

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.

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 approach² was prescribed for budget preparation in the APBM according to which the requirement of funds would be 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 statements³ and presents in the Legislature for approval.

2.1.2 Financial Accountability and Budget Management

Appropriation Accounts reveal 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 provisions⁴ of the Constitution is so charged. It also ascertains whether the expenditure so incurred is in conformity with the relevant laws, rules, regulations and instructions.

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

² Estimates will be prepared from DDO level to CCO level.

³ Demands for grant, Public Account, Guarantees, Debt and Liabilities etc.,

⁴ Article 202 of the Constitution of India

2.2 Summary of Appropriation Accounts

The summarized position of actual expenditure during 2016-17 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 2016-17

(₹ in crore)									
	Nature of expenditure	Original grant/ Appropriation	Supplementary grant/ Appropriation	Total	Actual Expenditure	Saving(-)/ Excess (+)	Amount surrendered	Amount surrendered on 31 March 2017	Percentage of savings surrendered by 31 March (Col.7/ Col.6)
	1	2	3	4	5	6	7	8	9
Voted	Revenue	1,03,853.36	21,406.57	1,25,259.93	1,10,777.02	-14,482.91	14,923.38	14,587.47	103.04
	Capital	15,405.02	6,612.69	22,017.71	15,458.40	-6,559.31	6,554.97	6,191.92	99.93
	Loans and Advances	578.59	196.32	774.91	563.17	-211.74	211.03	211.02	99.66
Total Voted		1,19,836.97	28,215.58	1,48,052.55	1,26,798.59	-21,253.96	21,689.38	20,990.41	102.05
Charged	Revenue	12,310.38	18.45	12,328.83	11,749.13	-579.70	568.54	568.54	98.07
	Capital	26.97	14.88	41.85	27.14	-14.71	14.67	14.67	99.73
	Public Debt Repayment	5,554.24	27,654.16	33,208.40*	34,776.54	1,568.14	110.38	110.38	7.04
Total Charged		17,891.59	27,687.49	45,579.08	46,552.81	973.73	693.59	693.59	71.23
Appropriation to Contingency Fund		Details are given under the para 2.3.8							
Grand Total		1,37,728.56	55,903.07	1,93,631.63	1,73,351.40	-20,280.23	22,382.97	21,684.00	110.37

Source: Appropriation Accounts for 2016-17 compiled by O/o PAG(A&E), AP

Note: i) During the year, supporting vouchers were not made available for an expenditure of ₹ 2,062.26 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 ₹ 0.12 crore. iii) In the absence of Detailed Contingent bills in support of ₹ 142.13 crore drawn on Abstract Contingent bills during 2016-17, the genuineness of the expenditure cannot be substantiated to that extent. * Includes Ways and Means Advances of ₹ 29,154 crore.

The overall saving of ₹ 20,280.23 crore (10.47 per cent of budget provision) was the result of saving of ₹ 21,967.06 crore in 38 grants and eight appropriations under Revenue Section, 29 grants and three appropriations under Capital Section and eight grants under Loans Section, partially offset by an excess of ₹ 1,686.83 crore in two grants under Revenue Section and two grants under Capital Section and one appropriation (Public Debt) under Loans Section.

In view of the above, supplementary provision aggregating ₹ 55,903.07 crore proved to be excessive by ₹ 20,280.23 crore over actually required amount of ₹ 35,622.84 crore.

The total savings were ₹ 21,967.06 crore, however an amount of ₹ 22,382.97 crore was surrendered during the year 2016-17, of which ₹ 21,684.00 crore (99.88 per cent) was surrendered on the last day of the year i.e. 31 March 2017.

2.3 Appropriation vis-à-vis allocative priorities

2.3.1 Excess expenditure

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

Excess expenditure over budget provision of ₹ 1,686.82 crore, occurred in four grants and one appropriation during the year which requires regularisation under Article 205 of the Constitution. Cases where expenditure exceeded budget during the year 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 (PDC)	33,208.40	34,776.54	1,568.14	Specific reasons for excess were not intimated by Government
2	XI	Roads, Buildings and Ports (RV)	1,175.22	1,284.20	108.98	
3	XIV	Technical Education (CV)	36.60	45.50	8.90	
4	XXIX	Forest, Science, Technology and Environment (CV)	0.65	1.40	0.75	
5	XL	Public Enterprises (RV)	1.48	1.53	0.05	
		Total	34,422.35	36,109.17	1,686.82	

Source: Appropriation Accounts 2016-17; RV-Revenue Voted; CV-Capital Voted; PDC-Public Debt Charged

2.3.1.1 Persistent Excess

Excess expenditure occurred in two grants and one appropriation during both the financial years 2015-16 and 2016-17. Details are given in **Table 2.3:**

Table 2.3: Grant/appropriation with persistent excess during 2015-17

(₹ in crore)			
Sl.No.	No. and Name of the Grant/Appropriation	Amount of Excess	
		2015-16	2016-17
1	IX-Fiscal Administration, Planning, Surveys and Statistics (PDC)	33,357.36 [#]	1,568.14
2	XI- Roads, Buildings and Ports (RV)	120.97	108.98
3	XXIX-Forest, Science, Technology and Environment (CV)	0.61	0.75
	Total	33,478.94	1,677.87

Source: Appropriation Accounts 2016-17 and 2015-16; RV-Revenue Voted; CV-Capital Voted; PDC-Public Debt Charged

[#] Includes Ways and Means of Advance ₹31,603 crore.

2.3.1.2 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 ₹1,053.38 crore was incurred in eight cases (₹ 10 crore and above in each case) without budget provision as detailed in **Table 2.4.** 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, which undermined the sanctity of budgeting process and legislative control.

Table 2.4: Expenditure without budget provision during 2016-17

(₹ in crore)				
Sl. No	No. and Name of the Grant	Head of Account and name of the scheme	Re-appropriation	Expenditure
1	IX-Fiscal Administration, Planning, Surveys and Statistics	2071-01-115-14 Leave encashment amount allocable between successor States of Andhra Pradesh and Telangana	131.53	131.53
2	IX-Fiscal Administration, Planning, Surveys and Statistics	2071-01-115-24 Leave encashment amount allocable to successor State of Andhra Pradesh	21.59	272.03
3	IX-Fiscal Administration, Planning, Surveys and Statistics	2071-01-800-24 Medical reimbursement of all types of pensioners-Allocable to successor State of Andhra Pradesh	72.25	72.25
4	XXXI-Panchayat Raj	2215-01-102-12-10 Installation of Community Purification Plants	42.52	42.52
5	XVII-Municipal Administration and Urban Development	2217-80-800-11-08 Capital Region Social Security Fund	35.25	35.25
6	XI-Roads, Buildings and Ports	3054-04-797-11-04 Subvention From Central Road Fund	80.00	347.17
7	XI-Roads, Buildings and Ports	5054-04-800-29 Construction of Roads and Bridges connecting Agricultural Fields under A.P. Rural Development Fund (45%)	132.33	132.33
8	XVII-Municipal Administration and Urban Development	6217-03-190-11-04 Loans to Township & Infrastructure Development Corporation Ltd(APTSIDCO)	20.00	20.00
	Total		535.47	1,053.08

Source: Appropriation Accounts 2016-17

2.3.1.3 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 2017, excess expenditure over the allocation amounting to ₹ 53,673.19 crore pertaining to the years from 2004 to 2016 was yet to be regularized (**Appendix 2.1**). Explanatory Notes by the concerned Administrative Departments/Finance Department are yet to be furnished.

Government assured that action would be taken to regularise the excess expenditure for the years 2014-15 to 2016-17.

The cases of excess expenditure over grants are serious matter and are in violation of the will of the Legislature. It is important that responsibility is fixed in this regard to discourage this practice.

