions were issued to all departments to report the savings as soon as they occur, without waiting till the end of financial year.

### 3.10 Large and Persistent savings in Grants/ Appropriations

There were huge savings during 2021-22, with 40 out of 96 Grants/ Appropriations showing utilisation of less than or equal to 50 per cent of the budget allocation. The distribution of the number of Grants/Appropriations grouped by the extent of savings is as follows.

**Chart 3.6: Utilisation of budget allocation**



Source: Appropriation Accounts of 2021-22

As it is evident from the chart 3.6, out of 96 Grants/ Appropriations, 71 Grants/ Appropriations showed savings of more than 10 *per cent* of the budget allocation and for 3 Grants/ Appropriations, expenditure occurred though there is no budget allocation.

Of the 40 Grants/ Appropriations with budget utilisation of less than or equal to 50 *per cent*, 23 had shown similar low utilisation in at least four out of the last five years (2017-18 to 2021-22), which is indicative of systemic lacunae that warrants a close review by the Government to enable initiation of expeditious corrective measures. Utilisation of budgetary allocation in these 40 Grants/ Appropriations for the five-year period from 2017-18 to 2021-22 is shown in **Table 3.11**.

**Table 3.11: Grants/ Appropriations where utilisation of budget was less than or equal to 50 *per cent***

(₹ in crore)

Sl. No.	Grant No.	Grants Details		Utilisation of budget provision ( <i>in per cent</i> )					₹ in crore)		
		Grant Name	Section	2017-18	2018-19	2019-20	2020-21	2021-22	No. of years	Budget 2021-22	Expenditure during 2021-22
1	III	Administration of Justice	CV	38.90	28.82	37.67	15.26	24.97	5	52.00	12.98
2	VII	Commercial Taxes Administration	CV	2.10	5.18	1.08	7.71	0.00	5	3.00	0.00
3	VIII	Transport Administration	CV	36.91	2.58	13.50	31.93	4.96	5	139.66	6.92
4	XI	Roads Buildings and Ports	RC	15.69	0.00	17.34	11.09	18.70	5	5.00	0.94
5	XI	Roads Buildings and Ports	CV	25.05	24.89	33.78	37.86	31.63	5	2623.17	829.58
6	XVI	Medical and Health	RC	0.00	0.00	47.37	0.00	10.55	5	0.11	0.01
7	XVI	Medical and Health	CV	36.21	30.10	7.65	21.17	42.72	5	2687.11	1147.90
8	XXIV	Minority Welfare	CV	0.00	1.77	6.94	0.00	7.29	5	16.47	1.20
9	XXV	Women Child and Disable Welfare	CV	41.85	22.52	10.76	7.12	4.05	5	537.69	21.79
10	XXXVIII	Civil Supplies Administration	CV	0.00	0.00	50.00	0.00	13.98	5	2.30	0.32
11	XI	Roads Buildings and Ports	CC	3.85	50.68	44.36	0.00	40.81	4	2.50	1.02
12	XIV	Skill Development and Training	CV	88.40	13.54	28.17	22.44	44.23	4	163.40	72.27
13	XV	Sports and Youth Services	CV	29.77	18.88	47.62	93.34	27.67	4	60.88	16.85
14	XVII	Municipal Administration and Urban Development	CV	25.25	62.36	31.93	21.88	35.38	4	1464.50	518.20
15	XIX	Information and Public Relations	CV	99.67	0.00	0.00	32.46	26.78	4	1.00	0.27
16	XXVII	Agriculture	CV	70.35	46.87	22.02	11.59	47.73	4	427.91	204.25
17	XXVIII	Animal Husbandry and Fisheries	CV	59.74	43.46	14.94	21.44	14.26	4	235.19	33.53
18	XXXII	Rural Development	CV	99.22	25.00	0.00	0.00	0.00	4	50.00	0.00
19	XXXIII	Major and Medium Irrigation	RC	100.00	33.33	0.00	0.00	0.00	4	0.06	0.00
20	XXXIII	Major and Medium Irrigation	CV	42.83	51.73	32.69	35.61	48.78	4	12278.95	5989.46



