

3.1 Introduction

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

3.2 Budget Preparation Process

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

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

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

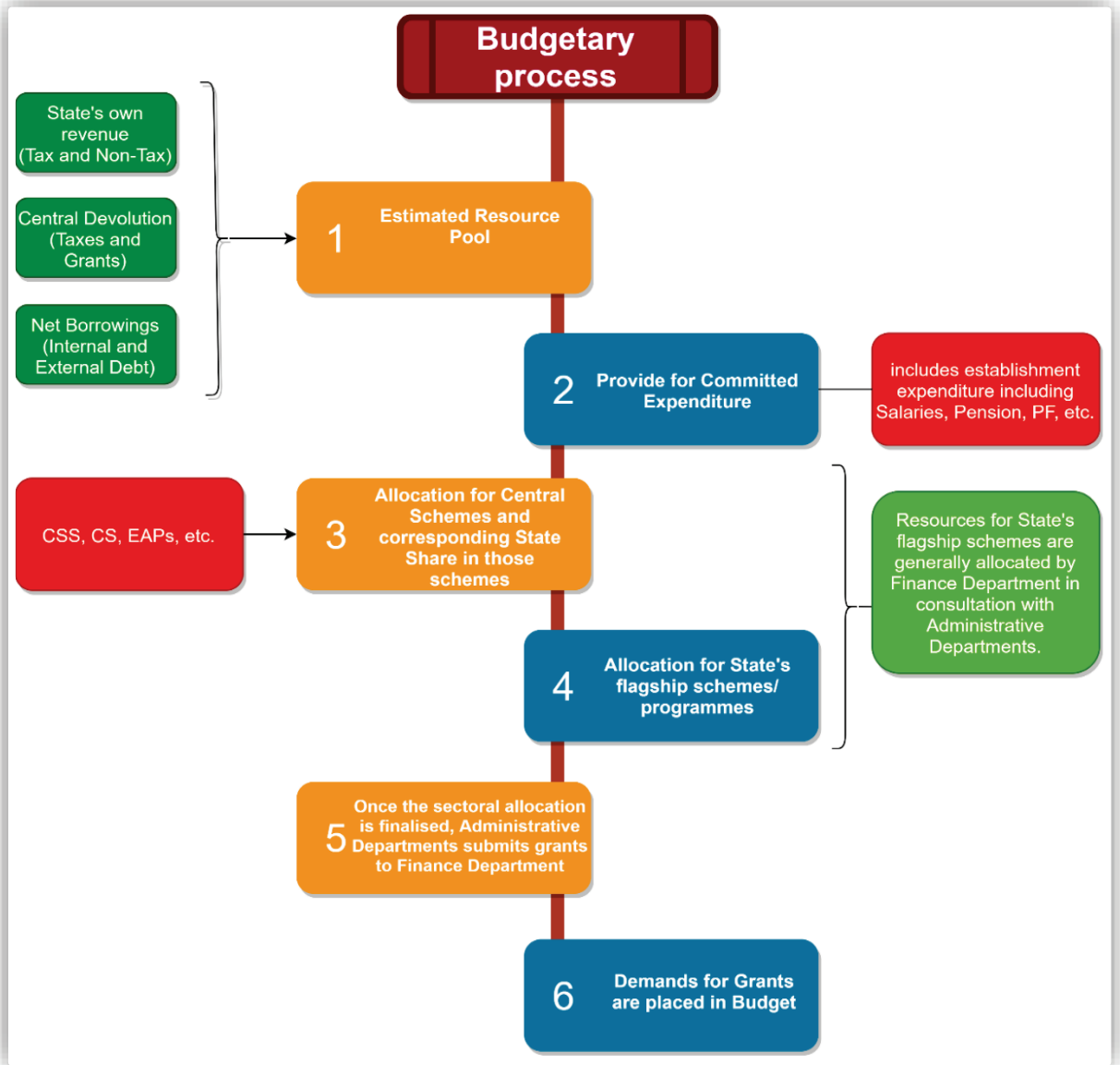
The State Government secures legislative approval for expenditure out of the Consolidated Fund of the State by presenting its annual Budget and Demands for Grants/Appropriations. Normally, every Department has one Demand for Grant, to ensure that the Head of the Department takes responsibility for implementing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

Supplementary or additional Grant/ Appropriation is provided during the course of the financial year for meeting expenditure in excess of the originally budgeted amount. Further, the State Government also re-appropriates/re-allocates funds from various Units of Appropriation where savings are anticipated, to Units where additional expenditure is envisaged (within the Grant⁴⁹/ Appropriation) under the same section⁵⁰ during the year.

⁴⁹ Grant means the amount voted by the Legislative Assembly in respect of a demand for grant

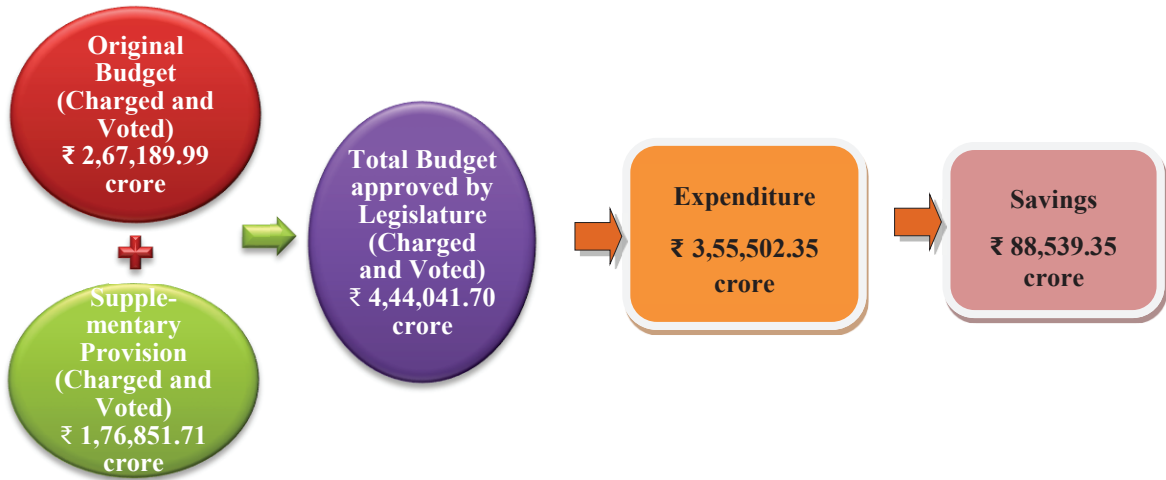
⁵⁰ Capital, Revenue or Loans

The budget preparation process in the State is given below:



The total amount approved by the State Legislature including the original and supplementary budgets, expenditure, and savings during the year 2022-23 is depicted in the *Chart 3.1*.

Chart 3.1: Summary of Budget and Expenditure of Andhra Pradesh for 2022-23



Approval by the Legislature

Implementation by the Government

Source: Based on the procedure prescribed in Budget Manual and Appropriation Accounts; **Note:** The supplementary provision includes an amount of ₹ 1,30,000.00 crore towards repayment of Ways and Means Advances.

3.3 Financial Accountability and Budget Review

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

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

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

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

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

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

3.3.1 Gender Budget

Government of Andhra Pradesh adopted Gender Budgeting to mainstream gender in its planning and budgetary process. Gender Budget statement was classified into two Parts viz., Part A and Part B. During the year 2022-23, State Government allocated an amount of ₹ 55,015.20 crore under Part A and Part B.

Part A - reflects schemes where budget allocation was 100 *per cent* towards women and girls' beneficiaries. Under Part A, State Government allocated an amount of ₹ 27,697.57 crore (50.35 *per cent*) and majority of allocation was made for the schemes of Housing, School Education, Social Welfare and BC Welfare Departments, Society for Elimination of Rural Employment and Poverty (SERP) and Mission for Elimination of Poverty in Municipal Areas (MEPMA).

Part B reflects composite schemes where 30 to 99 *per cent* of the budget was allocated to women and girls' beneficiaries. The total number of schemes covered under Gender Budget were 49, out of which 17 schemes were under Part A and 32 schemes were under Part B. Under Part B, State Government allocated an amount of ₹ 27,317.63 crore (49.65 *per cent*) and majority of the schemes were under Agriculture, Health, Medical & Family Welfare Department, Women, Children, Differently Abled & Senior Citizens and Panchayat Raj & Rural Development Departments.

Out of 49 schemes under Gender Budget, 'YSR Pension Kanuka' scheme had the highest allocation of ₹ 10,620.00 crore.

3.3.2 Child Budget

Child Budgeting is a specifically targeted Public Finance Management (PFM) tool to integrate the concerns related to children in the policy planning and budgetary frameworks. Budgetary allocation and expenditure on children have been made by the State under various schemes and programs which reach children of different ages, either directly or indirectly.

The Child Budget statement was classified into two parts viz., Part A (100 *per cent* targeted towards child beneficiaries) and Part B (30 to 99 *per cent* of the budget was

allocated to child beneficiaries). The total number of schemes covered under Child Budget were 33 out of which 15 schemes were under Part A and 18 schemes were under Part B. During the financial year 2022-23, State Government allocated an amount of ₹ 16,903.17 crore under Child Budget.

State Government allocated a total amount of ₹ 13,117.69 crore (77.60 per cent of Child Budget) under Part A out of which major allocations were made to Women, Children, Differently Abled & Senior Citizens, School Education, Higher Education, Social Welfare Departments.

State Government allocated an amount of ₹ 3,785.48 crore (22.40 per cent Child Budget) under Part B and major allocations were made to Health, Medical & Family Welfare, Women, Children, Differently Abled & Senior Citizens and Food & Civil Supplies Departments.

Out of 33 schemes of Child Budget, Mana Badi – Nadu Nedu scheme had the highest allocation of ₹ 3,500.00 crore.

