

## Preface

**This Report has been prepared for submission to the Governor under Article 151 of the Constitution.**

**Chapters 1 and 2 of this Report respectively contain Audit observations on matters arising from examination of Finance Accounts and Appropriation Accounts of the State Government for the year ended 31 March 2009. Chapter 3 on ‘Financial Reporting’ provides an overview and status of the State Government’s compliance with various financial rules, procedures and directives during the current year.**

**The Report containing the findings of performance audit and audit of transactions in various departments and observations arising out of audit of Statutory Corporations, Boards and Government Companies and the Report containing observations on Revenue Receipts are presented separately.**

## Background

Andhra Pradesh Government enacted “Fiscal Responsibility and Budget Management (FRBM) Act” in October 2005 as recommended by the Twelfth Finance Commission (TFC). It sets out a reform agenda through fiscal correction path in the medium term with long-term goal of securing growth stability for its economy. The State Government's commitment to carry forward these reforms is largely reflected in certain policy initiatives announced in the budgets subsequently. While the benefits of FRBM legislation have been realized to a great extent already, in terms of reduction in major deficit indicators etc. the State Government's resolve to implement VAT, introduction of New Pension Scheme, ceiling on Government guarantees and a host of other institutional and sectoral reform measures will go a long way in building up the much needed 'fiscal space' for improving the quality of public expenditure and promote fiscal stability.

The State Government has established an institutional mechanism on fiscal transparency and accountability as evident from the year-on-year presentation of outcome budgets. These outcome indicators tend to serve the limited purpose of measuring the department-wise performance against the targets. They do not, however, give the status of financial management including debt position, off-budget liabilities and cash management etc. for the benefit of the State Legislature and other stakeholders.

The Comptroller and Auditor General's civil reports step in to fill this gap. C&AG's reports have been commenting upon the Government's finances for over three years since the FRBM legislation. Since the Audit comments on State Finances formed part of the civil audit report, it was felt that these comments remained camouflaged in the large body of audit findings on compliance and performance audits and hence did not receive due attention. In recognition of the need to bring State finances to centre stage once again, a stand alone report on State Government finances is considered appropriate. Accordingly, from the report year 2009 onwards, it has been decided to bring out a separate volume titled “Report on State Finances”.

## The report

Based on the audited accounts of the Government of Andhra Pradesh for the year ending March, 2009, this report provides an analytical review of the Annual Accounts of the State Government. The report is structured in three Chapters.

**Chapter 1** is based on the audit of Finance Accounts and makes an assessment of Andhra Pradesh Government's fiscal position as at 31 March 2009. It provides an insight into trends in committed expenditure, borrowing pattern besides a brief account of central funds transferred directly to the State Implementing Agencies through off-budget route. It also makes an assessment of the adequacy of the State's fiscal priorities to developmental, social sectors and capital expenditure.

**Chapter 2** is based on Appropriation Accounts and gives the grant-by-grant description of appropriations and the manner in which the allocated resources were managed by the service delivery departments.

**Chapter 3** is an inventory of Andhra Pradesh Government's compliance with various reporting requirements and financial rules. The report also has an appendage of additional data collated from several sources in support of the findings.

### **Audit findings and recommendations**

**Return to fiscal Correction:** The Government of Andhra Pradesh has been largely achieving the Fiscal Reform targets every year in post FRBM legislation period. State registered revenue surplus since 2006-07 and the fiscal deficit was well within the ceiling prescribed by the FRBM Act as relaxed by the Government of India for 2008-09 (para 1.9.1). However, it was noticed that the State's own tax revenue recorded lowest growth rate of 15.85 per cent during the current year (para 1.3.1).

*The State should ensure better tax compliance to improve its own tax revenue to 9.75 per cent of GSDP as projected in FRBM Act.*

**High incidence of non-plan revenue expenditure (NPRE):** The revenue expenditure constituted 82 per cent of total expenditure during 2008-09. The NPRE component of revenue expenditure exceeded significantly both the normative projection of TFC and State's projection in its FCP for 2008-09 (para 1.4.1). The committed expenditure on salaries and wages, pensions, interest payments and subsidies constituted 80 per cent of NPRE during 2008-09. However during the current year the salary expenditure was 30 per cent of revenue expenditure net of interest and pension payment as against the TFC recommendations of 35 per cent (para 1.4.2).

*Government should initiate suitable measures to further reduce the non-plan revenue expenditure.*

**Priority to Capital Expenditure:** The State Government entrusted greater priority to capital sector in its FRBM legislation. However, the capital expenditure decreased during 2008-09 over previous year and its ratio to aggregate expenditure was less than the All States average (para 1.5.1).

**Adequate thrust to development and social sector expenditure:** State Government has given adequate priority to development expenditure since the ratio of DE/AE and per capita expenditure was more than the All States average. However, adequate priority was not given to social sector as evident from that the ratio of SSE/AE was less than the All States average (para 1.5.1).

*Government may consider re-prioritisation of outlays in favour of social sector and capital expenditure.*

**Incomplete Projects:** Cost and time overruns of incomplete projects are inevitable by-products of deficient planning. Inordinate delay in completion of 30 major and medium irrigation projects led to

huge cost overrun of Rs 12506 crore (para 1.6.1).

*The State can put in place an action plan to complete these projects in a time frame so that people derive envisaged benefits in the quickest possible time.*

**Review of Government Investments:** The average return on Andhra Pradesh Government's investment in Statutory Corporations, Government and Joint Stock Companies and Co-operative Banks and Societies was 0.59 per cent during the last five years while the Government paid average interest rate of 8.85 per cent on its borrowings (para 1.6.2). This is obviously an unsustainable proposition.

*The State Government should therefore hasten to seek better value for money in investments as otherwise high-cost borrowed funds will continue to burden investments in projects with low financial return. Projects which are justified on account of low financial but high socio-economic return may be identified and prioritized with full justification for the high-cost borrowings.*

**Prudent Cash Management:** The cost of holding surplus cash balances is high. In 2008-09, interest received on investment of cash balances in GOI Treasury bills was only 3.43 per cent while the Government borrowed on an average rate of 7.88 per cent (para 1.6.5).

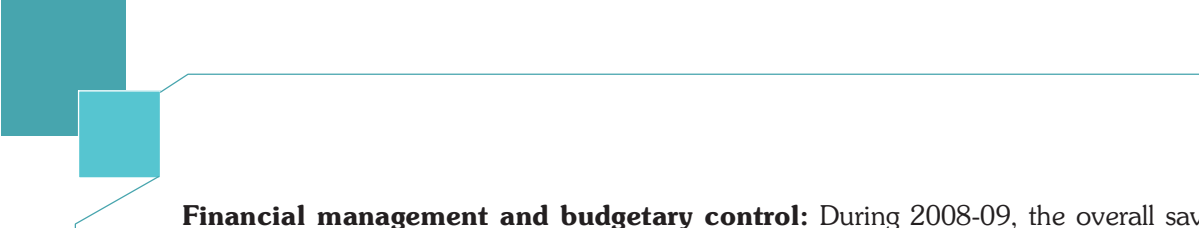
*Proper debt management through advanced planning could minimize the need to hold large cash surpluses. Ways and Means facility of RBI can also be judiciously resorted to as long as the State does not avail of overdraft facility.*

**Debt Sustainability:** The quantum spread together with primary deficit has been positive for the last five years resulting in decline in Debt/GSDP ratio. These trends indicate the tendency towards debt stabilization which would eventually improve the debt sustainability of the State. However, the resource gap has been negative in four years out of the five year period indicating that the incremental non-debt receipts were not even sufficient to meet the incremental primary expenditure and interest burden (para 1.8).

*The State needs to step up its resource mobilisation to maintain debt stability and in turn sustainability in the medium to short term.*

**Oversight of funds transferred directly by the Centre to the State Implementing Agencies:** Funds flowing directly to the implementing agencies through off-budget route inhibit FRL requirements of transparency and therefore escape accountability. There is no single agency monitoring its use and no data is readily available on the amount spent in any particular year on major flagship and other important schemes (para 1.2.2).

*A system has to be put in place to ensure proper accounting of these funds and the updated information should be validated by the State Government as well as the Principal Accountant General (A&E).*



**Financial management and budgetary control:** During 2008-09, the overall saving of Rs 25949 crore was the net effect of saving of Rs 26658 crore and excess of Rs 709 crore which required regularisation under Article 205 of the Constitution of India (para 2.2). The savings were mainly due to making huge provisions in anticipation of GOI funds and non-availment of Ways and Means advances and lump sum provisions, short release of teaching grants to Local Bodies etc (para 2.3.1). There were also instances of inadequate provision of funds and unnecessary/excessive re-appropriations. Besides, there was a rush of expenditure to the end of the year. In many cases, the anticipated savings were either not surrendered or surrendered in the last two days of the year leaving no scope for utilizing these funds for other development purposes. Detailed bills were not submitted for large amount of advances drawn on abstract contingent bills.

**Financial reporting:** State Government's compliance with various rules, procedures and directives was unsatisfactory as evident from delays in furnishing utilization certificates against the loans and grants from various grantee institutions (para 3.1). Delays were also noticed in submission of annual accounts by some autonomous bodies and departmental undertakings (paras 3.2 to 3.4). There were instances of embezzlements, defalcation, misappropriations (para 3.5) and overpayment of pension/ family pension (para 3.6). Departmental enquiries in such cases should be expedited to bring the defaulters to book.

# Chapter 1

## Finances of the State Government

This chapter provides a broad perspective of the finances of the Government of Andhra Pradesh during the current year and analyses critical changes in the major fiscal aggregates relative to the previous year keeping in view the overall trends during the last five years. The analysis has been made based on State Finance Accounts and the information obtained from State Government. The structure of Government Accounts and the layout of Finance Accounts are shown in **Box 1.1** (page 2).

### 1.1 Summary of current year's fiscal transactions

**Table 1.1** presents the summary of State Government's fiscal transactions during the current year (2008-09) vis-à-vis the previous year while **Appendix 1.3** provides details of receipts and disbursements as well as overall fiscal position during the current year.

**Table 1.1: Summary of fiscal operations**

(Rupees in crore)

Receipts			Disbursements				
	2007-08	2008-09		2007-08	2008-09		
Section A	Total	Total	Section A	Total	Non Plan	Plan	Total
Revenue receipts	54143	62858	Revenue expenditure	53984	42861	18993	61854
Tax revenue	28794	33358	General services	18170	18578	152	18730
Non-tax revenue	7064	9683	Social services	18661	12701	12303	25004
Share of Union Taxes/Duties	11184	11802	Economic services	16904	11269	6538	17807
Grants from GOI	7101	8015	Grants-in-aid and Contributions	249	313	---	313
Section B			Section B				
Misc. Capital receipts	6558	---	Capital outlay	12774	(-)244	10611	10367
Recoveries of Loans and Advances	191	370	Loans and Advances disbursed	2920	316	3098	3414
Public Debt receipts <sup>1</sup>	11132	15353	Repayment of Public Debt	4993	-	-	4833
Contingency Fund	---	1	Contingency Fund	1	-	-	7
Public Account receipts	61380	72503	Public Account disbursements	55126	-	-	74149
Opening Cash Balance	4906	8512	Closing Cash Balance	8512	-	-	4973
Total	138310	159597	Total	138310	-	-	159597

<sup>1</sup>Excluding net transactions under Ways and Means Advances and Overdraft

**Box 1.1**

**Structure of Government Accounts**

The accounts of the State Government are kept in three parts (i) Consolidated Fund, (ii) Contingency Fund and (iii) Public Account.

**Part I: Consolidated Fund:** All revenues received by the State Government, all loans raised by issue of treasury bills, internal and external loans and all moneys received by the Government in repayment of loans shall form one consolidated fund entitled 'The Consolidated Fund of State' established under Article 266(1) of the Constitution of India.

**Part II: Contingency Fund:** The Contingency Fund of the State established under Article 267(2) of the Constitution is in the nature of an imprest placed at the disposal of the Governor to enable him to make advances to meet urgent unforeseen expenditure, pending authorisation by Legislature. Approval of the Legislature for such expenditure and for withdrawal of an equivalent amount from the Consolidated Fund is subsequently obtained, whereupon the advances from the Contingency Fund are recouped to the Fund.

**Part III: Public Account:** Receipts and disbursements in respect of certain transactions such as small savings, provident funds, reserve funds, deposits, suspense, remittances etc., which do not form part of the Consolidated Fund, are kept in the Public Account set up under Article 266(2) of the Constitution and are not subject to vote by the State Legislature.

**Layout of Finance Accounts**

Statement No.	Layout
1	Summary of transactions of the state government - receipts and expenditure, revenue and capital, public debt receipts and disbursements, etc., in the Consolidated Fund, Contingency Fund and Public Account of the state.
2	Summarised statement of capital outlay showing progressive expenditure to the end of 2008-09.
3	Financial results of irrigation works, their revenue receipts, working expenses and maintenance charges, capital outlay, net profit or loss, etc.
4	Summary of debt position of the state, which includes borrowings from internal debt, Government of India, other obligations and servicing of debt.
5	Summary of loans and advances given by the State Government during the year, repayments made, recoveries in arrears, etc.
6	Summary of guarantees given by the Government for repayment of loans, etc. raised by the statutory corporations, local bodies and other institutions.
7	Summary of cash balances and investments made out of such balances.
8	Summary of balances under the Consolidated Fund, the Contingency Fund and Public Account as on 31 March 2009.
9	Revenue and expenditure under different heads for the year 2008-09 as a percentage of total revenue/expenditure.
10	Distribution between the charged and voted expenditure incurred during the year.
11	Detailed account of revenue receipts by minor heads.
12	Accounts of revenue expenditure by minor heads under non-plan, plan and centrally sponsored schemes separately and capital expenditure by major head wise.
13	Detailed capital expenditure incurred during and to the end of 2008-09.
14	Details of investment of the State Government in statutory corporations, Government companies, other joint stock companies, cooperative banks and societies, etc., up to the end of 2008-09.
15	Capital and other expenditure to the end of 2008 - 09 and the principal sources from which the funds were provided for that expenditure.
16	Detailed account of receipts, disbursements and balances under heads of account relating to Debt, Contingency Fund and Public Account.
17	Detailed account of debt and other interest bearing obligations of the Government of Andhra Pradesh.
18	Detailed account of loans and advances given by the Government of Andhra Pradesh, the amount of loan repaid during the year, the balance as on 31 March 2009.
19	Details of balances of earmarked reserve funds.

Following are the significant changes during 2008-09 over the previous year:

- Revenue receipts grew by Rs 8715 crore (16 per cent) over the previous year. The increase was on account of State's own tax revenue (Rs 4564 crore), non-tax revenue (Rs 2619 crore), grants-in-aid from Government of India (GOI) (Rs 914 crore) and share of Union taxes and duties (Rs 618 crore). During 2007-08 an amount of Rs 6558 crore realised on sale of land and property was misclassified under capital receipts. *State's own revenue (Rs 43041 crore) during the current year exceeded the TFC projections (Rs 33695 crore) by 28 per cent and State's own targets (Rs 36052 crore) set in Fiscal Correction Path (FCP) by 19 per cent. The fiscal targets of the FRBM Act, 2005 of the State and outcome indicators of the State's own FCP are at **Box 1.2** (page 4) and **Appendix 1.1***
- Revenue expenditure increased by Rs 7870 crore (15 per cent) over the previous year; of which plan expenditure increased by Rs 5092 crore (37 per cent) and non-plan expenditure by Rs 2778 crore (7 per cent). The revenue expenditure under Social Services has increased by Rs 6343 crore, Economic Services by Rs 903 crore, General Services by Rs 560 crore and Grants-in-aid by Rs 64 crore. *While the revenue expenditure in 2008-09 (Rs 61854 crore) exceeded the FCP projections (Rs 48352 crore) by 28 per cent, it was less by 9 per cent than the assessment (Rs 67619 crore) made in the Macro Economic Framework Statement (MEFS) for 2008-09.*
- The capital expenditure decreased by Rs 2407 crore (19 per cent) over previous year. The decrease was under Economic Services (Rs 2470 crore) offset by increase under Social Services (Rs 40 crore) and General Services (Rs 23 crore). *While the capital expenditure during 2008-09 exceeded the FCP targets (Rs 8620 crore) by 20 per cent, it was less by 42 per cent than the projections of MEFS (Rs 17744 crore).*
- Recoveries and disbursements of loans and advances increased by Rs 179 crore and Rs 494 crore respectively resulting in net increase of disbursements by Rs 315 crore.
- State Government resorted to more borrowings (Rs 10520 crore) and withdrawal of investments (Rs 4405 crore) to meet the increased Fiscal Deficit (Rs 12407 crore).
- Closing cash balance decreased by Rs 3539 crore over previous year.

**Box 1.2**

**Fiscal Responsibility and Budget Management (FRBM) Act, 2005**

The State Government has enacted the Fiscal Responsibility and Budget Management (FRBM) Act, 2005 to ensure prudence in fiscal management and to maintain fiscal stability in the State. To improve the fiscal position and to bring fiscal stability, the Act envisages progressive elimination of revenue deficit, reduction in fiscal deficit and prudent debt management consistent with fiscal sustainability. To ensure fiscal prudence, the Act also provides for greater fiscal transparency in fiscal operations of the Government and conduct of fiscal policy in a medium term framework and matters connected therewith or thereto. To give effect to the fiscal management principles as laid down in the Act, and/or the rules framed thereunder prescribed the following fiscal targets for the State Government:

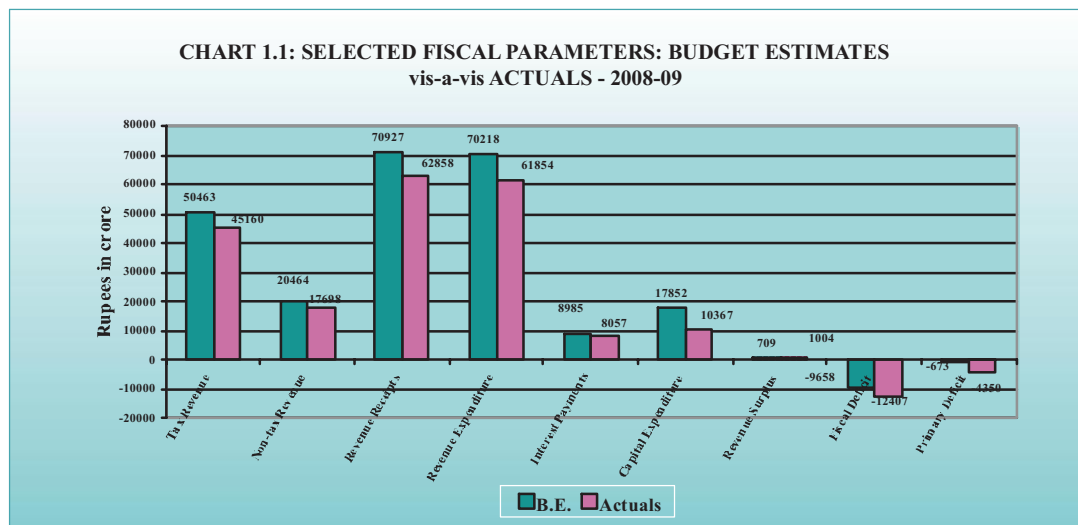
- ❖ reduce revenue deficit by an amount equivalent to at least 0.32 percentage point of Gross State Domestic Product (GSDP) in each financial year, beginning from 1st day of April 2005, so as to eliminate it by 31st March 2009 and generate revenue surplus thereafter
- ❖ reduce fiscal deficit by an amount equivalent to at least 0.25 percentage point of GSDP in each financial year beginning from 1st day of April 2005 so as to bring it down to not more than 3 per cent by the year ending March 2009
- ❖ ensure within a period of five years, beginning from the initial financial year on the 1st day of April 2005 and ending on the 31st day of March 2010 that the outstanding total liabilities do not exceed 35 per cent of the estimated GSDP for that year
- ❖ Limit the amount of annual incremental risk weighted guarantees to 90 per cent of the total revenue receipt in the year preceding the current year.

The State Government has developed its own Fiscal Correction Path (FCP) indicating the milestones of outcome indicators with target dates of implementation during the period from 2004-05 to 2009-10 keeping in view the fiscal targets laid down in the FRBM Act and/or the rules made thereunder. As per the APFRBM Act, the State Government shall in each financial year lay before the Legislature the Macro Economic Framework Statement (MEFS) which shall contain an overview of the State economy, an assessment related to State finances and future prospects.

Outcome indicators of the State's FCP are given in Appendix 1.1

The State Government achieved revenue surplus for the third consecutive year and it increased from Rs 159 crore in 2007-08 to Rs 1004 crore in the current year. The fiscal deficit was 3.34 *per cent* of GSDP during the current year as against 2.68 *per cent* in 2007-08 but less than the ceiling of 3.5 *per cent* as relaxed by the Government of India in view of the economic slow down.

The budget estimates and actuals for some important fiscal parameters are given in Chart 1.1 and **Appendix 1.5**.



As may be seen from **Chart 1.1** (also see **Appendix 1.5**) there were considerable variations between budget estimates and actuals in case of several parameters. Due to general economic slow down the revenue receipts decreased by 11.38 *per cent* and the revenue expenditure also decreased by 11.91 *per cent* resulting in increase of revenue surplus by Rs 295 crore (41.61 *per cent*). However, actual fiscal deficit<sup>2</sup> and primary deficit increased by Rs 2749 crore and Rs 3677 crore respectively over budget estimates. A provision of Rs 12000 crore was made incorrectly under capital receipts on sale of land and property, while the actual receipts of Rs 2147 crore were classified under miscellaneous general services in revenue account resulting in 100 *per cent* decrease in capital receipts and 264 *per cent* increase under miscellaneous general services in non-tax revenue over budget estimates.

## 1.2 Resources of the State

### 1.2.1 Resources of the State as per Annual Finance Accounts

Revenue and capital are the two streams of receipts that constitute the resources of the State Government. Revenue receipts consist of tax revenues, non-tax revenues, State's share of union taxes and duties and grants-in-aid from the Government of India (GOI). Capital receipts comprise miscellaneous capital receipts such as proceeds from disinvestments, recoveries of loans and advances, debt receipts from internal sources (market loans, borrowings from financial institutions/commercial banks) and loans and advances from GOI as well as accruals from public account. **Table-1.1** presents the receipts and disbursements of the State during the current year as recorded in its Annual Finance Accounts, while **Chart 1.2** depicts the trends in various components of the receipts of the State during 2004-09, and **Chart 1.3** depicts the composition of resources of the State during the current year.

<sup>2</sup> see glossary at page 89

CHART 1.2 TRENDS IN RECEIPTS

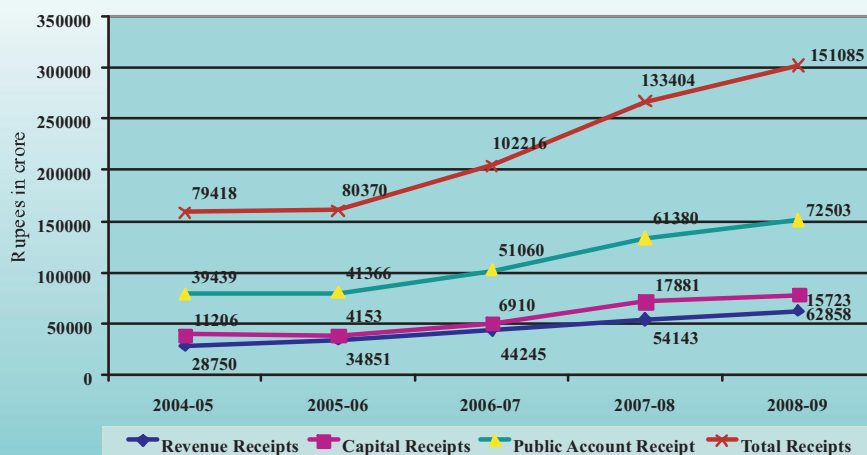
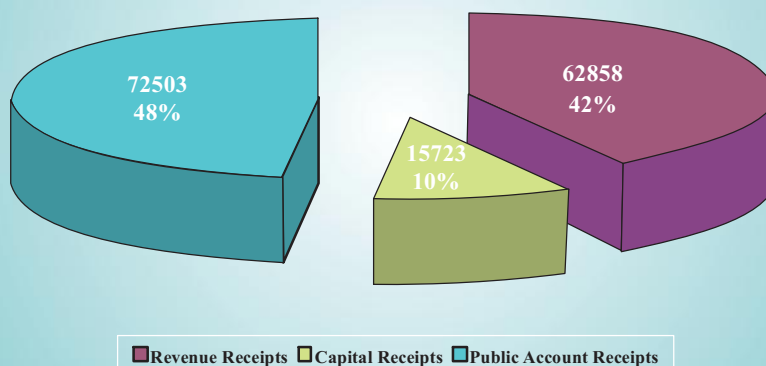


CHART 1.3: COMPOSITION OF RECEIPTS DURING 2008-09



Total receipts of the State increased from Rs 79418 crore in 2004-05 to Rs 151085 crore in 2008-09. The share of revenue receipts to total receipts ranged between 36 and 43 per cent during 2004-09. The share of capital receipts was erratic during the last five years and it was 10 per cent in the current year. During 2007-08 an amount of Rs 6558 crore realised on sale of land and property was misclassified under capital receipts thereby increasing the capital receipts to that extent. The receipts under Public Account constituted 46 to 52 per cent of the total receipts during the last five years

### 1.2.2 Funds transferred to State implementing agencies outside the State budget

The Central Government has been transferring a sizeable quantum of funds directly to the State Implementing Agencies<sup>3</sup> for the implementation of various schemes/programmes in social and economic sectors recognised as critical. As these funds are not routed through the State Budget/State

<sup>3</sup>State Implementing Agencies include any Organization/Institution including Non-Governmental Organization which is authorized by the State Government to receive the funds from the Government of India for implementing specific programmes in the State, ex. State Implementation Society for SSA and State Health Mission for NRHM etc.

Treasury System, Annual Finance Accounts do not capture the flow of these funds and to that extent State's receipts and expenditure as well as other fiscal variables/ parameters derived from them are underestimated. To present the holistic picture on availability of aggregate resources, funds directly transferred to State Implementing Agencies are presented in Table 1.2

**Table-1.2: Funds transferred directly to State implementing agencies**

*(Rupees in crore)*

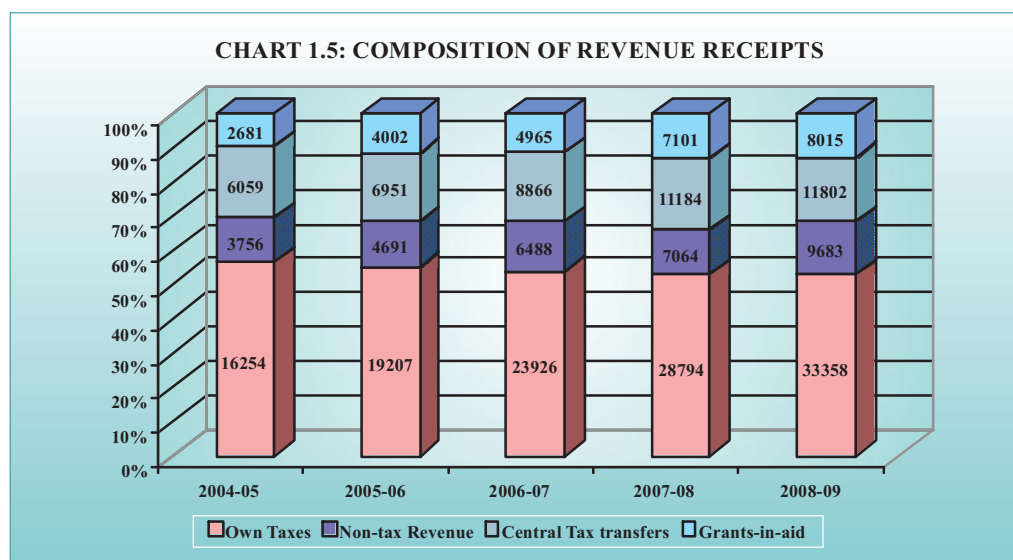
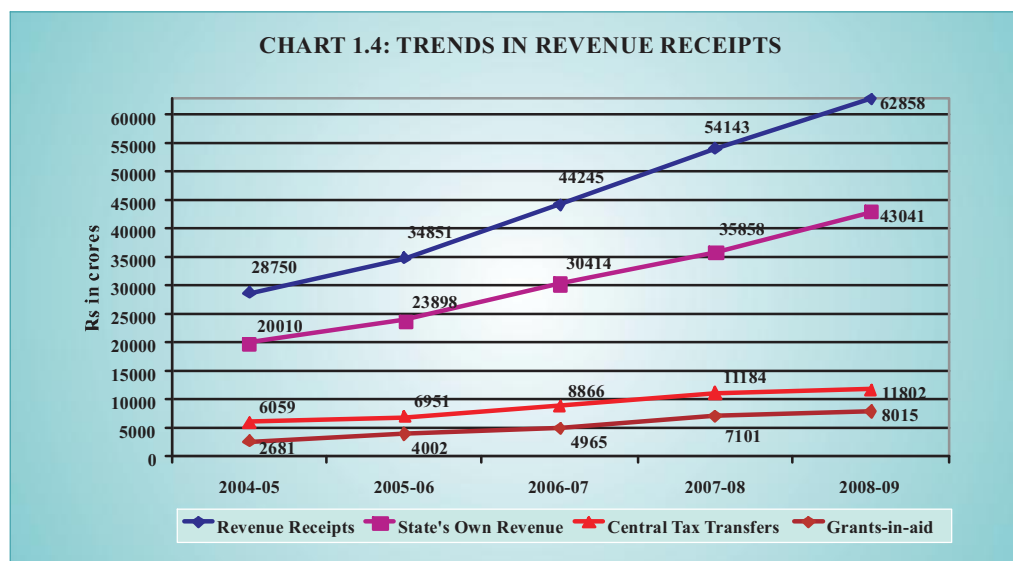
Sl. No.	Implementing Agency in the State	Amount released during 2008-09
1.	DRDAs	2153.40
2.	District Collectors	124.00
3.	State Corporations	1233.12
4.	Government Hospitals	15.63
5.	State Departments	170.38
6.	Central Institutes	345.65
7.	Universities	37.47
8.	Banks	47.75
9.	NGOs	552.37
10.	Private Companies	70.04
11.	Others	173.17
	<b>Total</b>	<b>4922.98</b>

Source: Controller General of Account's website

During the current year, Government of India transferred Rs 4923 crore directly to the State implementing agencies for implementation of various Central Schemes/programmes without routing through the State budget. Funds flowing directly to the implementing agencies through off-budget route inhibit Fiscal Responsibility Legislation (FRL) requirements of transparency and therefore escape accountability. There is no single agency monitoring its use and no data is readily available on the amount spent in any particular year on major flagship and other important schemes. A system has to be put in place to ensure proper accounting of these funds and the updated information should be validated by the State Government as well as the Principal Accountant General (A&E).