Sl. No.	Grants Details			Utilisation of budget provision (in per cent)					₹ in crore		
	Grant No.	Grant Name	Section	2017-18	2018-19	2019-20	2020-21	2021-22	No. of years	Budget 2021-22	Expenditure during 2021-22
21	XXXIV	Minor Irrigation	CC	76.23	0.00	22.45	0.00	6.25	4	0.96	0.06
22	XXXVI	Industries and Commerce	CV	23.48	40.52	32.98	556.68	12.22	4	1541.37	188.34
23	XXXVIII	Civil Supplies Administration	RV	93.68	19.00	11.24	2.26	21.36	4	3698.30	789.92
24	IV	General Administration and Elections	CV	84.62	39.60	26.98	52.02	13.45	3	11.08	1.49
25	IX	Fiscal Administration Planning Surveys and Statistics	LV	47.95	161.70	7.90	494.66	24.27	3	65.03	15.78
26	X	Home Administration	CV	59.03	21.61	59.62	27.29	47.07	3	590.69	278.05
27	XIII	Higher Education	CV	65.19	27.01	60.27	16.40	47.23	3	407.67	192.54
28	XX	Labour and Employment	RV	89.54	81.69	45.61	37.12	43.20	3	711.94	307.56
29	XXI	Social Welfare	CV	51.57	21.15	31.89	57.75	22.23	3	291.70	64.83
30	XXII	Tribal Welfare	CV	64.79	40.88	47.87	68.78	40.40	3	149.77	60.50
31	XXIX	Forest Science Technology and Environment	CV	93.10	42.85	70.54	25.95	34.73	3	64.77	22.50
32	XXX	Cooperation	LV	0.00	0.00	57.88	100.00	35.16	3	92.38	32.48
33	XXXIV	Minor Irrigation	CV	48.18	80.98	83.25	47.45	42.60	3	766.68	326.60
34	XXXVI	Industries and Commerce	RV	78.21	21.51	32.92	67.05	43.67	3	2226.70	972.38
35	XXXIX	Information Technology and Communications	RV	76.71	41.67	23.64	79.78	48.39	3	189.02	91.48
36	V	Revenue Registration and Relief	CV	52.14	38.15	67.07	91.48	21.67	2	1666.31	361.08
37	XXIII	Backward Classes Welfare	CV	71.78	19.03	51.16	50.09	17.18	2	147.40	25.32
38	XXVIII	Animal Husbandry and Fisherie	LV	100.00	100.00	0.00	61.99	30.21	2	100.00	30.21
39	XXXIX	Information Technology and Communications	CV	103.05	61.58	0.00	65.48	23.05	2	66.61	15.36
40	XXVI	Administration of Religious Endowments	RV	95.84	87.17	86.28	71.55	26.83	1	412.47	110.67

*Source: Appropriation Accounts of respective years.*

(CV: Capital Voted, RV: Revenue Voted, LV: Loans Voted, RC: Revenue Charged, CC: Capital Charged)

During the year 2021-22, there was underutilisation of budget under four Capital grants viz., Major and Medium Irrigation (XXXIII), Agriculture (XXVII), Rural Development (XXXII), Roads and Buildings (XI) which affects infrastructure creation in the State. The percentage of savings and surrenders under these grants ranged from 52 to 100 per cent.

In the development of State, Capital Expenditure plays a vital role through creation of aggregate demand, employment *etc.* Hence, the underutilisation of Capital grants, especially, in the above mentioned critical sectors needs to be reviewed by the State Government.

Similarly, savings was observed during the year 2021-22 in Revenue Section primarily under the grants Medical & Health (XVI) (89 *per cent*), Civil Supplies Administration (XXXVII) (79 *per cent*) and Labour & Employment (XX) (57 *per cent*).

This may retard the progress of implementation of schemes relating to human development, upliftment of the rural population and quality of life in the rural areas.

### 3.11 Excess expenditure and its regularisation

As per Article 204 (3) of the Constitution of India, no money shall be withdrawn from Consolidated Fund of the State except under appropriations made by law passed in accordance with the provisions of this article. 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.

#### 3.11.1 Excess expenditure in current year

Excess expenditure, over budget provision of ₹ 4,551.82 crore, occurred in four grants and one appropriation during the year 2021-22 as shown in *Appendix 3.8*.

#### 3.11.2 Regularisation of excess expenditure of previous financial years

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. The excess expenditure is to be regularised after discussion of the Appropriation Accounts by the Public Accounts Committee (PAC). For this purpose, the Departments concerned are required to submit Explanatory Notes for excess expenditure to the PAC through Finance Department.

The excess expenditure over the allocation amounting to ₹ 3,51,002.61 crore pertaining to the years 2004-05 to 2020-21 was yet to be regularised as detailed in **Table 3.12**. Grant wise details are given in *Appendix 3.9*.