3.3.3 Outcome Budget

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

Government of Andhra Pradesh prepares an Outcome Budget every year, indicating the outputs expected to be achieved with regard to the outlays. However, while presenting the Budget for the year 2022-23 the State Government did not furnish the details of achievement of any of the performance parameters specified in the previous years' budget.

3.4 Appropriation Accounts

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

3.4.1 Audit of Appropriations

Audit of Appropriations by the Comptroller and Auditor General of India seeks to ascertain whether the expenditure actually incurred under various Grants is within the authorisation given under the Appropriation Act and that the expenditure required to be

charged under the provisions of the Constitution is so charged. It also ascertains whether the expenditure so incurred is in conformity with the law, relevant rules, regulations and instructions.

The total amount approved by the State Legislature including the original and supplementary budgets, expenditure and savings during the year 2022-23 is depicted below:

3.4.2 Summary of total provisions and actual expenditure during 2022-23

The summarised position of actual expenditure during 2022-23 against 40 demands (97 grants/ appropriations) is given in **Table 3.1**.

Table 3.1: Position of actual expenditure vis-à-vis allocation for the year 2022-23
(₹ in crore)

Section	Nature of expenditure	Original Grant/ Appropriation	Supplementary Grant/ Appropriation	Total Provision	Actual Expenditure	Savings (-) / Excess (+)	Surrender during March	
							Amount	Per cent
	1	2	3	4= (2+3)	5	6= (5-4)		
Voted	Revenue	1,97,061.93	37,709.83	2,34,771.76	1,85,054.10	(-)49,717.66	49,807.31	99.77
	Capital	30,995.49	7,169.70	38,165.19	9,327.48	(-)28,837.71	28,739.24	99.65
	Loans and Advances	1,045.55	1,824.89	2,870.44	1,772.63	(-)1,097.81	1,040.02	100
Total Voted		2,29,102.97	46,704.42	2,75,807.39	1,96,154.21	(-)79,653.18	79,586.57	99.73
Charged	Revenue	21,732.73	106.76	21,839.49	25,700.87	(+)3,861.38	104.61	100
	Capital	84.11	36.77	120.88	38.04	(-)82.84	82.84	100
	Public Debt Repayment	16,270.18	1,30,003.76	1,46,273.94	1,33,609.23	(-)12,664.71	12,664.82	100
Total Charged		38,087.02	1,30,147.29	1,68,234.31	1,59,348.14	(-)8,886.17	12,852.27	100
Grand Total		2,67,189.99	1,76,851.71	4,44,041.70	3,55,502.35	(-)88,539.35	92,438.84	99.77

Source: Appropriation Accounts of 2022-23. Note: The supplementary provision includes an amount of ₹ 1,30,000.00 crore towards repayment of Ways and Means Advances.

It can be seen from **Table 3.1** that for the year 2022-23, the total budget of the State Government was ₹ 4,44,041.70 crore and the gross expenditure was ₹ 3,55,502.35 crore leaving an overall gross savings of ₹ 92,400.73 crore and gross excess of ₹ 3,861.38 crore across all grants, which resulted in net savings of ₹ 88,539.35 crore.

There was savings in every head of account except for the Revenue 'Charged' section. The total savings in all the heads of account other than Revenue 'Charged' section was ₹ 92,400.73 crore and constituted 21.89 per cent of the allocation of ₹ 4,22,202.21 crore under those heads.

Public Debt repayments include an amount of ₹ 1,18,039.18 crore towards repayment of Ways and Means Advances obtained during 2022-23.

During the year 2022-23, the State Government incurred an expenditure of ₹ 3,278.98 crore in 26 cases (₹ one crore and above in each case) without any budget provision for which details are given in **Table 3.8**.

Efficient management of tax administration/other receipts and public expenditure holds the key for achievement of various fiscal indicators. Budgetary allocations based on

unrealistic proposals, poor expenditure monitoring mechanism, weak scheme implementation capacities and internal controls lead to sub-optimal allocation among various developmental needs.

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

The summarised position of total budget provision, disbursement and savings/excess with its further bifurcation into voted/charged for the year 2022-23 is given in **Table 3.2**.

Table 3.2: Budget provision, disbursement and savings/excess during the year
(₹ in crore)

Total Budget Provision		Disbursements		Savings (-) / Excess (+)	
Voted	Charged	Voted	Charged	Voted	Charged
2,75,807.39	1,68,234.31	1,96,154.21	1,59,348.14	(-)79,653.18	(-)8,886.17

Source: Appropriation Accounts of 2022-23.

3.4.4 Charged and Voted disbursements

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

Table 3.3: Disbursement and savings/excess during the last five years
(₹ in crore)

Year	Disbursements		Savings (-) / Excess (+)	
	Voted	Charged	Voted	Charged
2018-19	1,42,964.84	88,697.50	(-)73,951.20	62,566.03
2019-20	1,51,423.04	97,213.02	(-)66,725.06	67,082.27
2020-21	1,65,857.11	1,38,416.87	(-)56,003.14	1,04,760.28
2021-22	1,75,750.73	1,42,701.30	(-)50,525.87	(-)3,467.97
2022-23	1,96,154.21	1,59,348.14	(-)79,653.18	(-)8,886.17

Source: Appropriation Accounts of respective years.

It was evident from the **Table 3.3** that in 'Voted' section persistent savings occurred during the entire five-year period from 2018-19 to 2022-23. In 'Charged' section, savings occurred in the second consecutive financial year also.

3.4.5 Budget marksmanship

3.4.5.1 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 more than approved.

Table 3.4: Aggregate Budget Outturn

(₹ in crore)

Description	Original Approved Budget (BE)	Actual Outturn	Difference between Actual and BE*
Revenue	2,18,794.66	2,10,754.97	(-) 8,039.69
Capital	31,079.60	9,365.52	(-) 21,714.08
Total	2,49,874.26	2,20,120.49	(-) 29,753.77

*Excess of actuals over original provision is denoted as (+) figure and shortage of actuals over original provision is denoted as (-) figure.

In Revenue section, deviation in outturn compared with BE was (-) 3.67 per cent. This was due to deviation between 0 and ± 25 per cent in 26 grants, between ± 25 per cent to ± 50 per cent in seven grants, between ± 50 per cent to ± 100 per cent in six grants and equal to or more than 100 per cent in one grant.

In Capital section, deviation in outturn compared with BE was (-) 69.87 per cent. This was due to deviation between 0 and ± 25 per cent in two grants, between ± 25 per cent to ± 50 per cent in three grants, between ± 50 per cent to ± 100 per cent in 23 grants and equal to or more than 100 per cent in six grants. No Provision was, however, made in respect of one grant of the Capital section.

3.4.5.2 Expenditure Composition Outturn

Expenditure Composition Outturn measures the extent to which re-allocations between the main budget categories during execution have contributed to variance in expenditure composition.

Table 3.5: Expenditure Composition Outturn

(₹ in crore)					
Description	Original Approved Budget (BE)	Revised (RE)	Actual Outturn	Difference between RE & BE	Difference between Actual and RE*
(1)	(2)	(3)	(4)	(5) = (3)-(2)	(6) = (4)-(3)
Revenue	2,18,794.66	2,18,989.80	2,10,754.97	195.14	(-) 8,234.83
Capital	31,079.60	36,559.34	9,365.52	5,479.74	(-) 27,193.82
Total	2,49,874.26	2,55,549.14	2,20,120.49	5,674.88	(-) 35,428.65

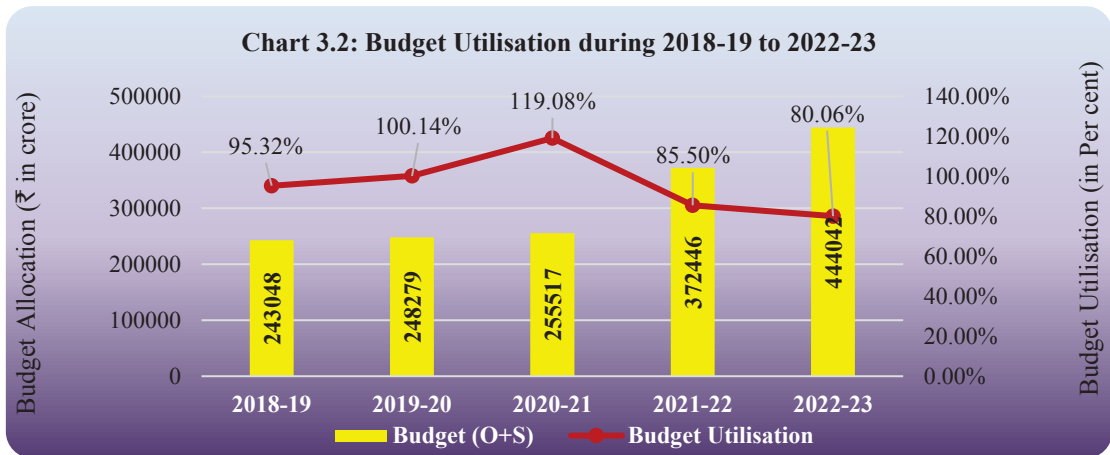
*Excess of actuals over revised estimate is denoted as (+) figure and shortage of actuals over original provision is denoted as (-) figure.

In Revenue section, deviation in outturn compared with RE was (-) 3.76 per cent. This was due to deviation between 0 and ± 25 per cent in 31 grants, between ± 25 per cent to ± 50 per cent in six grants, between ± 50 per cent to ± 100 per cent in one grant and equal to or more than 100 per cent in two grants.

In Capital section, deviation in outturn compared with RE was (-) 74.38 per cent. This was due to deviation between 0 and ± 25 per cent in 14 grants, between ± 25 per cent to ± 50 per cent in seven grants, between ± 50 per cent to ± 100 per cent in eight grants and equal to or more than 100 per cent in three grants.

3.5 Utilisation of Budgeted Funds

Utilisation of budgeted funds by the State during the five-year period from 2018-19 to 2022-23 is depicted in **Chart 3.2**.



