

2.1 Introduction

Effective financial management ensures that policy decisions are implemented at the administrative level without wastage or diversion of funds and with reasonable assurance about successful implementation of policy at the ground level. This chapter reviews the appropriations and allocative priorities of the State Government and comments on the transparency and effectiveness of its budgetary processes.

The State of Andhra Pradesh was bifurcated into two states i.e. Andhra Pradesh and Telangana with effect from 02 June 2014. The receipts and expenditure of previous financial years up to 2013-14 pertain to Composite State of Andhra Pradesh and those of 2014-15 included the particulars relating to composite state of Andhra Pradesh from 01 April 2014 to 01 June 2014. As the trend analysis could not be done in this scenario, audit confined its comments to the financial year 2015-16 only.

2.1.1 Budget Preparation Process

The Andhra Pradesh Financial Code (APFC), Andhra Pradesh Budget Manual (APBM) and other instructions¹ lay down the procedure to be followed with regard to all matters concerning finance and budget. Budget preparation in the State is guided by a budget calendar, which commences with the preparation of budget estimates around October for the next financial year.

A bottom-up approach was prescribed for budget preparation in the APBM with the requirement of funds projected from the unit level to Heads of Departments, which would be finally sent to Finance department by 15th of October every year. The Finance department prepares the 'Annual Financial Statement' or the Budget with prescribed statements etc. and presents in the Legislature for approval.

2.1.2 Financial Accountability and Budget Management

Appropriation Accounts are accounts of the expenditure of the Government 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. These Accounts depict the original budget provision, supplementary grants, surrenders and re-appropriations and indicate actual capital and revenue expenditure on various specified services vis-à-vis those authorized by the Appropriation Act. The Appropriation Accounts are complementary to the Finance Accounts.

Audit of appropriations by the Comptroller and Auditor General seeks to ascertain whether the expenditure actually incurred under various grants is within the authorisation given under the Appropriation Act and the expenditure required to be charged under the provisions of the Constitution is so charged. It also ascertains whether the expenditure so incurred is in conformity with the laws, relevant rules, regulations and instructions.

¹ GO Ms No.657 Finance (BG) Department dated 23 September 2004.

2.2 Summary of Appropriation Accounts

The summarized position of actual expenditure during 2015-16 against 40 grants/appropriations is given below in **Table 2.1**.

Table 2.1: Position of actual expenditure vis-a-vis original/supplementary provision for the year 2015-16

(₹ in crore)

	Nature of expenditure	Original grant/ Appropriation	Supplementary grant/ Appropriation	Total	Actual Expenditure	Saving(-)/ Excess (+)	Amount surrendered	Amount surrendered on 31 March 2016	Percentage of surrender on 31 March to Total Provision (Col.8/ Col.4)*100
	1	2	3	4	5	6	7	8	9
Voted	Revenue	86,429.49	13,632.18	1,00,061.67	91,088.11	-8,973.56	12,844.82	12,758.55	12.75
	Capital	10,022.03	7,312.50	17,334.53	14,480.76	-2,853.78	2,905.42	2,881.25	16.62
	Loans and Advances	718.36	71.52	789.88	869.28	79.40	122.60	109.60	13.88
Total Voted		97,169.88	21,016.20	1,18,186.08	1,06,438.15	-11,747.93	15,872.84	15,749.40	13.33
Charged	Revenue	11,242.44	0.48	11,242.92	10,152.05	-1,090.87	1,049.38	1,049.38	9.33
	Capital	13.45	126.37	139.82	102.36	-37.45	0	0	0.00
	Public Debt - Repayment	5,087.14	0.00	5,087.14	38,444.50*	33,357.36	32.60	32.60	0.64
Total Charged		16,343.03	126.85	16,469.88	48,698.91	32,229.03	1,081.98	1,081.98	6.57
Appropriation to Contingency Fund		Details are given under the para 2.3.8							
Grand Total		1,13,512.91	21,143.05	1,34,655.96	1,55,137.06	20,481.10	16,954.82	16,831.38	12.50

Source: Appropriation Accounts 2015-16. *Includes Ways and Means Advances.

Note: i) During the year, supporting documents/vouchers were not available for an expenditure of ₹ 1,825.17 crore. Authenticity of this expenditure cannot, therefore, be vouched. ii) Actual expenditure is understated to the extent of un-recouped contingency fund advances amounting to ₹ 0.07 crore. iii) In the absence of Detailed Contingent bills in support of ₹ 177.33 crore drawn on Abstract Contingent bills during 2015-16, the genuineness of the expenditure cannot be vouched to that extent.

The overall excess of ₹ 20,481.10 crore (15.21 per cent of budget provision) was the result of saving of ₹ 16,375.88 crore in 30 grants and seven appropriations under Revenue Section, 27 grants and three appropriations² under Capital Section and four grants under Loans Section, offset by an excess of ₹ 36,856.98 crore in 10 grants under Revenue Section and two grants under Capital Section and three grants and one appropriation³ (Public Debt) under Loans Section.

In view of the above, supplementary provision aggregating ₹ 21,143.05 crore proved to be insufficient by ₹ 20,481.10 crore over a total required provision of ₹ 41,624.15 crore.

The total savings are ₹ 16,375.88 crore. However, an amount of ₹ 16,954.82 crore was surrendered during the year 2015-16, of which ₹ 16,831.38 crore (99.27 per cent) was surrendered on the last day of the year i.e. 31 March 2016.

²XI-Roads, Buildings and Ports (₹ 0.03 crore), XXXIII-Major and Medium Irrigation (₹ 34.37 crore) and XXXIV-Minor Irrigation (₹ 3.05 crore)

³IX-Fiscal Administration, Planning, Surveys and Statistics (₹ 33,357.36 crore)

2.3 Appropriation vis-à-vis allocative priorities

2.3.1 Excess expenditure

As per paragraph 17.17.4 of APBM, excesses over total final appropriations under several grants, whether in the charged or in the voted sections, should be included in a statement of excess expenditure which will be presented to the legislature.

Excess expenditure over budget provision, calculated at ₹ 36,856.98 crore, occurred in 15 grants and one appropriation during the year which requires regularisation under Article 205 of the Constitution. Cases where expenditure exceeded budget by ₹ 100 crore or more are shown in **Table 2.2**.

Table 2.2: Excess expenditure

(₹ in crore)						
Sl. No.	Grant No.	Name of the Grant	Total Grant	Expenditure	Excess	Reasons for excess expenditure
1	IX	Fiscal Administration, Planning, Surveys and Statistics (RV)	13,329.06	16,430.09	3,101.03	Specific Reasons for excess expenditure were not intimated by Government.
2	IX	Fiscal Administration, Planning, Surveys and Statistics (LV)	61.68	216.45	154.77	
3	IX	Fiscal Administration, Planning, Surveys and Statistics (PDC)	5,087.14	38,444.50*	33,357.36*	
4	XI	Roads, Buildings and Ports (RV)	1,238.48	1,359.46	120.98	
		Total	19,716.36	56,450.50	36,734.14	

Source: Appropriation Accounts 2015-16; RV-Revenue Voted; LV-Loans Voted; PDC-Public Debt Charged. *Includes Ways and Means Advances.

2.3.1.1 Expenditure incurred without Budget Provision

As per paragraph 17.3.1 and 17.6.1(c) of APBM, expenditure should not ordinarily be incurred on a scheme/service without provision of funds. An expenditure of ₹ 1,592.76 crore was incurred in 17 cases (₹ 10 crore and above in each case) without budget provision during the year 2015-16 as detailed in **Table 2.3**. In all these cases budget provision (either original or supplementary) was not made and expenditure was met from the funds obtained by way of re-appropriation. Also, in three instances (Sl.Nos.1, 5 and 14) expenditure was incurred even without resorting to re-appropriation, which undermined the sanctity of budgeting process and legislative control.

