

Chapter 3
Budgetary Management

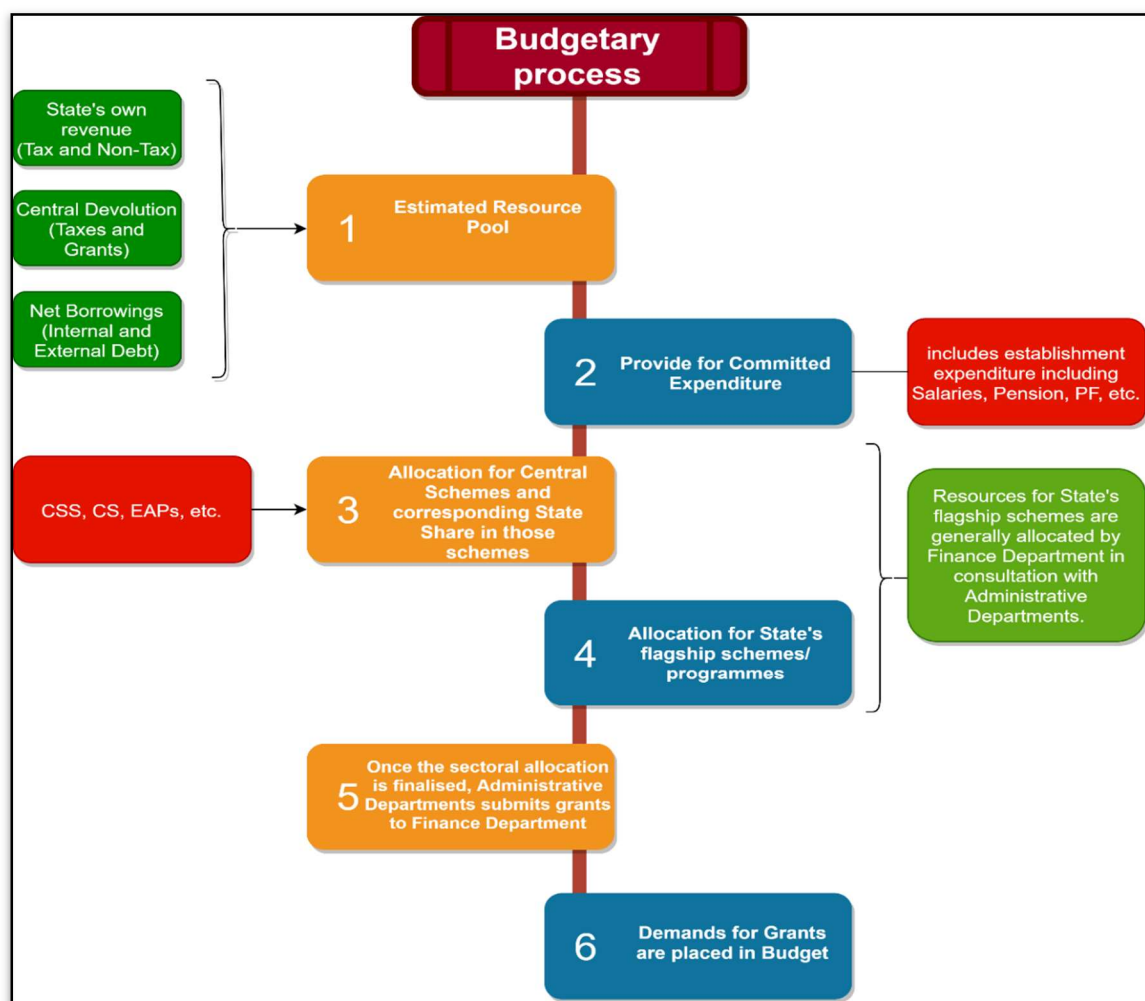
3.1 Introduction

Effective financial management 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 in its implementation.

3.2 Budget preparation process

The annual budgeting exercise is a means of providing a roadmap for efficient use of public resources. The Budget preparation process commences with the issue of a circular, generally in the month of December/January by Finance Department to Departments for their estimates, for the ensuing financial year. Budget preparation process of the State Government is given in *Chart 3.1*.

Chart 3.1: Budget preparation process



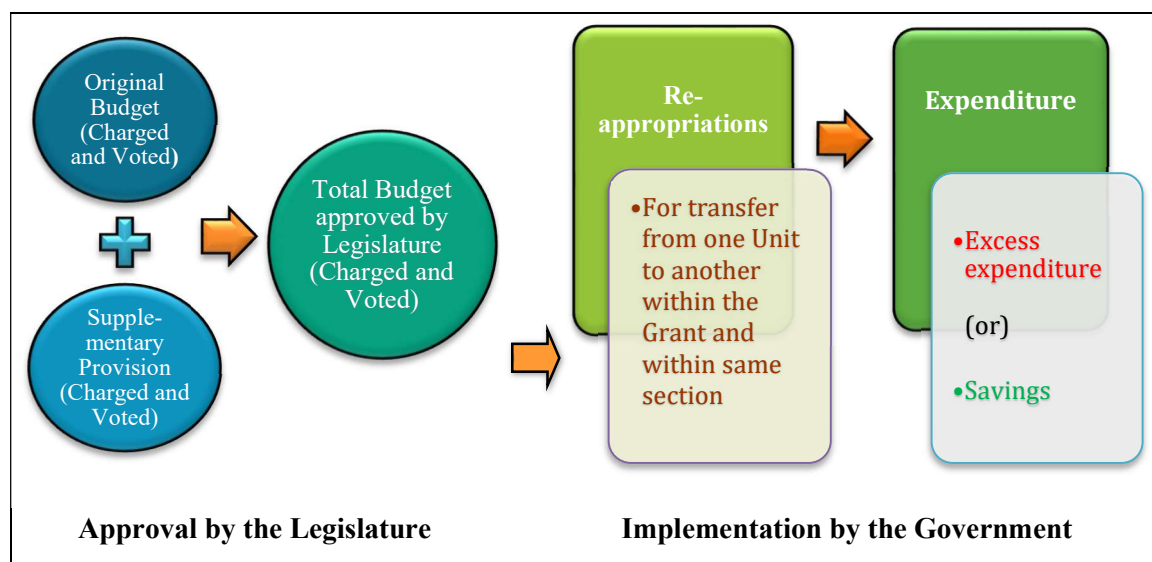
Source: Based on procedures prescribed in Budget Manual and instructions of the State Government

The State Government secures legislative approval for expenditure out of the Consolidated Fund of the State by presenting Annual Budget and Demands for Grants¹/ Appropriations².

Supplementary or additional Grants/Appropriations are provided during the course of the financial year for meeting expenditure in excess of 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 same section (Revenue-Voted, Revenue-Charged, Capital-Voted, Capital-Charged etc.) and within the Grant/Appropriation, during the year, through the competent authority.

Appropriation Accounts capture implementation of Budget proposals approved by the State Legislature. The process of implementation of Appropriation Act is depicted in **Chart 3.2**.

Chart 3.2: Implementation of Appropriation Act as captured in Appropriation Accounts



Source: Based on procedures prescribed in Budget Manual

3.2.1 Sub-Budgets

3.2.1.1 Pragathi Paddu (Scheme Expenditure) and Nirvahana Paddu (Expenditure for Establishment / Maintenance)

As mentioned earlier, with effect from the year 2017-18, Government of Telangana dispensed with Plan and Non-Plan budgets and introduced “Pragathi Paddu (Scheme Expenditure)” and “Nirvahana Paddu (Expenditure for Establishment / Maintenance)”.

3.2.1.2 Special Development Fund

State Government enacted (March 2017) Telangana State Scheduled Castes and Scheduled Tribes Special Development Fund (Planning, Allocation and Utilization of Financial Resources) Act, 2017. The State Government is preparing sub-budgets for Scheduled Castes Special Development Fund and Scheduled Tribes Special Development Fund,

¹ requiring the vote of the Legislature

² do not require the vote of the Legislature

which apportion the total outlays of Pragathi Paddu in a Financial year, based on proportion of population (Census 2011) of Scheduled Castes (15.45 *per cent*) / Scheduled Tribes (9.08 *per cent*) in the State. Special Development Funds of the Departments shall include the schemes that secure direct and quantifiable benefits to the Scheduled Castes/Scheduled Tribe individuals/households/habitations or areas.

Analysis of utilisation of funds provided under Special Development Fund is in *paragraph 3.4.7*.

3.2.2 Budget projections and provisions

The budget of the state is based on the departmental estimates submitted by the heads of the departments and certain other estimating officers and these departmental estimates are themselves based on the estimates submitted by the district officers of the departments³. As the Government accounts are maintained in general on cash basis, the estimates should take into account only such receipts and payment⁴ as the estimating officer expects to be actually realized or made during the budget year⁵. For successful financial management, Government needs advance planning and accurate estimation⁶, of both Receipts and Expenditure. Boosting of estimates of Receipts would automatically lead to higher expenditure projection and ultimately result not only in failure to achieve the targets set out for the year in respect of services deliverable but also in savings in the grants / appropriation authorised by the Legislature. On the other hand, under-estimation of unavoidable and committed expenditure, like repayment of debt, payment of interest, salaries, pensions etc., might lead to excess expenditure requiring regularisation by the Legislature later.

3.2.2.1 Unrealistic Projection of receipts from Non-Tax Revenue

The performance of the State Government in respect of resource mobilisation was discussed in *Paragraph 2.4.3* of this Report, wherein it was mentioned that though the State was able to realise its estimations in respect of Own Tax Revenue, it was lagging far behind with regards to Non-Tax Revenue. The projections of NTR in budget in the last three years were on higher side persistently as shown below:

Table 3.1: Budget Projection and actuals in respect of Non-Tax Revenue

(₹ in crore)

Year	Budget projection	Actuals	Difference
2017-18	6,602	7,825	(-)1,223
2018-19	8,974	10,007	(-) 1,011
2019-20	15,875	7,360	8,515
2020-21	30,600	6,101	24,499
2021-22	30,557	8,857	21,700

Source: Budget documents and Finance Accounts of years concerned

³ paragraph 13.1.1 of Budget Manual

⁴ including those in respect of the arrears of past years

⁵ paragraph 13.1.3 of Budget Manual

⁶ paragraph 1.1 of Budget Manual

- The budget projections have increased significantly for the past three years, even though realisation of NTR was less than ₹10,000 crore.
- Though the actuals were higher than the estimations in respect of 2017-18 and 2018-19, they were on account of certain accounting misclassifications which resulted in more receipts from NTR. These instances have been reported in the respective State Finances Audit Reports of previous years.
- Higher projections have been made in ‘Sale of land and property’, ‘Housing’ and ‘Urban Development’ when compared to realisation as shown below:

Table 3.2: Budget Projection and actuals on receipts from Sale of Land and Property, Housing and Urban Development

(₹ in crore)

Year	Budget projection	Realisation	Difference
Sale of Land and Property			
2017-18	0	686	(-)686
2018-19	3,000	848	2,152
2019-20	10,000	416	9,584
2020-21	14,294	10	14,284
2021-22	16,000	2,658	13,342
Housing			
2017-18	2	1	1
2018-19	1	1	0
2019-20	1	101	(-)100
2020-21	4,446	1	4,445
2021-22	5,002	1	5,001
Urban Development			
2017-18	1	28	(-)27
2018-19	1	9	(-)08
2019-20	1	21	(-)20
2020-21	4,001	7	3,994
2021-22	2,514	93	2,421

Source: Budget documents and Finance Accounts of years concerned

The basis on which the above huge projections were made in the recent years was not forthcoming from the records furnished to audit.

Year-wise trend of components of NTR and their contribution in State Finances is discussed in earlier **Paragraph 2.4.1.1 (ii)**.