Source: Appropriation Accounts of respective years

It can be seen from **Chart 3.2** that the utilisation of Budget provisions showed fluctuating trend during the period 2018-19 to 2022-23. The percentage of utilisation of Budget showed increasing trend during the period from 2018-19 to 2020-21 but registered declining trend during the years 2021-22 to 2022-23. The deviation of more than 14 to 19 *per cent* between the budget and its actual utilisation indicated that the projections made in the budget estimates in the years 2021-22 and 2022-23 were either unrealistic or inflated. The above figures have to be read in conjunction with the analysis given in paragraph 3.5.1.

Excess over budget provision occurred under repayment of Ways and Means Advances (WMA) during the years 2019-20 and 2020-21 which resulted in overall excess expenditure during those years. During the years 2018-19, 2021-22 and 2022-23, State Government has provided supplementary provision for repayment of WMA which mainly resulted in decline of excess expenditure over budget provision in those years.

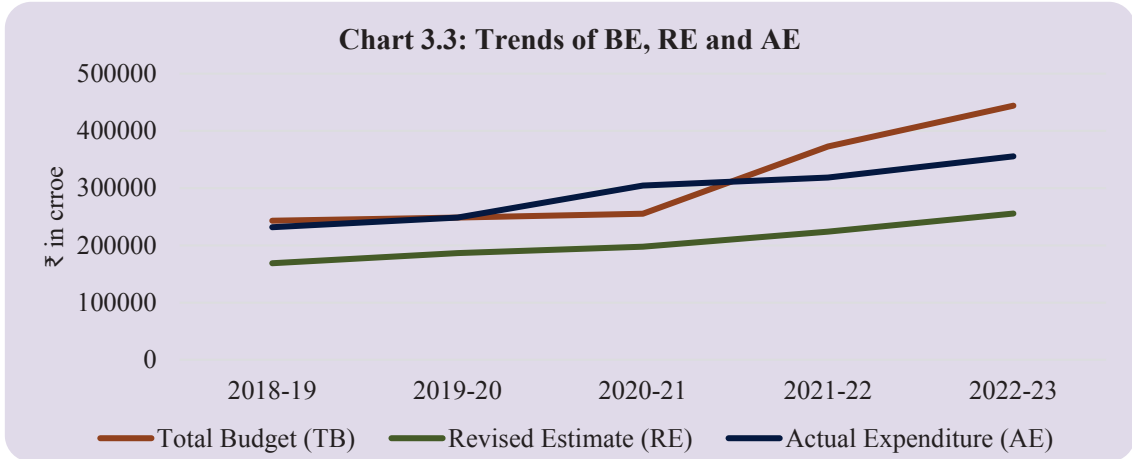
Trends in the original budget, revised estimate, actual expenditure for the period 2018-23 are given in **Table 3.6**.

Table 3.6: Original Budget, Revised Estimate and Actual Expenditure during 2018-23
(₹ in crore)

	2018-19	2019-20	2020-21	2021-22	2022-23
Original Budget	1,93,924.00	2,32,387.00	2,28,734.45	2,34,657.40	2,67,189.99
Supplementary Budget	49,123.51	15,991.85	26,782.39	1,37,788.47	1,76,851.71
Total Budget (TB)	2,43,047.51	2,48,278.85	2,55,516.84	3,72,445.87	4,44,041.70
Revised Estimate (RE)	1,68,713.43	1,86,515.07	1,97,803.61	2,23,768.52	2,55,549.14
Actual Expenditure (AE)	2,31,662.34	2,48,636.06	3,04,273.98	3,18,452.03	3,55,502.35
Savings (-)/Excess (+)	(-)11,385.17	(+)357.21	(+)48,757.15	(-)53,993.84	(-)88,539.35
Percentage of supplementary to the original provision	25.33	6.88	11.71	58.72	66.19
Percentage of overall saving/excess to the overall provision	-4.68	0.14	19.08	-14.50	-19.94
TB-RE	74,334.08	61,763.78	57,713.23	1,48,677.35	1,88,492.56
RE-AE	(-)62,948.91	(-)62,120.99	(-)1,06,470.37	(-)94,683.51	(-)99,953.21
(TB-RE) as % of TB	30.58	24.88	22.59	39.92	42.45
(RE-AE) as % of TB	-25.90	-25.02	-41.67	-25.42	-22.51

Source: Annual Financial Statement and Appropriation Accounts of respective years.

It can be seen from **Table 3.6** that the supplementary provision of ₹ 1,76,851.71 crore constituted 66.19 per cent of original provision during 2022-23 which was the highest during the period 2018-19 to 2022-23. This was due to large supplementary provisions under repayment of ways and means under Public Debt Charged section which were discussed in **Para 3.8.1**.



It can be seen from **Chart 3.3** that during the period from 2018-19 to 2022-23, the Revised Estimates (RE) was lower than the Total Budget (TB) of the State. The gap between RE and TB was less during the period 2018-19 to 2020-21; but widened during the years 2021-22 and 2022-23. The increase was mainly due to provision for repayment of Ways and Means advances in the Supplementary Estimates.

Revised Estimates were lower than actual expenditure during the five-year period of 2018-23, the variation between the Revised Estimates and Actual Expenditure was higher in the year 2020-21.

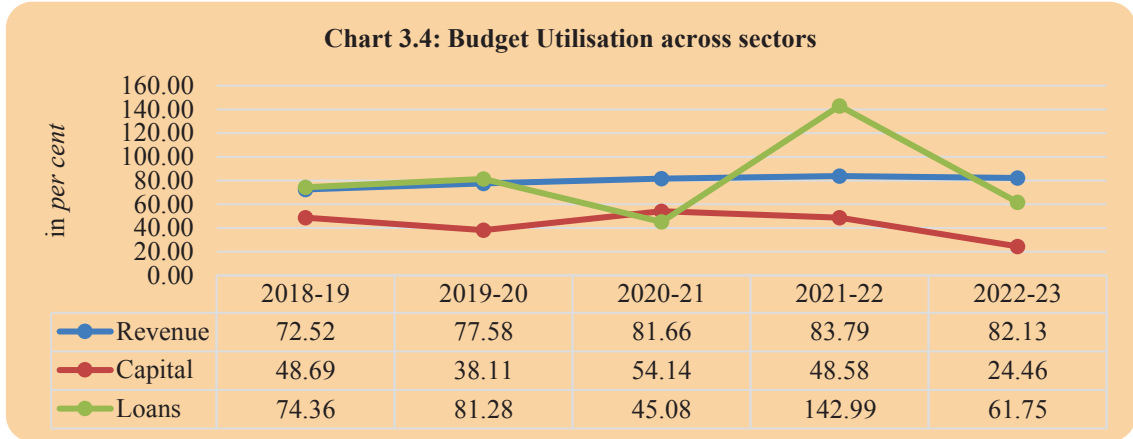
It can be seen from **Table 3.6**, that the variation between Total Budget and Actual Expenditure was minimum during the years 2018-19 and 2019-20. However, during the period 2020-21 to 2022-23, there was greater variation between the total budget and actual expenditure. This was due to huge provisioning of funds in the Budget Estimates for State Sponsored schemes and utilisation of funds available with the Corporations/State PSUs which resulted in inflated budget estimates as discussed in succeeding paragraphs. This also indicated that the estimating officers did not prepare the BEs on realistic basis as well as inadequate scrutiny at HODs level.

State Government replied that the Finance Department follows a rigorous exercise for preparation of budget estimates. All Departments are required to justify each budget proposal put forth by them. The Finance Department scrutinises each budget proposal in context of actual expenditure in the past five years under the same Head of Account. Thus, the budget estimates are kept close to the actuals of preceding years, except where proper justification is provided for higher allocation by respective Departments. Further, the variation between BE and actuals also arises because the flow of revenues does not always keep pace with expenditure obligations. As a result, some of the budgeted expenditure may not be incurred due to want of resources.

The reply of the State was not acceptable, as the majority of the savings during 2022-23 was due to meeting the State expenditure through the borrowings of State PSUs/Corporations as detailed in Para 3.5.1.2.

3.5.1 Budget Utilisation across sectors

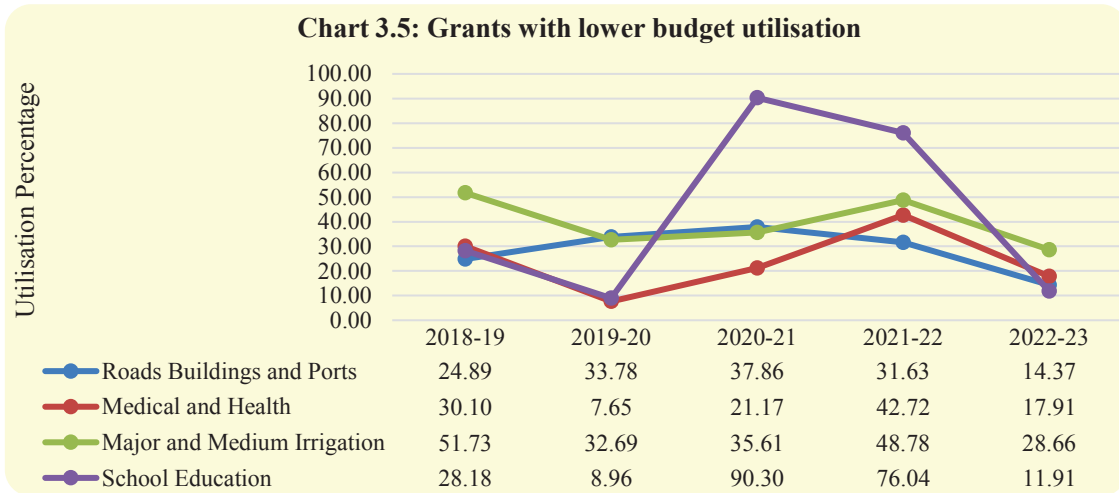
The percentage of Budget Utilisation across sectors for the five-year period from 2018-19 to 2022-23 is depicted in **Chart 3.4**.