2.3.2 Savings

During the financial year 2016-17, appropriation audit showed that, in 20 grants, saving (₹ 6,108.99 crore) exceeded ₹ 100 crore and also by more than 20 per cent of total provision in

each case, constituting 27.81 per cent of total savings (₹ 21,967.05 crore) (**Appendix 2.2**).

Of these, saving of ₹ 3,241.47 crore (14.76 per cent of total saving) occurred in four cases exceeding ₹ 500 crore and more than 20 per cent of the outlay in each case, as indicated in **Table 2.5**. This raises questions about the validity and reliability of assumptions in budget formulation.

Table 2.5: Grants with substantial savings

Sl. No	Grant No.	Name of the Grant/ Appropriation	Total Grant	Expenditure	Savings	Percentage of savings		Reasons for savings during 2016-17
						2015-16	2016-17	
Revenue Voted								
1	XVIII	Housing	1,186.64	456.95	729.69	-	61.50	Savings of ₹ 670.93 crore were mainly due to non-receipt of requisition from unit offices and non-filling up of vacancies. Reasons for remaining savings were not intimated.
2	XXV	Women, Child and Disabled Welfare	2,017.08	1,469.75	547.33	15.60	27.13	Savings of ₹ 28.50 crore were mainly due to non-starting of works for want of administrative orders, late receipt of orders for further continuation of contract employees, non-filling up of vacancies and non-hiring of private vehicles. Reasons for remaining savings were not intimated.
Capital Voted								
3	IX	Fiscal Administration, Planning, Surveys and Statistics	705.30	178.97	526.33	82.24	74.62	Savings of ₹ 501.32 crore were mainly due to non-starting of works for want of administrative orders. Reasons for remaining savings were not intimated.
4	XVII	Municipal Administration and Urban Development	1,868.66	430.54	1,438.12	32.28	76.76	Savings of ₹ 305.00 crore were mainly due to non-starting of works for want of administrative orders and non-taking up of works under AP Mahila Sadhikara Samstha (APMSS) and Mahatma Gandhi National Rural Employment Guarantee Act. Reasons for remaining savings were not intimated.
Total			5,777.68	2,536.21	3,241.47			

Source: Appropriation Accounts 2016-17

In addition to the above, though the savings were less than 20 *per cent*, it was more than ₹ 1,000 crore in four Grants as shown in **Table 2.6:**

Table 2.6: 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 (RV)	1,544.71	Savings of ₹ 19.23 crore were mainly due to non- starting of works for want of administrative orders, late receipt of orders for further continuation of contract employees, non-filling up of vacancies, non-hiring of private vehicles and non- incurring of expenditure on rents, rates and taxes. Reasons for remaining savings were not intimated.
2	XII	School Education (RV)	2,561.66	Savings of ₹ 113.60 crore were mainly due to non- starting of works for want of administrative orders, late receipt of orders for further continuation of contract employees and non-receipt of requisition from unit offices. Reasons for remaining savings were not intimated.
3	XXXII	Rural Development (RV)	2,238.41	Reasons for savings were not intimated
4	XXXIII	Major and Medium Irrigation (CV)	1,996.07	

Source: Appropriation Accounts 2016-17; RV: Revenue Voted; CV: Capital Voted

2.3.2.1 Persistent Savings

There were savings of more than 20 *per cent* of the total grant/appropriation in 13 cases (exceeding ₹ 20 crore in each case) during last two years. The details are given in **Table 2.7**

Table 2.7: Grant/appropriations with persistent savings during 2015-17

(₹ in crore)

Sl.No.	No. and Name of the Grant/Appropriation	Amount of Saving	
		2015-16	2016-17
Revenue Voted			
1	XXXVI-Industries and Commerce	306.05	351.87
2	XXXVII-Tourism, Art and Culture	89.30	151.73
Capital Voted			
3	V-General Administration and Elections	101.06	141.82
4	IX-Fiscal Administration, Planning ,Surveys and Statistics	411.22	526.33
5	X-Home Administration	120.07	133.89
6	XVII-Municipal Administration and Urban Development	433.17	1,438.12
7	XXI-Social Welfare	63.91	343.70
8	XXII-Tribal Welfare	60.70	89.09
9	XXIV-Minority Welfare	23.00	84.70
10	XXV-Women, Child and Disabled Welfare	53.24	125.54
11	XXVIII-Animal Husbandry and Fisheries	35.98	55.51
12	XXXVI-Industries and Commerce	102.85	123.53
13	XXXVII-Tourism, Art and Culture	35.76	28.64

Source: Appropriation Accounts 2016-17

State Government attributed persistent savings to non- starting of works for want of administrative orders, non- receipt of requisition from unit offices, non-filling up of vacancies, non-hiring of private vehicles, non- finalization of Infrastructure creation plan etc.

2.3.3 Unnecessary/Inadequate/Excessive Supplementary provision

Supplementary provision aggregating ₹ 3,515.74 crore obtained in 38 cases (₹ one crore or more in each case) during the year proved unnecessary as the actual expenditure (₹ 70,214.23 crore) did not match up to the level of even original provision (₹ 79,464.24 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 ₹ 24,682.94 crore proved excessive by ₹ 7,455.37 crore over the actually required amount of ₹ 17,227.57 crore in 19 cases under 19 grants (one crore or more in each case) as detailed in **Appendix 2.3(a)**. In two cases, supplementary provision of ₹ 27,699.30 crore proved insufficient, by more than hundred crore rupees in each case, leaving an aggregate excess expenditure of ₹ 1,677.12 crore as detailed in **Appendix 2.3(b)**. Significant cases of un-necessary/insufficient/excessive supplementary provision in various Departments are given in **Table 2.8**:

Table 2.8: Unnecessary/Excessive/ Insufficient Supplementary Provision

(₹ in crore)					
Sl. No.	No. and Name of the Grant	Original Provision	Actual Expenditure	Saving (-)/ Excess(+)	Supplementary Provision
Unnecessary Supplementary Provision					
1	IX Fiscal Administration, Planning, Surveys and Statistics(RV)	20,658.63	19,149.21	-1,509.42	35.30
2	IX Fiscal Administration, Planning, Surveys and Statistics (CV)	670.94	178.97	-491.97	34.36
3	XII School Education(RV)	17,356.12	14,929.97	-2,426.15	135.51
4	XVII Municipal Administration and Urban Development(CV)	1,784.86	430.54	-1,354.32	83.80
Excessive Supplementary Provision					
5	XVII Municipal Administration and Urban Development (RV)	2,902.3	4,567.67	1,665.37	2,327.33
6	XXXII Rural Development (RV)	10,433.77	1,2831.16	2,397.39	4,635.80
7	XXXIII Major and Medium Irrigation (CV)	6,590.83	8,260.19	1,669.36	3,665.43
8	XXXV Energy, Infrastructure and Investment (RV)	3,770.52	11,605.43	7,834.91	8,349.00
Insufficient Supplementary Provision					
9	IX Fiscal Administration. Planning, Surveys and Statistics (PDC)	5,554.24	34,776.54	29,222.30	27,654.16*

Source: Appropriation Accounts 2016-17; RV: Revenue Voted, CV: Capital Voted, PDC: Public Debt Charged

*As noticed from accounts, the entire portion (₹ 27,654 crore) of supplementary provision under the head 'Public Debt Charged' was taken towards 'repayment of Ways and Means Advances/ Special Drawing Facility'.

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 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 2016-17 excessive/unnecessary/inadequate re-appropriation of funds occurred in 24 cases which resulted in either non-utilisation of funds or excess utilization of funds over provision by ₹10 crore 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 10,041 items of re-appropriations made, specific reasons were not intimated in respect of 8,503 items (84.68 per cent).