### 1.3 Revenue receipts

Statement-11 of the Finance Accounts details the revenue receipts of the Government. The revenue receipts consist of its own tax and non-tax revenues, Central tax transfers and grants-in-aid from GOI. The trends and composition of revenue receipts over the period 2004-09 are presented in **Appendix 1.2** and also depicted in **Charts 1.4** and **1.5** respectively.



Revenue receipts have shown a progressive increase over the five year period 2004-09 at an average growth rate of 18.60 per cent. State's own tax and non-tax revenue (Rs 43041 crore) exceeded the TFC projections (Rs 33695 crore) by Rs 9346 crore for the current year. The share of components viz. State's own taxes, non-tax revenue, share of Union taxes and grants-in-aid from GOI in revenue receipts almost remained same with marginal inter year variations.

The trends in revenue receipts relative to Gross State Domestic Product (GSDP<sup>4</sup>) are presented in **Table 1.3** below:

<sup>4</sup> see glossary at page 89

**Table 1.3: Trends in revenue receipts relative to GSDP**

*(Rupees in crore)*

	2004-05	2005-06	2006-07	2007-08	2008-09
<b>Revenue Receipts (RR) (Rs in crore)</b>	<b>28750</b>	<b>34851</b>	<b>44245</b>	<b>54143</b>	<b>62858</b>
Rate of growth of RR <sup>5</sup> (Per cent)	7.00	21.22	26.95	22.37	16.10
<b>RR/GSDP (Per cent)</b>	<b>13.57</b>	<b>14.54</b>	<b>15.96</b>	<b>16.49</b>	<b>16.93</b>
<b>Buoyancy Ratios<sup>6</sup></b>					
<b>Revenue Buoyancy w.r.t. GSDP</b>	<b>0.61</b>	<b>1.60</b>	<b>1.72</b>	<b>1.21</b>	<b>1.23</b>
State's Own Tax Buoyancy w.r.t. GSDP	1.55	1.35	1.57	1.10	1.22
Revenue Buoyancy w.r.t. State's own taxes	0.39	1.16	1.10	1.10	1.02

The growth rates of revenue receipts and own tax revenue were higher than the growth rate of GSDP from 2005-06 onwards.

### 1.3.1 State's own resources

As the State's share in Central taxes and the grants-in-aid are determined on the basis of recommendations of the Finance Commission, collection of Central tax receipts and Central assistance for plan schemes etc, the State's performance in mobilisation of additional resources should be assessed in terms of its own resources comprising revenue from its own tax and non-tax sources.

#### Own Tax revenue

State's own tax revenue during the period from 2004-05 to 2007-08 grew by 17.73, 18.17, 24.57, 20.35 *per cent* over respective previous years and was lowest at 15.85 *per cent* during the current year. During the current year the lion's share of tax revenue was contributed by Sales tax (65.51 *per cent*) on account of implementation of VAT, followed by State Excise (17.25 *per cent*), Stamps and Registration (8.79 *per cent*) and taxes on vehicles (5.40 *per cent*). State's own tax revenue during the current year was more than the projection of TFC (Rs 28348 crore) and the FCP under APFRBM Act (Rs 30507 crore).

#### Non tax revenue

The non-tax revenue which constituted 13 to 15 *per cent* of total revenue receipts during the last five years increased by Rs 2619 crore recording a growth rate of 37.08 *per cent* over the previous year. During the current year, the non tax revenue (Rs 9683 crore) was contributed by Interest receipts (Rs 3487 crore), sale of land and property (Rs 2147 crore), Non Ferrous Mining and Metallurgical Industries (Rs 1685 crore) and debt relief given by GOI under Debt Consolidation and Relief Facility<sup>7</sup> (DCRF) (Rs 703 crore). The interest receipts during the year includes Rs 3195 crore arising out of book adjustment from Irrigation Projects which is of notional in nature. *Non-tax revenue was more*

<sup>5</sup> see glossary at page 89

<sup>6</sup> see glossary at page 89

<sup>7</sup> see glossary at page 89

than the projections of TFC and the FCP under APFRBM Act during last four years and increased by Rs 4138 crore (74.63 per cent) over the projections of Fiscal Correction Path (Rs 5545 crore) for 2008-09. The non-tax revenue under select services was very low as compared to non-plan revenue expenditure as detailed in **Table 1.4** below:

**Table 1.4: Ratio of non-tax revenue to non-plan revenue expenditure**

*(Rupees in crore)*

Sl. No.	Service	NTR during 2008-09	NPRE during 2008-09	Ratio of NTR to NPRE
1.	Education, Sports and Culture	111.68	5784.83	0.019
2.	Medical and Public Health	48.43	1770.17	0.027
3.	Major and Medium Irrigation	38.33	3462.26	0.011
4.	Power	15.77	3648.23	0.004
5.	Roads and Bridges	30.26	1563.88	0.019

### 1.3.2 Revenue arrears

The arrears of revenue as reported by the departments concerned as on 31 March 2009 in respect of some principal heads of revenue are presented in the **Table 1.5**.

**Table 1.5: Arrears of revenue as on 31 March 2009**

*(Rupees in crore)*

Sl. No.	Head of Revenue	Arrears as on 31 March 2009	Arrears outstanding for more than 5 years
1.	Taxes on vehicles	1982.86	675.88
2.	Land Revenue (Water Tax)	328.95	18.72
3.	Receipts under sugarcane (regulation of supply and purchase tax) Act	276.19	276.19
4.	Sales Tax	3552.34	2056.01
5.	State Excise	57.62	56.03
6.	Forestry and Wildlife	94.25	4.15
7.	Taxes and duties on Electricity	154.09	70.13
8.	Taxes on immovable properties other than agricultural lands (NALA)	61.40	---
	<b>Total</b>	<b>6507.70</b>	<b>3157.11</b>

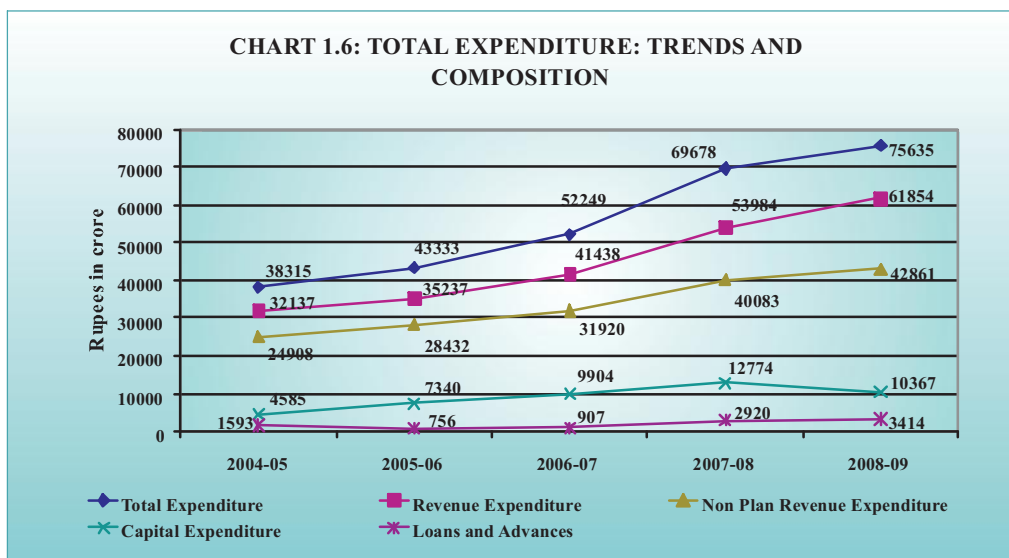
The arrears increased by Rs 4095 crore during the current year (Rs 6508 crore) over previous year (Rs 2413 crore) affecting the fiscal position of the State to that extent. The arrears at the end of March 2009 include arrears of Rs 3157 crore outstanding for more than five years. The arrears were stated to be on account of (i) dues from APSRTC (Rs 1974.93 crore), (ii) severe drought/cyclone conditions (Rs 390.35 crore), (iii) weak financial position of Cooperative Sugar Factories (Rs 144.78 crore), (iv) recovery certificates (Rs 38.75 crore), (v) proceedings under RR Act (Rs 12.91 crore) and (vi) litigations in courts (Rs 10.91 crore). No specific reasons were furnished for the remaining (Rs 3735.25 crore) arrears.

## 1.4 Application of resources

Analysis of the allocation of expenditure at the State Government level assumes significance since major expenditure responsibilities are entrusted with them. Within the framework of fiscal responsibility legislations, there are budgetary constraints in raising public expenditure financed by deficit or borrowings. Analysis of the effect of ongoing fiscal correction and consolidation process at the State level on expenditure directed towards development and social sectors is given in succeeding paragraphs.

### 1.4.1 Growth and composition of expenditure

**Chart 1.6** presents the trends in total expenditure over a period of five years (2004-09) and its composition both in terms of 'economic classification' and 'expenditure by activities' is depicted in **Charts 1.7 and 1.8** respectively.

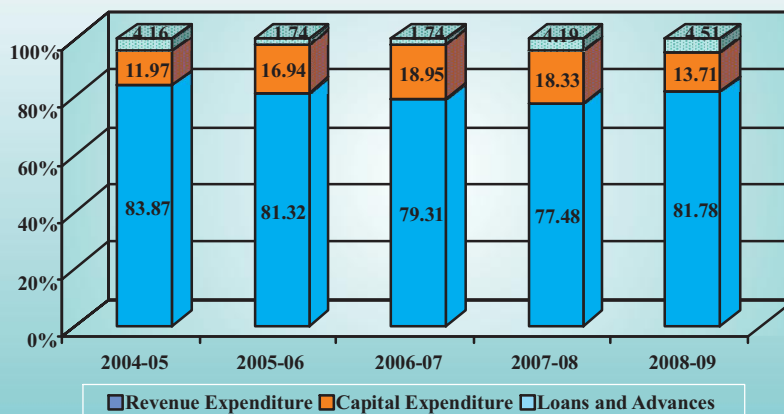


The total expenditure in 2008-09 (Rs 75635 crore) increased by Rs 5957 crore (8.55 per cent) over previous year (Rs 69678 crore) mainly due to increase in revenue expenditure (Rs 7870 crore) and loans and advances (Rs 494 crore) partly offset by decrease in capital expenditure (Rs 2407 crore). During the current year 83 per cent of total expenditure was met from revenue receipts and the balance from capital receipts and borrowed funds.

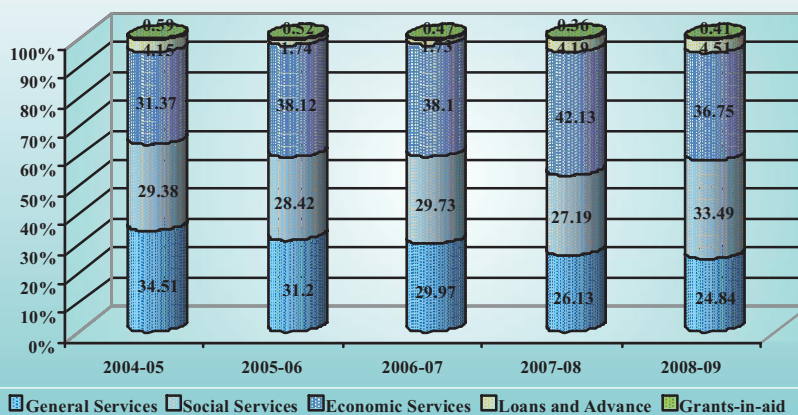
Revenue expenditure constituted 82 per cent of the total expenditure in 2008-09. It increased by Rs 13502 crore over the projection of State's own FCP (Rs 48352 crore) and constituted 16.66 per cent of GSDP as against the 15.46 per cent projected. There was significant increase in revenue expenditure under (i) Nutrition (Rs 1587 crore) due to reduction of the rate of subsidised rice, (ii) Crop Husbandry (Rs 1525 crore) due to payment of incentives to the farmers not covered by debt waiver scheme and (iii) Social Security and Welfare (Rs 971 crore) due to increase of old age pensions. The non plan revenue expenditure (NPRE) component constituted 69 per cent of revenue expenditure. It exceeded significantly both the normative projections of TFC (Rs 35103 crore) and State's projection in its FCP (Rs 37085 crore) for 2008-09.

Capital expenditure during 2008-09 constituted 13.71 per cent of total expenditure. It decreased by Rs 2407 crore over the previous year. The decrease was mainly on Major and Medium Irrigation (Rs 2448 crore). However, capital expenditure was more than the projections of FCP (Rs 8620 crore) at 2.79 per cent of GSDP, but less than the projections (Rs 17744 crore) made in Macro Economic Framework Statement (MEFS) for 2008-09.

**CHART 1.7: TOTAL EXPENDITURE: TRENDS IN SHARE OF ITS COMPONENTS**



**CHART 1.8: TOTAL EXPENDITURE: TRENDS BY 'ACTIVITIES'**



### 1.4.2 Committed expenditure

The committed expenditure of the State Government on revenue account mainly consists of interest payments, expenditure on salaries and wages, pensions and subsidies. **Table 1.6** and **Chart 1.9** present the trends in the expenditure on these components during 2006-09.

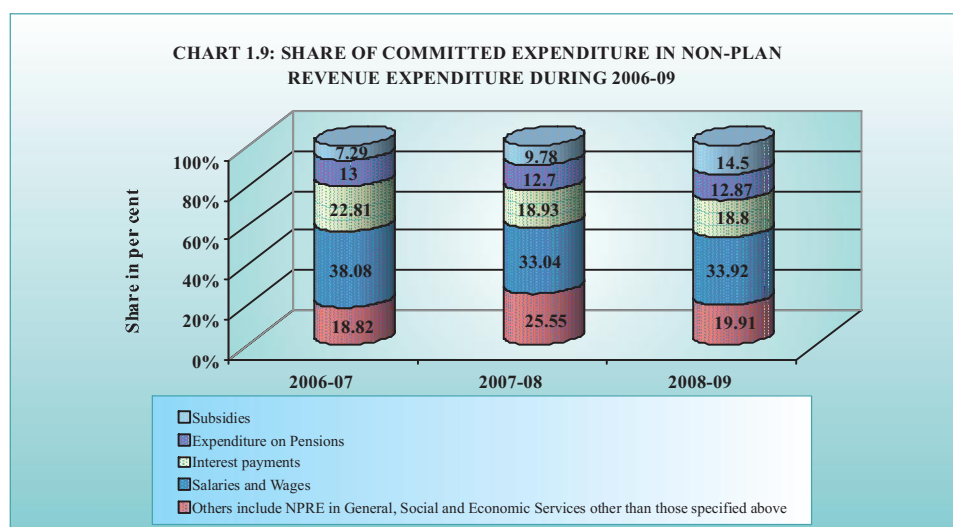
**Table-1.6: Components of committed expenditure***(Rupees in crore)*

Components of Committed expenditure	2006-07	2007-08	2008-09		
			BE	Actuals	Percentage variation
Salaries* & Wages , Of which	12155(27)	13243(24)	24137	14539(23)	(-)39.76
Non-Plan Head	10906	12171	22293	12883	(-)42.29
Plan Head**	1249	1072	1844	1656	(-)10.20
Interest Payments	7280(16)	7589(14)	8985	8057(13)	(-)10.33
Pensions	4150(9)	5092(9)	5203	5518(9)	(+)6.05
Subsidies	2326(5)	3918(7)	3096	6213(10)	(+)100.68
<b>Total</b>	<b>25911(57)</b>	<b>29842(54)</b>	<b>41421</b>	<b>34327(55)</b>	<b>(-)17.13</b>

Figures in the brackets indicate percentage to revenue receipts

\* It also includes the salaries paid out of grants-in-aid

\*\* Plan head also includes the salaries and wages paid under CSS



## Salaries and Wages

Expenditure on salaries and wages constituted 23 to 27 per cent of revenue receipts and 33 to 38 per cent of non-plan revenue expenditure during the last three years. During the current year the salary expenditure was 30 per cent of revenue expenditure net of interest and pension payment as against the TFC recommendations of 35 per cent. In real terms, while the salary expenditure (Rs 14539 crore) increased over the projections of FCP under APFRBM Act (Rs 10277 crore) it was almost equal to the MEFS projections (Rs 14567 crore) for the year 2008-09. Salary expenditure under non-plan head constituted 89 to 92 per cent and plan head 8 to 11 per cent during the last three years.

## Interest payments

The share of interest payments in revenue expenditure showed a declining trend over the last five years and constituted 13 per cent in 2008-09 mainly due to the debt relief being extended by GOI under FRBM Act for achieving the various targets fixed by the TFC. The major source of borrowings was market loans at the interest rates ranging from 5.80 to 9.89 per cent. The interest payment during the current year (Rs 8057 crore) increased by 6 per cent over previous year (Rs 7589 crore) and

remained lower than the projections made in FCP (Rs 9501 crore) and MEFS (Rs 8385 crore). Interest payments relative to revenue receipts in 2008-09 (13 per cent) were less than the TFC projections (28 per cent). The increase (Rs 468 crore) in interest payments over previous year was on Internal Debt (Rs 269 crore), Loans and Advances from GOI (Rs 122 crore) and Small Savings and Provident Funds (Rs 77 crore).

### **Pensions**

The expenditure on pensions was 9 per cent of the revenue receipts for the last three years. However, the pension payments during 2008-09 (Rs 5518 crore) exceeded the projections of TFC (Rs 4496 crore) and FCP under FRBM Act (Rs 4639 crore). The State Government did not estimate yearly pension liabilities on actuarial basis for the ensuing years as stipulated in the FRBM Act. The State Government introduced a contributory pension scheme for employees recruited on or after 1 September 2004 to mitigate the impact of rising pension liabilities in the long term.

### **Subsidies**

The total subsidy during the current year was Rs 6213 crore of which power subsidy was Rs 3385 crore, rice subsidy was Rs 2340 crore and other subsidies were Rs 488 crore. The actual subsidies increased by Rs 3117 crore (101 per cent) over budget provision and increased by Rs 2295 crore (59 per cent) over previous year, of which rice subsidy increased by Rs 1460 crore due to reduction of selling price of subsidised rice and enhancement of quantity of rice supplied; power subsidy by Rs 960 crore due to supply of more free power to farmers and partly offset by decrease of Rs 125 crore under other subsidies. The State Government in its Fiscal Policy Strategy Statement (FPSS<sup>8</sup>) viewed that the subsidies are the need of the hour to provide food, shelter and wage employment to all poor and vulnerable sections in the society and projected rice and power subsidies at Rs 1843 crore and Rs 1599 crore in its FCP and at Rs 1980 crore and Rs 2385 crore in FPSS respectively. However, the actual expenditure in 2008-09 on rice subsidy (Rs 2343 crore) and power subsidy (Rs 3385 crore) increased over FCP and FPSS projections.

The committed expenditure on salaries and wages, pensions, interest payments and subsidies during 2008-09 constituted 80 per cent of NPPE.

#### **1.4.3 Financial assistance by State Government to local bodies and other institutions**

The quantum of assistance provided by way of grants and loans to local bodies and other institutions during the current year relative to the previous four years is presented in **Table 1.7**

<sup>8</sup> presented to State Legislature in March 2008

**Table 1.7: Financial assistance to Local Bodies etc***(Rupees in crore)*

	2004-05	2005-06	2006-07	2007-08	2008-09
Educational Institutions (Aided Schools, Aided Colleges, Universities. etc.)	1066.31	1503.97	1766.50	1875.99	1820.16
Municipal Corporations and Municipalities	643.97	464.95	233.43	2699.27	4104.94
Zilla Parishads and other PR Institutions	2749.84	842.19	1309.82	920.81	2503.43
Development Agencies	2720.91	2549.76	1747.02	3715.48	11791.26
Hospitals and Other Charitable Institutions	--	238.98	387.44	599.55	1151.43
Other Institutions <sup>9</sup>	4031.87	4102.16	5321.88	8850.95	3436.06
<b>Total</b>	<b>11212.90</b>	<b>9702.01</b>	<b>10766.09</b>	<b>18642.03</b>	<b>24807.28</b>
Assistance as percentage of RE	34.89	27.53	26.00	34.53	40.11

The financial assistance including grants and loans extended to local bodies and other institutions in 2008-09 (Rs 24807 crore) increased by Rs 6165 crore (33 per cent) over previous year (Rs 18642 crore). The plan and non-plan grants given to local bodies and other institutions in 2008-09 were Rs 14194 crore and Rs 7292 crore respectively. The major receivers of the grants in 2008-09 were APTRANSCO for agriculture and allied subsidy (Rs 3385 crore), incentives to the farmers not covered by the debt waiver scheme (Rs 1776 crore), urban development under JNNURM<sup>10</sup> (Rs 1411 crore), weaker section housing programme (Rs 1063 crore), welfare pensions (Rs 1043 crore), and APUFIDC<sup>11</sup> for constitution of revolving fund for future development (Rs 824 crore). The huge increase in assistance to development agencies was due to loan assistance of Rs 2782 crore to AP Housing Corporation for repayment of loans to financial institutions and for construction of houses for weaker sections. The financial assistance in 2008-09 included TFC grants of Rs 934 crore and SFC grants of Rs 275 crore. The financial assistance during 2004-09 constituted 26 to 40 per cent of revenue expenditure with inter year variations.

### 1.5 Quality of expenditure

The availability of better social and physical infrastructure in the State generally reflects the quality of its expenditure. The improvement in the quality of expenditure basically involves three aspects viz., adequacy of the expenditure (i.e. adequate provisions for providing public services); efficiency of expenditure use and the effectiveness (assessment of outlay-outcome relationships for select services).

<sup>9</sup> Other Institutions include those institutions who received ad-hoc or one time grants during the year

<sup>10</sup> Jawaharlal Nehru National Urban Renewal Mission

<sup>11</sup> Andhra Pradesh Urban Finance and Infrastructure Development Corporation

### 1.5.1 Adequacy of public expenditure

The expenditure responsibilities relating to social sectors and economic infrastructure are largely assigned to the State Governments. Enhancing human development levels requires the States to step up their expenditure on key social services like education and health etc. The low level of spending on any sector in a particular State may be either due to low fiscal priority attached by the State Government or on account of the low fiscal capacity of the State Government or due to both working together. The fiscal priority (ratio of expenditure category to aggregate expenditure) accorded to a particular sector is considered to be low if it is below the national average. The fiscal capacity would be considered low if the State's per capita expenditure is below the national average even after having a fiscal priority that is more than or equal to the national average. **Table 1.8** analyses the fiscal priority and fiscal capacity of the State Government with regard to development expenditure, social sector expenditure and capital expenditure during the current year.

**Table-1.8: Fiscal Priority and Fiscal capacity of the State in 2005-06 and 2008-09**

Fiscal Priority by the State	AE/GSDP	DE/AE	SSE/AE	CE/AE
All States/National Average* (Ratio) 2005-06	19.50	61.44	30.41	14.13
Andhra Pradesh's Average (Ratio) 2005-06	16.93	68.29	28.42	16.94
All States/National Average* (Ratio) 2008-09	19.16	67.68	33.90	16.87
Andhra Pradesh Average (Ratio)* 2008-09	20.37	74.62	33.49	13.71
Fiscal Capacity of the State	DE#	SSE	CE	
All States Average Per capita Expenditure 2005-06	3010	1490	692	
Andhra Pradesh's per Capita expenditure (Amount in Rs) in 2005-06	3685	1533	914	
Adjusted per Capita** Expenditure (Amount in Rs) in 2005-06	NR	1890	NR	
All States' Average per capita expenditure 2008-09	5030	2520	1254	
Andhra Pradesh's Per Capita Expenditure (Amount in Rs) in 2008-09	6825	3063	1254	
Adjusted Per Capita** Expenditure (Amount in Rs) in 2008-09	NR	3101	1543	
* As per cent to GSDP				
** Calculated as per the methodology explained in the Box 1.3				
AE: Aggregate Expenditure DE: Development Expenditure SSE: Social Sector Expenditure				
CE: Capital Expenditure.				
Population of Andhra Pradesh 8.03 crore in 2005-06 and 8.27 crore in 2008-09				
# Development expenditure includes Development Revenue Expenditure. Development Capital expenditure and Loans and Advances disbursed.				
Source : (1) For GSDP, the information was collected from the State's Directorate of Economics and Statistics				
(2) Population figures were taken from Projection 2001-2026 of the Registrar General & Census Commissioner, India				
(Website: <a href="http://www.censusindia.gov.in">http://www.censusindia.gov.in</a> ) Population = Average of Projected population for 2005 and 2006.				
NR = No adjustment required since the state is giving adequate fiscal priority.				
Data for Arunachal Pradesh has not been included in All States average.				

In Table 1.8, we are comparing the fiscal priority given to different categories of expenditure and fiscal capacity of Andhra Pradesh in 2005-06 (the first year of the Award Period of the Twelfth Finance Commission) and the current year 2008-09. In 2005-06 the Andhra Pradesh Government spent less as a proportion of GSDP (16.93 *per cent*) compared to the All States average of 19.50 *per cent*. In 2008-09 however, the AE/GSDP ratio for Andhra Pradesh was higher than the All States average.

In 2005-06, Andhra Pradesh Government gave adequate fiscal priority to Development Expenditure (DE) and Capital Expenditure (CE) since DE/AE and CE/AE in the case of Andhra Pradesh was higher than the national average. The priority given to Social Sector Expenditure (SSE) in Andhra Pradesh was, however, not adequate as the ratio of SSE/AE (28.42 *per cent*) for Andhra Pradesh was lower than the All State's average of 30.41 *per cent*. Similarly in 2008-09, adequate priority was given to DE since the ratio of DE/AE was higher than the All States average. However, adequate priority was not given to SSE and CE since the ratios of SSE/AE and CE/AE were less than the national averages.

Despite the Government spending a smaller proportion of GSDP, in 2005-06 the per capita expenditure of DE, SSE and CE was higher than the national average (Rs 3685, Rs 1533 and Rs 914 as against the national per capita expenditure in these categories of Rs 3010, Rs 1490 and Rs 692 respectively). This means that the absorptive capacity<sup>12</sup> in Andhra Pradesh is relatively high and that effective systems are in place to benefit the people. Had the Government spent as much on SSE as the national average, then the adjusted per capita expenditure on SSE (calculated as per methodology given in **Box 1.3**) would have been even higher at Rs 1890. In 2008-09 also, the per capita expenditure of DE and SSE was higher than the national average and just equal in case of CE. Had the Government spent as much on SSE and CE as the national average, then the adjusted per capita expenditure on SSE and CE would have been higher at Rs 3101 and Rs 1543 respectively. Re-prioritisation of outlays in favour of SSE and CE may be advisable.

### Box 1.3

#### Methodology for Estimating the Fiscal Capacity:

For working out the fiscal capacity of the State Governments, the following methodology given in Twelfth Finance Commission report has been adopted.

Step 1: Calculate the national average of AE-GSDP and CE/DE/SSE-AE.

Step 2: Based on the national average of AE-GSDP ratio, derive the aggregate expenditure so that no State is having a ratio AE/GSDP less than the national average, i.e. if

$$AE/GSDP = x$$

$$AE = x * GSDP \dots\dots\dots (1)$$

Where 'x' is the national average of AE-GSDP ratio.

Where the States are having AE -GSDP ratio higher than national average, no adjustments were made. Wherever this ratio was less than average, it was made equal to the national average.

Step 3: Based on the national average of DE-AE, SSE-AE and CE-AE, derive the respective DE, SSE and CE, so that no State is having these ratios less than national average, i.e., if

$$DE/AE = y$$

$$DE = y * AE \dots\dots\dots (2)$$

where 'y' is the national average of DE-AE ratio.

Substituting (1) in (2), we get

$$DE = y * x * GSDP \dots\dots\dots (3)$$

Wherever the States are having DE -AE, SSE-AE and CE-AE ratio higher than national average, no adjustments have been made. Wherever these ratios were less than average, it was made equal to the national average.