**Table 3.12: Excess expenditure relating to previous years requiring regularisation**

Year	Number of		Amount of Excess over Provision (₹ in crore)
	Grants	Appropriation	
2004-05	5	1	14.83
2005-06	10	3	585.82
2006-07	7	1	198.72
2007-08	7	3	201.30
2008-09	11	3	709.24
2009-10	10	2	109.74
2010-11	11	5	867.54
2011-12	5	2	188.59
2012-13	5	1	275.63

After bifurcation of the State, excess expenditure of ₹ 3,47,321.08 crore pertaining to the years 2014-15 to 2020-21 is yet to be regularised. Explanatory Notes (ENs) were furnished for only an amount of ₹ 51,678.49 crore against ₹ 3,47,321.08 crore by the concerned Administrative

2013-14	4	1	530.12
2014-15	26	2	13,134.68
2015-16	15	2	36,856.98
2016-17	4	1	1,686.83
2017-18	3	2	47,144.53
2018-19	2	2	64,005.68
2019-20	5	4	73,983.26
2020-21	5	3	1,10,509.12
<b>Total</b>	<b>130</b>	<b>35</b>	<b>3,51,002.61</b>

Departments/ Finance Department to Audit for excess expenditure requiring regularisation relating to the years 2014-15 to 2020-21 as detailed in **Appendix 3.10**.

Source: Appropriation Accounts of respective years

The PAC had discussed and recommended (February 2019) regularisation of the excess expenditure partially for the years 2014-15 and 2015-16 for an amount ₹ 272.91 crore and ₹ 55.98 crore respectively under Article 205 of the Constitution.

The State Government assured to take necessary action to regularise the excess expenditure.

### 3.12 Review of Selected grants

During 2021-22, two grants viz., (i) Medical and Health (Grant No.16) and (ii) Agriculture (Grant No.27) were selected for detailed audit to ascertain compliance with budgeting processes, utilization of funds, expenditure control mechanisms and implementation of schemes/programmes within these grants. Audit findings on these grants are discussed below:

#### 3.12.1 Budget and Expenditure trends

Details of budgetary provisions, actual expenditure and savings/ excess for the year 2021-22 is shown in **Table 3.13**.

**Table 3.13: Expenditure vis-à-vis Budget under 'Medical and Health and 'Agriculture' Grants during 2021-22**

Year	Revenue			Capital		
	B	E	Savings (-)/ Excess(+)	B	E	Savings (-)/ Excess(+)
(₹ in crore)						
<b>Medical and Health</b>						
2021-22	13,392.30	10,427.14	(-) 2,965.16	2,687.11	1,147.90	(-) 1,539.21
<b>Agriculture</b>						
2021-22	11,057.70	7,449.36	(-) 3,608.34	427.91	204.25	(-) 223.66

Source: Appropriation Accounts of Government of AP for the year 2021-22, B: Budget {Original (+) Supplementary}, E: Expenditure;

Test check of schemes/ programmes under the above grants revealed that there was surrender of entire budget provision, incurring of amount less than 50 per cent of budget provisions etc., during the year 2021-22 which were discussed in the subsequent paragraphs.

#### 3.12.2 Medical and Health

##### (i) Surrender of Entire Provision

In respect of 24 schemes listed in **Appendix 3.11**, entire budget provision of ₹ 721.13 crore was Surrendered/Re-appropriated during the year 2021-22. However, as seen from the re-appropriation orders, State Government had not furnished specific reasons for such Surrenders/Re-appropriations.

**(ii) Expenditure less than 50 per cent of Budget Provision**

During the year 2021-22, savings of more than 50 per cent were noticed in 19 schemes shown in *Appendix 3.12*. In respect of these schemes, more than 50 per cent of budget provision is re-appropriated/surrendered without specific reasons. For the above schemes, as against provision of ₹ 3,755.16 crore only an amount of ₹ 1,018.76 crore was incurred and ₹ 2,736.40 crore remained as savings. The percentage of savings in these schemes ranged from 55 to 98 per cent.

**(iii) Under-utilisation/Non-utilisation of funds towards implementation of Schemes:**

In respect of the following schemes (Table 3.14), the department underutilised the funds received thus effecting the implementation of schemes during the year 2021-22.

**Table 3.14: Underutilisation of Schemes**

Name of the Scheme – Purpose of release of funds	Budget Provided	Expenditure	₹ in crore)	
			Unutilised amount	Reasons
National Health Mission (Ayush) – procurement of essential drugs & medicines for Ayush Dispensaries and Strengthening of Medical Service and Education	73.62	0	73.62 (100 %)	Non constitution of Project Management Unit
National Health Mission (AP Vaidya Vidhana Parishad)- Containment, control and prevention of COVID-19	27.50	0	27.50 (100%)	Not furnished by the Department
Pradhan Mantri Matru Vandana Yojana	556.22	473.59	82.63 (14.86)	Not furnished by the Department

**(iv) Non-transfer of Centrally Sponsored Scheme funds to Single Nodal Account**

Government of India issued (March 2021) orders<sup>37</sup> prescribing the revised procedure for release of funds for the Centrally Sponsored Schemes (CSS) monitoring and their utilisation and the orders were effective from 01 July 2021.

As per the revised procedure, the funds in respect of CSS (GoI Share and Matching State Share) has to be credited into the Single Nodal Account (SNA), which is a bank account. The SNA is mapped to Public Financial Management System (PFMS) to facilitate monitoring and utilisation of funds as well as interest accretions on funds channelled through this bank account by respective Ministries of GoI.

