

## Chapter 2 Financial Management and Budgetary Control

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### 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 on the successful implementation of the policy at the ground level. This Chapter reviews the allocative priorities of the State Government and comments on the transparency and effectiveness of its budgetary processes.

#### 2.1.1 Budget Preparation Process

In accordance with Section 101 of the Andhra Pradesh Reorganisation Act-2014, Andhra Pradesh Codes/Rules/Manuals were adopted<sup>1</sup> by the State of Telangana with effect from 2 June 2014. The Financial Code and the Budget Manual provided for 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.

A bottom-up approach was prescribed for budget preparation in the Budget Manual. The requirement of funds projected from the unit level to be consolidated at the district and finally at the Departmental level. There was, however, no evidence of compliance with this requirement by the Departments audited during the year. Audit revealed that financial inputs were not correlated with the corresponding physical outputs or outcomes either at the unit/district or Department level. The rigour exercised in analyzing and assessing the actual requirement of funds were inadequate.

#### 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 distinctly. It also indicates actual capital and revenue expenditure on various specified services *vis-à-vis* those authorized by the Appropriation Act. Appropriation Accounts are complementary to Finance Accounts.

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

### 2.2 Summary of Appropriation Accounts

The summarized position of actual expenditure during 2016-17 against 40 grants/appropriations is given in **Table 2.1**:

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<sup>1</sup> G.O.Ms.No.69, Finance (TFR) Department, dated 30 May 2016

**Table 2.1: Position of actual expenditure vis-à-vis original/supplementary Grants for the year 2016-17**

		(₹ in crore)							
Nature of expenditure		Original	Supplementary	Total	Actual Expenditure	Saving (-)/ Excess (+)	Amount surrendered	Amount surrendered on 31 March 2017	Percentage of savings surrendered by 31 March 2017 (col.7 / col.6)
		1	2	3	4	5	6	7	8
Voted	I Revenue	89,840.34	10,025.96	99,866.30	79,272.95	(-) 20,593.35	30,092.23	22,378.99	146.16
	II Capital	29,188.75	25,302.72	54,491.47	33,456.70	(-) 21,034.77	17,009.93	16,824.64	81.12
	III Loans and Advances	747.11	5,800.80	6,547.91	3,452.02	(-) 3,095.89	1,766.59	1,766.59	57.06
<b>Total Voted</b>		<b>1,19,776.20</b>	<b>41,129.48</b>	<b>1,60,905.68</b>	<b>1,16,181.67</b>	<b>(-) 44,724.01</b>	<b>48,868.75</b>	<b>40,970.22</b>	<b>109.27</b>
Charged	IV Revenue	8,037.50	64.30	8,101.80	8,794.30	692.50	144.71	152.19	(#)
	V Capital	70.80	6.58	77.39	61.93	(-)15.46	39.93	39.93	258.28
	VI Public Debt-Repayment	3,149.28	3,4.99	3,184.26	15,568.54	12,384.28	222.65	222.65	(#)
<b>Total Charged</b>		<b>11,257.58</b>	<b>105.87</b>	<b>11,363.45</b>	<b>24,424.77</b>	<b>13,061.32</b>	<b>407.29</b>	<b>414.77</b>	<b>(#)</b>
<b>Grand Total</b>		<b>1,31,033.78</b>	<b>41,235.35</b>	<b>1,72,269.13</b>	<b>1,40,606.44</b>	<b>(-) 31,662.69</b>	<b>49,283.53</b>	<b>41,384.99</b>	<b>155.65</b>

Source: Appropriation Accounts; (#) amount was surrendered despite final excess under Revenue Charged & Public Debt

**Note:** i) During the year, supporting documents/vouchers were not made available to AG (A&E) for an expenditure of ₹901.28 crore. Authenticity of this expenditure cannot, therefore, be vouched. ii) In the absence of Detailed Contingent bills in support of ₹73.26 crore drawn on Abstract Contingent bills during 2016-17, the genuineness of the expenditure cannot be vouched to that extent (discussed in chapter-3 infra).

There were overall savings of ₹ 31,662.69 crore (18 per cent of budget provision).

- Total Saving of ₹ 52,824.28 crore had occurred in 30 grants and seven appropriations under revenue section, 27 grants and four appropriations under capital section and seven grants under loans section.
- Savings were offset by total excess of ₹ 21,161.59 crore. Excess expenditure over provision was incurred in 10 grants<sup>2</sup> and two appropriations<sup>3</sup> under revenue section; four grants<sup>4</sup> under capital; and two grants<sup>5</sup> and one appropriation<sup>6</sup> (Public Debt) under loan section.

In view of final saving of ₹ 31,662.69 crore the supplementary grant of ₹ 41,235.35 crore obtained proved excessive. This points to unrealistic budgetary assumptions.

<sup>2</sup>V-Revenue, Registration and Relief (₹ 130.87 crore), VI-Excise Administration (₹ 20.83 crore), IX-Fiscal Administration, Planning, Surveys and Statistics (₹ 4,334.47 crore), X-Home Administration (₹ 1,040.21 crore), XI-Roads, Buildings and Ports (₹ 56.66 crore), XII-School Education (₹ 259.37 crore), XX-Labour and Employment (₹ 18.14 crore), XXIX-forest, Science, Technology and Environment (₹ 135.86 crore), XXXI-Panchayat Raj (₹ 252.57 crore) and XXXIV-Minor Irrigation (₹ 12.29 crore)

<sup>3</sup> IX-Fiscal Administration, Planning, Surveys and Statistics (₹ 742.99 crore) and X-Home Administration (₹ 0.04 crore)

<sup>4</sup>V-Revenue, Registration and Relief (₹ 3.04 crore), XXVII-Agriculture (₹ 183.59 crore), XXXV-Energy (₹ 1,575.62 crore) and XXXVIII-Civil Supplies Administration (₹ 0.58 crore)

<sup>5</sup> IX-Fiscal Administration, Planning, Surveys and Statistics (₹ 2.16 crore) and XVI-Medical and Health (₹ 8.03 crore)

<sup>6</sup> IX-Fiscal Administration, Planning, Surveys and Statistics (₹ 12,384.27 crore)

During the year, an amount of ₹49,284 crore (156 per cent) was surrendered in excess of actual saving of ₹31,663 crore, of which ₹41,385 crore (84 per cent) was surrendered on the last day of the financial year, i.e., 31 March 2017. This was due to surrender of the provision in anticipation of savings and incurring expenditure subsequently by the controlling officers. In some cases, surrenders were made by Finance Department without receipt of proposals from the departments concerned. This indicated lack of coordination between Finance and the line departments.

## 2.3 Appropriation vis-à-vis allocative priorities

### 2.3.1 Excess expenditure

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

Excess expenditure over budget provision was ₹21,161.59 crore during 2016-17. The excess expenditure was incurred under 16 Grants and three Appropriations (including Public Debt) during the year as shown in **Table 2.2** and requires regularization under Article 205 of the Constitution.

**Table 2.2: Excess expenditure**

(₹ in crore)						
S. No.	Grant No.	Name of the Grant/ Appropriation	Total Grant	Expenditure	Excess (+)	Reasons for excess expenditure
1.	V	Revenue, Registration and Relief (RV)	2,190.68	2,321.55	130.87	Specific reasons for incurring excess expenditure were not intimated by Government
2.	V	Revenue, Registration and Relief (CV)	26.26	29.31	3.04	
3.	VI	Excise Administration (RV)	235.26	256.08	20.83	
4.	IX	Fiscal Administration, Planning, Surveys and Statistics (RV)	11,064.66	15,399.13	4,334.47	
5.	IX	Fiscal Administration, Planning, Surveys and Statistics (LV)	149.94	152.10	2.16	
6.	X	Home Administration (RV)	3,733.15	4,773.36	1,040.21	
7.	XI	Roads, Buildings and Ports (RV)	698.46	755.12	56.66	
8.	XII	School Education (RV)	10,181.26	10,440.63	259.37	
9.	XVI	Medical and Health (LV)	520.13	528.16	8.03	
10.	XX	Labour and Employment (RV)	466.70	484.84	18.14	
11.	XXVII	Agriculture (CV)	466.32	649.91	183.59	
12.	XXIX	Forest, Science, Technology and Environment (RV)	284.29	420.15	135.86	
13.	XXXI	Panchayat Raj (RV)	5,058.43	5,311.00	252.57	
14.	XXXIV	Minor Irrigation (RV)	35.25	47.54	12.29	
15.	XXXV	Energy (CV)	8,922.00	10,497.62	1,575.62	
16.	XXXVIII	Civil Supplies Administration (CV)	0.10	0.68	0.58	