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 222 sub-heads amounting to ₹4,697.32 crore. These surrenders included hundred per cent surrenders (₹3,398.15 crore) under 11 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 savings and incurring expenditure subsequently by the controlling officers, results in surrender in excess of the overall saving in a grant/appropriation. In 12 cases, the amount surrendered (₹ 50 lakh or more in each case) was in excess of actual savings indicating lack of/inadequate budgetary control and monitoring in these Departments. Against the savings of ₹ 4,574.55 crore, the actual amount surrendered was ₹ 5,398.59 crore, resulting in excess surrender of ₹ 824.04 crore as detailed in *Appendix 2.6*.

In two cases, surrender of ₹ 268.56 crore proved injudicious in view of eventual excess expenditure under these grants at the closure of the financial year, as shown in **Table 2.9**.

Table 2.9: Cases of injudicious surrenders

(₹ in crore)					
Sl. No	No. and Name of the Grant or appropriation	Total Grant/ Appropriation	Expenditure	Excess	Amount Surrendered
1	IX Fiscal Administration, Planning, Surveys and Statistics (PDC)	33,208.40	34,776.54	1,568.14	110.38
2	XI Roads, Buildings and Ports(RV)	1,175.22	1,284.20	108.98	158.18
	Total	34,383.62	36,060.74	1,677.12	268.56

Source: Appropriation Accounts 2016-17; PDC: Public Debt Charged; RV: Revenue Voted

2.3.5.3 Savings not surrendered

At the end of the year 2016-17, there were three appropriations in which savings of ₹ 11.18 crore occurred but no part of it had been surrendered by the departments concerned (**Appendix 2.7**). Similarly, out of the savings of ₹ 705.43 crore under six grants and two appropriation, saving (₹ five crore and above in each case) amounting to ₹ 397.16 crore were not surrendered (**Appendix 2.8**).

Besides, in 64 cases, ₹ 21,626 crore (98.45 per cent of total savings of ₹ 21,967 crore) were 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.

Government replied that necessary instructions have been given to all Administrative departments/ CCOs so that such instances are not repeated in future.

2.3.6 Expenditure on Salaries – Lumpsum provisions

Paragraph 13.12 of the APBM stipulates that lumpsum provision should not as a rule be made in the budget estimates. However, lumpsum provision of ₹ 500.00 crore was made in the budget towards salaries and rent, rates and taxes and the entire amount, i.e., 100 per cent of the provision remained unutilized at the end of the year. The details in this regard are shown in **Table 2.10**:

Table 2.10: Lumpsum provision

(₹ in crore)				
Sl. No.	No. and Name of the Grant	Head of Account	Budget Provision	Amount Surrendered
1	IX-Fiscal Administration, Planning, Surveys and Statistics	2052-00-90-75-Lumpsum provision towards Salaries and Rents, Rates and Taxes	500.00	500.00

Source: Appropriation Accounts 2016-17;

Further, test check in Audit showed that while incurring expenditure for salaries, there were instances where: a) expenditure was not incurred though provision were made; b) excess Expenditure incurred over and above the provisions made c) entire provision was re-appropriated. This indicated 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 expenditure in last quarter accounted for 27 per cent, it was noticed that in 19 Major Heads, the last quarter's 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 9 to 100 per cent (in 18 cases) during the year 2016-17.

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 2016-17, sanctions (16) amounting to ₹1.01 crore were issued by Government. An amount of ₹0.87 crore was met from sanctions, out of which ₹0.75 crore was recouped to the Fund, leaving a sum of ₹0.12 crore (₹12,19,445) as un-recouped, the details of which are given in **Table 2.11**.

Table 2.11: Un-recouped amount of the Contingency Fund of the State

			(in ₹)
Sl. No	No. and Name of the Grant	Classification	Amount
1	X- Home Administration	2055- Police: 109-District Police(Non Plan Charged)	4,30,094
2	XX- Labour and Employment	4250-Capital Outlay on Other Social Services: 203- Employment	7,89,351
		Total	12,19,445

Source: Appropriation Accounts 2016-17

2.3.9 Diversion of Central Market Committee Funds - ₹ 11.00 crore

The funds of the Central Market Committee should be applied as per approved Annual Budget in accordance with section 86-C of AP Agriculture and Live Stock Market Rules 1969. An amount of ₹11.00 crore was diverted for implementing the State Government Programme 'Neeru Meeru'⁵ and the amount was shown as due at the end of 31 March 2017 to the Central

⁵ Neeru Meeru is a State Government programme for conservation of water

Market Committee Fund. Diversion from the funds operated outside Consolidated fund of the State for a State Government programme results in accumulation of the liabilities on the Consolidated Fund of the State and the expenditure escapes the Vote of the Legislature. The recoupment particulars for ₹ 11.00 crore to Central Market Committee were not made available.

2.3.10 Revalidation of Government Orders

Test check of GOs revealed that while issuing orders (January 2017) to revalidate the various GOs issued during 2015-16 for an amount of ₹ 56.13 crore on spillover works, the PR & RD (Progs.I) Department has not taken the concurrence of the Finance department.

2.3.11 Major works

As noticed from Budget and expenditure, more than ₹ 10 crore was provided for major works in respect of 75 cases. Against the total provision of ₹ 8,584.55 crore in these cases, ₹ 3,978.21 crore (46.34 per cent) only was utilized leaving an amount of ₹ 4,606.34 crore (53.66 per cent) as unspent. This resulted in non-incurring of Capital Expenditure and thereby, in re-appropriation/surrender of provisions made.

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 schemes are Centrally Sponsored Schemes for which sharing pattern was defined whereas other schemes are State owned schemes. Audit observed the following aspects, as detailed in **Table 2.12**, in respect of funds relating to Centrally Sponsored Schemes:

Table 2.12: Release of funds relating to Centrally Sponsored Schemes

(₹ in crore)

Sl. No.	Details of schemes	Release from GoI	Releases as per BROs	Remarks
1	NSAP ⁶ (₹ 462.26 crore), National Cyclone Risk Mitigation Programme (₹ 107.86 crore), Road Transport and Highways (₹ 385.98 crore), Capital City (₹ 450 crore), Backward Regions Grant fund (₹ 350 crore) and others (₹ 216.55 crore)	1,972.65	0	Though the amount was received from GoI, the same was not released to implementing agencies. Non release of funds resulted in tardy implementation of the schemes. Government replied that the amounts would be transferred in the financial year 2017-18.
2	Nutritious Meals Programme (₹ 160.29 crore), Swachha Bharat (₹ 168.63 crore) and others (₹ 1,287.21 crore)	3,835.03	2,219.30	Balance amount of ₹ 1,615.73 crore was not released.

⁶ National Social Assistance Programme

Sl. No.	Details of schemes	Release from GoI	Releases as per BROs	Remarks
3	Solid Waste Management (₹ 185.97 crore), RMSA (₹ 163.80 crore), Tuition fee under Social Welfare (₹ 161.63 crore) and others (₹ 275.33 crore)	0	786.73	The GoI had not released the funds. However, an amount of ₹ 786.73 crore was released to implementing agencies from State's own funds. An expenditure of ₹ 683.10 crore was booked under these heads for the financial year 2016-17. Reasons for non-release of funds by GoI were not intimated.
4	MGNREGA (₹ 980.29 crore), Modernisation of Police Force (₹ 125.86 crore) and others (₹ 198.96 crore)	4,211.17	5,516.28	An amount of ₹ 1,305.11 crore was released in excess of the actual receipt from GoI. An expenditure of ₹ 4,621.55 crore was booked under these heads for the financial year 2016-17. Reasons for incurring excess expenditure as well as sources from which the State's own funds diverted were not made available.
5	Release of funds on advance/reimbursement basis	0	1,093.34 (₹ 843.34 crore for MGNREGA and ₹ 250 crore for Nirmal Bharat Abhiyan).	The details regarding adjustment/ recoupment of the amounts to the Consolidated fund of the State by the end of March 2017 were not made available.