3.2.2.2 Projection of receipts in the component ‘Grants-in-Aid from Government of India’

The budget projections in respect of Grants-in-Aid receivable from Government of India have been inconsistent:

Table 3.3: Budget Projection and actuals in respect of Grants-in-Aid from Government of India

(₹ in crore)

Year	Budget projection	Actuals	Difference
2017-18	26,857	8,059	18,789
2018-19	29,042	8,178	20,864
2019-20	8,178	11,599	(-3,421)
2020-21	10,525	15,471	(-4,946)
2021-22	38,669	8,619	30,050

Source: Budget documents and Finance Accounts of years concerned

During 2019-20 and 2020-21, the budget projections of this component were considerably lesser than actual realised. In all the remaining years, the projections were abnormally high when compared to actual receipts.

In respect of the 2021-22, the projection included an estimation of ₹25,105 crore towards Special package and additional Central Assistance and the basis of this estimation has not been disclosed. However, the same has not been accounted for in the Government of India Budget proposals too.

The Government may ensure estimation of Non-Tax Revenue and Grants-in-Aid are made on realistic basis.

3.2.2.3 Lump sum provisions

As per paragraph 13.12 of Budget Manual, lump sum provision should not be made in the Budget Estimates as a rule. The State Government has made the following amounts as Lump sum provisions during the past five years:

Table 3.4: Budget Estimates and actuals in respect of Lump sum provisions

(₹ in crore)

Year	Budget projection	Actuals
2052 - Secretariat - General Services - 090- Secretariat - 75 - Lumpsum provision -270 Minor works		
2017-18	18	0
2018-19	1	0
2021-22	8,000	0
2052 - Secretariat - General Services - 090- Secretariat - 75 - Lumpsum provision – 010 - Salaries		
2017-18	1,000	0
2018-19	200	0
2019-20	10	0

Source: Appropriation Accounts of years concerned

No expenditure was incurred against these lump sum provisions in the respective years.

Further, Audit findings on misclassifications in budget estimates and opening of new sub-heads without the concurrence of the Principal Accountant General (A&E), Telangana are discussed in **Paragraphs 3.4.9** and **3.5.4** respectively.

3.2.2.4 Estimation of expenditure on repayment of Ways and Means Advances

On the expenditure side, one of the major items on which excess expenditure occurs is through Ways and Means Advances (WMA)⁷. While the State Government has been making only token provisions towards repayment of WMA, there has been increased dependency and consequent repayment of WMA year after year leading to huge excess expenditure as shown below:

Table 3.5: Budget Estimates and actuals in respect of repayment of Ways and Means Advances

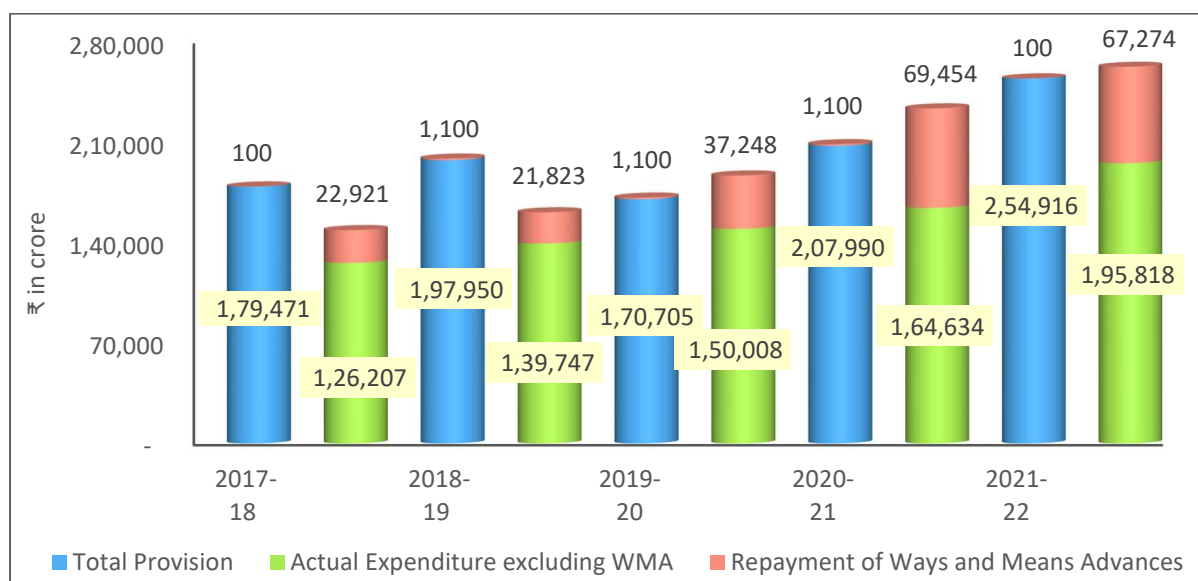
(₹ in crore)

Year	Budget projection	Actuals	Excess expenditure
2017-18	100	22,921	22,821
2018-19	1,100	21,823	20,723
2019-20	1,100	37,247	36,147
2020-21	1,100	69,453	68,353
2021-22	100	67,274	67,174

Source: Appropriation Accounts of years concerned

Total Expenditure, including repayment of WMA, has been higher than the Budgetary provision in the past three years viz., 2019-20, 2020-21 and 2021-22. However, the expenditure without WMA is much lower than the Budget Estimates as shown in **Chart 3.3** below:

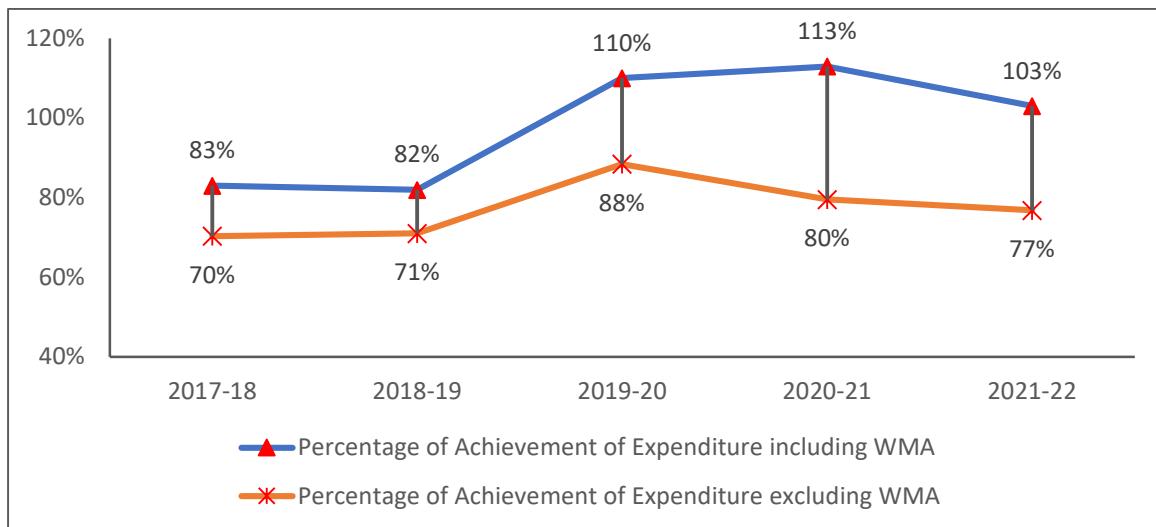
Chart 3.3: Total Provision and Expenditure during the period 2017-18 to 2021-22



Source: Appropriation Accounts

⁷ Ways and Means Advances is a mechanism used by Reserve Bank of India (RBI) under its credit policy to provide to States, banking with it, to help them tide over temporary mismatches in the cash flow of their receipts and payments

Chart 3.4: Percentage of expenditure in comparison to Budget including and excluding repayment of Ways and Means Advances



Source: Appropriation Accounts

Effectively, only 77 per cent of the provisions authorised could be spent during the year resulting in overall savings. However, due to huge repayment of WMA for which only a token provision was made, it appears as a net excess expenditure of three per cent over the total provision in 2021-22 (*paragraph 3.3.2 also refers*).

3.2.3 Outcome/Performance Budget

As per Budget Manual, Performance Budget is a comprehensive operational document, conceived, presented and implemented in terms of programmes, projects and activities with their financial and physical aspects closely interwoven. Performance budget seeks to present the purposes and objectives for which funds are requested, the cost of various programmes and activities proposed for achieving these objectives and quantitative data measuring the work performed, services rendered, or results accomplished under each programme and activity.

Since the introduction of the Outcome Budget from 2005-06 by the Union Government, Ministries and Departments are required 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. The State Government places demands for 40 Grants before the Legislature every year. During 2021-22, the following are observed:

- Out of the 40 Grants, Outcome Budgets are not prepared in respect of 3 Grants⁸.
- On review of Outcome Budgets of the remaining 37 Grants, only one Grant, i.e., Scheduled Castes Development Department had clearly mentioned about achievement of outcomes.

⁸ (i) State Legislature, (ii) Governor and Council of Ministers and (iii) General Administration and Elections

- In respect of two Grants, viz., Transport and Public Enterprises, ‘nil’ report was mentioned in the Outcome budgets.
- In respect of nine Grants⁹, there was no mention of projected outcomes or their achievements.
- In all other 25 Grants, though physical targets and their achievements were mentioned, there was no mention of achievement vis-à-vis projected outcomes.

3.3 Appropriation Accounts

Appropriation Accounts provide the details of Government expenditure for each financial year, compared with the amounts of Grants voted and Appropriations charged for different purposes as specified in the schedules appended to the Appropriation Act passed under Articles 204 and 205 of the Constitution of India. These Accounts depict the Original Budget Provision, Supplementary Grants, surrenders and re-appropriations distinctly. They also indicate actual Revenue and Capital Expenditure on various specified services vis-à-vis those authorised by the Appropriation Act (in respect of both Charged and Voted items). Appropriation Accounts represent utilisation of funds, management of finances and monitoring of budgetary provision and are therefore, complementary to the Finance Accounts.

3.3.1 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/Appropriations is within authorisations given under the Appropriation Act and that the expenditure required to be charged under provisions of the Constitution, is so charged. It also ascertains whether expenditure so incurred is in conformity with the law, relevant rules, regulations and instructions.

⁹ (i) Administration of Justice, (ii) Excise Administration, (iii) Commercial Taxes Administration, (iv) Roads, Buildings and Ports, (v) Medical and Health, (vi) Information and Public relations, (vii) Minority Welfare, (viii) Administration of Religious Endowments and (ix) Energy

3.3.2 Summary of total provision and actual expenditure in 2021-22

A summarised position of total budget provision, disbursement and saving/excess during the year 2021-22 is given in *Table 3.6*.

Table 3.6: Budget Provision, disbursement and savings/excess during 2021-22

(₹ in crore)

Voted / Charged	Nature of Expenditure	Original Grant / Appropriation	Supplementary Grant / Appropriation	Total	Actual Expenditure	Savings (-) / Excess (+) with reference to Total Budget	Savings (-) / Excess (+) in per-centage	Surrender during the year	
								Amount	per cent
Voted	Revenue	1,51,498	10,684	1,62,182	1,29,942	(-)32,240	(-)20	(-)73,719	45
	Capital	28,945	11,954	40,899	29,014	(-)11,885	(-)29	(-)16,638	41
	Loans and Advances	23,256	1,097	24,353	8,477	(-)15,876	(-)65	(-)11,397	47
	Total Voted	2,03,699	23,735	2,27,434	1,67,433	(-)60,001	(-)26	(-)1,01,754	45
Charged	Revenue	17,932	182	18,114	19,430	1,316	07	(-)17,607	97
	Capital	101	93	194	112	(-)82	(-)42	(-)83	43
	Public Debt Repayment	9,140	134	9,274	76,117	66,843	721	(-)8,228	89
	Total Charged	27,173	409	27,582	95,659	68,077	247	(-)25,918	94
Appropriation to Contingency Fund		Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Grand Total		2,30,872	24,144	2,55,016	2,63,092	8,076	03	(-)1,27,672	50

Source: Appropriation Accounts

Note: Out of ₹2,63,092 crore, an amount of ₹612 crore was transferred to PD Accounts (Head of Account: 8443-106).

