

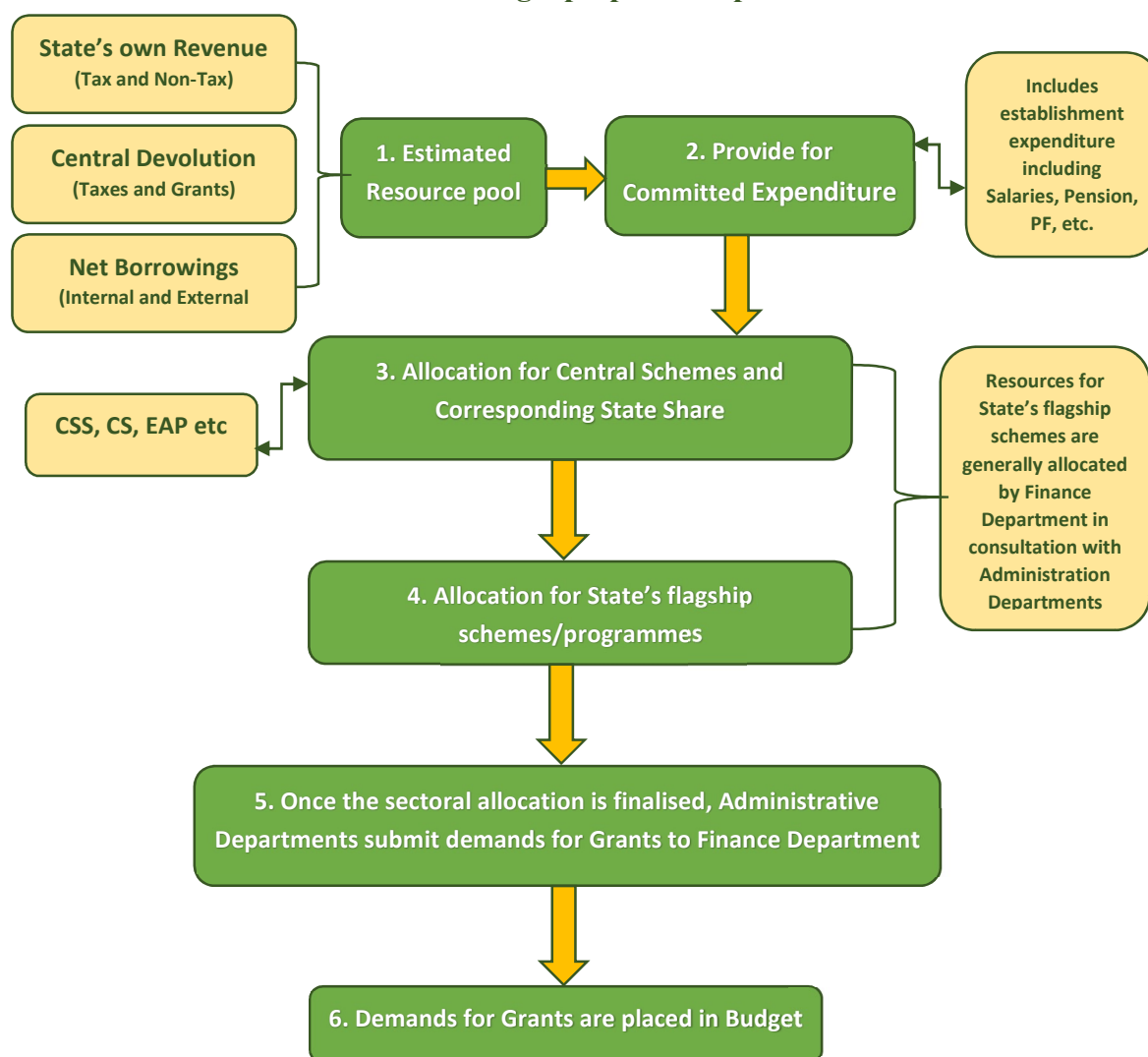
3.1 Introduction

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 depicted in *Chart 3.1*.

Chart 3.1: Budget preparation process



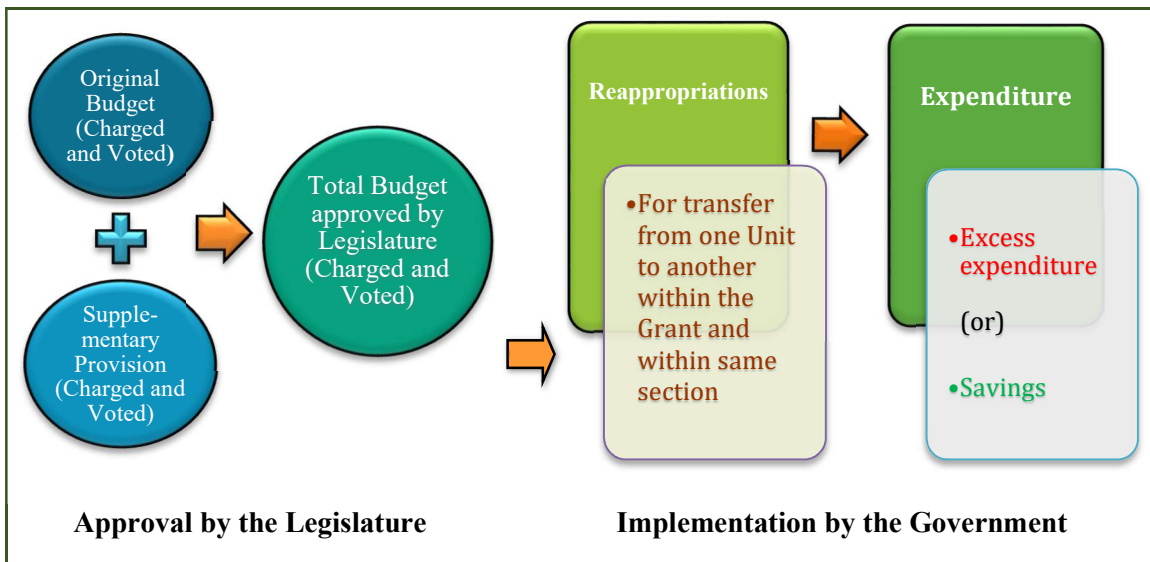
Source: Based on procedures prescribed in Budget Manual and instructions of the State Government

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 (viz., Revenue-Voted, Revenue-Charged, Capital-Voted, Capital-Charged, Public Debt-charged and Loans voted) 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 in **Paragraph 1.4** earlier, Government of Telangana dispensed with Plan and Non-Plan budgets with effect from the year 2017-18 and introduced “Pragathi Paddu (Scheme Expenditure)” and “Nirvahana Paddu (Expenditure for Establishment / Maintenance)”.

¹ Requiring the vote of the Legislature

² Do not require the vote of the Legislature

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, 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 heads of Departments and certain other estimating officers. 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, only such receipts and payments⁴ as the estimating officer expects to be actually realized or made during the budget year⁵ should be considered for preparation of estimates. 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, underestimation 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.

Major deficiencies noticed in Budget projections and provisions are discussed hereunder:

3.2.2.1 Estimation of Receipts from Non-Tax Revenue in Budget

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 with regards to Non-Tax Revenue (NTR). This was due to higher estimation of receipts from NTR, as mentioned earlier in **Paragraph 1.5**. In fact, the projections of receipts from NTR in Budget Estimates were on higher side persistently during the last three years as shown below.

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

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

(₹ in crore)

Year	Estimation in Budget	Actual receipt	Higher receipt (+) / Shortfall (-)
(1)	(2)	(3)	(4) = (3) – (2)
2018-19	8,974	10,007	1,033
2019-20	15,875	7,360	(-)8,515
2020-21	30,600	6,101	(-)24,499
2021-22	30,557	8,857	(-)21,700
2022-23	25,422	19,554	(-)5,868

Source: Budget documents and Finance Accounts of last five years

- Though there was an increase in the actual receipts under Non-Tax Revenue under Miscellaneous General Services (higher by ₹5,875 crore) and Non-ferrous Mining and Metallurgical Industries (higher by ₹5,198 crore) the reasons for such increase could not be analysed due to lack of full details.
 - Under the Miscellaneous General Services, out of ₹9,800 crore received, a huge amount of ₹5,723 crore was classified as ‘Other Receipts’ without any further details and thus making it difficult to identify source and nature of the receipts and render the accounts opaque (refer to **Paragraph 4.9** for further details of opaqueness in accounts). This is due to lapsing of Deposits and crediting the same to Government Account as Revenue Receipts instead of as reduction of expenditure (refer to **Paragraph 2.4.1.1 (ii)**).
 - Similarly, under Non-ferrous Mining and Metallurgical Industries, amounts received Royalty on Major Minerals (₹5,003 crore) and Royalty on Minor Minerals (₹970 crore) did not have further details. This is due to payment of arrears of royalty along with current year royalty and advance payment of royalty (refer **Paragraph 2.4.1.1(ii)**).
- One of the major items projected in Budget Estimates under Miscellaneous General Services was ‘Sale of land and property’. This item is being consistently estimated on higher side as shown below:

Table 3.2: Budget Projection and actuals on receipts from Sale of Land

(₹ in crore)

Year	Estimation in Budget	Actual receipt	Higher receipt (+) / Shortfall (-)
(1)	(2)	(3)	(4) = (3) – (2)
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
2022-23	15,500	791	(-)14,709

Source: Budget documents and Finance Accounts of last five years

Despite lower receipts in previous years, the Government continued to project higher receipts from sale of land and property in the budget estimates.

3.2.2.2 Estimation of Receipts from ‘Grants-in-Aid from Government of India’

The budget projections in respect of Grants-in-Aid (GIA) 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	Estimation in Budget	Actual receipt	Higher receipt (+) / Shortfall (-)
(1)	(2)	(3)	(4) = (3) – (2)
2018-19	29,042	8,178	(-)20,864
2019-20	8,178	11,598	3,420
2020-21	10,525	15,471	4,946
2021-22	38,669	8,619	(-)30,050
2022-23	41,002	13,179	(-)27,823

Source: Budget documents and Finance Accounts of last five years

Estimates for GIA were abnormally high in 2021-22 and 2022-23. This was on account of ₹25,105 crore and ₹25,555 crore in 2021-22 and 2022-23 respectively towards Special package and additional Central Assistance. However, such provisions were not found in the Government of India Budget proposals. The actual receipts under GIA were far less than the Estimates.

The Government needs to ensure that Non-Tax Revenue and Grants-in-Aid are estimated on realistic basis.

3.2.2.3 Estimation of additional receipts or reduction of receipts in Revised Estimates

While presenting the Budget for a year, it is customary to present Revised estimates pertaining to previous year and actuals in respect of a year before that. Accordingly, while presenting Budget for the year 2023-24 in February 2023, the Revised Estimates for the year 2022-23 were also presented.

- There was reduction in Revenue Receipts in Revised Estimates when compared to original budget estimates by ₹17,227 crore. The reduction was mainly under Grants-in-Aid (reduction by ₹10,752 crore), and under Non-Tax Revenue (reduction by ₹10,129 crore), substantiating that the original proposals made in March 2022 were on higher side.
- However, an amount of ₹7,500 crore was estimated as receivable in Revised Estimates for the year 2022-23 afresh as Inter-State Settlement, which was not in the original budget proposals (March 2022). This amount of ₹7,500 crore was estimated as the amounts receivable as electricity dues from Andhra Pradesh. The State Government did not provide any information regarding the basis on which the Receipt of ₹7,500 crore is projected under Inter-State Settlement Account. In fact, the State did not get any amount under Inter-State Settlement out of the estimated ₹7,500 crore in 2022-23.

The Finance Department replied (September 2023) that the information regarding electricity dues may be obtained from Energy Department. The reply is evasive, as the Finance Department would have to scrutinise the proposals of additional receipts before presenting to the State Legislature, particularly when they were not made in original proposal and included in Revised Estimates.

Transmission Corporation of Telangana Limited informed (October 2023) that Telangana State power utilities are to receive ₹20,406 crore, including interest, from Andhra Pradesh power utilities. The reply confirms that the amounts were receivable by power utilities and not by State Government. Hence, inclusion of amounts receivable by power utilities in the budget estimates of the State Government only resulted in higher projection of Receipts in Revised Estimates.