Step 4: Based on the derived DE, SSE and CE as per equation (3), respective per capita expenditure was calculated, i.e.,

$$PCDE = DE/P \dots\dots\dots (4)$$

where PCDE is the per capita development expenditure and P is the population.

Substituting (3) in (4), we get

$$PCDE = (y * x * GSDP)/P \dots\dots\dots (5)$$

Equation (5) provides the adjusted per capita expenditure. If the adjusted per capita expenditure is less than the national average of per capita expenditure, then the States' low level of spending is due to the low fiscal capacity. This gives a picture of actual level of expenditure when all the State Governments are attaching fiscal priority to these sectors equivalent to the national average.

<sup>12</sup> see glossary at page 89

## 1.5.2 Efficiency of expenditure use

In view of the importance of public expenditure on development heads from the point of view of social and economic development, it is considered important for the State Governments to take appropriate expenditure rationalisation measures and lay emphasis on provision of core public and merit goods<sup>13</sup>. Apart from improving the allocation towards development expenditure<sup>14</sup>, particularly in view of the fiscal space being created on account of decline in debt servicing in recent years, the efficiency of expenditure use is also reflected by the ratio of capital expenditure to total expenditure (and/or GSDP) and proportion of revenue expenditure being spent on operation and maintenance of the existing social and economic services. The higher the ratio of these components to total expenditure (and/or GSDP), the better would be the quality of expenditure. **Table 1.9** presents the trends in development expenditure relative to the aggregate expenditure of the State during the current year vis-à-vis budgeted and the previous years.

**Table-1.9: Development Expenditure**

**(Rupees in crore)**

Components of Development Expenditure	2004-05	2005-06	2006-07	2007-08	2008-09	
					BE	Actuals
<b>Development Expenditure (a to c)</b>	24812(65)	29604(68)	36272(69)	51127(73)	72015(77)	56440(75)
a. Development Revenue Expenditure	18709(49)	21520(50)	25879(49)	35564(51)	49624(53)	42811(57)
b. Development Capital Expenditure	4566(12)	7314(16)	9560(18)	12738(18)	17642(19)	10308(14)
c. Development Loans and Advances	1537(4)	770(2)	833(2)	2825(4)	4749(5)	3321(4)

Figures in the parentheses indicate the percentage to aggregate expenditure

During 2004-09 the total development expenditure constituted 65 to 75 per cent of the aggregate expenditure. It increased in the current year by Rs 5313 crore (10 per cent) over the previous year. Development revenue expenditure constituted 49 to 57 per cent of aggregate expenditure during 2004-09. While the development revenue expenditure in current year increased by Rs 7247 crore (20 per cent), development capital expenditure decreased by Rs 2430 crore (19 per cent) over the previous year.

The share of non-plan expenditure in revenue expenditure ranged between 69 and 81 per cent during the last five years. In the current year non-plan revenue expenditure (Rs 42862 crore) increased over the projection of TFC (Rs 35103 crore) by 22 per cent and the FCP under FRBM Act (Rs 37085 crore) by 16 per cent. The share of plan revenue expenditure ranged between 19 and 31 per cent during the last five years. Plan revenue expenditure (Rs 18992 crore) in 2008-09 was more by 69 per cent than the projections of FCP (Rs 11267 crore).

The share of General Services in total expenditure has constantly decreased during the last five years and constituted 24.84 per cent in the current year. During 2008-09, while the share of Social Services increased by 6 percentage points from 27 per cent, the share of Economic Services decreased by 5 percentage points from 42 per cent over the previous year.

The share of General Services including interest payments in revenue expenditure constituted 30 per cent while the Development Expenditure consisting Social and Economic Services constituted 69 per cent in 2008-09. **Table 1.10** provides the details of capital expenditure and the components of revenue expenditure incurred on the maintenance of the selected Social and Economic Services.

<sup>13</sup> see glossary at page 89

<sup>14</sup> see glossary at page 89

**Table 1.10: Efficiency of expenditure use in selected social and economic services***(in per cent)*

Social/Economic Infrastructure	2007-08			2008-09		
	Ratio of CE to TE	In RE, the share of		Ratio of CE to TE	In RE, the share of	
		S &W	O&M		S&W	O &M
Social Services (SS)						
General Education	1.88	62.99	0.64	1.10	65.11	0.28
Health and Family Welfare	1.74	48.77	1.66	1.03	46.06	0.97
WS, S, H&UD	0.71	3.10	0.47	0.33	2.26	0.25
Total (SS)	1.50	32.57	0.56	1.28	27.21	0.47
Economic Services (ES)						
Agri & Allied Activities	0.99	28.75	0.16	0.52	17.18	0.09
Irrigation and Flood Control	70.41	4.26	5.92	67.96	5.39	6.46
Power & Energy	0.22	0.16	---	0.01	0.21	---
Transport	36.20	1.11	64.69	37.11	0.95	52.35
Total (ES)	42.42	7.85	7.50	35.92	8.12	8.34
Total (SS+ES)	26.37	20.82	3.86	19.41	19.27	3.74
TE: Total Expenditure; CE: Capital Expenditure; RE: Revenue Expenditure; S&W: Salaries and Wages; O&M: Operation & Maintenance of respective sector.						

Although no specific norms were laid down for prioritization of capital expenditure in State's FRBM Act, the constant increase in capital expenditure since 2004-05 except in 2008-09 indicate the fact that impetus was being given to asset formation of the State. *The Operation and Maintenance expenditure (Rs 1600 crore) in 2008-09 constituted 2.55 per cent of revenue receipts and 2.59 per cent of revenue expenditure and it was more than the TFC projection of Rs 1198 crore.*

### 1.5.3 Major Policy Initiatives

The State Government, while presenting the Budget for 2008-09, committed to continue the ongoing process of fiscal correction while striving to provide higher allocations for improving economic and social infrastructure and announced a number of policy initiatives aimed at augmenting revenues and directing expenditure towards the priority areas. On the revenue side, the State Government targeted tax revenue of Rs 37866 crore during 2008-09 by strengthening the revenue earning departments. Towards achieving the targeted four *per cent* growth in agriculture and allied sectors, the Government decided to implement Pavala Vaddi<sup>15</sup> scheme for crop loans and Rashtriya Krishi Vikas Yojna scheme with additional Central assistance. The Government also planned to establish a world class Centre for Advanced Research on Livestock at Pulivendula, Kadapa District and to implement Pasukranthi scheme aimed at providing milch animals and fodder at 50 *per cent* subsidy to rural poor. While enhancing the allocations for Irrigation sector, the Government decided to take up a mega project "Pranahita-Chevella" to provide irrigation facilities to 12.20 lakh acres. With a view to promoting self-employment, the Government decided to extend financial assistance to establish small scale units under Rajiv Yuvashakthi Programme with a provision of Rs 87.50 crore during 2008-09 and to extend Rural Employment Guarantee Scheme to three more Districts under phase-III. A major policy initiative of the Government was to complete all the houses sanctioned under phase-I & II of "Indiramma" scheme and to start phase-III to cover the balance areas during 2008-09 to create a hut-free state. The Government introduced a novel scheme of providing scholarships to aid children who are economically backward irrespective of

<sup>15</sup> Twenty five paisa interest (three *per cent* per annum)

their caste/religion/sect. Similarly a new scheme "Scheme for Universal Access and Quality at Secondary Stage"(SUCCESS) was introduced for providing full-fledged infrastructure including class rooms, laboratories, computers and libraries etc., in selected High Schools and decided to implement a programme for imparting computer education to all students in 5000 selected Schools. The major policy initiatives of the Government and budget provision vis-à-vis actual expenditure on these schemes during 2008-09 are given in **Table 1.11**.

**Table 1.11: Major policy initiatives, budget provision and expenditure**

(Rupees in crore)

Sl. No.	Name of the Scheme	Budget provision during 2008-09	Expenditure during 2008-09	Percentage of expenditure to provision
1	Crop loans to farmers (Pavala Vaddi)	310.00	1.38	0.45
2	Rashtriya Krishi Vikas Yojna	400.00	132.56	33.14
3	Assistance for establishment of Indira Gandhi Centre for Advanced Research on livestock (CARL) at Pulivendula	100.00	75.00	75.00
4	Pasukranthi (CM's Special Package) Scheme	200.00	72.48	36.24
5	Pranahita-Chevella Project	260.00	231.04	88.86
6	Rajiv Yuvasakthi Programme	87.50	43.46	49.67
7	National Rural Employment Guarantee Mission (NREGM)	1500.00	282.90	18.86
8	Weaker Section Housing Programme under "INDIRAMMA"	5075.02	2323.13	45.78
9	Scholarship to economically backward children irrespective of their caste/region/sect	25.00	24.91	99.64
10	Scheme for Universal Access and Quality at Secondary Stage (SUCCESS)	1000.00	Nil	Nil
11	Programme for imparting computer education to all students in 5000 selected Schools	100.00	65.15	65.15

Though the State's own tax revenue during 2008-09 (Rs 33358 crore) increased over the previous year (Rs 28794 crore), it could not achieve the targeted tax revenue of Rs 37866 crore. The Government incurred less than half *per cent* of the provision on its flagship programme of 'Pavala vaddi', while 33 *per cent* provision was spent on Rashtriya Krishi Vikas Yojna scheme under Agriculture. On the major policy initiatives of establishing a Centre for Advanced Research on Livestock and Pasukranthi scheme, Rs 75 crore out of Rs 100 crore and Rs 72.49 crore out of Rs 200 crore provision respectively was spent under Animal Husbandry. On Pranahita-Chevella, a major irrigation project taken up during 2008-09 under 'Jalayagnam', Rs 231 crore was spent out of the provision of Rs 260 crore. Only Rs 283 crore (18.86 *per cent*) out of the huge provision of Rs 1500 crore was spent on NREGM. Another major policy initiative of Government, the SUCCESS Scheme under Education for which huge provision of Rs 1000 crore was made in the budget remained a non starter during 2008-09.

## 1.6 Financial analysis of Government expenditure and investments

In the post-FRL framework, the State is expected to keep its fiscal deficit (and borrowing) not only at low levels but also to meet its capital expenditure/investment (including loans and advances) requirements. In addition, in a transition to complete dependence on market based resources, the

State Government is expected to initiate measures to earn adequate return on its investments and recover its cost of borrowed funds rather than bearing the same on its budget in the form of implicit subsidy and take requisite steps to infuse transparency in financial operations. This section presents the broad financial analysis of investments and other capital expenditure undertaken by the Government during the current year vis-à-vis previous years.

### 1.6.1 Incomplete Projects

Irrigation projects basically consist of three components viz. (i) land acquisition, (ii) statutory clearances and (iii) execution of civil works. Activities (i) and (ii) are of uncertain nature where as activity (iii) can be executed in a time bound manner provided (i) and (ii) are completed prior to execution of component (iii). There was no proper sequencing in execution of the three activities. Starting of activity (iii) without prior completion/reaching advanced stage of completion of components (i) and (ii) has led to large amount of money being blocked in incomplete projects.

As per the information provided by Irrigation and Command Area Development Department, 14 Major and 16 Medium Irrigation Projects on which an expenditure of Rs 16629.34 crore and Rs 3262.70 crore respectively was incurred, were not completed as at the end of March 2009 though the stipulated period of completion was over. Of these, seven Major Irrigation Projects commenced between 1963 and 2003, on which Rs 12233.69 crore was incurred and two Medium Irrigation Projects commenced between 1977 and 2001, on which Rs 171.37 crore was incurred, remained incomplete. The delay in completion of these projects escalated the cost by Rs 12505.57 crore. The total amount spent (Rs 19892.04 crore) on these projects constituted 25.70 per cent of progressive capital outlay at the end of March 2009. Details of incomplete projects are given in **Appendix 1.7**. A mention of incomplete irrigation projects covered under Accelerated Irrigation Benefit Programme (AIBP) was also made in Para 1.4.4.3 of Audit Report (Civil) 2008-09.

### 1.6.2 Investment and returns

As of 31 March 2009, Government had invested Rs 5978.90 crore in Statutory Corporations, Government Companies, Joint Stock Companies and Co-operatives (Table 1.12). The average return on this investment was 0.59 per cent in the last five years while the Government paid average interest rate<sup>16</sup> of 8.85 per cent on its borrowings during 2004-09.

**Table-1.12: Return on investment**

Investment/Return/ Cost of Borrowings	2004-05	2005-06	2006-07	2007-08	2008-09	
					BE	Actuals
Investment at the end of the year (Rupees in crore)	5373.70	5715.89	5776.17	5931.42	NA	5978.90
Return (Rupees in crore)	45.49	45.88	47.40	11.95	73.40	18.78
Return ( <i>per cent</i> )	0.80	0.80	0.82	0.20	NA	0.31
Average rate of interest on Government borrowing ( <i>per cent</i> )	10.21	9.11	8.76	8.25	NA	7.88
Difference between interest rate and return ( <i>per cent</i> )	9.41	8.31	7.94	8.05	NA	7.57

<sup>16</sup> see glossary at page 89

The investment of State Government as at the end of March 2009 included Rs 3658 crore in 52 Government Companies, Rs 1277 crore in 75 Cooperative Banks and Societies, Rs 985 crore in four Statutory Corporations and Rs 59 crore in 37 Joint Stock Companies. During the current year, Government invested Rs 48 crore in Cooperative Banks and Societies (Rs 26 crore), Joint Stock Companies (Rs 15 crore) and Government Companies (Rs 7 crore). On the investments made, Government earned a return of Rs 18.78 crore in 2008-09 which is more than that of 2007-08 by Rs 6.83 crore. The return on investment was very low at less than one *per cent* during 2004-09 while the average rate of interest paid during the period was 8.85 *per cent*. *The difference between average interest rate and return was 8.26 per cent amounting to Rs 494 crore in 2008-09.*

### 1.6.3 Departmental Commercial Undertakings

Activities of quasi-commercial nature are also performed by the departmental undertakings of certain Government departments. The department-wise position of the investment made by the Government up to the year for which pro forma accounts are finalised, net profit/loss as well as return on capital invested in these undertakings are given in **Appendix 1.6**. The following observations are made.

- An amount of Rs 4.19 crore had been invested by the State Government in three undertakings at the end of financial year up to which their accounts were finalised.
- Of the total nine undertakings, one undertaking i.e., Ice-cum-Cold Storage Plant, Tungabhadra (TB) Dam earned net profit amounting to Rs 0.08 crore on Rs 0.12 crore invested.
- Of the loss making undertakings, Andhra Pradesh Government Text Book Press has been incurring losses continuously for more than five years.
- The accumulated loss of Fishnet making Plant, T B Dam was Rs 4.61 crore as against the total investment of Rs 3.02 crore.

In view of the heavy losses of most of the undertakings, Government should improve their working so as to make them self-sustainable in the medium to long term.

### 1.6.4 Loans and advances by State Government

In addition to investments in co-operative societies, Corporations and Companies, Government has also been providing loans and advances to many of these institutions/organisations. **Table 1.13** presents the outstanding loans and advances as on 31 March 2009, interest receipts vis-à-vis interest payments during the last three years.

**Table-1.13: Average interest received on loans advanced by the State Government**

*(Rupees in crore)*

Quantum of Loans/Interest Receipts/Cost of Borrowings	2006-07	2007-08	2008-09	
			BE	Actual
Opening Balance	10213	10648	--	13378
Amount advanced during the year	906	2921	4871	3413
Amount repaid during the year	471	191	356	370
<b>Closing Balance</b>	<b>10648</b>	<b>13378</b>	<b>--</b>	<b>16421</b>
<b>Of which</b> Outstanding balance for which terms and conditions have been settled	NA	NA	--	NA
Net addition	435	2730	4515	3043
Interest Receipts	114	44	92	21
Interest receipts as <i>per cent</i> to outstanding Loans and advances	1.07	0.33	--	0.13
Interest payments as <i>per cent</i> to outstanding fiscal liabilities of the State Government.	8.40	7.79	--	7.54
Difference between interest receipts and interest payments ( <i>percent</i> )	(-)7.33	(-)7.46	--	(-)7.41

Loans advanced during the current year (Rs 3413 crore) increased by Rs 492 crore (16.84 per cent) over the previous year (Rs 2921 crore), while the loans repaid increased by Rs 179 crore (94 per cent) resulting in net increase of loans outstanding at the end of the year by Rs 3043 crore. AP Housing Corporation was the major recipient of the loans (Rs 2731 crore) during the current year for construction of houses for weaker sections under Indiramma Programme (Rs 2323 crore) and repayment of loans to Financial Institutions (Rs 408 crore). At the end of 2008-09 recovery of Rs 18513 crore (Principal: Rs 13891 crore and Interest: Rs 4622 crore) was due from Municipalities, Local Bodies, Panchayat Raj institutions etc., the details of which are kept by the Accountant General. Of these, recovery of Rs 11867 crore (Principal: Rs 8060 crore and Interest: Rs 3807 crore) was outstanding for more than three years.

### 1.6.5 Cash Balances and Investment of Cash balances

**Table 1.14** depicts the cash balances and investments made by the State Government out of cash balances during the year.

**Table-1.14: Cash balances and investment of cash balances**

*(Rupees in crore)*

Particulars	As on 1 <sup>st</sup> April 2008	As on 31 <sup>st</sup> March 2009	Increase/ Decrease
Cash Balances	8511.99	4972.95	(-)3539.04
Investments from Cash Balances (a to d)	6368.16	2283.93	(-)4084.23
a. GOI Treasury Bills	6368.16	2283.93	(-)4084.23
b. GOI Securities	---	---	---
c. Other Securities	---	---	---
d. Other Investments	---	---	---
Fund-wise break-up of Investment from Earmarked balances (a to c)	2347.43	2972.67	625.24
a. Sinking Fund	1866.69	2419.58	552.89
b. Guarantee Redemption Fund	466.99	539.34	72.35
c. Other Funds	13.75	13.75	---
Interest realised	---	346.32	---

The closing cash balance (CB) at the end of the current year (Rs 4972.95 crore) decreased by Rs 3539.04 crore over previous year (Rs 8511.99 crore). The CB was invested in GOI Treasury Bills (Rs 2283.93 crore) and Earmarked funds (Rs 2972.67 crore) on which interest of Rs 148.37 crore and Rs 197.95 crore respectively was earned during the year. The rates of interest earned on these investments worked out to 3.43 per cent and 7.44 per cent respectively against the average market borrowing rate of 7.88 per cent.

The efficiency of handling the cash balances by the State can also be assessed by monitoring the trends in monthly daily average cash balances held by the State to meet its normal banking transactions. **Table 1.15** presents the trends in monthly average daily cash balances and the investments in Auction Treasury Bills for the last three years (2006-09).

**Table-1.15: Trends in monthly average daily cash balances and the investments in auction treasury bills**

(Rupees in crore)

Month	Investment in 14 days Treasury Bills		
	2006-07	2007-08	2008-09
April	244.79	4369.65	9242.07
May	3544.99	4820.25	7363.46
June	3286.09	6352.04	7836.30
July	2726.08	5761.45	6379.42
August	2757.26	6689.43	9314.27
September	2580.68	5582.90	6403.75
October	1509.64	3774.26	5787.14
November	3272.56	5155.46	4983.31
December	2865.94	6584.28	5183.55
January	2731.89	6610.25	6587.02
February	3423.72	7648.14	5078.73
March	6653.77	12411.36	6378.26

The State Government maintained the minimum cash balance of Rs 3.32 crore with RBI on all the days during the current year without resorting to ways and means advances and overdraft for the successive fifth year.

## 1.7 Assets and Liabilities

### 1.7.1 Growth and composition of assets and liabilities

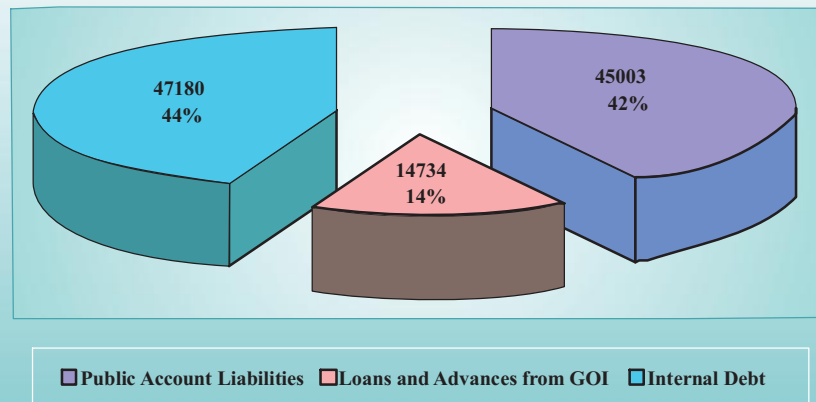
In the existing Government accounting system, comprehensive accounting of fixed assets like land and buildings owned by the Government is not done. However, the Government accounts do capture the financial liabilities of the Government and the assets created out of the expenditure incurred. **Appendix 1.4** gives an abstract of such liabilities and the assets as on 31 March 2009, compared with the corresponding position on 31 March 2008. While the liabilities consist mainly of internal borrowings, loans and advances from GOI, receipts from Public Account and Reserve Funds, the assets comprise mainly the capital outlay and loans and advances given by the State Government and cash balances.

The total liabilities of the State as defined under the FRBM Act of the State means the “liabilities under the Consolidated Fund of the State and the Public Account of the State and shall also include borrowings by the public sector undertakings and the special purpose vehicles and other equivalent instruments including guarantees where the principal and/or interest are to be serviced out of the State budgets”.

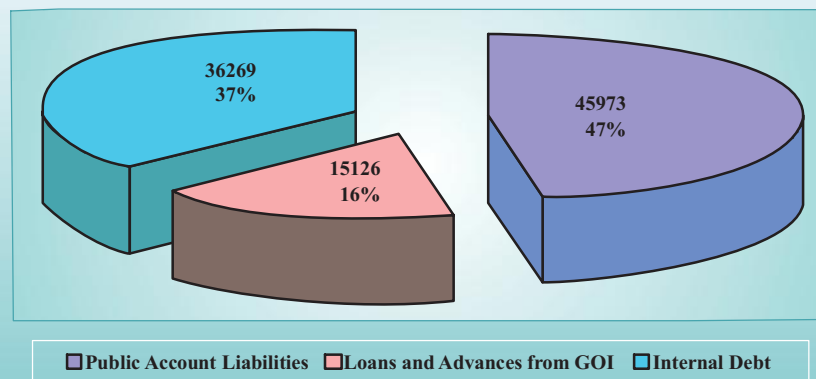
### 1.7.2 Fiscal liabilities

The trends in outstanding fiscal liabilities of the State are presented in **Appendix 1.2**. The composition of fiscal liabilities during the current year vis-à-vis the previous year is presented in **Charts 1.10** and **1.11**.

**CHART 1.10: COMPOSITION OF OUTSTANDING FISCAL LIABILITIES  
AS ON 31-03-2009 (Rs in crore)**



**CHART 1.11: COMPOSITION OF OUTSTANDING FISCAL LIABILITIES  
AS ON 31.03.2008 (Rs in crore)**



The total fiscal liabilities of the State increased by Rs 42372 crore (66 per cent) over a period of five years from Rs 64545 crore at the end of 2003-04 to Rs 106917 crore in 2008-09. Fiscal liabilities of the State comprised Consolidated Fund liabilities and Public Account liabilities. The Consolidated Fund liabilities (Rs 61914 crore) comprised of market loans (Rs 38337 crore), loans from GOI (Rs 14734 crore) and other loans (Rs 8843 crore). The Public Account liabilities (Rs 45003 crore) comprised of Small Savings and Provident Fund (Rs 31654 crore) and other obligations (Rs 13349 crore). The fiscal liabilities at the end of 2008-09 (Rs 106917 crore) increased by Rs 9549 crore (10 per cent) over previous year (Rs 97368 crore) and stood at 1.7 times of revenue receipts.

Total fiscal liabilities as defined in FRBM Act work out to Rs 124227<sup>17</sup> crore at the end of the current year and stood at 33.47 per cent of GSDP against a ceiling of 35 per cent prescribed in FRBM Act. In line with the TFC recommendations and FRBM Act, the State Government established Sinking Fund for reduction or avoidance of debt and Guarantee Redemption Fund and has been contributing for these funds at the rates prescribed by the RBI and maintained a closing balance of Rs 2501 crore and Rs 539 crore respectively.

<sup>17</sup> Consolidated Fund and Public Account liabilities (Rs 106917 crore), outstanding guarantees including interest (Rs 15973 crore) and outstanding off budget borrowings (Rs 1337 crore)

### 1.7.3 Status of guarantees contingent liabilities

Guarantees are liabilities contingent on the Consolidated Fund of the State in case of default by the borrower for whom the guarantee has been extended. Under Article 293(1) of the Constitution of India, the State Government during September 2003 fixed an explicit ceiling on giving guarantees upon the security of Consolidated Fund of the State that the total outstanding guarantees as on 1<sup>st</sup> day of April of any year shall not exceed 90 per cent of revenue receipts of second preceding year. State Government in its FRBM Act has committed to limit the amount of annual incremental risk weighted guarantees to 90 per cent of the total revenue receipts in the year preceding the current year. State Government has constituted (January 2002) Guarantee Redemption Fund for discharge of guarantees invoked. An amount of Rs 75.06 crore (contribution: Rs 38.61 crore and interest on investment: Rs 36.45 crore) had been credited to the fund during 2008-09 and the entire balance of Rs 539.34 crore was invested.

As per Statement No. 6 of the Finance Accounts, the maximum amount for which guarantees were given by the State and outstanding guarantees for the last three years is given in **Table 1.16**.

**Table-1.16: Guarantees given by the Government of Andhra Pradesh**

*(Rupees in crore)*

Guarantees	2006-07	2007-08	2008-09	
			BE	Actuals
Maximum amount guaranteed	29160	18798	30216	29990
Outstanding amount of guarantees	18018	14502	16860	15239
Percentage of maximum amount guaranteed to total revenue receipts	65.91	34.72	42.60	47.71
Criteria as per FRBM Act (The annual incremental risk weighted guarantees is to be limited at 90% of the revenue receipts in the year preceeding the current year	(-) 1040	(-) 10362	---	11192(21)

The maximum amount guaranteed at the end of 2008-09 (Rs 29990 crore) increased by Rs 11192 crore over previous year (Rs 18798 crore) reversing the trend of decrease in the last two years. The increase was under Government Companies (Rs 9691 crore), Cooperative Banks and Societies (Rs 852 crore), Statutory Corporations and Boards (Rs 424 crore) and other Institutions (Rs 225 crore). In the current year Government received Rs 14.43 crore as guarantee commission.

### 1.7.4 Off - budget borrowings

The borrowings of a State are governed under Article 293 of the Constitution of India. In addition to the liabilities shown in **Table 1.16**, the State Government guaranteed loans availed of by Government companies/corporations. These companies/corporations borrowed funds from the market/financial institutions for implementation of various State plan programmes projected outside the State budget. Although the State Government projects that funds for these programmes would be met out of the resources mobilised by these companies/corporations outside the State budget, in reality the borrowings of many of these concerns ultimately turn out to be the liabilities of the State Government and hence basically constitute off-budget borrowings. Such borrowings therefore violate the spirit of Article 293(3) of the Constitution. **Table 1.17** captures the status of off-budget borrowings by the State as on 31 March 2009.

**Table-1.17: Off-budget borrowings**

*(Rupees in crore)*

Sector	Name of SPV/ Company	Amounts outstanding as on 1 April 2008	Amount borrowed during 2008-09	Amount repaid during 2008-09		Amount outstanding as on 31 March 2009
				Principal	Interest	
Power	AP TRANSCO Bonds	1311	350	324	86.94	1337
Irrigation	APWRDC	2213	Nil	2213	168.21	Nil
<b>Total</b>		<b>3524</b>	<b>350</b>	<b>2537</b>	<b>255.15</b>	<b>1337</b>

During the current year APTRANSCO raised Rs 350 crore by way of private placement of APTRANSCO Vidyut Bonds for discharging the liability towards arrears of agriculture consumers waived by the State Government. Government had not created any fund to repay the loans but had given an unconditional and irrevocable guarantee and agreed that an amount equal to interest payment and/or principal instalments due in each year would be earmarked for disbursements out of annual budgetary provisions for APTRANSCO in the Government Budget. During the current year, the Government repaid Rs 25 crore of the Rs 380 crore borrowed by APTRANSCO in 2003-04; the entire amount of Rs 568 crore borrowed by AP Water Resources Development Corporation (APWRDC) in 2003-04; the remaining amount (Rs 590 crore) of Rs 737 crore borrowed by APWRDC in 2004-05; and the entire amount of Rs 455 crore borrowed by APWRDC in 2005-06.

The total liabilities of the State comprising fiscal liabilities (Rs 106917 crore), off budget borrowings (Rs 1337 crore) and outstanding guarantees including interest at the end of March 2009 (Rs 15973 crore) were Rs 124227 crore which as a ratio of GSDP stood at 33.47 per cent, less than the ceiling of 35 per cent prescribed in FRBM Act.

## 1.8 Debt sustainability

Apart from the magnitude of debt of State Government, it is important to analyse various indicators that determine the debt sustainability<sup>18</sup> of the State. This section assesses the sustainability of debt of the State Government in terms of debt stabilisation<sup>19</sup>; sufficiency of non-debt receipts<sup>20</sup>; net availability of borrowed funds<sup>21</sup>; burden of interest payments (measured by interest payments to revenue receipts ratio) and maturity profile of State Government securities. **Table 1.18** analyses the debt sustainability of the State according to these indicators for the period of five years beginning from 2004-05.