The actual gross expenditure of ₹2,63,092 crore is 103 *per cent* of the total provision of ₹2,55,016 crore in 2021-22. The net excess expenditure of ₹8,076 crore is the result of excess expenditure of ₹75,053 crore in 10 Grants and 02 Appropriations and savings of ₹66,977 crore in 39 Grants and 08 Appropriations. Excluding the amount of Ways and Means Advances (WMA)¹⁰, there is an overall saving of ₹59,098 crore¹¹ against the budget provisions.

- Savings occurred in all parts of the Voted section, whereas excess expenditure occurred under Charged sections of Revenue and Public Debt Repayment.
- The total savings, other than Public Debt repayment and Revenue charged, amounted to ₹60,084 crore (26 *per cent*) compared to the allocation of ₹2,27,628 crore. Expenditure under Public Debt repayment (₹76,117 crore) mainly includes an amount of ₹67,274 crore towards repayment of Ways and Means Advances (WMA) taken during 2021-22.
- The State Government also incurred an unauthorised expenditure of ₹1,383 crore without any provision in the Budget during 2021-22 at sub-head level (*refer paragraph 3.4.1*).

¹⁰ for which the budget provision was only ₹100 crore and expenditure was ₹67,274 crore

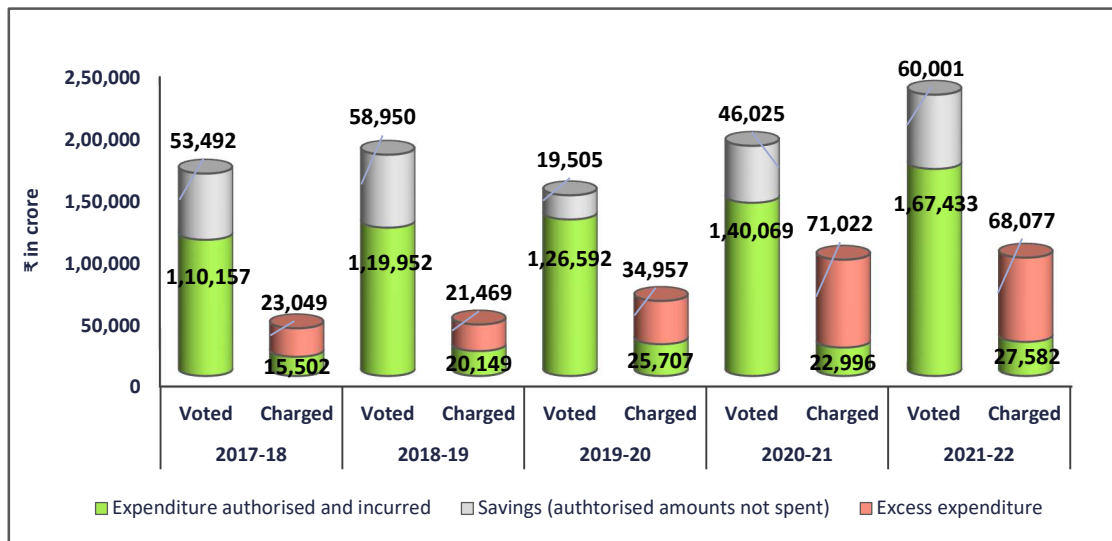
¹¹ excluding WMA repayment, the budget provision is ₹2,54,916 crore and the expenditure is ₹1,95,818 crore

Efficient management of receipts and public expenditure holds the key for achievement of various targeted fiscal indicators. Budgetary allocations based on unrealistic proposals and inadequate monitoring leads to sub-optimal allocation among various developmental needs. Excessive savings in some Grants may result in unequal resource distribution and utilisation.

3.3.3 Trend of Charged and Voted expenditure

The trend of Charged and Voted expenditure during the past five years is shown below:

Chart 3.5: Charged and voted expenditure during the five-year period 2017-18 to 2021-22



Source: Appropriation Accounts

Savings occurred under voted section every year. This indicates that even though more budget is provided in voted section towards schemes / welfare / development activities, the actual expenditure is less than the provision, resulting in savings. On the other hand, excess expenditure occurred under charged section in all the years mainly on account of Repayment of Ways and Means Advances as mentioned in earlier paragraph. In Revenue Charged section ‘Interest on State Development Loans’, ‘Interest on General Provident Fund’, and ‘Telangana State Life Insurance Fund’ etc., contributed to excess expenditure. Consistent excess expenditure on these items indicates that estimation of expenditure on these components have been made on the lower side. There were persistent excesses in these heads under Revenue charged section as detailed in the following table:

Table 3.7: Items in which persistent excess expenditure occurred under Revenue charged section during last five years

(₹ in crore)

Year	Budget Provision	Expenditure	Excess (+) / Savings (-)
Interest on State Development Loans			
2017-18	7,936	7,916	(-)20
2018-19	8,316	9,610	1,294
2019-20	11,007	11,455	447
2020-21	12,075	13,907	1,832
2021-22	14,636	16,421	1,785

Year	Budget Provision	Expenditure	Excess (+) / Savings (-)
Interest on General Provident Fund			
2017-18	330	417	87
2018-19	410	420	10
2019-20	405	454	49
2020-21	405	451	46
2021-22	500	451	(-)49
Telangana State Life Insurance Fund			
2017-18	110	188	78
2018-19	180	223	43
2019-20	226	264	38
2020-21	100	315	215
2021-22	275	327	52

Source: Appropriation Accounts

The State Government may ensure accurate and realistic estimation of Charged Expenditure items such as ‘Interest on State Development Loans’, ‘Interest on General Provident Fund’, etc.

The excess under Revenue charged during the year 2021-22 was ₹1,316 crore mainly on account of excess on ‘Interest on State Development Loans’ (₹1,785 crore) apart from excess under ‘District offices and Collectors Establishments’ (₹75 crore) and ‘Telangana State Life Insurance Fund’ (₹52 crore), which can be estimated with reasonable accuracy and are directly charged on the Consolidated Fund.

3.3.4 Lack of explanation for variation from Budget

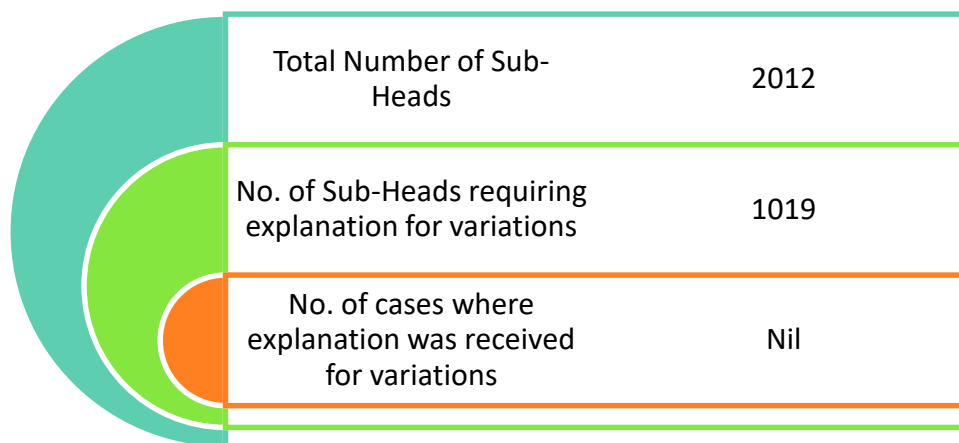
Appropriation Accounts provide explanations for comments on excess expenditure or savings where the excess or savings at Sub-Head level varies beyond the limits set by the Public Accounts Committee.

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

Savings	<p>(a) When the overall saving under a Grant/charged Appropriation is less than 5 per cent 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 saving/excess under individual subheads exceeds 10 per cent of the provision or ₹100 lakh, whichever is higher.</p> <p>(b) When the overall saving under a Grant or charged Appropriation is 5 per cent or above of the total provision, comments on saving/excess against individual subheads are included when the saving/excess under individual subheads exceeds 10 per cent of the provision or ₹50 lakh, whichever is higher.</p>
Excess	<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 sub-heads are included only when the excess under individual sub-heads is ₹25 lakh and above.</p> <p>(c) Comments on savings (in excess Grant) under individual sub-heads are included when the saving under individual sub-heads exceeds 10 per cent of the provision or ₹50 lakh, whichever is higher.</p>

Principal Accountant General (Accounts and Entitlements) provided the draft Appropriation Accounts to the Departments and sought the reasons/explanations for the excess/savings at sub-head level. However, the Controlling Officers have not provided explanation for the variations in the expenditure *vis-à-vis* budgeted allocation. The total number of sub-heads in the accounts, those requiring explanation for variation and the sub-heads where explanation was received for variations from allocations, during 2021-22 are given in **Chart 3.6**:

Chart 3.6: Summary of unexplained variations vis-à-vis budget during 2021-22



Source: Appropriation Accounts

We observed that explanation for variations was not received for any of the sub-heads requiring explanation. The State Government did not give explanation for the variations in 893 sub-heads (out of 1,952) in 2020-21 and 862 sub-heads (out of 2,282) in 2019-20 also. The same was highlighted in the State Finances Audit Report for the year ended March 2021 and March 2020.¹²

Non-submission of explanations for variations between the budgeted allocation and its utilisation, limits legislative control over budget and financial accountability of the Government.

3.4 Integrity of budgetary and accounting process

3.4.1 Expenditure incurred without authority of law

As per Article 204 of the Constitution, no money shall be withdrawn from Consolidated Fund except under appropriation made by law passed in accordance with the provisions of this Article. Paragraph 17.3.5 of the Budget Manual stipulates that expenditure on a ‘new service’ not contemplated in the budget estimates for the year should not be incurred, whether it is charged or voted and whether it can be met by re-appropriation or not, until it is included in a supplementary statement of expenditure presented to the Legislature and eventually in an Appropriation Act.

¹² Paragraph 3.4.1 *ibid* elaborates on “Excess expenditure without authority of Law” and Paragraph 3.4.2 on “Excess expenditure and its regularisation” in these reports

In respect of the following Grant, the entire expenditure of ₹1.61 crore was incurred without any budget provision as shown below:

Table 3.8: Grant in which entire expenditure was incurred without budget provision during 2021-22

Sl. No.	Grant Number and Description	Section	Provision (₹)	Expenditure (₹)	Purpose
1	XXX – Co-operation	Capital Voted	0	1,61,46,839	Constructions of Office Buildings and Go-downs, Platforms and Compound Wall to the PACS
Total			0	1,61,46,839	

Source: Appropriation Accounts

Further, at sub-head level, the State Government incurred a total expenditure of ₹1,383 crore without any budget provision under 71 Sub-Heads as below:

Table 3.9: Expenditure without Budget provision during 2021-22

Number of Grants / Appropriations	Number of Major Heads	Number of Sub-Heads	Expenditure (₹ in crore)
23	33	71	1,383*

Source: Appropriation Accounts

* This expenditure includes ₹1.61 crore in Grant XXX – Co-operation as mentioned above in Table 3.8

The following five items constitute 79 per cent (₹1,091 crore) of total expenditure without Budget provision:

- (i) ‘Amount Allocable to successor State of TS’ (₹350 crore) under Grant No. IX - Fiscal Administration, Planning, Surveys and Statistics;
- (ii) ‘Subvention from Central Road Fund’ (₹262 crore) under Grant No. XI - Roads, Buildings and Ports;
- (iii) ‘Medical Reimbursement of all types of Pensioners’ (₹246 crore), under Grant No. IX – Fiscal Administration, Planning, Surveys and Statistics;
- (iv) ‘Loans from NABARD for Warehousing Infrastructure Fund (₹133 crore) under Grant No. IX - Fiscal Administration, Planning, Surveys and Statistics;
- (v) Assistance to TSRTC towards payment of Toll fee to TSRDC (₹100 crore) under Grant No. XI - Roads, Buildings and Ports.

The first four items have occurred in previous years and have already been commented upon in the earlier State Finances Audit Reports. The State Government could have included them in the current year’s budget estimates. However, no provisions were made in the Budget for these items.

Overall, there has been a marginal increase in expenditure without approval of the Legislature during the current year (₹1,383 crore) when compared to previous year (₹1,247 crore).