2.4.1 Other Major Policies

Some of the major policy initiatives/schemes outlined in the budget speech/annual plan for the year 2016-17 were scrutinized in audit on a test-check basis to verify the status of their implementation. Significant audit findings in this regard are given in **Table 2.13:**

Table 2.13: Major policy initiatives under Plan schemes

(₹ in crore)

Sl.	Scheme and objective	Status of implementation
Social Welfare		
1	<p>Economic Support Schemes APSCCFC⁷ (Nodal Agency) implements Economic Support Schemes with the funds transferred by the Social Welfare department with an objective to provide financial assistance in the form of subsidy for creation of income generating assets.</p> <p>Budget provision: ₹ 461crore</p>	<ul style="list-style-type: none"> • During 2016-17, the Corporation had received ₹460 crore. Out of total available funds of ₹929 crore (including opening balance of ₹469 crore), an amount of ₹450 crore remained unutilised as on 31 March 2017. However, Appropriation Accounts for 2016-17 showed that the entire budgeted amount of ₹460 crore was spent. • As against the physical target of 42,181 beneficiaries, only 8,681 beneficiaries (21 per cent) were covered. • Reasons for shortfall in achievement of target was attributed to court case and redesigning of online beneficiary monitoring and management system.
2	<p>Pre-matric scholarships to SCs The objective of the scheme is to provide pre-matric scholarships to SC children studying in Classes IX and X so that the incidence of dropouts, especially in the transition period from upper primary to the secondary stage is minimised. It was proposed to cover 1,38,000 students for the academic year 2016-17. The scholarship paid per student was ₹4,500 (for boarders) and ₹2,250 (day scholars) per year.</p> <p>Budget provision: ₹ 115 crore</p>	<ul style="list-style-type: none"> • GoI funds of ₹43.35 crore and ₹17.98 crore meant for 2015-16 and 2016-17 were released by the Government in the next financial years respectively. • During 2016-17, out of total budget allocation of ₹115 crore under central plan an amount of ₹80 crore was re-appropriated without any specific reason. • Department replied that an amount of ₹34.50 crore only was utilised towards scholarships covering 66,419 students (48 per cent) during 2016-17. • This resulted in poor implementation of the scheme denying the intended benefits to a large number of students.
3	<p>Providing Free Power to SC Households Social Welfare Department pays electricity arrears and monthly bills of SC households consuming 0-50 units per month. The amount payable is based on the actual demand and consumer wise details furnished by the DISCOMs. The data of eligible consumers is provided to the CGG (Centre for Good Governance) by the DISCOMs through e-pass website (online</p>	<ul style="list-style-type: none"> • An amount of ₹157.59 crore (including ₹26.70 crore pertaining to arrears of April 2013 to June 2014) was utilised for the purpose and the balance ₹28.34 crore could not be utilised due to 'freezing' orders issued by the Government. • However, Department stated that 11.42 lakh consumers were covered against the target of 6.12 lakh.

⁷ Andhra Pradesh Scheduled Caste Cooperative Finance Corporation

Sl.	Scheme and objective	Status of implementation
	interface) for generation of reports and to send the bills to the treasury for making online payment to the respective DISCOMs. Budget provision: ₹ 159.23 crore	<ul style="list-style-type: none"> Despite, under utilisation of funds, the Department achieved the physical target. This indicates that the target was not realistic.
Tribal Welfare		
4	<p>Pre-matric Scholarships: Under Pre-matric scholarships, bright ST children are identified and provided opportunity to receive quality education through reputed private institutions. The objective of the scheme is to minimise the incidence of dropout of ST students. Budget provision: ₹ 116.17 crore (Centre: ₹ 100 crore + State: ₹ 16.17 crore)</p>	<ul style="list-style-type: none"> The entire Central provision of ₹ 100 crore was re-appropriated. It was stated by the Department that the Finance department had submitted the proposal for ₹ 100 crore provision as against the proposal of ₹ 14.50 crore made by the department. An amount of ₹ 16.32 crore was utilised for the purpose. As against the target of 1,01,382 students only 38 per cent (38,863) were covered during 2016-17. It was stated that due to dropouts and delay in enabling registration of the students in ePass⁸ website, the physical achievement was less during the year 2016-17. Thus, the objective to minimise dropout was not fulfilled to a large extent.
Backward Class Welfare		
5	<p>Reimbursement of Tuition Fee (RTF) to BC students RTF is sanctioned to BC students whose parent's annual income does not exceed ₹ one lakh. The scheme is being implemented on saturation basis. The target for 2016-17 was to cover 8 lakh students. Original Budget provision: ₹ 993.00 crore Supplementary Provision: ₹ 203.99 crore</p>	<ul style="list-style-type: none"> As against the budget provision, an amount of ₹ 420.22 crore (38 per cent) was utilised for the year 2016-17 and ₹ 576.79 crore (52 per cent) was utilised for payment of arrears pertaining to the period 2010-16. The balance ₹ 109.98 crore (10 per cent) could not be utilised due to 'freezing' orders issued by the Government. The achievement (7.08 lakh) as against the target (8 lakh) was 88 per cent, including arrears of previous years. The shortfall in the target was stated to be due to non-submission of documents by the students.
6	<p>Reimbursement of Tuition Fee (RTF) to EBC students RTF is sanctioned to EBC students whose parent's annual income does not exceed</p>	<ul style="list-style-type: none"> An amount of ₹ 632.26 crore was utilized during 2016-17. Entire supplementary provision of ₹ 271.44 crore (30 per cent) could not

⁸ Electronic pass

Sl.	Scheme and objective	Status of implementation
	<p>₹ one lakh. The scheme is being implemented on saturation basis. The target for 2016-17 was to cover three lakh students.</p> <p>Original Budget provision: ₹ 632.50 crore Supplementary Provision : ₹ 271.44 crore</p>	<p>be utilised due to freezing of funds.</p> <ul style="list-style-type: none"> • Number of students covered during the year was 1.81 lakh (60 per cent). • The shortfall in the target was stated to be due to non-submission of documents by the students.
Collegiate Education		
7	<p>Rashtriya Uchchatar Shiksha Abhiyan (RUSA) RUSA, a Centrally Sponsored Scheme (CSS) launched in 2013 aims at providing funds in the ratio (Central- 60 : State -40) to eligible higher educational institutions by considering the State's strategy to address issues of equity, access and excellence in higher education.</p> <p>There are 18 components under the scheme of which funds were provided under six components to Andhra Pradesh State</p> <p>Budget provision: ₹ 160.17 crore (Central: ₹ 96.00 crore + State: ₹ 64.17 crore)</p>	<ul style="list-style-type: none"> • No separate PD account is maintained by the nodal agency, i.e., AP State Council for Higher Education (APSCHE), as such, audit could not ascertain funds credited/debited and balance available under RUSA scheme. • As per appropriation accounts for the year 2016-17, against ₹ 160.17 crore of budget provision, ₹ 149.42 crore (around 93 per cent) were re-appropriated. • While stating that the funds were released at the fag end of the financial year, the State Project Director , RUSA has not furnished the list of colleges targeted and completed.
Sports Authority of Andhra Pradesh		
8	<p>Construction of Stadia and Modernisation of Sports Facilities: The aim of the SAAP is to create the infrastructure and promote capacity as well as achieving excellence in various international and national competitive events, with improving sports culture in the State.</p> <p>Budget provision: ₹ 176 crore</p>	<ul style="list-style-type: none"> • Out of budget provision of ₹ 176 crore, an amount of ₹ 159 crore (90 per cent) was re-appropriated. • Though SAAP had stated that it had received administrative sanction for ₹ 313 crore in February 2017, details regarding sanctions were not furnished to audit. The amount as stated by SAAP is not reflected in the Appropriation Accounts for 2016-17. • Specific reasons for non-achievement of the proposed objective of setting up of 65 Krida Vikas Kendra were not furnished to audit.
Director of Roads and Bridges		
9	<p>State Support under PPP Project Under the scheme, provision was made for payments to independent engineer charges, transaction advisor charges and payments to the consultants who were appointed for feasibility studies of new PPP Projects to be taken up. Payment of land acquisition</p>	<ul style="list-style-type: none"> • An amount of ₹ 95.57 crore (78.37 per cent) was utilised against total budget allocation of ₹ 121.94 crore there by surrendering ₹ 26.38 crore at the fag end of the year due to delay in submission of bills by the consultants. • No physical targets were fixed under