It can be seen from **Chart 3.4** that under Revenue sector, the utilisation of budget showed increasing trend between 2018-19 to 2021-22 and there was marginal decline during 2022-23. In Capital sector, there was underutilisation of budget which ranged from 24-55 *per cent* of budget allocation during the period 2018-19 to 2022-23. The utilisation of budget provisions under Capital Sector for creation of assets was not encouraging and the provisions under Capital Sector were inflated during the five-year period 2018-23. During the year 2022-23, the expenditure in Capital sector registered all-time low of 24.46 *per cent* against budget provision.

3.5.1.1 Substantial savings under capital Sector

Substantial savings of budget was noticed under Capital sector in four grants *viz.*, Major and Medium Irrigation (savings of ₹ 9,034 crore), School Education (savings of ₹ 3,541 crore) Medical & Health (savings of ₹ 3,383 crore) and Roads & Buildings (Savings of ₹ 2,737 crore). The trend of utilisation of budget under these grants for the period 2018-23 is depicted in **Chart 3.5**.



During the year 2022-23, the utilisation of budget for the above-mentioned grants was very low; especially, under School Education grant utilisation of budget registered steep decline when compared to the previous year mainly due transfer of expenditure from the major Head 4202 to Major head 3451 – Special Development Package funds from GoI (Revenue Expenditure).

3.5.1.2 Underutilisation of budget and inflated budget estimates due to implementation of State Schemes through State Corporations

State Government is implementing Central Sector as well as schemes which were fully funded by State Government and the expenditure is being booked under various Major Heads of Expenditure (Revenue Account) section of Government Accounts. It was observed that the State Government made provisions in the Budget Estimates under various Major Heads of Expenditure (Revenue Account) for the implementation of schemes such as Amma Vodi, YSR Asara, YSR Cheyutha and YSR Pension Kanuka and transferred their implementation to AP State Development Corporation (APSDC) and AP State Beverages Corporation Limited (APSBCL). This resulted in inflation of Budget Estimates and the issues were discussed in detail hereunder.

The allocation of budget vis-à-vis amount met from Consolidated Fund of the State (CFS)/APSDC/APSBCL for Amma Vodi, YSR Asara, YSR Cheyutha and YSR Pension Kanuka schemes for the period 2019-20 to 2022-23 is indicated below:

a. During the year 2019-20:

Name of the Scheme	(₹ in crore)		
	Budget provided in Consolidated Fund of the State	Expenditure met out of Consolidated Fund of the State	Expenditure met from APSDC/APSBCL
Amma Vodi	6,455.8	6,349.48	0
YSR Pension Kanuka	15,858.71	14,689.46	0
Total	22,314.51	21,038.94	0

During 2019-20, the State Government provided an amount of ₹ 22,314.51 crore in the Budget Estimates for Amma Vodi and YSR Pension Kanuka Schemes and incurred an amount of ₹ 21,038.94 crore for the schemes from Consolidated Fund of the State.

b. During the year 2020-21:

(₹ in crore)			
Name of the Scheme	Budget provided in Consolidated Fund of the State	Expenditure met out of Consolidated Fund of the State	Expenditure met from APSDC
Amma Vodi	5,975.04	0	6,228.41
YSR Aasara	6,284.39	0	6,227.88
YSR Cheyutha	3,000.50	0	4,667.79
YSR Pension Kanuka	15,924.60	16,711.34	0
Total	31,184.53	16,711.34	17,124.08

During the year 2020-21, State Government allocated an amount of ₹ 31,184.53 crore for implementation of the four schemes⁵¹ mentioned and incurred an amount ₹ 16,711.34 crore (53.58 per cent) on “YSR Pension Kanuka” scheme which resulted in savings of 46.42 per cent.

During 2020-21, State Government provided Guarantee⁵² to APSDC for raising a loan amount of ₹ 25,000 crore from Financial Institutions. State Government incurred an amount of ₹ 17,124.08 crore for implementation of the remaining three schemes, viz. “Amma Vodi”, “YSR Aasara”, “YSR Cheyutha” from loan proceeds of AP State Development Corporation during 2020-21. The borrowings of the APSDC are being serviced through escrowing the revenues of the State.

c. During the year 2021-22:

(₹ in crore)			
Name of the Scheme	Budget provided in Consolidated Fund of the State	Expenditure met out of Consolidated Fund of the State	Expenditure met from APSDC/APSBCL
Amma Vodi	0	0	266.10
YSR Aasara	0	0	6,732.89
YSR Cheyutha	0	0	4,102.49
YSR Pension Kanuka	16,624.56	14,681.45	2,228.44
Total	16,624.56	14,681.45	13,329.92

During the year 2021-22, State Government provided an amount of ₹ 16,624.56 crore towards ‘YSR Pension Kanuka’ scheme and incurred an amount of ₹ 14,681.45 crore from CFS.

In addition to the above amount, State Government also incurred an amount of ₹ 2,288.44 crore through APSBCL⁵³ for implementing YSR Pension Kanuka Scheme and an amount

⁵¹ Out of four schemes, State Government launched two schemes viz., YSR Aasara and YSR Cheyutha from the year 2020-21 onwards vide G.O.Ms.Nos. 654 and 636 of Panchayat raj and Rural Development dated 21 August 2020 and 12 June 2020 respectively..

⁵² G.O.Ms.No.89, Finance(C&DM) Department dated 2 November 2020.

⁵³ State PSU dealing with selling of Indian Made foreign liquor and foreign liquor; State Government amended the Andhra Pradesh (Regulation of Trade in Indian Made Foreign Liquor, Foreign Liquor) Act, 1993 vide Act no. 31 of 2021 dated 29 December 2021 and entrusted the implementation of the schemes such as “Amma Vodi”, “YSR Aasara”, “YSR Cheyutha” to APSBCL for the benefit of Backward Classes, Scheduled Caste and Scheduled Tribe beneficiaries

of ₹ 11,101.48 crore for Amma vodi, YSR Asara and YSR Cheyutha from APSDC.

d. During the year 2022-23:

Name of the Scheme	(₹ in crore)		
	Budget provided in Consolidated Fund of the State	Expenditure met out of Consolidated Fund of the State	Expenditure met from APSBCL
Amma Vodi	6,600.35	2,060.53	4,509.89
YSR Aasara	6,400.00	0	3,596.79
YSR Cheyutha	4,100.00	4,535.03	21.38
YSR Pension Kanuka	13,117.31	3,811.69	10,467.93
Total	30,217.66	10,407.25	18,595.99

During the year 2022-23, State Government provided an amount of ₹ 30,217.66 crore in the Budget Estimates for implementation of the above schemes and incurred an amount of ₹ 10,407.25 crore (34.44 per cent of budget provision) towards YSR Pension Kanuka, Amma Vodi and YSR Cheyutha from CFS.

State Government issued orders⁵⁴ (May 2022) for issuance of Non-Convertible Debentures (NCDs) for ₹12,000 crore and it was proposed to utilise the proceeds of NCDs for welfare programmes of the State Government.

State Government issued orders (May 2022)⁵⁵ for retention of the cash discounts and the interest earned on Excise Duty remitted in advance to the APSBCL account for servicing the loans(s) availed by the Corporation. State Government permitted APSBCL through the above orders to retain the amounts realised as Special margin money (*detailed in Box 2.1 of Chapter 2*) during the course of its business of sale of liquor to retail consumers and other licensees as APSBCL's own income.

During 2022-23, APSBCL spent an amount of ₹ 18,595.99 crore towards YSR Pension Kanuka, Amma Vodi; YSR Cheyutha and YSR Aasara. The expenditure for implementing the above schemes should have been met from CFS with the approval of the State Legislature *viz.*, after voting of Grants/Appropriations by the State Legislature and passing of Appropriation Act.

As per Article 202 of the Constitution of India, Budget Documents or Annual Financial Statement (AFS) represent the amount proposed to be met from the CFS. If the State is implementing the schemes through Corporations (Other than Consolidated Fund of the State), the proposed expenditure for the schemes should not ideally be included in the Budget Estimates.

Due to the inclusion of the expenditure estimates of Amma Vodi, YSR Aasara, YSR Cheyutha and YSR Pension Kanuka (Partly) in the budget estimates and incurring of amounts from sources other than CFS resulted in inflation of budgetary estimates of the State.

⁵⁴ G.O.Ms.No.415, Revenue (Excise)Department dated 27 May 2022 for execution of tripartite agreement between Government of Andhra Pradesh, issuer (APSBCL) and the debenture trustee i.e., M/s Beacon Trusteeship Limited

⁵⁵ G.O.Ms.No.414, Revenue (Excise) Department dated 27 May 2022.