Incurring expenditure persistently without approval of the budget provision by the Legislature undermines the authority of the Legislature. Such consistent expenditure without authorisation

year after year vitiates the system of budgetary and financial control leading to financial indiscipline in management of public resources.

3.4.2 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. Further, Article 205(1)(b) of the Constitution provides that if any money has been spent on any service during a financial year in excess of the amount granted for that service and for that year, the Governor shall cause to be presented to the Legislative Assembly of the State, a demand for such excess. Thus, it is mandatory for a State Government to get excesses over Grants/Appropriations regularised by the State Legislature for the Financial Year.

There were persistent Excess Expenditures in the Grants that provide funds for the day-to-day Administration like Fiscal Administration, Home Administration generally during the past five years. On the other hand, amounts authorised by the Legislature could not be spent in respect of Grants like Municipal Administration and Urban Development, Major and Medium irrigation, Housing, Social Welfare, which deal with development and welfare activities. This indicates that the Budgets for the administrative Grants were underestimated, while welfare and development Grants were over-projected.

3.4.2.1 Excess expenditure in current year

Excess expenditure over the provision for the year is not only in contravention of the provision requiring Legislative sanction but is also an indicator of poor planning and improper control of progress of expenditure. As shown in **Table 3.6**, there is an overall excess expenditure of ₹8,076 crore during 2021-22. Compared to 2020-21, the total budget provision has increased by 22 per cent¹³ and the expenditure was higher by 12 per cent¹⁴ in 2021-22.

At Grant/ Appropriation level, excess expenditure incurred under 14 sections of 10 Grants and 02 Appropriation (including Public Debt). Under these, an expenditure of ₹1,48,057 crore was incurred against budget provision of ₹73,004 crore (i.e., 203 per cent of the total provision) (details in **Appendix 3.1**), resulting in an excess of ₹75,053 crore.

Analysis at the Major Head (MH) level revealed that there was excess expenditure in 28 Major Heads, whose expenditure (₹1,67,937 crore) was more than provision (₹82,705 crore) by ₹85,232 crore. Apart from internal debt of the State Government (₹66,773 crore), Excess Expenditure occurred under pensions and other Retirement Benefits (₹13,361 crore), Interest Payments (₹1,413 crore), Capital Outlay on Major Irrigation (₹770 crore), Capital outlay on Road Transport (₹738 crore), Welfare of Scheduled Castes, Scheduled Tribes, and other Backward Classes (₹692 crore) and Capital outlay on Water supply and Sanitation (₹545 crore).

¹³ ₹2,55,016 crore in 2021-22 as against ₹2,09,090 crore in 2020-21

¹⁴ ₹2,63,092 crore in 2021-22 as against ₹2,34,088 crore in 2020-21

From the perspective of the scheme/Sub-heads, we observed the following:

- The major contributor for the excess expenditure during the year 2021-22 was ‘Repayment of Ways and Means Advances’ (₹67,174 crore) for which the original provision was only ₹100 crore with nil supplementary provision, while the actual expenditure was ₹67,274 crore under Grant No. IX - Fiscal Administration (Loans Charged).
- Apart from Repayment of Ways and Means Advances, there was excess expenditure over budgetary authorisation (by ₹1,000 crore or more in each case) under five subheads in Grant No. IX - Fiscal Administration. The same is detailed below:

Table 3.10: Major contributing items for excess expenditure under Grant No. IX - Fiscal Administration

(₹ in crore)

S. No.	Details of Scheme/Sub-head	Budget	Expenditure	Excess expenditure
1	Service Pensions Allocable to Successor State of Telangana	30	5,076	5,046
2	Post Bifurcation Service Pensions Allocable between the Successor States of Andhra Pradesh and Telangana in the ratio of 58.32:41.68	237	2,243	2,006
3	Family Pension allocable to Successor State of Telangana	4	1,933	1,929
4	Interest on State Development Loans (SDL)	14,636	16,421	1,785
5	Pre Bifurcation Service Pensions Allocable between the Successor States of Andhra Pradesh and Telangana in the ratio of 58.32:41.68	4,804	6,143	1,339
	Total	19,711	31,816	12,105

Source: Appropriation Accounts

Except Interest on State Development Loans, on all the remaining items budget provisions were not estimated taking into account of probable expenditure and huge excess expenditures incurred. These items pertain to the pensions on account of allocation between the States of Andhra Pradesh and Telangana consequent to Andhra Pradesh Reorganisation Act, 2014¹⁵. Interest on State Development Loans can also be estimated with reasonable accuracy and the excess expenditure of ₹1,785 crore indicates that either the estimates were not prepared realistically or that it has been consciously under-projected.

During 2021-22, there was significant excess expenditure in other grants as well (more than ₹500 crore in each case), involving the following schemes/Sub-Heads:

¹⁵ As per Government Orders (May 2014), the payment of pre-bifurcation and post-bifurcation Pensions and other Pension related transactions like Family Pension, Gratuity, Commutation, etc., in respect of employees who rendered service in the composite State of Andhra Pradesh and drawing pension in either of the successor States of Andhra Pradesh and Telangana are allocable in the ratio 58.32:41.68

Table 3.11: Significant items of excess expenditure under various Grants

(₹ in crore)

Sl. No.	Grant No.	Grant(s) Name	Scheme / Sub-Head	Amount
1	XXI (Revenue Voted)	Social Welfare	Telangana Dalit Bandhu	3,442
2	XXXI (Capital Voted)	Panchayat Raj	Investment in TDWSCL	1,907
3	XXXIII (Capital Voted)	Major and Medium Irrigation	Investment in Kaleshwaram Corporation	1,548
4	XXVII (Revenue Voted)	Agriculture	Investment Support Scheme	613

Source: Appropriation Accounts

No specific reasons were furnished for the above excess expenditures.

Box 3.1: Irrigation projects with excess expenditure

Irrigation projects are generally differentiated by minor heads. We observed that excess expenditure of ₹1,316 crore occurred in respect of nine projects. Major excess expenditure occurred in Palamuru Rangareddy Lift Irrigation Scheme (Capital Voted - ₹871 crore)¹⁶ and Kaleshwaram Projects (Capital Voted - ₹427 crore)¹⁷ which alone contributed to 98.7 per cent of the excess expenditure under the Grant No. XXXIII - Major and Medium Irrigation Grant.

Apart from this, we observed excess expenditure of ₹1,388 crore¹⁸ under Investments in Public Sector and Other Undertakings. Within this, there was an excess expenditure of ₹1,548 crore¹⁹ towards Investments in Kaleshwaram Irrigation Project Corporation Limited alone. No specific reasons were furnished for the excess expenditures.

3.4.2.2 Excess expenditure requiring regularisation

As per Article 205 of the Constitution of India, it is mandatory for a State Government to get excess expenditure over a Grant / Appropriation regularised by the State Legislature. The excess expenditure is to be regularised after discussion by the Public Accounts Committee. For this purpose, the Departments concerned are required to submit Explanatory Notes for excess expenditure to Public Accounts Committee through Finance Department.

The State Government did not get the excess expenditure of ₹2,14,062 crore over and above the allocation, pertaining to the years 2014-15 to 2020-21, regularised as shown in **Table 3.12** (Grant-wise details are given in **Appendix 3.2**).

¹⁶ Budget Provision: ₹2,223 crore, Expenditure: ₹3,094 crore¹⁷ Budget Provision: ₹2,009 crore, Expenditure: ₹2,436 crore¹⁸ Budget Provision: ₹2,779 crore, Expenditure: ₹4,167 crore¹⁹ Budget Provision: ₹1,524 crore, Expenditure: ₹3,072 crore

Table 3.12: Details of excess expenditure yet to be regularised as of November 2022

(₹ in crore)

Year	Revenue Voted	Revenue Charged	Capital Voted	Loans Voted	Public Debt	Total
2014-15						
Number of Grants / Appropriation	--	1	3	2	--	
Amount	--	1.42	294.98	7.25	--	303.65
2015-16						
Number of Grants / Appropriation	4	1	2	2	--	
Amount	5,361.08	9.37	2.78	507.56	--	5,880.79
2016-17						
Number of Grants / Appropriation	10	3	4	2	--	
Amount	6,261.27	13,127.30	1,762.83	10.19	--	21,161.59
2017-18						
Number of Grants / Appropriation	7	1	2	1	1	
Amount	4,578.26	342.74	341.10	122.06	22,787.11	28,171.27
2018-19						
Number of Grants / Appropriation	3	1	2	2	1	
Amount	4,791.05	794.72	71.48	2,400.00	21,076.44	29,133.69
2019-20						
Number of Grants / Appropriation	10	3	13	5	1	
Amount	11,834.44	49.36	111.95	426.43	35,474.26	47,896.44
2020-21						
Number of Grants / Appropriation	6	1	12	2	1	
Amount	9,579.38	2,138.31	601.22	71.97	69,123.67	81,514.54

Source: Appropriation Accounts of years concerned

The excess expenditure is to be regularized after discussion in the Public Accounts Committee (PAC) in the Legislature. The Committee met five times²⁰ to discuss ten²¹ paragraphs pertaining to State Finances Audit Reports. However, the issue of regularisation of expenditure incurred in excess of Legislative authorisation has not yet been taken up.

The persistent excess expenditure over Grants/appropriation approved by the State Legislature is in violation of Article 204 and 205 of the Constitution which provide that no money shall be withdrawn from the consolidated fund except under appropriation made by Law by the State Legislature. This vitiates the system of budgetary and financial control and encourages financial indiscipline in management of public resources.

²⁰ May 2018, August 2021 (twice), February 2022 and March 2022

²¹ Paragraphs: 2014-15 (2.5.3, 3.2.1, and 3.2.2); 2015-16 (2.7.2, 3.2.2, and 3.2.3); 2017-18 (2.3, and 3.6); 2018-19 (3.4, and 3.5)

3.4.3 Unspent provision / Savings

During the year 2021-22, the total savings were ₹66,977 crore²². Of this, ₹55,382 crore (i.e., 83 per cent) pertain to 17 sections of 13 Grants with more than ₹1,000 crore remained unspent under each as shown in **Appendix 3.3**.

At Grant section level, Major and Medium Irrigation (Loans Voted - ₹7,466 crore), Weaker Section Housing Programme (Revenue Voted - ₹6,970 crore) and Municipal Administration and Urban Development (Revenue Voted ₹5,156 crore) were the Grants, where more than ₹5,000 crore worth provisions approved by Legislature could not be spent.

In respect of Municipal Administration and Urban development Grant, the entire capital provision of ₹1,962 crore was not spent.