Sl.	Scheme and objective	Status of implementation
	<p>charges for new PPP Projects which are being planned to be grounded will also be taken up under the scheme.</p> <p>Original Budget provision: ₹ 80 crore Supplementary provision: ₹ 41.94 crore</p>	<p>this scheme.</p>
10	<p>AP Road Sector Project (APRSP) APRSP is being implemented from 2010 onwards with the loan assistance of World Bank. The objective of the project was to improve Core Road Network (CRN), operationalisation of Road Development Corporation (RDC) and reduction in vehicle operating costs, travel time and fatality rate of vehicles.</p> <p>Provision was also made for the scheme under AP Road Development Corporation, PPP-facilitation support, Institution strengthening and Road safety works.</p> <p>Budget Provision: ₹ 200 crore</p>	<ul style="list-style-type: none"> • Out of budget provision of ₹ 200 crore an amount of ₹ 127 crore was utilised for the purpose leaving a balance of ₹ 73 crore (36 per cent) unutilised. • Though 64 per cent was spent, only 19.3 KMs (21.93 per cent) of the physical target of 88 KMs, was achieved resulting in shortfall of 68.7 KMs. • Shortfall in achievement of targets was stated to be due to non-performance and termination of contracts and rebidding.
Water Resources		
11	<p>Neeru Chettu programme Government had taken up Water Conservation Mission "Neeru Chettu" with a vision to make the State a drought proof State by better "water conservation and sustainable management". Neeru Chettu is interdepartmental convergence activity among "water conserving departments viz., Irrigation, Rural Development, Ground water, Forest, APSAC and water utilizing departments viz., Agriculture, Horticulture, Fisheries, Animal Husbandry, RWS, Municipal Administration and Urban Development".</p> <p>Original Budget provision: ₹ 135.00 crore Supplementary provision: ₹ 1,107.74 crore</p>	<ul style="list-style-type: none"> • Original Budget provided was ₹ 135 crore. Additional funds of ₹ 1,107 crore were released under 'surface water works' by way of Supplementary budget. • The entire amount of ₹ 1,242 crore was utilised for the scheme. • However, the requirement of additional funds eight times more than the Budget Estimates indicated unrealistic estimation of funds requirement under the scheme. • As per the reply provided by the department, there was shortfall (14702 works) in the physical target (40848 works) of works by 36 per cent.
Director of Agriculture		
12	<p>Prime Minister Fasal Bima Yojana (PMFBY) To make the Crop Insurance Scheme more farmer friendly Government of India announced a new policy on Crop Insurance Scheme namely Prime Minister Fasal Bima Yojana (PMFBY) to be implemented from Kharif 2016. A uniform premium at 2% and 1.5% for all Kharif and Rabi crops is to be paid by the farmers. The balance premium will be paid as subsidy by the Central and</p>	<ul style="list-style-type: none"> • Total budget allocated for the scheme was ₹ 592 crore (State's share ₹ 420 crore and Central share - ₹ 172 crore). • The entire Supplementary provision of ₹ 248 crore and Original Provision of ₹ 172 crore was surrendered indicating unrealistic projection of requirement of funds. • Thus, only 29 per cent (₹ 172 crore) was utilised for the purpose in respect

Sl.	Scheme and objective	Status of implementation
	State Governments in equal proportion (50:50). Original Budget provision : ₹ 344 crore Supplementary Provision : ₹ 248 crore	of 7.66 lakh farmers in 2016-17.

2.4.2 SC and ST sub-plan

As per Government instructions⁹, all the departments should earmark at least a minimum of 17.08 *per cent* and 5.33 *per cent* (previous year 6.6 *per cent*) 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 2015-2017 is given in **Table 2.14**

Table 2.14: Budget vis-à-vis Expenditure under SCSP and TSP

(₹ in crore)

Year	Scheduled Castes Sub-Plan(SCSP)					Tribal Sub Plan(TSP)			
	Total State Plan Budget	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 (%)
2015-16	34,412.47	5,470.13	15.90	6,236.10	5,187.34 (83 %)	1,686.60	4.90	1,949.26	1,749.07 (90 %)
2016-17	49,134.44	8,724.26	17.75	9,522.68	7,670.28 (81%)	3099.96	6.31	3,530.76	2,578.46 (73 %)

Source: Appropriation Accounts, Statement of demand for grants, SC & ST sub-plan; O: Original; S: Supplementary

As evident from the above table, State Government's allocation of Plan budget (original) was 17.75 *per cent* under SCSP and 6.31 *per cent* under TSP. The allocations were increased over previous year (2015-16) and were more than the mandatory allocation of 17.08 and 5.33 *per cent* respectively. However, out of the allocation, Government could spend only 81 and 73 *per cent* under SCSP and TSP respectively. The percentage of utilization declined in 2016-17 by 2 and 17 *per cent* under SCSP and TSP respectively as compared to previous year.

Out of the unspent amount of ₹ 1,852.40 crore (SCSP) and ₹ 952.30 crore (TSP), during the year 2016-17, huge amounts of ₹ 1,420.91 crore and ₹ 854.74 crore were re-appropriated, indicating under utilisation of the plan funds for the specified purpose. Some instances are discussed in **Table 2.15**:

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

Table 2.15: Under utilisation of Plan funds of SCSP and TSP

(₹ in crore)

Sl.	Scheme and objective	Status of implementation
Industries, Commerce & Export Promotion Department		
1	<p>Incentives for Industrial Promotion The Industrial scenario has changed after liberalization and globalization. For industrial promotion in the State, apart from offering fiscal incentives, there is a need for campaigning the policies of Government, conducting seminars, symposiums and road shows within and away from the State to show-case the strength of Andhra Pradesh, a lot of publicity material like brochures, booklets, leaflets pop-ups, films etc. are needed to be prepared on par with other States.</p>	<ul style="list-style-type: none"> As against budget allocation to SC & ST entrepreneurs of ₹16.40 crore and ₹18.00 crore, expenditure was incurred only to an extent of ₹4.40 crore and ₹4.50 crore respectively. The unutilized amount of ₹12.00 crore and ₹13.50 crore was surrendered during the fag end of financial year 2016-17. Non-utilisation of allocated budget was stated to be due to non-receipt of applications from SC/ST entrepreneurs.
2	<p>Incentives to the SC entrepreneurs for Industrial promotion: Special package of incentives are introduced to the Scheduled Caste Entrepreneurs under SC Sub plan for Industrial Promotion (food processing industries) and also in servicing sector for inclusive development of SC Entrepreneurs. Incentives would reduce the initial project cost and help the entrepreneurs for carrying out the industrial activity in the competitive market.</p>	<ul style="list-style-type: none"> ₹165 crore was allocated under SCSP of which ₹120 crore (73 per cent), was re-appropriated and only ₹45 crore (27 per cent) was utilised.
3	<p>Lift Irrigation Works (APSIDC) APSIDC is presently implementing Lift Irrigation (LI) schemes to provide irrigation facility to upland areas of small and marginal farmers and other weaker sections of the society with the funds provided by Government and handing over the same to beneficiaries/agencies for operation and maintenance. Government had accorded administrative approval to 181 LI Schemes to stabilize 1.55 lakh acres.</p>	<ul style="list-style-type: none"> Under SCSP State Plan three new Lift irrigations schemes and revival of 11 Lift irrigation schemes were taken up during 2016-17. However, only three LI schemes were completed stabilizing 358 acres incurring an amount of ₹0.86 crore. Under ST sub plan, revival of 49 LI schemes was taken up during 2016-17. However, revival of 17 LI schemes stabilizing 1749 acres was completed with an amount of ₹1.90 crore.