S. No.	Grant No.	Name of the Grant/ Appropriation	Total Grant	Expenditure	Excess (+)	Reasons for excess expenditure
17.	IX	Fiscal Administration, Planning, Surveys and Statistics (RC)	7,867.76	8,610.75	742.99	
18.	IX	Fiscal Administration, Planning, Surveys and Statistics (PD)	3,184.26	15,568.54	12,384.27	
19.	X	Home Administration (RC)	0.45	0.48	0.04	
	<b>Total</b>		<b>55,085.35</b>	<b>76,246.94</b>	<b>21,161.59</b>	

Source: Appropriation Accounts

RV: Revenue Voted; RC: Revenue Charged; CV: Capital Voted; LV: Loans Voted; PD: Public Debt

### 2.3.1.1 Persistent Excess

Excess expenditure over budget provision was incurred during 2015-16 under eight grants and one appropriation. Of these, excess expenditure over budget provision was repeated in four grants during 2016-17. The details are shown in **Table 2.3**:

**Table 2.3: Grants with persistent Excess during 2015-17**

(₹ in crore)

S. No.	Number and Name of the Grant	Amount of Excess	
		2015-16	2016-17
<b>Revenue Voted</b>			
1	V-Revenue, Registration and Relief	96.14	130.87
2	IX-Fiscal Administration, Planning, Surveys and Statistics	4,934.94	4,334.47
3	X-Home Administration	328.30	1,040.21
<b>Loans Voted</b>			
4	IX-Fiscal Administration, Planning, Surveys and Statistics	322.50	2.16

Source: Appropriation Accounts

Specific reasons for incurring excess expenditure under the above Grants were not intimated by the Government.

### 2.3.1.2 Expenditure incurred without Budget Provision

As per paragraphs 17.3.1, 17.6.1(c) of Budget Manual and Article 204(3) of the Constitution of India expenditure should not ordinarily be incurred on a scheme/service without provision of funds. During the year 2016-17, expenditure of ₹754 crore was incurred in 13 cases (₹10 crore and above in each case) without budget provision (either original or supplementary). Details are shown in **Table 2.4**. Expenditure was met from the funds obtained by way of re-appropriation in six cases. Of this, re-appropriation was also insufficient in three cases. In seven instances, expenditure was incurred even without resorting to re-appropriation. This undermined the sanctity of budgeting process and legislative control.

**Table 2.4: Expenditure without provision**

(₹ in crore)				
S. No.	Grant No. & Name of the Grant	Head of Account & Description of the Sub head	Re-appropriation	Expenditure
1	V- Revenue, Registration and Relief	4070-00-800-12-(06)-Digitalisation of Records Registration and Stamps Department	0.00	20.00
2	IX-Fiscal Administration, Planning, Surveys and Statistics	2071-01-800-(34)- Pension allocable to successor State of Telangana	0.00	29.44
3	IX-Fiscal Administration, Planning, Surveys and Statistics	7810-00-125-00-Andhra Pradesh and Telangana	48.39	50.03
4	XI-Roads, Buildings and Ports	3054-04-797-11-(04)-Subvention From Central Road Fund	20.00	280.73
5	XI-Roads, Buildings and Ports	5054-80-800-11-(05)-Cost sharing with Railways for construction of New Railway Lines	20.00	20.00
6	XVI-Medical and Health	2210-01-110-11-(54)- Purchase of Diagnostic Equipments	0.00	10.21
7	XVI-Medical and Health	4210-01-110-11-(27)- Upgradation of PHCs	0.00	33.25
8	XVII-Municipal Administration and Urban Development	2217-80-191-03-(57)-Hussain Sagar Lake and Catchment Area Improvement Project	11.78	12.77
9	XXXI-Panchayat Raj	2515-00-789-11-(05)-Assistance to Panchayat Raj Institutions for Construction of Rural Roads	0.00	59.81
10	XXXI-Panchayat Raj	2515-00-796-11-(05)-Assistance to Panchayat Raj Institutions for Construction of Rural Roads	0.00	126.56
11	XXXIII- Major and Medium Irrigation	4700-01-235-11-(26)-Dam and Appurtenant works	64.59	64.59
12	XXXIII- Major and Medium Irrigation	4700-01-235-11-(27)- Canals and Distributaries	30.00	30.00
13	XXXIV-Minor Irrigation	2702-03-101-03-(10)-Construction of New Minor Irrigation Tanks under TSILIP	0.00	16.26
<b>Total</b>			<b>194.76</b>	<b>753.65</b>

Source: Appropriation Accounts

### 2.3.1.3 Excess expenditure over provision relating to previous year not regularized

As per Article 205 of the Constitution of India, it is mandatory for a State Government to get the excess over a grant/appropriation regularized by the State Legislature. Although no time limit was prescribed under the Article, excess expenditure was to be regularized after discussion of the Appropriation Accounts by the Public Accounts Committee (PAC). Administrative Departments concerned are required to submit Explanatory Notes for excess expenditure to PAC through Finance Department. However, excess expenditure over the allocation amounting to ₹ 6,184 crore pertaining to the years 2014-15 to 2015-16 was yet to be regularized as of December 2017, as detailed in *Appendix 2.1*. This was due

to non-furnishing of Explanatory Notes by the concerned Administrative departments/Finance department.

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

Government stated (January 2018) that the regularization of excess expenditure of previous years would be taken up along with that of the current year.

### 2.3.2 Savings

During 2016-17, there were savings (₹ 48,276 crore) in 21 grants, by ₹ 100 crore and above and more than 20 per cent of total provision in each case. These savings constituted 91 per cent of total savings (₹ 52,824 crore) (**Appendix 2.2**). Savings of ₹ 27,408 crore (37 per cent of total savings) occurred in five grants by ₹ 2,000 crore and above and more than 20 per cent of the total grant in each case, as indicated in **Table 2.5**. The savings indicate the need to strengthen the budgetary process.

**Table 2.5: Grants with substantial savings**

Sl. No	Grant No.	Name of the grant	Total Grant	Expenditure	Savings (-)	Percentage of Savings		Reasons
						2015-16	2016-17	
(₹ in crore)								
<b>Revenue Voted</b>								
1	XVI	Medical and Health	6,718.06	3,993.78	2,724.28	30	41	Specific reasons for savings were not intimated by Government
2	XVII	Municipal Administration and Urban Development	5,472.49	1,351.05	4,121.44	40	75	
3	XXI	Social Welfare	6,296.02	2,986.83	3,309.19	57	53	
4	XXXIII	Major and Medium Irrigation	8,441.59	2,011.59	6,430.00	5	76	
<b>Capital Voted</b>								
5	XXXIII	Major and Medium Irrigation	22,400.25	11,577.06	10,823.19	37	48	
<b>Total</b>			<b>49,328.42</b>	<b>21,920.31</b>	<b>27,408.10</b>	<b>37</b>	<b>56</b>	

Source: Appropriation Accounts

#### 2.3.2.1 Persistent Savings

There were persistent savings of more than 20 per cent of the total grant/appropriation in 10 cases (exceeding ₹ 20 crore each) during the last three years. Details are given in **Table 2.6**:

**Table 2.6: Grants/appropriations with persistent savings during 2014-17**

(₹ in crore)