Major savings of more than ₹2,000 crore occurred in following schemes (at sub-head level):

Table 3.13: Significant items of unspent provisions

(₹ in crore)

Sl. No.	Grant No.	Grant(s) Name	Scheme / Sub-Head	Budget Provision	Expenditure	Savings
1	XXXIII (Loans Voted)	Major and Medium Irrigation	Loans to Kaleshwaram Irrigation Project Corporation Limited	7,197	1,442	5,755
2	XXI, XXII, and XXVII (All Revenue Voted)	Social Welfare, Tribal Welfare and Agriculture	Scheme for debt relief to farmers	5,225	763	4,462
3	XVIII (Revenue Voted)	Weaker Section Housing Programme	Construction of Two Bed Room Houses to the Rural poor	4,470	200	4,270
4	XXXI (Loans Voted)	Panchayat Raj	Loans to Telangana Drinking Water Supply Corporation Limited	5,435	1,174	4,261
5	XVIII, XXI and XXII (All Revenue Voted)	Weaker Section Housing Programme, Social Welfare and Tribal Welfare	Construction of Two Bed Room Houses to Urban Poor	4,085	50	4,035
6	IX and XXII (Both Capital Voted)	Fiscal Administration and Tribal Welfare	Special Development Fund for welfare and development activities	5,073	1,175	3,898
7	XVII, XXI, and XXII (All Capital Voted)	Municipal Administration and Urban development, Social Welfare and Tribal Welfare	Hyderabad Urban Agglomeration	2,600	0	2,600
8	XXI and XXII (Both Revenue Voted)	Social Welfare and Tribal Welfare	Two Bed Room Houses	2,320	0	2,320
9	XXI, XXII and XXXII (All Revenue Voted)	Social Welfare, Tribal Welfare and Rural Development	Interest Free Loans to DWACRA Women (Vaddileni Runalu)	2,250	125	2,125

Source: Appropriation Accounts

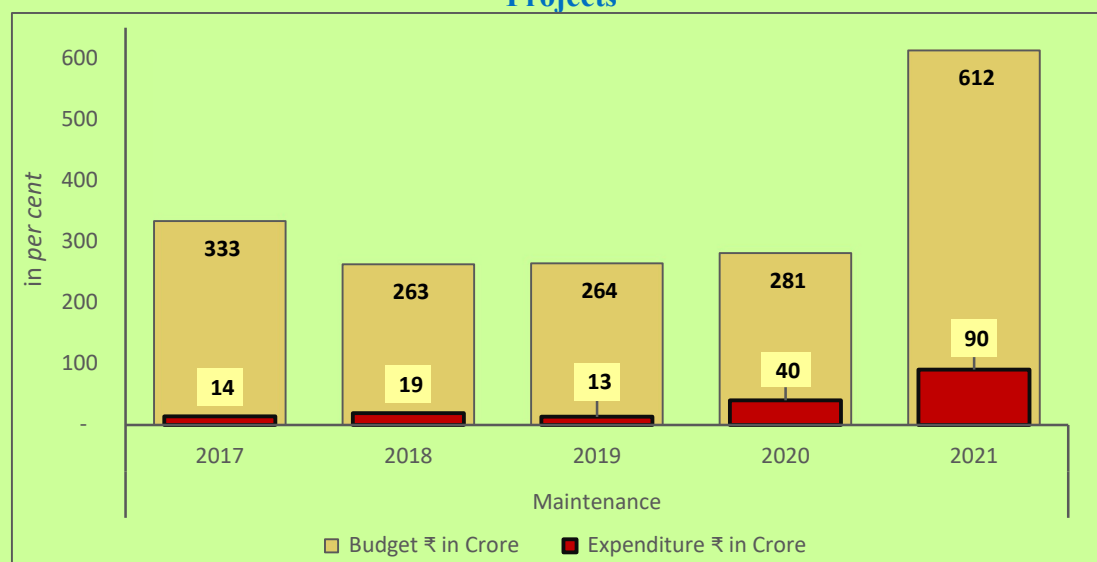
²² ₹66,815 crore in 74 Grant sections and ₹162 crore in 09 appropriation sections

- Hyderabad Urban Agglomeration was a new scheme introduced last year i.e., 2020-21, with a budget of ₹10,000 crore and no amount was spent out of the provision allocated in that year. In the current year also, a provision of ₹2,600 crore was made, and no expenditure was incurred against the provision.
- Entire provision of ₹2,320 crore remained unspent in respect Two Bed-room Houses Scheme during 2021-22.
- Entire provision of ₹500 crore remained unspent in respect of Most Backward Classes Development Corporation under Backward Classes Welfare Grant.
- In respect of irrigation projects, major savings occurred in Kaleshwaram project²³ (under Loans section), Sita Rama Lift Irrigation Scheme²⁴ and Dindi Lift irrigation Scheme²⁵.

Box 3.2: Low expenditure on maintenance of Irrigation Projects

Under Grant No. XXXIII - Major and Medium Irrigation, during the year 2021-22, an amount of ₹612 crore was provided in the Original Budget towards 'Maintenance' (under object head Maintenance in Revenue Voted section). Out of this, a meagre expenditure of ₹90 crore was incurred on maintenance of irrigation projects, resulting in savings of ₹522 crore. Huge savings in maintenance of irrigation projects indicates that intended maintenance was not carried out. This could possibly affect the efficiency of the projects too. Budget allocation and actual expenditure on maintenance of Irrigation Projects during the past five years is shown below:

Chart 3.7: Budget allocation and expenditure on Maintenance of Irrigation Projects



Source: Appropriation Accounts

²³ Budget Provision: ₹7,197 crore, Expenditure: ₹1,442 crore, Savings: ₹5,755 crore

²⁴ Budget Provision: ₹757 crore, Expenditure: ₹219 crore, Savings: ₹538 crore

²⁵ Budget Provision: ₹550 crore, Expenditure: ₹292 crore, Savings: ₹258 crore

3.4.4 Persistent trends

As mentioned in earlier paragraphs, excess expenditures occurred generally during the past five years in the Grants that provide funds for the day-to-day Administration like Fiscal Administration (Revenue Voted), Home Administration (Revenue Voted). On the other hand, amounts authorised by the Legislature could not be spent in respect of Grants like Municipal Administration and Urban Development, Social Welfare, Tribal Welfare, which deal with development and welfare activities. **This indicates that the Budgets for the administrative Grants were under-projected while welfare and development Grants were over-projected.** Persistent excess expenditures and persistent savings are mentioned in the succeeding paragraphs:

3.4.4.1 Persistent Excess Expenditure

The Persistent excess expenditure in the Grants indicate that budget monitoring and control in the department was ineffective and/or budget estimates were not prepared realistically.

In two Grants viz., Grant IX – Fiscal Administration (Revenue Voted) and Grant X – Home Administration (Revenue Voted) (except 2021-22), excess expenditure occurred persistently, during the last five years.

Table 3.14: Grants in which persistent excess expenditure occurred during last five years

(₹ in crore)

S. No.	Grant Number, Name and Details	2017-18	2018-19	2019-20	2020-21	2021-22
1	IX – Fiscal Administration, Planning, Surveys and Statistics (Revenue Voted)					
	Grant Provision	15,085	12,881	10,741	10,451	19,377
	Actual Expenditure	17,678	16,871	19,059	19,574	24,593
	Excess	2,593	3,990	8,318	9,123	5,216
2	X – Home Administration (Revenue Voted)					
	Grant Provision	4,262	5,098	5,254	5,642	8,073
	Actual Expenditure	5,220	5,871	5,886	5,909	7,604
	Excess(+)/Saving(-)	958	773	632	267	(-)469

Source: Appropriation Accounts of the years concerned

The quantum of excess expenditure in Fiscal Administration Grant has been increasing during 2017-18 to 2020-21. However, it showed a decline (57 per cent) in 2021-22. In contrast, the Home Administration Grant that had excess expenditure from 2017-18 to 2019-20, registered savings in the current year.

The main reasons for persistent excess expenditure under Grant – IX Fiscal Administration were Service Pensions allocable to successor state of Telangana (₹17,126 crore), Family Pensions allocable to successor state of Telangana (₹6,438 crore), Post – Bifurcation Service Pensions allocable between successor states (₹5,698 crore). Thus, excess expenditure mainly was on account of issues arising out of bifurcation of the erstwhile Andhra Pradesh State, which could have been estimated with reasonable accuracy and included in the budget estimates.

3.4.4.2 Persistent Savings

During the years from 2017-18 to 2021-22, there were four Grant/Appropriation sections, that showed persistent savings of more than ₹1,000 crore each as shown in **Table 3.15**.

Table 3.15: Grants /Appropriations with persistent savings of more than ₹1,000 crore during the years 2017-18 to 2021-22

Sl. No.	Grant No.	Name of the Grant/ Appropriation	Savings rupees in crore (<i>per cent</i>)				
			2017-18	2018-19	2019-20	2020-21	2021-22
Revenue Voted							
1.	XXVII	Municipal Administration and Urban Development (Revenue Voted)	3,086(67)	4,035(67)	1,092(36)	1,949(33)	5,156(60)
2.	XXI	Social Welfare (Revenue Voted)	3,812(40)	4,539(38)	1,810(17)	6,124(40)	3,577(20)
3.	XXII	Tribal Welfare (Revenue Voted)	1,649(31)	2,159(32)	1,065(16)	3,416(36)	2,094(21)
4.	XXVII	Agriculture (Revenue Voted)	1,344(24)	4,178(31)	4,347(28)	4,684(25)	4,401(23)

Source: Appropriation Accounts of the years concerned

- Agriculture (Revenue Voted), which has been receiving high priority during the past few years, registered huge unspent provisions of more than ₹4,000 crore consistently for the past four years. This was mainly on account of Savings in ‘Scheme for debt relief to farmers’ during the past three years and ‘Investment Support Scheme (Rythu Bandhu)’ during 2018-19.
- There has been a huge increase of unspent provision in respect of Municipal Administration and Urban Development (Revenue voted) in the current year on account of ‘Smart cities’, ‘Amrut’, ‘Swachh Bharath’, ‘Assistance to Municipalities / Corporations for interest free loans (Vaddileni runalu)’, and ‘Assistance to Warangal Municipal Corporation’.
- Considerable savings were also noticed in Social Welfare (Revenue Voted) during 2020-21 and 2021-22 comprising the schemes viz., ‘Two Bed Room Houses’, ‘Investment Support Scheme (Rythu Bandhu)’, ‘Economic Support Schemes and LPS’, ‘Scheme for Debt Relief farmers’, and ‘Construction of Two Bed Room Houses to Urban Poor’ schemes.
- Similarly, considerable savings in Tribal Welfare (Revenue Voted) during 2020-21 and 2021-22 occurred in ‘Two Bed Room Houses’, ‘Scheme for Debt Relief farmers’, ‘Construction of Two Bed Room Houses to Urban Poor’ and ‘Aasara pensions’.

In terms of *percentage*, Grants with persistent savings are in the following table:

Table 3.16: Grants / Appropriations with less than 50 per cent utilisation in at least three years during the five-year period (2017-18 to 2021-22)

Sl. No.	Grant No.	Name of the Grant/ Appropriation	Utilisation in per cent				
			2017-18	2018-19	2019-20	2020-21	2021-22
1.	XVII	Municipal Administration and Urban Development	45	37	73	35	35
2.	XVIII	Housing (now Weaker Section Housing Programme)	36	47	107	16	20
3.	XXXVI	Industries and Commerce	47	28	77	38	36

Source: Appropriation Accounts of the years concerned

Note: Utilisation of less than 50 per cent is marked in red and bold

- Utilisation of provision under three Grants was less than 50 per cent in four out of the past five years (i.e., except in 2019-20), indicating that these Grants were less prioritised. This issue has been highlighted in the previous State Finances Audit Reports also.
- In particular, the utilisation percentage of allocated provisions with regards to Housing (now Weaker Section Housing Programme) has been considerably less under ‘Construction of Two Bed Room House to Rural Poor’, ‘Construction of Two Bed Room Houses to Urban Poor’, ‘Pradhan Mantri Awas Yojana (Rural)’ and ‘Pradhan Mantri Awas Yojana (Urban)’.
- Unspent provisions were seen under Industries and Commerce occurred in respect of ‘Incentives for Industrial Promotion’.

3.4.5 Supplementary Grants

As per Article 205 of the Constitution, 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 it 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 concerned Department proposes to the Finance Department for Supplementary or Additional Grant or Appropriation.

During the year, ₹24,144 crore was provided under Supplementary estimates. We observed the following:

- In respect of 23 Sub-heads in 13 Grants, the entire Supplementary Provision of ₹577 crore authorised by Legislature was not spent and withdrawn through Government Orders, indicating that the purposes for which Supplementary Provisions were obtained, were not executed during the year. Out of these, the major items were Investments to Telangana State Industrial Infrastructure Corporation (₹479 crore), Interest Payments - Management of Debt (₹38 crore) and Construction of Court Buildings (₹20 crore).
- In 52 cases, Supplementary Grants of ₹15,340 crore (Rupees one crore and above in each case) *i.e.*, 64 per cent of total Supplementary Grant (₹24,144 crore) was either unnecessary (by ₹3,977 crore) or excessive (by ₹5,227 crore). In another 10 cases, the Supplementary Grant of ₹8,790 crore fell short by 90 per cent of the requirement of ₹83,835 crore²⁶ and proved insufficient.