2.5 Review of Selected Grants

During the year 2016-17, two grants viz., Rural Development and School Education were selected for detailed audit scrutiny to ascertain compliance with budgeting processes, utilization of funds, expenditure control mechanisms and implementation of schemes within these grants. Audit findings in this regard are discussed below.

2.5.1 Rural Development (Grant No.XXXII)

This Grant is administered by Commissioner, Rural Development Department. The allocation of budget to Rural Development Department constituted 7.78 *per cent* of the total State budget (₹1,93,631.63 crore) during the year 2016-17.

2.5.1.1 Budget and Expenditure

Budget allotment to Rural Development Department for the year 2016-17 was ₹15,070.57 crore. The overall position of budgetary provision, expenditure and savings during the period 2015-17 is detailed below in **Table 2.16**:

Table 2.16: Budget vis-à-vis Expenditure under Rural Development Grant

(₹ in crore)						
	2015-16			2016-17		
	B	E	S/ E	B	E	S/ E
Revenue	14,631.95	1,3829.48	(-)802.47	15,069.57	12,831.16	(-)2,238.41
Capital	1.00	1.00	0.00	1.00	1.00	0.00
Total	14,632.95	13,830.48	(-) 802.47	15,070.57	12,832.16	(-)2,238.41

Source: Appropriation Accounts, B: Budget, E: Expenditure, S/E: Savings (-)/ Excess (+),

Budget provision under the Revenue section was increased by 2.99 *per cent* and under Capital section it was constant over previous year (2015-16). Savings under Revenue section showed an increase by 2.79 times over previous year. An amount of ₹2,238.41 crore was surrendered on the last day of the financial year.

Detailed audit of Budget and Expenditure under this Grant showed that:

- i) Funds amounting to ₹11,680.24 crore (90 *per cent*) of total expenditure of ₹12,832.16 crore were related mainly to three schemes viz., MGNREGA- ₹4,793.68 crore, Social Security Pensions - ₹4,780.94 crore and Capital Infusion to DWCRA Women- ₹2,105.62 crore.
- ii) The unutilised budget provision/savings under Revenue section of the grant was 14.85 *per cent* (₹2,238.41 crore).
- iii) Out of total savings of ₹2,238.41 crore, major portion was from Plan schemes viz., MGNREGA, NRLM and PMKSY. Specific reasons for the savings were not intimated by the department.
- iv) An amount of ₹3.15 crore was incurred without budget provision under the Centrally Assisted Plan scheme “DRDA administration” (₹3.14 crore) and Non-plan scheme “Village Development Officers Training Centres” (₹0.01 crore).

- v) An amount of ₹ 33.85 crore was incurred in respect of 10 heads of accounts in excess of the provision made in the budget estimates.
- vi) In respect of six schemes (Plan and Non-plan viz., National Social Assistance Programme (NSAP) - ₹ 189.31 crore, and Aam Aadmi Bima Yojana (AABY) - ₹ 39.37 crore etc.) funds amounting to ₹ 228.89 crore were provided in the Original estimate. However, entire provision under these schemes was surrendered on the last day of the financial year.

The Department replied (September 2017) that, Government had informed¹⁰ that there is no need to release amount under NSAP separately as the same scheme was covered under 'NTR Bharosa Pensions' under 'State Plan scheme'.

It was evident from the above that though the department was aware of the Government's decision, budget was provided for 2016-17 thus denying the availability of funds to other needy departments.

Similarly, regarding funds provided under AABY, the department replied that Government had launched "Chandranna Bima" a social security scheme on 2nd October 2016 which covered all the beneficiaries of the AABY scheme. Department of Labour paid the premium under "Chandranna Bima" scheme for SERP-AABY members from 01 April 2017 onwards. Hence, the funds were surrendered on the last day of the financial year.

The Department should have anticipated the saving under the scheme and surrendered the funds immediately as all the beneficiaries were being covered under "Chandranna Bima" scheme.

- vii) Out of Supplementary grant of ₹ 2,614.52 crore allocated under plan schemes towards implementation of MGNREGA and NTR Pensions to old age persons & widows, ₹ 1,852.65 crore (71 per cent) was re-appropriated to other heads. This showed that the department failed to assess the actual requirement of funds for implementation of the schemes.
- viii) Scrutiny of re-appropriation orders issued by Government under the Grant showed that, out of 82 items of re-appropriations, specific reasons were not intimated in respect of 77 items (94 per cent).

2.5.1.2 Programme implementation

Test check of schemes/ programmes under the grant showed the following:

Pradhan Mantri Krishi Sinchayi Yojana (PMKSY)

The main objectives of the Integrated Watershed Management Programme (IWMP) now PMKSY were to restore the ecological balance by harnessing, conserving and developing degraded natural resources such as soil, vegetative cover and water. The funding pattern of the scheme is in the ratio of 60:40 between Central and State Governments.

¹⁰ vide Govt. Memo No. 11196/RDIII/2014 dated 09 December 2014 of PR & RD Department

- An amount of ₹202.08 crore was incurred on the scheme during 2016-17 as against the releases of ₹139.57 crore (GoI: ₹83.09 crore and State Share: ₹55.39 crore, including Bank Interest of ₹1.09 crore). The excess expenditure (₹62.51 crore) was met from the previous year's unspent balances of ₹64.19 crore.
- Apart from the above, an amount of ₹37.87 crore was released by GoI to State Government. However, the same was not released alongwith State's matching share (₹25.25 crore) for the scheme.

Navya Andhra Jala Prabha

Navya Andhra Jala Prabha (NAJP), a MGNREGS – RIDF convergence project, aimed at changing 10.00 lakh acres of fallow and uncultivated lands belonging to the poorest of poor households by providing irrigation source such as borewell / tubewell / Micro irrigation systems such as Drip / Sprinkler through APMIP / low cost micro-irrigation structures so as to achieve optimum utilization of water.

- During 2016-17, an amount of ₹250.00 crore was proposed for implementation of Navya Andhra Jala Prabha Scheme (erstwhile NTR Jalasiri). Government allocated an amount of ₹75.00 crore for implementation of the Scheme. It was, however, observed that an amount of ₹15.00 crore (20 per cent) only was incurred towards the scheme.
- As against the target of 30,000 Borewells/Solar Pump sets to be drilled/installed for 2016-17, Department could drill only 10,580 Borewells as on February 2017 leaving a shortfall of more than 60 per cent (19,420 Nos.).

Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA)

Government of India (GoI) had passed the National Rural Employment Guarantee Act, 2005. This Act gives legal guarantee of wage employment for not less than 100 days in a financial year to a rural household, whose adult members volunteer to do unskilled and manual work.

The objective of the Act is to enhance the livelihood security of the people in rural areas by generating wage employment. The Scheme shall be implemented as a Centrally Sponsored Scheme (CSS) on cost sharing basis between the Central and State Governments in the ratio of 90:10.

- During 2016-17, an amount of ₹5,943 crore¹¹ was provided and released under the Scheme. However, an amount of ₹5,974 crore was utilized. The Department met the excess expenditure through loans received from GoAP
- Further, it was observed that an amount of ₹159.69 crore received towards Central Share and ₹53.23 crore towards matching State's share totaling ₹212.92 crore was not yet credited to scheme fund.