S. No.	Grant No.	Name of the Grant/ Appropriation	Amount of Saving		
			2014-15	2015-16	2016-17
<b>Revenue Voted</b>					
1	III	Administration of Justice	262.99 (48)	285.58 (46)	202.43 (36)
2	VII	Commercial Taxes Administration	64.72 (27)	95.68 (24)	97.00 (25)
3	XIII	Higher Education	475.90 (37)	506.30 (30)	416.37 (24)
4	XVI	Medical and Health	1,299.38 (36)	1,396.21 (30)	2,724.28 (41)
5	XVII	Municipal Administration and Urban Development	2,646.79 (70)	1,286.68 (40)	4,121.44 (75)
6	XVIII	Housing	697.39 (66)	529.16 (48)	1116.43 (98)
7	XXI	Social Welfare	2,196.51 (69)	3,550.73 (57)	3,309.19 (53)
8	XXII	Tribal Welfare	827.76 (59)	1,421.67 (42)	1,086.02 (38)
9	XXIV	Minority Welfare	726.15 (69)	556.64 (50)	483.58 (36)
10	XXV	Women, Child and Disable Welfare	812.20 (51)	411.87 (27)	493.32 (30)
11	XXVII	Agriculture	1,863.17 (26)	1,366.57 (20)	1,598.21 (24)
12	XXX	Cooperation	102.47 (67)	86.57 (44)	61.19 (41)
13	XXXVI	Industries and Commerce	663.76 (50)	482.60 (38)	809.52 (74)
<b>Capital Voted</b>					
14	XI	Roads, Buildings and Ports	1,377.91 (52)	3,121.91 (61)	1,929.95 (36)
15	XII	School Education	193.29 (75)	54.10 (67)	490.80 (79)
16	XVI	Medical and Health	586.04 (88)	574.50 (85)	495.23 (59)
17	XXI	Social Welfare	181.28 (42)	231.02 (46)	1,272.43 (87)
18	XXII	Tribal Welfare	110.76 (48)	241.26 (61)	789.44 (75)
19	XXIII	Backward Classes Welfare	116.39 (74)	227.10 (97)	246.88 (82)
20	XXXI	Panchayat Raj	2,003.68 (90)	1,121.21 (38)	1,199.80 (35)
<b>Revenue Charged</b>					
21	III	Administration of Justice	86.08 (72)	41.10 (24)	37.19 (22)

Source: Appropriation Accounts; Figures in parentheses indicate percentage of saving to total provision

Some of the above grants relate to developmental schemes in Housing, Medical & Health and Welfare Sectors, etc. Savings under these schemes indicated that the envisaged benefits did not accrue to the targeted beneficiaries.

State Government attributed persistent savings to non-filling up of vacancies under III-Administration of Justice. Specific reasons for savings under the remaining Grants were not intimated.

### 2.3.3 Unnecessary/Inadequate/Excessive Supplementary Provision

Supplementary grant aggregating ₹ 15,123 crore obtained in 35 cases (exceeding rupees one crore in each case) during the year proved unnecessary. In these cases, the actual expenditure (₹ 51,029 crore) was less than the original provision (₹ 73,628 crore). Details are shown in *Appendix 2.3*. This indicates that the CCOs could not realistically assess/estimate the actual requirement of funds for the remaining period of the financial year. Monitoring of expenditure through the monthly expenditure control mechanism, needed to be strengthened.

Supplementary grant aggregating ₹ 10,200 crore proved excessive by ₹ 5,244 crore over the actually required provision in 16 cases as detailed in *Appendix 2.3(a)*. In 15 cases, supplementary grant of ₹ 13,115 crore proved insufficient by more than one crore rupees each, leaving an aggregated unauthorised excess expenditure of ₹ 21,128 crore as detailed in *Appendix 2.3(b)*.

Significant cases on un-necessary, excessive and insufficient supplementary grants of more than ₹ 500 crore in various Departments are detailed in **Table 2.7**:

**Table 2.7: Unnecessary, Excessive and Insufficient Supplementary Grants  
(More than ₹ 500 crore)**

(₹ in crore)						
Sl. No.	Grant No.	Name of the Grant	Original Provision	Actual Expenditure	Saving (-)/ Excess(+)	Supplementary
<b>Unnecessary Supplementary Grants</b>						
1	XVI	Medical and Health (RV)	5,620.16	3,993.78	-1,626.37	1,097.91
2	XVII	Municipal Administration and Urban Development (RV)	4,580.44	1,351.05	-3,229.39	892.05
3	XXI	Social Welfare (RV)	5,767.65	2,986.83	-2,780.83	528.37
4	XXXII	Rural Development (RV)	6,344.54	5,988.98	-355.56	960.86
5	IX	Fiscal Administration, Planning, Surveys and Statistics (CV)	2,366.00	1,246.79	-1,119.21	867.06
6	XI	Roads, Buildings and Ports (CV)	3,645.95	3,485.58	-160.37	1,769.58
7	XXXIII	Major and Medium Irrigation (CV)	15,689.93	11,577.06	-4,112.87	6,710.32
<b>Excessive Supplementary Grants</b>						
8	XXIII	Backward Classes Welfare (RV)	2,235.08	2,775.77	540.69	1,194.21
9	XII	School Education (CV)	74.93	127.62	52.69	543.49
10	XVI	Medical and Health (CV)	319.22	350.08	30.86	526.09
11	XXXI	Panchayat Raj (CV)	214.73	2,209.66	1,994.93	3,194.73
12	XVII	Municipal Administration and Urban Development (LV)	235.00	3,188.07	2,953.07	3,188.07



Sl. No.	Grant No.	Name of the Grant	Original Provision	Actual Expenditure	Saving (-)/ Excess(+)	Supplementary
13	XVIII	Housing (LV)	15.00	914.65	899.65	914.65
<b>Insufficient Supplementary Grants</b>						
14	V	Revenue, Registration and Relief (RV)	1,368.87	2,321.55	952.68	821.81
15	XII	School Education (RV)	8,499.71	10,440.63	1,940.92	1,681.55
16	XXXI	Panchayat Raj (RV)	4,471.43	5,311.00	839.56	586.99
17	XXXV	Energy (CV)	0.00	10,497.62	10,497.62	8,922.00

Source: Appropriation Accounts; RV: Revenue Voted; CV: Capital Voted; LV: Loan 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 25<sup>th</sup> 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 Inadequate/Unnecessary/Excessive re-appropriation of funds

As per paragraph 17.5 of Budget Manual, re-appropriation is permissible only when a saving under one head of account and an excess under another are known or anticipated with reasonable certainty or when it is deliberately proposed to curtail expenditure under one head with a view to incurring more urgent additional expenditure under another.

During 2016-17, inadequate/ unnecessary/ excessive re-appropriation of funds occurred in 71 cases. This 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 Budget Manual stipulates that reasons for additional expenditure and savings should be explained in the re-appropriation statement. 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. Re-appropriation orders issued by the State Government were checked in audit. **Scrutiny revealed that out of 10,060 items of re-appropriations, specific reasons in respect of 7,338 (73 per cent) items were not intimated to the Accountant General (Accounts & Entitlements).**

### 2.3.5 Surrender of Savings

The spending Departments, as per the provisions of the Budget Manual (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 more than 50 *per cent* of total provision in each case were surrendered in respect of 268 sub-heads amounting to ₹ 44,967 crore. These surrenders included hundred *per cent* surrenders (₹ 16,738 crore) under 92 sub-heads. Surrenders of more than ₹ 200 crore and more than 90 *per cent* of the provision in each case are detailed in **Appendix 2.5**. Government could have assessed its requirement more realistically in these cases.

### **2.3.5.2 Surrender in excess of savings**

The Departments, as per the provisions of the paragraph 17.2.2 of Budget Manual, are required to surrender the grants/appropriations or portion thereof to the Finance Department as and when savings are anticipated. Surrender of the provision in anticipation of savings and incurring expenditure subsequently by the controlling officers' results in surrender in excess of the overall savings in a grant/appropriation. In six cases, the amount surrendered (Rupees two crore 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 ₹ 2,045 crore, the actual amount surrendered was ₹ 3,773 crore, resulting in excess surrender of ₹ 1,728 crore. Details are given in **Appendix 2.6**.

In 13 cases, though there was an excess of ₹ 19,379 crore, an amount of ₹ 3,999 crore was surrendered injudiciously. Details are given in **Appendix 2.6 (a)**.

### **2.3.5.3 Savings not surrendered**

At the close of the year 2016-17, there were 10 grants and two appropriations in which saving of ₹ 4,370 crore occurred and no part of it was surrendered by the Departments (**Appendix 2.7**). Similarly, out of the saving of ₹ 32,612 crore under 20 grants (Rupees five crore and above in each case) an amount of ₹ 4,881 crore (15 *per cent*) remained unsurrendered at the end of the year (**Appendix 2.8**).

Besides, in 55 cases, ₹ 41,239 crore (78 *per cent*) of the total savings of ₹ 52,824 crore was surrendered (more than ₹ 10 crore in each case) on the last working day of the financial year. This was contrary to the provisions (Paragraph 17.2.2) of the Budget Manual. Details are shown in **Appendix 2.9**.

## **2.3.6 Lumpsum provision**

Paragraph 13.12 of the Budget Manual stipulates that lumpsum provision should not as a rule be made in the budget estimates. However, lumpsum provision of ₹ 23.75 crore was made in the budget under the Major Head "2052-Secretariat General Services" in violation of provision. The entire provision remained unutilized at the end of the year.