**Table 1.18: Debt sustainability: Indicators and trends**

Indicators of Debt Sustainability	2004-05	2005-06	2006-07	2007-08	2008-09
Debt Stabilisation (Quantum Spread + Primary Deficit)	1901	4301	7149	10024	9363
Sufficiency of Non-debt Receipts (Resource Gap)	(-) 742	(-) 108	(+) 2657	(-) 3143	(-) 3710
Net Availability of Borrowed Funds	0.23	(-) 0.07	(-) 0.01	0.13	0.03
Burden of Interest Payments (IP/RR Ratio)	0.25	0.21	0.17	0.14	0.13

<sup>18</sup> see glossary at page 89<sup>19</sup> see glossary at page 89<sup>20</sup> see glossary at page 89<sup>21</sup> see glossary at page 89

The quantum spread together with primary deficit has been positive for the last five years resulting in decline in Debt/GSDP ratio from 0.35 in 2004-05 to 0.29 in 2008-09. These trends indicate the tendency towards debt stabilisation which would eventually improve the debt sustainability of the State. However, the resource gap has been negative in four years out of the five year period indicating that the incremental non-debt receipts were not sufficient to meet the incremental primary expenditure and interest burden. Thus the State needs to step up its resource mobilisation as well as prune unproductive expenditure to maintain debt stability. The ratio of the debt redemption (principal + interest payments) to total debt receipts was negative during 2005-07 and turned positive during 2007-09 indicating the availability of the borrowed funds for purposes other than debt repayment. The ratio of the interest payments to revenue receipts was also on declining trend from 2004-05 mainly due to lower rate of borrowing and the debt relief being extended by Government of India under FRBM Act. The maturity profile of State debt is given in **Table 1.19**.

**Table 1.19: Maturity Profile of State Debt**

*(Rupees in crore)*

Maturity profile	Amount	Percentage
0 – 1	4104.09	6.63
1 – 3	8358.55	13.50
3 – 5	9957.64	16.08
5 – 7	8450.90	13.65
7 and above	31043.24	50.14
<b>Total</b>	<b>61914.42</b>	<b>100.00</b>

To discharge the expenditure obligations the Government will have to borrow further unless there is adequate fiscal surplus.

## 1.9 Fiscal imbalances

Three key fiscal parameters - revenue, fiscal and primary deficits - indicate the extent of overall fiscal imbalances in the Finances of the State Government during a specified period. The deficit in the Government accounts represents the gap between its receipts and expenditure. The nature of deficit is an indicator of the prudence of fiscal management of the Government. Further, the ways in which the deficit is financed and the resources raised are applied are important pointers to its fiscal health. This section presents trends, nature, magnitude and the manner of financing these deficits and also the assessment of actual levels of revenue and fiscal deficits vis-à-vis targets set under FRBM Act/Rules for the financial year 2008-09.

### 1.9.1 Trends in deficits

**Charts 1.12 and 1.13** present the trends in deficit indicators over the period 2004-09.

CHART: 1.12 TRENDS IN DEFICIT INDICATORS

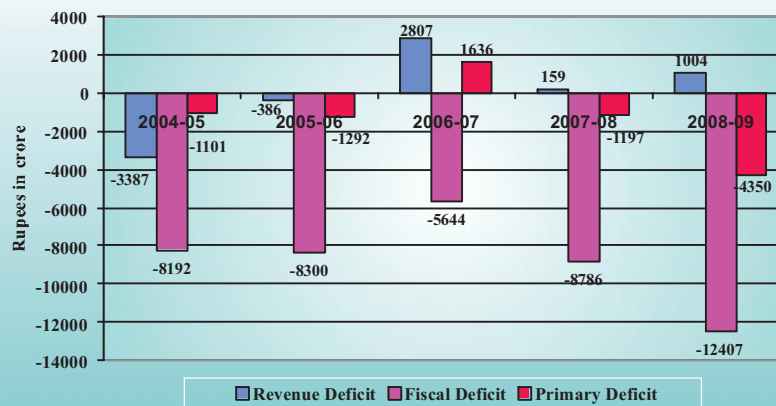
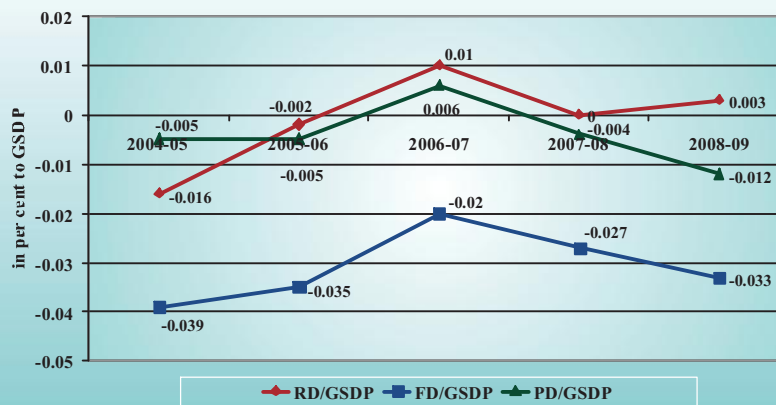


CHART: 1.13: TRENDS IN DEFICIT INDICATORS RELATIVE TO GSDP



Revenue deficit declined from Rs 3387 crore in 2004-05 to Rs 386 crore in 2005-06 and registered surplus thereafter. During the current year surplus (Rs 1004 crore) increased by Rs 845 crore over previous year (Rs 159 crore). Fiscal deficit with inter-year variations increased to Rs 12407 crore in 2008-09 from Rs 8786 crore in 2007-08 registering an increase of Rs 3621 crore (41 per cent). Primary deficit has also showed inter-year variation which sharply increased by Rs 3153 crore (263 per cent) over previous year on account of huge increase in fiscal deficit and only a moderate increase of Rs 468 crore in interest payments.

TFC recommended that the revenue deficit relative to GSDP should be brought down to zero by 2008-09 and the fiscal deficit should be maintained at 3 per cent of GSDP. As against these targets there was revenue surplus from 2006-07 onwards. The fiscal deficit remained at less than 3 per cent of GSDP during 2006-08 but became marginally higher (0.34 per cent) in 2008-09. However the fiscal deficit was less than the relaxed target of 3.5 per cent set by the GOI for 2008-09 for undertaking capital expenditure in view of economic slowdown.

Though there was revenue surplus of Rs 1004 crore in 2008-09, the capital expenditure was reduced by Rs 2407 crore resulting in fiscal deficit of 3.34 per cent of GSDP. While the revenue surplus increased by Rs 914 crore, the fiscal deficit also increased by Rs 4282 crore over the projection of FRBM Act. The State Government could not meet the targets set in its FPSS. While the ratio of revenue surplus to GSDP remained at 0.30 against the target of 0.56, the ratio of fiscal deficit was 3.34 of GSDP against the target of 2.81.

### 1.9.2 Components of Fiscal Deficit and its Financing Pattern

The financing pattern of the fiscal deficit has undergone a compositional shift as reflected in the **Table 1.20**.

**Table 1.20: Components of fiscal deficit and its financing pattern**

*(Rupees in crore)*

	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
<b>Decomposition of Fiscal Deficit</b>						
	Revenue Deficit/Surplus	(-)3387	(-)386	(+)2807	(+)159	(+)1004
	Net Capital Expenditure	(-)4585	(-)7340	(-)8015	(-)6216	(-)10367
	Net Loans and Advances	(-)220	(-)574	(-)436	(-)2729	(-)3044
<b>Financing Pattern of Fiscal Deficit</b>						
	Market Borrowings	(+)4977	(-)1239	(+)1173	(+)6182	(+)10911
	Loans from GOI	(-)2577	(-)85	(-)875	(-)43	(-)391
	Small Savings, PF etc (Cr)	(+)5223	(+)5338	(+)4716	(+)940	(+)570
	Reserve Funds (Cr)	(+)20	(+)33	(+)19	(+)252	(+)271
	Deposits and Advances (Cr)	(+)2096	(+)1223	(+)2042	(+)3416	(-)1812
	Suspense and Misc. (Dr)	(-)1617	(+)2422	(-)1590	(-)2828	(+)4405
	Remittances (Cr)	(+)504	(+)234	(-)34	(+)943	(-)1621
	Others (Contingency Fund)	(+)23	(-)1	(+)1	(-)1	(-)6
	Overall Surplus/Deficit	(-)457	(+)375	(+)192	(-)75	(+)80

During the last three years the fiscal deficit increased mainly due to increased net capital expenditure and loans and advances disbursements. The fiscal deficit in these years was mainly met by market borrowings and surplus from public account.

### 1.9.3 Quality of deficit/surplus

The ratio of revenue deficit to fiscal deficit and the decomposition of primary deficit into primary revenue deficit<sup>22</sup> and capital expenditure (including loans and advances) would indicate the quality of deficits in the State's finances. The ratio of revenue deficit to fiscal deficit indicates the extent to which borrowed funds were used for current consumption. Further, persistent high ratio of revenue deficit to fiscal deficit would indicate that the asset base of the State was continuously shrinking and a part of borrowings (fiscal liabilities) were not having any asset backup. The bifurcation of the primary deficit (**Table 1.21**) would indicate the extent to which the deficit has been on account of enhancement in capital expenditure which may be desirable to improve the productive capacity of the State's economy.

<sup>22</sup>see glossary at page 89

**Table 1.21: Primary deficit/surplus bifurcation of factors***(Rupees in crore)*

Year	Non-debt receipts	Primary Revenue Expenditure	Capital Expenditure	Loans and Advances	Primary Expenditure <sup>23</sup>	Primary revenue deficit (-) /surplus (+)	Primary deficit (-) /surplus (+)
1	2	3	4	5	6 (3+4+5)	7 (2-3)	8 (2-6)
2004-05	30123	25046	4585	1593	31224	(+)5077	(-)1101
2005-06	35033	28229	7640	756	36325	(+)6804	(-)1292
2006-07	46606	34159	9904	907	44970	(+)12447	(+)1636
2007-08	60891	46394	12774	2920	62088	(+)14497	(-)1197
2008-09	63228	53797	10367	3414	67578	(+)9431	(-)4350

The ratio of revenue deficit to fiscal deficit which declined up to 2005-06 turned into surplus in three successive years. This trend shows a continuous improvement in the quality of the deficit during the period 2004-09. The bifurcation of the factors resulting in primary deficit or surplus of the State during the period 2004-09 reveals (**Table 1.21**) that throughout this period, the primary deficit was on account of expenditure incurred under capital account and loans and advances disbursed by the State Government. In other words, the non-debt receipts of the State were not only adequate to meet the primary revenue expenditure, but also met whole/part of the capital expenditure. But the surplus non-debt receipts were not enough to meet the entire capital expenditure and loans and advances resulting in primary deficit in all the years during 2004-09 except in 2006-07. This indicates the extent to which enhancement in capital expenditure resulted in primary deficit.

#### 1.9.4 State's own revenue and deficit correction

It is worthwhile to observe the extent to which the deficit correction is achieved by the State on account of improvement in its own resources which is an indicator of the durability of the correction in deficit indicators. **Table 1.22** presents the change in revenue receipts of the State and the correction of the deficit during the last three years.

**Table 1.22: Change in revenue receipts and correction of deficit***(Rupees in crore)*

Parameters	2006-07	2007-08	2008-09	
			BE	Actual
<b>Revenue Receipts (a to d)</b>	<b>44245</b>	<b>54143</b>	<b>70927</b>	<b>62858</b>
a. State's Own Tax Revenue	23926	28794	37866	33358
b. State's Own Non- tax Revenue	6488	7064	8873	9683
c. State's Share in Central Taxes and Duties	8866	11184	12597	11802
d. Grants-in-Aid	4965	7101	11591	8015
<b>Revenue Expenditure</b>	<b>41438</b>	<b>53984</b>	<b>70218</b>	<b>61854</b>
<b>Revenue Deficit/Surplus</b>	<b>(+)2807</b>	<b>(+)159</b>	<b>(+)709</b>	<b>(+)1004</b>
<b>Fiscal Deficit/Surplus</b>	<b>(-)5644</b>	<b>(-)8786</b>	<b>(-)9658</b>	<b>(-)12407</b>

Though the revenue expenditure increased continuously during the period 2006-09, the State Government achieved revenue surplus by increasing its own revenue receipts to that extent indicating the durability of the correction of the deficit during the last three years. *The fiscal deficit also remained at less than 3 per cent of GSDP during 2006-08 as recommended by the TFC and projected in FRBM Act, but it increased to 3.34 per cent in 2008-09.* However fiscal deficit ratio to GSDP for 2008-09 was relaxed to 3.5 per cent by the GOI due to economic slow down facilitating the State Government to borrow more funds from the market for capital expenditure.

<sup>23</sup>see glossary at page 89

## **1.10 Conclusion**

The fiscal position of the State viewed in terms of the key fiscal parameters revenue, fiscal and primary deficits indicated deterioration in 2008-09 relative to the previous year. Though the revenue surplus has improved during 2008-09 by Rs 845 crore, fiscal and primary deficits have increased by Rs 3621 crore and Rs 3153 crore respectively over previous year. While the revenue account resulted in surplus in line with the TFC recommendations and the projections in FRBM Act, the ratio of fiscal deficit to GSDP was 3.34 *per cent* as against 3 *per cent* recommended by TFC but less than the relaxed target of 3.5 *per cent* by the GOI for 2008-09.

Due to effective tax administration of the State Government, the mobilization of own tax and non-tax revenue during 2008-09 (Rs 43041 crore) was higher than the normative assessment of TFC (Rs 33695 crore) as well as the targets set in its FCP (Rs 36052 crore) for the year. Revenue arrears increased significantly to Rs 6508 crore from Rs 2413 crore up to the previous year.

The expenditure pattern of the State reveals that the revenue expenditure as a *percentage* to total expenditure though indicated a declining trend up to 2007-08, increased to 82 *per cent* of total expenditure during the current year and its NPPE component at Rs 42862 crore exceeded significantly both the normative projection of the TFC for the State (Rs 35103 crore) and State's projection in its FCP (Rs 37085 crore) for 2008-09. The committed expenditure on salaries and wages, pensions, interest payments and subsidies constituted 80 *per cent* of NPPE during 2008-09. These trends in expenditure indicate the need for changing allocative priorities.

The capital expenditure in 2008-09 decreased by Rs 2407 crore over previous year and constituted 14 *per cent* of total expenditure. However, it was more than the projection of FCP at 2.79 *per cent* of GSDP. During 2008-09, while the ratio of capital expenditure to aggregate expenditure for Andhra Pradesh was less than the All States average, the per capita capital expenditure was just equal to National average indicating the less priority given by the State for capital formation.

Total fiscal liabilities at the end of the current year stood at 33.47 *per cent* of GSDP against the ceiling of 35 *per cent* prescribed in FRBM Act. The resource gap has been negative in four years out of the five year period indicating that the incremental non-debt receipts were not sufficient to meet the incremental primary expenditure and interest burden. Thus the State needs to step up its resource mobilisation as well as prune unproductive expenditure to maintain debt stability.

The negligible rate of return on Government investments and inadequate interest cost recovery on loans and advances is a cause for concern.

Though the closing cash balance significantly decreased at the end of 2008-09, the State still holding large cash balance investment of Rs 4973 crore which earned interest at 3.43 *per cent* only against the average market borrowing of 7.88 *per cent*.

During 2008-09, GOI directly transferred Rs 4923 crore to the implementing agencies without routing through the State budget. There is no single agency monitoring the expenditure out of these funds.

The inordinate delays in completion of 30 major and medium irrigation projects leading to cost escalation of Rs 12506 crore is also a major area of concern for the State Government.

## Chapter 2

### Financial Management and Budgetary Control

#### 2.1 Introduction

**2.1.1** The Appropriation Accounts are accounts of the expenditure, voted and charged, of the Government for each financial year compared with the amounts of the grants voted and appropriations charged for different purposes as specified in the schedules appended to the Appropriation Acts. These Accounts depict the original budget estimates, supplementary grants, surrenders and re-appropriations distinctly and indicate actual capital and revenue expenditure on various specified services *vis-à-vis* those authorised by the Appropriation Act in respect of both charged and voted items of budget. The Appropriation Accounts thus facilitate understanding of utilisation of finances and monitoring of budgetary provisions and are therefore complementary to Finance Accounts.

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

#### 2.2 Summary of Appropriation Accounts

The summarised position of actual expenditure during 2008-09 against 40 grants/appropriations was as given in **Table 2.1**.

**Table 2.1: Summarised position of actual expenditure vis-à-vis original/supplementary provisions)**

(Rupees in crore)

	Nature of expenditure	Original grant/ appropriation	Supplementary grant/ appropriation	Total	Actual expenditure*	Saving (-)/ Excess (+)
Voted	I Revenue	61417.88	5936.05	67353.93	54287.63	(-) 13066.30
	II Capital	17814.71	303.00	18117.71	10643.81	(-) 7473.90
	III Loans and Advances	4870.79	224.00	5094.79	3413.37	(-) 1681.42
<b>Total Voted</b>		<b>84103.38</b>	<b>6463.05</b>	<b>90566.43</b>	<b>68344.81</b>	<b>(-) 22221.62</b>
Charged	IV Revenue	9089.78	6.45	9096.23	8153.77	(-) 942.46
	V Capital	142.44	4.49	146.93	24.88	(-) 122.05
	VI Public Debt - Repayment	7496.20	--	7496.20	4833.12	(-) 2663.08
<b>Total Charged</b>		<b>16728.42</b>	<b>10.94</b>	<b>16739.36</b>	<b>13011.77</b>	<b>(-) 3727.59</b>
Appropriation to Contingency Fund		--	--	--	--	--
<b>Grand Total</b>		<b>100831.80</b>	<b>6473.99</b>	<b>107305.79</b>	<b>81356.58</b>	<b>(-) 25949.21</b>

\* These are gross figures without taking into account the recoveries adjusted in accounts as reduction of expenditure under revenue expenditure (Rs 587.17 crore) and capital expenditure (Rs 302.23 crore).

**Note:** At the end of June 2009 Detailed Contingent bills were not received as required under rules from Drawing and Disbursing Officers in support of Rs 142.75 crore drawn on Abstract Contingent bills during 2008-09. In the absence of Detailed Contingent bills, the genuineness of the expenditure could not be vouched. The total expenditure stands inflated at least to that extent.

The overall saving of Rs 25949.21 crore was the result of saving of Rs 26658.45 crore in 34 grants and 14 appropriations under Revenue Section, 25 grants and four appropriations under Capital Section and 13 grants and one appropriation (Public Debt) under Loans Section, offset by excess of Rs 709.24 crore in six grants and three appropriations under Revenue Section, two grants under Capital Section and three grants under Loans Section.

The figures of savings under 1487 sub-heads and excess under 294 sub-heads were intimated between 31 July 2009 and 6 August 2009 to the Controlling Officers requesting them to explain the significant variations. Out of 1781 sub-heads, explanations for the variations were not received (December 2009) in respect of 1302 sub-heads (Saving: 1158 sub-heads and Excess: 144 sub-heads). While there were substantial savings in School Education, Medical & Health and Major & Medium Irrigation Departments, Revenue, Registration and Relief Department incurred substantial excess expenditure. Specific reasons were not intimated (December 2009) by the departments for the huge saving/excess.

## 2.3 Financial accountability and budget management

### 2.3.1 Appropriation vis-à-vis allocative priorities

The appropriation audit reveals that, in nine cases, saving exceeded Rs 500 crore in each case and also by more than 30 per cent of total provision (**Appendix 2.1**). Against the total saving of Rs 26658.45 crore, saving of Rs 15588.21 crore (58.47 per cent) occurred in five grants and one appropriation as indicated in **Table 2.2**.

**Table 2.2: List of grants with saving of Rs 1000 crore and above**

*(Rupees in crore)*

Sl. No.	No. and Name of the Grant	Original	Supplementary	Total	Actual Expenditure	Saving
<b>Revenue-Voted</b>						
1	XII - School Education	8618.24	52.10	8670.34	5767.79	2902.55
2	XXVII – Agriculture	2096.78	1858.60	3955.38	2754.84	1200.54
3	XXXII – Rural Development	3767.94	230.00	3997.94	2563.05	1434.89
4	XXXIII - Major and Medium Irrigation	6656.29	--	6656.29	3935.40	2720.89
<b>Capital-Voted</b>						
5	XXXIII - Major and Medium Irrigation	12629.21	--	12629.21	7962.95	4666.26
<b>Public Debt - Charged</b>						
6	IX - Fiscal Administration, Planning, Surveys and Statistics	7496.20	--	7496.20	4833.12	2663.08
<b>TOTAL</b>						<b>15588.21</b>

The saving under School Education was mainly due to short release of teaching grants to Mandal Praja Parishads and Municipalities and abolition of 7<sup>th</sup> class examinations.

Making huge provision in anticipation of Government of India (GOI) funds for National Rural Employment Guarantee Mission and Additional Central Assistance for Backward Regions Grant Fund and non-release of funds to that extent by GOI was stated to be the reason for huge saving under Rural Development.

The saving under capital section of Major and Medium Irrigation was attributed to making provision for payment to third party quality control agencies under individual project heads and transferring the same to Centralised Quality Control Cell under which also savings occurred and surrender of the provision for meeting expenditure on formation of road to Pulichintala Project dam site.

Though the Government had not resorted to Ways and Means Advances (WMA) during the last four years, huge provision was made during 2008-09 also which resulted in saving due to non-availment of the same under Fiscal Administration Grant.

No specific reasons were intimated for the saving under revenue section of Agriculture and Major and Medium Irrigation grants.

### 2.3.2 Persistent Savings

There were persistent savings of more than Rs 20 crore in each case and also by 20 per cent or more of the total grant in five cases, during the last five years (**Table 2.3**).

**Table 2.3: List of `grants indicating persistent savings during 2004-09**

(Rupees in crore)

Sl. No.	No. and Name of the Grant	Amount of saving				
		2004-05	2005-06	2006-07	2007-08	2008-09
Revenue-Voted						
1	XXXVI Industries and Commerce	48.48	140.05	151.69	165.40	287.74
Capital-Voted						
2	XXI Social Welfare	40.47	146.39	175.71	109.39	434.29
3	XXII Tribal Welfare	28.18	149.58	146.65	126.19	136.00
Loans-Voted						
4	IX Fiscal Administration, Planning, Surveys and Statistics	27.26	37.70	37.90	25.91	29.18
5	XXXV Energy	190.11	431.53	32.46	183.31	360.59

Persistent savings under Industries and Commerce were stated to be due to non-release of central share by GOI, non-receipt of administrative sanctions, no requirement towards reimbursement of Purchase Tax Incentives and for making provision under Transport Roads and Buildings Department towards reimbursement of Sales Tax (VAT) on aviation turbine fuel to Air Sahara and other Airlines etc.

Under Social Welfare, while the savings during 2006-09 were stated to be due to requirement of additional funds under other heads for maintenance of schools functioning under DPIP & APRPRP and establishment of hostels etc, no specific reasons were furnished for the savings during 2004-06.

Persistent savings under Tribal Welfare were due to non-utilisation of huge provision made for construction of roads under NABARD Programme and construction of buildings for school complexes.

Persistent savings under Fiscal Administration, Planning, Surveys and Statistics were mainly due to making huge provision under various loan heads in each year though proposals for loans have not been received from Heads of Departments.

Non-release of expected funds by GOI for power development, making investment in APTRANSCO as equity instead of loans, equity participation in APGENCO for setting up of Krishnapatnam

Thermal Power project and non-taking up of modernisation and strengthening of transmission system in Hyderabad Metropolitan areas, an EAP project were stated to be the main reasons for persistent savings under Energy.

### 2.3.3 Excess Expenditure

In four cases, expenditure aggregating Rs 127.11 crore exceeded the approved provision by Rs 10 crore or more in each case and also by more than 20 per cent of the total provision (**Table 2.4**).

**Table 2.4: Excess expenditure**

(Rupees in crore)

Sl. No.	Grant No.	Name of the Grant/Appropriation	Total Grant/Appropriation	Expenditure	Excess expenditure
<b>Capital-Voted</b>					
1	XXXIX	Information Technology and Communications	0.00	10.94	10.94
<b>Loans-Voted</b>					
2	XIX	Information and Public Relations	0.00	40.00	40.00
3	XXVII	Agriculture	0.00	40.80	40.80
4	XXXVI	Industries and Commerce	0.02	35.37	35.35
<b>Total</b>			<b>0.02</b>	<b>127.11</b>	<b>127.09</b>

Excess expenditure under Information Technology was due to depiction of supplementary provision inadvertently under revenue section in the Appropriation Act for installation and commissioning of KU Band satellite receivers, plasma TVs and UPS systems for 1128 mandals. Similarly, under Agriculture the excess was also due to depiction of provision inadvertently under capital section instead of loans section in the Appropriation Act for Supplementary Grants. Specific reasons for the excess expenditure under Information and Public Relations and Industries and Commerce were not intimated.

### 2.3.4 Expenditure without Provision

As per Para 20.3.1 of the Budget Manual, expenditure should not ordinarily be incurred on a scheme/service without provision of funds. It was, however, noticed that expenditure of Rs 1474.21 crore was incurred in nine cases (Rs 10 crore and above in each case) as detailed in **Table 2.5** without any provision in the original estimates/supplementary demands.

**Table 2.5: Expenditure incurred without provision during 2008-09***(Rupees in crore)*

Sl. No	No. and Name of the Grant	Head of Account	Expenditure without provision	Reasons
1	XI - Roads, Buildings and Ports	3054-04-797-04	273.63	Transfer of amount received from Central Government to Central Road Fund in the absence of budget provision
2	XVII - Municipal Administration and Urban Development	2217-80-191-81	824.43	For constitution of revolving fund for future development by APUFIDC
3	XIX - Information and Public Relations	6220-01-190-05	40.00	Reasons not intimated
4	XXXIII - Major and Medium Irrigation	4701-01-101	145.30	Reasons not intimated
5		4701-01-121	52.69	
6		4701-01-129	87.06	
7		4701-80-800-13	10.86	
8	XXXVI - Industries and Commerce	6851-00-103-19	29.30	Reasons not intimated
9	XXXIX - Information Technology and Communications	5475-00-800-07	10.94	Depiction of supplementary provision inadvertently under revenue section instead of capital section
<b>Total</b>			<b>1474.21</b>	

**2.3.5 Drawl of funds to avoid lapse of budget grant**

As per Article 94 of Andhra Pradesh Financial Code, no money shall be drawn from the treasury unless it is required for immediate disbursement. In respect of the cases mentioned below (**Table 2.6**) the amounts drawn were neither fully spent for the specific purposes nor remitted to Government Account before closure of financial year 2008-09.

**Table 2.6: Drawal of funds to avoid lapse of budget provision**

(Rupees in lakh)

Sl. No.	Name of the Department	Amount drawn	Month of drawal	Amount utilised	Balance amount parked in		Purpose of drawal
					Bank	PD a/c	
1	Revenue	32.81	3/2008 & 9/2007	21.10	11.71	--	For computerisation of Land Records
2	Information Technology & Communications	2497.72	8/2007 to 1/2009	2232.32	--	265.40	For payment to Technical services
3	Housing	643.55	6/2005	--	643.55	--	Awaiting GOI orders for utilisation of funds drawn towards PMGY Scheme for IAY Scheme
4	Medical and Health	37.14	3/2005, 3/2007, 7/2007 & 3/2008	5.22	31.92	--	For purchase of equipment/ machinery
5	Animal Husbandry	100.17	11/2008	81.73	18.44	--	For implementation of schemes under CM's Package for 2008-09
6	Industries and Commerce	82.50	7/2006, 9/2006 & 6/2007	13.00	69.50	--	For implementation of technology development scheme
	Total	3393.89		2353.37	775.12	265.40	

### 2.3.6 Excess over provision relating to previous years requiring regularisation

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. Although no time limit for regularisation of expenditure has been prescribed under the Article, regularisation of excess expenditure is done after the completion of discussion of the Appropriation Accounts by the Public Accounts Committee (PAC). However, the excess expenditure amounting to Rs 13254.20 crore for the years 1997-2008 was yet to be regularised as detailed in **Appendix 2.2**. The year-wise amount of excess expenditure pending regularisation for grants/appropriations is summarised in **Table 2.7**.

**Table 2.7: Excess over provision relating to previous years requiring regularisation**

(Rupees in crore)

Year	Number of		Amount of excess over provision	Status of Regularisation
	Grants	Appropriations		
1997-98	27	5	405.12	Recommendation report of the PAC for regularisation of excess expenditure during the years 1997-98 to 2003-04 was tabled in AP Legislative Assembly. The Regularisation Act is yet to be received from the Government.
1998-99	31	4	310.63	
1999-00	18	9	846.31	
2000-01	18	3	414.29	
2001-02	18	4	427.69	
2002-03	10	5	546.25	
2003-04	32	4	9303.24	Explanatory notes are awaited from the Administrative Departments/Finance Department for vetting by the Principal Accountant General.
2004-05	5	1	14.83	
2005-06	10	3	585.82	
2006-07	7	1 <sup>s</sup>	198.72	
2007-08	7	3	201.30	
<b>Total</b>	<b>183</b>	<b>42</b>	<b>13254.20</b>	

<sup>s</sup> Explanatory notes for one Grant was received

<sup>s</sup> Explanatory notes for the Appropriation was received

### 2.3.7 Excess over provision during 2008-09 requiring regularisation

**Table 2.8** contains the summary of total excess in 11 grants and three appropriations amounting to Rs 709.24 crore over authorisation from the Consolidated Fund of the State during 2008-09 which requires regularisation under Article 205 of the Constitution.