Audit noticed that for implementing the National Tertiary Health care Scheme, the State Government had received an amount of ₹ 250 crore for the year 2021-22 for the implementation of the scheme and had not incurred any expenditure out of the funds received. However, the unspent balance of ₹ 250 crore was not transferred to the Single Nodal Account.

<sup>37</sup> GoI, Ministry of Finance, O.M. No. F.No.1 (13) PFMS/FCD/2020 dated 23 March 2021

**(v) Lapsing of Finance Commission grants released for improvement of Health Sector**

During November 2021, the State Government received an amount of ₹ 488.15 crore from Government of India for improvement of Health sector (as Sector specific grants) in the State based on the recommendations of the XV Finance Commission. The State Government transferred these funds to Medical and Health department in February 2022. Due to delay in transfer of funds to the implementing department, the grants could not be utilised for the envisaged purpose in the year 2021-22. It was also noticed that the State Government has lapsed these funds during March 2022 to Consolidated Fund of the State as year-end activity. Detailed para was given under *para 2.5.2.1*.

Lapsing of the Sector Specific grants/Pass through grants may have adverse impact on providing Health Services/non achievement of intended objectives of the schemes.

**(vi) Anticipated savings not surrendered**

As per paragraph 17.2.2 of Budget Manual, Controlling Officers have to surrender to the Finance Department all savings anticipated in the Budget under their control as soon as the certainty of non-requirement is known.

It was noticed that an amount of ₹ 3,776.69 crore was surrendered on the last working day of the financial year *viz.*, 31 March 2022. Huge surrender of funds on the last day of the financial year was in violation of the Budget Manual and indicated incorrect projection of budget estimates.

### **3.12.3 Agriculture**

**(i) Surrender of Entire Provision**

In respect of 16 schemes indicated vide *Appendix 3.13*, entire budget provision of ₹ 1,152.59 crore was Surrendered/Re-appropriated during the year 2021-22. However, as seen from the reappropriation orders, the State Government had not furnished specific reasons for surrender/re-appropriation of the entire budget provisions.

**(ii) Expenditure less than 50 per cent of Budget Provision**

During the year 2021-22, there was savings of more than 50 *per cent* in 23 schemes shown in *Appendix 3.14*. For the above schemes, as against budget provision of ₹ 2,664.72 crore only an amount of ₹ 684.87 crore was incurred and ₹ 1,979.85 crore remained as savings. The percentage of savings ranged from 50 to 99 *per cent*. It was also noticed that the budget provision for these schemes has been re-appropriated/surrendered without proper reasons. This may hinder the progress of scheme implementation.

**(iii) Anticipated savings not surrendered before 31 March 2022**

As per paragraph 17.2.2 of AP Budget Manual, Controlling Officers have to surrender to the Finance Department all savings anticipated in the Budget under their control as soon as the certainty of non-requirement is known.

It was observed that during the year 2021-22 an amount of ₹ 2,015.87 crore was surrendered on 31 March 2022 i.e., on the last working day of the year.

The surrender of anticipated savings on the last day of the financial year was in violation of the Budget Manual and indicated incorrect projection of budget estimates.

### **3.13 Conclusion**

*Sound budgetary management requires advance planning and accurate estimation of revenues and expenditure. There were instances of incurring excess expenditure or large savings with reference to provisions made during the year, which point to flaws in expenditure monitoring and control. A majority of Controlling Officers did not explain the reasons for variations in expenditure vis-à-vis allocations, to the Principal Accountant General (A&E), which affected the accountability mechanism of Government. This weakens legislative control over expending public finances.*

*State Government has to regularise an amount of ₹ 3,51,002.61 crore from the year 2004-05 to 2020-21. Government needs to estimate its resources more realistically and manage its expenditure judiciously and ensure that prior Legislative sanction is obtained for anticipated requirement of additional funds.*

### **3.14 Recommendations**

- 1 State Government should ensure scrupulous compliance with constitutional provisions relating to Legislative authorisation of expenditure.*
- 2 State Government needs to formulate a realistic budget based on reliable assumptions of the needs of the Departments and their capacity to utilise the allocated resources. Departments need to be cautioned against persistent savings; and their budgets should be reviewed and varied in accordance with their ability to absorb the allocations.*
- 3 An appropriate control mechanism needs to be instituted by the Government to enforce proper implementation and monitoring of budget to ensure that savings are curtailed, large savings within the Grant/ Appropriation are controlled, and anticipated savings are identified and surrendered within the specified time frame.*
- 4 Controlling Officers need to be made aware of their responsibility to explain the variation in expenditure from the allocation, to facilitate proper analysis of budget and preparation of meaningful Appropriation Accounts.*