## **2.3.7 Rush of expenditure**

Article 39 of the Telangana Financial Code stipulates that, expenditure should be evenly distributed throughout the year. No attempt should be made to prevent the lapse of an appropriation by any undue rush of expenditure during March. It was observed in audit that expenditure during each of the three quarters ending December 2016 was between 20 to 23 *per cent* of the total expenditure. While the percentage of expenditure in the last quarter

was 35 *per cent* and the expenditure in the month of March 2017 alone constituted 21 *per cent*, indicating rush of expenditure.

It was also noticed that in 18 Major Heads, expenditure incurred was more than 50 *per cent* of annual expenditure and more than one crore rupees in the last quarter. Among these cases, the expenditure incurred was more than 50 *per cent* of annual expenditure under nine Major Heads during the month of March 2017. Details are shown in **Appendix 2.10**.

## **2.4 Advances from Contingency Fund**

Contingency Fund (CF) of the State has been established under the Telangana Contingency Fund Act, 2014 in terms of provisions of Article 267(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, until its authorization by the Legislature, would be undesirable. The Fund is in the nature of an imprest with a corpus of ₹ 50 crore and required to be recouped by obtaining supplementary grants.

During the year 2016-17, 27 sanctions for drawal from Contingency fund for an aggregate amount of ₹ 16.45 crore were issued by the Government. Of this, an amount of ₹ 13.07 crore was drawn from Contingency Fund and an amount of ₹ 12.98 crore was recouped to the Fund. An amount of ₹ 0.09 crore remained un-recouped by the end of the year 2016-17. Further, five sanctions amounting to ₹ 1.51 crore proved unnecessary as no expenditure was incurred.

## **2.5 Major Policy Initiatives**

Several major policy initiatives/flagship schemes were announced by the Government in 2016-17 budget, reflecting its socio-economic priorities. Some of the major policy initiatives/schemes outlined in the budget for the year 2016-17 were scrutinized in audit on a test-check basis to verify the achievement of financial and physical targets.

Out of ₹ 21,683 crore allocated for the 19 schemes reviewed, expenditure booked as per Appropriation Accounts was ₹ 5,459 crore (25 *per cent*) only. An amount of ₹ 467 crore released for implementation of these schemes was lying un-utilized in PD accounts (₹ 444 crore) and Bank Accounts (₹ 23 crore). In 12 cases, there was discrepancy in expenditure shown in Appropriation Accounts and that was reported to Audit. This was not reconciled by the Chief Controlling Officers concerned with AG (A&E). In two cases the allocated funds could not be utilized due to non-finalization of scheme guidelines. Thus, the policy initiatives/flagship schemes taken up by Government during the year were either unfulfilled or were partially executed, due to non-approval of scheme guidelines/modalities, poor project implementation and non-release of funds. Some instances are mentioned in **Table 2.8**:

**Table 2.8 Budgetary Position vis-à-vis actual Expenditure and Status of Implementation of the Schemes**

Sl. No.	Major Policy	Status of Implementation
<b>Non-utilisation of funds provided in Budget led to non-achievement of targets</b>		
Tribal Welfare Department		
(1)	<p><b>Infrastructure in 3 ITDA Districts:</b></p> <p><b>Objective:</b> To provide bituminous (BT) Road connectivity to scheduled tribe (ST) habitations in three Integrated Tribal Development Agency (ITDA) districts of Adilabad, Warangal and Khammam to enable tribals to move to other areas for their daily needs and to increase accessibility to schools, hospitals, markets etc.</p>	<p><b>Budget:</b> ₹ 250.00 crore</p> <p><b>Surrender:</b> ₹ 250.00 crore</p> <p><b>Expenditure:</b> NIL</p> <p><b>Physical Target:</b> Laying 418.99 km length of road connectivity to 1,31,313 ST habitations in three ITDA districts.</p> <p><b>Physical Achievement:</b> NIL</p> <p><b>Reasons for non-utilisation:</b> Department (September 2017) stated that due to non- finalization of tenders, funds were not utilised.</p> <p><b>Audit observation:</b> Improper planning led to non-utilisation of allocated funds, resulting in non-implementation of the scheme for providing BT road connectivity to tribal habitations.</p>
Scheduled Castes Development, Tribal Welfare & BC Welfare Departments		
(2)	<p><b>Kalyana Lakshmi:</b></p> <p><b>Objective:</b> To provide one time financial assistance of ₹ 51,000 at the time of marriage to every SC, ST, BC and EBC Girl whose parental income does not exceed ₹ 2 lakh per annum.</p>	<p><b>SC Development Department</b></p> <p><b>Budget:</b> ₹ 200.00 crore</p> <p><b>Expenditure as per Appropriation Accounts:</b> ₹ 119.33 crore</p> <p><b>Expenditure as reported to Audit:</b> ₹ 113.95 crore</p> <p><b>Physical Target:</b> Coverage of 39,215 SC girls</p> <p><b>Physical Achievement:</b> Covered 22,343 SC girls (57 per cent)</p> <p><b>Reasons for non-utilisation:</b> SC Development Department (September 2017) stated that due to change in procedure and re-organization of State, funds were not fully utilized.</p> <p><b>BC Welfare Department</b></p> <p><b>Budget:</b> ₹ 300.00 crore,</p> <p><b>Expenditure as per Appropriation Accounts:</b> ₹ 138.99 crore</p> <p><b>Expenditure as reported to Audit:</b> ₹ 136.79 crore</p>

Sl. No.	Major Policy	Status of Implementation
		<p><b>Physical Target:</b> Coverage of 58,823 BC/EBC girls</p> <p><b>Physical Achievement:</b> Covered 26,823 BC/EBC girls (46 per cent)</p> <p><b>Reasons for non-utilisation:</b> BC Welfare department (December 2017) attributed the shortfall to freezing of funds by Finance Department.</p> <p><b><u>Tribal Welfare Department:</u></b></p> <p><b>Budget:</b> ₹ 88.00 crore</p> <p><b>Expenditure as per Appropriation Accounts:</b> ₹ 71.58 crore</p> <p><b>Expenditure as reported to Audit:</b> ₹ 59.85 crore</p> <p><b>Physical Target:</b> Coverage of 17,255 ST girls</p> <p><b>Physical Achievement:</b> Covered 11,736 ST girls (68 per cent).</p> <p><b>Reasons for non-utilisation:</b> Tribal Welfare Department (December 2017) stated that due to change in procedure and re-organization of Districts, funds were not fully utilized.</p> <p><b>Audit observation:</b> Insufficient budget releases and freezing of funds resulted in shortfall of achievement in implementation of scheme, which stood at 43 per cent, 54 per cent and 32 per cent in respect of SC, BC/EBC and ST categories respectively.</p>
<b>Schemes not implemented due to non-finalisation of guidelines/modalities</b>		
Scheduled Castes Development Department		
(3)	<p><b>Additional facilities to the students of SC Hostels in the New State of Telangana:</b></p> <p><b>Objective:</b> To improve admissions in Pre-Matric Institutions under Scheduled Castes (SC) Development Department and to provide</p>	<p><b>Budget:</b> ₹ 130.00 crore</p> <p><b>Surrender:</b> ₹ 130.00 crore</p> <p><b>Expenditure:</b> NIL</p> <p><b>Reasons for non-utilisation of funds:</b> Department (November 2017) attributed this to non-receipt of orders from the Government regarding fixing of slab rates and finalization of modalities of the scheme.</p>