3.2.2.4 Estimation of expenditure on repayment of Ways and Means Advances

On the expenditure side, one of the major items of excess expenditure during the past few years is repayment of Ways and Means Advances (WMA)⁷. Whilst the State Government has been making only token provisions towards repayment of WMA, with increased dependency on WMA and consequent repayment every year, huge excess expenditure occurred as shown below:

Table 3.4: Budget Estimates and actuals in respect of repayment of Ways and Means Advances during past five years

(₹ in crore)

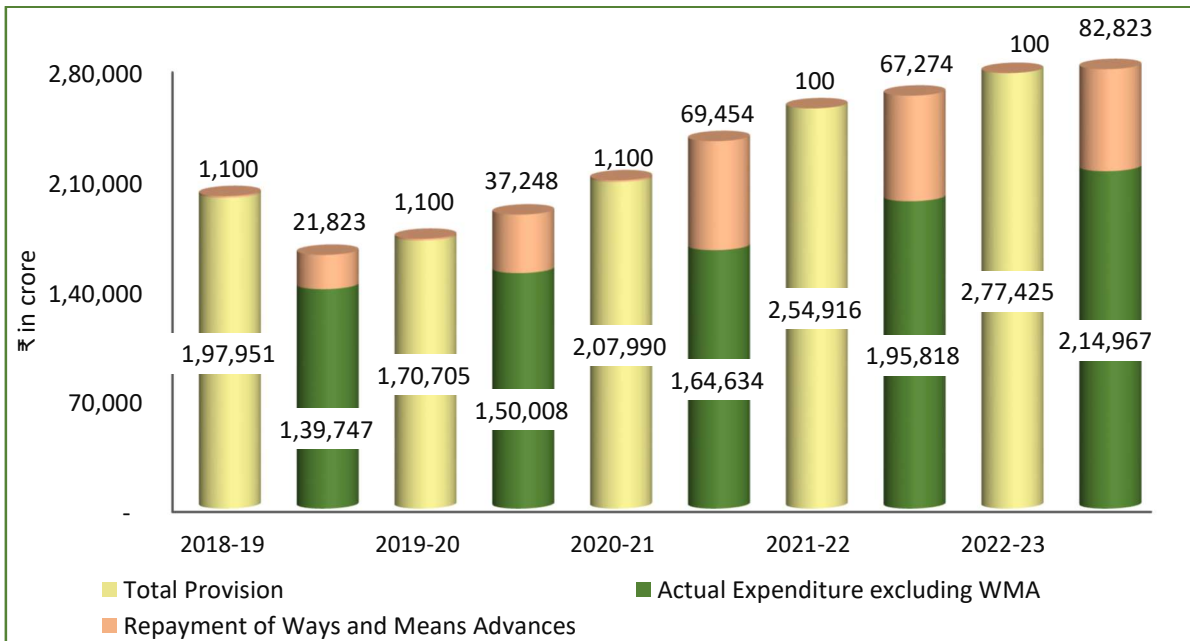
Year	Budget Estimate	Actuals	Excess expenditure
2018-19	1,100	21,823	20,723
2019-20	1,100	37,247	36,147
2020-21	1,100	69,453	68,353
2021-22	100	67,274	67,174
2022-23	100	82,823	82,723

Source: Appropriation Accounts of last five years

Though the total actual Expenditure, including repayment of WMA, was higher than the Budgetary provision in the past four years viz., from 2019-20 (**Chart 3.3**), without WMA it is much lower than the Budget Estimates as shown (**Chart 3.4**) below.

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

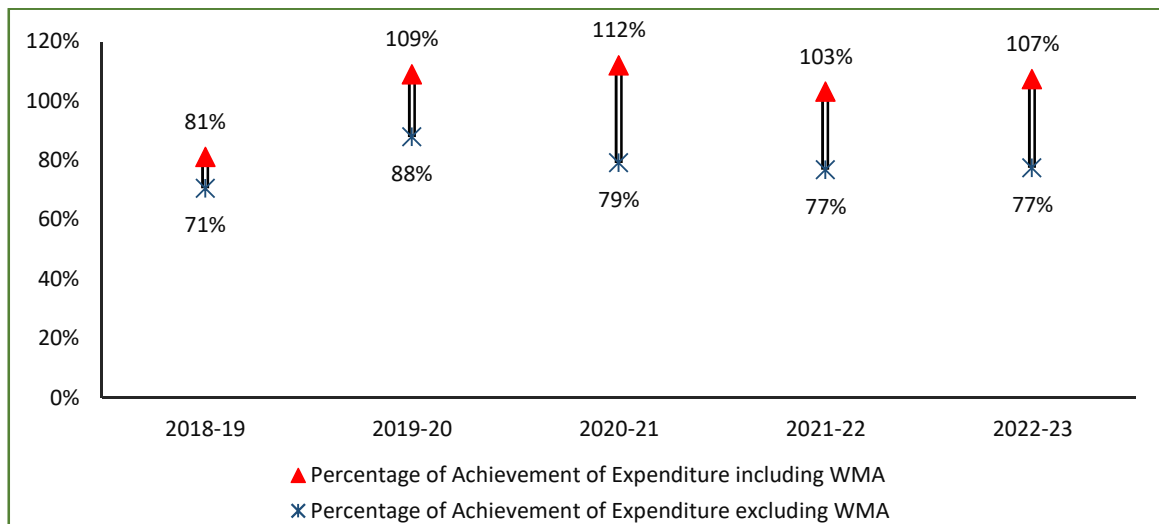
Chart 3.3: Total Provision and Expenditure including repayment of Ways and Means Advances during the period 2018-19 to 2022-23



Source: Appropriation Accounts of last five years

The repayment of WMA is increasing year after year. This is due to growing dependency on WMA. Further, because of making a token provision in the Budget Estimates coupled with huge repayment of WMA, Public Debt section of Fiscal Administration is registering excess expenditure every year requiring regularisation by the State Legislature.

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



Source: Appropriation Accounts of last five years

Effectively, only 77 per cent of the provisions authorised could be spent during the past two years resulting in overall savings. However, due to huge repayment of WMA for which only a token provision was made, it appears there was an excess expenditure of seven per cent over the total provision in 2022-23 (for further details on excess expenditure refer to Paragraph 3.3.2).

3.2.2.5 Estimation of expenditure on interest on State Development Loans

Budget Estimates in respect of interest on State Development Loans have been consistently under-projected. The Budget Estimates, actual expenditure and the excess expenditure are shown in the following table:

Table 3.5: Budget Estimates and actuals in respect of interest on State Development Loans

(₹ in crore)

Year	Budget Estimate	Actuals	Excess expenditure
2018-19	8,316	9,610	1,294
2019-20	11,007	11,455	448
2020-21	12,075	13,907	1,832
2021-22	14,635	16,421	1,786
2022-23	18,125	19,053	928

Source: Appropriation Accounts of last five years

Since interest on State Development Loans is predetermined, the Budget Estimates could be prepared more realistically which would facilitate in planning expenditure spread.

3.2.2.6 Estimation of expenditure on pensions allocable to Andhra Pradesh and Telangana

Other major items where the Budget Estimates are lower, and the actual expenditures are higher are various types of pensionary disbursements allocable between States of Andhra Pradesh and Telangana after Re-organisation. The table below shows the Budget Estimates and actual expenditure on various types of pensions allocable between the two States. Excess expenditure of more than ₹1,000 crore in each year is registered due to lower Budget Estimates.

Table 3.6: Budget Estimates and actuals in respect of pensions allocable between Andhra Pradesh and Telangana States

(₹ in crore)

Year	Budget Estimate	Actuals	Excess expenditure
Service Pensions Allocable to the Successor State of Telangana			
2018-19	23	1,964	1,941
2019-20	23	3,342	3,319
2020-21	24	3,891	3,867
2021-22	31	5,076	5,045
2022-23	30	4,398	4,368
Post-bifurcation Service Pensions Allocable between the successor States of Andhra Pradesh and Telangana in the ratio of 58.42:41.68			
2019-20	182	1,302	1,120
2020-21	186	1,484	1,298
2021-22	237	2,243	2,006
2022-23	230	3,038	2,808
Family Pensions allocable to the successor State of Telangana			
2018-19	3	755	752
2019-20	3	1,255	1,252
2020-21	3	1,401	1,398
2021-22	4	1,933	1,929
2022-23	800	1,803	1,003

Source: Appropriation Accounts of last five years

3.2.2.7 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 3.7: Budget Estimates and actuals in respect of lump sum provisions

(₹ in crore)

Year	Budget Estimate	Actuals
2052 - Secretariat - General Services - 090- Secretariat - 75 - lumpsum provision – 010 - Salaries		
2018-19	200	0
2019-20	10	0
2022-23	500	0
2052 - Secretariat - General Services - 090- Secretariat - 75 – lump sum provision -270 Minor Works		
2018-19	1	0
2021-22	8,000	0

Source: Appropriation Accounts of last five years

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

Apart from the above, because of non-inclusion of certain inevitable expenditure items in the Budget Estimates, original or supplementary, the State Government has incurred unauthorised expenditure in violation of Constitutional Provisions, which are discussed in **Paragraph 3.4.1.**

3.2.3 Outcome / Performance Budget

As per Paragraph 2.1 (q) of 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 expenditure incurred directly by them.

For the year 2022-23, the State Government placed demands for 37 Grants⁸ before the State Legislature.

⁸ 40 Grants in the previous years. From 2022-23 onwards, Weaker Section Housing Programme (Grant No. XVIII) merged in Roads and Buildings (Grant No XI), Minor Irrigation (Grant No. XXXIV) merged in Major Irrigation (XXXIII) and Public Enterprises (Grant No. XL) merged in Industries and Commerce (Grant No XXXVI)

- Out of the 37 Grants, Outcome Budgets are not prepared in respect of 3 Grants⁹.
- On review of Outcome Budgets of the remaining 34 Grants, 24 Grants have clearly mentioned about achievement of outcomes.
- In respect of Grant No. XV – ‘Sports and Youth Services’, ‘nil’ report was mentioned in the Outcome budget.
- In respect of eight Grants¹⁰, there was no mention of projected outcomes or their achievements.
- In respect of Grant No. IX – ‘Fiscal Administration, Planning, Survey and Statistics’, achievements were mentioned without 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/reappropriations 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.

3.3.2 Summary of total provision and actual expenditure in 2022-23

A summarised position of total budget provision, disbursement and savings/excess during the year 2022-23 is given in **Table 3.8**:

⁹ (i) State Legislature, (ii) Governor and Council of Ministers and (iii) General Administration and Elections

¹⁰ (i) Administration of Justice, (ii) Revenue, Registration and Relief, (iii) Excise Administration, (iv) Commercial Taxes Administration, (v) Transport Administration, (vi) Medical and Health, (vii) Administration of Religious Endowments and (viii) Energy

Table 3.8: Budget Provision, disbursement and savings/excess during 2022-23

(₹ 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 Percentage	Surrender during the year	
								Amount	Per cent
Voted	Revenue	1,70,135	12,068	1,82,203	1,41,643	(-) 40,560	(-) 22	60,140	33
	Capital	29,673	5,033	34,706	17,925	(-) 16,781	(-) 48	14,341	41
	Loans and Advances	26,253	1,157	27,410	21,249	(-) 6,161	(-) 22	5,067	18
	Total Voted	2,26,061	18,258	2,44,319	1,80,817	(-) 63,502	(-) 26	79,548	33
Charged	Revenue	19,202	1,873	21,075	22,079	1,004	5	53	0.25
	Capital	56	63	119	83	(-) 36	(-) 30	35	30
	Public Debt Repayment	11,702	310	12,012	94,810	82,798	689	818	7
	Total Charged	30,960	2,246	33,206	1,16,972	83,766	252	906	3
Appropriation to Contingency Fund		Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Grand Total		2,57,021	20,504	2,77,525	2,97,789	20,264	7	80,454	29

Source: Appropriation Accounts

Note: Out of ₹2,97,789 crore, an amount of ₹2,013 crore was transferred to Personal Deposit Accounts (Head of Account: 8443-106)

The net excess expenditure of ₹20,264 crore is the result of excess expenditure of ₹1,05,565 crore in seven Grants and two Appropriations¹¹ (**Appendix 3.1**) and savings of ₹85,301 crore in 35 Grants and 11 Appropriations. Excluding ₹82,823 crore Ways and Means Advances (WMA)¹², which are temporary loans to tide over the mismatch between receipts and disbursement requirements, there is an overall savings of ₹62,458 crore¹³.