Andhra Pradesh Rural Inclusive Growth Programme (APRIGP)

Government started a new scheme supported by financial assistance from the World Bank. The objective of the proposed project was to enable selected poor households to diversify and enhance sources of income and secure increased access to human development services and social entitlements. The project was proposed to have five components i.e. value chain

¹¹ Original budget: Rs.4,765 crore and Supplementary budget: Rs.1,178 crore

development through producer organizations, human development, social development, safety nets and entitlements, mission support and project implementation support.

An amount of ₹ 132 crore was provided in the budget 2016-17. The Commissioner, PR&RD, had transferred ₹ 97.30 crore during the year 2016-17 to CEO, SERP towards implementation of the scheme out of which an amount of ₹ 92.15 crore was incurred.

However, there was a shortfall of 1,32,023 (51 *per cent*) beneficiaries under Human Development component as against the target of 2,61,136. Specific reasons for the shortfall in the achievement of the targets were not furnished.

Aam Aadmi Bima Yojana (AABY)

AABY is a prestigious group insurance scheme for the benefit of rural landless agricultural labourers. Under this scheme, the LIC of India provides insurance coverage for natural as well as accidental deaths. The premium is shared by the Central & State Governments on 50:50 basis.

Funds of ₹ 39.37 crore though provided during 2016-17 were not released. Non-release of funds was stated to be due to coverage of all beneficiaries under “Chandranna Bima” Scheme.

Audit observed that neither provision for “Chandranna Bima” Scheme was made in the budget estimates nor any expenditure incurred on this scheme for the year 2016-17. The entire provision of ₹ 39.37 crore made under AABY was also surrendered. Thus, no amount was incurred under this scheme in 2016-17. Surrendering of entire provision made under AABY without specific reasons defeated the purpose for which the scheme was launched.

Insurance/ Pension Scheme to DWACRA Women (Anna Abhaya Hastam)

AAH scheme is for all the SHG women active in the SHGs for at least a year. All the enrolled members, less than 60 years of age are covered under AAH. In this scheme the member contributes ₹ 365 per year and Government co-contributes another ₹ 365 per year. A minimum pension of ₹ 500 per month is paid for the members on attaining the age of 60 years.

An amount ₹ 123 crore was provided in the budget 2016-17 and released. Savings under the scheme were to the extent of ₹ 18.85 crore.

The Department attributed the savings to removal of ineligible pensioners noticed during review of Pensioners database. Department further stated that some of the AAH members were found ineligible for sanction of AAH pension as the members were already sanctioned widow/ other Social Security Pensions.

Operational expenditure for Sand Mining

Government introduced a new Sand Policy (August 2014) which envisaged the operation of all sand reaches¹² in the State by the Women Self Help Groups (WSHGs) to empower them. The scheme was closed (04 March 2016) with instructions to refund the advance paid for booking the sand if not delivered by 31 March 2016. As on the date of closure of the scheme an amount of ₹ 25.55 crore was lying unspent with the District Sand Mining Facilitating Agencies (DSMFAs).

¹² Places identified by the Government for extraction of Sand

However, releases and expenditure statement of Society for Elimination of Rural Poverty¹³ for the year 2016-17 revealed that, funds of ₹ 35.52 crore were provided by way of supplementary budget and an expenditure of ₹ 13.57 crore was incurred for refunding the advances taken earlier, leaving an unspent balance of ₹ 21.95 crore. Providing funds by way of Supplementary budget (February 2017) for implementing the scheme after closure of the scheme (March 2016) and in spite of funds (₹ 25.55 crore) available as at March 2016 was unjustified. Details of refund of unspent balance of ₹ 47.50 crore¹⁴ were not furnished.

2.5.2 School Education (Grant No.XII)

This Grant is administered by the School Education Department. The allocation of budget to the Department constituted 9.12 *per cent* of the total State budget (₹1,93,631.63 crore) during the year 2016-17.

2.5.2.1 Budget and Expenditure

Budget allotment for School Education Department for the year 2016-17 was ₹ 17,659.80 crore. The overall position of budgetary provision, expenditure and savings during the period 2015-17 is detailed below in **Table 2.17**:

Table 2.17: Budget vis-à-vis Expenditure under School Education Grant

(₹ in crore)						
	2015-16			2016-17		
	B	E	S/ E	B	E	S/ E
Revenue	14,952	13,554	-1,399	17,492	14,930	-2,562
Capital	196	184	-11	168	65	-103
Total	15,148	13,738	-1,410	17,660	14,995	-2,665

Source: Appropriation Accounts, B: Budget, E: Expenditure, S/E: Savings (-)/ Excess (+)

Budget provision under Revenue section increased by 17 *per cent* and in Capital section decreased by 14 *per cent* over previous year. Savings under both Revenue and Capital sections showed an increase of ₹ 1,163 crore and ₹ 93 crore respectively over previous year. In view of savings, the entire supplementary provision of ₹ 135 crore under Revenue section and ₹ 22 crore under Capital section proved unnecessary.

The detailed audit of the Grant revealed the following:

Surrender of Savings

As per Paragraph 17.2.2 of APBM, all Departments are required to surrender the grant/appropriations or portions thereof to the Finance Department as and when savings are anticipated. Out of the total savings of ₹ 2,665 crore, an amount of ₹ 2,561 crore (96 *per cent*) was surrendered on the last working day of the financial year 2016-17.

Unnecessary/Excessive Supplementary Grants

Supplementary grants aggregating ₹ 50.03 crore obtained in respect of four sub-heads during the year proved unnecessary as the actual expenditure of ₹ 369.08 crore under these sub-heads fell

¹³ As per G.O. Ms. No. 154 dated 02.12.2015 of General Administration (AR&T.I) department, the subject matter "Sand" was transferred from Society for Elimination of Rural Poverty (SERP) to Mines Department.

¹⁴ ₹ 25.55 crore and ₹ 21.95 crore

short of even the original provision of ₹426.80 crore. Similarly, Supplementary grants aggregating ₹76.83 crore proved excessive by ₹47.84 crore against the actually required amount of ₹28.99 crore in six sub-heads under the grant as detailed in **Appendix 2.11**.

Surrender of entire provision

In respect of certain schemes, although funds were provided in accordance with the Annual Plan, entire provision in 21 cases amounting to ₹250.53 crore were surrendered/re-appropriated without incurring any expenditure as detailed in **Appendix 2.12**.

Expenditure incurred without provision

As per Paragraphs 17.3.1 and 17.6.1(c) of APBM, 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 ₹23.79 crore was incurred under five sub-heads without budget provision, as detailed in **Appendix 2.13**.

Un-explained re-appropriations

Scrutiny of re-appropriation orders issued by the State Government under the Grant showed that, out of 540 items of re-appropriations made, specific reasons were not intimated in respect of 429 items (79 per cent).

2.5.2.2 Programme implementation

Test check of schemes/ programmes under the grant showed the following:

A) Nutritious Meals Programme (Mid Day Meal)

The Mid Day Meal Scheme is a Centrally Sponsored Scheme with a sharing pattern of 60:40 between Central and State Governments. State Government is also funding 100 per cent of the Mid-day meals scheme for classes IX and X. The main objectives of the programme are to improve the nutritional status of children and to motivate children to attend school regularly. The Budget provision and expenditure are detailed below in **Table 2.18**:

Table 2.18: Budget vis-à-vis Expenditure under Nutritious Meal Programme (MDM)

Budget Provision					Expenditure	Amount surrendered
Nutritious Meals Programme	Original	Supplementary	Total			
Mid Day Meal (MDM)	Centre	122.29	0	122.29	64.95	57.34
	State	41.66	0	41.66	30.05	11.61
	Total	163.95	0	163.95	95.00	68.95
MDM- Cooking Cost	Centre	199.12	25.56	224.68	135.06	89.62
	State	170.42	30.88	201.30	141.84	59.47
	Total	369.54	56.44	425.98	276.89	149.09

Source: Appropriation Accounts 2016-17

During 2016-17, under Mid-day meal (MDM) –Nutritious Meal Programme, out of total provision of ₹163.95 crore, an amount of ₹95 crore (58 per cent) was utilized, leaving a balance of ₹68.95 crore (Centre: ₹57.34 crore, State: ₹11.61 crore) which was re-appropriated to other heads. As against the physical target of 7,32,468 children, only 6,53,728 (89 per cent) were covered.