Sl. No.	Major Policy	Status of Implementation
	<p>better amenities to the students. To provide additional facilities viz., wool blanket, cotton bed, pillow with pillow cover, school bags, one pair of leather shoes &amp; canvas shoes, stitching charges of uniforms and to provide bunker beds etc., for improving standards of SC Welfare Hostels.</p>	<p><b>Audit Observation:</b> Scheme contemplated in the budget for welfare of SC students was not implemented during the year due to non-finalisation of modalities of the scheme.</p>
<b>Municipal Administration &amp; Urban Development Department</b>		
(4)	<p><b>Assistance to Municipal Corporations of Warangal, Khammam, Karimnagar, Nizamabad and Ramagundam:</b> The scheme is intended for taking up of various developmental activities in the Municipal Corporations of Warangal, Khammam, Karimnagar, Nizamabad and Ramagundam (pursuant to Chief Minister's Assurances) and were scheduled to be completed within the year 2016-17.</p>	<p><b>Budget:</b> ₹ 700.00 crore <b>Expenditure as per Appropriation Accounts:</b> ₹ 100.05 crore <b>Amount drawn (as reported to Audit):</b> ₹ 175.00 crore <b>Expenditure as reported to Audit:</b> NIL <b>Physical Target:</b> Government accorded administrative sanction for 175 works<sup>7</sup> (value: ₹ 646.84 crore) <b>Physical Achievement:</b> Nil <b>Unutilised amount:</b> An amount of ₹ 175.00 crore kept at the disposal of the respective district collectors was lying unutilized in their PD accounts. <b>Reasons for non-utilisation of funds:</b> Department (September 2017) attributed this to non-receipt of Guidelines from Engineer-in-Chief, Public Health Department <b>Audit observation:</b> Non-finalization of guidelines resulted in the scheme contemplated in the budget could not be implemented during the year despite release of funds. Director of Municipal Administration had not reconciled the discrepancy in expenditure with AG (A&amp;E).</p>

<sup>7</sup> Warangal, (17 works), Khammam (10 works), Karimnagar (74 works), Nizamabad (14 works) and Ramagundam (60 works)

Sl. No.	Major Policy	Status of Implementation
<b>Policy initiatives unfulfilled or partially fulfilled due to non-release/freezing of funds</b>		
Irrigation and Command Area Development Department		
(5)	<p><b>Palamuru - Rangareddy Lift Irrigation Scheme:</b></p> <p>This scheme was contemplated during 2015-16. The objective of the scheme is to provide irrigation facilities for ayacut of 10.00 lakh acres and drinking water to en-route villages, GHMC and industrial use by lifting 90 TMC of flood water in 60 days during flood season from foreshore of Srisailem Project on Krishna River near Yellur (V), Kollapur (M) in Mahabubnagar District to K.P. Laxmidevipally village, Kondurg (M) with 5 stretch lifting (i.e., 1<sup>st</sup> lift to 5<sup>th</sup> lift) and then utilizing water by gravity.</p>	<p><b>Budget:</b> ₹ 11,010.89 crore</p> <p><b>Expenditure:</b> ₹ 708.62 crore (6 per cent)</p> <p><b>Target date for completion:</b> by December 2018</p> <p><b>Reasons for short utilisation:</b> ₹ 10,280.75 crore out of the budget allocation was surrendered through re-appropriation orders.</p> <p><b>Audit observation:</b> Slow pace of flow of funds indicated that possibility to complete the project and to derive the intended benefit by target date was remote.</p>
Agriculture Department		
(6)	<p><b>Interest free Loans to Farmers (Vaddileni Runalu) &amp; Crop Insurance:</b></p> <p><b>Objective:</b> To mitigate the financial burden and as a relief to the farmers by allowing interest free loans and also encourage them in availing institutional credit and to inculcate timely repayment of crop loans.</p>	<p><b>Budget:</b> ₹ 265.39 crore</p> <p><b>Expenditure:</b> Nil</p> <p><b>Physical Target:</b> 12 lakh farmers</p> <p><b>Physical Achievement:</b> Nil</p> <p><b>Reasons for non-utilisation:</b> Non-receipt of LOC</p> <p><b>Audit Observation:</b> Due to non-issue of LOC, bills amounting to ₹ 165.67 crore pending with DTO (Urban), Hyderabad were not paid to end of the year. Programme contemplated in the Budget to mitigate financial burden of the farmers had not been implemented during the year.</p>
<b>Non-reconciliation of booked expenditure with AG (A&amp;E)</b>		
Panchayat Raj Department		
(7)	<p><b>Mission Bhagiratha:</b></p> <p><b>About the Scheme:</b> The Government of Telangana has taken up Telangana Drinking</p>	<p><b>Budget:</b> ₹ 1,298.53 crore</p> <p><b>Expenditure as per Appropriation Accounts:</b> ₹ 2,293.90 crore</p>

Sl. No.	Major Policy	Status of Implementation
	<p>Water Supply Project named “Mission Bhagiratha” with an estimated cost of ₹43,791.14 crore for providing safe, adequate, sustainable and treated drinking water to rural habitations and urban local bodies in 9 erstwhile districts of Telangana other than Hyderabad and its surrounding habitations within ORR. The entire project is divided into 26 segments. Government established “Telangana Drinking Water Supply Corporation (TDWSC)” for implementing the Project. The project is proposed to be executed in a phased manner for completion by 2018.</p> <p><b>Objective:</b> To cover 24,225 habitations and to provide about 60 lakh household connections in the State.</p>	<p><b>Amount drawn (as reported to Audit):</b> ₹2,271.71 crore</p> <p><b>Expenditure as reported to Audit:</b> ₹2,244.40 crore</p> <p><b>Expenditure from off-budget borrowings:</b> TDWSCL obtained sanction for loan of ₹24,952 crore from HUDCO, NABARD and other banking institutions with the rate of interest ranging between 9.20 <i>per cent</i> to 10.75 <i>per cent</i> to meet the expenditure on the project. The Corporation is required to repay the loan within 15 years from the date of disbursement of loan by various banks. Out of which ₹9,124.08 crore was drawn; and the expenditure was ₹10,012.57 crore, which includes margin money of ₹1,450 crore released by Government of Telangana for the loans taken from other institutions viz., HUDCO/NABARD etc.</p> <p><b>Audit observation:</b> Excess expenditure of ₹995.37 crore over budget provision was registered under the scheme in Appropriation Accounts. Of which, an amount of ₹374.13 crore was due to release of additional amount by Government for payment of interest on loans taken from the HUDCO &amp; NABARD by the TDWSCL.</p> <p>Against 24,225 habitations and 60 lakh household connections proposed to be covered under the scheme, no information is available with the Government with regard to coverage up to the year 2016-17. Chief Engineer, Rural Water Supply and Sanitation replied (September, 2017) that year wise targets were not fixed under the scheme. Thus, the pace of implementation of the scheme by the end of the year could not be assessed. Booked expenditure was not reconciled with AG (A&amp;E).</p>

Audit observations on the schemes (i) Construction of Buildings for Residential school complex, (ii) Assistance to Panchayat Raj Institutions under RIDF, (iii) Aarogyasri Health Care Trust, (iv) Loans to HMDA, (v) Shaadi Mubaarak, (vi) Assistance to Municipalities



under State Finance Commission Grants, (vii) Swachh Bharat Mission, (viii) Incentives for Industrial Promotion, (ix) Alimineti Madhava Reddy-Srisailam Left Bank Canal, (x) Atal Mission for Rejuvenation and Urban Transformation (AMRUT) and (xi) Pradhan Mantri Awaas Yojana –Gramin are given in *Appendix 2.11*.

### 2.5.1 Scheduled Castes and Tribal Sub-Plan

As per Telangana Scheduled Castes Sub-Plan (SCSP) and Tribal Sub-Plan (TSP) Act 2013 (Planning, Allocation and Utilisation of Financial Resources), all Government Departments should earmark at least 15.45 *per cent* and 9.08 *per cent* of the total plan outlay in the Budget exclusively for the development of Scheduled Castes and Scheduled Tribes, respectively. Schemes are to be designed to benefit the SCs/STs individually or as a community with a view to improving their economic and social condition. During 2016-17, Government allocated ₹ 10,484 crore<sup>8</sup> (15.50 *per cent*) and ₹ 6,171 crore<sup>9</sup> (9.12 *per cent*) to SCSP and TSP respectively. This included deemed allocation towards non-divisible infrastructure works under Irrigation and Command Area Development Department and Transport, Roads and Buildings department. The scheme-wise allocations under SCSP and TSP are detailed in *Appendix 2.12*.

Budget allocation and expenditure under Scheduled Castes Sub-Plan (SCSP) and Tribal Sub-Plan (TSP) during 2016-17 are shown in **Table 2.9**:

**Table 2.9: Budget vis-à-vis expenditure under SCSP and TSP during 2016-17**

Total State Plan Budget	SCSP					TSP				
	Budget				Expen-diture	Budget				Expen-diture
	Orig-i-nal (O)	Supple-mentary (S)	Total (O+S)	% total plan budget		Orig-i-nal (O)	Supple-mentary (S)	Total (O+S)	% total plan budget	
67,631	8,487	704	9,191	12.55	3,715 (40%)	5,315	279	5,594	7.86	2,404 (43%)

Source: Statement of Demands for Grants and SCSP and TSP 2016-17

Figures in parentheses indicate percentage of funds expended vis-à-vis allocation

Excluding deemed allocation towards non-divisible infrastructure works, Government incurred only 40 *per cent* of allocated funds under SCSP and 43 *per cent* of allocated funds under TSP, leaving the major portion unutilized.