Savings occurred in all parts of the Voted section as also under Capital in Charged section. Excess expenditure occurred under Charged sections of Revenue and Public Debt Repayment.

The State Government also incurred an unauthorised expenditure of ₹8,985 crore, at sub-head level, without any Budget provision during 2022-23 (**refer Paragraph 3.4.1**).

¹¹ Four Grants under Revenue, Two Grants under Capital, One Grant under Loans, One Appropriation under Revenue and One Appropriation under Public Debt

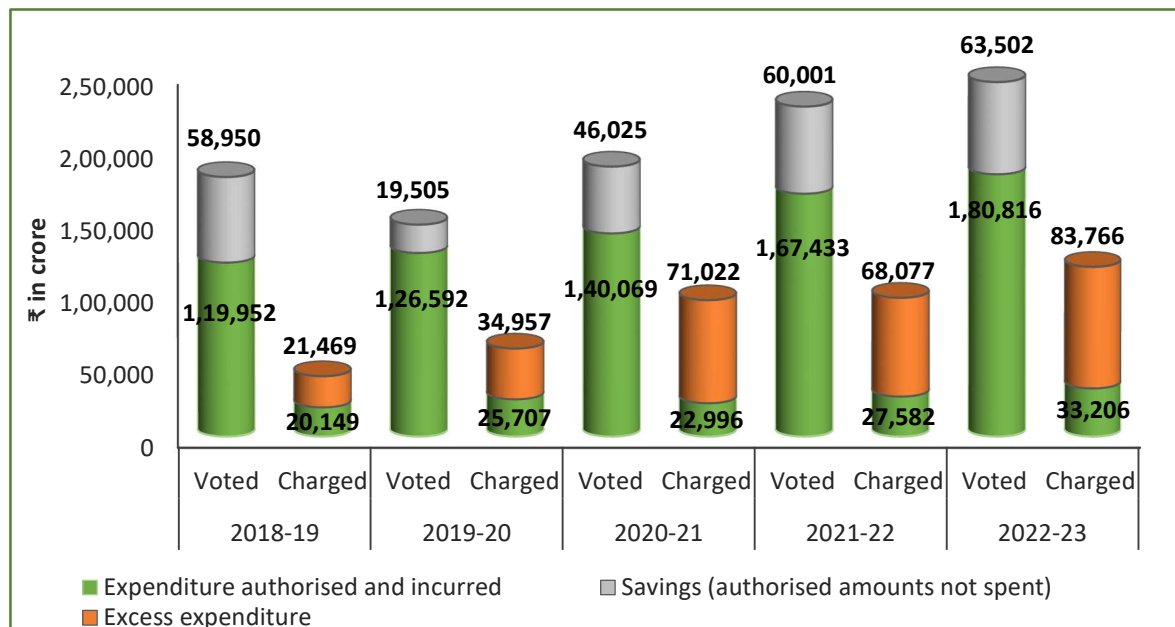
¹² for which the budget provision was only ₹100 crore and expenditure was ₹82,823 crore

¹³ excluding WMA repayment, budget provision is ₹2,77,425 crore and expenditure is ₹2,14,967 crore

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 2018-19 to 2022-23



Source: Appropriation Accounts of last five years

Excess expenditure occurred under charged section and savings under voted section every year. Lower estimates in respect of Ways and Means Advances, Interest on State Development Loans, etc. caused excess expenditure in charged section whereas higher estimation towards schemes / welfare / development activities in voted section resulted in savings.

The State Government may ensure realistic estimation of expenditure directly charged on the Consolidated Fund, which can be computed with reasonable accuracy.

3.3.4 Budget Marksmanship

3.3.4.1 Aggregate Budget outturn

Aggregate Budget Outturn measures the extent to which the Aggregate Budget Expenditure Outturn/actual expenditure reflects the amount originally approved, both in terms of less than approved and in excess of approved.

Table 3.9: Original Budget approved and Actual outturn during 2022-23

(₹ in crore)

Description	Original Approved Budget (BE)	Actual Outturn	Difference between Actual and BE
Revenue	1,89,337	1,63,722	(-) 25,615
Capital	29,729	18,009	(-) 11,720
Loans (including Public Debt*)	37,855	33,236	(-) 4,619
Total	2,56,921	2,14,967	(-) 41,954

* Excluding Ways and Means Advances

Source: Appropriation Accounts

In Revenue section, deviation in outturn compared with BE was (-) 14 per cent. This was due to deviation between 0 and +/- 25 per cent in 17 Grants; between +/- 25 per cent to +/- 50 per cent in 10 Grants; and between +/-50 per cent to +/-100 per cent in 10 Grants. While Energy Grant with +90 per cent outturn was on excess side, Roads and Buildings ((-)87 per cent), Tourism, Art and Culture ((-)84 per cent), and Civil Supplies Administration ((-) 77 per cent) Grants had significantly less outturn in Revenue section.

In Capital section, deviation in outturn compared with BE was (-) 39 per cent. This was due to deviation between 0 and +/- 25 per cent in 2 Grants; between +/- 25 per cent to +/- 50 per cent in 9 Grants; between +/-50 per cent and +/-100 per cent in 13 Grants; and equal to or more than 100 per cent in 4 Grants. Labour and Employment (8,113 per cent), Women and Child Welfare (1,980 per cent), School education (336 per cent) and Industries and Commerce (247 per cent) were Grants with more than 100 per cent excess outturn whereas Commercial Taxes Administration and Municipal Administration and Urban Development Grants were having 100 per cent less outturn in Capital section.

In Loans section, deviation in outturn compared with BE was (-) 12 per cent. This was due to deviation between 0 and +/- 25 per cent in 8 Grants; between +/-50 per cent and +/-100 per cent in 3 Grants; and equal to or more than 100 per cent in one Grant. Agriculture Grant (551 per cent) was having highest outturn under Loans Section.

3.3.4.2 Expenditure Composition Outturn

Expenditure composition outturn measures the extent to which reallocations between the main budget categories during execution have contributed to variance in expenditure composition.

Table 3.10: Revised Budget and Actual outturn during 2022-23

(₹ in crore)

Description	Original Approved Budget (BE)	Revised Estimates (RE)	Actual Outturn	Difference between BE and RE	Difference between Actual and RE
Revenue	1,89,337	2,03,278	1,63,722	13,941	(-) 39,556
Capital	29,729	34,824	18,009	5,095	(-) 16,815
Loans (including Public Debt*)	37,855	39,323	33,236	1,468	(-) 6,087
Total	2,56,921	2,77,425	2,14,967	20,504	(-) 62,458

* Excluding Ways and Means Advances

Source: Appropriation Accounts

In Revenue section, deviation in outturn compared with RE was (-) 19 per cent. This was due to deviation between 0 and +/- 25 per cent in 15 Grants; between +/- 25 per cent and +/-50 per cent in 13 Grants; between +/-50 per cent and +/-100 per cent in 9 Grants.

In Capital section, deviation in outturn compared with RE was (-) 48 per cent. This was due to deviation between 0 and +/- 25 per cent in 3 Grants; between +/- 25 per cent and +/- 50 per cent in 9 Grants; between +/-50 per cent and +/-100 per cent in 13 Grants; and equal to or more than 100 per cent in 3 Grants.

In Loans section, deviation in outturn compared with RE was (-) 15 *per cent*. This was due to deviation between 0 and +/- 25 *per cent* 8 Grants; between +/-50 *per cent* and +/- 100 *per cent* in 3 Grants; and equal to or more than 100 *per cent* in 1 Grant.


3.3.5 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 (PAC).

The following norms, which have been approved by PAC 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 <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 saving/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 charged Appropriation is 5 <i>per cent</i> or above of the total provision, comments on saving/excess against individual subheads are included when the saving/excess under individual subheads exceeds 10 <i>per cent</i> 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 <i>per cent</i> 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 2022-23 are given in **Chart 3.6**:

Chart 3.6: Summary of unexplained variations vis-à-vis budget during 2022-23


Total Number of sub-heads	2059
No. of sub-heads requiring explanation for variations	1019
No. of cases where explanation was received for variations	Nil

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 1,019 sub-heads (out of 2,012) in 2021-22, 893 sub-heads (out of 1,952) in 2020-21, and 862 sub-heads (out of 2,282) in 2019-20 also. The same were highlighted in the State Finances Audit Reports for the year ended March 2022, 2021, and March 2020¹⁴.

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 the 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 reappropriation or not, until it is included in a supplementary statement of expenditure presented to the Legislature and eventually in an Appropriation Act.

At sub-head level, the State Government incurred a huge expenditure of ₹8,985 crore without any budget provision under 48 sub-heads as below:

Table 3.11: Expenditure without Budget provision during 2022-23

Number of Grants / Appropriations	Number of Major Heads	Number of sub-heads	Expenditure (₹ in crore)
24	28	48	8,985

Source: Appropriation Accounts

¹⁴ Paragraph 3.4.1 on “Expenditure incurred without authority of Law” and Paragraph 3.4.2 on “Excess expenditure and its regularisation” of these reports

The Finance Department failed to include the following five items, which constituted 98 per cent (₹8,765 crore) of total expenditure without budget provision, despite being aware that expenditure had already been incurred or committed.

3.4.1.1 Non-provision of allocation towards taking over of DISCOMs losses under UDAY after incurring expenditure

In pursuance of a tripartite agreement with DISCOMs and Union Government, the State Government was to take over losses of DISCOMs under Ujwal DISCOM Assurance Yojana (UDAY). During the year 2022-23, though no amounts were provided towards discharge of this commitment in the Original Budget Estimates, the State Government incurred an expenditure of ₹7,061 crore¹⁵ under Grant No. XXXV – Energy under minor head ‘Assistance to Public Sector and Other Undertakings’¹⁶.

Since approval for this expenditure from Legislature was not obtained in the Original Budget Estimates and the expenditure was incurred in June and December 2022, Energy and Finance Departments should have obtained approval through Supplementary Provisions from the State Legislature, which was not done for reasons not on record. Thus, the expenditure of ₹7,061 crore was unauthorised.

In fact, in reply to an audit enquiry, the Finance Department informed (November 2022) that it had already incurred (June 2022) ₹6,646 crore towards ‘Taking over losses of DISCOMs under UDAY’. The reply confirms that the Finance Department was aware that the authorisation for expenditure already incurred was required to be obtained through Supplementary Demands.

3.4.1.2 Non-provision of allocation in the Budget Estimates towards Loans to MARKFED after incurring expenditure

An expenditure of ₹1,107 crore was incurred (August 2022) without provision in the original Budget Estimates towards Loans to MARKFED under Grant No. XXVII – Agriculture. In view of the absence of approval of the Legislature for this expenditure in the original Budget Estimates, this item was rightly included in the Demand for Grants for further expenditure in Supplementary Estimates (February 2023) under Loans Section (Major Head of Account 6401).

However, this was mistakenly included under Capital section instead of Loans section in the Appropriation Act (Act 3 of 2023).

As a result, savings of ₹1,107 crore occurred under Capital Section. On the other side, the actual expenditure of ₹1,107 crore towards Loans to MARKFED under Loans section became unauthorised.

¹⁵ ₹6,646 crore in June 2022 and ₹415 crore in December 2022

¹⁶ Subsequently, amounts of ₹1,091 crore and ₹643 crore out of the above ₹7,061 crore, were transferred to ‘Special Component Plan for Scheduled Castes’ and ‘Tribal Area Sub-Plan’ respectively from minor head ‘Assistance to Public Sector and Other Undertakings’ (refer to **Paragraph 3.4.7** for further details on this) by book adjustment

The State Government replied (September 2023) that necessary errata to Supplementary Budget Estimates has been issued to agree with the Appropriation Act.

However, since the expenditure had already been incurred in August 2022 under Loans Section, whereas the Act in February 2023 authorised the provision under Capital Section, there was an expenditure without budget under Loans and non-utilisation of entire provision under Capital section.

3.4.1.3 Non-provision of allocation in the Supplementary Budget Estimates towards Subvention from Central Road Fund

The grants received from the Government of India (GoI) for Road Development works are credited to the Consolidated Fund of the State as Grants-in-Aid from GoI. These amounts are then transferred from the Consolidated fund to a Deposit Head under Public Account. The expenditure from this fund is initially met out of the State allocation by debit under Revenue Expenditure. This debit is subsequently transferred to Deposit head in Public Account by per contra credit to the Capital Expenditure.