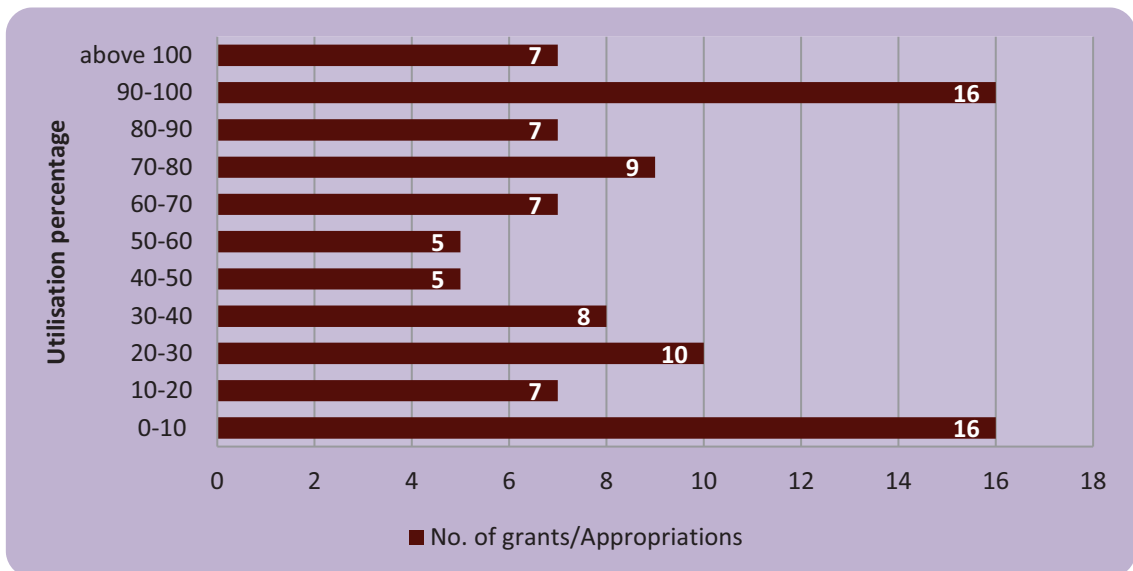
Besides such practices may result in:

- Underreporting of State scheme expenditure (Revenue Expenditure) and borrowings to meet that expenditure as the expenditure is being met from the Corporations funds which is not reflected in the Annual Accounts of the State Government;
- Rendering the expenditure of State Government opaque;
- Inaccuracies in provisioning of funds in the Budget Estimates;
- Increased dependence on the sale of liquor, as the future revenues of the State Government from liquor sales are escrowed for the repayment of the PSUs' borrowings. Moreover, the revenue earned through liquor sales is subject to the fiscal policies of the State Government and cannot be accurately predicted.

3.5.2 Large and Persistent savings in Grants/ Appropriations

During the year 2022-23, there was utilisation of less than or equal to 50 *per cent* of the budget allocation in 46 out of 97 Grants/ Appropriations resulting in huge savings in those grants. The distribution of the number of Grants/Appropriations grouped by the extent of budget utilisation is as follows.

Chart 3.6: Utilisation of budget allocation



Source: Appropriation Accounts of 2022-23.

It was also evident from **Chart 3.6**, out of 97 Grants/Appropriations, there was savings of more than 10 *per cent* of the budget allocation in 74 Grants/ Appropriations. Further, there was nil expenditure out of allocated budget in 12 Grants/ Appropriations.

Of the 97 Grants/Appropriations, in 46 grants/ appropriations there was budget utilisation of less than or equal to 50 *per cent* in 2022-23, out of 46 grants/ appropriations in 12 Grants/Appropriations there was less than 50 *per cent* utilisation of budget in the last five years (2018-19 to 2022-23) which was indicative of systemic lacunae in utilisation of budget as well as preparation of budget estimates that warrants a close review and initiation of expeditious corrective measures by the State Government. Utilisation of budgetary allocation in these 46 Grants/ Appropriations for the five-year period from 2018-19 to 2022-23 is shown in **Table 3.7**.

Table 3.7: Grants/ Appropriations where utilisation of budget was less than or equal to 50 per cent

(₹ in crore)

Sl. No.	Grant Details			Utilisation of Budget Provision (in per cent)					No. of Years	Budget 2022-23	Expenditure during 2022-23
	Grant No.	Grant Name	Section	2018-19	2019-20	2020-21	2021-22	2022-23			
1	VII	Commercial Taxes Administration	CV	5.18	1.08	7.80	0.00	0.00	5	1.00	0.00
2	VIII	Transport Administration	CV	2.58	13.50	32.00	4.95	0.00	5	127.70	0.00
3	XI	Roads and Buildings	RC	0.00	17.34	10.96	18.80	22.92	5	5.06	1.16
4	XI	Roads and Buildings	CV	24.89	33.78	37.86	31.63	14.37	5	3196.33	459.24
5	XIV	Skill Development and Training	CV	13.54	28.17	22.44	44.23	33.80	5	167.01	56.45
6	XVI	Medical and Health	CV	30.10	7.65	21.17	42.72	17.91	5	4121.56	738.12
7	XIX	Information and Public Relations	CV	0.00	0.00	32.00	27.00	14.00	5	1.00	0.14
8	XXV	Women, Child and Disabled Welfare	CV	22.52	10.76	7.12	4.05	6.05	5	277.35	16.77
9	XXVII	Agriculture	CV	46.87	22.02	11.59	47.73	12.58	5	350.48	44.10
10	XXVIII	Animal Husbandry and Fisheries	CV	43.46	14.94	21.44	14.26	45.96	5	243.32	111.83
11	XXXIV	Minor Irrigation	CC	0.00	22.45	0.00	6.25	0.00	5	0.16	0.00
12	XXXVII I	Civil Supplies Administration	CV	0.00	50.00	0.00	13.91	2.35	5	1.70	0.04
13	IV	General Administration and Elections	CV	39.60	26.98	52.04	13.45	22.84	4	20.58	4.70
14	X	Home Administration	CV	21.61	59.62	27.29	47.07	32.97	4	372.25	122.73
15	XI	Roads and Buildings	CC	50.68	44.36	0.00	40.80	0.00	4	2.50	0.00
16	XIII	Higher Education	CV	27.01	60.27	16.40	47.23	14.41	4	510.05	73.52
17	XV	Sports and Youth Services	CV	18.88	47.62	93.33	27.68	25.19	4	44.42	11.19
18	XVI	Medical and Health	RC	0.00	47.37	-	9.09	0.00	4	0.10	0.00
19	XVII	Municipal Administration and Urban Development	CV	62.36	31.93	21.88	35.38	21.79	4	1761.14	383.69
20	XX	Labour, Factories, Boilers and Insurance Medical Services	RV	81.69	45.61	37.12	43.20	36.06	4	773.15	278.80
21	XXI	Social Welfare	CV	21.15	31.89	57.76	22.22	34.28	4	295.00	101.12
22	XXII	Tribal Welfare	CV	40.88	47.87	68.78	40.40	42.67	4	93.14	39.74
23	XXIX	Forest, Science, Technology and Environment	CV	42.85	70.54	25.95	34.74	39.78	4	50.81	20.21
24	XXX	Co-operation	CV	2.85	0.00	14.59	96.48	0.00	4	61.50	0.00
25	XXXII	Rural Development	CV	25.00	-	0.00	0.00	0.38	4	50.00	0.19
26	XXXIII	Major and Medium Irrigation	CV	51.73	32.69	35.61	48.78	28.66	4	12663.40	3629.56
27	XXXVI	Industries & Commerce, Infrastructure and Investment	RV	21.51	32.92	67.05	43.67	29.95	4	2021.67	605.43
28	XXXVI	Industries & Commerce, Infrastructure and Investment	CV	40.52	32.98	556.68	12.22	10.13	4	2203.31	223.14
29	XXXVII	Tourism, Art and Culture	CV	23.52	41.91	16.63	50.26	20.52	4	289.34	59.38

Sl. No.	Grant Details			Utilisation of Budget Provision (in per cent)					No. of Years	Budget 2022-23	Expenditure during 2022-23
	Grant No.	Grant Name	Section	2018-19	2019-20	2020-21	2021-22	2022-23			
30	V	Revenue, Registration and Relief	CV	38.15	67.07	91.48	21.67	27.42	3	873.73	239.54
31	IX	Fiscal Administration, Planning, Surveys and Statistics	CV	56.40	4.65	9.65	91.29	30.59	3	1380.00	422.13
32	IX	Fiscal Administration, Planning, Surveys and Statistics	LV	161.70	7.90	494.66	24.27	20.54	3	75.55	15.52
33	XII	School Education	CV	28.18	8.96	90.30	76.04	11.91	3	4020.17	478.92
34	XX	Labour, Factories, Boilers and Insurance Medical Services	CV	0.03	8.74	-	-	0.00	3	20.00	0.00
35	XXIII	Backward Classes Welfare	CV	19.03	51.16	50.08	17.18	31.50	3	145.00	45.67
36	XXX	Co-operation	LV	0.00	57.88	100.00	35.16	0.00	3	59.70	-18.09
37	XXXIII	Major and Medium Irrigation	CC	25.94	67.13	23.82	83.00	32.18	3	118.22	38.04
38	XXXV	Energy	LV	31.63	98.45	10.53	73.04	0.00	3	700.00	0.00
39	XXXIX	Information Technology, Electronics and Communications	CV	61.58	0.00	65.48	23.06	21.49	3	70.14	15.07
40	XIII	Higher Education	LV	-	-	-	0.00	0.00	2	2.00	0.00
41	XXI	Social Welfare	RV	50.24	104.14	45.09	77.25	44.10	2	9053.50	3992.86
42	XXIII	Backward Classes Welfare	RV	44.67	111.09	51.97	84.14	48.17	2	31373.99	15113.08
43	XXVIII	Animal Husbandry and Fisheries	LV	100.00	-	62.00	30.21	1.63	2	13.52	0.22
44	XXXV	Energy	CV	63.66	-	0.00	92.73	0.00	2	100.00	0.00
45	I	State Legislature	CV	-	-	-	-	0.00	1	1.00	0.00
46	XXXI	Panchayat Raj	CV	54.96	71.14	72.82	57.72	40.17	1	3226.95	1296.24

Source: Appropriation Accounts of respective years; **Note:** (CV: Capital Voted, RV: Revenue Voted, LV: Loans Voted, RC: Revenue Charged, CC: Capital Charged)

In the development of State, Capital expenditure plays a vital role through creation of permanent assets and employment opportunities *etc.* During the year 2022-23, there was underutilisation of budget under four Capital grants *viz.*, Major and Medium Irrigation (XXXIII), Agriculture (XXVII), Rural Development (XXXII), Roads and Buildings (XI). The percentage of savings and surrenders under these grants ranged from 52 to 100 *per cent.*

Similarly, during the year 2022-23, savings were observed in Revenue Section primarily under the grants Labour & Employment (XX) (64 *per cent*), Industries and Commerce (70 *per cent*) and Backward Classes Welfare (XXIII) (52 *per cent*).