Table 2.3: Expenditure without budget provision during 2015-16

(₹ in crore)				
Sl. No	No. and Name of the Grant	Head of Account	Re-appropriation	Expenditure
1	IV-General Administration and Elections	3454-01-800-(05) Census 2011	0	24.39
2	IX-Fiscal Administration, Planning, Surveys and Statistics	2071-01-115-(24) Amount allocable to successor state of A.P.	185.55	185.55
3	IX-Fiscal Administration, Planning, Surveys and Statistics	2071-01-800-(24) Medical reimbursement of all types of pensioners	83.47	83.47

Sl. No	No. and Name of the Grant	Head of Account	Re-appropriation	Expenditure
4	IX-Fiscal Administration, Planning, Surveys and Statistics	2071-01-800-(05) Medical reimbursement of all types of pensioners	85.06	85.06
5	IX-Fiscal Administration, Planning, Surveys and Statistics	3451-00-102-11-(39) Special development package	0	350.00
6	X-Home Administration	2055-00-104-(03) District offices	23.62	23.62
7	XI-Roads, Buildings and Ports	3054-04-797-11-(04) Subvention from Central Road Fund	46.00	176.75
8	XI-Roads, Buildings and Ports	3054-04-800-(19) Road maintenance grant under 13 th Finance Commission	11.24	11.24
9	XII-School Education	2202-02-109-12-(06) Scheme for setting up of 6000 model schools at block level as benchmark of excellence	155.25	82.63
10	XVII-Municipal Administration and Urban Development	2217-80-191-12-(10) Smart cities	346.73	346.73
11	XVII-Municipal Administration and Urban Development	2217-80-789-12-(10) Smart cities	29.27	29.27
12	XXIII-Social Welfare	2225-01-102-12-(06) Special Central Assistance for Special Component Plan (SCP) for SCs	37.02	37.02
13	XXIII-Social Welfare	2225-01-277-12-(12) Tuition fee (RTF)	41.18	41.18
14	XXII-Rural Development	2235-03-101-11-(04) Indira Gandhi National Old Age Pension Scheme (IGNOAPS)	0	18.72
15	XXVII-Agriculture	2401-00-800-11-(42) Setting up of AP state corpus fund under price stabilization scheme	50.00	50.00
16	XXXI-Panchayat Raj	2215-01-789-12-(29) National Rural Drinking Water Programme (NRDWP)	27.91	27.91
17	XXXV-Energy	2801-05-800-(10) Assistance to AP TRANSCO/ DISCOMS towards reimbursement under INDIRAMMA scheme	19.22	19.22
		Total	1,141.52	1,592.76

Source: Appropriation Accounts 2015-16

2.3.1.2 Excess expenditure over provision relating to previous years not regularised

As per Article 205 of the Constitution of India, it is mandatory for a State Government to get the excess over a grant/appropriation regularised by the State Legislature. As of November 2016, excess expenditure over the allocation amounting to ₹ 16,816.21 crore pertaining to the years from 2004 to 2015 was yet to be regularized (**Appendix 2.1**). Explanatory Notes by the concerned Administrative Departments/Finance Department are yet to be furnished.

2.3.2 Savings

During the financial year 2015-16, appropriation audit showed that, in 12 grants, saving (₹ 8,925.91 crore) exceeded ₹ 100 crore and also by more than 20 *per cent* of total provision in each case, constituting 54.51 *per cent* of total savings (₹ 16,375.88 crore) (**Appendix 2.2**). Out of ₹ 8,925.91 crore, saving of ₹ 5,704.88 crore (34.84 *per cent* of total saving) occurred as indicated in **Table 2.4**. This raises questions about the validity and reliability of assumptions in budget formulation.

Table 2.4: Grants with substantial savings

(₹ in crore)

Sl. No	Grant No.	Name of the Grant/Appropriation	Total Grant	Expenditure	Savings	Reasons for savings
Revenue Voted						
1	XVII	Municipal Administration and Urban Development	4,245.26	2,676.99	1,568.27	Specific reasons were not intimated by the Government
2	XXVII	Agriculture	7,867.67	3,731.06	4,136.61	
Total			12,112.93	6,408.05	5,704.88	

Source: Appropriation Accounts 2015-16

In addition to the above, though the savings were less than 20 per cent, it was more than ₹ 1,000 crore in one grant and one appropriation are shown in **Table 2.5**.

Table 2.5: Savings more than ₹ 1,000 crore

(₹ in crore)

Sl. No	Grant No.	Name of the Grant/Appropriation	Savings	Reasons
1	IX	Fiscal Administration, Planning, Surveys and Statistics(RC)	1,070.65	Specific reasons for huge savings were not intimated by Government
2	XII	School Education(RV)	1,398.75	

Source: Appropriation Accounts 2015-16; RV: Revenue Voted; RC: Revenue Charged;

2.3.3 Unnecessary/Inadequate/Excessive Supplementary provision

Supplementary provision aggregating ₹ 847 crore obtained in 7 cases (₹ one crore or more in each case) during the year proved unnecessary as the actual expenditure (₹ 5,677 crore) did not come up to the level of original provision (₹ 9,569 crore) as detailed in **Appendix 2.3**. This indicated that the CCOs could not realistically assess/estimate the actual requirement of funds for the remaining period of the financial year due to poor monitoring of expenditure through the monthly expenditure control mechanism.

Similarly, supplementary provision aggregating ₹ 19,204 crore proved excessive by ₹ 10,011 crore over the total required provision of ₹ 9,193 crore in 26 cases under 21 grants (one crore or more in each case) as detailed in **Appendix 2.3(a)**. In 13 cases, supplementary provision of ₹ 1,866 crore proved insufficient, by more than one crore rupees in each case, leaving an aggregate excess expenditure of ₹ 3,493 crore as detailed in **Appendix 2.3 (b)**.

Significant cases of un-necessary/ excessive supplementary provision in various Departments are given in **Table 2.6**.

Table 2.6: Unnecessary/Excessive Supplementary Grants

(₹ in crore)

Sl. No.	Grant No.	Name of the Grant	Original Provision	Actual Expenditure	Saving (-)/ Excess(+)	Supplementary Provision
Unnecessary Supplementary Provision						
1	XXVII	Agriculture (RV)	7,287.61	3,731.06	(-)3,556.55	580.06
2	XXXVI	Industries and Commerce (RV)	575.98	380.89	(-)195.09	110.96
Excessive Supplementary Provision						
3	XI	Roads, Buildings and Ports (CV)	2,088.14	2,836.29	748.15	1,571.35

Sl. No.	Grant No.	Name of the Grant	Original Provision	Actual Expenditure	Saving (-)/ Excess(+)	Supplementary Provision
4	XVII	Municipal Administration and Urban Development (RV)	2,565.61	2,676.99	111.38	1,679.65
5	XXXI	Panchayat Raj (RV)	4,223.65	4,946.77	723.12	1,426.98
6	XXXII	Rural Development (RV)	8,213.10	13,829.48	5,616.38	6,418.86

Source: Appropriation Accounts 2015-16; RV: Revenue Voted, CV: Capital Voted

2.3.4 Re-appropriations

Government had delegated certain powers to the Heads of Departments (HoDs) to re-appropriate funds at their level subject to certain restrictions. As part of these instructions, where the HoDs are not authorized to re-appropriate funds, proposals are required to be sent to Finance Department by 25th of February every year and thereafter the decision of the Finance Department would be intimated to the other Departments.

The following issues were observed during the audit of re-appropriations:

2.3.4.1 Unnecessary re-appropriation of funds

As per para 17.4 of APBM, re-appropriation is transfer of funds within a grant from one unit of appropriation, where savings are anticipated, to another unit where additional funds are needed. During the year 2015-16 excessive/unnecessary/inadequate re-appropriation of funds occurred in 23 cases which resulted in either non-utilisation of funds or excess over provision by ₹10 crore and above in each case as detailed in *Appendix 2.4*.

2.3.4.2 Unexplained re-appropriations

Paragraph 17.17.2 of APBM stipulates that reasons for additional expenditure and savings should be explained in the re-appropriation statement and vague expressions such as 'based on actual requirement/expenditure', 'savings are anticipated', 'observance of economy', 'original provision proved insufficient or excessive', 'based on progress of actuals' etc., should be avoided. However, a scrutiny of re-appropriation orders issued by the State Government showed that out of 10,435 items of re-appropriations made, specific reasons were not intimated in respect of 8,897 items (85.26 per cent). Some of the major issues are given below:

- Re-appropriations were made to Centrally Assisted State Plan Schemes, for which there were no original budget provisions (₹ 609.48 crore in 27 cases).
- In 64 cases the provisions (₹ 1,130.74 crore) made under capital section, were re-appropriated, due to non-starting of works indicating that the provisions were made without plan of action.
- As seen from School Education Grant (No. XII), against the provisions made for 'Teaching Grants to Municipalities' (₹ 122.16 crore and ₹ 90.93 crore for Primary and Secondary schools respectively), the progressive expenditure upto the month of February, 2016 was ₹ 2.54 lakh and ₹ 2.50 lakh for primary and secondary schools respectively. In March 2016 the amounts of ₹ 122.14 crore and ₹ 90.90 crore were re-appropriated from these heads and simultaneously an expenditure of ₹ 187.42 crore and ₹ 196.86 crore was incurred resulting in unnecessary re-appropriation.