The State Government received (June and September 2022) an amount of ₹276 crore¹⁷ during 2022-23 from GoI towards Subvention from Central Road Fund in accordance with procedure mentioned above. Thus, the State Government was aware that an expenditure of ₹276 crore was to be incurred under Subvention from Central Road Fund.

However, no approval for expenditure was obtained from Legislature for this item. Thus, the expenditure of ₹276 crore was unauthorised.

Similar unauthorised expenditure on this item were highlighted in the previous State Finances Audit Reports also. However, no steps for rectification were taken in 2022-23.

3.4.1.4 Unauthorised expenditure on Amount Allocable to the successor State of Telangana through Reappropriation orders

As per Paragraph 17.6.1 (c) of the Budget Manual, Reappropriation 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, the State Government incurred (August 2022 to March 2023) an amount of ₹199 crore towards amount allocable to the Successor State of Telangana (Grant No. IX – Fiscal Administration) towards Leave Encashment Benefits through Reappropriation orders without approved provision in the original Budget Estimates or Supplementary Estimates, which is in contravention of the provisions of the Budget Manual.

Similar unauthorised expenditure on this item were highlighted in the previous State Finances Audit Reports also. However, no steps for rectification were taken in 2022-23.

Other important cases of such Irregular Reappropriations are discussed in **Paragraph 3.4.6.1.**

¹⁷ ₹167 crore in June 2022 and ₹109 crore in September 2022

3.4.1.5 Non-provision of allocation towards Investment in Telangana State Road Transport Corporation

Investments by Government in Public Sector Undertakings give impetus to that sector and is generally a policy decision of the Government. As such, a disclosure is made in the Budget speech along with provision in the Budget Estimates when substantial investments are made.

However, during the year 2022-23 the State Government made (June, August and September 2022) an investment of ₹122 crore in Telangana State Road Transport Corporation under Grant No. XI - Roads and Buildings without approval in the Original Budget Estimates. Both Roads and Buildings and Finance Department failed to obtain the approval of Legislature even under Supplementary Estimates. Thus, the expenditure of ₹122 crore was unauthorised.

Thus, despite knowing that the expenditure had already been incurred, the Finance and other Departments concerned failed to obtain approval of the Legislature for ₹8,566 crore in the Supplementary provisions, which led to unauthorised expenditure in violation of Article 204 of the Constitution.

Overall, there has been a sharp increase in expenditure without approval of the Legislature during the current year (₹8,985 crore) when compared to previous year (₹1,383 crore) mainly on account of 'Taking over of DISCOMs losses under UDAY' and 'Loans to MARKFED'.

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 the 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.

For the past few years, there were persistent excess expenditure in the Grants that provide funds for the day-to-day administration like Fiscal Administration and Home Administration. 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 or 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 3.8**, there was an overall excess expenditure of ₹20,264 crore during 2022-23. Compared to 2021-22, the total budget provision increased by 9 per cent¹⁸ and the expenditure was higher by 13 per cent¹⁹ in 2022-23.

At Grant/Appropriation level, excess expenditure incurred under seven Grants and two Appropriations²⁰. Under these, an expenditure of ₹1,59,086 crore was incurred against budget provision of ₹53,521 crore (i.e., 297 per cent of the total provision) (details in **Appendix 3.1**), resulting in an excess of ₹1,05,565 crore.

Analysis at the Major Head (MH) level revealed that there was excess expenditure in 17 Major Heads, whose expenditure (₹1,62,199 crore) was more than provision (₹55,793 crore) by ₹1,06,406 crore. Apart from internal debt of the State Government (₹82,650 crore), Excess Expenditure occurred in major heads Pensions and Other Retirement Benefits (₹14,105 crore), Power (₹7,066 crore), Loans for Crop Husbandry (₹1,107 crore), Interest Payments (₹1,059 crore), Loans and Advances from the Central Government (₹148 crore) and Capital Outlay on Road Transport (₹122 crore).

From the perspective of the scheme/sub-heads, the following are observed:

- The major contributor for the excess expenditure during the year 2022-23, as mentioned in earlier paragraphs, was ‘Repayment of Ways and Means Advances’ (₹82,723 crore) under Grant No. IX - Fiscal Administration (Loans Charged) for which the original provision was only ₹100 crore without any supplementary provision, while the actual expenditure was ₹82,823 crore.
- Apart from the pension liabilities which are consistently estimated at lower levels in the Budget, as mentioned in **Paragraph 3.2.2.6**, there was also excess expenditure over budgetary authorisation (by ₹1,000 crore or more in each case) under the following subheads in Grant No. IX - Fiscal Administration pertaining to Pension during the current year.

Table 3.12: Major contributing items for excess expenditure under Grant No. IX - Fiscal Administration during 2022-23

(₹ in crore)

Sl. No.	Details of Scheme/Sub-head	Budget	Expenditure	Excess expenditure
1	Pre-Bifurcation Service Pensions Allocable between the Successor States of Andhra Pradesh and Telangana in the ratio of 58.32:41.68	4,595	7,579	2,984
2	Pre-Bifurcation Family Pensions Allocable between the Successor States of Andhra Pradesh and Telangana in the ratio of 58.32:41.68	2,000	3,392	1,392

Source: Appropriation Accounts

¹⁸ ₹2,77,525 crore in 2022-23 as against ₹2,55,016 crore in 2021-22

¹⁹ ₹2,97,789 crore in 2022-23 as against ₹2,63,092 crore in 2021-22

²⁰ Four Grants under Revenue, Two Grants under Capital, One Grant under Loans, One Appropriation under Revenue and One Appropriation under Public Debt

While there has been excess expenditure in respect of first item during the past three years, the excess expenditure in respect of second item occurred during the current year.

During 2022-23, significant excess expenditure in other grants (more than ₹500 crore in each case), occurred in the following schemes/sub-heads:

Table 3.13: Significant items of excess expenditure under Grants other than Fiscal Administration

(₹ in crore)

Sl. No.	Grant No.	Grant(s) Name	Scheme / Sub-head	Amount
1	XII (Revenue Voted)	School Education	Teaching Grants to Zilla Praja Parishads	569
2	XII (Revenue Voted)	School Education	Teaching Grants to Mandal Praja Parishads	548

Source: Appropriation Accounts

No specific reasons were furnished for the above excess expenditure.

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 (PAC). For this purpose, the Departments concerned are required to submit Explanatory Notes for excess expenditure to the PAC through Finance Department.

The State Government was yet to get the excess expenditure of ₹2,89,115 crore over and above the allocation, pertaining to the years 2014-15 to 2021-22 regularised by the State Legislature. (Year wise summary and Year-wise Grant-wise details are given in *Appendix 3.2 (a) and (b)* respectively).

The excess expenditure is to be regularised after discussion in the PAC. The Committee met 6 times²¹ to discuss 14²² paragraphs pertaining to the 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.

3.4.3 Unspent provision / Savings

During the year 2022-23, the total savings were ₹85,301 crore²³. Of this, ₹75,038 crore (i.e., 88 per cent) pertain to 23 sections of 17 Grants with more than ₹1,000 crore remained unspent under each section as shown in *Appendix 3.3*.

²¹ May 2018, August 2021 (twice), February 2022, March 2022, and December 2022

²² Paragraphs: 2014-15 (2.5.3, 3.2.1, and 3.2.2); 2015-16 (3.2.2, and 3.2.3); 2017-18 (3.6); 2018-19 (3.4, and 3.5); 2019-20 (3.5.2.1); 2020-21 (3.5.2.2., 4.6. 4.6.1, 4.7, and 4.7.1)

²³ ₹85,210 crore in 70 Grant sections and ₹91 crore in 13 appropriation sections

Savings of more than ₹5,000 crore occurred under Social Welfare (Revenue Voted - ₹19,782 crore), Roads and Buildings (Revenue Voted - ₹8,937 crore) and Agriculture (Revenue Voted - ₹5,389 crore), where provisions approved by Legislature were not spent.

3.4.3.1 Non-utilisation of entire original provision

In respect of 4 sections under 3 Grants²⁴, entire original provision of ₹2.22 crore remained unspent.

At sub-head/scheme level, in 112 cases under 20 Grants/Appropriations the entire original provision of ₹22,636 crore could not be utilised. A few major items depicted below:

Table 3.14: Major items of entire Provision remaining unspent

(₹ in crore)

Sl. No.	Grant No.	Grant(s) Name	Scheme / Sub-head	Budget Provision
1	XI	Roads and Buildings	Construction of Two Bed Room Houses to the Rural poor under BLC	3,900
2	XI	Roads and Buildings	Construction of Two Bed Room Houses to the Urban poor under BLC	3,450
3	XXI	Social Welfare	Construction of Two Bed Room Houses to the Rural poor	1,200
4	XXVIII	Animal Husbandry	Assistance to Sheep and Goat Development Cooperative Federation Limited	1,000
5	XXVII, XXI, and XXII	Agriculture, Social Welfare, and Tribal Welfare	Oil Palm cultivation	1,000
6	XXII	Tribal Welfare	Construction of Two Bed Room Houses to the Rural poor	900
7	XXII	Tribal Welfare	Construction of Two Bed Room Houses to the Urban poor	800
8	XXI	Social Welfare	Construction of Two Bed Room Houses to the Urban poor	750
9	XXXVII	Tourism, Art and Culture	Kaleshwaram Tourism Circuit	750
10	XI	Roads and Buildings	Regional Ring Road	500
11	XVII	Municipal Administration and Urban development	Metro connectivity to Old city	500
12	XVII, XXI, and XXII	Municipal Administration and Urban development, Social Welfare and Tribal Welfare	Airport Metro Connectivity	500

Source: Appropriation Accounts

The Construction of Two Bed Room Houses is a major item on which the entire original provision was not utilised under different Grants and sub-heads.

²⁴ (i) Grant No.VII - Commercial Tax Administration (Capital Voted): ₹1 crore; (ii) Grant No. XXXI – Panchayat Raj (Capital Charged: ₹1.05 crore); (iii) Grant No. XXXVI – Industries and Commerce (Revenue Charged): ₹0.10 crore; and (iv) Grant No. XXXVI – Industries and Commerce (Capital Charged): ₹0.06 crore

Box 3.1: Zero expenditure on Hyderabad Urban Agglomeration

Hyderabad Urban Agglomeration is a case where there has been no expenditure during the past three years. The scheme was introduced in 2020-21. The Government estimated ₹50,000 crore requirement in the next five years (i.e., from 2020-21 onwards) to take up developmental works in the Capital City, which is being transformed into an international city. In view of this ₹10,000 crore was proposed in the budget 2020-21 to carry out Musi River purification, Musi River Front Project, all other special projects, and works in Hyderabad Urban Agglomeration area. However, the entire provision of ₹10,000 crore remained unutilised during 2020-21.

In the next year 2021-22, the budget was reduced significantly to ₹2,600 crore to Hyderabad Urban Agglomeration. Again, the entire provision remained unutilised in that year also.

In the current year 2022-23, the budget was further reduced drastically to ₹200 crore and even the reduced provision remained unutilised.

3.4.3.2 Major items of non-utilisation of the allocation

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

Table 3.15: Significant items of unspent provisions

(₹ in crore)

Sl. No.	Grant(s) No.	Grant(s) Name	Scheme / Sub-head	Budget Provision	Expenditure	Savings
1	XXI (Loans Voted)	Social Welfare	Telangana Dalit Bandhu	17,700	2,000	15,700
2	XXI, XXII, and XXVII (All Revenue Voted)	Social Welfare, Tribal Welfare and Agriculture	Scheme for debt relief to farmers	4,000	36	3,964
3	XXXI (Loans Voted)	Panchayat Raj	Loans to TDWSCL ²⁵	4,589	1,274	3,315

Source: Appropriation Accounts

In respect of irrigation projects, major savings occurred in Kaleshwaram project (under Capital and Loans sections)²⁶, J. Chokka Rao Devadula Lift Irrigation scheme²⁷, Sripada Sagar Yellampally project²⁸ and Sita Rama Lift Irrigation Scheme²⁹ under Capital section.