**Table 2.8: Excess over provision requiring regularisation during 2008-09**

**(Rupees in crore)**

Sl. No.	Number and name of grant/appropriation	Total grant/appropriation	Expenditure	Excess
<b>Revenue - Voted</b>				
1	II - Governor and Council of Ministers	11.86	11.97	0.11
2	V - Revenue. Registration and Relief	1329.05	1530.96	201.91
3	XI - Roads, Buildings and Ports	1377.02	1630.11	253.09
4	XXIV - Minority Welfare	186.55	195.72	9.17
5	XXVI - Administration of Religious Endowments	23.94	25.45	1.51
6	XXXI - Panchayat Raj	3657.11	3768.01	110.90
<b>Capital - Voted</b>				
7	XVII - Municipal Administration and Urban Development	1.03	1.81	0.78
8	XXXIX - Information Technology and Communications	0.00	10.94	10.94
<b>Loans - Voted</b>				
9	XIX - Information and Public Relations	0.00	40.00	40.00
10	XXVII - Agriculture	0.00	40.80	40.80
11	XXXVI - Industries and Commerce	0.02	35.37	35.35
<b>TOTAL VOTED</b>		<b>6586.59</b>	<b>7291.14</b>	<b>704.55</b>
<b>Revenue - Charged</b>				
1	II - Governor and Council of Ministers	5.39	5.54	0.15
2	III - Administration of Justice	39.03	43.56	4.53
3	XIII - Higher Education	0.02	0.03	0.01
<b>TOTAL CHARGED</b>		<b>44.44</b>	<b>49.13</b>	<b>4.69</b>
<b>GRAND TOTAL</b>		<b>6631.03</b>	<b>7340.27</b>	<b>709.24</b>

Of the total excess (Rs 709.24 crore), 80 per cent excess occurred under Grant Nos. V, XI and XXXI.

In the absence of provision under the head of account, the transfer of amount received from Union Government to “Central Road Fund” account resulted in huge excess expenditure under Roads, Buildings and Ports grant. Also, transfer of an amount equivalent to cess collection in the year 2007-08 to “A.P. Rural Development Fund” without provision resulted in excess expenditure under Panchayat Raj grant. No specific reasons were furnished for the excess expenditure under Revenue, Registration and Relief grant.

### 2.3.8 Unnecessary/Excessive/Inadequate supplementary provision

Supplementary provision aggregating Rs 1525.04 crore obtained in 23 cases (Rs one crore or more in each case) during the year proved unnecessary as the expenditure did not come up to the level of original provision as detailed in **Appendix 2.3(A)**. In four cases, supplementary provision of Rs 155.29 crore proved insufficient by more than Rs one crore each leaving an aggregate uncovered excess expenditure of Rs 575.07 crore [**Appendix 2.3 (B)**].

As the expenditure fell short of even the original provision, obtaining huge supplementary provision in respect of Fiscal Administration, Planning, Surveys and Statistics, Roads, Buildings & Ports, Municipal Administration and Urban Development and Rural Development grants proved unnecessary and the supplementary provision could have been restricted to a token provision wherever necessary.

In view of the huge final excess in respect of Revenue Registration and Relief, Roads, Buildings & Ports and Panchayat Raj grants, the supplementary provision obtained proved insufficient.

### 2.3.9 Excessive/unnecessary re-appropriation of funds

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. Injudicious re-appropriation in 275 sub-heads proved excessive or insufficient and resulted in saving/excess of over Rs one crore in each case. Major cases where the excess/saving was more than Rs 10 crore in each case are detailed in **Appendix 2.4**.

Reasons in respect of cases where saving/excess exceeded by Rs 100 crore and above are given below:

(Rupees in crore)

Head of account	Saving/ Excess	Reasons
<b>XXXI Panchayat Raj</b>		
2515-00-198-08	(-)125.24	Decrease in provision by Rs 1.20 crore by way of re -appropriation was due to surrender of equal amount to make provision under Mines and Geology Department for implementation of Vigilance Scheme. Specific reasons for the remaining decrease/final saving were not furnished.
<b>XXXIII Major and Medium Irrigation</b>		
4701-01-120	(-)281.34	Decrease in provision by Rs 13.18 crore by way of re-appropriation was due to making provision for payment to third party quality control agencies under 4701-01-800-11-SH(14)-Quality Control Cell. Specific reasons for the remaining decrease/final saving were not furnished.
4701-01-123	(-)206.80	Decrease in provision by Rs 4.58 crore by way of re -appropriation was due to making provision for payment to third party quality control agencies under 4701-01-800-11-SH(14)-Quality Control Cell. Specific reasons for the remaining decrease/final saving were not furnished.
4701-01-125	(+)244.36	Provision made by way of re-appropriation by Rs 4.00 crore was for payment of advertisement, sales and publicity charges. Specific reasons for the huge final excess were not furnished.
4701-01-128	(-)311.53	Specific reasons for decrease in provision/final saving were not furnished.
4701-01-133	(-)143.40	Decrease in provision by Rs 9.56 crore by way of re -appropriation was due to making provision for payment to third party quality control agencies under 4701-01-800-11-SH(14)-Quality Control Cell. Specific reasons for the remaining decrease/final saving were not furnished.
4701-01-137	(+)289.22	Decrease in provision by Rs 10.67 crore by way of re-appropriation was due to making provision for payment to third party quality control agencies under 4701-01-800-11-SH(14)-Quality Control Cell. Specific reasons for the remaining decrease and final excess were not furnished.
4701-01-138	(-)140.12	Specific reasons for decrease in provision/final saving were not furnished.
4701-01-144	(-)180.64	Decrease in provision by Rs 4.50 crore by way of re -appropriation was due to making provision for payment to third party quality control agencies under 4701-01-800-11-SH(14)-Quality Control Cell. Specific reasons for the remaining decrease/final saving were not furnished.
4701-01-145	(-)194.82	Decrease in provision by Rs 4.39 crore by way of re -appropriation was due to making provision for payment to third party quality control agencies under 4701-01-800-11-SH(14)-Quality Control Cell. Specific reasons for the remaining decrease/final saving were not furnished.
4701-01-800	(-)127.40	Specific reasons for decrease in provision/final saving were not furnished.

### 2.3.10 Unexplained re-appropriations

According to Paragraph 20.17.2 of Andhra Pradesh Budget Manual, reasons for the additional expenditure and the saving should be explained in the re-appropriation statement and vague

expressions such as “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 Finance Department revealed that in respect of 1271 items out of 1770 items (72 *per cent*), reasons given for additional provision/withdrawal of provision in re-appropriation orders were of general nature like “actual requirement”, “due to observance of economy measures” and “savings are anticipated”.

### 2.3.11 Substantial surrenders

Substantial surrenders in excess of Rs 10 crore and above and more than 50 *per cent* of total provision in each case were made in respect of 144 sub-heads on account of either non-implementation or slow implementation of schemes/programmes. Out of the total provision amounting to Rs 16925.72 crore in these 144 sub-heads, Rs 13930.39 crore (82 *per cent*) was surrendered, which included *cent per cent* surrender (Rs 5901.71 crore) in 45 sub-heads. The details of selected such cases audited/verified by Audit are given in **Appendix 2.5**. The following observations were made.

- As per Para 16.12 of the Budget Manual, Lumpsum provision should not as a rule be made in the Budget estimates. However, huge lumpsum provisions were made in the Budget Estimates in violation of the provisions of Budget Manual and surrendered on the last day of the financial year.
- Though the Government had not availed WMA during the last four years, huge provision of Rs 3000 crore was made for this purpose and was surrendered on 31 March 2009 as the Government did not avail WMA during 2008-09.

### 2.3.12 Surrender in excess of actual saving

The spending departments, as per the provisions of the Budget Manual are required to surrender the grants/appropriations or portion thereof to the Finance Department as and when the savings are anticipated. Surrender of the provision in anticipation of savings and incurring expenditure subsequently by controlling officers is resulting in surrender in excess of the overall saving in a grant/appropriation.

In eight cases, the amount surrendered (Rs 50 lakh or more in each case) was in excess of actual saving indicating lack of or inadequate budgetary control in these departments. As against the saving of Rs 3048.96 crore, the amount surrendered was Rs 3203.59 crore resulting in excess surrender of Rs 154.52 crore. Details are given in **Appendix 2.6**.

### 2.3.13 Anticipated savings not surrendered

As per Para 20.2.2 of the Budget Manual, the spending departments are required to surrender the grants/appropriations or portion thereof to the Finance Department as and when the savings are anticipated.

At the close of the year 2008-09, there were however, 13 grants/ appropriations in which saving occurred but no part of which had been surrendered by the departments concerned. The saving in these cases was Rs 761.49 crore constituting 2.86 *per cent* of the total savings (**Appendix 2.7**).

Similarly, out of the saving of Rs 18890.43 crore under 33 grants/ appropriations (unsurrendered saving of Rs 5 crore and above in each case) Rs 5395.68 crore (20.24 *per cent* of total savings) was not surrendered, details of which are given in **Appendix 2.8**. Besides, in 68 cases (surrender of funds in excess of Rs 10 crore in each case), Rs 18145.74 crore was surrendered on the last two

working days of March 2009 indicating inadequate financial control and the fact that these funds could not be utilised for other development purposes (**Appendix 2.9**).

### 2.3.14 Rush of expenditure

Article 39 of the Financial Code 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. Contrary to these provisions, while the expenditure during each of the three quarters ending December 2008 was between 15 and 22 per cent of the total expenditure, it was highest at 42 per cent in the last quarter of the year. The expenditure, in the month of March 2009 alone constituted 25 per cent indicating rush of expenditure at the end of the financial year (**Table 2.9**).

**Table 2.9: Rush of expenditure**

Quarter ended	Expenditure (Rupees in crore)	Percentage to total expenditure
30 June 2008	10620.49	15
30 September 2008	15702.11	22
31 December 2008	15165.73	21
31 March 2009	30732.35	42
<b>Total Expenditure</b>	<b>72220.68*</b>	<b>--</b>
Expenditure during March 2009	18053.89	25

\*represents revenue and capital expenditure

## 2.4 Non-reconciliation of Departmental figures

### 2.4.1 Pendency in submission of Detailed Contingent Bills against Abstract Contingent Bills

Orders issued by the Government<sup>1</sup> stipulated that advances drawn on Abstract Contingent (AC) bills should be settled by submitting Detailed Contingent (DC) bills to the Accountant General (A&E)/Pay and Accounts Officer for the expenditure incurred with supporting vouchers, within one month. The total amount of DC bills received during 2003-09 was only Rs 344.37 crore against the amount of AC bills of Rs 1128.20 crore leading to an outstanding balance of DC bills of Rs 783.83 crore as on 31 March 2009. Year wise details are given in **Table 2.10**.

**Table 2.10: Pendency in submission of DC Bills against AC Bills**

(Rupees in crore)				
Year	Amount of AC bills	Amount of DC bills	DC bills as percentage to AC bills	Outstanding AC bills
Upto 2003	222.44	---	---	222.44
2003-04	113.06	40.81	36	72.25
2004-05	166.33	103.25	62	63.08
2005-06	140.87	65.51	47	75.36
2006-07	212.70	101.71	48	110.99
2007-08	119.24	22.28	19	96.96
2008-09	153.56	10.81	7	142.75
<b>Total</b>	<b>1128.20</b>	<b>344.37</b>	<b>31</b>	<b>783.83</b>

<sup>1</sup> G.O.Ms.No.285 Finance (TFR-II) Department dated 15-10-2005.

Department-wise pending DC bills for the years up to 2008-09 is detailed in **Appendix 2.10**.

### 2.4.2 Un-reconciled Expenditure

To enable Controlling Officers of Departments to exercise effective control over expenditure to keep it within the budget grants and to ensure accuracy of their accounts, Financial Rules<sup>2</sup> stipulate that expenditure recorded in their books be reconciled by them every month during the financial year with that recorded in the books of the Accountant General. Even though non-reconciliation of departmental figures is being pointed out regularly in Audit Reports, lapses on the part of Controlling Officers in this regard continued to persist during 2008-09 also. Out of the total expenditure<sup>3</sup> of Rs 75634.05 crore during 2008-09, expenditure amounting to Rs 30267.33 crore (40 per cent of the total expenditure) was not reconciled by 197 controlling officers as of June 2009, of which seven controlling officers did not reconcile expenditure exceeding Rs 500 crore in each case as given in **Table 2.11**.

**Table 2.11: List of controlling officers where expenditure exceeding Rs 500 crore in each case remained un-reconciled during 2008-2009**

(Rupees in crore)

Sl. No.	Controlling Officers	Amount not reconciled
1	Chief Engineer. Rural Water Supply	554.39
2	Commissioner of Cyberabad Police	1227.37
3	Director of Treasuries and Accounts	2077.19
4	Energy. Secretariat Department	3641.29
5	Finance	13575.57
6	Municipal Administration	638.20
7	Weaker Section Housing	1793.45

Finance, Home, Panchayat Raj and Rural Development, Municipal Administration and Urban Development, Energy and Housing Departments consistently defaulted in reconciliation of expenditure during the last five years.

## 2.5 Advances from Contingency Fund

The Contingency Fund (CF) of the State has been established under the Andhra Pradesh Contingency Fund Act, 1957, in terms of provisions of Article 267(2) and 283(2) of the Constitution of India. Advances from the CF are to be made only for meeting expenditure of an unforeseen and emergent character, postponement of which, till its authorisation by the Legislature would be undesirable. The Fund is in the nature of an imprest with a corpus of Rs 50 crore.

During 2008-09, Rs 11.62 crore was drawn from the CF of which Rs 7.18 crore remained un-recouped<sup>4</sup> at the end of the year. An instance of unnecessary drawal of advance from CF was noticed as under:

### Irregular drawal of advance from Contingency Fund

The AP High Court issued orders in February 2006 to the Revenue Divisional Officer, Tirupathi to deposit an amount of Rs 3.38 crore in the Civil Court towards decretal charges (OP No.20/2004) in respect of land acquisition in Renigunta Mandal, Chittoor District for establishing Railway Carriage Repair Shop. However, the amount was neither deposited with the Court immediately nor provision made in the Budget/Supplementary Estimates for the years 2006-07, 2007-08 and 2008-09. Finally Government sanctioned an advance from CF in February 2009 which was drawn and deposited with the Court in March 2009. At the time of drawal, the expenditure could not be considered as unforeseen or emergent in nature, since three years had lapsed since the issue of court orders. The drawal from Contingency Fund was therefore irregular.

<sup>2</sup> Article 9 of the Andhra Pradesh Financial Code

<sup>3</sup> Includes revenue, capital and loans and advances

<sup>4</sup> includes Rs 0.20 lakh pertaining to 2007-08

## 2.6 Errors in Budgeting process

The following lapses/errors were observed in the process of budgeting by the State Government:

- In six cases, unauthorised Minor heads/Sub-major heads and Sub-heads as given below have been operated in Budget Estimates 2008-09 which require examination and rectification by the Government.

1	MH 2401-Crop Husbandry – Mh 109 – Macro Management
2	MH 6405 - Loans for Fisheries -120-Fisheries Cooperatives -GSH 10 -Centrally Sponsored Schemes – SH(06)-Loans to Fishermen Cooperative Societies (NCDC)
3	Sub-major head 60-Other than Agricultural Land is operated under MH 0032-Taxes on Wealth though correction slip No.564 dated 11.05.2005 issued by the Controller General of Accounts prohibited operation of the above sub major head.
4	Minor head 101 is operated under MH 0059 -Public Works for 'Rents' instead of Minor head 011 which is the authorised Minor head for Rents.
5	Sub-major head 01 and all minor heads there under below MH 2501 -Special programme for Rural Development are operated despite correction slip issued by the Controller General of Accounts for non-operation of these heads.
6	Minor head 102 -Central Reserve Police under MH-2055-Police is operated under the nomenclature 'Training'

- Though Errata was issued by State Government with regard to nomenclature aspect at variance in Non-plan and Plan sections of various Grants in a particular year, the same have not been carried out in the Budget Estimates pertaining to the subsequent year.
- The sub-heads opened under MH 6003-109 - Other Institutional Loans, were not in correlation with those sub-heads opened for accommodating the loan receipt under E-Public Debt. Repayments of loans under E-Public Debt are to be classified under the same sub-heads under which the payments were classified. But, the payments and repayments were classified under different sub-heads resulting in adverse balances and the outstanding balances are getting merged.
- The supplementary provision of Rs 80 lakh for payment of loans to Hyderabad Chemicals and Fertilisers limited was inadvertently depicted under capital section of the Appropriation Act for supplementary grants instead of under loan section resulting in saving under capital section and excess under loans section<sup>5</sup>. Similarly, supplementary provision of Rs 1094 lakh for installation and commissioning of KU Band satellite, plasma TVs etc, in 1128 mandals was inadvertently depicted under revenue section in the Appropriation Act, while the expenditure was correctly booked under capital section resulting in saving under revenue section and excess under capital section<sup>6</sup>.

## 2.7 Outcome of Review of Selected Grants

A detailed review “**Integrated Audit of Finance Department**” was undertaken by audit and the major highlights of the review are as follows:

- Budget Estimates (B.Es) were unrealistic in all the years from 2006-07 to 2008-09. There was either huge over-estimation or under-estimation.
- Timely release of funds to user departments was not ensured adversely affecting the implementation of schemes/programmes. About 33 to 49 per cent of the anticipated savings were not surrendered by the spending departments during 2006-07 and 2007-08.

<sup>5</sup>Grant No XXVII Agriculture (MH 4835-00-190-SH(04)/MH 6855-00-190-SH(12)

<sup>6</sup>Grant No.XXXIX - Information Technology and Communications (MH 3475-00-800-SH(04)/MH 5475-00-800-SH(07)

- Supplementary Grants of Rs 2591 crore were unnecessary during the years 2006-07 and 2007-08 and expenditure of Rs 276 crore was incurred without any budget provision.
- Accountability obligations such as timely adjustment of Abstract Contingent (AC) bills, reconciliation of receipts and expenditure figures, submission of Utilisation Certificates (UCs) by local bodies and others and accounts by autonomous bodies etc., were largely violated by various departments indicating lack of effective controls with the Finance Department. Adequate controls did not also exist with the Finance Department to ensure obtaining of financial concurrence by all departments before issue of orders involving financial commitments.

Excess expenditure of Rs 13254 crore incurred during the years 1997-98 to 2007-08 remains to be regularised.

## 2.8 Conclusion

The financial management and budgetary control of the Government was not satisfactory. Government presented ambitious budget of Rs 107305.79 crore<sup>7</sup> for the year 2008-09, of which it could incur expenditure of Rs 81356.58 crore resulting in an overall saving of Rs 25949.21 crore (24 per cent of total provision).

Supplementary provision of Rs 1525.04 crore obtained in 23 grants/ appropriations proved unnecessary, while it proved insufficient by Rs 155.29 crore in four cases.

During the current year, Government incurred Rs 709.24 crore in excess of the provision under 11 grants and three appropriations which requires regularisation by the State Legislature.

Under nine grants/appropriations savings exceeded by Rs 500 crore and also by 30 per cent of provision in each case. During the last five years, there were persistent savings of more than Rs 20 crore in each case under five grants.

Injudicious re-appropriations in 275 sub-heads proved excessive or insufficient resulting in saving/excess of over Rs one crore in each case. Specific reasons were not furnished in respect of 1271 re-appropriations.

Savings amounting to Rs 18145.74 crore were surrendered on the last two working days of March 2009 denying the possibility of utilisation of these funds for other development purposes.

Government tend to incur expenditure at the end of the financial year. Forty per cent of total expenditure was not reconciled by the controlling officers. DC bills for Rs 783.83 crore (69 per cent) out of the amounts drawn on AC bills (Rs 1128.20 crore) were not received.

<sup>7</sup> Original budget Rs 100831.80 crore and Supplementary Rs 6473.99 crore

## Chapter 3

### Financial Reporting

A sound internal financial reporting with relevant and reliable information significantly contributes to efficient and effective governance by the State Government. Compliance with financial rules, procedures and directives as well as the timeliness and quality of reporting on the status of such compliances is thus one of the attributes of good governance. The reports on compliance and controls, if effective and operational, assist the State Government in meeting its basic stewardship responsibilities, including strategic planning and decision making. This Chapter provides an overview and status of the State Government's compliance of various financial rules, procedures and directives during the current year.

#### 3.1 Delay in furnishing Utilisation Certificates

Financial Rules<sup>1</sup> provide that for the grants provided for specific purposes, Utilisation Certificates (UCs) should be obtained by the departmental officers from the grantees and after verification should be forwarded to the Accountant General within 18 months from the date of their sanction unless specified otherwise. However, of the 2944 UCs due in respect of grants and loans aggregating Rs 560.72 crore paid up to 2006-07, 2943 UCs for an aggregate amount of Rs 560.35 crore (99.93 per cent) were in arrears. The department-wise break-up of outstanding UCs is given in **Appendix 3.1**. The age-wise delay in submission of UCs is summarised in **Table 3.1**.

**Table 3.1: Age-wise arrears of Utilisation Certificates**

(Rupees in lakh)

Sl. No.	Range of delay in number of years	Total grants paid		Utilisation Certificates outstanding	
		Number	Amount	Number	Amount
1	0 - 1	--	--	--	--
2	1 - 3	1	36.74	--	--
3	3 - 5	--	--	--	--
4	5 - 7	1	0.12	1	0.12
5	7 - 9	36	2134.77	36	2134.77
6	9 & above	2906	53900.09	2906	53900.09
	<b>Total</b>	<b>2944</b>	<b>56071.72</b>	<b>2943</b>	<b>56034.98</b>

#### 3.2 Non-submission/delay in submission of accounts

In order to identify the institutions which attract audit under Sections 14 and 15 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, the Government/Heads of the Department are required to furnish to Audit every year detailed information about the financial assistance given to various institutions, the purpose of assistance granted and the total expenditure of the institutions. The accounts of 120 bodies/authorities received during 2008-09 attracted audit by the Comptroller and Auditor General of India (CAG). The 53 bodies/authorities, audit of which was due, were audited during 2008-09.

<sup>1</sup> Note below Article 211-A(2) of Andhra Pradesh Financial Code

The 1276 annual accounts due up to 2008-09 were not submitted to the Principal Accountant General (Audit) by 321 autonomous bodies/ authorities as of 30 June 2009. The details of these accounts are given in **Appendix 3.2** and their age-wise pendency is presented in **Table 3.2**.

**Table 3.2: Age-wise pendency of Annual Accounts**

Sl. No.	Delay in number of years	No. of Bodies/ Authorities	No. of accounts due
1	0 - 1	321	321
2	1 - 3	125	375
3	3 - 5	35	175
4	5 - 7	16	112
5	7 - 9	12	108
6	9 & above	31	185
<b>Total</b>			<b>1276</b>

Submission of 405 annual accounts by 85 bodies/authorities was delayed by more than five years.

### **3.3 Delay in submission of Accounts/Audit Reports of Autonomous Bodies**

Several autonomous bodies have been set up by the State Government in the field of Education, Social Welfare, Tribal Welfare, Panchayat Raj and Rural Development etc. A large number of these bodies are audited by the CAG with regard to the verification of their transactions, operational activities and accounts, conducting regulatory compliance audit of all transactions scrutinised in audit, review of internal management and financial control, review of systems and procedures etc. The audit of accounts of eight bodies in the State has been entrusted to the CAG of India. The status of entrustment of audit, rendering of accounts to audit, issuance of Separate Audit Report and its placement in the Legislature are indicated in **Appendix 3.3**. The frequency distribution of autonomous bodies according to the delay in submission of accounts to Audit and placement of Separate Audit Report in the Legislature after the entrustment of Audit to CAG is summarised in **Table 3.3**.

**Table 3.3: Delay in submission of accounts and placement of Separate Audit Reports**

Delay in submission of Accounts (in months)	No. of Autonomous Bodies	Reasons for the delay	Delay in submission of SAR in Legislature (in years)	No. of Autonomous Bodies	Reasons for the delay
0 - 1	--	--	0 - 1	1	Reasons for the delay were not stated by the Autonomous Bodies.
1 - 6	6	Non- finalisation of accounts by Autonomous Bodies.	1 - 2	--	
6 - 12	--	--	2 - 3	2	
12 - 18	4	Non- finalisation of accounts by Autonomous Bodies.	3 - 4	2	
18 - 24	--	--	4 - 5	--	
24 & above	2	Non- finalisation of accounts by Autonomous Bodies.	5 & above	--	
<b>Total</b>	<b>12</b>			<b>5</b>	

The Andhra Pradesh Vaidya Vidhana Parishad had not submitted the accounts for the years 2005-06 to 2008-09, Visakhapatnam Urban Development Authority for 2006-07 to 2008-09 and Tirupathi Urban Development Authority and Kakatiya Urban Development Authority for the years 2007-08 and 2008-09. Also there was a delay ranging from one to four years in placement of Separate Audit Reports in the Legislature.

### 3.4 Departmental Commercial Undertakings

The departmental undertakings of certain Government departments performing activities of quasi-commercial nature are required to prepare pro-forma accounts in the prescribed format annually showing the working results of financial operations so that the Government can assess their working. The finalised accounts of departmentally managed commercial and quasi-commercial undertakings reflect their overall financial health and efficiency in conducting their business. In the absence of timely finalisation of accounts, the investment of the Government remains outside the scrutiny of Audit/State Legislature. Consequently, corrective measures, if any required, for ensuring accountability and improving efficiency cannot be taken in time. Besides, the delay in all likelihood is fraught with the risk of fraud and leakage of public money.

The Heads of Department in the Government are to ensure that the undertakings prepare such accounts and submit the same to Accountant General for audit within a specified time frame. As on 31 July 2009, all nine undertakings have not prepared accounts up to 2007-08. The CAG has repeatedly expressed concern about the arrears in preparation of accounts in the Audit Reports (Civil) but there is no improvement so far in preparation of pro-forma accounts by these undertakings. The department-wise position of arrears in preparation of pro-forma accounts and investment made by the Government are given in **Appendix 3.4**.

It could be seen from the appendix that the accounts of six departmental undertakings<sup>2</sup> were in arrears for more than 10 years.

<sup>2</sup> (i) Andhra Pradesh Government Text Book Press, Hyderabad, (ii) Government Central Press, Hyderabad, (iii) Government Regional Press, Kurnool, (iv) Government Regional Press, Vijayawada, (v) Government Distillery, Narayanaguda, Hyderabad and (vi) Fish Seed Farm, Tungabhadra Dam.

### 3.5 Misappropriations, losses, defalcations, etc.

Financial Rules<sup>3</sup> lay down the responsibilities of Government servants in dealing with Government money, the procedure to fix responsibility for any loss sustained by the Government, the procedure to be followed and the action to be initiated for recovery.

State Government reported 483 cases of misappropriation, defalcation, etc. involving Government money amounting to Rs 34.84 crore (up to August 2009) on which final action was pending. The department-wise break up of pending cases and year-wise analysis is given in **Appendix 3.5**. The highest amount misappropriated was Rs 24.30 crore in Social Welfare (including Tribal Welfare) Department in 26 cases while the highest number of misappropriation cases (263) involving Rs one crore were pending in Revenue Department.

### 3.6 Overpayment of pension/family pension

A test check of records relating to payment of pension and family pension in six District Treasuries and 73 Sub-Treasuries during 2008-09 revealed excess payment of Rs 62.44 lakh in 222 cases as given in **Table 3.4** below:

**Table 3.4: Overpayment of pension/family pension**

(Rupees in lakh)

Nature of irregularity	No. of cases	Amount involved
Irregular sanction of Dearness Relief	63	27.10
Excess payment of Enhanced Family Pension	23	11.26
Incorrect computation of pension consequent on revision of pension from time to time	9	5.73
Non-reduction of commuted portion of pension	3	0.62
Excess payment due to payment of Interim Relief	111	1.93
Excess payment due to payment of full share instead of half share	5	5.07
Irregular payment of Financial Assistance	4	5.97
Incorrect raising of political pension to a minimum pension under RPS 1980	2	2.91
Incorrect restoration of commuted portion of pension	1	0.26
Excess payment due to payment of Family Pension after attaining 25 years of age	1	1.59
<b>Total</b>	<b>222</b>	<b>62.44</b>

<sup>3</sup> Articles 5, 273, 294, 300 to 302 of The Andhra Pradesh Financial Code

### 3.7 Conclusion

Out of 2944 UCs due in respect of grants/loans amounting to Rs 560.72 crore paid up to 2006-07, 2943 UCs for an amount of Rs 560.35 crore were in arrears for one to nine years and above. The submission of 1276 annual accounts by 321 autonomous bodies/authorities to the Principal Accountant General (Audit) was delayed by one to nine years and above. Similarly, delay in submission of accounts of 12 autonomous bodies ranged from six to 24 months and above due to non-finalisation of accounts. Also, delay in submission of Separate Audit Reports in the State Legislature ranged from one to four years in respect of five autonomous bodies. Finalisation of pro-forma accounts was in arrears in respect of all the nine Departmental Commercial Undertakings. State Government reported 483 cases of misappropriation, defalcation, etc. involving Government money amounting to Rs 34.84 crore. Excess payment of pension/family pension amounting to Rs 62.44 lakh was also noticed.