2.3.5 Surrender of Savings

The spending Departments, as per the provisions of the APBM (paragraph 17.2.2), are required to surrender the grants/appropriations or portion thereof to the Finance Department as and when savings are anticipated.

2.3.5.1 Substantial surrenders

Funds in excess of ₹ 10 crore and also more than 50 per cent of total provision in each case were surrendered in respect of 129 sub-heads amounting to ₹ 20,097.23 crore. These surrenders included hundred per cent surrenders (₹ 8,759.85 crore) under 54 sub-heads. Details of cases where the surrendered amount was more than ₹ 100 crore and more than 90 per cent of the provision in each case are given in *Appendix 2.5*. This indicated that Government had not assessed its requirement realistically in these cases.

2.3.5.2 Surrender in excess of actual savings

Surrender of the provision in anticipation of saving and incurring expenditure subsequently by the controlling officers results in surrender in excess of the overall saving in a grant/appropriation. In 25 cases, the amount surrendered (₹ 50 lakh or more in each case) was in excess of actual saving indicating lack of/inadequate budgetary control and monitoring in these Departments. Against the saving of ₹ 7,076.09 crore, the actual amount surrendered was ₹ 7,936.42 crore, resulting in excess surrender of ₹ 860.33 crore as detailed in *Appendix 2.6*.

In nine cases, surrender of ₹ 501.79 crore proved injudicious in view of eventual excess expenditure under these grants at the close of the financial year, as shown in **Table 2.7**.

Table 2.7: Cases of injudicious surrenders

(₹ in crore)					
Sl. No	Name of the Grant or appropriation	Total Grant/ Appropriation	Expenditure	Excess	Amount Surrendered
Revenue Voted					
1	V Revenue Registration and Relief	2,914.17	2,957.93	43.76	53.39
2	VII Commercial Taxes Administration	308.87	328.77	19.90	0.13
3	IX Fiscal Administration, Planning, Surveys and Statistics	13,329.06	16,430.09	3,101.03	297.14
4	XI Roads, Buildings and Ports	1,238.48	1,359.46	120.98	9.78
5	XV Sports and Youth Services	73.71	74.70	0.99	1.22
6	XX Labour and Employment	328.87	335.35	6.48	3.67
Capital Voted					
7	XXXIV Minor Irrigation	1,047.26	1,080.01	32.74	63.21
Loan Voted					
8	IX Fiscal Administration, Planning, Surveys and Statistics	61.68	216.45	154.77	40.65
Loan Charged					
9	IX Fiscal Administration, Planning, Surveys and Statistics	5,087.14	38,444.50	33,357.36	32.60
		24,389.24	61,227.25	36,838.01	501.79

Source: Appropriation Accounts 2015-16

2.3.5.3 Savings not surrendered

At the close of the year 2015-16, there were two grants and seven appropriations in which saving of ₹73 crore occurred but no part of it had been surrendered by the departments concerned (**Appendix 2.7**). Similarly, out of the saving of ₹6,066.22 crore under three grants and one appropriation, saving (Five crore rupees and above in each case) amounting to ₹198 crore of total saving (₹16,376 crore) was not surrendered (**Appendix 2.8**).

Besides, in 51 cases, ₹16,879 crore was surrendered (in excess of ₹10 crore in each case) on the last working day of the financial year (**Appendix 2.9**), indicating poor expenditure management and inadequate financial control.

2.3.6 Expenditure on Salaries – Lumpsum provisions

Andhra Pradesh Budget Manual (Part II – Chapter 13) prescribes that provision for salaries should be made only to persons on duty and not for vacant posts. Whenever the vacant posts are filled, funds are to be obtained either by re-appropriation of funds or by supplementary grant. Further Paragraph 13.12 of the APBM stipulates that lumpsum provision should not as a rule be made in the budget estimates.

However, test-check in audit showed that while incurring expenditure for salaries (a) original provisions were not made; (b) salaries were met only through re-appropriation; (c) expenditure was not incurred though provisions were made; (d) excess expenditure incurred over and above the provisions made etc. Finally, contrary to the provisions of APBM, a lumpsum provision of ₹4,650 crore was made in the budget towards salaries and the entire amount was shown as re-appropriated (except ₹100 crore neither re-appropriated nor expended) without assigning reasons due to which the grants resulted in huge savings and thereby surrenders. This indicates that the budget estimates towards salaries were made without assessing the actual ‘man-power in position’ as envisaged in the manual.

2.3.7 Rush of expenditure

Article 39 of the APFC requires that expenditure should be evenly distributed throughout the year and no attempt should be made to prevent the lapse of an appropriation by any undue rush of expenditure during March. While the total expenditure in last quarter in respect of all grants combined, accounted for only 28 *per cent*, it was noticed that in 21 Major Heads, the last quarter expenditure amounted to more than 50 *per cent* of their annual expenditure. The Major Head-wise details of expenditure are shown in **Appendix 2.10**. The expenditure during the month of March in these cases ranged from 20 to 100 *per cent* during the year 2015-16.

2.3.8 Advances from Contingency Fund

Contingency Fund of the State has been established under the Andhra Pradesh Contingency Fund Act, in terms of provisions of Article 267(2) and 283(2) of the Constitution of India. Advances from the fund are to be made only for meeting expenditure of an unforeseen and emergent character, postponement of which, till its authorization by the Legislature, would be undesirable. The fund is in the nature of an imprest and required to be recouped by obtaining supplementary grants during the first session of Assembly immediately after the advance is sanctioned. During the year 2015-16, sanctions (18) amounting to ₹1.25 crore were issued by

Government. An amount of ₹ 1.25 crore was met from sanctions, out of which ₹ 1.18 crore was recouped to the Fund, leaving a sum of ₹ 0.07 crore (₹ 6,67,154/-) as un-recouped, the details of which are given in **Table 2.8**.

Table 2.8: Un-recouped amount of the Contingency Fund of the State

			(in ₹)
Sl. No	Name of the Grant	Classification	Amount
1	X- Home Administration	2055- Police:109-District Police(Non Plan Charged)	3,64,288
2	XI Roads, Buildings and Ports	5054-Capital Outlay on Roads and Bridges: 04-District and Other Roads: 800-Other Expenditure	3,02,866
Total			6,67,154

2.4 Major Policy Initiatives

Several major policy initiatives/flagship schemes are announced by the Government each year reflecting its socio-economic priorities. Some of the major policy initiatives/schemes outlined in the budget speech/annual plan for the year 2015-16 were scrutinized in audit on a test-check basis to verify their implementation. Significant audit findings in this regard are given in **Table 2.9**.

Table 2.9: Major policy initiatives under Plan schemes

Sl.	Scheme and objective	Status of implementation
<i>Department of Women Development and Child Welfare</i>		
1	<p>Construction of buildings for Angan Wadi Centres (AWC) under Rural Infrastructure Development Fund (RIDF)</p> <p>The scheme was introduced w.e.f. 2008-09. Construction of 2,764⁴ buildings was proposed.</p> <p>Budget provision: ₹ 60 crore</p>	<ul style="list-style-type: none"> During the year 2015-16 the Department incurred an amount of ₹ 17.28 crore (29 per cent) only against ₹ 60 crore released. The reasons attributed to non-utilization of ₹ 42.72 crore were non-response from certain contractors after allotment of works, repeated notifications for calling tenders, non-availability of sites, site disputes and insufficient unit cost allocated for AWC in view of cost escalation. Out of 2,764 AWCs proposed for construction, 1,416 (51.23 per cent) AWCs were completed; 507 (18.34 per cent) AWCs were under progress; 603 works (21.82 per cent) were cancelled and balance 238 (8.61 per cent) AWCs were not started as on 31 March 2016. Except continuing the works already started during earlier years, no proposals were submitted for construction of new buildings during the year 2015-16.
2	<p>Girl Child Protection Scheme (GCPS)</p> <p>The scheme implemented with effect from 1 April 2005, aims to prevent gender discrimination by empowering and protecting the rights of Girl Child through direct</p>	<ul style="list-style-type: none"> The entire provision (₹ 25 crore) was released and utilised by adjusting to beneficiaries' accounts during 2015-16. However, Government is yet to transfer ₹ 115.59⁵ crore towards premium dues to LIC under

⁴ RIDF- XIV- 2008=1177 works, RIDF-XVI- 2010=731 works, RIDF-XIX-2013 = 364 works, RIDF-XX = 492 works

⁵(premium due as on 02-06-2014 was ₹ 36.16 crore, as on 01-04-2015 was ₹ 23.22 crore and as on 01-04-2016 was ₹ 56.22 crore).