3.4.4 Persistent trends

As mentioned in the earlier paragraphs, excess expenditure occurred generally during the past five years in the Grants that provide funds for the day-to-day administration like Fiscal

²⁵ Telangana Drinking Water Supply Corporation Limited

²⁶ Budget Provision: ₹2,638 crore, Expenditure: ₹2,202 crore, Savings: 436 crore under Capital Voted and Budget Provision: ₹9,240 crore, Expenditure: ₹8,902 crore, Savings: ₹338 crore under Loans Voted

²⁷ Budget Provision: ₹515 crore, Expenditure: ₹34 crore, Savings: ₹481 crore

²⁸ Budget Provision: ₹398 crore, Expenditure: ₹72 crore, Savings: ₹326 crore

²⁹ Budget Provision: ₹998 crore, Expenditure: ₹775 crore, Savings: ₹223 crore

Administration (Revenue Voted) and Home Administration (Revenue Voted). On the other hand, amounts authorised by the Legislature in respect of Grants like Municipal Administration and Urban Development, Social Welfare, and Tribal Welfare, which deal with development or welfare activities could not be utilised. **This indicates that the Budgets for the administrative Grants were under-projected while welfare and development Grants were over-projected.** Persistent excess expenditure and persistent savings are discussed 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.

Excess expenditure occurred persistently, during the last five years under Grant No. IX – Fiscal Administration (Revenue Voted).

Table 3.16: Persistent excess expenditure under Grant No. IX – Fiscal Administration during last five years

(₹ in crore)

Details	2018-19	2019-20	2020-21	2021-22	2022-23
Grant Provision	12,881	10,741	10,451	19,377	12,479
Actual Expenditure	16,871	19,059	19,574	24,593	25,958
Excess	3,990	8,318	9,123	5,216	13,479

Source: Appropriation Accounts of last five years

The quantum of excess expenditure in Fiscal Administration Grant has been increasing for the last five years (except during 2021-22) and during the current year it has increased by 158 per cent when compared to 2021-22.

The major items with persistent excess expenditure for the last five years under Grant No. IX – Fiscal Administration (Revenue Voted) were Service Pensions allocable to the successor State of Telangana (total excess of ₹18,538 crore), Post – Bifurcation Service Pensions allocable between the successor States (total excess of ₹8,195 crore) and Family Pensions allocable to the successor State of Telangana (total excess of ₹6,333 crore). As mentioned above, the excess expenditure was the result of lower estimation of the committed expenditure.

Further, Grant No. XXXV – Energy recorded excess expenditure of ₹292 crore and ₹7,055 crore during the years 2021-22 and 2022-23 respectively. The main item of expenditure under this Grant which contributed for excess expenditure during 2022-23 was ‘Taking over DISCOMs losses under UDAY’ (₹7,061 crore), while in the previous year (2021-22), the excess was due to higher expenditure in respect of ‘Assistance to Transmission Corporation of Telangana Limited for Agricultural and allied Subsidy’ (₹396 crore).

Grant No X - Home Administration, which had excess expenditure continuously for the years from 2015-16 to 2020-21, has not registered excess expenditure during the past two years.

3.4.4.2 Persistent Savings

During the years from 2018-19 to 2022-23, there were four Grant sections, that showed persistent savings of more than ₹1,000 crore each as shown in the table below:

Table 3.17: Grants with persistent savings of more than ₹1,000 crore during the years 2018-19 to 2022-23 under Revenue Voted

Sl. No.	Grant No.	Name of the Grant	Savings ₹ in crore (<i>per cent</i>)				
			2018-19	2019-20	2020-21	2021-22	2022-23
1.	XXI	Social Welfare (Revenue Voted)	4,539(38)	1,810(17)	6,124(40)	3,577(20)	19,782(63)
2.	XXVII	Agriculture (Revenue Voted)	4,178(31)	4,347(28)	4,684(25)	4,401(23)	5,389(28)
3.	XVII	Municipal Administration and Urban Development (Revenue Voted)	4,035(67)	1,092(36)	1,949(33)	5,156(60)	3,106(38)
4.	XXII	Tribal Welfare (Revenue Voted)	2,159(32)	1,065(16)	3,416(36)	2,094(21)	3,823(35)

Source: Appropriation Accounts of last five years

- Considerable savings were also noticed in Social Welfare (Revenue Voted) since 2020-21 comprising the schemes viz., ‘Two Bed Room Houses’, ‘Investment Support Scheme (Rythu Bandhu)’, ‘Economic Support Schemes and LPS’, ‘Scheme for Debt Relief to farmers’, ‘Incentives for Industrial Promotion’, and ‘Construction of Two Bed Room Houses to Urban and Rural Poor’ schemes. As mentioned earlier, huge increase in the savings in the current year are on account of unutilised provision of ₹15,700 crore on ‘Telangana Dalit Bandhu Scheme’.
- Agriculture (Revenue Voted), which has been receiving high priority during the past few years, registered huge unspent provisions of more than ₹4,000 crore every year during the past five years. This was mainly on account of savings in ‘Scheme for debt relief to farmers’ during the past three years, ‘Investment Support Scheme (Rythu Bandhu)’ during 2018-19, ‘Market Intervention Fund’ during 2020-21 and 2021-22, ‘Farm mechanisation’ and ‘Oil Palm Cultivation’ during 2022-23.
- In respect of Municipal Administration and Urban Development (Revenue Voted) the savings were mainly on ‘Smart Cities’, ‘AMRUT’, ‘Assistance to Municipalities under State Finance Commission’ etc.
- Similar to Social Welfare Grant, considerable savings in Tribal Welfare (Revenue Voted) since 2020-21 occurred in ‘Two Bed Room Houses’, ‘Scheme for Debt Relief to farmers’, ‘Construction of Two Bed Room Houses for the Urban and Rural Poor’ and ‘Aasara Pensions’.

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

Table 3.18: Grants / Appropriations with less than 50 per cent utilisation in at least three years during the five-year period (2018-19 to 2022-23)

Sl. No.	Grant No.	Name of the Grant/ Appropriation	Utilisation in per cent				
			2018-19	2019-20	2020-21	2021-22	2022-23
1.	XI	Roads and Buildings (includes Housing)	50	102	39	38	33
2.	XXXVI	Industries and Commerce	28	77	38	36	42
3.	XXXVII	Tourism, Art and Culture	62	78	27	21	13

Source: Appropriation Accounts of last five years

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

- Utilisation of provision under these three Grants was less than 50 per cent during the last three years, indicating that these Grants were less prioritised continuously.
- In particular, the utilisation percentage of allocated provisions with regards to Roads and Buildings (includes Housing, which was merged with Roads and Buildings grant during the current year 2022-23) has been considerably less under ‘Construction of Two Bed Room Houses for the Rural Poor’, ‘Construction of Two Bed Room Houses for the Urban Poor’, ‘Pradhan Mantri Awas Yojana (Rural)’ and ‘Pradhan Mantri Awas Yojana (Urban)’.
- Unspent provisions were seen mainly under Industries and Commerce 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, 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 Reappropriation, the Secretary in the concerned Department proposes to the Finance Department for Supplementary or Additional Grant or Appropriation.

During the year 2022-23, ₹20,504 crore was obtained (February 2023) under Supplementary estimates.

3.4.5.1 Non-utilisation of entire Supplementary Provisions

Since supplementary provisions are made in addition to the original provisions and almost at the end of the year, they should not remain unutilised. In contrast, in respect of 20 sections in 14 Grants, the entire Supplementary Provision of ₹465 crore authorised by Legislature remained unspent. Further, from the perspective of sub-heads, in respect of 36 sub-heads (representing schemes) in 18 Grants, the entire Supplementary Provision of ₹626 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. The following are the major items:

- Loans to Hyderabad Metro Water Supply & Sewerage Board for Sunkishala Intake Project KDWSP (₹200 crore);
- Loans from Telangana Transco Bonds (₹144 crore) under Internal Debt;
- Matching State Share for Centrally Sponsored Schemes of J. Chokka Rao Devadula Lift Irrigation Scheme AIBP Project (₹132 crore); and
- Providing Infrastructure and others to New Veterinary College at Siddipet (₹69 crore).

3.4.5.2 Non-utilisation of entire Original and Supplementary Provisions

There were 29 instances under 12 Grants or Appropriations totalling to ₹700 crore, where the original provisions were supplemented by additional provisions, the total of which remained unutilised at the end of the year. The following are the major items:

- Assistance to SERP (Original provision: ₹177 crore, Supplementary provision: ₹20 crore, Total provision: ₹197 crore);
- Pradhan Mantri Poshan Shakti Nirman (PM POSHAN – cooking cost) under various sub-heads (Original Provision: ₹91 crore, Supplementary provision: ₹36 crore, Total Provision: ₹127 crore);
- Safe City Project for Safety of Women in Hyderabad City (Nirbhaya Fund) (Original provision: ₹1 crore, Supplementary provision: ₹89 crore, Total provision: ₹90 crore);
- Repairs & Maintenance of Residential School Buildings (Original provision: ₹10 crore, supplementary provision: ₹34 crore, Total provision: ₹44 crore).

The reasons for obtaining supplementary provision even when the entire original provision was not utilised were not provided.

3.4.5.3 Unnecessary / Excessive / Insufficient Supplementary Provisions

There were several Grants/appropriations where expenditure fell short of even the original provision and the supplementary provisions obtained in February 2023 were unwarranted and could have been restricted to a token provision wherever necessary. Similarly, there were instances where the supplementary provisions obtained proved excessive or insufficient in view of the final savings or excess expenditure.

Table 3.19: Unnecessary / Excessive / Insufficient Supplementary Provisions

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	30	24,793	2,779	27,572	19,489	(-) 8,082
2	Excessive Supplementary	36	7,601	8,085	15,687	11,232	(-) 4,454
3	Insufficient Supplementary	29	26,566	5,717	32,283	35,782	3,500

Source: Appropriation Accounts

(i) Major Schemes / Sub-heads with unnecessary supplementary provisions

At sub-head level, supplementary provisions of more than ₹100 crore were not necessary in the following instances as the expenditure fell short of even the original provision:

Table 3.20: Schemes where Supplementary Provision of more than ₹100 crore proved unnecessary

(₹ in crore)

Sl. No.	Grant No.	Grant Name	Scheme / Sub-head	Original	Supplementary	Total	Expenditure	Savings
1	XII	School Education	Primary Schools	747	1,000	1,747	722	1,024
2	XXV	Women, Child and Disabled Welfare	Integrated Child Development Services	1,003	271	1,274	875	399
3	XXVII	Agriculture	Investment Support Scheme	11,491	190	11,681	11,140	540
4	XII	School Education	Nutritious Meals Programmes for IX and X Classes	101	148	249	26	223
5	XVI	Medical and Health	Establishment of Teaching Hospitals	743	109	853	691	162

Source: Appropriation Accounts

(ii) Major Schemes / Sub-heads with excessive supplementary provisions:

At sub-head level, supplementary provisions were excessive by more than ₹200 crore in the following instances:

Table 3.21: Schemes where Supplementary Provision of more than ₹200 crore was excessive

(₹ in crore)

Sl. No.	Grant No.	Grant Name	Scheme / Sub-head	Original	Supplementary	Total	Expenditure	Savings
1	X	Home Administration	District Offices (Superintendents of Police)	67	500	567	68	499
2	XXXI	Panchayat Raj	District Panchayat Offices	36	538	574	215	359
3	XII	School Education	Samagra Shiksha	561	646	1,207	860	347
4	XIII	Higher Education	Government Degree Colleges	357	267	624	423	201

Source: Appropriation Accounts

(iii) Major Schemes / Sub-heads where supplementary provisions proved insufficient

In respect of the following sub heads (schemes) the supplementary provision was insufficient by more than ₹200 crore.

Table 3.22: Schemes where Supplementary Provision was insufficient by more than ₹200 crore

(₹ in crore)

Sl. No.	Grant No.	Grant Name	Scheme / Sub-head	Original	Supplementary	Total	Expenditure	Shortfall
1	IX	Fiscal Administration	Interest on State Development Loans	16,275	1,850	18,125	19,053	928
2	X	Home Administration	District Police Force	2,698	0*	2,698	3,167	469
3	XVII	Municipal Administration and Urban Development	Assistance to Municipalities for Development works	0 [#]	1,000	1,000	1,355	355

Source: Appropriation Accounts

* Supplementary provision of ₹55,000 was made

[#] Original provision was ₹1,000

Thus, the Finance Department and Departments concerned have erred in assessing the requirement for obtaining supplementary provisions from the Legislature.