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## Appendix 1.1

### Outcome indicators of State's Fiscal Correction Path

(Refer paragraph 1.1; page 1)

(Rupees in crore)

S. No.	Particulars	Base Year (2004-05 RE)	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
1	2	3	4	5	6	7	8	9
<b>A</b>	<b>STATE REVENUE ACCOUNT</b>							
1.	Own Tax Revenue	17311.09	16254.50	19783.35	23440.26	26737.53	30507.24	34817.72
	as % of GSDP		8.17	8.79	9.35	9.56	9.75	9.94
2.	Own Non-Tax Revenue	4279.70	3755.57	4559.90	4801.53	5158.41	5544.81	6038.38
3.	<b>Own Tax + Non-tax Revenue (1+2)</b>	<b>21590.79</b>	<b>20010.07</b>	<b>24343.25</b>	<b>28241.79</b>	<b>31895.94</b>	<b>36052.05</b>	<b>40856.10</b>
4.	Share in Central Taxes & Duties	6336.50	6058.51	6990.29	7690.29	8459.32	9305.25	10235.78
5.	Plan Grants	3443.41	2222.45	1609.06	2158.03	1834.37	1929.34	1898.81
6.	Non-Plan Grants	623.13	458.47	1222.56	1326.59	1140.52	1155.35	1170.83
7.	<b>Total Central Transfers (4 to 6)</b>	<b>10403.04</b>	<b>8739.43</b>	<b>9821.91</b>	<b>11174.91</b>	<b>11434.31</b>	<b>12389.94</b>	<b>13305.42</b>
8.	<b>Total Revenue Receipts (3 + 7)</b>	<b>31993.83</b>	<b>28749.50</b>	<b>34165.16</b>	<b>39416.70</b>	<b>43330.25</b>	<b>48441.99</b>	<b>54161.52</b>
	as % of GSDP		14.44	15.18	15.72	15.49	15.49	15.46
9.	Plan Expenditure	8875.46	6735.08	7136.86	8678.67	9612.51	11266.85	13521.15
	as % of GSDP		3.38	3.17	3.46	3.44	3.60	3.86
10.	Non-Plan Expenditure	24580.01	24572.26	28728.30	31891.13	34329.92	37085.14	40140.37
	as % of GSDP		12.34	12.77	12.72	12.27	11.86	11.46
11.	Salary Expenditure	8475.61	8097.64	9684.21	9877.89	10075.45	10276.96	10482.50
12.	Pension	2770.78	3016.77	3307.85	3834.03	4217.43	4639.17	5103.09
13.	Interest Payments	7228.22	7091.41	7128.78	7752.39	8643.78	9500.63	10355.97
14.	Subsidies – General	2035.19	2163.68	1591.67	1671.25	1754.82	1842.56	1934.68
15.	Subsidies – Power	1820.86 <sup>c</sup>	1811.45 <sup>c</sup>	1672.77	1599.48	1599.48	1599.48	1599.48
16.	<b>Total Revenue Expenditure (9 + 10)</b>	<b>33455.47</b>	<b>31307.34</b>	<b>35865.16</b>	<b>40569.80</b>	<b>43942.43</b>	<b>48351.99</b>	<b>53661.52</b>
	as % of GSDP		15.73	15.94	16.18	15.71	15.46	15.32
17.	Salary + Interest + Pensions (11 + 12 + 13)	18474.61	18205.82	20120.84	21464.31	22936.66	24416.76	25941.56
18.	as % of Revenue Receipts (17/8)	57.74	63.33	58.89	54.45	52.93	50.40	47.90
19.	<b>Revenue Surplus/Deficit (8-16)</b>	<b>-1461.64</b>	<b>-2557.84</b>	<b>-1700.00</b>	<b>-1153.10</b>	<b>-612.18</b>	<b>90.00</b>	<b>500.00</b>
	as % of GSDP		-1.28	-0.76	-0.46	-0.22	0.03	0.14
<b>B</b>	<b>CONSOLIDATED REVENUE ACCOUNT</b>							
1	Power Sector loss/profit net of actual subsidy transfer		57.00	116.00	121.00	125.00	130.00	135.00
2	Increase in debtors during the year in power utility accounts [increase (-)]							
3	Interest payment on off-budget borrowings and SPV borrowings made by PSU/SPUs outside budget							
4	Total (1 to 3)	0.00	57.00	116.00	121.00	125.00	130.00	135.00
5	<b>Consolidated Revenue Deficit (A 19 + B 4)</b>	<b>-1461.64</b>	<b>-2500.84</b>	<b>-1584.00</b>	<b>-1032.10</b>	<b>-487.18</b>	<b>220.00</b>	<b>635.00</b>
<b>C</b>	<b>CONSOLIDATED DEBT</b>							
1.	Outstanding Debt and Utility	66202.86	71427.05	79557.36	87738.21	95920.29	104085.68	112185.97
	as % of GSDP		35.88	35.35	35.00	34.29	33.28	32.03
2.	Total outstanding guarantee	17231.94	17508.30	19087.80	20042.19	21044.30	22096.51	23201.34
	as % of GSDP		8.79	8.48	8.00	7.52	7.07	6.62
	of which Guarantee on account of off- budget borrowing and SPV borrowing		2300.60	2356.61	2238.78	2126.84	2020.50	1919.47
<b>D</b>	<b>CAPITAL ACCOUNT</b>							
1.	Capital Outlay	5880.22	5414.23	6937.69	7620.26	7988.47	8620.34	9309.97
	as % of GSDP		2.72	3.08	3.04	2.86	2.76	2.66
2	Disbursement of Loans and Advances	845.68	1593.14	1123.27	1234.66	1321.32	1448.93	1159.59
3	Recovery of Loans and Advances	1480.66	1372.98	1757.40	1127.17	1139.89	1153.88	1169.27
4	Other Capital Receipts				700.00	700.00	700.00	700.00
5	<b>Gross Fiscal Deficit (GFD)<sup>c</sup></b>	<b>-6706.88</b>	<b>-8192.23</b>	<b>-8003.56</b>	<b>-8180.85</b>	<b>-8082.08</b>	<b>-8125.39</b>	<b>-8100.29</b>
	as % of GSDP		-4.12	-3.56	-3.26	-2.89	-2.60	-2.31
	<b>GSDP (Rs in crores) at Current prices</b>	<b>199075</b>	<b>199075</b>	<b>225054</b>	<b>250674</b>	<b>279732</b>	<b>312741</b>	<b>350295</b>
	Actual/Assumed Nominal Growth Rate (%)		10.10	13.05	11.38	11.59	11.80	12.01
	<sup>c</sup> GFD as per para 19 of the guidelines							
	<sup>c</sup> included in Plan expenditure							

## Appendix 1.2

### Time Series Data on State Government Finances

(Refer paragraphs 1.3 and 1.7.2; Pages 8 and 24)

(Rupees in crore)

	2004-05	2005-06	2006-07	2007-08	2008-09
<b>Part A. Receipts</b>					
<b>1. Revenue Receipts</b>	<b>28750(95)</b>	<b>34851(99)</b>	<b>44245(95)</b>	<b>54143(89)</b>	<b>62858(99)</b>
<b>(i) Tax Revenue</b>	<b>16254(57)</b>	<b>19207 (55)</b>	<b>23926(54)</b>	<b>28794(53)</b>	<b>33358(53)</b>
Taxes on Sales, Trade, etc.	11041(68)	12542(65)	15467(65)	19026(66)	21852(66)
State Excise	2093(13)	2684(14)	3437(14)	4041(14)	5752(17)
Taxes on Vehicles	1169(7)	1356(7)	1365(6)	1604(6)	1801(5)
Stamps and Registration fees	1388(9)	2013(11)	2865(12)	3086(11)	2931(9)
Land Revenue	33	69	114	144	130
Other Taxes	530(3)	543(3)	678(3)	893(3)	892(3)
<b>(ii) Non Tax Revenue</b>	<b>3756(13)</b>	<b>4691(14)</b>	<b>6488(15)</b>	<b>7064(13)</b>	<b>9683(15)</b>
<b>(iii) State's share in Union taxes and duties</b>	<b>6059(21)</b>	<b>6951(20)</b>	<b>8866(20)</b>	<b>11184(21)</b>	<b>11802(19)</b>
<b>(iv) Grants in aid from GOI</b>	<b>2681(9)</b>	<b>4002(11)</b>	<b>4965(11)</b>	<b>7101(13)</b>	<b>8015(13)</b>
<b>2. Misc. Capital Receipts</b>	<b>—</b>	<b>--</b>	<b>1889(4)</b>	<b>6558(11)</b>	<b>--</b>
<b>3. Recovery of loans and advances</b>	<b>1373(5)</b>	<b>182(1)</b>	<b>471(1)</b>	<b>191</b>	<b>370(1)</b>
<b>4. Total revenue and Non-debt capital receipts (1+2+3)</b>	<b>30123(75)</b>	<b>35033(90)</b>	<b>46605(91)</b>	<b>60892(85)</b>	<b>63228(80)</b>
<b>5. Public Debt Receipts</b>	<b>9833(25)</b>	<b>3971(10)</b>	<b>4550(9)</b>	<b>11132(15)</b>	<b>15353(20)</b>
Internal Debt (excluding Ways and Means Advances and Overdraft)	7992(81)	3449(87)	4236 (93)	10223(92)	14956(97)
Net transactions under Ways and Means Advances and Overdraft	--	--	--	--	--
Loans and Advances from Government of India	1841(19)	522(13)	314(7)	909(8)	397(3)
<b>6. Total receipts in the Consolidated Fund (4+5)</b>	<b>39956(50)</b>	<b>39004(49)</b>	<b>51155(50)</b>	<b>72024(54)</b>	<b>78581(52)</b>
<b>7. Contingency Fund receipts</b>	<b>23</b>	<b>--</b>	<b>1</b>	<b>--</b>	<b>1</b>
<b>8. Public Account receipts</b>	<b>39439(50)</b>	<b>41366(51)</b>	<b>51060(50)</b>	<b>61380(46)</b>	<b>72503(48)</b>
<b>9. Total receipts of Government (6+7+8)</b>	<b>79418</b>	<b>80370</b>	<b>102216</b>	<b>133404</b>	<b>151085</b>
<b>Part B. Expenditure/Disbursement</b>					
<b>10. Revenue Expenditure</b>	<b>32137(84)*</b>	<b>35237(81)</b>	<b>41438(79)</b>	<b>53984(77)</b>	<b>61854(82)</b>
Plan	7229(22)	6805(19)	9519(23)	13901(26)	18993(31)
Non-plan	24908(78)	28432(81)	31920(77)	40083(72)	42861(69)
General Services (including interest payments)	13202(41)	13492(38)	15314(37)	18170(34)	18730(30)
Social Services	10808(34)	12159(35)	15369(37)	18660(35)	25004(40)
Economic Services	7901(24)	9361(26)	10510(25)	16904(31)	17807(29)
Grants-in-aid and contributions	226(1)	225(1)	245(1)	249	313(1)
<b>11. Capital Expenditure</b>	<b>4585(12)*</b>	<b>7340(17)*</b>	<b>9904(19)</b>	<b>12774(18)</b>	<b>10367(14)</b>
Plan	4597(100)	7378(100)	9909(100)	12866(100)	10611(102)
Non-plan	(- )12	(- )38	(- )5	(- )9	(- )244(-2)
General Services	19	26	344(3)	36	59(1)
Social Services	449(10)	155(2)	164(2)	284(2)	324(3)
Economic Services	4117(90)	7159 (98)	9396(95)	12454(97)	9984(96)
<b>12. Disbursement of Loans and Advances</b>	<b>1593(4)</b>	<b>756(2)</b>	<b>907(2)</b>	<b>2920(4)</b>	<b>3414(4)</b>
<b>13. Total (10+11+12)</b>	<b>38315</b>	<b>43333</b>	<b>52249</b>	<b>69678</b>	<b>75635</b>

\* The figures of Revenue and Capital expenditure have been adopted after adjustment of the misclassification mentioned under the relevant statements in Finance Accounts.

	2004-05	2005-06	2006-07	2007-08	2008-09
<b>14. Repayment of Public debt</b>	<b>7432</b>	<b>5295</b>	<b>4253</b>	<b>4993</b>	<b>4833</b>
Internal Debt (excluding Ways and Means Advances and Overdraft)	3014(41)	4688(89)	3063(72)	4041(81)	4045(84)
Net transactions under Ways and Means Advances and Overdraft	--	--	--	--	--
Loans and Advances from Government of India	4418(59)	607(11)	1190(28)	952(19)	788(16)
<b>15. Appropriation to Contingency Fund</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>16. Total disbursement out of Consolidated Fund (13+14+15)</b>	<b>45747</b>	<b>48628</b>	<b>56502</b>	<b>74671</b>	<b>80468</b>
<b>17. Contingency Fund disbursements</b>	<b>\$ 1</b>	<b>1</b>	<b>Z</b>	<b>1</b>	<b>7</b>
<b>18. Public Account disbursements</b>	<b>32370</b>	<b>31421</b>	<b>44216</b>	<b>55126</b>	<b>74149</b>
<b>19. Total disbursements by the State (16+17+18)</b>	<b>78117</b>	<b>80050</b>	<b>100718</b>	<b>129798</b>	<b>154624</b>
<b>Part C. Deficits</b>					
<b>20. Revenue Deficit (-)/Surplus (+) (1-10)</b>	<b>(-)3387</b>	<b>(-)386</b>	<b>(+)2807</b>	<b>(+)159</b>	<b>(+)1004</b>
<b>21. Fiscal Deficit (-)/Surplus (+) (4-13)</b>	<b>(-)8192</b>	<b>(-)8300</b>	<b>(-)5644</b>	<b>(-)8786</b>	<b>(-)12407</b>
<b>22. Primary Deficit (-)/Surplus (+) (21-23)</b>	<b>(-)1101</b>	<b>(-)1292</b>	<b>(+)1636</b>	<b>(-)1197</b>	<b>(-)4350</b>
<b>Part D. Other data</b>					
<b>23. Interest Payments (included in revenue expenditure)</b>	<b>7091</b>	<b>7008</b>	<b>7280</b>	<b>7589</b>	<b>8057</b>
<b>24. Arrears of Revenue (percentage of Tax &amp; Non Tax Revenue receipts)</b>	<b>5028(25)</b>	<b>5277(22)</b>	<b>5842(19)</b>	<b>2413(7)</b>	<b>6508(15)</b>
<b>25. Financial Assistance to local bodies etc.</b>	<b>11213</b>	<b>9702</b>	<b>10767</b>	<b>18642</b>	<b>24807</b>
<b>26. Ways and Means Advances/Overdraft availed (days)</b>	<b>---</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>27. Interest on Ways and Means Advances/Overdraft</b>	<b>---</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>28. Gross State Domestic Product (GSDP)*</b>	<b>211802</b>	<b>239683</b>	<b>277286(R)</b>	<b>328405(Q)</b>	<b>371229(UA)</b>
<b>29. Outstanding fiscal liabilities (year end) @</b>	<b>74288</b>	<b>79549</b>	<b>86622</b>	<b>97368</b>	<b>106917</b>
<b>30. Outstanding guarantees (year end)</b>	<b>17893</b>	<b>17711</b>	<b>18018</b>	<b>14502</b>	<b>15239</b>
<b>31. Maximum amount guaranteed (year end)</b>	<b>28165</b>	<b>30200</b>	<b>29160</b>	<b>18798</b>	<b>29990</b>
<b>32. Number of incomplete projects</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>53^</b>	<b>30</b>
<b>33. Capital blocked in incomplete projects</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>30939^</b>	<b>19892</b>
<b>Part E: Fiscal Health Indicators</b>					
<b>I Resource Mobilization</b>					
Own Tax Revenue/GSDP	0.077	0.080	0.086	0.088	0.090
Own Non-Tax Revenue/GSDP	0.017	0.020	0.023	0.022	0.026
Central Transfers/GSDP	0.041	0.046	0.050	0.056	0.053
<b>II Expenditure Management</b>					
Total Expenditure/GSDP	0.181	0.181	0.188	0.212	0.204
Total Expenditure/Revenue Receipts	1.333	1.243	1.181	1.287	1.203
Revenue Expenditure/Total Expenditure	0.839	0.813	0.793	0.774	0.818
Expenditure on Social Services/Total Expenditure	0.282	0.281	0.294	0.268	0.331
Expenditure on Economic Services/Total Expenditure	0.206	0.216	0.201	0.243	0.235
Capital Expenditure/Total Expenditure	0.120	0.169	0.189	0.183	0.137
Capital Expenditure on Social and Economic Services/Total Expenditure	0.119	0.169	0.183	0.183	0.136
<b>III Management of Fiscal Imbalances</b>					
Revenue deficit (surplus)/GSDP	0.016	0.002	(+)0.010	--	(+)0.003
Fiscal deficit/GSDP	0.039	0.035	0.020	0.027	0.033
Primary deficit (surplus)/GSDP	0.005	0.005	(+)0.006	0.004	0.012
Revenue deficit/Fiscal deficit	0.413	0.046	--	--	--
Primary Revenue Balance/GSDP	0.032	0.028	0.045	0.044	0.025

<b>IV Management of Fiscal Liabilities</b>					
Fiscal Liabilities/GSDP	0.351	0.332	0.312	0.296	0.288
Fiscal Liabilities/RR	2.584	2.283	1.958	1.798	1.701
Primary deficit vis-à-vis quantum spread	1901	4301	7149	10024	9363
Debt Redemption (Principal+Interest)/Total Debt Receipts	1.477	0.353	2.535	1.130	0.840
<b>V Other Fiscal Health Indicators</b>					
Return on Investment	0.80	0.80	0.82	0.20	0.31
Balance from Current Revenue (Rs in crore)	1694	3600	8330	8503	14625
Financial Assets/Liabilities	0.68	0.65	0.73	0.83	0.86

Note: Figures in brackets represent percentages (rounded) to total of each sub heading

R: Revised; Q: Quick and UA: Updated Advanced Estimates

\$ Rupees 9.85 lakh Z Rupees 32.60 lakh

\* The GSDP data for 2004-05 to 2008-09 have been adopted from the Economic Survey for 2008-09 published by the Planning Department

@ Nomenclature and its components were changed so as to show total liabilities of Government (i.e., Public Debt and other obligations) as per revised format of Chapter 1

^ The information is not exhaustive but is as furnished by the departmental authorities

NA: Not Available

### Appendix 1.3

#### Abstract of Receipts and Disbursements in 2008-09

(Refer paragraph 1.1; page 1)

(Rupees in crore)

Receipts				Disbursements				
2007-08		2008-09		2007-08		2008-09		
						Non-Plan	Plan	Total
Section-A: Revenue								
54143	I. Revenue receipts		62858	53984	I. Revenue expenditure-	42861	18993	61854
28794	-Tax revenue	33358		18170	General services	18578	152	18730
				18661	Social Services-	12701	12303	25004
7064	-Non-tax revenue	9683		6605	-Education, Sports, Art and Culture	5942	1226	7168
				2439	-Health and Family Welfare	1776	1119	2895
11184	-State's share of Union Taxes	11802		3790	-Water Supply, Sanitation, Housing and Urban Development	397	5228	5625
1168	-Non-Plan grants	2224		125	-Information and Broadcasting	134	97	231
3798	-Grants for State Plan Schemes	4039		2526	-Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	1213	1962	3175
2135	-Grants for Central and Centrally sponsored Plan Schemes	1752		159	-Labour and Labour Welfare	97	129	226
				2996	-Social Welfare and Nutrition	3117	2542	5659
				21	-Others	25	---	25
				16904	Economic Services-	11269	6538	17807
				2075	-Agriculture and Allied Activities	696	3052	3748
				3000	-Rural Development	1480	1608	3088
				4659	-Irrigation and Flood Control	3604	436	4040
				4599	-Energy	3651	18	3669
				523	-Industry and Minerals	112	282	394
				1527	-Transport	1581	268	1849
				9	- Science, Technology and Environment	2	8	10
				512	-General Economic Services	143	866	1009
				249	Grants-in-aid and Contributions	313	--	313
--	II. Revenue deficit carried over to Section B		---	159	II. Revenue Surplus carried over to Section B			1004

Section-B: Others								
4906	III. Opening Cash balance including Permanent Advances and Cash Balance Investment		8512	---	III. Opening Overdraft from RBI			---
				12774	IV. Capital Outlay-	(-)244	10611	10367
				36	General Services-	2	7	59
6558	IV. Miscellaneous Capital receipts		---	283.89	Social Services-	---	324	324
				126.24	-Education, Sports, Art and Culture	---	79	79
				43.16	-Health and Family Welfare	---	30	30
				27.26	-Water Supply, Sanitation, Housing and Urban Development	---	18	18
				85.44	-Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	---	184	184
				0.50	-Social Welfare and Nutrition	---	8	8
				1.29	-Others	---	5	5
				12454	Economic Services-	(-)246	10230	9984
				20.74	-Agriculture and Allied Activities	1	19	20
				--	Rural Development Programme	---	---	---
				11087.22	-Irrigation and Flood Control	---	8569	8569
				10.00	-Energy	---	*	*
				118.07	-Industry and Minerals	---	3	3
				866.48	-Transport	(-)247	1340	1093
				351.75	-General Economic Services	---	299	299
191	V. Recoveries of Loans and Advances-		370	2920	V. Loans and Advances disbursed-	316	3098	3414
24	-From Power Projects	66		(-)15.66	-For Power Projects	---	1	1
84	-From Government Servants	95		95.69	-To Government Servants	92	---	92
83	-From others	209		2840.69	-To Others	224	3097	3321

\*Rs 0.36 crore only

159	<b>VI. Revenue surplus brought down</b>		1004	--	<b>VI. Revenue deficit brought down</b>		--
11132	<b>VII. Public Debt receipts-</b>		15353	4993	<b>VII. Repayment of Public Debt-</b>		4833
10223	-Internal debt other than Ways and Means Advances and Overdraft	14956		4041	-Internal debt other than Ways and Means Advances and Overdraft	4045	
--	- Net transactions of Ways and Means Advances including Overdraft	--		---	-Net transaction of Ways and Means Advances including Overdraft	---	
909	-Loans and Advances from Central Government	397		952	-Repayment of Loans and Advances to Central Government	788	
---	<b>VIII. Appropriation to Contingency Fund</b>		--	--	<b>VIII. Appropriation to Contingency Fund</b>		--
0.36	<b>IX. Amount recouped to Contingency Fund</b>		1	1	<b>IX. Expenditure from Contingency Fund</b>		7
61380	<b>X. Public Account receipts-</b>		72503	55126	<b>X. Public Account disbursements-</b>		74149
2369	-Small Savings and Provident Funds	2351		1429.09	-Small Savings and Provident Funds	1781	
1200	-Reserve funds	1411		375.92	-Reserve Funds	515	
10680	-Suspense and Miscellaneous	12329		10549.62	-Suspense and Miscellaneous	12008	
17078	-Remittances	16958		16134.30	-Remittances	18579	
30053	-Deposits and Advances	39454		26637.16	-Deposits and Advances	41266	
--	<b>XI. Closing Overdraft from Reserve Bank of India</b>			8512	<b>XI. Closing Cash Balance -</b>		4973
				5	Cash in Treasuries and Local Remittances	5	
				(-)211	Deposits with Reserve Bank and other Banks	(-)291	
				2	Departmental cash balance including permanent advances	2	
				8716	Cash balance investment and investment of earmarked funds	5257	
138470	<b>Total</b>		160601	138470	<b>Total</b>		160601

## Appendix 1.4

### Summarised financial position of the Government of Andhra Pradesh as on 31 March 2009

(Refer paragraph 1.7.1; page 24)

(Rupees in crore)

As on 31.03.2008	Liabilities	As on 31.03.2009
36269.20	<b>Internal Debt –</b>	47180.21
29185.60	Market loans bearing interest	38336.31
0.76	Market Loans not bearing interest	0.93
---	Market Loans Suspense	---
1750.15	Loans from LIC	1401.35
129.60	Loans from GIC	120.37
3188.51	Loans from NABARD	3931.67
2014.58	Loans from other Institutions	3389.58
---	Ways and Means Advances	---
---	<b>Overdraft from Reserve Bank of India</b>	---
15125.69	<b>Loans and Advances from Central Government -</b>	14734.22
9.36	Pre 1984-85 Loans	9.36
106.22	Non-plan Loans	102.38
14896.75	Loans for State Plan Schemes	14517.43
23.69	Loans for Central Plan Schemes	21.59
89.67	Loans for Centrally Sponsored Plan Schemes	83.46
---	Other Ways and Means Advances	---
49.07	<b>Contingency Fund</b>	42.82
31084.07	<b>Small Savings, Provident Funds, etc</b>	31653.83
14116.28	<b>Deposits</b>	12305.06
3120.68	<b>Reserve Funds</b>	4016.41
202.47	<b>Suspense and Miscellaneous Balances</b>	523.33
1807.47	<b>Remittance Balances</b>	186.85
101774.93	<b>Total</b>	110642.73
As on 31.03.2008	Assets	As on 31.3.2009
62894.91	<b>Gross Capital Outlay on Fixed Assets <sup>5</sup> -</b>	73261.38
5931.42	Investments in shares of Companies, Corporations. Cooperatives. etc	5978.90
56963.49	Other Capital Outlay	67282.48
13377.93	<b>Loans and Advances</b>	16421.53
3707.49	Loans for Power Projects	3641.78
9453.46	Other Development Loans	12565.37
216.98	Loans to Government servants and Miscellaneous loans	214.38
11.73	<b>Advances</b>	12.66
---	<b>Remittance Balances</b>	---
---	<b>Suspense and Miscellaneous Balances</b>	---
8511.99	<b>Cash –</b>	4972.95
5.39	Cash in Treasuries and Local Remittances	4.97
(-)211.28	Deposits with Reserve Bank and other Banks	(-)290.92
2.29	Departmental Cash Balance	2.30
6368.16	Cash Balance Investments	2283.93
2347.43	Investment of Earmarked funds	2972.67
16978.37	<b>Deficit on government account</b>	15974.21
23695.46	Accumulated deficit up to 31 March 2008	16978.37
(-)158.99	Revenue Surplus of the Current Year	(-)1004.23
(-)6557.71	Revenue Receipt misclassified as Capital Receipt	---
(-)0.01	Amount closed to government account	0.07
(-)0.38	Proforma corrections to opening balances under capital expenditure	---
101774.93	<b>Total</b>	110642.73

<sup>5</sup> Figures of Finance Accounts modified to adjust misclassification of grants-in-aid to local bodies and amounts transferred to deposits during 2000-01 to 2005-06 as detailed below;

(Rupees in crore)

	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	Total
Grants –in-aid	553.71	761.59	560.65	529.75	493.86	321.73	3221.29
Amount transferred to Deposits	-	-	307.49	279.75	335.62	-	922.86
<b>Total</b>	<b>553.71</b>	<b>761.59</b>	<b>868.14</b>	<b>809.50</b>	<b>829.48</b>	<b>321.73</b>	<b>4144.15</b>

## Appendix 1.5

### Actuals vis-à-vis Budget Estimates 2008-09

(Refer paragraph 1.1; page 1)

(Rupees in crore)

	Budget Estimates	Actuals	Increase/ Decrease(-)	Increase/ Decrease(-) (in %)
(1)	(2)	(3)	(4) (3 – 2)	(5)
<b>Revenue Receipts</b>	<b>70927</b>	<b>62858</b>	<b>(-) 8069</b>	<b>(-) 11.38</b>
<b>Of which</b>				
Taxes on Sales, Trade etc	24887	21852	(-) 3035	(-) 12.20
State Excise	4991	5753	762	15.27
Taxes on immovable property other than agricultural lands	55	80	25	45.45
Taxes on vehicles	2290	1801	(-) 489	(-) 21.35
Stamps and Registration fees	4538	2931	(-) 1607	(-) 35.41
Taxes on Goods and Passengers	84	16	(-) 68	(-) 80.95
Land Revenue	130	130	---	---
Interest Receipts	4361	3487	(-) 874	(-) 20.04
Miscellaneous General Services	809	2944	2135	263.91
Non ferrous Mining and Metallurgical Industries	2188	1685	(-) 503	(-) 23.00
<b>Revenue Expenditure</b>	<b>70218</b>	<b>61854</b>	<b>(-) 8364</b>	<b>(-) 11.91</b>
General Education	10520	7168	(-) 3352	(-) 31.86
Water Supply and Sanitation	6454	5625	(-) 829	(-) 12.84
Pension and Other Retirement Benefits	5203	5519	316	6.07
Police	2219	2230	11	0.50
Welfare of Schedules Castes, Scheduled Tribes and Other Backward Classes	3376	3175	(-) 201	(-) 5.95
Health and Family Welfare	3126	2895	(-) 231	(-) 7.39
Social Security and Welfare	2346	2461	115	4.90
Roads and Bridges	1319	1663	344	26.08
Secretariat – Economic Services	1042	782	(-) 260	(-) 24.95
Forestry and Wild Life	361	300	(-) 61	(-) 16.90
Rural Employment	25	---	(-) 25	(-) 100
Urban Development	2896	2920	24	0.80
District Administration	584	507	(-) 77	(-) 13.18
Administration of Justice	349	324	(-) 25	(-) 7.16
Interest Payments	8985	8057	(-) 928	(-) 10.32
Other Rural Development Programmes	2305	2460	155	6.72
Power	2504	3664	1160	46.33
<b>Capital Receipts</b>	<b>12000</b>	<b>---</b>	<b>(-) 12000</b>	<b>(-) 100.00</b>
<b>Capital Expenditure</b>	<b>17852</b>	<b>10367</b>	<b>(-) 7485</b>	<b>(-) 41.93</b>
<b>Revenue Surplus (+)/Deficit (-)</b>	<b>709</b>	<b>1004</b>	<b>295</b>	<b>41.61</b>
<b>Fiscal Deficits (-)</b>	<b>(-) 9658</b>	<b>(-)12407</b>	<b>2749</b>	<b>28.46</b>
<b>Primary Surplus (+)/Deficits (-)</b>	<b>(-) 673</b>	<b>(-) 4350</b>	<b>3677</b>	<b>546.36</b>

#### Explanatory Notes to Appendices 1.3, 1.4 and 1.5

The abridged accounts in the foregoing statements have to be read with comments and explanations in the Finance Accounts.