Sl.	Scheme and objective	Status of implementation
	investment from Government to LIC of India. The lumpsum amounts credited into the pooled running account maintained by the LIC are in turn credited against the premiums of the beneficiaries enrolled under GCPS. The BPL families having single or two girl children with the age 0-3 years are eligible for coverage under the scheme. Budget provision: ₹ 25 crore	the scheme. <ul style="list-style-type: none"> The difference of 79,942 beneficiaries between the figures of the Government (3,35,179) and LIC (4,15,121) was yet to be reconciled (October, 2016).
3	Maa Inti Mahalakshmi Introduced by Government with a view to restore the gender balance by empowering and protecting the girl children and catalysing their all-round growth. All girl children born on or after 1 May 2013 in economically backward households are eligible for the benefits under the scheme. Budget provision: ₹ 74.55 crore	<ul style="list-style-type: none"> The entire provision of ₹ 74.55 crore was re-appropriated. It was replied that expenditure could not be incurred due to non-availability of (i) specific guidelines for implementation, (ii) PD Accounts in favour of Women and Child Welfare Department and (iii) Software for transferring funds to the beneficiaries. Thus, the scheme suffered due to non-release of funds and lack of proper planning.
4	Anna Amrutha Hastam Providing one full meal for Pregnant and Lactating women, introduced in 104 ICDS projects in the State for an estimated target of 3,44,824 beneficiaries during 2015-16. Budget provision: ₹ 134.48 crore	<ul style="list-style-type: none"> An amount of ₹ 91.05 crore (68 per cent) was released during 2015-16 and an amount of ₹ 71.70 crore was expended. Against 2,97,554 enrolled beneficiaries, 2,82,992 were covered leaving 14,562 enrolled beneficiaries. The shortfall in achieving the targets was due to migration of pregnant women from one place to another and inability to attend designated centres.
5	Nutrition Programme The scheme provides supplementary nutrition to all enrolled beneficiaries in AWCs to meet daily calories/protein requirement. The targeted population is in the age group of children 06-72 months, severely underweight children 07-72 months and pregnant and lactating women. Budget provision: ₹ 516.53 crore	<ul style="list-style-type: none"> An amount of ₹ 446.66 crore was released during 2015-16 of which an amount of ₹ 439.46 crore was expended. Against the targeted 36,06,247 beneficiaries, 32,90,189 (91.23 per cent) were covered leaving 3,16,058 beneficiaries. Even after expending 98.39 per cent of funds released, 9 per cent of targeted beneficiaries were not covered.
6	Scheme for Empowerment of Adolescent Girls (SABLA) This scheme aims to empower adolescent girls in the age group of 11 to 18 years by promoting their education, health, nutrition, life skills and vocational skills. In AP, SABLA scheme is being implemented in four Districts i.e. Ananthapur, Chittoor, Visakhapatnam and West Godavari since 2010-11 ⁶ with a target to cover 3,17,635 enrolled beneficiaries. Budget provision: ₹ 22.94 crore	<ul style="list-style-type: none"> Out of ₹ 22.94 crore provision, ₹ 13.51 crore (58.89 per cent) was released by the Government directing the Department to place these funds in PD account (February, 2016). Further, Government directed⁷ the Department to draw the funds through Detailed Voucher bill (30 March 2016). However, no amount was expended during the year. It was replied that due to non-availability of sufficient time for presenting the bill to Treasury, no funds were withdrawn. Thus, no amounts were drawn and utilized even after releasing the funds. Consequently, the scheme remained unimplemented.
Department of Information Technology, Electronics & Communication		
7	e-Governance Authority, Electronics and IT Agency and Innovation Society	<ul style="list-style-type: none"> Government had released ₹ 273.05 crore, out of which, ₹ 203.18 crore (74.41 per cent) was given as

⁶ Covering 81 ICDS projects and 18,735 Anganwadi Centres

⁷ G.O.Rt. No. 562, dated 30-03-2016

Sl.	Scheme and objective	Status of implementation
	For promoting e-Governance and achieving rapid development of Electronics and IT Industry along with promoting Innovation and to create an employment potential of 0.5 Million by 2020 in the IT & Electronic Sector. Budget provision: ₹ 283.25 crore	grants-in-aid to three societies and the same was surrendered ⁸ on the last day of the year 2015-16 due to non-receipt of requisition from unit offices. <ul style="list-style-type: none"> It was replied that as the Societies were registered in September 2015 and PD accounts were operational from December 2015, no amounts were incurred except administrative expenses (₹ 1.99 crore) during 4th quarter. The remaining amount of ₹ 67.88 crore was kept idle in PD accounts. The above indicates that provisions for funds were made without exercising any assessment.
Department of Health, Medical & Family Welfare		
8	Construction of Medical Buildings and Govt. General Hospital, Kurnool⁹ It was assured by the Government that the Primary and Secondary Health Care sectors will be strengthened and functioning of Health facilities will be streamlined with necessary infrastructure facilities. Budget provision: ₹ 250.50 crore	<ul style="list-style-type: none"> Government had released ₹ 250.50 crore as shown in the budget and spent ₹ 221.22 crore for construction. Balance of ₹ 29.28 crore (13.24 per cent) was provided for major works under the scheme, which however allowed to be lapsed due to non-commencement of works for want of administrative orders. It was replied that due to freezing of funds at the fag end of the year, the amount was finally surrendered¹⁰.
9	Andhra Pradesh Vaidya Vidhana Parishad (APVVP-RIDF) The APVVP deals exclusively with the middle level hospitals of bed strength ranging from 30 to 350. These institutions also referred to as secondary hospitals or first referral hospitals are categorised into District Hospitals, Area Hospitals and CHCs depending on bed strength. At present there are 114 hospitals under the control of APVVP in the State. Budget provision: ₹ 100 crore	<ul style="list-style-type: none"> During the year, the Government provided ₹ 100 crore for upgradation of 71 works in Medical Department through Vaidya Vidhana Parishad. The works were entrusted to APMSIDC¹¹. Audit observed that ₹ 28.02 crore out of the above were diverted¹² to construction of Medical Building of Director of Medical Education. An amount of ₹ 49.79 crore was allowed to lapse due to want of Administrative orders. Though ₹ 18.99 crore was incurred towards tender finalization process, no works were grounded (as on 31 March 2016).
Department of School Education		
10	Nutritious Meals Programme Aims to avoid classroom hunger, to increase school enrolment, to increase school attendance, to reduce gender gap, to address malnutrition and to improve nutritional status of children etc. in Government schools. Further, the Government is incurring huge amounts as cooking cost in addition to the food. Budget provision Mid-day Meals : ₹ 122.12 crore Cooking cost: ₹ 190.07 crore	<ul style="list-style-type: none"> This is a Centrally Assisted Scheme with the funding pattern in the ratio of 60:40 between Central and State Governments. Against the approved amount of ₹ 526.03 crore, GoI released ₹ 290.64 crore and State Government had released ₹ 290.37 crore which includes amounts due from previous year i.e. GoI share ₹ 9.76 crore and State share ₹ 45.23 crore. An amount of ₹ 475.72 Crore was expended by covering 28,00,191 children out of 31,50,000 enrolled. The unspent balance of ₹ 105.30 crore (581.02-475.72) as on 31 March 2016 includes GoI share of ₹ 21.60 crore.

