

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
Total Voted		84103.38	6463.05	90566.43	68344.81	(-) 22221.62
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
Total Charged		16728.42	10.94	16739.36	13011.77	(-) 3727.59
Appropriation to Contingency Fund		--	--	--	--	--
Grand Total		100831.80	6473.99	107305.79	81356.58	(-) 25949.21

* 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
Revenue-Voted						
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
Capital-Voted						
5	XXXIII - Major and Medium Irrigation	12629.21	--	12629.21	7962.95	4666.26
Public Debt - Charged						
6	IX - Fiscal Administration, Planning, Surveys and Statistics	7496.20	--	7496.20	4833.12	2663.08
TOTAL						15588.21

The saving under School Education was mainly due to short release of teaching grants to Mandal Praja Parishads and Municipalities and abolition of 7th 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
Capital-Voted					
1	XXXIX	Information Technology and Communications	0.00	10.94	10.94
Loans-Voted					
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
Total			0.02	127.11	127.09

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
Total			1474.21	

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

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	
2004-05	5	1	14.83	Explanatory notes are awaited from the Administrative Departments/Finance Department for vetting by the Principal Accountant General.
2005-06	10	3	585.82	
2006-07	7	1 ^s	198.72	
2007-08	7	3	201.30	
Total	183	42	13254.20	

^s Explanatory notes for one Grant was received

^s 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
Revenue - Voted				
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
Capital - Voted				
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
Loans - Voted				
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
TOTAL VOTED		6586.59	7291.14	704.55
Revenue - Charged				
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
TOTAL CHARGED		44.44	49.13	4.69
GRAND TOTAL		6631.03	7340.27	709.24

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
XXXI Panchayat Raj		
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.
XXXIII Major and Medium Irrigation		
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
Total Expenditure	72220.68*	--
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 Government¹ 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
Total	1128.20	344.37	31	783.83

¹ 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 Rules² 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 expenditure³ 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-recovered⁴ 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.

² Article 9 of the Andhra Pradesh Financial Code

³ Includes revenue, capital and loans and advances

⁴ 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 section⁵. 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 section⁶.

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.

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

⁶Grant 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 crore⁷ 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.

⁷Original budget Rs 100831.80 crore and Supplementary Rs 6473.99 crore