3.4.6 Reappropriations, Surrenders and Withdrawal / Resumption of funds

Reappropriation 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 reappropriate provision from one unit of appropriation to another within the same Grant, subject to the limits and restrictions laid down in Budget Manual.

Government has been issuing Reappropriation/ Resumption orders to decrease/ increase the budget provision and for withdrawal/surrender of provisions authorised. The net effect of all such Reappropriation/ Resumption orders issued by the Government in the current year was net reduction of budget provision by ₹80,454 crore. In fact, there was a net excess expenditure of ₹20,264 crore as mentioned in *Table 3.8* and *Paragraph 3.3.2*.

3.4.6.1 Irregular Reappropriations

As per Paragraph 17.6.1 (c) of the Budget Manual, reappropriation 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, ₹704 crore was provided through Reappropriation orders, in respect of 27 sub-heads in 16 Grants, though there was neither Original nor Supplementary Provision approved by the State Legislature. Out of these, the major items are:

Table 3.23: Schemes where provisions of more than ₹100 crore were made through Reappropriation Orders without approved budget provision

(₹ in crore)

Sl. No.	Grant No.	Grant Name	Scheme / Sub-head	Provision through Reappropriation orders without Budget approval	Expenditure
1	XI	Roads, Buildings and Ports (Revenue Voted)	Subvention from Central Road Fund	276	276
2	IX	Fiscal Administration (Revenue Voted)	Amount allocable to the successor State of Telangana	199	199
3	XI	Roads, Buildings and Ports (Capital Voted)	Investments in TSRTC	123	123

Source: Appropriation Accounts

No reasons were mentioned for such irregular reappropriations except mentioning ‘increase is based on actual expenditure’.

3.4.6.2 Issue of surrender orders despite excess expenditure

In respect of one Appropriation and five Grants, Government issued surrender orders despite excess expenditure making the surrender orders defective. The details are as under:

Table 3.24: Cases of issue of surrender orders despite excess expenditure

(₹ in crore)

Sl. No.	Grant No.	Grant Name	Original Budget	Supplementary Budget	Total	Expenditure	Excess (+)	Surrender (-)
Appropriation								
1	IX	Fiscal Administration (Loans Charged)	11,701.90	310.53	12,012.43	94,809.75	82,797.32	(-)818.07
Grants								
2	II	Governor and Council of Ministers (Revenue Voted)	27.56	0.19	27.75	28.85	1.10	(-)0.07
3	IV	General Administration and Elections (Capital Voted)	3.64	0.00	3.64	5.78	2.13	(-)0.36
4	IX	Fiscal Administration (Revenue Voted)	12,446.31	32.66	12,478.97	25,958.30	13,479.32	(-)91.13
5	XXX	Cooperation (Revenue Voted)	129.57	0.02	129.59	132.84	3.26	(-)4.97
6	XXXV	Energy (Revenue Voted)	7,800.86	0.40	7,801.26	14,856.04	7,054.79	(-)6.64

Source: Appropriation Accounts

Box 3.2: Issuing surrender order for entire provision despite incurring full expenditure

At sub-head level a case of surrender of entire provision despite incurring full expenditure has occurred. The details are hereunder:

In original budget estimates an amount of ₹892 crore was provided under Major Head 6003 – Internal Debt of the State Government, Minor Head 106 – Compensation and other Bonds, Sub-head 06 - Ujwal Discom Assurance Yojana (UDAY). However, the

entire amount of ₹892 crore was withdrawn (31 March 2023) through Reappropriation orders with reasons mentioned as “savings are due to actual expenditure” which do not depict any relatable reasons for Reappropriation / Surrender.

In fact, expenditure of ₹892 crore was incurred (as per preliminary accounts of March 2023). Thus, withdrawal or surrender of a provision, on which expenditure is already incurred, through Reappropriation indicates lack of synchronisation with expenditure progress on a real time basis.

3.4.6.3 Issue of surrender orders in excess of actual savings

In respect of 5 Appropriations (one section each) and 23 Grants (32 sections), the surrender orders were issued for a total amount of ₹32,749 crore instead of actual savings of ₹32,628 crore.

The details are available in *Appendix 3.4*.

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

As per the Paragraph 17.2.2 of the Budget Manual, all savings, when they come to notice, are to be immediately surrendered with full explanation. Further, when proposals for surrender are made after 25 March, full explanations should be given as to why the savings could not be foreseen earlier.

However, though all the 401 Reappropriation/ Resumption orders³⁰, for overall reduction of provision by ₹80,454 crore, were issued on the last day of the financial year i.e., 31 March 2023 no explanation was on record as to why the savings could not be foreseen.

3.4.6.5 Reappropriations 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.

3.4.6.6 Budget Provision and Gap between Expectations and Actuals

Efficient management of tax administration/ other receipts and public expenditure holds the balance 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 deprive other Departments of the funds, which they could have utilised.

The total provision for expenditure (excluding Ways and Means Advances) in 2022-23 was ₹2,77,425 crore. The actual gross expenditure (excluding Ways and Means Advances) during the year was ₹2,14,967 crore. This resulted in savings of ₹62,458 crore in 2022-23. However, an amount of ₹80,454 crore was surrendered which was higher than the savings by ₹17,996 crore. All surrenders were made on 31 March 2023. The details are given in **Table 3.8**.

³⁰ ₹7,765 crore for augmentation of the provision and ₹88,219 crore for reduction as per the Appropriation Accounts

Trends in the original budget, revised estimate, actual expenditure for the period 2018-19 to 2022-23 are given below:

Table 3.25 Original Budget, Allocation After Reappropriation and Actual Expenditure during 2018-23

(₹ in crore)

	2018-19	2019-20	2020-21	2021-22	2022-23
Original Budget (OB)	1,74,409	1,46,447	1,82,859	2,30,772	2,56,921
Supplementary Budget	23,542	24,257	25,131	24,144	20,504
Total Budget (TB)	1,97,951	1,70,705	2,07,990	2,54,916	2,77,425
Allocations After Reappropriations (AAR)	1,36,067	1,42,691	1,52,656	1,27,344	1,96,971
Actual Expenditure (AE)	1,39,747	1,50,009	1,64,634	1,95,818	2,14,967
Savings	(-) 58,204	(-) 20,696	(-) 43,356	(-) 59,098	(-) 62,458
Percentage of Supplementary to Original Budget	13	17	14	10	8
Percentage of overall saving/excess to the overall budget	(-) 29	(-) 12	(-) 21	(-) 23	(-) 23
TB-AAR	61,884	28,014	55,334	1,27,572	80,454
AAR-AE	(-) 3,680	(-) 7,318	(-) 11,978	(-) 68,474	(-) 17,996
(TB-AAR) as per cent of TB	31	16	27	50	29
(AAR-AE) as per cent of TB	(-) 2	(-) 4	(-) 6	(-) 27	(-) 6

Source: Appropriation Accounts of last five years

Note: All the figures are excluding Repayment of Ways and Means Advances

Table 3.25 shows that supplementary provision of ₹20,504 crore during 2022-23 constituted 8 per cent of the original provision as against 10 per cent in the previous year.

From the above, it can be seen that over the years from 2018-19 to 2022-23, the Allocation After Re-appropriation (AAR) was always lower than the Total Budget (TB) of the State. The gap between TB and AAR is around 30 per cent during 2018-19, 2020-21 and 2022-23, while it was very high at 50 per cent in 2021-22 indicating huge Reappropriation in that year. Similarly, the difference between AAR and AE is also significant in 2021-22. In all the years AAR is lower than the AE indicating surrenders were more than the actual savings.

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 (SDF 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 (Scheme outlays) of the State which shall be proportionate to the Scheduled Castes and 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 and Scheduled Tribes hamlets, etc.

Government allocated ₹33,938 crore³¹ and ₹13,412 crore³² to SCSDF and STSDF respectively from the total outlay of Pragathi Paddu (₹1,41,971 crore) in 2022-23. The allocations account for 23.90 per cent and 9.45 per cent under SCSDF and STSDF respectively. Thus, the allocations were higher than the required contribution.

However, 58³³ and 38 per cent³⁴ of the allocated funds under SCSDF and STSDF respectively were not utilised.

In fact, there is a persistent shortfall in utilisation as shown below:

Table 3.26: Percentages of expenditure and savings under SCSDF and STSDF in the last five years

(in per cent)

Sl. No.	Year	SCSDF		STSDF	
		Utilised	Short utilisation	Utilised	Short utilisation
1	2018-19	38	62	57	43
2	2019-20	79	21	74	26
3	2020-21	60	40	63	37
4	2021-22	73	27	73	27
5	2022-23	42	58	62	38

Source: Appropriation Accounts of last five years

Further, Section 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 Pragathi Paddu at the end of financial year in the manner prescribed. However, there was no mention of such compensation pertaining to previous years in the budget documents. Since, the allocation in respect of STSDF was near equal to the norms, it can be concluded that such compensation pertaining to the previous years has not been affected in the current year as per the Act.

Box 3.3: Booking of losses of DISCOMs taken over by the Government under UDAY as expenditure under SCSDF and STSDF

In the current year 2022-23, the State Government, though did not make any provision in Original Budget has, however, released³⁵ ₹7,061 crore towards taking over losses of DISCOMs pertaining to earlier years under UDAY. This expenditure was under Minor Head 190 - “Assistance to Public Sector and Other Undertakings”.

Later, out of this expenditure of ₹7,061 crore already incurred, the State Government transferred ₹1,091 crore to Minor Head 789 - “Special Component Plan for Scheduled Castes” and ₹643 crore to Minor Head 796- “Tribal Area Sub-Plan”, through book

³¹ ₹32,910 crore towards all Departments and ₹1,028 crore towards non-divisible infrastructure works

³² ₹12,972 crore towards all Departments and ₹440 crore towards non-divisible infrastructure works

³³ SCSDF: Budget (O+S): ₹34,386 crore, Expenditure: ₹14,534 crore (42 per cent) and Savings: ₹19,852 crore (58 per cent)

³⁴ STSDF: Budget (O+S): ₹14,258 crore, Expenditure: ₹8,775 crore (62 per cent) and Savings: ₹5,483 crore (38 per cent)

³⁵ ₹6,646 crore in June 2022 and ₹415 crore in December 2022

adjustments, proportionate to percentages mentioned in SDF Act. Since there was no provision for taking over losses under UDAY in the Budget Estimates for the year 2022-23, the Pragathi Paddu (Scheme Expenditure) also did not include this item.

Section 5 of the SDF Act stipulates that the Special Development Funds of the Departments shall include only such schemes that secure **direct and quantifiable benefits** to the Scheduled Caste / Scheduled Tribe individuals or Scheduled Caste / Scheduled Tribe households or Scheduled Caste / Scheduled Tribe habitations or Tribal areas that have the potential to bridge the gaps in the development following the norms laid down in the Act and rules made thereunder.

Since UDAY was meant for financial turnaround of the DISCOMs and the entire expenditure of ₹7,061 crore (including the ₹1,091 crore and ₹643 crore) was towards taking over losses already incurred by the DISCOMs up to 2019-20, it was not meant to secure direct and quantifiable benefit to the Scheduled Caste / Scheduled Tribe individuals or Scheduled Caste / Scheduled Tribe households or Scheduled Caste / Scheduled Tribe habitations or Tribal areas that have the potential to bridge the gaps in the development. The Government did not furnish any information on how it ensured that the expenditure booked had secured direct and quantifiable benefits to the targeted beneficiaries.

Moreover, since there was no provision in the budget estimates, this item was not found in the Pragathi Paddu either.

It was clear that book adjustments were made to inflate the target achievements under the SDF Act. Hence, the utilisation of 42 and 62 *per cent* under SCSTDF and STSDF was overstated to that extent.

3.4.8 Transfers to Other Deposit Accounts

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

An amount of ₹5,094 crore was transferred from Consolidated Fund to Other Deposits during the year 2022-23 by booking expenditure under Revenue (₹4,220 crore), Capital (₹200 crore) and Loans and Advances (₹674 crore) sections.

- Transfers to Other Deposits as Revenue Expenditure of more than ₹100 crore occurred in respect of Telangana Minorities Residential Educational Institutions Society (₹774 crore), Aarogyasri Health Care Trust (₹261 crore), Telangana State Housing Corporation (₹203 crore), Shaadi Mubarak (₹148 crore) and TSRTC (₹106 crore).
- Major transfers to other Deposits as Capital Expenditure occurred in respect of TS Drinking Water Supply Corporation Limited (₹200 crore).