⁸ G.O.Rt. No.585, dated 31-03-2016

⁹ Both construction and Renovation

¹⁰ G.O. RT No. 836 Dt. 31.3.2016

¹¹ Andhra Pradesh Medical Services Infrastructure Development Corporation

¹² G.O. Rt.No.2724 dt.31.10.2015 and G.O. Rt.No. 568 Dt. 30.3.2016

Sl.	Scheme and objective	Status of implementation
Housing Department		
11	<p>NTR Housing Programme – Weaker Section (Urban and Rural): Objectives of the scheme are</p> <ol style="list-style-type: none"> 1. Providing affordable housing with adequate amenities and healthy environment for Economically Weaker Sections. 2. Facilitating access to affordable housing for the Lower Income Groups both, in rural and urban areas. 3. Complementing construction of housing with provision of basic services to ensure clean and comfortable cities and towns. <p>Budget provision: Urban: ₹ 147.91 crore and Rural: ₹ 100.73 crore</p>	<ul style="list-style-type: none"> • The entire amounts of ₹ 147.91 crore and ₹ 100.73 crore for Urban and Rural areas respectively as provided in the budget during 2015-16 under this scheme were released and stated to be expended by submitting the UCs. • Though the target for 2015-16 (Urban: 8,350 + Rural: 21,250 = total 29,600) was stated to be achieved by the Corporation, an amount of ₹ 2,016 crore was still lying in the PD accounts of APSHC as on 31 March 2016. • Further, the figures relating to achievement of target differed from those shown in Outcome Budget (Urban: 2,918 + Rural: 5,447 = Total 8,365) for 2015-16 released by the department.
12	<p>Indira Awaas Yojana (IAY) is a Centrally Sponsored Scheme being implemented in the State, with sharing pattern of 60:40 between Central Government and State Government. It was targeted to take up 64,362 houses in 2015-16.</p> <p>Budget provision: ₹ 437.40 crore</p>	<ul style="list-style-type: none"> • Amount released by GoI of ₹ 281.13 crore and State Government Share ₹ 187.42 crore during 2015-16 was shown as expended fully. • Though UCs were furnished by the AP State Housing Corporation for ₹ 468.55 crore, an amount of ₹ 18.21 crore was available with the bank. • As per outcome budget the completed houses were 39,417 against the target of 64,362 houses. Though 96.11 <i>per cent</i> of total funds were actually utilised, physical target was achieved to the extent of 61.24 <i>per cent</i> only.
Department of Consumer Affairs, Food and Civil Supplies		
13	<p>Deepam Scheme/ Distribution of LPG connection to women in rural areas/municipal areas.</p> <p>State Government introduced Deepam scheme during the year 1999 for distribution of LPG connections to BPL Women with a view to reduce the dependency on the Forest for firewood and to improve their health, remove drudgery due to conventional cooking.</p> <p>Budget provision: ₹ 78.60 crore</p>	<ul style="list-style-type: none"> • Government had released and incurred ₹ 78.60 crore during the year. • Against the target of 20 lakh LPG connections, Government could provide only 9.45 lakh connections during the year. • Though it was stated that the highest number of connections were provided during the year since inception of the scheme, by utilising 100 <i>per cent</i> of funds, physical target was achieved to an extent of 47.25 <i>per cent</i> only.
14	<p>Computerization of Targetted Public Distribution System Operations</p> <p>The main objective of the Scheme was to address the challenges such as leakages and diversion of the Food grains, fake and bogus ration cards, inclusion and exclusion errors, lack of transparency, weak grievance redressal & social audit mechanisms etc., and to ensure that only a genuine cardholder or his family member can purchase commodities and thus to eliminate withdrawal through bogus cards.</p> <p>Budget provision: ₹ one crore</p>	<ul style="list-style-type: none"> • The Scheme is being implemented with the Central and State assistance in the ratio of 50:50. • Apart from the initial provision of ₹ one crore, ₹ 25.58 crore was provided as additional funds¹³ in March 2016 and were adjusted to PD account on 31 March 2016 without giving scope for actual utilisation. • The scheme was not implemented during the year.

¹³Vide GO. Rt. No.277 dt:21.02.2016 (₹ 5 crore) and GO Rt. No.347 Dt: 04-03-2016 (₹ 20.58 crore)

2.4.1 SC and ST sub-plan

As per Government instructions¹⁴, all the Government departments should earmark at least a minimum of 17.08 per cent (excluding seven per cent non-divisible deemed allocation) and 6.6 per cent (excluding three per cent non-divisible deemed allocation) of the total Plan outlay in the budget exclusively for the development of Scheduled Castes and Scheduled Tribes respectively by designing schemes that would directly benefit the SCs/STs individually or as a community so as to improve the economic and social condition of the targeted groups.

Budget allocation and expenditure under Scheduled Castes Sub-Plan (SCSP) for SCs and Tribal Area Sub-plan (TSP) for STs, during the period 2015-16 are given in **Table 2.10**.

Table 2.10: Budget vis-à-vis expenditure under SCSP and TSP

(₹ in crore)

Total State Plan Budget	Scheduled Castes Sub-Plan(SCSP)				Tribal Sub Plan(TSP)			
	Budget for SCSP (original)	% of SCSP to Plan budget	Total Budget SCSP (O+S)	Expenditure	Budget for TSP (original)	%of TSP to Plan budget	Total Budget TSP (O+S)	Expenditure
34,412.47	5,470.13	15.9	6,236.10	5,187.34 (83.18 %)	1,686.60	4.9	1,949.26	1,749.07 (89.73 %)

Source: Appropriation Accounts, Statement of demand for grants, SC & ST sub-plan

As seen above, during 2015-16 State Government's allocation of Plan budget was 15.9 per cent under SCSP and 4.9 per cent under TSP, below the mandatory allocation of 17.08 and 6.6 per cent and utilisation was 83.18 per cent and 89.73 per cent only. Out of the balance unspent amounts of ₹ 1,048.76 crore (SCSP) and ₹ 200.19 crore (TSP), huge amounts of ₹ 1,027.55 crore and ₹ 165.83 crore were re-appropriated from SCSP and TSP, respectively, indicating under utilisation of the plan funds for the specified purpose.

2.5 Review of Selected Grants

To ascertain compliance with budgeting processes, utilization of funds, expenditure control mechanisms and implementation of schemes during the year 2015-16, two grants viz., Municipal Administration & Urban Development and Agriculture were selected for detailed audit scrutiny. Audit findings in this regard are discussed below.

2.5.1 Municipal Administration and Urban Development (Grant No.XVII)

This Grant is administered by the Municipal Administration and Urban Development Department (MA&UD).

2.5.1.1 Budget and Expenditure

The position of budget provision, actual expenditure and savings under this Grant for the year 2015-16 are given in **Table 2.11**.

¹⁴ Vide G.O.Ms.No. 9 Planning(XXII) department, Dated 23-02-2013

Table 2.11: Budget and expenditure under Grant No. XVII

Section	Budget Provision			Expenditure	Savings (-)/ Excess (+)	Amount surrendered
	Original	Supplementary	Total			
Revenue	2,565.61	1,679.65	4,245.26	2,676.99	-1,568.27	1,590.69
Capital	603.26	738.50	1,341.76	908.59	-433.17	433.17
Loans	0	0	0	1.12	+1.12	Nil
Total	3,168.87	2,418.15	5,587.02	3,586.7	-2,000.32	2,023.86

Source: Appropriation Accounts for the year 2015-16

During the year 2015-16, the unutilised budget provision/savings under Revenue section of the budget was 37 per cent and that of Capital section was 32 per cent. Loans to the tune of ₹ 1.12 crore was incurred without making any provision in the budget. The savings surrendered under Revenue Section was ₹ 22.42 crore more than the savings reported.

Detailed audit of Budget and expenditure under this Grant indicated that-

- i) Out of total savings of ₹ 2,000.32 crore, a major portion was from Plan schemes viz., Smart Cities, JNNURM works, Comprehensive Underground Sewerage scheme for Guntur Municipal Corporation and Storm Water Drainage Scheme in Vijayawada Municipal Corporation, etc. The savings were attributed to works not started for want of administrative sanctions and non-incurring of anticipated expenditure. Further, the entire corpus of ₹ 1,000 crore provided for Comprehensive Underground Sewerage Scheme for Guntur Municipal Corporation and Storm Water Drainage Scheme in Vijayawada Municipal Corporation was actually provided as supplementary grant and shown as saving. Thus it was evident that provisions were made without making actual assessment of fund requirement.
- ii) Out of Supplementary grants of ₹ 327.62 crore taken under this Grant for works under Swachha Bharat, National Urban Livelihood Mission and 14th Finance Commission releases, ₹ 203.72 crore was re-appropriated to other heads which showed failure to gauge the actual requirement by the department.
- iii) An amount of ₹ 385.61 crore was incurred in seven heads without budget provision.
- iv) Unnecessary re-appropriation of ₹ 1.36 crore was made for salaries depriving the budget to other heads in requirement of funds.
- v) Excess expenditure of ₹ 509.90 crore occurred during 2015-16 in 22 heads.
- vi) In respect of certain schemes/programmes/projects, although funds were provided as per Annual Plan, entire provision amounting to ₹ 1,323.72 crore was re-appropriated/surrendered on the last day of the financial year.
- vii) Funds in excess of ₹ 10 crore and also more than 50 per cent of total provision (₹ 1,391.85 crore) were surrendered in respect of 7 heads amounting to ₹ 1,118.35 crore.
- viii) Article 39 of APFC requires that expenditure should be evenly distributed throughout the year and effort should be made to avoid year end rush of expenditure during March. Expenditure during each of three quarters ending December 2015 was below 20 per cent of the total expenditure. While the percentage of expenditure in the last quarter was 59 per cent, the

expenditure in the month of March 2016 alone constituted 45 *per cent*, indicating rush of expenditure.