Under MDM-Cooking cost, budget of ₹369.54 crore (original) and ₹56.44 crore (supplementary) was allocated, of which ₹276.90 crore (65 per cent) was utilized which was less than the original budget. The entire supplementary budget proved unnecessary. Savings under this scheme (₹149.90 crore), which were surrendered on the last day of the financial year formed 41 per cent of the original budget.

This indicated that budget proposals were not framed realistically.

B) Sarva Shiksha Abhiyan (SSA)

Sarva Shiksha Abhiyan is a centrally sponsored scheme with sharing pattern of 60: 40 between Central and State Governments. GoI had enacted RTE Act 2009 to provide free and compulsory education to all the children in the age group of 6-14 years. The objectives of the scheme were enrolment of all children (6-14 years) to regular schools, retaining the enrolled children till the completion of eight years of elementary education, bridging gender and social category gaps at elementary education level, focus on elementary education of satisfactory quality with emphasis on education for life.

During 2016-17, an amount of ₹1,299.47 crore (GoI: ₹779.68 crore, State: ₹519.79 crore) was provided in the budget in the ratio of 60:40. GoI Funds were released and utilized to the extent of ₹633.02 crore.

The matching State share was released to an extent of ₹203.78 crore only (against ₹422 crore). Against the aggregate releases of ₹836.80 crore during the year 2016-17, an expenditure of ₹1,105.30 crore was incurred stating that excess expenditure was incurred from the balances of previous year.

Audit observed that, out of total expenditure, 68.49 per cent (₹756.97 crore) was incurred in last quarter of the year whereas the balance ₹348.33 crore only was booked in first three quarters. Thus, it is evident that the expenditure was not evenly spread during the year and maximum amount of expenditure was incurred during the last quarter to avoid lapse of funds to the Government.

C) Digital class rooms in high schools (ICT Project)

Digital Class is a teacher-led educational content solution that immensely improves learning outcome in schools. The program supplements the existing Board curriculum in both English and Telugu medium to make the learning experience in classroom exciting, meaningful and enjoyable translating into better learning and results for students, teachers, parents and the school.

Government released ₹45.50¹⁵ crore and accorded administrative sanction¹⁶ for implementation of ICT scheme for effective delivery of using audio visual content through digital class rooms in 3620¹⁷ High Schools. The bill presented by the Commissioner, School Education to the

15 GO RT..No. 269 dated 13-02-2017

16 GO Rt.No.29 dt.17-2-2017

17 2852 High Schools and 768 ICT labs as Digital class rooms

Treasury (March 2017) was returned¹⁸ without furnishing any reasons. Hence, the scheme could not be implemented.

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 2016-17 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 debiting 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. However, funds of ₹ 80.00 crore were obtained by way of re-appropriation during 2016-17 and an amount of ₹ 347.16 crore was met from the fund account resulting in excess expenditure of ₹ 267.16 crore.

2.6.2 Misclassification in budget estimates

a) Operation of Head of Account 310/312 instead of 310/319 for booking expenditure on account of creation of Capital Assets: As per the norms, for creation of capital asset under revenue section, a detailed head 310/319 is to be operated. However, on test check of the BEs it was observed that, though the nomenclature revealed creation of Capital Assets, provisions were made under “310/312” Grants in Aid instead of “310/319” for amount of ₹ 671.40 crore.

b) Misclassification of Subsidies: As per Standard Objects of Expenditure (Detailed Heads of Account) given in Budget Manual, the Detailed Head-330 is to be operated for Subsidies. Contrary to this, provisions of ₹ 87.99 crore were classified under the detailed head-310 Grants-in-aid.

c) Misclassification of Object Head 500/501-Compensations as Detailed Head 320-Contributions: As per Standard Objects of Expenditure (Detailed Heads of Account) given in Budget Manual, the **object head-501** had to be operated for Compensations. Contrary to this, the provisions of rupees one crore in the nature of compensations were classified under 320-Contributions.

d) Operation of detailed head (DH) 520 and 530 under Revenue Section: The detailed head of account 520-Machinery and equipment and 530 – Major works which were to be operated under Capital section. However, these were classified under Revenue section resulting in misclassification of ₹ 164.45 crore in 65 cases (under DH- 520) under 22 Grants and ₹ 6.00 crore (under DH- 530) in respect of Medical and Health Grant during 2016-17.

¹⁸ returned on 31.3.2017

e) Operation of detailed head 270-Minor Works under Capital Section : While the detailed head 270-Minor Works is to be operated under Revenue section, the head was misclassified in Capital section in two Grants involving ₹ 253.80 crore in 46 cases during 2016-17.

f) 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 since the year 2003. However, the Sub Major Head 01 continued to be operated under Grant No. XXXII- Rural Development (Rural Development HoD) under Major Head – 2501 for the years 2015-16 and 2016-17. Although Government had assured in November 2015 that necessary action would be taken to discontinue the operation of this unauthorized Sub Major Head/Minor Head, the same continued to be in operation.

g) Non-compliance of LMMH guidelines: As per general guidelines given in List of Major and Minor Heads (LMMH) of Account, the capital expenditure on account of investments in equity of Public Sector Undertakings should be booked only under the Minor Head ‘190- Investments in Public Sector and Other Undertakings’. Contrary to this an amount of ₹ 5.11 crore was booked under Minor head other than “Minor Head – 190”.

2.6.3 Opening of new sub-heads

As per Article 150 of the Constitution, read with Section 21 of DPC Act 1971, the State Government has to take prior concurrence of the AG (A&E) before opening any new Sub-head. However, Government had not followed the above procedure. An illustrative list of new sub-heads opened without the prior concurrence of Principal Accountant General (A&E) in 2016-17 is given in *Appendix 2.14*

2.7 Significant Findings

Sound financial management requires advance planning and accurate estimation of revenues and expenditure. There were instances of excess expenditure or substantial savings with reference to provisions made during the year, exhibiting weakness in expenditure monitoring and control. Both situations are grave breaches of financial control.

The overall savings of ₹ 20,280.23 crore (10.47 per cent of budget provision) were the result of savings of ₹ 21,967.05 crore in 35 grants partially offset by an excess of ₹ 1,686.83 crore in five grants under various sections (Voted/Charged).

Excess expenditure over the allocation amounting to ₹ 53,673.19 crore pertaining to the years from 2004 to 2016 was yet to be regularized as of November 2017. The cases of excess expenditure over grants are serious breaches and are in violation of the will of the Legislature. It is important that responsibility is fixed in this regard.

Accordingly, supplementary provision aggregating ₹ 55,903.07 crore proved to be excessive by ₹ 20,280.23 crore over actually required amount of ₹ 35,622.84 crore.

Against the total savings of ₹ 21,967.06 crore, an amount of ₹ 22,382.96 crore was surrendered during the year 2016-17, of which ₹ 21,684.00 crore (99.88 per cent) was surrendered on the last day of the year, i.e., 31 March 2017. This affected the availability of funds in priority areas and desired outcomes.

Excessive/unnecessary/inadequate re-appropriation of funds was also observed. Re-appropriations to heads where original provisions were not made, etc. were noticed which showed lack of coordination between Finance and the line departments. Analysis showed that out of 10,041 items of re-appropriations made by the State Government during the year 2016-17, specific reasons were not intimated in respect of 8,503 items (84.68 per cent).