Table 3.17: Unnecessary / Excessive / Insufficient Supplementary Provision

Sl. No.	Particulars	No. of Grants / Appropriations	Original Provision (₹ in crore)	Supplementary Provision (₹ in crore)	Total Grant (₹ in crore)	Total Expenditure (₹ in crore)	Excess (+) / Savings (-) (₹ in crore)
1	Unnecessary Supplementary	33	96,921	3,977	1,00,897	57,723	(-) 43,174
2	Excessive Supplementary	19	30,729	11,363	42,092	36,865	(-) 5,227
3	Insufficient Supplementary	10	63,083	8,790	71,873	1,46,918	75,045

Source: Appropriation Accounts

Further, the following were also observed:

- In respect of the following sub heads (schemes) the supplementary provision of more than ₹100 crore was unnecessary.

Table 3.18: Schemes where Supplementary Provision of more than ₹100 crore proved unnecessary

Sl. No.	Grant No.	Grant Name	Scheme / Sub-head	Original	Supplementary	Total	Expenditure	Savings
1	XXXVI	Industries and Commerce	Loans to TSIIC	255	330	585	213	372
2	XXXI	Panchayat Raj	Loans to TDWSCL	5,136	300	5,436	1,175	4,261
3	XXXIII	Major and Medium Irrigation	Loans to Kaleswaram Corporation	6,955	242	7,197	1,442	5,755

(₹ in crore)

²⁶ being the difference between actual expenditure of ₹1,46,918 crore and Budget Provision of ₹63,083 crore

Sl. No.	Grant No.	Grant Name	Scheme / Sub-head	Original	Supplementary	Total	Expenditure	Savings
4	XXVII	Agriculture	Per drop more crop (Micro Irrigation)	5	177	182	0	182
5	XXXIII	Major and Medium Irrigation	Loans to Telangana State Water Resource Infrastructure Development Corporation	1,986	168	2,154	442	1,711
6	XI	Roads, Buildings and Ports	Deposits with Railways for construction of New Railway Lines	150	164	314	95	219

Source: Appropriation Accounts

- Excess supplementary provision was more than ₹1,000 crore in respective of School Education (Revenue Voted). In this, the original provision of ₹11,184 crore was supplemented by ₹2,951 crore and the actual expenditure was ₹12,518 crore, resulting in excess Supplementary provision of ₹1,616 crore.
- In respect of the following sub heads (schemes) the supplementary provision of more than ₹200 crore proved to be excessive.

Table 3.19: Schemes where Supplementary Provision of more than ₹200 crore proved to be excessive

(₹ in crore)

Sl. No.	Grant No.	Grant Name	Scheme / Sub-head	Original	Supplementary	Total	Expenditure	Savings
1	X	Home Administration	District Police Force	2,275	779	3,054	2,837	217
2	XII	School Education	Teaching Grants to Mandal Praja Parishads	3,975	904	4,879	4,585	294
3	XII	School Education	Teaching Grants to Zill Praja Parishads	3,579	1,000	4,579	4,160	420
4	XXXVI	Industries and Commerce	TSIIC	0	479	479	269	210

Source: Appropriation Accounts

These indicate that the original and supplementary proposals need to be more accurately estimated.

3.4.6 Re-appropriations, Withdrawal / Resumption of funds, Surrenders

Re-appropriation means transfer, by a competent authority, of savings from one unit of appropriation to meet additional expenditure under another unit within the same Grant or charged Appropriation. The Government is allowed to Re-appropriate provision from one unit of appropriation to another within the same Grant, subject to the limits and restrictions laid down as per provisions laid down in Budget Manual.

Government has been issuing orders Re-appropriation/ Resumption orders, to decrease/ to increase the budget provision and for withdrawal/surrender of provisions authorised. The net effect of all such Re-appropriation/ Resumption orders issued by the Government in the current year was net reduction of budget provision by ₹1,27,672 crore.

3.4.6.1 Irregular Re-appropriations

As per Paragraph 17.6.1 (c) of the Budget Manual, Re-Appropriation cannot be made for the purpose of meeting expenditure on an object for which no provision has been made in the Appropriation Act or Appropriation Act pertaining to the supplementary statement of expenditure for the year.

However, in contravention of the above provision, ₹821 crore was provided through Re-appropriation orders, in respect of 38 Sub-Heads in 17 Grants, though there was neither Original nor Supplementary Provision approved by the State Legislature. Out of these, the major items are:

Table 3.20: Schemes where provisions of than ₹100 crore were made through Re-appropriation Orders without approved budget provision

(₹ in crore)

Sl. No.	Grant No.	Grant Name	Scheme / Sub-head	Provision through Re-appropriation orders without Budget approval	Expenditure
1	XI	Roads, Buildings and Ports (Revenue Voted)	Subvention from Central Road Fund	262	262
2	IX	Fiscal Administration (Revenue Voted)	Medical Reimbursement of all types of Pensioners	167	246
3	IX	Fiscal Administration (Loans Charged)	Loans from NABARD for Warehousing Infrastructure Fund	132	132
4	XI	Roads, Buildings and Ports (Revenue Voted)	Assistance to TSRTC towards payment of Toll fee to TSRDC	100	100

Source: Appropriation Accounts

No reasons were mentioned for such irregular re-appropriations except mentioning 'increase is based on actual expenditure'.

3.4.6.2 Surrender/Resumption orders at the fag end of the year

As per the provision of Para 17.2.2 of the Budget Manual, all savings, when they come to notice, are to be immediately surrendered with full explanation as soon as they are noticed. However, all the 431 Re-appropriation/ Resumption orders²⁷, for overall reduction of provision by ₹1,27,672 crore, were issued on the last day of the financial year i.e., 31st March.

²⁷ ₹12,388 crore for augmentation of the provision and ₹1,40,060 crore for reduction as per the Appropriation Accounts

The Government informed (November 2022) that it had issued 460 Government Orders for Re-appropriation, of which 437 were issued on the last day of the financial year. The Government, however, did not furnish any specific details.

3.4.6.3 Re-appropriations without specific reasons

None of the orders mentioned specific reasons for such increase or decrease. Generic reasons like 'increase is based on actual expenditure' or 'decrease is based on actual expenditure' were given.

3.4.7 Special Development Fund

Telangana State Scheduled Castes and Scheduled Tribes Special Development Fund (Planning, Allocation and Utilisation of Financial Resources) Act, 2017 (the Act) requires that the State shall, in every financial year, earmark in such a manner as may be prescribed, a portion of the total Pragathi Paddu (outlays) of the State which shall be proportionate to the Scheduled Castes/Scheduled Tribes population of the State, to be called as Scheduled Castes Special Development Fund (SCSDF) and Scheduled Tribes Special Development Fund (STSDF). Scheduled Castes and Scheduled Tribes population account for 15.45 per cent and 9.08 per cent of the total population respectively, as per Census 2011. Programmes under SCSDF and STSDF include subsidies for scholarships, construction of roads in Scheduled Castes/Scheduled Tribes hamlets, etc.

Government allocated ₹21,307 crore²⁸ and ₹12,304 crore²⁹ to SCSDF and STSDF respectively from the total outlay of Pragathi Paddu (₹1,26,273 crore) in 2021-22. The allocations account for 17 per cent and 10 per cent under SCSDF and STSDF respectively, which were marginally higher than the norms prescribed by the Act.

However, 27 per cent³⁰ each of the allocated funds under SCSDF and STSDF respectively were not utilised.

The actual utilisation of provision fell short in earlier years also as shown below:

Table 3.21: Percentages of expenditure and savings under SCSDF and STSDF in the last five years

(in per cent)

Sl. No.	Year	SCSDF		STSDF	
		Utilised	Savings	Utilised	Savings
1	2017-18	54	46	54	46
2	2018-19	38	62	57	43
3	2019-20	79	21	74	26
4	2020-21	60	40	63	37
5	2021-22	73	27	73	27

Source: Appropriation Accounts of respective years

²⁸ ₹20,466 crore towards all Departments and ₹841 crore towards non-divisible infrastructure works

²⁹ ₹11,944 crore towards all Departments and ₹360 crore towards non-divisible infrastructure works

³⁰ SCSDF: Budget (O+S): ₹21,108.21 crore, Expenditure: ₹15,472.44 crore (73 per cent) and Savings: ₹5,635.77 crore (27 per cent); STSDF: Budget (O+S): ₹12,691.31 crore, Expenditure: ₹9,275.06 crore (73 per cent) and Savings: ₹3,416.25 crore (27 per cent)

Further, Article 14 of the Act stipulates that if any amount of Special Development Fund remains unspent, it shall be compensated in the next financial year in the same proportion on the reach of actual expenditure to total budget estimate of Pragati Paddu at the end of financial year in the manner prescribed. However, there was no mention of such compensation in the budget documents.

3.4.8 Transfers to Other Deposit Accounts

The Appropriation Act authorizes expenditure under specified Grants, during the financial year. Hence, transfer of amounts from the Consolidated Fund of the State into Civil Deposits (Major Head 8443 Civil Deposits – Minor Head 800 Other Deposits) under Public Account is a matter of concern as the draws from Public Account (in the subsequent years) would not require approval of the Legislature.

An amount of ₹3,044 crore was transferred from Consolidated Fund to Other Deposits during the year 2021-22 by booking expenditure under Revenue (₹2,070 crore), under Capital (₹504 crore) and Loans and Advances (₹470 crore) sections.

Transfers to other Deposits as Revenue Expenditure of more than ₹100 crore occurred in respect of Telangana Minorities Residential Educational Institutions Society (₹359 crore), Chief Executive Officer, Telangana Employees Health Scheme and Journalists Health Scheme (₹204 crore) Telangana State Housing Corporation (₹200 crore), and Arogyasri Health Care Trust (₹127 crore). Transfer to other Deposits as Capital Expenditure occurred in respect of TS Drinking Water Supply Corporation Limited (₹ 501 Crore). Loans to Arogyasri Health Care Trust (₹360 crore) and Horticulture Development Corporation (₹110 crore) were major items of loans that were transferred to Deposit head under Other Deposits.

The transfer of funds from Consolidated Fund to Deposit Accounts is fraught with risk of incurring further expenditure without Legislative approvals.

3.4.9 Misclassification of Expenditure

Expenditure is classified under ‘Charged’ (such expenditure is not submitted to the vote of the Legislative Assembly) and ‘Voted’ items of expenditure separately, depending on whether the provision requires consent of Legislature by voting or not. Similarly, items of expenditure are also classified under ‘Revenue’, ‘Capital’ and ‘Loans’ depending on the nature of expenditure. Government accounting framework allows for different codes for the above at different levels as detailed in *Paragraph 1.4*. Our observations on misclassification of expenditure are being highlighted in the State Finances Audit Report every year. Classification of expenditure of revenue nature as capital expenditure or vice-versa, leads to overstatement /understatement of revenue expenditure and Revenue Deficit/Surplus. Hence, the Government needs to take steps to ensure correct classification in the accounts to bring about transparency.

3.4.9.1 Classification of Revenue expenditure under Capital**(i) Classification of surgical consumables under Capital**

Revenue Expenditure is recurring in nature and is intended to be met from Revenue Receipts. Capital Expenditure is defined as expenditure incurred to create assets of a material and permanent character, or to reduce permanent liabilities. The State Government budgeted and spent ₹43 crore on purchase of surgical consumables under Capital, which should have been actually classified under Revenue.

(ii) Classification of Minor works under Capital

The expenditure on 'Major Works' is generally to be considered as Capital Expenditure and expenditure on 'Minor Works' as Revenue Expenditure.

However, the State Government budgeted ₹215 crore and spent ₹154 crore towards 'Minor Works' under Capital. Out of this, ₹145 crore was provided for Afforestation Fund towards Minor works, out of which ₹125 crore was expended. An amount of ₹11 crore was budgeted for and ₹24 crore was spent towards maintenance in Minor works under Capital, which is incorrect.

(iii) Expenditure booked under capital

As per Article 30 (A) (2) of Accounts Code, expenditure on a temporary asset or expenditure on Grants-in-Aid to Local Bodies or institutions (for the purpose of creating assets which will belong to these local bodies or institutions) cannot ordinarily be classified as Capital Expenditure, and shall not, except in cases specifically authorised by the President on the advice of the Comptroller and Auditor General be debited to a Capital Head of Account.