Programme implementation

Test-check of a few schemes showed the following:

2.5.1.2 Rajiv Awaas Yojana (RAY)

Rajiv Awas Yojana (RAY) launched in June 2011 envisages a “Slum Free India” with inclusive and equitable cities in which every citizen has access to basic civic and social services and decent shelter by the year 2022.

GoI and GoAP have released an amount of ₹39.57 crore (₹32.80 crore and ₹6.77 crore pertaining to 2014-15 and 2015-16 respectively) for RAY, out of which ₹4.89 crore has been released to Greater Visakhapatnam Municipal Corporation and Vijayawada Municipal Corporation¹⁵ for taking up Housing projects. Meanwhile, GoI launched (May 2015) ‘Housing for all’ scheme and RAY was subsumed to this scheme. Funds released during the previous year and current year were kept in PD Account of the Mission Director, Mission for Elimination of Poverty in Municipal Areas as RAY scheme was discontinued by Government of India. The Department stated that RAY scheme funds were yet to be transferred to ‘Housing for all’ which is being delayed due to non-receipt of Government orders.

2.5.1.3 National Urban Livelihood Mission (NULM) scheme

GoI introduced NULM w.e.f. 2014-15 and the ongoing Swarna Jayanti Shabri Rozgar Yojana was merged into NULM. The scheme aimed to reduce poverty and vulnerability of the urban poor households and provide shelter equipped with essential services to the urban homeless in a phased manner with a sharing pattern of 60:40 for 2015-16. The Mission Director, MEPMA is the nodal agency for implementing the NULM scheme in the state. During 2015-16 an amount of ₹119.79 crore was provided in the budget and ₹78.79 crore was incurred, surrendering ₹41 crore. In addition, an amount of ₹94.66 crore, pertaining to earlier years was also expended during 2015-16. However, the Department did not achieve the intended targets under subventions as shown in **Table 2.12**.

Table 2.12: Targets and achievements

Sub-mission	Targets	Achievements
Social Mobilization and Institutional Development (SM&ID)	10,02,026	8,37,573
Employment through skills Training and Placement (EST & P)	1,19,500	28,089
Self-Employment Programme (SEP)	8,320	5,060
Capacity Building and Training (CB&T)	407	218
Shelter for Urban Homeless (SUM)	20	17
Support to Urban Street Vendors (SUSV)	1,00,082	18,255
Total	12,30,355	8,89,212

¹⁵GVMC ₹ 2.89 crore on 07.08.2016 and VMC ₹ 2 crore on 11.09.2016

2.5.1.4 Utilisation of 14th Finance Commission Grants

As per para 6 of the GoI guidelines¹⁶ for utilisation of 14th FC funds, the grant recommended should be released to duly constituted local bodies i.e. a Panchayat or a Municipality where elections have been held and an elected Body is in place as provided in Part IX and IX A of the Constitution. Against the allocation of 14th FC Grants of ₹ 348.92 crore to Andhra Pradesh for the year 2015-16, ₹ 331.47 crore only was released by GoI duly cutting the grant of ₹ 17.45 crore as there were 11 Urban Local Bodies (ULBs) where elections were not held. Despite the stipulation, ₹ 105 crore was released to these 11 un-constituted ULBs¹⁷ by the State Government.

2.5.1.5 Utilisation of 13th FC Grants

i) Non-utilization of 13th Finance Commission grants - ₹ 414.26 crore

13th Finance Commission Grants have been released to the states with the objective of providing financial assistance to the Urban Local Bodies for taking up various activities in ULBs during the award period of commission (2010-11 to 2014-15). The time for utilisation of funds was extended up to 31 March 2016. The GoAP received ₹ 802.87 crore against the apportioned grant of ₹ 818.36 crore. Government expended only ₹ 388.61 crore during the award period and extended time period (2010-16). The entire unspent balance of ₹ 414.26 crore was parked in the PD Accounts of the 110 ULBs i.e. MCs/NPs/Municipalities in the state. Thus, the 13th FC Grants were incurred to an extent of 48 per cent only.

ii) Issue of Incorrect Utilisation Certificates to GoI

Utilisation Certificates (UCs) should be furnished by the State Government to the GoI with regard to the funds provided by the latter for implementation of various Socio Economic Development Programmes. In respect of 13th FC grants, the department has furnished UCs to the GoI for the entire amount of ₹ 802.87 crore received even though there is an unspent balance of ₹ 414.26 crore lying with the 110 ULBs as on 31 March 2016.

2.5.1.6 Capital Region Development Authority (CRDA)

i) Non- Utilization of GoI grant - ₹ 500 crore

GoI had released¹⁸ ₹ 500 crore in March 2015 towards construction of Raj Bhavan and Assembly in the new capital region of Andhra Pradesh. GoAP released¹⁹ the said funds to APCRDA at the fag end of the next financial year i.e. in March 2016. The APCRDA kept the funds unutilised (September-2016).

It was replied that the designs and master plans were not finalised and the bidding process for finalisation of tenders were in progress and, after finalisation of the same, the works would be taken up.

¹⁶ O.M. No.13 (32) FFC /FCD/2015-16, Government of India, Ministry of Finance, Department of Expenditure (Finance Commission Division) Dated 8th October 2015

¹⁷ G.O.Rt.No.1984 Fin.Dept.Dt.4-7-2015 and G.O.Rt No.47 Finance dept Dt. 13-01-2016

¹⁸F.No.K-44(5)PFI/2014-1606, MoF, Dept. of Expr.-Plan Finance-I Division Dt.31.3.2015

¹⁹GO.Rt.No.471/Finance Dept.Dt.19.3.2016 read with GO.Rt.No.137,MA&UD(CRDA) Dept. Dt.21.3.2016

ii) Shortfall in payment of Pension to Landless families in CRDA

The Government provides²⁰ pension of ₹ 2,500 per month per family for a period of 10 years to all families who became landless due to land acquisition for the Capital Region, out of the Capital Region Social Security Fund created for the purpose. Under the scheme, 23,500 landless families were identified as eligible for payment of the said pension. However, the APCRDA was paying monthly pension to 19,075 families only by incurring ₹ 55.73 crore, leaving a balance of ₹ 14.77 crore out of total released amount of ₹ 70.50 crore. Reasons for not covering the remaining 4,425 families were not furnished by the Department.

iii) Non-release of GoI funds under “Special Financial Assistance for creation of essential urban infrastructure for the new Capital Region” - ₹1,000 crore.

During the year 2014-15, GoI had released²¹ “one time Special financial assistance of ₹ 1,000 crore for creation of essential urban infrastructure for the new Capital Region” for implementing i) Comprehensive Underground Sewerage Scheme (CUGSS) in Guntur (₹ 540 crore) and ii) Comprehensive Storm Water Drainage Scheme (CSWDS) in Vijayawada (₹ 460 crore). Though the GoAP had released²² the said funds to nodal agency, Andhra Pradesh Urban Finance and Infrastructure Development Corporation (APUFIDC), during March, 2016 i.e. after a lapse of one year of receipt from GoI, the amount was not credited to APUFIDC account due to rejection of bills by Treasury. Thus, no expenditure was incurred during 2015-16.

2.5.1.7 Funds kept outside Government Account – ₹345.98 crore

As per article 3 of AP Financial Code, unless the amount is required to be paid for the services/work done, no amount shall be drawn from the Government Account.

Contrary to this, ₹ 345.98 crores relating to various schemes under APUFIDC (₹ 182.40 crore), Swachha Bharat (₹ 15.96 crore), PavalaVaddi (₹ 1.34 Crore), Rajiv AwasYojana (₹ 2.09 crore), National Urban Livelihood Mission (₹ 53.72 crore), National Urban Housing Mission (₹ 6.86 crore), Amaravati Metro Rail (₹ 4.01 crore), Amaravati Development Corporation (₹ 79.60 crore) etc. were withdrawn from PD accounts and deposited in various Bank accounts. This indicated that funds were drawn without requirement in violation of the provisions cited.

The APUFIDC replied that the funds were kept in separate Bank Account as per the instructions of Government only.

2.5.1.8 Non-obtaining of Utilization Certificates - ₹252.31 crore

Utilization Certificates should be furnished by the HoDs to the Government with regard to the funds provided by the latter for implementation of various socio-economic developmental programmes. Unless utilization certificates for the amounts released earlier are submitted by the institutions subsequent funds should not be sanctioned.