The underutilisation of Revenue/Capital grants in the above-mentioned sectors may retard employment generation opportunities, human development, progress of upliftment of the backward classes *etc.*

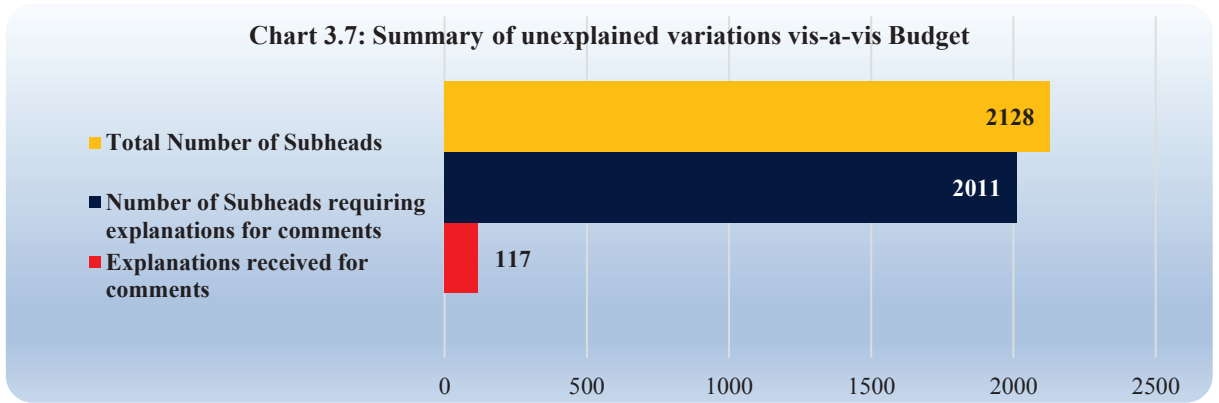
3.6 Missing/ Incomplete Explanation for variation from Budget

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

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

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

Principal Accountant General (A&E) forwarded the draft Appropriation Accounts to the Departments and sought the reasons/explanations for the excess/savings at Sub-head level. Audit of Appropriation Accounts of 2022-23 and analysis of the accounting data revealed that the Controlling Officers have not furnished explanation for the variations in the expenditure *vis-à-vis* budgeted allocation in about 94.50 *per cent* of cases. Out of 97 Grants/Appropriations, for 69 Grants/Appropriations reasons were not furnished by the Controlling Officers of Government Departments. In terms of the Sub-Heads involved, the total number of Sub-Heads in the accounts, those requiring explanation for variation and the Sub-Heads where explanations were received for variations from allocations are shown in **Chart 3.7**.



Source: Appropriation Accounts of Government of Andhra Pradesh for the year 2022-23.

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

3.7 Comments on integrity of budgetary and accounting process

3.7.1 Expenditure incurred without authority of law.

As per Article 205(1)(a) of the Constitution, ‘New Service’ means expenditure arising out of a new policy decision, not brought to the notice of State Legislature earlier, including a new activity or a new form of investment. ‘New Instrument of Service’ means relatively large expenditure arising out of important expansion of an existing activity. As per Para 17.3.1 and 17.6.1(c) of AP Budget Manual, 2011, amount should not ordinarily be incurred on a scheme/service without provision of funds even through re-appropriation.

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

During the year 2022-23, an amount of ₹ 3,278.98 crore was spent in 26 cases (₹ one crore and above in each case) without budget provision and legislative authorisation. The grant-wise cases of one crore and above in which amount was incurred without budget provision (either original or supplementary) are detailed in **Table 3.8**.

Table 3.8: Cases where amount was incurred without budget provision (₹ one crore and above)

S. No.	Grant No. and Name	No. of cases	(₹ in crore)
			Expenditure
1	V – Revenue, Registration and Relief	8	545.46
2	IX - Fiscal Administration, Planning, Surveys and Statistics	11	2,573.79
3	XVII- Municipal Administration and Urban Development	1	5.00
4	XXIII- Backward Classes Welfare	1	65.56
5	XXVI- Administration of Religious Endowments	1	1.64
6	XXVII-Agriculture	3	76.89
7	XXXV - Energy	1	10.64
Total		26	3,278.98

Source: Appropriation Accounts of 2022-23 and Grant Audit Registers of 2022-23 of O/o the PAG (A&E), Andhra Pradesh.

3.7.2 Misclassification of Revenue expenditure as Capital Expenditure

Misclassification of expenditure and receipts has a great impact on the integrity of the financial statements. State financial rules categorise the primary units of appropriation. There are specific object heads meant for obtaining provision for acquisition of capital assets and other capital expenditure. These object heads pertaining to booking of expenditure of capital nature should correspond with capital major heads only. However, there were instances involving a total amount of ₹ 713.14 crore (Minor works – ₹ 710.49 crore and Grants-in-Aid – ₹ 2.70 crore) where object heads of revenue nature were incorrectly operated with capital major heads.

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

The grant wise details of expenditure, where Revenue Expenditure was misclassified as capital expenditure (₹ one crore and above in each case) are given in **Table 3.9**.

Table 3.9: Grant-wise cases of misclassification of revenue expenditure as capital expenditure during 2022-23 (₹ one crore and above in each case)

(₹ in crore)		
Sl. No.	Grant No. and Name	Expenditure
1	XVII- Municipal Administration and Urban Development	
	a. 4217-60-051-03-10-310	2.16
2	XXXIII - Major and Medium Irrigation	
	a. 4700-01-135-11-26-270	1.98
	b. 4700-01-137-11-26-270	674.80
	c. 4700-01-147-11-28-270	5.05
	d. 4700-01-158-11-26-270	18.27
	e. 4700-01-161-11-26-270	1.71
	f. 4701-03-173-11-26-270	3.98

Source: Appropriation Accounts of 2022-23 and Grant Audit Register of 2022-23 compiled by O/o the PAG (A&E), AP.

As can be seen from the **Table 3.9**, the misclassification of Revenue Expenditure as Capital Expenditure occurred majorly in Grant XXXIII- Major and Medium Irrigation involving an amount of ₹ 705.79 crore. During the year 2022-23, the misclassification of revenue expenditure as capital expenditure increased by ₹ 22.14 crore when compared to the previous year (₹ 685.81 crore).

State Government replied that, the expenditure pertains to an ongoing project and is classified as capital and the Government stated that there were no misclassifications.

3.8 Supplementary budget and opportunity cost

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

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

3.8.1 Large Supplementary Grant due to unrealistic budgetary projections

WMA is a facility to meet temporary mismatch between receipts and expenditure and is expected to help the State to meet the revenue gap. During the year 2022-23, State Government resorted to WMA continuously for 166 days and overdraft for 152 days indicating poor efficacy in cash management as well as unrealistic estimation of receipts and expenditure.

Further, the State Government made supplementary provision of ₹ 1,76,851.71 crore in addition to the original provision of ₹ 2,67,189.99 crore. The supplementary provision included an amount of ₹ 1,30,000.00 crore (73.51 per cent of total supplementary provision) towards the repayment of Ways and Means Advances (WMA).

The details of repayment of WMA and the amount provided in original and supplementary estimates to repay WMA for the period 2018-19 to 2022-23 are given in **Table 3.10**.

Table 3.10: Estimates vis-à-vis repayment of Ways and Means Advances

Year	Repayment of WMA (% of increase)	Total Budget Provision			Total Provision for repayment of WMA	
		Original (O)	Supplementary (S)	% of S to O	Original	Supplementary
2018-19	59,729.01 (30.90)	1,93,924.00	49,123.51	25.33	1,500	0
2019-20	60,740.83 (1.69)	2,32,287.00	15,991.85	6.88	0	0
2020-21	1,04,539.24 (72.11)	2,28,734.15	26,782.39	11.71	0	0
2021-22	1,06,325.66 (1.71)	2,34,657.40	1,37,788.47	58.72	0	1,06,205.59
2022-23	1,18,039.18 (11.02)	2,67,189.99	1,76,851.71	66.19	0	1,30,000.00

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

It can be seen from **Table 3.10** that there was an upward trend in repayment of WMA during 2018-19 to 2022-23. Accordingly, the State Government should have made provision for repayment of WMA in the original estimates itself rather than in supplementary estimates, based on trend of WMA availed over the years. The State

Government, however, did not provide any amount in the original estimate from 2019-20 to 2022-23 towards WMA.

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

3.8.2 Un-utilised supplementary provision

The details of grants in which the supplementary provision of ₹ one crore and above remained un-utilised are shown in **Table 3.11** and the cases where there was unutilised supplementary provision are detailed in *Appendix 3.1*.

Table 3.11: No. of grants/ appropriations in which supplementary provision (₹ one crore and above in each case) remained un-utilised

(₹ in crore)							
S No.	Nature of Grant	No. of Cases	Original	Supplementary	Total Grant	Expenditure	Un-utilised Supplementary Grant
1	Revenue (Voted)	32	1,59,941.69	31,643.47	1,91,585.16	1,43,764.55	14,828.48
2	Revenue (Charged)	1	40.96	22.93	63.89	60.50	3.39
3	Capital (Voted)	24	29,580.01	7,169.70	36,749.71	8,991.99	7,069.68
4	Capital (Charged)	1	81.45	36.77	118.22	38.04	36.77
5	Loans (Voted)	4	270.00	412.27	682.27	344.49	299.69
6	Public Debt Charged (PDC)	1	16,270.18	1,30,003.76	1,46,273.94	1,33,609.23	12,664.71
Total		63	2,06,184.29	1,69,288.90	3,75,473.19	2,86,808.80	34,902.72

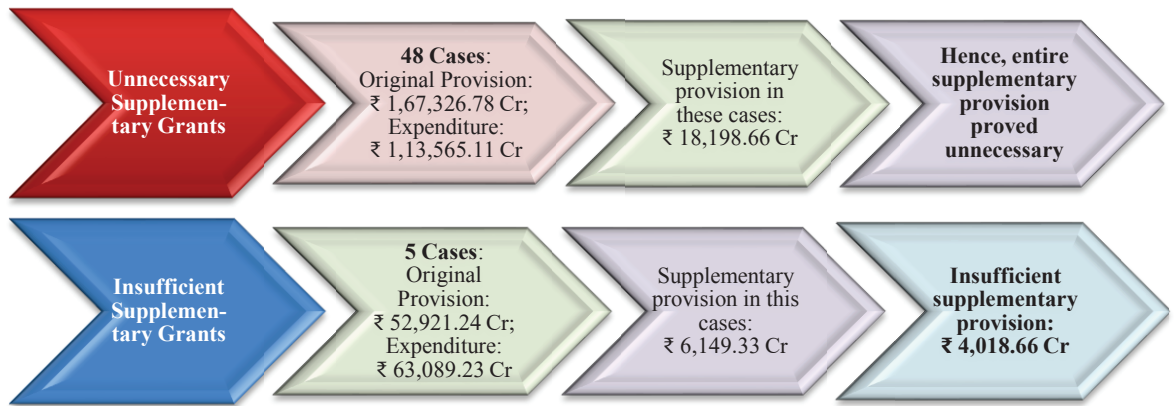
Source: Appropriation Accounts of 2022-23.