Government accounts being mainly on cash basis, the deficit on government account, as shown in **Appendix 1.4** indicates the position on cash basis, as opposed to accrual basis in commercial accounting. Consequently, items payable or receivable or items like depreciation or variation in stock figures etc., do not figure in the accounts.

Suspense and Miscellaneous balances include cheques issued but not paid, inter-departmental and inter-Government payments and others awaiting settlement.

There was a net difference of Rs 69.26 crore (credit) between the figures reflected in the accounts (Rs 292.27 crore credit) and that intimated by the Reserve Bank of India (Rs 223.01 crore debit) under the head deposits with Reserve Bank. The difference was under reconciliation.

## Appendix 1.6

### Summarised financial statement of departmentally managed commercial/quasi-commercial undertakings

(Refer paragraph 1.6.3; page 22)

Sl. No	Name of the Undertaking	Period of accounts	Mean Govt. capital	Block assets at depreciated cost	Depreciation provided during the Year	Turnover	Net profit/loss	Interest on Capital	Total return (8+9)	%age Return on capital
1	2	3	4	5	6	7	8	9	10	11
1.	Fishnet Making Plant	2006-07*	301.73	4.71	0.22	16.75 (sale of nets)	(-)25.56	12.18	(-)13.28	(-)4.43
2.	Ice-cum-cold storage Plant	2004-05	11.68	0.95	0.25	14.33 (Cash sales)	7.85	—	7.85	67.21
3.	Fish seed Farm	Accounts are awaited since inception from 1963-64. Hence the information is not available								
4.	Directorate of Insurance (APGLI)	2001-02	—	55.10	5.38	13676.93 (includes premium received, interest on deposit with Government, Misc. Receipts, Rent)	—	—	—	—
5.	AP Government Text Book Press, Hyderabad	1977-78	105.69	102.04	5.21	195.03	(-)14.79	20.33	5.54	5.24
6.	Government Central Press, Hyderabad	Accounts are awaited from 1969-70. Revised accounts are awaited from 1967-68. Hence the information is not available								
7.	Government Regional Press, Kurnool	Accounts are awaited from 1971-72. Hence the information is not available								
8.	Government Regional Press, Vijayawada	Accounts are awaited from 1983-84. Hence the information is not available								
9.	Government Distillery, Narayanaguda, Hyderabad	Revised accounts are awaited for 1992-93 & 1993-94. The Unit stopped production with effect from 1-10-1993. Hence the information is not available								

\*Accumulated losses upto 2006-07 account was Rs 4.61 crore

## Appendix 1.7

## List of incomplete Irrigation Projects

(Refer paragraph 1.6.1; page 21)

(Rupees in crore)

Sl. No.	Name of the Project	Year of commencement	Original cost	Revised cost	Expenditure to the end of March 2009	Cost overrun
<b>I</b>	<b>Major Irrigation</b>					
1	Sriram Sagar Project Stage I	1964	40.10	3600.00	2844.40	3559.90
2	Srisailem Right Branch Canal	1993	1185.00	1802.58	1343.31	617.58
3	H.N.S.S. Phase I	1993	2509.76	---	2903.08	---
4	Indira Sagar (Polavaram) Project	2004	8709.00	10230.15	1680.39	1521.15
5	Jawahar (Nettampudi) LIS	2005	1428.00	---	868.30	---
6	Kandula Obula Reddy Project (Gundlakamma)	2003	165.22	530.66	490.35	365.44
7	Rajiv (Bhima) LIS	2005	1426.30	2158.40	1153.96	732.10
8	Somasila Project	1973	17.20	1196.00	801.41	1178.80
9	Sripada Sagar (Yellampally) Project	2004	2244.77	---	286.79	---
10	Sri Ram Sagar Project (Stage II)	2002	1043.14	1098.00	660.19	54.86
11	Telugu Ganga Project	1983	636.53	4432.00	3190.95	3795.47
12	Choutpally Hanumantha Reddy LIS	2005	55.50	---	12.01	---
13	Venkatanagaram Pumping Scheme	2005	58.43	124.18	68.49	65.75
14	Thadipudi LIS	2004	303.12	467.70	325.71	164.58
	<b>Total</b>		<b>19822.07</b>	<b>25639.67</b>	<b>16629.34</b>	<b>12055.63</b>
<b>II</b>	<b>Medium Irrigation</b>					
1	Bhupathi Palem Reservoir	2004	100.52	144.88	67.43	44.36
2	Gollavagu Project	2005	83.61	83.61	73.55	---
3	Kinnerasani Project	2005	36.82	36.82	13.60	---
4	Koil Sagar LIS	2005	360.18	---	197.82	---
5	Kovvada Kalva Project	2001	52.11	68.10	60.77	15.99
6	Modikuntavagu (Tribal Area Sub plan)	2005	124.60	124.60	8.72	0.00
7	Musurumilli Project	2005	218.65	---	125.79	---
8	Neelwai Project	2005	90.50	90.50	60.58	---
9	Palemvagu Project	2005	70.99	70.99	69.28	---
10	Peddavagu (Ada) Komarambheem	2005	274.14	274.14	241.59	---
11	Ralivagu Project	2005	33.30	33.30	46.82	---
12	Yerrakalva Reservoir	1977	46.51	124.95	110.60	78.44
13	Chitravathi Balancing Reservoir (PBC)	2005	2292.00	---	1618.85	---
14	Pushkaram LIS	2004	297.25	608.40	462.75	311.15
15	Peddavagu – Jagannadpur	2005	124.64	124.64	52.10	---
16	Mathadivagu Project	2005	50.40	50.40	52.45	---
	<b>Total</b>		<b>4256.22</b>	<b>1835.33</b>	<b>3262.70</b>	<b>449.94</b>
	<b>Grand Total</b>		<b>24078.29</b>	<b>27475.00</b>	<b>19892.04</b>	<b>12505.57</b>

## Appendix 2.1

### Statement of various grants/appropriations where saving was more than Rs 500 crore each and more than 30 per cent of the total provision (Refer paragraph 2.3.1; page 36)

(Rupees in crore)

Sl. No.	Grant No	Name of the Grant/Appropriation	Total Grant/Appropriation	Saving	Percentage
1	IX	Fiscal Administration. Planning, Surveys and Statistics (CV)	992.70	705.03	71
2	IX	Fiscal Administration, Planning, Surveys and Statistics (LC)	7496.20	2663.08	36
3	XII	School Education (RV)	8670.34	2902.55	33
4	XVIII	Housing (RV)	2153.53	801.71	37
5	XXVII	Agriculture (RV)	3955.38	1200.54	30
6	XXXII	Rural Development (RV)	3977.94	1434.89	36
7	XXXIII	Major and Medium Irrigation (RV)	6656.29	2720.89	41
8	XXXIII	Major and Medium Irrigation (CV)	12629.21	4666.26	37
9	XXXIV	Minor Irrigation (CV)	1259.28	669.98	53
		<b>Total</b>	<b>47790.87</b>	<b>17764.93</b>	

RV: Revenue-Voted, CV: Capital-Voted, LC: Loans-Charged

## Appendix 2.2

### Excess over provision of previous years requiring regularisation (Refer paragraph 2.3.6; page 40)

(Rupees in crore)

Year	Number of grants/ appropriations	Grant/appropriation numbers	Amount of excess	Stage of consideration by Public Accounts Committee (PAC)
1997-1998	27 Grants	<b>Revenue</b> : V. XI. XV. XVIII. XX. XXVIII. XXIX. XXXIV, XXXIX. XLII, XLIV & XLVII <b>Capital:</b> XV, XVIII, XXVI, XXXII. XXXV & XLIII <b>Loans</b> : XX, XXII, XXV, XXVIII. XXXI, XXXV, XXXVIII, XXXIX & XLI	405.12	Recommendation report of the PAC for regularisation of excess expenditure during the years 1997-98 to 2003-04 was tabled in AP Legislative Assembly. The Regularisation Act is yet to be received from the Government.
	5 Appropriations	<b>Revenue</b> : I. XI. XIII & XXI <b>Capital</b> : XXVI		
1998-1999	31 Grants	<b>Revenue</b> : II. III. IV, V, XII, XV, XVIII, XX, XXIV. XXV. XXVIII, XXX, XXXIV. XL, XLI, XLII, XLIII. XLIV, XLVI. XLIX, LI & LII <b>Capital</b> : XIII. XXI, XXIII. XXVII, XXXII. XXXVIII, XL. XLI & LIII	310.63	
	4 Appropriations	Revenue : I. III. XV & XLIV		
1999-2000	18 Grants	<b>Revenue</b> : V, XVII, XIX, XXII, XXX, XLII, XLIII & LII <b>Capital</b> : V. XIX. XXIII. XXXII. XXXIII. XXXIV. XXXVII & XXXVIII <b>Loans</b> : XXXII & XXXIII	846.31	
	9 Appropriations	<b>Revenue</b> : III, IV, XV, XX, XXXVI. XXXVII & XLI <b>Capital:</b> XV. <b>Public Debt:</b> IX		
2000-2001	18 Grants	<b>Revenue</b> : I. XIII. XV. XVII. XIX. XXXIV. XXXVIII. XLII & XLIV <b>Capital</b> : V. XXIII, XXVIII, XXXII & XLIV <b>Loans</b> : XII. XXI, XXXII & XXXIX	414.29	
	3 Appropriations	<b>Revenue</b> : XIX, XX & XXXIII		
2001-2002	18 Grants	<b>Revenue:</b> II, VII. XIV. XVI. XXXI. XXXIII. XXXIV. XXXVI. XLI. XLIV. XLV & LI <b>Capital</b> : XV, XXIII. XXXVIII & XLVIII <b>Loans</b> : XLI & XLIX	427.69	
	4 Appropriations	<b>Revenue</b> : XLII & LIII <b>Capital:</b> XLVII & LIII		

2002-2003	10 Grants	<b>Revenue</b> : II. V, XIX. XXIII, XXVII. XXXIII & XLV <b>Capital</b> : XXXVI, XXXVIII & XLVIII	546.25	Recommendation report of the PAC for regularisation of excess expenditure during the years 1997-98 to 2003-04 was tabled in AP Legislative Assembly. The Regularisation Act is yet to be received from the Government.
	5 Appropriations	<b>Revenue</b> : XLII & XLVI <b>Capital</b> : XIV & XLVII <b>Loans</b> : X		
2003-2004	32 Grants	<b>Revenue</b> : II. III. IV. V. VI. X. XIV. XV. XVII. XVIII, XIX. XXI, XXIII, XXIV, XXVI. XXXVI & XL <b>Capital</b> : XVII. XXVIII. XXIX, XXX. XXXIII & XXXIV <b>Loans</b> : X, XI, XV, XVII, XVIII, XXVII, XXXIV, XXXV & XXXVI	9303.24	
	4 Appropriations	<b>Revenue</b> : II & III <b>Capital</b> : XXXIV <b>Loans</b> : IX		
2004-2005	5 Grants	<b>Revenue</b> : VIII, XIX & XL <b>Capital</b> : XVI <b>Loans</b> : XXXVI	14.83	
	1 Appropriation	<b>Revenue</b> : XXXVI		
2005-2006	10 Grants	<b>Revenue</b> : X. XI, XIX & XXXI <b>Capital</b> : VIII, XIII. XVII. XXXII & XXXIII <b>Loans</b> : XVII	585.82	
	3 Appropriations	<b>Revenue</b> : II. XVI & XXVIII		
2006-2007	7 Grants	<b>Revenue</b> : IX. X, XI & XIV <b>Capital</b> : XVII & XXIX <b>Loans</b> : XXVII	198.72	Explanatory notes are awaited from the Administrative Departments/Finance Department for vetting by the PAG.
	1 Appropriation	<b>Revenue</b> : III		
2007-2008	7 Grants	<b>Revenue</b> : X, XI & XXXII <b>Capital</b> : XVII, XXXIII & XXXV <b>Loans</b> : XXXVI	201.30	
	3 Appropriations	<b>Revenue</b> : II. IV and XIV		
		<b>Total</b>	<b>13254.20</b>	

### Appendix 2.3 (A)

**Cases where Supplementary provision proved unnecessary by  
Rs one crore or more in each case**  
(Refer paragraph 2.3.8; page 41)

(Rupees in thousand)

Sl. No.	Number and Name of the Grant	Original Provision	Actual Expenditure	Saving out of Original provision	Supplementary provision
<b>A Revenue-Voted</b>					
1	I State Legislature	55,04.45	53,05.39	1,99.06	4.33,24
2	III Administration of Justice	314,04.59	283,14.66	30,89.93	7.13,13
3	VI Excise Administration	218,26.65	201,28.27	16,98.38	5,00,50
4	IX Fiscal Administration, Planning, Surveys and Statistics	6766,81.65	6513,27.47	253,54.18	416,99.44
5	XII School Education	8618,24.47	5767,78.74	2850,45.73	52,09.66
6	XIV Technical Education	228,54.40	173,16.80	55,37.60	28,80.00
7	XVI Medical and Health	3097,09.99	2834,29.10	262,80.89	62,49.42
8	XVII Municipal Administration and Urban Development	3628,98.18	3506,89.30	122,08.88	163,70.01
9	XX Labour and Employment	347,60.03	320,71.17	26,88.86	116,05.14
10	XXI Social Welfare	1723,12.27	1355,21.88	367,90.39	30,24.47
11	XXII Tribal Welfare	679,25.88	620,55.34	58,70.54	17,55.39
12	XXV Women Child and Disabled Welfare	1308,96.94	1138,52.01	170,44.93	37,40.00
13	XXIX Forest, Science, Technology and Environment	371,50.56	304,84.15	66,66.41	1.11,94
14	XXXII Rural Development	3767,93.75	2563,04.73	1204,89.02	230,00.00
15	XXXVI Industries and Commerce	599,64.82	347,98.85	251,65.97	36,07.66
16	XXXIX Information Technology and Communications	399,51.24	320,73.74	78,77.50	10,94.00
<b>Total Revenue – Voted</b>		<b>32124,59,87</b>	<b>26304,51,60</b>	<b>5820,08,27</b>	<b>1219,94,00</b>
<b>B Capital-Voted</b>					
17	XI Roads, Buildings and Ports	1488,00.08	1442,54.69	45,45.39	210,02.46
18	XIII Higher Education	33,32.50	16,08.04	17,24.46	1.00,00
19	XX Labour and Employment	23,00.00	4,65.04	18,34.96	9,28,86
20	XXVII Agriculture	10,02.50	1.26	10,01,24	40,80,00
21	XXX Co-operation	20,67.62	4,86.55	15,81,07	1,36,00
22	XXXVI Industries and Commerce	44,73.00	2,03.00	42,70.00	39,36,95
<b>Total Capital – Voted</b>		<b>1619,75,70</b>	<b>1470,18,58</b>	<b>149,57,12</b>	<b>301,84,27</b>
<b>C Capital-Charged</b>					
23	XI Roads, Buildings and Ports	4,50.00	3,13.41	1,36.59	3,25,84
<b>Total Capital – Charged</b>		<b>4,50,00</b>	<b>3,13,41</b>	<b>1,36,59</b>	<b>3,25,84</b>
<b>Total Capital</b>		<b>1624,25,70</b>	<b>1473,31,99</b>	<b>150,93,71</b>	<b>305,10,11</b>
<b>Grand Total</b>		<b>33748,85,57</b>	<b>27777,83,59</b>	<b>5971,01,98</b>	<b>1525,04,11</b>

### Appendix 2.3 (B)

**Statement of various grants where supplementary provision  
Proved insufficient by more than Rs one crore each**  
(Refer paragraph 2.3.8; page 41)

(Rupees in crore)

Sl. No.	Grant Number	Name of the Grant	Original Provision	Supplementary provision	Total	Expenditure	Excess
<b>Voted Grants</b>							
1	V	Revenue, Registration and Relief (RV)	1256.05	73.00	1329.05	1530.96	201.91
2	XI	Roads, Buildings and Ports (RV)	1376.90	0.12	1377.02	1630.11	253.09
3	XXIV	Minority Welfare (RV)	181.03	5.52	186.55	195.72	9.17
4	XXXI	Panchayat Raj (RV)	3580.45	76.65	3657.10	3768.00	110.90
		<b>Total</b>	<b>6394.43</b>	<b>155.29</b>	<b>6549.72</b>	<b>7124.79</b>	<b>575.07</b>

RV: Revenue-Voted

## Appendix 2.4

### Excess/unnecessary/insufficient re-appropriation of funds (more than Rs 10 crore in each case) (Refer paragraph 2.3.9; page 42)

(Rupees in lakh)

Sl. No.	Grant No.	Description	Head of Account	Re-appropriation	Final Excess(+)/ Saving (-)
1.	VII	Commercial Taxes Administration	2040-00-001-03	(-) 171.86	(-) 1733.14
2.			3604-00-103-04	(-) 3532.50	(+) 1497.22
3.	IX	Fiscal Administration, Planning, Surveys & Statistics	5475-00-800-05	(+) 3473.16	(-) 3473.16
4.			5475-00-800-06	(-) 57507.11	(+) 3252.29
5.			2055-00-101-05	(+) 68.93	(+) 1220.30
6.			2235-60-200-03	(+) 22.49	(+) 1034.07
7.	XI	Roads, Buildings and Ports	5054-04-800-25	(-) 7636.67	(+) 6562.03
8.			5054-80-001-04	(+) 2152.29	(-) 1419.05
9.	XII	School Education	2202-02-191-05	(-) 11497.95	(-) 4487.60
10.	XVI	Medical and Health	2210-01-110-01-14	(+) 82.29	(-) 1307.59
11.			2210-01-110-01-41	(-)41.50	(-) 2274.50
12.	XVII	Municipal Administration and Urban Development	2215-02-107-08	(+)5000.00	(-) 1000.00
13.			2217-80-191-71	(+)7493.65	(-) 1079.48
14.			2217-80-191-74	(-)4324.40	(-) 4584.01
15.	XXI	Social Welfare	2225-01-277-06	(-)13767.31	(-) 2916.21
16.			2225-01-277-07	(-)2996.42	(-) 4869.62
17.			2225-02-277-08	(+)2644.00	(+)1834.32
18.	XXIII	Backward Classes Welfare	2225-03-277-05	(+)4945.16	(-)6522.69
19.			2225-03-277-07	(-)2176.29	(-)2670.59
20.			2225-03-277-08	(-)6754.76	(-)8164.57
21.	XXV	Women Child & Disabled Welfare	2235-02-101-03	(-)973.73	(-)1219.94
22.			2235-02-102-09	(+)6954.29	(-)3195.57
23.	XXVII	Agriculture	2401-00-800-18	(-)4746.97	(-)3258.05
24.			2401-00-800-19	(-)10633.00	(+)3254.00
25.	XXIX	Forest, Science, Technology and Environment	2406-01-001-03	(-)125.53	(-)1177.81
26.	XXXI	Panchayat Raj	2215-01-102-03	(-)78.87	(-)1325.84
27.			2215-01-789-27	(-)1037.26	(-)1296.00
28.			2515-00-197-04	(-)567.95	(-)3822.97
29.			2515-00-198-08	(-)1304.05	(-)12524.33
30.	XXXII	Rural Development	2235-02-101-07	(+)776.00	(-)1510.40
31.			2235-03-101-04	(-)3062.33	(+)1549.66
32.			2235-60-200-06	(+)1632.25	(-)7021.31
33.			2235-60-789-06	(+)457.27	(+)3153.21
34.			2235-60-796-06	(+)228.63	(+)1674.30
35.	XXXIII	Major & Medium Irrigation	2701-01-101	(-)54180.91	(+)2665.95
36.			2701-01-113	(-)12.73	(-)1174.99
37.			2701-01-123	(-)23220.00	(-)6692.85
38.			2701-01-800	(-)124.25	(-)4402.40

39	2701-80-800-13	(-)21616.00	(+)3649.98
40	2701-80-800-14	(-)7486.60	(+) 1939.04
41	4701-01-103	(+)599.74	(-)2241.12
42	4701-01-104	(-)2449.48	(-)5366.67
43	4701-01-107	(+)3062.00	(-)2576.88
44	4701-01-112	(-)1100.00	(-)8096.65
45	4701-01-112 (Charged)	(-)1100.63	(-)1909.37
46	4701-01-114	(+)6826.06	(-)3236.33
47	4701-01-115	(-)1302.96	(-)6933.25
48	4701-01-117	(+)918.30	(-)2485.72
49	4701-01-120	(-)2294.00	(-)28133.63
50	4701-01-122 (Charged)	(+)2522.20	(-)3572.20
51	4701-01-123	(-)12450.04	(-)20680.05
52	4701-01-125	(+)400.00	(+)24435.85
53	4701-01-128	(-)9367.00	(-)31152.88
54	4701-01-131	(-)3290.00	(-)6032.31
55	4701-01-133	(-)16754.00	(-)14340.11
56	4701-01-135	(+)14730.91	(+)2303.74
57	4701-01-136	(+)3231.93	(-)2857.32
58	4701-01-137	(-)35588.03	(+)28921.80
59	4701-01-138	(-)9791.00	(-)14012.15
60	4701-01-144	(+)496.14	(-)18063.71
61	4701-01-145	(-)4809.00	(-)19481.95
62	4701-01-146	(+)1580.00	(-)4209.59
63	4701-01-154	(-)23614.18	(-)4659.20
64	4701-01-156	(-)168.00	(-)6577.40
65	4701-01-157	(-)3544.87	(-)1039.52
67	4701-01-158	(-)592.00	(-)3362.35
68	4701-01-159	(-)359.00	(-)9415.13
69	4701-01-161	(-)165.00	(-)1769.10
70	4701-01-167	(+)5548.89	(-)8445.13
71	4701-01-168	(-)1701.58	(-)1652.31
72	4701-01-169	(+)11623.45	(+)1652.31
74	4701-01-800	(+)7930.81	(-)12740.40
75	4701-03-112 (Charged)	(+)1053.11	(-)1053.11
76	4701-03-123	(+)922.00	(-)1025.61
77	4701-03-127	(+)700.00	(-)4184.20
78	4701-03-143	(+)2173.00	(-)2759.89

79		4701-03-204	(-)633.23	(-)1164.47
80		4701-03-212	(+)947.00	(-)2992.10
81		4701-03-221	(+)2307.00	(-)6299.85
82		4701-03-225	(-)850.00	(-)2487.51
83		4701-03-237	(-)1300.00	(-)1455.32
84		4701-03-245	(+)2800.00	(-)6026.44
85		4711-01-103-50	(-)407.90	(-)6527.13
86		4711-03-103-06	(-)1834.26	(-)1496.33
87	XXXIV Minor Irrigation	2702-03-101-07	(-)8874.90	(+)2958.67
88	XXXVI Industries and Commerce	2875-60-800-11	(-)850.88	(-)1820.13

## Appendix 2.5

### Results of review of substantial surrenders made during the year (Refer paragraph 2.3.11; page 43)

(Rupees in crore)

Sl.No.	Number and title of grant	Name of the scheme (Head of Account)	Amount of surrender	Percentage of surrender
1	IX Fiscal Administration, Planning, Surveys & Statistics	MH 2052-00-090-(75) Lumpsum Provision	331.46	100
Specific reasons for the surrender of entire provision on 31-03-2009 have not been intimated (August 2009).				
2	IX Fiscal Administration, Planning, Surveys & Statistics	MH 6003-00-110-(05) Ways and Means Advances from the Reserve Bank of India	3000.00	100
Surrender of the entire provision was stated to be due to non-availment of Ways and Means Advances.				
3	XII School Education	MH 2202-02-109-(06) S.U.C.C.E.S.S. Schemes	770.00	100
Specific reasons for the surrender of major portion of the provision have not been intimated (August 2009).				
4	XII School Education	MH 2202-02-789-(06) S.U.C.C.E.S.S. Schemes	160.00	100
Specific reasons for the surrender of entire provision have not been intimated (August 2009).				
5	XXXIII Major and Medium Irrigation	MH 2701-80-800-(13) Assistance to Grama Panchayats in lieu of Water Cess on Land Revenue	216.16	100
Specific reasons for the surrender of entire provision have not been intimated (August 2009).				
6	XXXIII Major and Medium Irrigation	MH 2701-80-800-(19) Rehabilitation of Medium Irrigation Projects under APILIP	101.00	100
Specific reasons for the surrender of entire provision have not been intimated (August 2009).				