Thus, the legitimate benefits of the schemes were denied to SCs & STs disregarding the spirit of the statutory provisions.

## 2.6 Review of Selected Grants

During the year 2016-17, two grants viz., Medical and Health; and Rural Development were selected for audit scrutiny. Compliance with budgeting processes, utilisation of funds,

<sup>8</sup> ₹ 8,487 crore towards all departments and ₹ 1,997 crore towards non-divisible infrastructure works

<sup>9</sup> ₹ 5,315 crore towards all departments and ₹ 856 crore towards non-divisible infrastructure works

expenditure control mechanisms and implementation of schemes within these grants were checked in audit. Audit findings in this regard are discussed below:

## 2.6.1 Medical and Health (Grant No. XVI)

This Grant is administered by Health, Medical and Family Welfare Department. The allocation of budget to the Department (₹ 8,083.51 crore) constituted 4.69 per cent of the total State Budget (₹ 1,72,269.13 crore) during 2016-17.

### 2.6.1.1 Budget and Expenditure

Details of budgetary provision, actual expenditure, savings and surrender in this grant during 2016-17 are given in **Table 2.10**:

**Table 2.10: Budget vis-a-vis expenditure under Medical and Health Grant**

(₹ in crore)						
Section	Original	Supple- mentary	Total	Expenditure	Savings (-)/ Excess (+)	Surrender
Revenue	5,620.16	1,097.90	6,718.06	3,993.79	(-) 2,724.27	2,645.07
Capital	319.22	526.09	845.31	350.08	(-) 495.23	237.27
Loans	27.51	<b>492.63</b>	<b>520.14</b>	528.16	8.02	27.51
<b>Total</b>	<b>5,966.89</b>	<b>2,116.62</b>	<b>8,083.51</b>	<b>4,872.03</b>	<b>(-)3,211.48</b>	<b>2,909.85</b>

Source: Appropriation Accounts

Under the Revenue Section, an amount of ₹ 3,994 crore was spent against the total provision of ₹ 6,718 crore resulting in a savings of ₹ 2,724 crore (41 per cent). Under the Capital section, ₹ 350 crore was spent against the total provision of ₹ 845 crore resulting in savings of ₹ 495 crore (59 per cent).

Under Loan Section, expenditure of ₹ 528 crore was booked through account adjustment against the total provision of ₹ 520 crore resulting in excess expenditure of ₹ 8 crore (paragraph 1.14 *supra* refers).

### 2.6.1.2 Surrender of Savings

As per the provisions of Paragraph 17.2.2 of Budget Manual, all Departments are required to surrender the grants/appropriations or portions thereof to the Finance Department as and when savings are anticipated.

Though the actual expenditure (₹ 4,872 crore) was less than the original provision (₹ 5,967 crore), obtaining supplementary grant (₹ 2,117 crore) proved unnecessary. Further, an amount of ₹ 2,645 crore was surrendered against the total savings of ₹ 2,724 crore. Out of the total surrenders, ₹ 1,815.62 crore (69 per cent) was surrendered on the last working day of the financial year 2016-17 under Revenue Section. Under Capital Section, out of total savings of ₹ 495 crore, only an amount of ₹ 237 crore was surrendered; that too on the last working day of the financial year 2016-17.

Under Loan Section an amount of ₹ 27.51 crore was surrendered though there was final excess of ₹ 8 crore.

### 2.6.1.3 Excessive /Insufficient /Unnecessary Supplementary Grants

Supplementary Grant aggregating ₹ 249 crore proved excessive by ₹ 88 crore in eight

schemes and similarly, Supplementary Grant of ₹ 133 crore proved insufficient in eight schemes. The details are in *Appendix 2.13*.

Supplementary Grants aggregating ₹ 1,549 crore obtained in 18 schemes during the year proved unnecessary. Under these schemes, the actual expenditure (₹ 1,181 crore) was less than the original provision (₹ 1,658 crore), as detailed in *Appendix 2.14*.

#### ***2.6.1.4 Inadequate/Unnecessary/ Excessive/Insufficient Re-appropriation of funds***

As per paragraph 17.5 of Budget Manual, re-appropriation is permissible only when a saving under one head of account and an excess under another are known or anticipated with reasonable certainty or when it is deliberately proposed to curtail expenditure under one head with a view to incurring more urgent additional expenditure under another.

During 2016-17, inadequate re-appropriation of ₹ 86 crore occurred in 5 cases, unnecessary re-appropriation of ₹ 580 crore in 14 cases, excessive re-appropriation of ₹ 136 crore in 14 cases and insufficient re-appropriation of ₹ 126 crore in 8 cases under the grant. This resulted in either non-utilisation of funds or excess over provision, as detailed in *Appendix 2.15*.

#### ***2.6.1.5 Surrender of entire provision***

In respect of certain schemes, although funds were provided in accordance with the Annual Plan, in 25 schemes entire provision amounting to ₹ 1,260 crore was surrendered without any expenditure as detailed in *Appendix 2.16*.

#### ***2.6.1.6 Expenditure incurred without provision***

As per Paragraph 17.3.1 and 17.6.1(c) of 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 ₹ 47 crore was incurred under 15 schemes without budget provision as detailed in *Appendix 2.17*.

#### ***2.6.1.7 Programme implementation***

Test-check of schemes under the Grant showed the following:

##### **a) Tertiary care in Telangana Vaidya Vidhana Parishad (TVVP) Hospitals**

The objective of the scheme is to provide specialized Intensive Care Units, advanced Diagnostic services and specialized Medical personnel for third level of Health care system on referral from Primary and Secondary Medical Care.

During the year, Government provided ₹ 31.30 crore in the Budget for Tertiary care in TVVP Hospitals and had withdrawn an amount of ₹ 23.62 crore by way of Re-appropriation. Department stated that no expenditure was incurred due to non-release of funds by the Government. Thus, Tertiary care in TVVP Hospitals was totally neglected during 2016-17.

##### **b) Development of NIMS University at Rangapur**

During the year an amount of ₹ 40.00 crore was provided in the Budget for development of NIMS University at Rangapur and the entire provision was re-appropriated. Department stated (September 2017) that no amount was spent during the year due to non-release of funds by the Government.

**c) Purchase of new vehicles and equipment for 108/104**

An amount of ₹ 49 crore was provided in the Budget for purchase of new vehicles for 108-Rural Emergency Health Transport Scheme/104-Fixed Day Health Services during 2016-17. Entire provision was re-appropriated (September 2016) without incurring any expenditure. Commissioner of Health & Family Welfare stated (October 2017) that due to ban of purchase of new vehicles by the Government and non-receipt of guidelines for incurring expenditure from the Government the entire provision was surrendered.

**d) Rural Emergency Health Transport Scheme (108 Services)**

An amount of ₹ 63.24 crore was provided in the Budget for the year 2016-17. Government issued Budget Release Orders for the entire provision. Subsequently, Health, Medical and Family Welfare Department issued Administrative sanctions. Of this only ₹ 32.95 crore was incurred by the Department. Department attributed the non-utilisation to non-approval of bills by the Finance Department. Despite bills lying pending with the Department, an amount of ₹ 30.29 crore was re-appropriated without stating specific reasons.

**e) Construction of Family Welfare Buildings**

During the year, Government made a provision of ₹ 3.40 crore in the Budget for construction of Family Welfare buildings and the entire provision was re-appropriated. Commissioner of Health & Family Welfare stated (October 2017) that due to non-receipt of guidelines for incurring expenditure from the Government entire provision was surrendered.

**f) Buildings for MNJ Institute of Oncology and Regional Cancer Center, Hyderabad**

During 2016-17 Government made an allocation of ₹ 23.40 crore in the Budget. Of this, only an amount of ₹ 0.75 crore was incurred and the balance provision of ₹ 22.65 crore was re-appropriated. Department has not given any reply for short utilisation of funds.

**g) Sanitation, Security and Pest Control for Telangana Vaidya Vidhana Parishad (TVVP) Hospitals**

Government provided an amount of ₹ 48.15 crore in the budget for implementation of integrated hospital facility management services under TVVP Hospitals. However, the entire amount was re-appropriated without incurring any expenditure. Commissioner of Telangana Vaidya Vidhana Parishad stated (September, 2017) that this was a new scheme and guidelines for incurring expenditure were not yet received from the Government.