During the test-check of records, instances of non-submission of the UCs were noticed to the tune of ₹ 252.31 crore as of 31 March 2016 in respect of various schemes viz., Rajeev

²⁰As per Rule 5(3) of the AP Capital City LPS (F&I)Rules, 2015

²¹F.No.K-14012/16/2015-SC-I/UD-III(Pt.I), Dt.31.3.2015

²²vide G.O.Rt.No.470, Finance (FMU-I-I,EF,MA) Dept, Dt.19.3.2016 and G.O.Ms.No.67 MA&UD Dept, Dt.21.3.2016

Yuvakiranalu (₹ 14.10 crore), Rajeev Awas Yojana (₹ 4.88 crore), State Finance Commission Grants (₹ 117.60 crore) and Capital Region Social Security Fund (₹ 55.73 crore), which resulted in hampering the attainment of the objectives of the scheme funds and provides scope for mis-utilization/mis-appropriation/diversion of funds.

2.5.1.9 Release of budget at the fag end of the financial year - ₹1,418.48 crore

Audit of test-checked schemes showed that funds were released at the fag end of the financial year of 2015-16 giving no scope for utilisation of funds in the same year as given in **Table 2.13**.

Table 2.13: Funds released at the fag end of year

(₹ in crore)			
Sl.No	Name of the Scheme/HOD	Amount	Date of Budget Release
1	National Urban Livelihood Mission (NULM) – MEPMA	25.00	31.3.2016
2	State Finance Commission (SFC) – CDMA	50.09	23.3.2016
3	Construction of Rajbhavan, Assembly in New Capital Amaravathi - CRDA	500.00*	22.3.2016
4	Land pooling Scheme - CRDA	6.63	31.3.2016
5	Swachha Andhra Pradesh - SAC	82.50	29.3.2016
6	Water Supply Programmes - APMDP	291.66	26.3.2016 & 31.3.2016
7	AMRUT/Smart Cities - APUFIDC	462.60	19.3.2016 & 31.3.2016
	Total	1,418.48	

*Grant released by Govt. of India in the year 2014-15 (31 march 2015)

Release of funds at the fag end of the financial year is not only against prudent financial management but also against the codal provisions.

2.5.2 Agriculture (Grant No.XXVII)

The Department of Agriculture under the Ministry of Agriculture is responsible for formulating and implementing policies and programmes aimed at achieving rapid agricultural growth and development, including implementation of schemes like Farm Mechanisation, Polambadi, Polampilustondi & Chandranna Rythu Kshetralu, Integrated Micro Nutrient Management, Debt Relief to Farmers etc. Details are given in **Table 2.14**

Table 2.14: Budget and Expenditure

(₹ in crore)						
Section	Budget Provision			Expenditure	Savings (-)/ Excess (+)	Amount surrendered
	Original	Supplementary	Total			
Revenue	7,287.61	580.06	7,867.67	3,731.06	-4,136.61	4,054.70
Capital	74.20	25.71	99.91	54.34	-45.57	45.57
Total	7,361.81	605.77	7,967.58	3,785.40	-4,182.18	4,100.27

Detailed audit of Budget and expenditure under this Grant showed that-

a) As the expenditure fell short of even the original provision, the supplementary provision of ₹ 605.77 crore obtained in March 2016 proved unnecessary and could have been restricted to a token provision wherever necessary.

b) During the year 2015-16, the un-utilised budget provision/savings under Revenue section of the budget was 53 per cent and that under capital section was 46 per cent. The savings

surrendered under Revenue Section was 98 *per cent*.

c) Excess expenditure of ₹ 877.15 crore was incurred in 49 heads during 2015-16.

d) As per Rule 17.3.1 of the Budget Manual no expenditure should be incurred on a scheme/ service for which no provision has been made in the original Budget Estimates. However it was observed that an amount of ₹ 68.08 crore was incurred in six heads without budget provision.

e) In respect of seven schemes/programmes/projects, although funds were provided as per Annual Plan, the entire provision, amounting to ₹ 1,092.16 crore were re-appropriated/ surrendered on last day of financial year.

f) Article 39 of APFC requires that expenditure should be evenly distributed throughout the year and effort should be made to avoid year-end rush of expenditure during March. Expenditure during each of three quarters ending December 2015 was below 24 *per cent* of the total expenditure. While the percentage of expenditure in the last quarter was 47 *per cent* the expenditure in the month of March 2016 alone constituted 38 *per cent*, indicating rush of expenditure.

Review of Schemes:

Apart from the above, the Department is implementing some schemes. Some of them are implemented directly by State Government while some others are on a sharing basis with GoI. The following are the results of test-check of these schemes:

2.5.2.1 National Mission on Agricultural Extension & Technology

This is a Govt. of India flagship Scheme consisting four sub missions²³. Against the provision of ₹ 46.10 crore in 2015-16, an amount of ₹ 80.79 crore was incurred by re-appropriating ₹ 34.70 crore. Audit observed that ₹ 6.64 crore (four crore rupees in 2014-15 and ₹ 2.64 crore in 2015-16) released for Establishment of Pesticide Residue Testing Laboratory in Guntur District under “Sub Mission on Plant Protection and Plant Quarantine (SMPP)” has been lying idle in PD account and no such Lab was established till date (September 2016).

It was replied that the total amount of ₹ 6.64 crore would be utilised once the demarcation and alienation of the land was completed. This indicated that the provisions and releases were made without a plan of action.

2.5.2.2 National Mission for Sustainable Agriculture (NMSA)

An amount of ₹ 168.17 crore was provided for this programme and additional amounts of ₹ 367.43 crore were brought through re-appropriation. The entire amount of ₹ 535.60 crore was expended on this scheme.

For promotion of Organic Farming in the country, Govt. of India had initiated a New Scheme “Paramparagat Krishi Vikas Yojana (PKVY)” under “National Mission for Sustainable Agriculture (NMSA)” for helping the farmers in getting premium price for their organic products. The Govt. of India approved (June 2015) the proposal to cover 20,550 acres and

²³Sub Mission on Agriculture Extension (SMAE), Sub Mission on Seed & Planting Material (SMSP), Sub Mission on Agricultural Mechanization (SMAM) and Sub Mission on Plant Protection & Plant Quarantine (SMPP)

released an amount of ₹ 11 crore in August, 2015. Though GoI released the amount, the project could not be started as the Revised Annual Action Plan, submitted in January 2016 as per PKVY operational guidelines, was not yet approved by the GoI.

2.5.2.3 Agricultural and Horticulture Debt Redemption Scheme

Andhra Pradesh experienced a series of natural calamities during the years 2009-14, drought as well as un-seasonal rains/cyclones causing undue hardship to farming community, women SHGs, which mostly operated in the rural areas and whose members largely depended on agriculture. This has resulted in erosion of funds and activities of the SHGs got reduced drastically. This situation has ultimately lead to default in the repayment of the dues to the banks. The GoAP decided on redemption of the agricultural crop loans by paying the same to the bank on behalf of farmers, SHGs, handloom and power loom weavers.

An amount of ₹ 4,300 crore was provided in the budget (2015-16) for Agricultural Debt Redemption Scheme. An amount of ₹ 743.52 crore only was incurred and the remaining ₹ 3,557.68 crore was re-appropriated to other heads. No funds were provided under Horticulture Debt Redemption Scheme during the year 2015-16.

Further scrutiny of the records showed that out of ₹ 743.52 crore, funds of ₹ 375 crore were adjusted in PD Account of Rythu Sadhikara Samstha at the fag end of the year. As these funds were meant for waiving the agricultural crop loans given to the farmers, women SHGs and handloom & power loom weavers, depositing of funds at the fag end of the financial year was not in order as the executing departments could not utilize the said funds within the targeted period and for the purpose for which it was allotted.

2.5.2.4 Rashtriya Krishi Vikas Yojana (RKVY)

The state Government proposed to give major thrust to farm mechanization as the availability of farm labour and escalated labour cost became major concerns of the present day farming. As per the requirement of the farmers, equipment such as Tractors, Tillers, Custom Hiring Centers for High Cost Machinery like Multi Crop Threshers, Maize Sheller, Rotovators and Combine Harvesters etc., are to be made available with the subsidy up to 50 per cent, not exceeding ₹ 50,000 under the programme. It is also proposed to supply seeds to all the categories of farmers to facilitate them to buy quality seeds with 50 per cent subsidy (limited to the farmers having two hectares of Land).

In addition to the original provision of ₹ 175.46 crore made in the budget 2015-16 to implement RKVY projects, an additional amount of ₹ 150.63 crore was provided through re-appropriation and finally an expenditure of ₹ 326.10 crore was incurred. Audit observed that ₹ 13.77 crore relating to financial year 2014-15, and ₹ 2.14 crore pertaining to financial year 2013-14 under RKVY were still lying in PD account²⁴. The Department stated that the amount of ₹ 13.77 crore was reported to the Govt. for its revalidation and orders in this regard were still awaited. As the PD account comes under C Deposits²⁵, the department's requisition for revalidation was not in order.