## Appendix 2.6

### Surrenders (Rs 50 lakh or more cases) in excess of actual saving (Refer paragraph 2.3.12; page 43)

(Rupees in crore)

Sl. No.	Number and name of the grant/ appropriation	Total grant/ appropriation	Saving/ Excess	Amount surrendered	Amount surrendered in excess
<b>Revenue – Voted</b>					
1	II – Governor and Council of Ministers	11.87	(+) 0.11	0.63	0.63
2	VIII Transport Administration	80.54	(-) 22.53	24.29	1.76
3	XV Sports and Youth Services	151.27	(-) 62.95	67.57	4.62
4	XXII-Tribal Welfare	696.81	(-) 76.26	97.80	21.54
<b>Capital – Voted</b>					
5	XII –School Education	222.99	(-) 163.65	164.10	0.45
6	XIII – Higher Education	34.33	(-) 18.24	21.46	3.22
<b>Loans – Voted</b>					
7	XVI-Medical & Health	185.35	(-) 42.36	42.86	0.50
<b>Loans – Charged</b>					
8	IX Fiscal Administration, Planning, Surveys & Statistics	7496.20	(-) 2663.08	2784.88	121.80
<b>Total</b>		<b>8879.36</b>	<b>(-) 3048.96</b>	<b>3203.59</b>	<b>154.52</b>

## Appendix 2. 7

### Statement of various grants/appropriations in which saving occurred but no part of which was surrendered.

(Refer paragraph 2.3.13; page 43)

(Rupees in crore)

Sl. No.	Grant No.	Number and Name of grant/appropriation	Saving
<b>I – Grants</b>			
1	XV	Sports and Youth Services (CV)	2.00
2	XVII	Municipal Administration and Urban Development (LV)	6.25
3	XIX	Information and Public Relations (RV)	71.54
4	XXV	Women, Child and Disabled Welfare (LV)	0.10
5	XXII	Tribal Welfare (LV)	0.01
6	XXXIV	Minor Irrigation (CV)	669.98
7	XXXVII	Tourism Art and Culture (CV)	6.00
		<b>Total</b>	<b>755.88</b>
<b>II – Appropriations</b>			
8	V	Revenue, Registration and Relief (RC)	0.07
9	XVI	Medical and Health (RC)	0.01
10	X	Home Administration (RC)	0.26
11	XXXI	Panchayat Raj (RC)	0.01
12	XXXIV	Minor Irrigation (CC)	5.15
13	XXXVI	Industries and Commerce (RC)	0.11
		<b>Total</b>	<b>5.61</b>
		<b>Grand Total</b>	<b>761.49</b>

RV: Revenue-Voted, RC: Revenue-Charged, CV: Capital-Voted,  
CC: Capital-Charged, LV: Loans-Voted

## Appendix 2.8

### Details of saving not surrendered by Rs 5 crore and above

(Refer paragraph 2.3.13; page 43)

(Rupees in crore)

Sl. No.	Number and Name of grant/appropriation	Saving	Surrender	Un-surrendered saving
(1)	(2)	(3)	(4)	(5)
1	III – Administration of Justice (RV)	38.03	27.37	10.66
2	IV – General Administration and Elections (RV)	15.89	9.46	6.43
3	V – Revenue, Registration and Relief (CV)	60.30	13.17	47.13
4	IX – Fiscal Administration, Planning, Surveys and Statistics (RV)	670.54	603.62	66.92
5	IX – Fiscal Administration, Planning, Surveys and Statistics (CV)	705.03	699.54	5.49
6	X – Home Administration (CV)	36.55	13.05	23.50
7	XII – School Education (RV)	2902.55	2848.23	54.32
8	XIII – Higher Education (RV)	429.61	244.15	185.46
9	XVI – Medical and Health (RV)	325.30	273.53	51.77
10	XVI – Medical and Health (CV)	61.94	35.87	26.07
11	XVII – Municipal Administration and Urban Development (RV)	285.79	0.57	285.22
12	XXI – Social Welfare (RV)	398.15	316.82	81.33
13	XXI – Social Welfare (CV)	434.29	124.68	309.61
14	XXII – Tribal Welfare (CV)	136.00	107.99	28.01
15	XXIII – Backward Classes Welfare (RV)	253.39	73.16	180.23
16	XXV – Women, Child and Disabled Welfare (RV)	207.85	140.36	67.49
17	XXV – Women, Child and Disabled Welfare (CV)	11.56	5.32	6.24
18	XXVII – Agriculture (RV)	1200.54	1126.69	73.85
19	XXVIII – Animal Husbandry (RV)	268.56	231.05	37.51
20	XXX – Cooperation (RV)	91.91	79.85	12.06
21	XXXI – Panchayat Raj (RV)	110.90	96.13	14.77
22	XXXII – Rural Development (RV)	1434.89	1415.84	19.05
23	XXXIII – Major and Medium Irrigation (RV)	2720.89	1846.92	873.97
24	XXXIII – Major and Medium Irrigation (RC)	11.41	3.90	7.51
25	XXXIII – Major and Medium Irrigation (CV)	4666.26	2244.74	2421.52
26	XXXIII – Major and Medium Irrigation (CC)	112.27	11.05	101.22
27	XXXIV – Minor Irrigation (RV)	289.14	240.93	48.21
28	XXXV – Energy (CV)	10.62	1.65	8.97
29	XXXV – Energy (LV)	360.59	174.01	186.58
30	XXXVI – Industries and Commerce (RV)	287.74	241.74	46.00
31	XXXVI – Industries and Commerce (CV)	82.07	42.07	40.00
32	XXXVII – Tourism (RV)	55.18	24.53	30.65
33	XXXVIII – Civil Supplies (RV)	214.69	176.76	37.93
	<b>Total</b>	<b>18890.43</b>	<b>13494.75</b>	<b>5395.68</b>

RV: Revenue-Voted, RC: Revenue-Charged, CV: Capital-Voted, CC: Capital-Charged, LV: Loans-Voted

## Appendix 2.9

### Cases of surrender of funds in excess of Rs 10 crore on 30 and 31 March 2009

(Refer paragraph 2.3.13; page 43)

(Rupees in crore)

Sl. No.	Grant No.	Major Head	Amount of surrender
(1)	(2)	(3)	(4)
1	III	2014 – Administration of Justice	27.31
2	V	2029 – Land Revenue	47.74
3		2245 – Relief on Account of Natural Calamities	14.32
4		4070 – Capital Outlay on Other Administrative Services	13.17
5	VI	2039 – State Excise	21.34
6	VII	2040 – Taxes on Sales, Trade etc.	23.10
7		3604 – Compensation and Assignments to Local Bodies & Panchayat Raj Institutions	17.66
8	VIII	2041 – Taxes on Vehicles	24.29
9	IX	2052 – Secretariat General Services	432.06
10		2071 – Pension and other retirement benefits	149.50
11		2054 – General Services	14.99
12		2049 – Interest Payments	927.58
13		5475 – Capital Outlay on Other General Economic Services	699.54
14		6003 – Internal Debt of the State Government	2784.88
15		7610 – Loans to Government Servants etc.	29.18
16	X	2055 – Police	40.46
17		4055 – Capital Outlay on Police	13.05
18	XI	2059 – Public Works	20.10
19		4059 – Capital Outlay on Public Works	95.37
20		5054 – Capital Outlay on Roads and Bridges	158.88
21		7075 – Loans for Other Transport Services	378.65
22	XII	2202 – General Education	2824.53
23		4202 – Capital Outlay on Education, Sports, Art & Culture	164.10
24	XIII	2202 – General Education	241.25
25		4202 – Capital Outlay on Education, Sports, Art and Culture	21.46
26	XIV	2203 – Technical Education	84.17
27	XV	2204 – Sports and Youth Services	62.57
28	XVI	2210 – Medical and Public Health	184.01
29		2211 – Family Welfare	89.27
30		4211 – Capital Outlay on Family Welfare	13.00
31		6210 – Loans for Medical and Public Health	42.86
32	XVIII	2216 – Housing	479.38
33		6216 – Loans for Housing	966.28

34	XX	2230 – Labour and Employment	137.84
35		4250 – Capital Outlay On Labour and Employment	27.42
36	XXI	2059 – Public Works	38.22
37		2225 – Welfare of SCs, STs and OBCs	237.56
38		4225 – Capital Outlay on Welfare of SCs, STs and OBCs	110.07
39	XXII	2225 – Welfare of SCs, STs and OBCs	76.80
40		4225 – Capital Outlay on Welfare of SCs, STs and OBCs	107.99
41	XXIII	2225 – Welfare of SCs, STs and OBCs	38.87
42		4225 – Capital Outlay on Welfare of SCs, STs and OBCs	31.13
43	XXV	2235 – Social Security and Welfare	140.36
44	XXVII	2401 – Crop Husbandry	1070.90
45		2415 – Agricultural Research	22.78
46		2851 – Village and Small Industries	31.52
47		4401 – Capital Outlay on Crop Husbandry	10.00
48		4435 – Capital Outlay on Other Agricultural Programmes	40.80
49	XXVIII	2405 – Fisheries	42.32
50		2059 – Public Works	53.28
51		2403 – Animal Husbandry	124.89
52		4405 – Capital Outlay on Fisheries	16.62
53	XXIX	2402 – Soil and Water Conservation	63.77
54	XXX	2425 – Cooperation	79.85
55		4425 – Capital Outlay on Cooperation	15.96
56	XXXI	2515 – Other Rural Development	88.24
57	XXXII	3451 – Secretariat Economic Services	163.87
58		2235 – Social Security and Welfare	1249.25
59	XXXIII	2701 – Major and Medium Irrigation	20.92
60		4701 – Capital Outlay on Major Medium Irrigation	2246.00
61	XXXIV	2702 – Minor Irrigation	20.13
62	XXXV	6801 – Loans for Power Projects	174.01
63	XXXVI	2851 – Village and Small Industries	231.41
64		4858 – Capital Outlay on Engineering Industries	39.37
65	XXXVII	2205 – Art and Culture	23.03
66	XXXVIII	2236 – Nutrition	174.78
67	XXXIX	3451 – Secretariat Economic Services	78.79
68		3475 – Other General Economic Services	10.94
		<b>Total</b>	<b>18145.74</b>

## Appendix 2.10

### Pending AC bills at the end of 2008-09

(Refer paragraph 2.4.1; page 44)

(Rupees in crore)

Sl. No.	Department	Number of AC bills	Amount
1	Agriculture	614	169.05
2	Roads & Buildings	20	0.12
3	Animal Husbandry and Fisheries	17	2.96
4	Medical & Health	90310	101.81
5	Industries	14	2.47
6	Finance	553	13.16
7	Home	1846	42.23
8	Education	20774	61.00
9	Information & Public Relations	566	1.76
10	Panchayat Raj & Rural Development	1461	50.71
11	BC Welfare	2	*
12	Revenue. Registration & Relief	5359	310.16
13	Municipal Administration & Urban Development	34	0.14
14	General Administration	2941	20.70
15	Tribal Welfare	7	0.29
16	Women Development & Child Welfare	2	@
17	Sports & Youth Services	258	6.91
18	Civil Supplies Administration	3	0.03
19	Social Welfare	9	0.02
20	Law	3	0.19
21	Forest. Science and Technology	2	0.12
22	Tourism . Art & Culture	1	\$
	<b>Total</b>	<b>124796</b>	<b>783.83</b>

\* Rs 29139 only @ Rs 15680 only \$ Rs 10000 only

### Appendix 3.1

#### Utilisation Certificates outstanding as on 31 March, 2009

(Refer paragraph 3.1; page 51)

(Rupees in lakh)

Sl. No.	Department	Year of Payment of grant	Total grants paid		Utilisation Certificates			
					Received		Outstanding	
			Number	Amount	Number	Amount	Number	Amount
1	Director of School Education	1992-93	4	144.08	--	--	4	144.08
2	Relief on Account of Natural Calamities	1993-94	618	6972.35	--	--	618	6972.35
		1994-95	464	3993.80	--	--	464	3993.80
		1995-96	468	6156.44	--	--	468	6156.44
		1996-97	507	11256.62	--	--	507	11256.62
		1997-98	241	7687.66	--	--	241	7687.66
		1998-99	125	10854.54	--	--	125	10854.54
		2000-01	6	444.37	--	--	6	444.37
		2001-02	1	0.12	--	--	1	0.12
3	Panchayat Raj and Rural Development	1991-92	315	2539.09	--	--	315	2539.09
		1992-93	87	1993.56	--	--	87	1993.56
		1999-00	8	1606.74	--	--	8	1606.74
4	Water Supply and Sanitation	1998-99	60	2215.59	--	--	60	2215.59
		1999-00	3	35.58	--	--	3	35.58
5	Municipal Administration & Urban Development	1998-99	17	86.36	--	--	17	86.36
		1999-00	19	48.06	--	--	19	48.06
6	Animal Husbandry	2006-07	1	36.74	1	36.74	--	--
	<b>Total</b>		<b>2944</b>	<b>56071.72</b>	<b>1</b>	<b>36.74</b>	<b>2943</b>	<b>56034.98</b>

## Appendix 3.2

### Statement of bodies and authorities, the accounts of which had not been received (Refer paragraph 3.2; page 51)

Sl. No.	Name of the body/authority	No. of bodies/ authorities	Years for which accounts had not been received*
<b>Higher Education Department</b>			
1	Universities	14	2004-05 to 2008-09 (27)
2	Aided Colleges	122	1994-95 to 2008-09 (607)
3	AP State Council of Higher Education	1	2007-08, 2008-09 (2)
<b>Panchayat Raj And Rural Development Department</b>			
4	District Rural Development Agencies	16	2006-07 to 2008-09 (37)
5	District Water Management Agencies	22	2006-07 to 2008-09 (42)
6	Society for Elimination of Rural Poverty	1	2008-09 (1)
<b>Social Welfare Department</b>			
7	District Scheduled Castes Service Coop. Societies	21	2005-06 to 2008-09 (53)
8	District Backward Classes Service Coop. Societies	13	2004-05 to 2008-09 (38)
9	AP SC Co-op. Finance Corporation	1	2007-08, 2008-09 (2)
10	AP BC Finance Corporation	1	2004-05 to 2008-09 (5)
11	AP Social Welfare Fund	1	2001-02 to 2008-09 (8)
12	AP Advocates Clerks Welfare Fund	1	2008-09 (1)
13	AP Advocates Welfare Fund	1	2008-09 (1)
14	AP Social Welfare Residential Educational Institution Society	1	2004-05 to 2008-09 (5)
<b>Youth Advancement and Tourism Department</b>			
15	Society for Training and Employment Promotion	19	2005-06 to 2008-09 (44)
16	AP Sports School	1	2008-09 (1)
17	Sports Authority of Andhra Pradesh	1	2006-07 to 2008-09 (3)
18	National Institute of Tourism and Hospitality Management	1	2006-07 to 2008-09 (3)
19	Ravindra Bharathi	1	2006-07 to 2008-09 (3)
<b>Agriculture and Co-operation Department</b>			
20	AP State Co-op. Union	1	2007-08, 2008-09 (2)
21	AP State Co-op. Mktg. Federation	1	2008-09 (1)
<b>Animal Husbandry and Fisheries Department</b>			
22	AP State Fishermen Co-op. Societies Federation	1	2003-04 to 2008-09 (6)
23	Visakha Live Stock Development Agency	1	2004-05 to 2008-09 (5)
<b>Backward Classes Welfare Department.</b>			
24	AP Washermen Co-op. Societies	1	2005-06 to 2008-09 (4)
25	AP Study Circle for BC. Guntur	1	2006-07 to 2008-09 (3)
26	AP Study Circle for BCs. Warangal	1	2006-07 to 2008-09 (3)
<b>School Education Department</b>			
27	Zilla Grandhalaya Samsthas	23	1997-98 to 2008-09 (99)
28	Zilla Saksharatha Samithis	23	1997-98 to 2008-09 (174)
29	AP Residential Educational Institutional Society	1	2004-05 to 2008-09 (5)
30	AP Study Circle. Hyderabad	1	2007-08, 2008-09 (2)

31	AP Study Circle, Ananthapur	1	1997-98 to 2008-09 (12)
32	Swamy Ramanantha Thirtha Rural Institute	1	2007-08, 2008-09 (2)
33	AP School Educational Society	1	2006-07 to 2008-09 (3)
34	AP State Literacy Mission	1	2005-06 to 2008-09 (4)
35	AP Open School Society	1	2007-08, 2008-09 (2)
36	State Institute of Education and Technology	1	2005-06 to 2008-09 (4)
<b>Planning Department</b>			
37	AP State Remote Sensing Application Centre	1	2007-08, 2008-09 (2)
<b>Health, Medical and Family Welfare Department.</b>			
38	Indian Institute of Health and Family Welfare	1	2006-07 to 2008-09 (3)
39	APMHIDC	1	2007-08, 2008-09 (2)
40	AP State TB Society	1	2006-07 to 2008-09 (3)
41	AP Yogadhyayana Parishad	1	2006-07 to 2008-09 (3)
42	AP Medicinal and Aromatic Plant Board	1	2008-09 (1)
43	MNJ Institute of Oncology	1	2008-09 (1)
44	<b>Nizam's Institute of Medical Sciences</b>	1	2007-08, 2008-09 (2)
45	AP Right to Sight Society	1	2008-09 (1)
46	State Blindness Control Society	1	2006-07 to 2008-09 (3)
47	State TB Office	1	2003-04 to 2008-09 (6)
<b>Irrigation and Command Area Development Department</b>			
48	WALAMTARI	1	2006-07 to 2008-09(3)
<b>Municipal Administration and Urban Development Department</b>			
49	Quli Qutubshah Urban Development Authority	1	2008-09 (1)
<b>Tribal Welfare Department</b>			
50	AP Scheduled Tribes Finance Corporation	1	2002-03 to 2008-09 (7)
51	AP Tribal Welfare Ashram Residential Education Institution Society	1	2005-06 to 2008-09 (4)
52	Girijan Co-op. Corporation.	1	2006-07 to 2008-09 (3)
<b>Women Development and Child Welfare Department</b>			
53	AP Women's Co-operative Finance Corporation.	1	2006-07 to 2008-09 (3)
54	AP Vikalaangula Co-operative Finance Corporation.	1	2007-08, 2008-09 (2)
55	Kurnool District Society for Rehabilitation	1	2008-09 (1)
56	AP Social Welfare Board	1	2005-06 to 2008-09 (4)
<b>Environment, Forests, Science and Technology Department</b>			
57	AP State Council for Science and Technology	1	1997-98 to 2008-09 (12)
<b>Total</b>		<b>321</b>	<b>1276</b>

\* Figures in brackets represent number of accounts

### Appendix 3.3

#### Statement showing performance of the autonomous bodies

(Refer paragraph 3.3; page 52)

Sl. No.	Name of body	Period of entrustment	Year up to which accounts were rendered	Period up to which Separate Audit Report was issued	Placement of SAR in the Legislature	Accounts due for the years	Period of delay in months
1	Hyderabad Urban Development Authority <sup>\$</sup>	2009-2010	2007-2008	2002-2003	2000-2001	2008-2009	3
2	Visakhapatnam Urban Development Authority	2008-2009	2005-2006	2004-2005	2001-2002	2006-2007 2007-2008 2008-2009	27 15 3
3	Tirupati Urban Development Authority	2008-2009	2006-2007	2006-2007	2001-2002	2007-2008 2008-2009	15 3
4	Kakatiya Urban Development Authority	2008-2009	2006-2007	2006-2007	1998-1999	2007-2008 2008-2009	15 3
5	Vijayawada-Guntur-Tenali-Mangalagiri Urban Development Authority	2009-2010	2008-2009	2005-2006	2000-2001	--	—
6	AP Vaidya Vidhana Parishad	2004-2005	2004-2005	2000-2001	1999-2000	2005-2006 2006-2007 2007-2008 2008-2009	39 27 15 3
7	AP Khadi Village Industries Board	2009-2010	2007-2008	2002-2003	1999-2000	2008-2009	3
8	Sri Satya Sai Urban Development Authority*	2008-2009	2002-2003	*	*	*	*

\$ The Hyderabad Urban Development Authority was renamed as 'Hyderabad Metropolitan Development Authority'

\* Though, initially the annual accounts up to 2002-03 were submitted to this office, audit could not be taken up as the initial records were stated to have been burnt in a fire accident. The Authority expressed their inability to reconstruct the records. Hence, audit can be taken up only from the year 2003-04 subject to production of accounts.

### Appendix 3.4

#### Statement of Finalisation of accounts and the Government investment in departmentally managed Commercial and Quasi-Commercial Undertakings

(Refer paragraph 3.4; page 53)

Sl. No.	Name of the Undertaking	Accounts finalised up to	Investment as per the last accounts finalised (Rs in crore)	Remarks/reasons for delay in preparation of accounts
<b>Education Department</b>				
1	Andhra Pradesh Government Text Book Press. Hyderabad.	1977-78	1.06	Revised accounts from 1978-79 to 1985-86 and accounts from 1986-87 to 2000-01 were received in August 2004 and the same were not certified as the management did not produce supporting registers/records for verification of accounts.
<b>Home Department</b>				
2	Government Central Press. Hyderabad	Accounts are awaited from 1969-70. Revised accounts are awaited from 1967-68.	Not available	Despite constant pursuance by the AG(C&RA), accounts are awaited from 1969-70. Revised accounts are awaited from 1967-68.
3	Government Regional Press. Kumool	Accounts are awaited from 1971-72.	Not available	Despite constant pursuance by the AG(C&RA), accounts are awaited from 1971-72.
4	Government Regional Press. Vijayawada	Accounts are awaited from 1983-84.	Not available	Despite constant pursuance by the AG(C&RA) accounts are awaited from 1983-84.
<b>Revenue Department</b>				
5	Government Distillery, Narayanaguda. Hyderabad	Revised accounts for 1992-93 and 1993-94 are awaited.	--	The unit stopped production with effect from October 1993. Revised accounts for 1992-93 and 1993-94 could not be certified due to non-availability of records.
<b>Finance Department</b>				
6	Andhra Pradesh Government Life Insurance, Hyderabad	2001-02	NIL	Despite constant pursuance by the AG(C&RA) accounts are awaited from 2002-03.
<b>Animal Husbandry and Fisheries Department</b>				
7	Ice-cum-Cold Storage Plant. Tungabhadra Dam.	2004-05	0.12	Accounts for 2005-06 and 2006-07 were audited and provisional comments were issued in April 2009. Accounts are under revision.
8	Fishnet Making Plant, Tungabhadra Dam	2006-07	3.02	Audit certificate for 2006-07 accounts was issued in July 2009.
9	Fish Seed Farm, Tungabhadra Dam	Accounts are awaited since inception from 1963-64.	Not available	Despite constant pursuance by the AG(C&RA) accounts are awaited from 1963-64 to 2008-09.

### Appendix 3.5

#### Department/year-wise break-up of the cases of misappropriation, defalcation, etc. (Cases where final action was pending at the end of 30 June 2009)

(Refer paragraph: 3.5; page 54)

(Rupees in lakh)

Sl. No.	Department	Up to 2004-05		2005-06		2006-07		2007-08		2008-09		Total	
		N	A	N	A	N	A	N	A	N	A	N	A
1	Agriculture and Cooperation	25	83.33	-	-	-	-	-	-	-	-	25	83.33
2	Animal Husbandry and Fisheries	4	2.63	-	-	-	-	-	-	-	-	4	2.63
3	Education	34	91.53	-	-	-	-	1	20.66	-	-	35	112.19
4	Environment, Forests, Science and Technology	10	102.38	-	-	-	-	-	-	-	-	10	102.38
5	Finance and Planning (Treasuries and Accounts)	6	188.01	-	-	1	0.30	-	-	-	-	7	188.31
6	Health, Medical and Family Welfare	51	149.06	4	25.11	-	-	2	11.03	-	-	57	185.20
7	Home	12	15.64	1	0.97	1	3.32	-	-	-	-	14	19.93
8	Industries and Commerce	-	-	1	ANF	-	-	-	-	-	-	1	ANF
9	Labour, Employment, Training and Factories	4	5.02	-	-	-	-	-	-	-	-	4	5.02
10	Law	4	0.95	2	1.26	5	40.84	-	-	-	-	11	43.05
11	Legislature	1	7.80	-	-	-	-	-	-	-	-	1	7.80
12	Municipal Administration and Urban Development	1	4.35	-	-	-	-	-	-	-	-	1	4.35
13	Panchayat Raj and Rural Development	21	196.52	1	0.36	-	-	-	-	-	-	22	196.88
14	Revenue	262	99.33	-	-	-	-	1	0.40	-	-	263	99.73
15	Social Welfare (including Tribal Welfare)	25	2428.25	-	-	1	1.69	-	-	-	-	26	2429.94
16	Transport, Roads and Buildings	2	3.46	-	-	-	-	-	-	-	-	2	3.46
	<b>Total</b>	<b>462</b>	<b>3378.26</b>	<b>9</b>	<b>27.70</b>	<b>8</b>	<b>46.15</b>	<b>4</b>	<b>32.09</b>	<b>-</b>	<b>-</b>	<b>483</b>	<b>3484.20</b>

N-Number of cases A-Amount ANF Amount Not Furnished

## Appendix 4.1

### Glossary of terms

Terms	Basis of calculation
Buoyancy of a parameter	Rate of Growth of parameter/GSDP Growth Rate
Buoyancy of a parameter (X) With respect to another parameter (Y)	Rate of Growth of parameter (X)/ Rate of Growth of parameter (Y)
Rate of Growth (ROG)	$[(\text{Current year Amount} / \text{Previous year Amount}) - 1] * 100$
Development Expenditure	Social Services + Economic Services
Average interest paid by the State	Interest payment/[(Amount of previous year's Fiscal Liabilities + Current year's Fiscal Liabilities)/2]*100
Interest spread	GSDP growth rate – Average Interest Rate
Quantum spread	Debt stock * Interest spread
Interest received as <i>per cent</i> to Loans Outstanding	Interest Received/ [(Opening balance + Closing balance of Loans and Advances)/2]*100
Revenue Deficit	Revenue Receipt – Revenue Expenditure
Fiscal Deficit	Revenue Expenditure + Capital Expenditure + Net Loans and Advances - Revenue Receipts - Miscellaneous Capital Receipts
Primary Deficit	Primary deficit defined as the fiscal deficit net of interest payments indicates the extent of deficit which is an outcome of the fiscal transactions of the State's during the course of the year (Fiscal Deficit - Interest payments)
Balance from Current Revenue (BCR)	Revenue Receipts <b>minus</b> all Plan grants and Non-plan Revenue Expenditure excluding expenditure recorded under the major head 2048 Appropriation for reduction or Avoidance of debt
Terms	Description
GSDP	GSDP is defined as the total income of the State or the market value of goods and services produced using labour and all other factors of production at current prices
Buoyancy ratio	Buoyancy ratio indicates the elasticity or degree of responsiveness of a fiscal variable with respect to a given change in the base variable. For instance, revenue buoyancy at 0.6 implies that revenue receipts tend to increase by 0.6 percentage points, if the GSDP increases by one <i>per cent</i> .
Debt Consolidation and Relief Facility	In pursuance of the recommendations of the Twelfth Finance Commission (TFC) for fiscal consolidation and elimination of revenue deficit of the States, Government of India formulated a scheme “ <b>The States' Debt Consolidation and Relief Facility (DCRF) (2005-06 to 2009-10)</b> ” under which general debt relief is provided by consolidating and rescheduling at substantially reduced rates of interest the Central loans granted to States on enacting the FRBM Act and debt waiver is granted on fiscal performance, linked to the reduction of revenue deficits of States

Absorptive capacity	Absorptive capacity in this case refers to the ability of a State to implement a developmental scheme in such a way that with given resources, there is maximum benefit to the people. This is usually achieved when the design of schemes are well planned with careful risk mitigation strategy in place, administrative costs are low, operation, maintenance, monitoring and control mechanisms are in place etc so that the State is able to effectively achieve targeted outcomes.
Merit goods	<i>Core public goods</i> are which all citizens enjoy in common in the sense that each individual's consumption of such a good leads to no subtractions from any other individual's consumption of that good, e.g. enforcement of law and order, security and protection of our rights; pollution free air and other environmental goods and road infrastructure etc. <i>Merit goods</i> are commodities that the public sector provides free or at categorized rates because an individual or society should have them on the basis of some concept of need, rather than ability and willingness to pay the government and therefore wishes to encourage their consumption. The examples of such goods include the provision of free or subsidised food for the poor to support nutrition, the delivery of health services to improve quality of life and reduce morbidity, providing basic education to all, drinking water and sanitation etc.
Development expenditure	The analysis of the expenditure data is disaggregated into development and non-development expenditure. All expenditure relating to Revenue Account, Capital Outlay and Loans and Advances are categorized into social services, economic services and general services. Broadly, the social and economic services constitute development expenditure, while expenditure on general services is treated as non-development expenditure.
Average interest rate	Average interest rate is defined as the percentage of interest payment made to, average financial liabilities of the State during the year i.e. $(\text{sum of opening and closing balances of fiscal liabilities}/2) \times 100$
Debt sustainability	The debt sustainability is defined as the ability of the State to maintain a constant debt-GSDP ratio over a period of time and also embodies the concern about the ability to service its debt. Sustainability of debt therefore also refers to sufficiency of liquid assets to meet current or committed obligations and the capacity to keep balance between costs of additional borrowings with returns from such borrowings. It means that rise in fiscal deficit should match with the increase in capacity to service the debt.

Debt stabilisation	A necessary condition for stability states that if the rate of growth of economy exceeds the interest rate or cost of public borrowings, the debt-GDP ratio is likely to be stable provided primary balances are either zero or positive or are moderately negative. Given the rate spread (GSDP growth rate - interest rate) and quantum spread (Debt*rate spread), debt sustainability condition states that if quantum spread together with primary deficit is zero, debt-GSDP ratio would be constant or debt would stabilize eventually. On the other hand, if primary deficit together with quantum spread turns out to be negative, debt-GSDP ratio would be rising and in case it is positive, debt-GSDP ratio would eventually be falling.
Non debt receipts	Adequacy of incremental non-debt receipts of the State to cover the incremental interest liabilities and incremental primary expenditure. The debt sustainability could be significantly facilitated if the incremental non-debt receipts could meet the incremental interest burden and the incremental primary expenditure.
Borrowed funds	Defined as the ratio of the debt redemption (Principal + Interest Payments) to total debt receipts and indicates the extent to which the debt receipts are used in debt redemption indicating the net availability of borrowed funds.
Primary revenue deficit	Primary revenue deficit defined as gap between non interest revenue expenditure of the State and its non-debt receipts indicates the extent to which the non-debt receipts of the State are able to meet the primary expenditure incurred under revenue account
Primary expenditure	Primary expenditure of the State, defined as the total expenditure net of the interest payments, indicates the expenditure incurred on the transactions undertaken during the year

## Appendix 4.2

### Acronyms and abbreviations

Acronym		Full form
AC Bill	:	Abstract Contingent Bill
AE	:	Aggregate Expenditure
AIBP	:	Accelerated Irrigation Benefit Programme
APFRBM Act	:	Andhra Pradesh Fiscal Responsibility and Budget Management Act
APGENCO	:	Andhra Pradesh Generation Corporation
APRPRP	:	Andhra Pradesh Rural Poverty Reduction Project
APSRTC	:	Andhra Pradesh State Road Transport Corporation
APTRANSCO	:	Transmission Corporation of Andhra Pradesh
APUFIDC	:	Andhra Pradesh Urban Financial Infrastructure Development Corporation
APWRDC	:	Andhra Pradesh Water Resources Development Corporation
BE	:	Budget Estimates
CB	:	Closing Balance
CE	:	Capital Expenditure
CF	:	Contingency Fund
CSS	:	Centrally Sponsored Schemes
DC Bill	:	Detailed Contingent Bill
DCRF	:	Debt Consolidation and Relief Facility
DE	:	Development Expenditure
DPIP	:	District Poverty Initiatives Programme
DRDA	:	District Rural Development Agency
EAP	:	Externally Aided Projects
FCP	:	Fiscal Correction Path
FD	:	Fiscal Deficit
FPSS	:	Fiscal Policy Strategy Statement
FRL	:	Fiscal Responsibility Legislation
GOI	:	Government of India
GSDP	:	Gross State Domestic Product
JNNURM	:	Jawaharlal Nehru National Urban Renewal Mission

MEFS	:	Macro Economic Framework Statement
NALA	:	Non-Agriculture Land Assessment
NCDC	:	National Cooperative Development Corporation
NGO	:	Non-Government Organisation
NPRE	:	Non-Plan Revenue Expenditure
NREGM	:	National Rural Employment Guarantee Mission
NRHM	:	National Rural Health Mission
NTR	:	Non-Tax Revenue
O&M	:	Operations and Maintenance
PAC	:	Public Accounts Committee
PD	:	Primary Deficit
PF	:	Provident Fund
RBI	:	Reserve Bank of India
RD	:	Revenue Deficit
RE	:	Revenue Expenditure
RR	:	Revenue Receipts
RR Act	:	Revenue Recovery Act
S&W	:	Salaries and Wages
SFC	:	State Finance Commission
SSA	:	Sarva Siksha Abhiyan
SSE	:	Social Sector Expenditure
SUCCESS	:	Scheme for Universal Access and Quality at Secondary Stage
TB Dam	:	Thungabhadra Dam
TE	:	Total Expenditure
TFC	:	Twelfth Finance Commission
UC	:	Utilization Certificate
VAT	:	Value Added Tax
WMA	:	Ways and Means Advances