It can be seen from **Table 3.11** that out of the total supplementary provision of ₹ 1,69,288.90 crore an amount of ₹ 34,902.72 crore which constituted 20.62 per cent remained unutilised during the year 2022-23. State Government needs to examine the reasons for non-utilisation of supplementary allocations and take appropriate corrective action.

3.8.3 Unnecessary/Insufficient supplementary grants

The details of Unnecessary/ Insufficient Supplementary provisions, where Supplementary provision is more than or equal to ₹ one crore, are detailed in *Chart 3.8*.

Chart 3.8: Unnecessary/ Insufficient Supplementary provision (₹ one crore or more in each case)



Source: Appropriation Accounts of 2022-23.

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

As can be seen from **Chart 3.8**, supplementary grant of ₹ 6,149.33 crore was insufficient as the total provision (₹ 59,070.57 crore) was not adequate to meet the expenditure (₹ 63,089.23 crore).

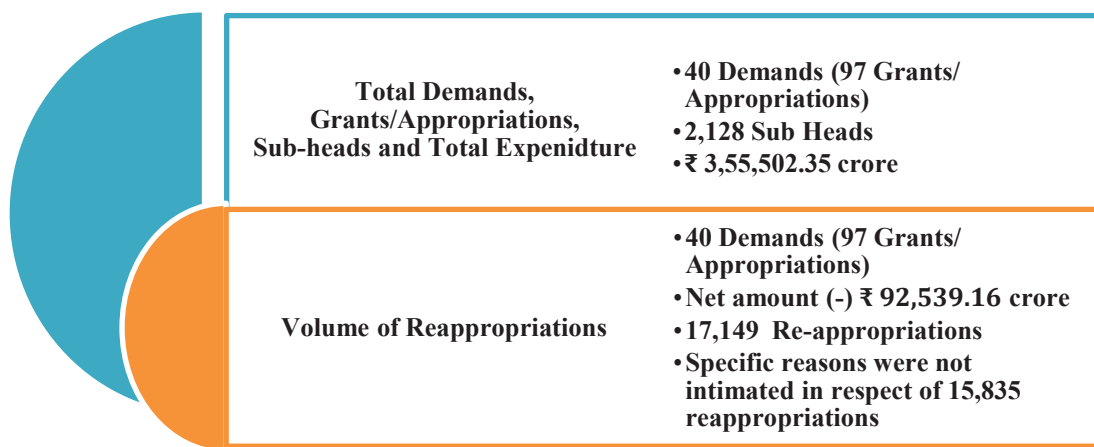
State Government replied that, the officials concerned will be sensitised to avoid for supplementary estimates which are unnecessary.

3.9 Re-appropriations

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

The details of Re-appropriations for the year 2022-23 are depicted in *Chart 3.9*.

Chart 3.9: Re-appropriation in the overall budget



Source: Appropriation Accounts of 2022-23, Grant Audit Register 2022-23 compiled by O/o the PAG (A&E), AP and Reappropriation orders issued by Finance Department.

3.9.1 Unnecessary/ Excessive/ In-sufficient re-appropriations

The instances of unnecessary/excessive/insufficient re-appropriations were noticed

during 2022-23 and the details are given in *Appendix 3.4*, *Appendix 3.5* and *Appendix 3.6* respectively.

Unnecessary/Excessive re-appropriation

It was observed from the Appropriation Accounts that in two Grants involving two sub heads an amount of ₹ 34.33 crore was originally provided and an amount of ₹ 7.60 crore was additionally provided by way of reappropriation of funds. But original provision was not fully utilised in these heads, which rendered the reappropriation of funds unnecessary. In all, there was savings of ₹7.88 crore under these grants; the details are given vide *Appendix 3.4 and Appendix 3.5*.

Insufficient re-appropriation

Further, in six cases, the re-appropriation (₹ one crore and above in each case) of ₹ 3,352.56 crore was insufficient as the net provision (₹ 7,637.31 crore) was not adequate to meet the expenditure (₹ 7,814.26 crore) The details are given in *Appendix 3.6*.

3.9.2 Surrender in excess of savings

In four grants, against savings of ₹ 3,077.41 crore, an amount of ₹ 3,197.44 crore was surrendered which resulted in excess surrender (₹ one crore or more in each case) of ₹ 120.03 crore as detailed in **Table 3.12** which needs reconciliation of budgetary allocation vis-à-vis expenditure.

Table 3.12: Surrender in excess of savings during 2022-23

(₹ in crore)					
Sl No.	Number and Name of the grant / appropriation	Total grant/ appropriation	Savings	Amount Surrendered	Amount Surrendered in excess
Revenue Voted					
1	X - Home Administration	7,423.17	193.25	195.63	2.38
2	XIII - Higher Education	2,131.23	0.00	21.02	21.02
3	XXVII - Agriculture	12,610.23	2,884.16	2,888.70	4.54
Revenue Charged					
4	IX - Fiscal Administration, Planning, Surveys and Statistics	21,655.18	0.00	92.09	92.09
Total		43,819.81	3,077.41	3,197.44	120.03

Source: Appropriation Accounts of 2022-23.

The surrender of grants in excess of savings was observed in ‘Home Administration Grant (Grant No. X)’ in the second consecutive year also.

3.9.3 Anticipated savings not surrendered

As per paragraph 17.2.2 of AP Budget Manual, savings should not be kept in reserve by the disbursing or controlling officer to meet possible unforeseen excesses under other heads or to cover new expenditure which would normally be provided for in the next year’s estimates. All savings should, when they come to notice, be immediately surrendered to the Finance Department through the Administrative Department concerned with full explanations as to how they came about. A review of savings of

grants and appropriations and surrender thereof revealed that out of total savings of ₹ 49,607.50 crore in 32 cases, ₹ 49,358.36 crore was surrendered, leaving a balance of ₹ 249.14 crore which remain un-surrendered and the details of nature of grants are given in **Table 3.13**.

Table 3.13: No. of grants/ appropriations in which savings were not surrendered

(₹ in crore)						
Sl. No	Nature of the grant	No. of Cases	Total grant/ appropriation	Savings	Amount Surrendered	Savings which remained to be surrendered
1	Capital (Voted)	11	12,381.49	9,868.85	9,761.74	107.11
2	Loans (Voted)	1	59.70	77.79	20.00	57.79
3	Revenue (Charged)	2	63.96	3.40	3.38	0.02
4	Revenue (Voted)	18	1,38,753.63	39,657.46	39,573.24	84.22
Total		32	1,51,258.78	49,607.50	49,358.36	249.14

Source: Appropriation Accounts of 2022-23.

Out of un-surrendered amount of ₹ 249.14 crore, the details of un-surrendered cases involving an amount of ₹ 245.66 crore (₹ one crore or more in each case) are given in **Appendix 3.7**.

3.10 Excess expenditure and its regularisation

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

3.10.1 Excess expenditure in current year

Excess expenditure, over budget provision of ₹ 4,027.42 crore, occurred in four grants and three appropriations during the year 2022-23 and the details are given in **Appendix 3.8**.

3.10.2 Regularisation of excess expenditure of previous financial years

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

The excess expenditure over the allocation amounting to ₹ 3,55,554.43 crore pertaining to the years 2004-05 to 2021-22 was yet to be regularised as detailed in **Table 3.14**. Grant wise details are given in **Appendix 3.9**.

Table 3.14: Excess expenditure relating to previous years requiring regularisation

Year	Number of		Amount of Excess over Provision (₹ in crore)
	Grants	Appropriation	
2004-05	5	1	14.83
2005-06	10	3	585.82
2006-07	7	1	198.72
2007-08	7	3	201.30
2008-09	11	3	709.24
2009-10	10	2	109.74
2010-11	11	5	867.54
2011-12	5	2	188.59
2012-13	5	1	275.63
2013-14	4	1	530.12
2014-15	26	2	13,134.68
2015-16	15	2	36,856.98
2016-17	4	1	1,686.83
2017-18	3	2	47,144.53
2018-19	2	2	64,005.68
2019-20	5	4	73,983.26
2020-21	5	3	1,10,509.12
2021-22	4	1	4,551.82
Total	130	35	3,55,554.43

Source: Appropriation Accounts of respective years

After bifurcation of the State, excess expenditure of ₹ 3,51,872.90 crore pertaining to the years 2014-15 to 2021-22 was yet to be regularised. Explanatory Notes (ENs) were furnished for only an amount of ₹ 2,15,242.54 crore to Audit as against excess expenditure of ₹ 3,51,872.90 crore made by the concerned Administrative Departments / Finance Department. The details of excess expenditure requiring regularisation relating to the years 2014-15 to 2021-22 are detailed in **Appendix 3.10**.