The State Government, however, classified the following expenditure under Capital Section:

Table 3.22: Revenue Expenditure classified under Capital Section

Sl. No.	Particulars	Expenditure (₹ in crore)	Remarks
1	Expenditure on the Mahatma Gandhi National Rural Employment Guarantee Scheme	2,156	This Act is intended for enhancement of livelihood by providing guarantee wage employment. However, there was no supporting information for the claim that the assets created out of this belong to the Government and not to Local Bodies or Autonomous Bodies, which implemented the scheme at field level.
2	Constituency Development Programme	431	The scheme is intended for taking up Development Programmes in Constituencies. However, there was no supporting information for the claim that the assets created out of this belong to the Government.
	Total	2,587	

Source: Appropriation Accounts

As the ownership of these assets cannot be confirmed in Audit, the classification of expenditure on these schemes under Capital needs to be reviewed by the State Government.

3.4.9.2 Classification of Capital expenditure under Revenue

Capital Expenditure is defined as expenditure incurred to create assets of a material and permanent character, or to reduce permanent liabilities, while Revenue Expenditure is recurring in nature. Capital expenditure amounting to ₹68 crore was booked under Revenue Section in the following cases:

Table 3.23: Capital Expenditure booked under Revenue Section

Sl. No.	Particulars	Expenditure (₹ in crore)
1	Purchase of Motor Vehicles	43
2	Machinery and Equipment – Purchases	22
3	Machinery and Equipment – Tools and Plants	3
	Total	68

Source: Appropriation Accounts

Classification of Assets under Revenue section instead of Capital section results in overstatement of Revenue Expenditure and understatement of Capital Expenditure and Government assets. It also results in the possibility of Government assets not being recorded in the relevant stock registers and not being accurately accounted for.

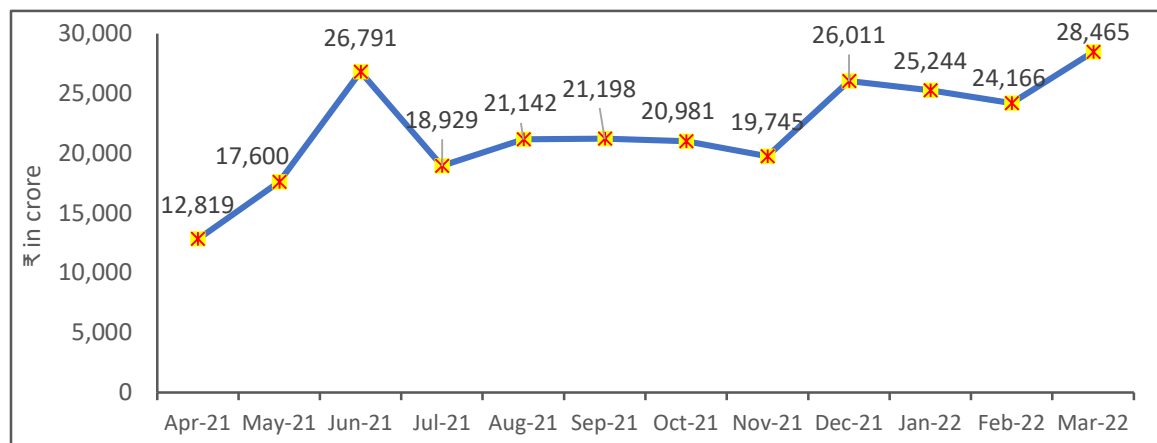
3.5 Effectiveness of budgetary and accounting process

3.5.1 Time spread of expenditure

Maintaining uniform pace of expenditure is a crucial component of sound public financial management. Any rush of expenditure in the last quarter or in the closing months of the financial year adversely affects quality of expenditure and delivery of the services.

The trend of expenditure during the year is shown in the chart below:

Chart 3.8: Trend of expenditure during 2021-22



Source: Appropriation Accounts

The expenditure was higher towards the end of financial year from December 2021 to March 2022. The higher expenditure in June 2021, December 2021 and January 2022 was on account of Investment Support Scheme (Rythu Bandhu). Higher outgoes in March 2022, apart from repayment of Ways and Means Advances, is attributable to Interest on State Development Loans and Assistance to TRANSCO for agricultural and allied subsidies.

3.5.2 Major Policy Initiatives – CM Dalit Empowerment Programme (Dalit Bandhu)

A new scheme named ‘CM Dalit Empowerment Programme’ with an allocation of ₹1,000 crore was proposed in the Budget speech of 2021-22. The Schemes aims to intensify the level of financial assistance to Scheduled Caste (SC) households in a phased manner for establishment of income generating assets/schemes as per the choice of beneficiaries without bank loan component.

Under the scheme, a one-time capital assistance of ₹10 lakh per house hold would be provided to SC households by the District Administration as complete grant/subsidy for establishment of a viable income generating unit/scheme. Out of this capital assistance, ₹9.90 lakh would be released to beneficiary’s Dalit Bandhu account. The remaining ₹0.10 lakh would be credited to Rakshana Nidhi common account³¹.

The SC households can choose from the available list of schemes or any other scheme of choice in such a way that it is financially viable and capable of generating sizeable income. Dalit Bandhu Committees would be constituted at Village, Mandal and Constituency level for guiding and advising both the district administration and beneficiaries.

The financial aspects and budgetary controls of the scheme were briefly reviewed to assess the preparedness and implementation of the scheme in its first year and the following are observed:

- (i) **Expenditure higher than the original Budget provision:** The scheme is being implemented through Grant XXI – Social Welfare by the Scheduled Castes Development Department. The details of Budget provision approved by the Legislature, original as well as supplementary and expenditure are shown below:

Table 3.24: Budget allocation and expenditure on Telangana Dalit Bandhu

Original provision (₹ in crore)	Supplementary Provision (₹ in crore)	Total Grant (₹ in crore)	Total Expenditure (₹ in crore)	Excess (₹ in crore)
1,000	0	1,000	4,442	3,442

Source: Appropriation Accounts

Incidentally, there were major savings totalling to ₹3,498 crore under Social Welfare Grant in (i) Economic Support Scheme (₹1,338 crore), (ii) Two Bedroom Houses (₹1,275 crore) and (iii) construction of Two Bedroom Houses for urban poor (₹885 crore). These savings could have been timely re-appropriated to the CM Dalit Empowerment Scheme to meet the Excess expenditure.

³¹ Dalit Bandhu Rakshana Nidhi shall be created at Assembly Constituency level with contribution of ₹10,000 from the sanctioned amount of each household and equal contribution from the Government. Every year ₹1,000 would be contributed by the beneficiary household. This fund is aimed to safeguard and protect the households in any critical and unforeseen emergencies and would be operated by committee consisting of beneficiaries on the advice of District Collector

- (ii) **Non-obtaining of supplementary provision:** The details of month-wise expenditure on the scheme is as shown below:

Table 3.25: Month-wise Expenditure on Dalit Bandhu

Month	Expenditure (₹ in crore)
July 2021	500
August 2021	1,500
October 2021	250
January 2022	1,192
March 2022	1,000

Source: Finance and Appropriation Accounts

Though an expenditure of ₹3,442 crore was incurred by January 2022 against Original Provision of ₹1,000 crore no Supplementary Provision was obtained in March 2022.

- (iii) **Amounts lying in Deposit Accounts:** As per Government accounts, expenditure of ₹4,442 crore was booked during the year. This was done so by transferring³² the amount to Deposit Account (i.e., a Public Account) of Telangana Scheduled Castes Cooperative Development Corporation Limited (TSCCDCL). Out of this, TSCCDCL transferred ₹3,107 crore from the Deposit Account to its bank account. An amount of ₹1,335 crore³³ was still in the Deposit Account of TSCCDCL.
- (iv) **Amounts lying in the Bank Accounts:** Out of the ₹3,107 crore transferred³⁴ to bank account of TSCCDCL, ₹3,041 crore was further transferred to District Administration for implementation of the Scheme, leaving a balance of ₹66 crore in the Bank account. Out of the transferred amounts, ₹157 crore was returned by District Administration of Karimnagar to TSCCDCL in March 2022. Thus, an amount of ₹223 crore was lying in the bank account of TSCCDCL. Reasons for non- utilisation of the funds were not intimated.
- (v) **Amounts lying with District Administrations:** Out of the ₹3,041 crore transferred to District Administrations and ₹157 crore returned, only an amount of ₹2,101 crore was utilised, leaving a balance of ₹783 crore with the district administration. Reasons for non-utilisation of the funds were not intimated.

Hence, only ₹2,101 crore (i.e, 47 per cent) of the expenditure booked was actually spent and that the balance ₹2,341 crore³⁵ remained unspent and was lying with different offices. This indicates that financial achievement of the scheme was less than half.

- (vi) **Focus on single constituency in single month:** The scheme was initially piloted in saturation mode in Huzurabad constituency of Karimnagar district, Vasalamarri village of Aler constituency and one Scheduled Caste constituency each in Suryapet, Khammam, Nagarkurnool and Kamareddy districts. The scheme was later extended to all remaining 118 constituencies in the state on target mode at the rate of 100 units per Assembly Constituency in the financial year 2021-22. The details of amounts released to various constituencies is shown below:

³² from July 2021 to March 2022

³³ Total amount lying in the Deposit Account of TSCCDCL was ₹5,456 crore as of March 2022

³⁴ from August 2021 to March 2022

³⁵ With TSCCDCL in Deposit Account (Public Account): ₹1,335 crore; with TSCCDCL in current account: ₹223 crore and with district administration: ₹783 crore

Table 3.26: Details of releases under Dalit Bandhu

Month	Constituency and other details	Releases (₹ in crore)
August 2021	Huzurabad constituency	2,000
August 2021, March 2022	Vasalamarri village of Aler constituency	8
December 2021	One SC constituency of Suryapet, Khammam, Nagarkurnool and Ranga Reddy	250
January to March 2022	Remaining Districts except Karimnagar	783
	Total	3,041

Source: information furnished by the department

The focus was on a single constituency in the month of August 2021. However, in the later months, there were no releases or expenditure, despite availability of the funds.

- (vii) **Slow implementation of the Scheme despite availability of funds and receipt of applications:** Out of the 38,511 applications received during 2021-22, sanctions were given in respect of 21,339 applications as of March 2022. In respect of five districts, benefit was not given to even a single beneficiary, as shown below:

Table 3.27: Nil sanctions despite availability of funds and receipt of applications

Sl. No.	District	Amount released (₹ in crore)	As on	Number of applications received but not disposed
1	Bhadradi Kothagudem	29	31 March 2022	421
2	Jayashankar Bhupalapally	10	31 March 2022	151
3	Mulugu	8	31 March 2022	119
4	Rajanna Siricilla	14	31 March 2022	205
5	Nirmal	17	31 March 2022	256

Source: information furnished by the department

The receipt of applications suggested that there was sufficient interest from potential beneficiaries. However, scheme implementation was slow as funds remained unspent/were not sanctioned.