Thus, the schemes contemplated in the budget for public health were not implemented or partially implemented during the year due to non-utilisation of allocated funds.

**2.6.2 Rural Development (Grant No. XXXII)**

This Grant is administered by the Rural Development Department. The allocation of budget to Rural Development Department (₹ 9,045.17 crore) constituted 5.25 per cent of the total State budget (₹ 1,72,269.14 crore) during the year 2016-17.

### 2.6.2.1 Budget and Expenditure

Details of budgetary provision, actual expenditure, savings and surrender in this grant during 2016-17 are shown in **Table 2.11**:

**Table 2.11: Budget vis-a-vis expenditure**

(₹ in crore)						
Section	Original	Supple- mentary	Total	Expenditure	Savings	Surrenders
Revenue	6,344.54	960.86	7,305.40	5,988.98	(-)1,316.42	2,593.36
Capital	0.00	1,739.77	1,739.77	0.00	(-)1,739.77	0.00
<b>TOTAL</b>	<b>6,344.54</b>	<b>2,700.63</b>	<b>9,045.17</b>	<b>5,988.98</b>	<b>(-)3,056.19</b>	<b>2,593.36</b>

Source: Appropriation Accounts

Under the Revenue Section, an amount of ₹ 5,989 crore was spent against the total provision of ₹ 7,305 crore, resulting in savings of ₹ 1,316 crore (18 *per cent*) and under the Capital Section, no amount was spent against the total provision of ₹ 1,740 crore.

### 2.6.2.2 Surrender of Savings

As per provisions of Paragraph 17.2.2 of Budget Manual, all Departments are required to surrender the grants/appropriations or portions thereof to the Finance Department as and when savings are anticipated.

Under Revenue Section an amount of ₹ 2,593 crore was surrendered in the month of March 2017 which was in excess of the actual savings of ₹ 1,316 crore. As the actual expenditure (₹ 5,999 crore) was less than the Original provision (₹ 6,345 crore), obtaining Supplementary Grant (₹ 961 crore) proved unnecessary. Out of the total savings of ₹ 1,740 crore, no amount was surrendered under the Capital Section during the year.

### 2.6.2.3 Excessive/Insufficient/Unnecessary Supplementary Grants

Supplementary Grant aggregating ₹ 93.61 crore proved excessive by ₹ 47.92 crore in five sub heads and similarly, Supplementary Grant of ₹ 264.77 crore proved insufficient in four sub heads. Further, Supplementary grant aggregating ₹ 2,043.38 crore obtained in eight sub heads during the year proved unnecessary as the actual expenditure (₹ 202.17 crore) was less than the original provision (₹ 3,011.25 crore) as detailed in **Appendix 2.18**.

### 2.6.2.4 Unnecessary/Excessive Re-appropriation of funds

As per paragraph 17.5 of Budget Manual, re-appropriation is permissible only when a saving under one head of account and an excess under another are known or anticipated with reasonable certainty or when it is deliberately proposed to curtail expenditure under one head with a view to incurring more urgent additional expenditure under another. During the year, unnecessary re-appropriation of ₹ 2,006 crore occurred in four cases and excessive re-appropriation of ₹ 11.65 crore occurred in one case under the grant. This resulted in either non-utilisation of funds or excess over provision. Details are shown in **Appendix 2.19**.

### 2.6.2.5 Surrender of entire provision

In respect of certain schemes, although funds were provided in accordance with the Annual Plan, the entire provision in three schemes amounting to ₹ 25 crore was surrendered without any expenditure as detailed in *Appendix 2.20*.

### 2.6.2.6 Programme implementation

Test-check of schemes under the Grant showed the following:

#### a) Deen Dayal Upadhyaya Grameena Koushalya Yojana (DDU- GKY) :

DDU-GKY is the initiative of Ministry of Rural Development, GoI, aiming to skill rural youth who are poor and provide them with jobs having regular monthly wages at or above the minimum wages. It is a part of the National Rural Livelihood Mission (NRLM). The funding pattern of the Programme between GoI and the State Government is 60:40. The financial outlay of the project was ₹ 317.33 crore with a physical target of 37,311 candidates for the period 2015-16 to 2017-18.

During the year 2015-16, GoI released an amount of ₹ 44.22 crore to the State Government between September 2015 to March 2016. State Government was directed to transfer the amount along with matching state share to Employment Generation and Marketing Mission (EGMM). However, Government released only ₹ 42.87 crore out of GoI share and the same was directly credited to EGMM bank account. Thus, State Government had retained GoI share of ₹ 1.35 crore besides non-releasing of its matching share of ₹ 29.48 crore.

During 2016-17, State Government provided ₹ 30.83 crore (GoI: ₹ 1.35 crore & State: ₹ 29.48 crore) in the budget and the entire amount was released. Of this, only ₹ 2.25 crore was credited to EGMM bank account and EGMM utilized ₹ 1.36 crore leaving a balance of ₹ 0.89 crore. As of August 2017, against the physical target for coverage of 37,311 candidates, 18,127 were trained and placement was given to 11,465 candidates (31 per cent).

#### b) Pradhan Mantri Krishi Sinchayee Yojana (PMKSY):

PMKSY is a Centrally Assisted State Plan Scheme with sharing pattern of 60:40 between GoI and State Government. This scheme aims to ensure access to some means of protective irrigation to all agricultural farms in the country, to produce per drop more crop, to bring desired rural prosperity.

During 2015-16, GoI released (August 2015) ₹ 70.00 crore for implementation of Watershed component of PMKSY. However State Government did not release any amount for the year 2015-16. During the year 2016-17 out of ₹ 118.31 crore provided in the budget, ₹ 116.67 crore (GoI: ₹ 70.00 crore and State: ₹ 46.67 crore) was received by CEO, State Level Nodal Agency (SLNA) & Commissioner, Rural Development. Of this, only an amount of ₹ 64.42 crore was utilized leaving a balance of ₹ 68.54 crore (including OB: ₹ 3.94 crore and Misc. Receipts: ₹ 12.35 crore).

**c) Interest free loans to DWCRA<sup>10</sup> women (Vaddi Leni Runalu):**

Government introduced the scheme of Interest Free Loans to DWCRA women “Vaddi Leni Runalu” with an objective to reduce interest burden on loans to the poor and facilitate prompt repayment. The interest subvention is available only for Self Help Groups (SHGs) which are regular in their loan repayments to banks and it is applicable for loans up to rupees five lakh under SHG Bank linkage.

During 2016-17, Government allocated ₹164.58 crore against the requirement of ₹632.52 crore for covering 3,98,435 SHGs. Government released an amount of ₹91.14 crore during the year. Of this, only an amount of ₹41.14 crore (7 per cent of requirement) was credited to PD account of Chief Executive Officer, Society for Elimination of Rural Poverty (SERP) and the same was expended. Department stated (October 2017) that an amount of ₹1,055.08 crore was required for arrear payment to SHGs for the years 2014-15 (₹44.91 crore), 2015-16 (₹418.79 crore) and 2016-17 (₹591.38 crore). Thus, due to non-release of funds 93 per cent of SHGs could not get the intended benefit under the scheme during the year besides arrears accumulated for three years.

**d) Streenidhi Scheme:**

The objective of the scheme is to meet the credit needs of the SHG members through Mandal Mahila Samakhya (MMS)/Village Organization (VOs) for emergent requirement like medical and educational purposes; and to provide short terms loans for income generating activities.

During the year, Government provided ₹11 crore in the budget, but no funds were released and the entire amount was re-appropriated by the Government on 31 March 2017. This indicates that the purpose for which the funds were provided, was not fulfilled.

**e) Shyama Prasad Mukherji Rurban Mission (SPMRM):**

The National Rurban Mission (NRuM) launched in February 2016 with funding pattern of 60:40, follows the vision of Development of a cluster of villages that preserve and nurture the essence of rural community life with focus on equity and inclusiveness without compromising with the facilities perceived to be essentially urban in nature, thus creating a cluster of "Rurban Villages". The objective of the National Rurban Mission (NRuM) is to stimulate local economic development, enhance basic services, and create well planned Rurban clusters.

During 2016-17, GoI released ₹20.00 crore as Central Assistance towards eight<sup>11</sup> Rurban Clusters. State Government released only GoI share of ₹19.95 crore. Thus, State Government had retained GoI share of ₹0.05 crore besides non-releasing of its matching share of ₹13.33 crore.