- Loans to Aarogyasri Health Care Trust (₹474 crore) and Horticulture Development Corporation (₹200 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 generally classified in two categories; viz., (i) 'Charged' (such expenditure is not submitted to the vote of the Legislative Assembly) or 'Voted' items of expenditure separately, depending on whether the provision requires consent of Legislature by voting or not, and (ii) 'Revenue', 'Capital' or 'Loans' depending on the nature of expenditure.

Government accounting framework allows for different codes for the above at different levels as detailed in *Paragraph 1.3*. Important observations on misclassification of expenditure are brought out in State Finances Audit Reports. Classification of expenditure of revenue nature as capital expenditure or vice-versa, leads to overstatement / understatement of revenue expenditure and Revenue Deficit / Surplus.

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 ₹125 crore and spent ₹50 crore on purchase of surgical consumables under Capital, which should have been 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 ₹258 crore and spent ₹90 crore towards 'Minor Works' under Capital. Out of this, ₹145 crore was provided for Afforestation Fund towards Minor works, out of which ₹84 crore was expended. An amount of ₹113 crore was budgeted towards maintenance in Minor works under Capital and ₹6 crore was spent, which was not correct.

(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 3.27: Revenue Expenditure classified under Capital Section

Sl. No.	Particulars	Expenditure (₹ in crore)	Remarks
1	Expenditure on the Mahatma Gandhi National Rural Employment Guarantee Scheme	1,483	This Act is intended for enhancement of livelihood by providing guarantee wage employment. However, there was no supporting information to conclude that the assets belong to State Government and not to Local Bodies or Autonomous Bodies, which implemented the scheme at field level.
2	Constituency Development Programme	1,029	The scheme is intended for taking up Development Programmes in Constituencies. However, there was no supporting information to conclude that the assets belong to State Government.
	Total	2,512	

Source: Appropriation Accounts

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 ₹25 crore was booked under Revenue Section in the following cases:

Table 3.28: Capital Expenditure booked under Revenue Section

Sl. No.	Particulars	Expenditure (₹ in crore)
1	Purchase of Motor Vehicles	6
2	Machinery and Equipment – Purchases	14
3	Machinery and Equipment – Tools and Plants	5
	Total	25

Source: Appropriation Accounts

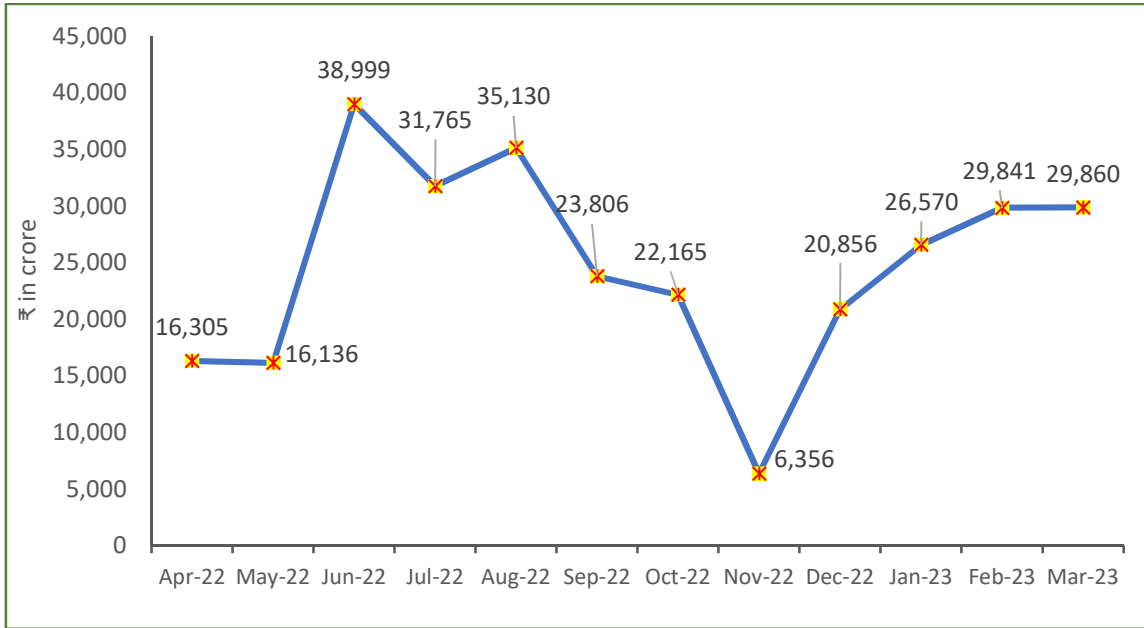
Classification of Assets under Revenue Section instead of Capital Section results in overstatement of Revenue Expenditure and understatement of Capital Expenditure and Government assets. It also results in the possibility of Government assets not being recorded in the relevant stock registers and not being accurately accounted for apart from giving scope to embezzlement and siphoning of Government assets.

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 3.7: Trend of expenditure during 2022-23

Source: Appropriation Accounts

The expenditure was highest during the months from June 2022 to August 2022 and comparatively higher from January 2023 to March 2023. The higher expenditure across all these six months was on account of repayment of Ways and Means Advances. Apart from this, Investment Support Scheme (June, July and January), Market Loans Suspense (June, July and August), Interest on State Development Loans (August, January, February and March) and taking of DISCOMs losses under UDAY (June) have also contributed to higher expenditure during those months.

3.5.2 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 shall take prior concurrence of the Principal Accountant General, Accounts and Entitlements (PAG (A&E)), Telangana before opening any new sub-head.

In the year 2022-23, the Government, however, opened 89 new sub-heads (62 under Revenue³⁶, 20 under Capital³⁷ and 7 under Public Account³⁸) without prior concurrence of the PAG (A&E). Original provision made under these sub-heads was ₹11,927 crore. Including supplementary provision of ₹3,890 crore, the total provision was ₹15,817 crore. Against this, an expenditure of ₹11,499 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.

³⁶ Budget Provision: ₹11,856 crore, Expenditure: ₹9,461 crore

³⁷ Budget Provision: ₹3,961 crore, Expenditure: ₹1,719 crore

³⁸ Budget Provision: Nil, Expenditure: ₹318 crore

3.5.3 Review of selected Grants

Two Grants viz., (i) Grant No. XVII – Municipal Administration and Urban Development (MA&UD), and (ii) Grant No. XXXI - Panchayat Raj were selected for detailed scrutiny. Both the Grants had significant savings as shown in **Table 3.29**:

Table 3.29: Budget Provision, Expenditure, Excess and Savings in selected Grants

(₹ in crore)

Section	Original	Supplementary	Total	Expenditure	Excess (+) / Savings (-)	Reappropriation / Surrender
Grant No. XVII -Municipal Administration and Urban Development						
Voted						
Revenue	7,115	1,032	8,147	5,040	(-) 3,106	(-) 3,106
Capital	151	-	151	-	(-) 151	(-) 151
Loans	3,325	200	3,525	2,950	(-)575	(-) 575
Grant XVII Total	10,591	1,232	11,823	7,990	(-) 3,832	(-) 3,832
Grant No. XXXI – Panchayat Raj						
Voted						
Revenue	5,838	2,737	8,575	5,863	(-) 2,713	(-) 2,713
Capital	2,385	274	2,659	1,388	(-) 1,271	(-) 871
Loans	4,589	-	4,589	1,274	(-) 3,315	(-) 3,315
Subtotal	12,812	3,011	15,823	8,525	(-) 7,298	(-) 6,898
Charged						
Capital	-	1	1	-	(-) 1	(-) 1
Subtotal	-	1	1	-	(-) 1	(-) 1
Grant XXXI Total	12,812	3,012	15,824	8,525	(-) 7,299	(-) 6,899
Total	23,403	4,244	27,646	16,515	(-)11,131	(-) 10,731

Source: Appropriation Accounts

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

3.5.3.1 Grant No. XVII – Municipal Administration and Urban Development

(i) Overview of the Grant

The Grant is administrated by Municipal Administration and Urban Development (MA&UD) Department.

During the year 2022-23, the original allocation (₹10,591 crore) to this Grant was four *per cent* of the total original provision of ₹2,57,021 crore across all grants. The supplementary provision (₹1,232 crore) was six *per cent* of the total supplementary provision of ₹20,504 crore across all grants. The expenditure incurred (₹7,990 crore) constituted three *per cent* of total expenditure of ₹2,97,789 crore. The surrender of ₹3,832 crore is five *per cent* of the total surrenders (₹80,454 crore) and 32 *per cent* of the total provision (original and supplementary) for MA&UD Grant.

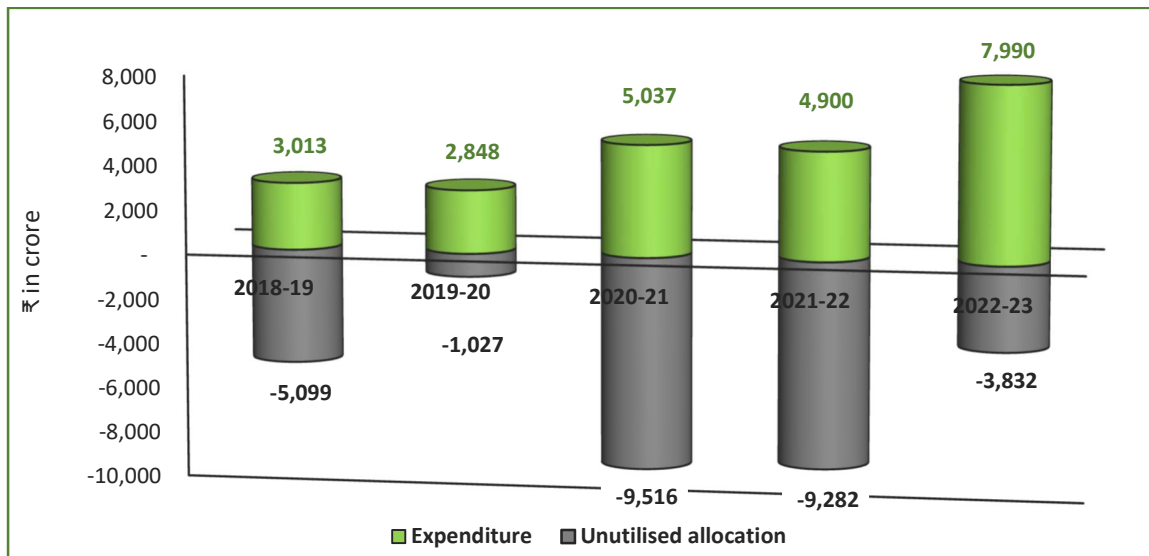
In respect of Revenue section mentioned in **Table 3.29** above, as the expenditure fell short of even the original provision, the supplementary provision of ₹1,032 crore obtained in February 2023 was unwarranted and could have been restricted to a token provision wherever necessary. In respect of Loans section also, the supplementary provision of ₹200 crore obtained in February 2023 was unwarranted as the expenditure fell short of even the original provision.

Under Capital section, out of the total provision of ₹151 crore, a meagre expenditure of ₹20,000 was only utilised leaving almost the entire provision unspent mainly due to surrender of entire provision towards Hyderabad Urban Agglomeration without any reasons (refer to **Box 3.1** in **Paragraph 3.4.3.1** regarding non-utilisation of entire provision on Hyderabad Urban Agglomeration scheme during past three years).