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

State Government replied that the Explanatory Notes furnished by the administrative departments for the regularisation of excess expenditure for an amount of ₹ 51,678.49 crore for the FYs 2014-15, 2015-16 and 2016-17 and vetted by the PAG have been forwarded to the Secretary Legislature for placing before the Legislature for regularisation after obtaining the recommendation of the Public Account Committee. Government also replied that the Explanatory Notes for the FYs 2017-18, 2018-19, 2019-20 & 2020-21 would be submitted immediately after regularisation by the Public Account Committee of the excess expenditure for the FYs 2014-15, 2015-16 and 2016-17. The Explanatory Notes for FY 2021-22 have been forwarded to concerned administrative departments for their remarks and return was awaited.

3.11 Review of Selected grants

During 2022-23, two grants viz., (i) Backward Classes Welfare (Grant No. XXIII) and (ii) Energy (Grant No. XXXV) were selected for detailed audit to ascertain compliance with budgeting processes, utilisation of funds, expenditure control mechanisms and implementation of schemes/programmes within these grants. Audit findings on these grants are discussed below:

3.11.1 Budget and Expenditure trends

Details of budgetary provisions, actual expenditure and savings/ excess for the year 2022-23 is shown in **Table 3.15**.

Table 3.15: Expenditure vis-à-vis Budget under ‘Backward Classes Welfare’ and ‘Energy’ Grants for the year 2022-23

(₹ in crore)				
Section	Total Budget	Expenditure	Savings (-)/ Excess (+)	Percentage of Savings/Excess
Backward Classes Welfare				
Revenue	31,373.99	15,113.08	(-)16,260.91	(-) 51.83
Capital	145.00	45.67	(-) 99.33	(-) 68.50
Energy				
Revenue	20,488.51	17,989.99	(-) 2,498.51	(-) 12.19
Capital	100.00	0	(-) 100.00	(-) 100.00
Loans	700.00	0	(-) 700.00	(-) 100.00

Source: Appropriation Accounts of Government of AP for the year 2022-23, Total Budget= Budget {Original (+) Supplementary}

Test check of schemes/ programmes under the above grants revealed that there was surrender of entire budget provision, incurring of amount less than 50 per cent of budget provisions etc., during the year 2022-23 which were discussed in the subsequent paragraphs.

3.11.2 Backward Classes Welfare

(i) Surrender of Entire Provision

In respect of six schemes as given **Table 3.16**, the entire budget provision of ₹ 48.66 crore was Surrendered/Re-appropriated during the year 2022-23 under the following heads of account.

Table 3.16: Cases of non-utilisation of entire provision

(₹ in crore)				
	Head of Account and Description	Total Budget	Re-appropriation/ Surrender	Reasons for Surrender as furnished by Department
1	Headquarters Office 2225-03-001-00-01	0.01	0.01	Due to nil demand, the entire provision was surrendered.
2	Government Hostels 2225-03-277-00-07	13.40	13.40	Bill submitted to PAO and was migrated to 2023-24 for payment.
3	College Hostels for Boys and Girls 2225-03-277-11-22	0.03	0.03	Due to nil demand, the entire provision was surrendered.
4	Scheme for Development of (OBC) Other Backward Classes and denotified, Nomadic and Semi-nomadic Tribes 2225-03-277-12-10 2225-03-277-06-10	21.12 3.88	21.12 3.88	Amount was re-appropriated to new Head of Account
5	BC Welfare Department (Secretariat) 2251-00-90-00-17	0.01	0.01	Due to non-procurement of hardware & peripherals and non-appointment of legal officials for the department the budget was unutilised and surrendered.
6	Department of Economically Weaker Sections (EWS) welfare 2251-00-90-00-48	10.20	10.20	Due to appointment of total staff under the EWS Department only during January 2023 and due to non-receipt of proposals, the entire budget was surrendered.
	Total	48.66	48.66	

Source: Grant Audit Register of O/o PAG (A&E), 2022-23 and information furnished by the Department.

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

During the year 2022-23, savings of more than 50 per cent were noticed in 15 schemes shown in *Appendix 3.11*. In respect of these schemes, more than 50 per cent of budget provision was re-appropriated/surrendered without specific reasons. For the above schemes, as against provision of ₹ 20,602.77 crore, only an expenditure of ₹ 7,159.87 crore was incurred and ₹ 13,442.90 crore remained as savings. The percentage of savings in these schemes ranged from 51 to 96 per cent.

The savings in the grant were mainly due to implementation of schemes through AP State Beverages Corporation Limited from the borrowings of the Corporation while making provisions in Budget Estimates (The issue was discussed in detail at para 3.5.1.1).

3.11.3 Energy

(i) Surrender of Entire Provision

In respect of six schemes indicated in **Table 3.17**, entire budget provision of ₹ 1,894.14 crore was Surrendered/Re-appropriated during the year 2022-23. However, as seen from the reappropriation orders, the State Government had not furnished specific reasons for surrender/re-appropriation of the entire budget provisions.

Table 3.17: Cases of non-utilisation of Entire provision

(₹ in crore)			
	Head of Account and Description	Total Budget	Re-appropriation/ Surrender
1	2801-05-800-00-12: Assistance to DISCOMs for taking over of FRP Bonds	636.54	-636.54
2	2801-80-800-00-05: AP Electricity Regulatory Commission	4.75	-4.75
3	3451-00-090-00-11: Energy Department Secretariat	402.85	-402.85
4	3451-00-092-00-39: AP State Fibernet Limited	50.00	-50.00
5	5475-00-115-11-05: Andhra Pradesh Fibre Grid	100.00	-100.00
6	WB & AIIB (World Bank & Asian Infrastructure Investment Bank) – Loans for APTRANSCO for 24X7 Power for all Project		
	6801-00-205-03-11	543.13	-543.13
	6801-00-789-03-11	119.56	-119.56
	6801-00-796-03-11	37.31	-37.31
	Total	1,894.14	1,894.14

Source: Grant Audit Register of O/o PAG (A&E), 2022-23.

3.12 Major Policy Initiatives

State Government in its budget depicted a list of important schemes/programmes which are being implemented in the State. The expenditure *vis-à-vis* the budget provision in respect of the schemes with more than ₹ 1,000 crore budget provision are detailed in **Table 3.18**.

Table 3.18: Expenditure vis-à-vis budget provision of important schemes

(₹ in crore)					
S.No	Name of the Scheme	Budget	Expenditure	Savings/Excess	% of Savings/excess
1	YSR Pension Kanuka	13,117.31	3,811.69	-9,305.62	-70.94
2	YSR Nine Hours Free Supply	10,470.28	9,351.13	-1,119.15	-10.68
3	Subsidy on Rice	7,468.85	7,398.39	-70.46	-0.94
4	Amma Vodi	6,600.35	2,060.53	-4,539.82	-68.78
5	YSR Aasara	6,400.00	0	-6,400.00	-100
6	Mahatma Gandhi National Rural Employment Guarantee Programme	5,553.01	3,377.47	-2,175.54	-39.17
7	YSR Cheyutha	4,100.00	4,535.03	435.03	10.61
8	YSR Rythu Bharosa	3,998.52	3,998.51	-0.01	0.00
9	Manabadi Naadu Nedu	3,500.00	0	-3,500.00	-100
10	YSR Fasal Bima Yojana	2,979.85	2,848.18	-131.67	-4.41
11	Samagra Siksha	2,588.25	1,799.30	-788.95	-30.48
12	Jal Jeevan Mission	1,363.33	41.76	-1,321.57	-96.93

It is evident from the above table there were savings in 10 out of 12 test checked schemes ranging from one *per cent* to 100 *per cent* of non-utilisation of budget provision rendering the budget process unrealistic.

On verification of schemes with more than 50 *per cent* savings, majority of the savings were noticed under:

- Mana Badi Naadu Nedu⁵⁶ (100 *per cent* of savings) which was mainly due transfer of expenditure from the major Head 4202 to Major head 3451 – Special Development Package funds from GoI (Revenue Expenditure).
- Jal Jeevan Mission (96.93 *per cent* of savings) was mainly due to lapsing of funds.
- YSR Aasara (100 *per cent* of Savings), YSR Pension Kanuka (70.94 *per cent* of savings) and Amma Vodi (68.78 *per cent* of savings) was due to implementation of schemes through AP State Beverages Corporation limited.

3.13 Conclusion

The State Government utilised only 80.06 per cent of total grants/ appropriations during 2022-23 which indicated inadequate budget preparation as well as scrutiny of budget proposals by the Estimating Officers and Head of Departments concerned.

There were huge savings during 2022-23, with 46 out of 97 Grants/ Appropriations showing utilisation of less than or equal to 50 per cent of the budget allocation mainly due to meeting the expenditure of the State through the State Corporations.

Supplementary provision was unnecessary in 48 cases (₹ one crore and above in each case) amounting to ₹ 18,198.66 crore and was insufficient in 5 cases (₹ one crore and above in each case) amounting to ₹ 4,018.66 crore.

An amount of ₹ 3,278.98 crore was incurred during the year 2022-23 in 26 cases (₹ one crore and above in each case) without any budget provision either in the original

⁵⁶ Scheme for improving infrastructure facilities in the schools

estimates or supplementary demands.

State Government has to get regularised an excess expenditure over the allocation amounting to ₹ 3,55,554.43 crore from the year 2004-05 to 2021-22 and ₹ 4,027.42 crore for the year 2022-23 from the State Legislature.

3.14 Recommendations

- 1 Government should prepare realistic budget estimates, backed with correct assessment for availability of resources and potential to expend, to avoid large savings and supplementary provisions.*
- 2 An appropriate control mechanism needs to be instituted by the Government to enforce proper implementation and monitoring of budget to ensure that savings are curtailed, large savings within the grant/ appropriation are controlled and anticipated savings are identified and surrendered within the specified timeframe so that the funds can be utilised for other development activities.*
- 3 Government should make concerted efforts to ensure that instances of unnecessary supplementary provisions are avoided.*
- 4 Government should view excess expenditure over legislative approval seriously, hold accountable those responsible for it and regularise all such excess expenditure through due process.*