The released amount was credited (March 2017) to the Bank account of Commissioner of Rural Development, Rurban Mission. Chief Vigilance Officer, Rurban Mission stated that only an amount of ₹7.12 lakh was utilized. The amount was utilized to conduct household

<sup>10</sup> Development of Women and Children in Rural Areas

<sup>11</sup> Allapur(S), Narayankhed, Jukkal, Chirragunta, Peddapally, Nagarkurnool, Jayasankar Bhupalpalli and Sarangapalle

surveys, preparation of Integrated Cluster Action Plans (ICAP) and Detailed Project Reports (DPRs) and to meet the salaries and other incidental expenditure. Department also stated that no physical progress was made during the year as the preparation of ICAPs and DPRs was under progress. An amount of ₹ 14.23 crore was lying idle in the Bank Account as on 31 March 2017.

Thus, due to retention of GoI funds, non-release of State's share, non-utilisation of available funds, non-finalization of modalities, schemes contemplated in the budget for rural development were not implemented or partially implemented during the year.

## **2.7 Errors in budgeting process**

The following lapses/errors were observed in the process of budgeting during the year 2016-17:

### **2.7.1 No Provision in Budget Estimates under Subventions from Central Road Fund**

Grants for 'Subvention from Central Road Fund' are released to the State by GoI for road development works. These amounts are to be transferred to 'MH 8449-Other Deposits-103-Subvention from Central Road Fund' by debit to 'MH 3054-Roads and Bridges-797-Transfers to Reserve Fund'. Although provision for transfer of grant received is required to be made every year in the budget, this was not done.

### **2.7.2 Incorrect classification**

Subsidies are being shown under Detailed Head '310-Grants-in-Aid' instead of under '330-Subsidies'. During the year 2016-17 an amount of ₹ 213.55 crore was provided in the budget under 310-Grants-in-aid. Of this, expenditure of ₹ 16.37 crore was booked towards Power Subsidy for Industries.

Similarly, for items which were in the nature of subsidies, provision of ₹ 1,514 crore was made in the budget under '310-Grants-in-Aid', '500-Other Expenditure' and '260-Advertisement, Sales and Publicity Expenses' instead of '330-Subsidies'. Of this, expenditure of ₹ 453.86 crore was incurred by various Departments.

### **2.7.3 Misclassification in budget estimates**

- i. As per Standard Objects of Expenditure (Detailed Heads of Account) given in Budget Manual, the object Head-501 has to be operated for Compensations.

However, for payment of compensations, a provision of ₹ 74.44 crore was made under "310-Grants-in-Aid and 320-Contributions" under Major Head 3604-Compensation and Assignments to Local bodies and Panchayat Raj Institutions. Against this an expenditure of ₹ 6.59 crore was incurred.

- ii. As per the guidelines of the Indian Government Accounting Standards (IGAS-2), the detailed head 310-Grants in Aid constitutes the revenue expenditure of the Government. However, an amount of ₹ 268.60 crore was provided towards 310-Grants-in-aid under the Capital Section during 2016-17. Against this provision, expenditure of ₹ 446.58 crore was booked.



- iii. The Detailed head 270-Minor Works is to be operated under Revenue section. However, an amount of ₹642.82 crore was provided and an expenditure of ₹670.90 crore was booked under Capital Section in various Grants.
- iv. The Detailed head of account 530-Major Works, which is to be operated under Capital section, was classified in Revenue section. An amount of ₹96.20 crore was provided under four Grants and expenditure of ₹16.26 crore was booked.
- v. The Detailed head of account 520-Machinery and Equipment/521-Purchases is to be operated under Capital section. However, an amount of ₹112.48 crore was provided and an expenditure of ₹54.86 crore was booked under Revenue section in various grants.

#### **2.7.4 Non-compliance to correction slip issued to List of Major and Minor Heads (LMMH)**

(i) As per correction slip No. 765 dated 2 June 2014 issued by Controller General of Accounts, the Minor Head 103-Lokayukta/ Upa-Lokayukta was inserted under the Major Head 2062-Vigilance in LMMH. Subsequently, the Minor Head 104- Vigilance under MH 2070 was deleted vide correction slip No. 766, dated 02 June 2014. However, an amount of ₹13.53 crore was provided and an expenditure of ₹11.40 crore was booked towards “Lokayukta - Upa Lokayukta” under MH 2070-00-104-(04) instead of booking under MH 2602-00-103.

(ii) As per correction slip no.718, dated 14 February 2012, the functional head “102-National Rural Livelihood Mission” has to be operated under MH 2501- Special Programmes for Rural Development-06-Self Employment Programmes”. However, the sub head (05)-“National Rural Livelihood Mission” was operated under Minor Head 800 instead of operating under the specific functional minor head “102”. An amount of ₹7.88 crore was provided and expenditure to that extent was booked towards “National Rural Livelihood Mission” under MH 2501-01-800 instead of booking under MH 2501-06-102.

#### **2.7.5 Operation of unauthorized Sub Major Head/Minor Heads**

As per correction slip no.370, dated 25 May 2000 the existing Sub Major Head “01-Integrated Rural Development Programme” and all the Minor Heads thereunder below “MH 2501-Special Programmes for Rural Development” were deleted from LMMH from the year 2000-01. However, these heads were being operated by State Government. During 2016-17 an amount of ₹375.53 crore was provided and an expenditure of ₹101.34 crore was incurred under three Grants<sup>12</sup>, against the obsolete classification.

#### **2.7.6 Errata to Budget Estimates**

Errata is a list of corrections to the errors appended to a book or published in a subsequent issue of a journal. However, many corrections (312 cases) were made to Budget and Supplementary Estimates through errata, which were issued on 31 March 2017 i.e., on the last working day of the financial year. These errata not only include the changes in classification (109 cases) and nomenclature (190 cases) under various heads but also

<sup>12</sup> XXI-Social Welfare (BE: ₹68.06 crore), XXII-Tribal Welfare (BE: ₹10.21 crore) and XXXII-Rural Development (BE: ₹297.16 crore and Expenditure: ₹101.34 crore)

changes in estimated amounts (13 cases). This indicated that preparation of budget documents was not given adequate attention.

### **2.7.7 Opening of new Sub-Heads**

Article 150 of the Constitution mandates the prescription of the form of accounts by the President on the advice of the Comptroller and Auditor General of India (CAG). Section 21 of the CAG's (Duties, Powers and Conditions of Service) Act 1971, however, permits the CAG to delegate his powers to his subordinated authorities. Accordingly, CAG has, at various points of time, delegated his powers to render advice, to the Pr. Accountants General/Accountants General (A&E). The State Government has to take prior concurrence of the AG (A&E) before opening any new head. It was, however, observed that during 2016-17, the Government had opened 137 new Sub-Heads without prior concurrence of the Accountant General (A&E). Total provision made under these Sub-Heads was ₹24,165.47 crore. Against this provision, an expenditure of ₹21,140.32 crore was incurred under 29 Grants disregarding the statutory provision. Details are shown in **Appendix 2.21**.

## **2.8 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.*

*The overall savings of ₹31,662.69 crore (18 per cent of budget provision) were the result of savings of ₹52,824.28 crore partially offset by an excess of ₹21,161.59 crore under various sections (Voted/Charged). In view of the final savings, the supplementary grant of ₹41,235 crore obtained proved excessive.*

*Excess expenditure over the allocations amounting to ₹6,184 crore pertaining to the years 2014-15 and 2015-16 was yet to be regularized as of December 2017. The cases of excess expenditure over grants are serious breaches and are in violation of the wish of the Legislature. It is important that responsibility is fixed in this regard.*

*Against the total savings of ₹31,662.69 crore, an amount of ₹49,283.53 crore was surrendered during the year 2016-17, of which ₹41,384.99 crore (84 per cent) was surrendered on the last day of the year, i.e., 31 March 2017. It affects 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 10,060 items of re-appropriations made by the State Government during the year 2016-17, specific reasons were not intimated in respect of 7,338 items (73 per cent).*

*Several policy initiatives taken up by Government were either unfulfilled or were partially executed, primarily due to non-approval of scheme guidelines/modalities, poor project implementation, apart from non-release/short release or non-utilisation of budgeted funds.*

*Spirit of the statutory provision was disregarded by not utilizing the funds allocated under Scheduled Castes Sub-Plan (60 per cent) and Tribal Sub-Plan (57 per cent).*