(ii) Persistent short utilisation of the allocations during the past five years

As mentioned earlier in **Paragraph 3.4.4.2**, MA&UD is one of the Grants in which persistent short utilisation of allocations have occurred during the past five years. The expenditure and unutilised allocations are shown in the chart below:

Chart 3.8: Expenditure and unutilised allocation in MA&UD Grant



Source: Appropriation Accounts of last five years

It can be noted from the above that though the short utilisation of the allocation was consistent across all the past five years, the quantum of unutilised allocation is more than the utilised allocation during 2018-19, 2020-21, and 2021-22. The main items contributing to savings are ‘Hyderabad Urban Agglomeration’, ‘Smart Cities’, ‘AMRUT’, ‘Assistance to Municipalities under State Finance Commission’ etc., under Revenue Voted. Schemes with savings of at least ₹100 crore in three out of the past five years are shown below:

Table 3.30: Sub-heads/Schemes with persistent short utilisation of allocations

(₹ in crore)

Sl. No	Scheme	2018-19	2019-20	2020-21	2021-22	2022-23
1.	Smart Cities	127	--	422	726	685
2.	AMRUT	212	--	106	753	312
3.	Assistance to Municipalities under State Finance Commission	677	390	--	--	174
4.	Mission Bhagiratha – Urban	4	--	661	110	188
5.	Swachh Bharat	125	--	157	592	37

Sl. No	Scheme	2018-19	2019-20	2020-21	2021-22	2022-23
6.	Assistance to Municipalities / Corporations for interest free Loans (Vaddileni Runalu)	--	66	186	538	128
7.	Loans to HMDA for Outer Ring Road project	171	--	--	472	200
8.	Musi Riverfront Development	377	2	--	200	185
9.	Yadagirigutta Temple Development Authority	76	30	175	88	185

Source: Appropriation Accounts

(iii) Non-utilisation of entire Original Provision in the current year

In respect of the following Schemes/Programmes, the entire original provision of ₹100 crore and above was not utilised. The remarks mentioned while issuing Reappropriation orders by the Government as “savings are due to actual expenditure” were generic which do not depict any specific relatable reasons for Reappropriation / Surrender.

Table 3.31: Withdrawal of entire original Provision

(₹ in crore)

Sl. No	Scheme	Budget provision	Surrender / Reappropriation	Reasons / Remarks of the Department
1.	Metro connectivity to Old City	500	500	Non-commencement of works
2.	Airport Metro Connectivity	378	378	Non-commencement of works
3.	Loans to HMDA for Outer Ring Road project	200	200	Amount not released.
4.	Hyderabad Urban Agglomeration	151	151	No reasons furnished
5.	Land pooling seed money	100	100	No reasons furnished

Source: Appropriation Accounts

(iv) Non-utilisation of Original as well as Supplementary Provision during the current year

During the current year 2022-23, an amount of ₹10 crore was allocated towards “Assistance to Warangal Municipal Corporation”, which was supplemented by another ₹10 crore. However, the entire provision of ₹20 crore was withdrawn / surrendered by mentioning ‘savings are due to actual expenditure’ without any specific reasons. In fact, similar withdrawal of the entire original and supplementary provision of ₹250 crore occurred in 2021-22.

(v) Non-utilisation of entire Supplementary Provision during the current year

In 2022-23, an amount of ₹725 crore was allocated towards ‘Loans to Hyderabad Metropolitan Water Supply & Sewerage Board (HMWSSB) for Sunkishala Intake project KDWSP’. The supplementary provision towards this item was another ₹200 crore taking the total provision to ₹925 crore. However, the actual Loan given to HMWSSB towards this item was only ₹725 crore. Orders of surrender /Reappropriation were issued for withdrawal of ₹200 crore provided through supplementary demands. Thus, the entire supplementary provision remained unutilised.

No reasons were put forth either for proposing the supplementary provision or non-utilisation of the supplementary provision entirely.

In the previous year 2021-22, entire original provision of ₹725 crore was re-appropriated / surrendered without any specific reasons.

(vi) Insufficient Supplementary Provisions

In respect of the following schemes, supplementary provisions obtained were insufficient by more than ₹100 crore in each case.

Table 3.32: Instances where supplementary provision obtained was insufficient by more than ₹100 crore in each case

(₹ in crore)

Scheme	Original Budget	Supplementary Budget	Reappropriation	Expenditure
Assistance to Municipalities for Development works	0.001	1,000	355	1,355
Finance Commission Grants to Million Plus Cities (HYD)	330	10	120	460
Warangal Smart City	--	0.01	100	100

Source: Appropriation Accounts

(vii) Withdrawal / surrender of budgetary provision in respect of payment of taxes to Greater Hyderabad Municipal Corporation

The approved provisions in respect of (i) 'Payment of Property Tax to GHMC for the Government Buildings in Twin Cities' and (ii) 'Professional Tax compensation to Greater Hyderabad Municipal Corporation' were not spent and were withdrawn / surrendered during the past five years as shown below:

Table 3.33: Approved Budget Provisions and non-incurring of expenditure in respect of payments to be made to Greater Hyderabad Municipal Corporation

(₹ in crore)

Scheme/Year	Original Budget	Supplementary Budget	Reappropriation	Expenditure
Payment of Property Tax to GHMC for the Government Buildings in Twin Cities				
2018-19	32	-	(-) 32	-
2019-20	10	-	(-) 10	-
2020-21	8	-	(-) 8	-
2021-22	8	-	(-) 8	-
2022-23	10	-	(-) 10	-
Professional Tax compensation to Greater Hyderabad Municipal Corporation				
2018-19	31	-	(-) 31	-
2019-20	10	-	(-) 10	-
2020-21	10	-	(-) 10	-
2021-22	10	-	(-) 10	-
2022-23	10	-	(-) 10	-

Source: Appropriation Accounts

3.5.3.2 Grant No. XXXI– Panchayat Raj

(i) Overview of the Grant

The grant is administered by the Panchayat Raj Department.

During the year 2022-23, the original allocation (₹12,812 crore) to this Grant in the Budget was 5 per cent of the total Original Budget provision (₹2,57,021 crore). The supplementary provision was (₹3,012 crore) was 15 per cent of the total supplementary provision of ₹20,504 crore. The expenditure incurred (₹8,525 crore) constituted 3 per cent of the total expenditure (₹2,97,789 crore). The surrender of ₹6,899 crore was 9 per cent of the total surrenders (₹80,454 crore) and 44 per cent of the total provision for Panchayat Raj Grant.

Only ₹8,525 crore was expended out of the total allocation of ₹15,824 crore, which means nearly 46 per cent of the allocations approved to the Panchayat Raj Grant could not be utilised.

The expenditure of ₹5,863 crore under Revenue Voted section was almost equal to the original budget of ₹5,838 crore. Thus, the supplementary provision of ₹2,737 crore obtained in February 2023 was hugely excessive.

In respect of Capital Voted section, as the expenditure of ₹1,388 crore fell short of even the original provision of ₹2,385 crore, the supplementary provision of ₹274 crore was unwarranted. While the actual short utilisation of allocation was ₹1,271 crore, surrender orders were issued only for ₹871 crore.

The expenditure (₹1,274 crore) under Loans Voted Section was only 28 per cent of the original allocation (₹4,589 crore).

(ii) Surrender of charged supplementary provision

The State Government authorised (December 2022) sanction of an advance of ₹1.05 crore from the Contingency Fund for meeting expenditure to be incurred on Mission Bhagiratha (Sub head 31) - Major Works (Detailed Head - 530) – Lands (Object Head – 532). Subsequently, a demand was raised through supplementary estimates for recoupment of advance taken from Contingency Fund. The same was included in the Supplementary Appropriation Act (February 2023).

However, this authorised amount was not drawn from the Contingency Fund. The entire amount was surrendered / withdrawn with remarks ‘savings due to actual expenditure’.

(iii) Loans to Telangana Drinking Water Supply Corporation Limited

Outcome budget for Panchayat Raj Grant mentioned that Telangana Drinking Water Supply Corporation Limited has drawn a loan amount of ₹27,838 crore from various Banks. The principal repayment and interest payment to be paid on outstanding balances were worked out for the year and an amount of ₹4,383 crore was proposed as Loans to TDWSCL for Mission Bhagiratha in the budget under Loans head by the Panchayat Raj Department. However, a total of ₹4,589 crore was authorised by the Legislature under Loans to TDWSCL.

Subsequently, an amount of ₹3,315 crore was withdrawn/surrendered leaving a balance of ₹1,274 crore. No reasons were mentioned for short utilisation of allocation.

(iv) Not obtaining allocation in the original provision

Supplementary provision of ₹1,876 crore³⁹ was obtained towards Assistance to Gram Panchayats. No reasons were mentioned as to why approval for such a huge amount could not be obtained in the original budget estimate itself as the expenditure was not in the nature of a subsequent plan or a contingency that has arisen during the year. The entire amount has been spent by transfer to Gram Panchayats as Grants-in-Aid.

(v) Huge short utilisation of allocation under Jal Jeevan Mission

Government of India (GoI) has initiated Jal Jeevan Mission with an aim to provide functional household tap connection to every rural household by 2024 with a funding pattern of 50:50 for Centre and State. An amount of 1,000 crore was allocated under Capital section. However, the expenditure was only ₹5 crore resulting in non-utilisation of more than 99 per cent of the allocation due to non-release of its share of funds by GoI and consequent non-release by the State Government.

(vi) Insufficient Supplementary Provision

Under Capital section for Mission Bhagiratha the original provision was of ₹520 crore, which was supplemented by ₹240 crore. The expenditure was ₹932 crore. Thus, in view of the final expenditure the supplementary provision of ₹240 crore proved insufficient.

3.6 Conclusion

Review of Budget revealed that Non-Tax Revenue and Grants-in-Aid have been over-estimated. Not only in the original budget estimates, even in the Revised Estimates, presented in February 2023, huge receipts in the form of Inter-State Settlement were estimated, which were not realised.

As a result of overestimating the Receipts, Budget Estimates for expenditure have also been overestimated leading to unspent provision in several grants. Like earlier years, administrative expenses like interest on State Development Loans and Pensionary charges were underestimated giving scope for more projections to development or welfare activities.

The trend of underestimation of administrative expenses and overestimation 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 was also observed in respect of charged and voted expenditure.

Incurring expenditure without budget provisions not only continued this year, but the same also increased significantly. The commitment under UDAY regarding taking over losses of DISCOMs, which is known to the Government for the past few years was discharged during the year. However, the Government failed to obtain the approval of the Legislature.

³⁹ ₹1,416 crore under Minor Head 198 - Assistance to Gram Panchayats; ₹290 crore under Minor Head 789 - Special Component Plan for Scheduled Castes; and ₹170 crore under Minor Head 796 - Tribal Area Sub-Plan

Similarly, the Government failed to obtain the approval of the Legislature for investment made in Telangana State Road Development Corporation. Due to an error, approval for Loans provided to TS MARKFED was obtained under Capital section.

During the year, an amount of ₹1,05,565 crore was incurred as excess expenditure. The State Government also failed to get the excess expenditure of ₹2,89,115 crore over and above the allocation, pertaining to the years 2014-15 to 2021-22, regularised by the State Legislature. This is in violation of Article 204 of the Constitution.

Entire provision approved for in the current year remained unspent in respect of Schemes like Construction of Two Bed Room Houses to Rural and Urban Poor, Assistance to Sheep and Goat Development Cooperative Federation Limited, Oil Palm cultivation, Kaleshwaram Tourism Circuit, Regional Ring Road, Metro connectivity to Old city, Airport Metro Connectivity, Hyderabad Urban Agglomeration, etc. Similarly, there were several cases of non-utilisation of entire supplementary provision as also entire original and supplementary provisions.

Huge allocation also remained unspent in respect of schemes like Telangana Dalit Bandhu, Scheme for debt relief to farmers, Loans to Telangana Drinking Water Supply Corporation Limited etc. There were cases of issuing of surrender / reappropriation orders despite actual / excess expenditure as also surrenders in excess of actual savings indicating that the orders were not based on real time data.

Under SCSTDF and STSDF, 58 and 38 *per cent* of the allocated funds respectively were not utilised. Even out of the utilised funds, losses of DISCOMS taken over by the Government in pursuance of UDAY were apportioned between Special Component Plan for Scheduled Castes and Tribal Area Sub-Plan, which may not result in direct and quantifiable benefits to the intended categories.

Misclassifications of expenditure on surgical consumables, minor works on afforestation under Capital and purchase of machinery, equipment, motor vehicles, tools and plants under Revenue continued in the current year also.

There were persistent huge savings under Municipal Administration and Urban Development Grant. Substantial savings occurred in respect of Smart Cities during the past two years. Entire provisions made to Metro connectivity to Old City and Airport Metro Connectivity during the year remained unspent.

Under Panchayat Raj Grant, huge supplementary provision made towards ‘assistance to Gram Panchayats’ could have been obtained through original estimates. Meagre expenditure was incurred on Jal Jeevan Mission despite huge provision.

3.7 Recommendations

- (i) *The State Government needs to ensure regularisation of excess expenditure since 2014-15 by the State Legislature on top priority.*
- (ii) *State Government needs to formulate Budget Estimates on realistic and realisable basis for effective implementation of its authorised expenditure. 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.*