²⁴No.63/APSHQTof SAMETI at Hyderabad

²⁵Deposits under this category lapse at the end of next financial year

Further, ₹20 lakh from these funds were diverted for establishment of Kuppam Regional Institute for Sharing Horticulture information (KRISHI) and Harmonised Information of Agriculture, Revenue and Irrigation for Transformation Agenda (HARITA) during 2015-16. The diversion of funds meant for a particular scheme resulted in non-achievement of the targets to that extent.

2.5.2.5 National Horticulture Mission

With a view to boosting Horticulture Production Govt. of India launched Mission for Integrated Development of Horticulture (MIDH) under National Horticulture Mission (NHM) with emphasis to create Pack Houses, Cold Storages, Drying Platforms, Centre of Excellence and Ripening Chambers etc. on the basis of 60:40 ratio between GoI and State of AP.

a) The Annual Action Plan was re-fixed at ₹119.16 crore (Central Share of ₹71.50 crore and State Share of ₹47.66 crore). During the year 2015-16, Govt. of India released ₹54.35 crore and the State released ₹35.75 crore. Thus, the Central Share of ₹17.15 crore and State Share of ₹11.91 crore was not released during the year, hindering the achievement of targets.

b) Delayed finalisation of Revised Action Plan under MIDH Scheme

The Commissioner of Horticulture had released (September, 2015) an amount of ₹25.63 crore under MIDH for establishment of New Gardens (Fruits), Hybrid Vegetable Productions, Loose Flower Cultivation, Rejuvenation, Horticulture Mechanisation etc. For inter conversion of certain components under MIDH, a revised Action Plan was finalised (February 2016) with additional amount of ₹10.61 crore. The Assistant Directors were directed to obtain administrative sanction from the respective District Collectors and implement the programme as per guidelines of MIDH and also complete the works (both Physical and Financial) before March 2016. However, results of implementation before 31 March 2016 were not forthcoming from records made available to audit. In spite of availability of funds, the scheme could not be started leading to non-achievement of intended objectives.

c) Parking of funds in Savings Accounts

As per APFC, PD accounts are created for discharging liabilities of the Government by debit to the Consolidated Fund. However, it was observed that the funds were being transferred to various Savings Bank Accounts. An amount of ₹3.19 crore accrued as interest for the year 2015-16 under these Savings Accounts. Further, separate savings bank account²⁶ was being maintained for Interest income in which Opening Balance was shown as ₹20.45 crore as on 01 April 2015 under the scheme Andhra Pradesh Micro Irrigation Project (APMIP). The Department stated that the accrued interest was being carried forward and used for miscellaneous expenditures. Evidently, instead of utilising the amounts released by the Government for implementation of various schemes, the department resorted to parking of the funds in Saving Bank Accounts and earning interest against the norms.

²⁶ Account No 117910011002502

2.6 Errors in budgeting process

Over the years, errors/lapses in classification of receipts and expenditure in budget and thereby in accounts, were brought to the attention of the State Government for rectificatory action. While Government took corrective action in certain cases, in some areas omissions/errors continued to figure in budget/accounts during 2015-16 also. Major instances in this regard are detailed below.

2.6.1 No Provision in Budget Estimates under Subventions from Central Road Fund

Subvention from Central Road Fund is released to the State by GoI for road development works. These amounts are to be transferred to Major Head 8449-Other Deposits-103-Subvention from Central Road Fund by debit to MH 3054-Roads and Bridges-797-Transfers to Reserve Fund-Deposit Account. Although provision for transfer of grant received is required to be made every year in the budget, this was not done. During the year 2015-16 an amount of ₹ 176.75 crore was stated to be met from the fund account and reason for ₹(-)181.97 crore expenditure under Capital Outlay on Roads and Bridges was not explained.

2.6.2 Non-incorporation of correction slips

The Controller General of Accounts, vide correction slips²⁷ to list of Major and Minor Heads of Account, has instructed to book the expenditure on 'Maintenance and Repairs' under two distinct sub-heads viz., 'Other Maintenance' and 'Work Charged Establishment' below Minor Head 053 under the Major Heads 2059-Public Works, 2216-Housing, 2700-Major Irrigation, 2701-Medium Irrigation, 2702-Minor Irrigation and 3054-Roads and Bridges.

The State Government continued to exhibit these items at Sub-detailed Head level i.e., 272 and 273 below Detailed Head 270-Minor Works, instead of at Sub Head level.

2.6.3 Misclassification in budget estimates

a) As per Standard Object of expenditure (Detailed Heads of Account) given in Budget Manual, the Detailed Head of account 520-Machinery and Equipment, which is to be operated under Capital section, was classified in Revenue section and ₹188.35 crore was provided under 21 grants during 2015-16.

b) While the detailed head 270-Minor Works is to be operated under Revenue section, the head was classified in Capital section of the Grants and ₹502.17 crore was provided for during 2015-16.

c) It was seen that same sub-heads with different nomenclature were being operated under both Plan and Non-Plan Heads, which led to clubbing of different schemes under one sub-head. (Illustrative cases are shown in **Appendix 2.11**).

d) The Detailed Head-330 is to be operated for subsidies, contrary to this, subsidies to the tune of ₹103.30 crore were provided under Detailed Head 310 – Grants in Aid.

e) An amount of ₹ 35 crore was sanctioned through supplementary provision to 'Andhra Pradesh Brahmin Welfare Corporation Limited' in March 2016 under Endowments Grant. As the assistance was given by Government for welfare of a recognized group, the budget and expenditure were to be classified under Welfare Grants only and not under Religious Endowments grant.

²⁷ No. 382, 383 dated 23 November 2000 and Correction slips No.508,509,510 dated 13 May 2004

2.6.4 Operation of un-authorized Sub Major Head/Minor Heads

The Sub Major Head 01 and all the Minor Heads operated thereunder below MH 2501-Special Programme for Rural Development are no longer in operation and have been deleted in 2003. However, the Sub Major Head 01 continued to be operated. Although Government had assured in November 2015 that necessary action would be taken to discontinue the operation of this unauthorized Sub Major Head, the same continued to be in operation.

2.6.5 Opening of new sub-heads

As per Article 150 of the Constitution, read with Section 21 of DPC Act 1971, the State Government have to take prior concurrence of the AG (A&E) before opening any new Sub-head. However, the State Government had not followed the above procedure leading to operation of the same sub-head code for two different schemes under the existing sub-head. A list of new sub-heads opened without the prior concurrence of Accountant General (A&E) in 2015-16 is given in **Appendix 2.12**

2.7 Conclusion

Sound financial management require advance planning and accurate estimation of revenues and expenditure. There were instances of incurring excess expenditure or substantial savings with reference to provisions made during the year, exhibiting weakness in expenditure monitoring and control. The overall excess expenditure during the year 2015-16 accounted for ₹20,481.10 crore (15.20 per cent of budget provision including Supplementary grants) which was the result of saving of ₹16,375.88 crore under some of the Heads of Account, offset by an excess of ₹36,856.98 crore in other Heads. Thus, the supplementary provision approved by Legislature aggregating to ₹21,143.05 crore proved to be insufficient by ₹20,481.10 crore over a total required provision of ₹41,624.15 crore.

Excess expenditure over the allocation amounting to ₹16,816.21 crore pertaining to the years from 2004-05 to 2014-15 was yet to be regularized as of November 2016. Explanatory Notes by the concerned Administrative departments/Finance department are yet to be furnished. The excess expenditure incurred during the year 2015-16 was ₹36,856.98 crore.

Excessive/unnecessary/inadequate re-appropriation of funds were also observed. Re-appropriations to heads where original provisions were not made, etc. have been noticed which showed lack of coordination between Finance and the line departments. Scrutiny of re-appropriation orders issued by the State Government during the year 2015-16 showed that out of 10,435 items of re-appropriations made, specific reasons were not intimated in respect of 8,897 items (85.26 per cent).

Contrary to norms, lumpsum provisions of ₹4,650 crore were made for salaries and the entire amount was re-appropriated resulting in huge savings in most of the Grants.

Detailed scrutiny of selected Grants showed that several schemes could not be implemented due to non-finalisation of action plans, guidelines etc.

Unrealistic budgetary allocations resulting in substantial savings, unnecessary supplementary grants, expenditure incurred without provisions, incorrect re-appropriations point to poor budget management.