3.5.3 Review of selected Grants

Two Grants viz., (i) Grant No. X – Home Administration, and (ii) Grant No. XI Roads Buildings and Ports were selected for detailed scrutiny. Both the Grants had significant savings as shown in **Table 3.28:**

Table 3.28: Budget Provision, Expenditure, Excess and Savings in selected Grants

(₹ in crore)

Section	Original	Supplementary	Total	Expenditure	Excess(+)/ Savings(-)	Re-appropriation / Surrender
Grant No. X -Home Administration						
Voted						
Revenue	6,022	2,051	8,073	7,603	(-470)	(-4,359)
Capital	340	397	737	424	(-314)	(-314)
Loans	103	0	103	102	(-1)	(-1)
Subtotal	6,465	2,448	8,913	8,130	(-783)	(-4,674)
Charged						
Revenue	0	1	1	0	(-1)	0
Grant X Total	6,465	2,449	8,914	8,130	(-784)	(-4,674)

Section	Original	Supplementary	Total	Expenditure	Excess(+)/ Savings(-)	Re- appropriation / Surrender
Grant No. XI – Roads, Buildings and Ports						
Voted						
Revenue	1,939	122	2,061	1,700	(-)361	(-)362
Capital	5,434	722	6,156	3,395	(-)2,761	(-)2,763
Loans	1,221	--	1,221	154	(-)1,067	(-)1,067
Subtotal	8,594	844	9,438	5,249	(-)4,189	(-)4,192
Charged						
Revenue	3	--	3	1	(-)2	(-)2
Capital	75	30	105	30	(-)75	(-)75
Subtotal	78	30	108	31	(-)77	(-)77
Grant XI Total	8,672	874	9,546	5,280	(-)4,266	(-)4,268
Total	15,137	3,323	18,460	13,410	(-)5,050	(-)8,942

Source: Appropriation Accounts

Audit findings on the above Grants are detailed in the following paragraphs:

3.5.3.1 Grant X – Home Administration

This Grant is administrated by Home Department. The original allocation (₹6,465 crore) to Home Administration was three *per cent* of the total original provision of ₹2,30,872 crore. The supplementary provision was 10 *per cent* of the total supplementary provision of ₹24,144 crore. The expenditure incurred (₹8,130 crore) constituted three *per cent* of total expenditure. The surrender of ₹4,674 crore is 52.42 *per cent* of the total provision for Home Administration. This is more than the eventual saving of ₹784 crore.

(i) Original provision not spent

In the Capital Voted section, entire original provision of ₹20 crore provided towards ‘Construction of Women Toilet in Police Stations’ remained unspent. Director General of Police (DGP) informed (November 2022) stated that the amount could not be spent due to delay in identification of suitable locations.

(ii) Supplementary provisions

The supplementary provision made to the original provision, mainly under District Police Force, City Police Force, Telangana Special Police Units, Commissioner of Cyberabad Police and Commissioner of Rachakonda Police was 36 per cent. The need for high supplementary provision arose mainly on account of implementation of Pay Revision Commission.

In one case, an amount of ₹1 crore was provided in original budget estimates towards ‘Safe City Project for Safety of Women in Hyderabad City (Nirbhaya Fund)’. This was supplemented by ₹176 crore for clearing pending bills. However, only ₹12 crore was incurred. Commissioner of Police, Hyderabad stated (November 2022) that the savings in the budget for financial year 2021-22 under the scheme Safe City Project has been revalidated and released in the financial year 2022-23. However, the original budget provision in 2022-23 was also only ₹3 crore indicating that no provision was made for clearing the pending bills in the next year, as stated.

(iii) Irregular Re-appropriation provisions

As per paragraph 17.6.1 (c) of the Budget Manual, Re-Appropriation cannot be made for the purpose of meeting expenditure on an object for which no provision has been made in the Appropriation Act or Appropriation Act pertaining to the supplementary statement of expenditure for the year. In contravention of the above, ₹39 crore was provided through Re-appropriation orders towards purchase of motor vehicles without Original or Supplementary Provision. The expenditure was incurred through Abstract Contingent Bills.

(iv) Surrender in excess of saving / surrenders despite excess

In the following cases surrenders were in excess of actual saving:

Table 3.29: Surrender in excess of saving

(₹ in crore)

Sl. No.	Sub-Head / Scheme	Original	Supplementary	Total	Expenditure	Excess (+)/ Savings (-)	Surrender
Surrender despite excess expenditure							
1	Commissioner of Cyberabad Police	379	170	549	557	8	432
2	Commissioner of Rachakonda Police	343	165	508	523	15	415
Surrender in excess of Saving							
3	District Police Force	2,275	779	3,054	2,837	(-) 217	2,538
4	Telangana Special Police Units	545	231	776	670	(-) 106	621

Source: Appropriation Accounts

3.5.3.2 Grant XI—Roads, Buildings and Ports

This Grant is administered by Roads and Buildings Department. The original allocation (₹8,672 crore) to this Grant in the Budget was 3.75 per cent of the total Original Budget provision (₹2,30,872 crore). Subsequently, supplementary provision ₹874 crore was made under this Grant, constituting 3.62 per cent of the total supplementary provision (₹24,144 crore). However, ₹5,280 crore was spent out of ₹9,546 crore, resulting in unspent provision of ₹4,266 crore.

(i) Budget proposals

Audit has collected information from the four Heads of the Departments (HoD) regarding Budget proposal by the Department and accepted by the Finance Department. The information furnished by the HoD is shown below:

Table 3.30: Budget proposed by the Heads of the Department and Accepted by the Finance Department

(₹ in crore)

Sl. No.	Head of the Department	Budget proposed by the Department	Proposal stated to be accepted by the Finance Department
1	Engineer-in-Chief, State Roads, and Core Road Network	6,565	2,757
2	Chief Engineer, Rural Roads	403	108
3	Chief Engineer, Administration and Quality Control, Design and Planning, Left Wing Extremism Works, Railway Safety Works	1360	850
4	Engineer-in-Chief, National Highways, Central Road Fund and Buildings	1,281	1,454
Total		9,609	5,169

Source: information furnished by Heads of the Department

However, the nomenclature of Chief Controlling Officers mentioned in the Budget documents was different from the above.

Table 3.31: Budget allocations authorised

(₹ in crore)

Sl. No.	Head of the Department	Approved Original Budget proposals
1	State Roads Department, Secretariat Department	2,163
2	Engineer-in-Chief, Roads and Head of the Department	2,677
3	Administration and Externally Aided Project (R&B)	142
4	Errum Manzil	193
5	Chief Engineer, Rural Roads	958
6	Chief Engineer (R&B), PPP	10
7	Engineer-in-Chief, Central Road Fund	2,529
	Total	8,672

Source: Budget Documents

In view of different nomenclature and lack of sub-wing wise break up, audit could not map budget proposals vis-à-vis approved allocation in respect of different Heads of Accounts and Heads of the Departments / Chief Controlling Officers.

(ii) Expenditure without Budget Provision

Cases of expenditure without authorisation are mentioned in **paragraph 3.4.1**. Three such cases were noticed in this Grant viz., (i) Subvention from Central Road Fund (₹262 crore), (ii) Assistance to TSRTC towards payment of toll fee to TSRDC (₹100 crore), and (iii) Special Assistance Capital Works (₹56 crore). In case of (ii), Special Secretary to Government, Transport, Roads and Buildings Department stated (September 2022) that Budget Release Orders were issued by Finance Department.

(iii) Withdrawal of entire original provision

- An amount of ₹750 crore was allocated for Regional Ring Road to meet the expenditure towards land acquisition. However, as land acquisition could not be done due to changes in the finalisation of alignment by the National Highways Authority of India, entire provision could not be utilised.
- An amount of ₹571 crore was allocated as Loans to Telangana State Road Development Corporation (TSRDC). However, the entire provision was Re-appropriated / Resumed without any expenditure. On other hand, a supplementary provision of ₹100 crore was made towards Investments in TSRDC in March 2022, which was later augmented by ₹473 crore. No reasons were forthcoming for either withdrawal of entire provision authorised for loans or provision of investment subsequently through supplementary provision / re-appropriation.

(iv) Unnecessary supplementary provisions

- In respect of Revenue voted section, as the expenditure of ₹1,700 crore fell short of even the original provision of ₹1,939 crore, the supplementary provision of ₹122 crore proved unnecessary. This was mainly on account of District and other roads under Government where an original provision of ₹679 crore was supplemented by ₹40 crore. However, only ₹215 crore was spent, resulting in unspent provision of ₹504 crore.

- In respect of Capital voted section, as the expenditure of ₹3,395 crore fell short of even the original provision of ₹5,434 crore, the supplementary provision of ₹722 crore proved unnecessary. This was mainly on account of Deposits with Railways for construction of New Railway Lines where an original provision of ₹150 crore was supplemented by ₹164 crore. However, only ₹95 crore was spent, leaving an unspent provision of ₹219 crore, due to part clearance of bills submitted.
- An amount of ₹50 crore was provided originally for setting up new Airport in Telangana State. This was supplemented by another ₹3 crore. However, there was reduction in the provision equivalent to the original provision i.e., ₹50 crore and expenditure of ₹3 crore was incurred. Thus, the supplementary provision was not necessary. Engineer-in-Chief, State Roads and Core Road Network informed (October 2022) that expenditure could not be incurred as the proposals were in Detailed Project Report stage.

3.5.4 Opening of New Sub Heads/Detailed Heads of Accounts without advice

Article 150 of the Constitution mandates the prescription of the form of accounts by the President on the advice of the Comptroller and Auditor General of India (CAG). Accordingly, the State Government have to take prior concurrence of the Principal Accountant General, Accounts and Entitlements (PAG (A&E)), Telangana before opening any new sub-head.

In the year 2021-22, the Government, however, opened 21 new sub-heads (16 under Revenue³⁶, 04 under Capital³⁷ and 01 under Public Account³⁸) without prior concurrence of the PAG (A&E). Original provision made under these sub-heads was ₹1,331 crore. Including supplementary provision of ₹117 crore, the total provision was ₹1,448 crore. Against this, an expenditure of ₹4,912 crore was incurred.

Opening of new sub-heads without concurrence of Principal Accountant General (A&E) is fraught with the risk of having two or more sub-heads for same scheme and same sub-head for two or more schemes, both of which might impact the transparency of accounts.

3.6 Conclusion

Review of Budgeted components under both receipts and disbursements revealed that Non-Tax Revenue and Grants-in-Aid have been over-estimated resulting in meagre realisation when compared to actuals. Consequently, the Budget Estimates for expenditure have also been overestimated leading to unspent provision across several grants. The trend of under-estimation of administrative expenses and over-estimation of development and welfare grants continued this year too, resulting in excess expenditure in the former and unspent provisions in the latter. A similar trend is observed in respect of charged and voted expenditure also. Huge provisions in current year remained unspent in respect of Scheme for Debt relief to farmers, Construction of Two Bed Room Houses to Rural and Urban

³⁶ Budget Provision: ₹1,384 crore, Expenditure: ₹4,871 crore

³⁷ Budget Provision: ₹64 crore, Expenditure: ₹39 crore

³⁸ Budget Provision: Nil, Expenditure: ₹02 crore

Poor, Hyderabad Urban Agglomeration, Most Backward Classes Corporation, maintenance of irrigation projects, etc.

Entire supplementary provisions in some cases were not utilised suggesting that there was no necessity to even obtain them. Misclassifications of expenditure on surgical consumables, minor works on afforestation under Capital and purchase of machinery, equipment, motor vehicles, tools and plans under Revenue continued in the current year also.

Excess expenditure over the legislative authorisation is also a matter of concern. During 2021-22, an amount of ₹75,053 crore was incurred as excess expenditure. The State Government also failed to get the excess expenditure of ₹2,14,062 crore over and above the allocation, pertaining to the years 2014-15 to 2020-21, regularised by State Legislature. This is in violation of Article 204 of the Constitution.

Initial review of the new Major Policy Initiative launched during the year, viz., Dalit Bandhu revealed that there were huge unspent balances available in Deposit Accounts and Bank Accounts though the expenditure was booked as per Appropriation Accounts. Moreover, several applications of the beneficiaries were not disposed of, despite availability of funds. Out of all the Constituencies selected for pilot implementation, expenditure was mainly incurred in only one constituency and that too in one particular month.

3.7 Recommendations

- i. *The State Government needs to ensure regularisation of excess expenditures since 2014-15 by the State Legislature on priority.*
- ii. *State Government needs to formulate Budget Estimates on realistic and realisable basis for effective implementation of its authorised expenditures. Particularly, the Government may ensure estimation of Non-Tax Revenue and Grants-in-Aid in a practical manner.*
- iii. *Stringent logical controls may be put in place to avoid expenditure without budget provisions / excess expenditure over and above authorisation.*
- iv. *Departments may be advised to seek supplementary provisions only in respect of the items which could be actually utilised within the timeframe.*
- v. *State Government may ensure that prior concurrence is obtained from Principal Accountant General (A&E) for opening new Sub-Heads/Detailed Heads of accounts.*